

SUBJECT: Establishing appraisal procedures for certain disputed auto losses

COMMITTEE: Insurance — favorable, without amendment

VOTE: 5 ayes — Oliverson, Vo, J. González, Israel, Romero

4 nays — Hull, Middleton, Paul, Sanford

WITNESSES: For — Robert McDorman, Auto Claim Specialists; Gary Vucekovich, ForeSight Services Group, Inc.; Ware Wendell, Texas Watch; (*Registered, but did not testify*: Wyatt Wainwright, Houston Auto Dealers Association; Morris Wilkes, New Car Dealers of West Texas; C. Brent Franks, North Texas Automobile Dealers; Pamela Crail, SA Auto Dealers; Robert Braziel, Texas Automobile Dealers Association)

Against — Joe Woods, American Property and Casualty Insurance Association; Jon Schnautz, National Association of Mutual Insurance Companies; (*Registered, but did not testify*: Jay Thompson, AFACT; Beaman Floyd, Texas Coalition for Affordable Insurance Solutions)

On — (*Registered, but did not testify*: Kimberly Donovan, Office of Public Insurance Counsel; Luke Bellsnyder, Texas Department of Insurance)

BACKGROUND: Concerns have been raised that an automobile insurance policy with limited or restricted appraisal rights can leave a policy holder with an unsafe vehicle and expensive losses.

DIGEST: HB 2534 would establish required appraisal procedures for personal automobile insurance policies. The bill would authorize an insurer or the named insured to demand an appraisal not later than the 90th day after the date a proof of loss was filed with the insurer if the two parties did not agree on the amount of the loss.

Appointment of appraisers. Each party would be required to appoint a competent appraiser and notify the other party of the appraiser's identity

by the 15th day after the date an appraisal was demanded. The appraisers appointed by the parties would have to determine the amount of loss. If the appraisers failed to agree on the amount of the loss, they would be required to select a qualified umpire with whom they would be required to determine the amount of the loss. The determination of the loss amount agreed to by both appraisers or by one appraiser and the umpire would be binding on both parties.

If the parties were unable to agree on an umpire on or before the 15th day after the date the appraisers determined an umpire was needed, the insurer or the named insured could request that a court in the county in which the named insured resided select the umpire.

Appraisal fees and expenses. Each party would be responsible for their own appraiser's fees and expenses. If at the end of the appraisal process the amount of loss was determined to be more than \$1 greater than the amount of the insurer's proposed undisputed loss statement, the insurer would be required to refund the named insured's reasonable out-of-pocket expenses for the insured's appraiser's fees and expenses. If the insurer's proposed undisputed loss statement was determined to be just, the named insured would have to refund the insurer the insurer's appraiser's fees and expenses. All other appraisal expenses, including the expense of the umpire, would be shared evenly between the parties.

Neither party would waive any rights under the policy that was the subject of the appraisal by demanding an appraisal.

The bill would apply to an insurer writing automobile insurance in Texas, including an insurance company, corporation, reciprocal or interinsurance exchange, mutual insurance company, Lloyd's plan, or any other insurer.

The bill would take effect September 1, 2021, and would apply only to an insurance policy that was delivered, issued for delivery, or renewed on or after January 1, 2022.