

BILL ANALYSIS

H.B. 3940
By: Meyer
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties observe that the claim-handling deadlines imposed under statutory provisions providing for the prompt payment of insurance claims are appropriate for the normal claims load experienced by insurers on a daily basis and provide common expectations for both insurers and claimants for claims-handling timelines. However, the parties note that Texas often is subjected to unusually severe, broadly destructive events such as tropical systems, tornados, hailstorms, major thunderstorm complexes, ice storms, and wildfires. These events often create large numbers of claims over widespread areas, taxing the normal claims-handling capacities of insurers in Texas. Current law recognizes this possibility and provides for an extension of claims-handling at the discretion of the commissioner of insurance, which the parties contend is normally granted as a matter of course to all insurers on the request of any insurer. There is concern that the discretionary nature of the extension allows for the possibility of the denial of an extension regardless of need and that, however unlikely, such a denial could lead to severe consequences in the marketplace. H.B. 3940 seeks to prevent this possibility from occurring.

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

H.B. 3940 amends the Insurance Code to remove the commissioner of insurance as the sole authority defining the weather-related catastrophe or major natural disaster events that trigger a 15-day extension of the claim-handling deadlines imposed on insurers for the prompt payment of insurance claims. The bill instead establishes that claim-handling deadlines are extended for an additional 15 days on the date that the governor declares a state of natural disaster or, if the governor does not make such a declaration, on the date that the commissioner declares a weather-related catastrophe. The bill requires the commissioner to declare a weather-related catastrophe if the commissioner determines that, as of the date of the declaration, a weather-related event resulted in, or may reasonably be expected to result in, \$50 million or more in aggregate insured losses or 3,000 or more claims for all insurers writing insurance in an area designated by the commissioner and defined by reasonable boundaries.

EFFECTIVE DATE

September 1, 2015.