



# State & Local Compliance Update

## USI EMPLOYEE BENEFITS

June 2, 2025

## Texas Potentially Eases Premium Liability

On May 21, 2025, Senate Bill 1332 ("SB 1332") went into effect. The new legislation gives insurers the discretion to waive premium liability in cases where the employer submits a late termination of eligibility notice, but only if no covered services were used after the employee's eligibility ended.

### BACKGROUND

Texas Senate Bill 51 ("SB 51"), which went into effect in 2006, requires plan sponsors to pay a participant's premiums through the end of the month in which the plan sponsor notifies the carrier that an individual is no longer eligible. However, if an individual ceases to be eligible during the last seven days of a month, the employer must notify the insurer no later than the third day of the following month (not including Saturdays, Sundays, and legal holidays).

This requirement applies to Texas residents covered under insured plans offering the following benefits:

- PPO and HMO medical;
- PPO vision (but not dental); and
- HMO vision and dental (single service).

It is not applicable to self-funded plans.

Missing the deadline results in the employer being charged a full additional month of premiums, even if the employee used no covered services and did not elect COBRA or Texas state continuation. This can be particularly problematic because many employers and insurance carriers now rely on Electronic Data Interchange ("EDI") feeds, which typically transmit weekly. Under SB 51, if a termination of benefits occurs during the last week of the month but the EDI feed does not transmit by the third day of the following month, the employer can be held financially responsible for an entire extra month of premium without recourse. And sometimes there are simply unforeseen administrative errors.

## SB 1332

The new legislation eases the administrative burden of SB 51 by giving insurers the discretion to waive premium liability in cases where the employer submits a termination of benefits notice late, but only if no covered services were used after the employee's eligibility ended.

While Governor Greg Abbott signed the bill on May 30, 2025, the supermajority passage meant that even if unsigned, the bill automatically became law. Thus, the law is effective in time for retroactive group health plan terminations processed as soon as June 2025 (for terminations in late May 2025).

## EMPLOYER NEXT STEPS

Coordination with carriers and EDI service providers is still recommended to determine the best administrative processes for ensuring timely notices of termination. While in many cases carriers will be able to waive premiums for months following late-submitted terminations, such waiver is at the discretion of the carrier and employers will still be liable if covered services were used after the employee's eligibility ended.

## RESOURCES

For a copy of SB 1332, visit <https://www.capitol.state.tx.us/tlodocs/89R/billtext/pdf/SB01332F.pdf>.

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