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| BILL ANALYSIS |

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| C.S.H.B. 601 |
| By: Jetton |
| Insurance |
| Committee Report (Substituted) |

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| **BACKGROUND AND PURPOSE**  If an insurance company improperly denies, delays, underpays, or otherwise mishandles a claim, policyholders are often forced to retain professional representation, such as an attorney or a licensed public insurance adjuster, to be finally made whole. If the insurance company ultimately accepts responsibility and provides fair payment under the existing policy, the insured policyholder is responsible under current law for compensating their professional representative even though these costs were caused by the insurance company's failure to uphold their end of the contract and pay the claim fairly.  Under the doctrine of consequential damages, this cost on the policyholder is incurred only because of a breach of contract by the insurance company and should rightly be paid by them. Otherwise, the policyholder is not truly made whole as they receive what they were always owed under the claim less the cost of their professional representative.  C.S.H.B. 601 seeks to address this issue by classifying this behavior by an insurance company as an unfair claims settlement practice and by requiring that the fee for a licensed public adjuster be paid by the insurance company under certain circumstances. |
| **CRIMINAL JUSTICE IMPACT**  It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision. |
| **RULEMAKING AUTHORITY**  It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution. |
| **ANALYSIS**  C.S.H.B. 601 amends the Insurance Code to include compelling a policyholder to retain a public insurance adjuster to recover an amount due under a policy by offering less than the amount ultimately recovered in a settlement with the policyholder among the acts by an insurer that constitute an unfair claim settlement practice. This provision applies only to an offer made on or after the bill's effective date.  C.S.H.B. 601 requires an insurer to pay a commission of a licensed public insurance adjuster for services provided to an insured as a result of the insurer engaging in unfair methods of competition or committing an unfair or deceptive act or practice or an unfair claim settlement practice. This payment is in addition to any other payment required under other law. These provisions apply only to services provided under a contract between a public insurance adjuster and an insured entered into on or after the bill's effective date. |
| **EFFECTIVE DATE**  September 1, 2023. |
| **COMPARISON OF INTRODUCED AND SUBSTITUTE**  While C.S.H.B. 601 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.  Both the introduced and the substitute include compelling a policyholder to retain a public insurance adjuster to recover an amount due under a policy by offering less than the amount ultimately recovered in a settlement with the policyholder among the acts by an insurer that constitute an unfair claim settlement practice; however, whereas in the introduced the amount offered had to have been substantially less than the amount ultimately recovered for the act to constitute an unfair claim settlement practice, the substitute does not include a specification regarding how much less the offer must be. |
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