

SUBJECT: Texas Property and Casualty Insurance Guaranty Association claims deadline

COMMITTEE: Insurance — favorable, without amendment

VOTE: 7 ayes — Smithee, Burnam, G. Lewis, J. Moreno, Olivo, Seaman, Wise

0 nays

2 absent — Eiland, Thompson

WITNESSES: None

BACKGROUND: The Texas Property and Casualty Insurance Guaranty Association is a nonprofit, unincorporated legal entity composed of all licensed property and casualty insurers. The Insurance Code, Art. 21.28-C authorizes the guaranty association to perform the following functions:

- ! provide a mechanism for payment of certain claims under certain insurance policies to avoid excessive delay in payment;
- ! avoid financial loss to claimants or policyholders because of the impairment of an insurer;
- ! assist in the detection and prevention of insurer insolvencies; and
- ! provide an association to assess the cost of that protection among insurers.

The Insurance Code, Art. 21.28 establishes rules for the liquidation, rehabilitation, reorganization, or conservation of insurers. These rules can be used when an insolvent insurer is taken into receivership so that its remaining funds can be used to pay its outstanding claims. In this process, notice of the right to file a proof of claim is mailed to all potential claimants. Section 3(b) of this article allows a receiver to accept claims filed within 90 days of the date notice is sent to the claimant. The acceptance of these claims is subject to court approval.

The Department of Insurance currently limits claims accepted by the guaranty association to claims filed before this 90-day deadline, even though the enabling statute for the guaranty association provides that claims should be accepted if they are filed before the final date set in the notice to potential claimants or 18 months after the order of liquidation, whichever is later.

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DIGEST: HB 3177 would add a reference to the 90-day deadline from Art. 21.28, Sec. 3(b) of the Insurance Code to the description of acceptable claims for the guaranty association in Art. 21.28-C, Sec. 8(d) of the Insurance Code. Acceptable claims for the guaranty association would have to be filed with the guaranty association by the date set out in the notice, 90 days after notice was received, or 18 months after the order of liquidation, whichever was later.

HB 3177 would take effect September 1, 1999, and apply only to payment of claims for which a designation of impairment was made on or after that date.