

BILL ANALYSIS

Senate Research Center
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S.B. 1812
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Certain provisions in Chapter 542 (Processing and Settlement of Claims), Insurance Code, state that if a life insurance claim is not paid within 60 days, an insurer can be held liable for damages. However, if a life insurer has two or more legitimate claimants to the proceeds, the insurer must file an interpleader action within those 60 days to avoid possible penalties. These provisions conflict with Section 1103.102(b) (relating to a company that issues a life insurance policy not being required to pay the proceeds of the policy to a designated beneficiary under certain conditions), Insurance Code, which provides that a company is not required to pay policy proceeds if the company receives notice of a legitimate adverse claim.

Until 2007, the courts had recognized a common law exception for requirements in Chapter 542 related to life insurance claim payments. However, in *State Farm. Life Ins. Co. v. Martinez*, 216 S.W. 3d 799 (Tex. 2007) the Texas Supreme Court held that the common law exception did not survive the last codification of the statute. Absent this exception, a life insurer will have to file an interpleader in every situation in which a legitimate adverse interest exists because such situations can rarely, if ever, be resolved within 60 days.

As proposed, S.B. 1812 provides that Section 542.058 (Delay in Payment of Claim) does not apply if the insurer is on notice of an adverse claim to the policy proceeds from a person who has a bona fide legal claim to all or part of the proceeds.

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 Section 542.058(b), Insurance Code, as follows:

(b) Provides that this section does not apply if the insurer is on notice of an adverse claim to the policy proceeds from a person who has a bona fide legal claim to all or part of the proceeds. Makes nonsubstantive changes.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: upon passage or September 1, 2009.