

BILL ANALYSIS

Senate Research Center
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S.B. 554
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The right of appraisal clause in a car insurance policy is designed to be a way of reaching a settlement when there is a dispute over the amount of a loss between a policy holder and an insurance company. The appraisal clause can be utilized when there is a dispute over the cost to repair a vehicle or the value of a vehicle in a total loss claim. The right to appraisal offers an amicable resolution to the dispute of the loss, allows unbiased professionals to determine the loss, and offers an alternative path to lawsuits.

Often times, an inexperienced insurance adjuster will write a loss statement or estimate that will unsafely repair the loss vehicle. Unsafely repaired vehicles are dangerous and could harm other drivers. Under current law, insurance companies are not required to include an appraisal process in their policies. When a dispute arises over the proper repair plan or loss settlement, a policy with limited or restricted appraisal rights leaves the policy holder facing harmful losses.

S.B. 554 will ensure Texans have the right to an appraisal process in a loss determination by requiring that insurance companies include an appraisal procedure in their policies.

As proposed, S.B. 554 amends current law relating to an appraisal procedure for disputed losses under personal automobile insurance policies.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 1952, Insurance Code, by adding Subchapter I, as follows:

SUBCHAPTER I. APPRAISAL PROCEDURES

Sec. 1952.401. **APPLICABILITY OF SUBCHAPTER.** Provides that this subchapter applies to an insurer writing automobile insurance in this state, including an insurance company, corporation, reciprocal or interinsurance exchange, mutual insurance company, capital stock company, association, county mutual insurance company, Lloyd's plan, and any other insurer.

Sec. 1952.402. **REQUIRED POLICY PROVISION: APPRAISAL PROCEDURE.** Requires that a personal automobile insurance policy contain an appraisal procedure that complies with this subchapter.

Sec. 1952.403. **APPRAISAL DEMAND; APPOINTMENT OF APPRAISERS.** (a) Authorizes an insurer or the named insured to demand an appraisal not later than the 90th day after the date a proof of loss is filed with the insurer if the insurer and insured do not agree on the amount of the loss.

(b) Requires each party to appoint a competent appraiser and notify the other party of that appraiser's identity not later than the 15th day after the date an appraisal is demanded.

Sec. 1952.404. DETERMINATION OF LOSS. (a) Requires the appraisers appointed by the parties to determine the amount of loss.

(b) Requires the appraisers to select a qualified umpire if the appraisers fail to agree on the amount of loss. Requires the appraisers and umpire to determine the amount of loss.

(c) Provides that the determination of the amount of loss agreed to by both appraisers or by one appraiser and the umpire is binding on both parties.

Sec. 1952.405. COURT SELECTION OF UMPIRE. Authorizes the insurer or the named insured to request that a court in the county in which the named insured resides select the umpire if the two appraisers are unable to agree on an umpire on or before the 15th day after the date the appraisers determine an umpire is needed.

Sec. 1952.406. APPRAISAL FEES AND EXPENSES. (a) Provides that each party is responsible for the party's appraiser's fees and expenses.

(b) Requires the insurer to refund the named insured's reasonable out-of-pocket expenses for the insured's appraiser's fees and expenses if at the end of the appraisal process the amount of loss is determined to be more than \$1 greater than the amount of the insurer's proposed undisputed loss statement.

(c) Requires the named insured to refund the insurer the insurer's appraiser's fees and expenses if at the end of the appraisal process the insurer's proposed undisputed loss statement is determined to be just.

(d) Provides that all other appraisal expenses, including umpire expenses, are shared evenly between the parties.

Sec. 1952.407. NO RIGHTS WAIVED. Provides that an insurer and a named insured do not waive any rights under the policy that is the subject of the appraisal by demanding an appraisal.

SECTION 2. Makes application of this Act prospective to January 1, 2024.

SECTION 3. Effective date: September 1, 2023.