

BILL ANALYSIS

C.S.H.B. 2071
By: Workman
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties contend that a recent court ruling has produced unintended consequences by disallowing the Texas Property and Casualty Insurance Guaranty Association to pay individuals holding a valid assignment of a covered claim. The parties note that the ruling has had a negative effect on the protection of the consumer as well as a chilling effect on the insurance premium finance industry's ability to use traditional industry practices of using the assignment of claims as collateral in the very policies they are financing. C.S.H.B. 2071 seeks to address this issue by amending the applicable law.

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. 2071 amends the Insurance Code to establish that a person has a covered claim under the Texas Property and Casualty Insurance Guaranty Act if the person holds a valid assignment of a covered claim for unearned premiums.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2071 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 462.201, Insurance Code, is amended to read as follows:
Sec. 462.201. COVERED CLAIMS IN GENERAL. A claim is a covered claim if:
(1) the claim is an unpaid claim;

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 462.202, Insurance Code, is amended by adding Subsection (c) to read as follows:

- (2) the claim is made under an insurance policy to which this chapter applies that is:
 - (A) issued by an insurer authorized to engage in business in this state; or
 - (B) assumed by an insurer authorized to engage in business in this state that issues an assumption certificate to the insured;
- (3) the claim arises out of the policy and is within the coverage and applicable limits of the policy;
- (4) the insurer that issued the policy or assumed the policy under an assumption certificate issued to the insured is an impaired insurer; and
- (5) the claim:
 - (A) is made by a liability claimant or insured who is a resident of this state at the time of the insured event; ~~[or]~~
 - (B) is a first-party claim for damage to property that is permanently located in this state; or
 - (C) is made by a person holding a valid assignment of a claim described by Paragraph (A) or (B) or Section 462.202.

(c) A person has a covered claim under this chapter if the person holds a valid assignment of a covered claim for unearned premiums under Subsections (a) and (b).

No equivalent provision.

SECTION 2. The change in law made by this Act applies only to a claim under Chapter 462, Insurance Code, in relation to an insurer that is designated as an impaired insurer on or after the effective date of this Act. A claim under Chapter 462, Insurance Code, in relation to an insurer that is designated as an impaired insurer before the effective date of this Act is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 2. Same as introduced version.

SECTION 3. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2015.