

SUBJECT: Payment of covered claims for unearned premiums

COMMITTEE: Insurance — committee substitute recommended

VOTE: 8 ayes — Frullo, G. Bonnen, Guerra, Meyer, Paul, Sheets, Vo, Workman

0 nays

1 absent — Muñoz

WITNESSES: For — David Courreges, Insurance Premium Finance Association of Texas; (*Registered, but did not testify*: Lee Loftis, Independent Insurance Agents of Texas; Kerri Fields, Insurance Premium Finance Association of Texas; Todd Sorrel, IPFAT; Lane Boozer, National Association of Insurance and Financial Advisors Texas; Annie Spilman, National Federation of Independent Business Texas; Perry Fowler, Texas Water Infrastructure Network; Karen Easterling)

Against — Beaman Floyd, Texas Coalition for Affordable Insurance Solutions; (*Registered, but did not testify*: Bruce Scott, State Farm)

On — (*Registered, but did not testify*: Jay Thompson, AFACT; Kevin Brady and Marisol Saenz, Texas Department of Insurance)

BACKGROUND: Insurance Code, sec. 462.202, under the Texas Property and Casualty Insurance Act, states that a claim for unearned premiums is a covered claim. A covered claim for unearned premiums may not exceed \$25,000. The claim is covered if the person is a resident of the state at the time the policy is issued or the insurer is determined to be an impaired insurer.

A recent court ruling, *Carney v. Texas Property and Casualty Insurance Guaranty Association*, had an unintended consequence of disallowing the Texas Property and Casualty Insurance Guaranty Association (TPCIGA) from paying individuals who hold a valid assignment of a covered claim. TPCIGA is a nonprofit, unincorporated association of all Texas-licensed property and casualty insurers. The Legislature created the association to

provide protections to Texas insurance policyholders and claimants when an insurance company fails.

DIGEST: CSHB 2071 would specify that a person would have a covered claim under Insurance Code, sec. 462.202 if the person held a valid assignment of a covered claim for unearned premiums.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2015.