

THOUGHT LEADERSHIP

News

## LEGISLATIVE UPDATE: S.B. 1166 PROPOSED CHANGES TO TEXAS PROMPT PAYMENT OF CLAIMS ACT

Newsbrief

17 MAR 2015

The Texas Legislature is in session and last Friday, March 13th, was the last day to file new bills. In a flurry of activity, one such bill, S.B. 1166 may have a significant impact on insurers defending first party claims in Texas. S.B. 1166 seeks to add language to Section 542.058(b) of the Texas Insurance Code and provides new exceptions to the Prompt Payment of Claims Act penalty provisions when: 1) the amount of damages awarded in litigation or arbitration is less than 80 percent of a rejected settled offer, 2) the claimant fails to provide an affidavit of damages as required under a new Section 542.0595 or, 3) the insurer pays the claimant based on the amount awarded in appraisal within 15 business days after the award is made.

S.B. 1166 also amends Section 542.060 making it clear that the 18% interest penalty applies only to the “disputed” amount, that any attorney’s fees award “must bear a reasonable relationship to any damages awarded” and interest only begins to accrue on the date an affidavit of damages is provided as required under the new Section 542.0595. Below is a link to S.B. 1166. We will continue to monitor this proposed legislation and all other insurance-related legislation and report as further developments arise in Austin.