



Vidaurri, Lyde, Rodriguez & Haynes, LLP

A South Texas Law Firm
Edinburg • San Antonio

Newsletter

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In This Issue: Prompt Payment of First Party Claims

OUR FIRM

Vidaurri, Lyde, Rodriguez & Haynes, LLP, is a full service insurance defense law firm representing insured individuals, professionals and companies across a broad spectrum of industries, including healthcare, transportation, retail, and manufacturing.

KEY POINTS

Penalties for delayed payment are the same as for improper rejection of a claim.

Some deadlines are calculated in calendar days, while others are calculated in business days.

An oral demand is sufficient to trigger the prompt payment deadlines.

NEWS

VLRH would like to welcome Yuri Cejas to the firm. Yuri earned his B.A. in Finance from Florida State University in 2000 and his J.D. from South Texas College of Law in Houston in 2004. He brings to the firm solid years of experience in handling complex construction defect lawsuits as well as other insurance defense matters. Welcome, Yuri!

One of the most important requirements of the Texas Insurance Code concerns the prompt payment of insurance claims. In the eyes of the statute, the penalties for delay are the same as for improper rejection of a claim. In other words, the damages would include, in addition to the amount of the claim, interest on the amount of the claim at the rate of 18 percent a year, together with reasonable attorney's fees.

The deadline for responding to a receipt of a claim is rather tight. Not later than the 15th calendar day after the insurer receives a claim, or 30th business day if the insurer is a surplus insurer, it must 1) acknowledge receipt of the claim; 2) commence any investigation of the claim; and 3) request from the claimant all items, statements, and forms that the insurer reasonably believes, at that time, will be required from the claimant. To ensure compliance with the Act, insurers should document that the investigation began promptly.

The claim does not necessarily have to be in writing. An oral demand has been held sufficient to trigger the deadlines in the prompt payment statute. Although it is always best to get notice of claims in writing, a prudent insurance carrier should have a system to identify potential oral demands and make sure that they are treated accordingly under the statute. The acknowledgment of a claim does not have to be in writing either. But, if it is not made in writing, the insurer must make a record of the date, manner, and content of the acknowledgment.

If the insurer is unable to accept or reject

the claim within the fifteen day period, the insurer, within that same period, must notify the claimant of the reasons that the insurer needs additional time. The insurer must accept or reject the claim not later than the 45th calendar day after the date the insurer notifies a claimant under the "additional information" subsection.

Within 15 business days after the insurer receives all information required to pay the claim, an insurer must notify a claimant in writing of the acceptance or rejection of a claim. An insurer may make additional information requests beyond the 15-day window if during the investigation of the claim the additional requests are necessary.

If the insurer notifies a claimant that the insurer will pay a claim or part of a claim, the insurer must pay the claim not later than the fifth business day after the date notice is made. If payment is conditioned on the performance of an act by the claimant, the insurer must pay the claim not later than the fifth business day after the date the act is performed. Surplus line insurers have a little more time to pay the claim; they must pay the claim not later than the 20th business day after the notice or the date the act is performed, as applicable. If the insurer rejects the claim, the notice of rejection must state the reasons for rejection.



VLRH employee, Angie Ortiz, and Mary Trevino with HEB Risk Management visit during VLRH's Ethics Seminar on October 26th.