

BILL ANALYSIS

C.S.H.B. 2374
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Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

It has been suggested that people injured by motorists need protection from predatory practices engaged in by personal and commercial automobile insurers that seek to induce injured motorists into settling and releasing their legal claims for an amount that is insufficient to compensate their losses at a time when these losses are not known with any certainty, resulting in costs both to the injured person and medical providers whose care and services may go uncompensated as a result of those predatory insurance practices. C.S.H.B. 2374 seeks to provide such protection by prohibiting a claimant and an insurer or another individual or entity from entering into an oral release of a claim under an automobile insurance policy and by establishing that a release of a claim in exchange for money or other consideration of a claim arising out of an injury is not enforceable unless the contract is in writing.

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. 2374 amends the Insurance Code to prohibit a claimant and an applicable automobile insurer or another individual or entity from entering into an oral release of claims under an automobile insurance policy. The bill makes a release of claims made in exchange for money or other consideration paid for the claimant's claim arising out of an injury for which an insurer may be liable not enforceable unless the release contract is in writing. The bill applies only to a contract entered into on or after January 1, 2020. The bill sets out the purpose of its provisions.

EFFECTIVE DATE

September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2374 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute does not include provisions establishing the circumstances under which a written or oral contract, under which a claimant releases, wholly or partly, one or more of the claimant's

claims arising out of an injury for which an insurer may be liable under an automobile insurance policy in exchange for money or other consideration paid by an individual, entity, or insurer released from a claimant's claim in a release, is voidable. The substitute includes provisions that instead:

- prohibit a claimant and an applicable automobile insurer or another individual or entity from entering into an oral release of claims; and
- establish that an applicable release is not enforceable unless the contract is in writing.

The substitute changes the applicability of the bill's provisions to include a county mutual insurance company writing personal or commercial automobile insurance in Texas.