

BILL ANALYSIS

C.S.H.B. 1110
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Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Many residential property insurance policies require a homeowner to make a portion of the necessary repairs or replacements for damaged properties before receiving the full reimbursement cost from the insurer. This practice discourages low to middle income homeowners from utilizing their insurance because they cannot afford those initial costs. C.S.H.B. 1110 seeks to address this issue by requiring an insurer to make a minimum initial payment of 80 percent of the repair or replacement costs minus the deductible and then make the final payment on being provided documentation that the repair or replacement is completed.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1110 amends the Insurance Code to require a homeowner's, renter's, or condominium owner's insurance policy that includes replacement cost coverage to provide that in a valid claim for damage to insured property, the insurer must make a minimum initial payment of 80 percent of the estimated cost to repair or replace the damaged dwelling or personal property minus the applicable deductible. The bill requires the insurer to make the remaining payment due on the claim on the policyholder's payment of the applicable deductible and the provision to the insurer of documentation that the repair or replacement is completed. An insurer is not required to pay more than the total cost to replace lost or damaged personal property with property of a like kind and quality.

C.S.H.B. 1110 clarifies that these provisions apply to each insurer authorized to engage in the business of residential property insurance in Texas, including a county mutual insurance company, Lloyd's plan, and reciprocal or interinsurance exchange. The bill applies only to an insurance policy delivered, issued for delivery, or renewed on or after February 13, 2021.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1110 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute does not include a requirement for an applicable property insurance policy to provide that in a valid claim for damage to insured property, the insurer must pay the full replacement cost of the property without regard to whether the insured has completed repair or replacement. The substitute includes requirements for the insurer in such a valid claim to make an initial payment of not less than 80 percent of the estimated cost of repair or replacement minus the applicable deductible and to make the remaining payment due on receiving payment of the deductible and documentation that the repair or replacement is completed.

The substitute includes a provision establishing that an insurer is not required to pay more than the total replacement cost of lost or damaged personal property.

The substitute does not include a specification that its provisions apply to a farm mutual insurance company.

The substitute makes the bill's provisions applicable retroactively to an insurance policy delivered, issued for delivery, or renewed on or after February 13, 2021, instead of being applicable to a policy delivered, issued for delivery, or renewed on or after January 1, 2022.

The substitute changes the bill's effective date from September 1, 2021, to on passage or September 1, 2021, if the bill does not receive the necessary vote for immediate effect.