

SUBJECT: Listing residential property insurance deductibles in dollar amounts

COMMITTEE: Insurance — committee substitute recommended

VOTE: 8 ayes — Smithee, Eiland, G. Bonnen, Creighton, Morrison, Muñoz, Sheets, C. Turner

1 nay — Taylor

SENATE VOTE: On final passage, March 13 — 31-0

WITNESSES: *(On House companion bill, HB 1400)*

For — Ware Wendell, Texas Watch; *(Registered, but did not testify:* Daniel Gonzalez, Texas Association of Realtors; Lee Loftis, Independent Insurance Agents of Texas; Chelsey Thomas, Texas Association of Realtors)

Against — Paul Martin, National Association of Mutual Insurance Companies; *(Registered, but did not testify:* Beaman Floyd, Texas Association for Affordable Insurance Solutions; Joe Woods, Property Casualty Insurers Association of America)

On — *(Registered, but did not testify:* Marilyn Hamilton, Texas Department of Insurance; Jay Thompson, Association of Fire and Casualty Companies in Texas)

BACKGROUND: Insurance Code, ch. 2301 regulates insurance forms to ensure they are not unjust, unfair, inequitable, misleading, or deceptive.

DIGEST: CSSB 112 would amend ch. 2301 of the Insurance Code to require that a residential property insurance policy form include a declarations page that lists each type of deductible under the policy and its exact dollar amount.

If a residential property policy or an endorsement to the policy were to contain a provision that could change the dollar amount of a deductible, either the declarations page or a written disclosure would be required to clearly identify the applicable policy provision or endorsement and explain how any change in the deductible would be determined.

The bill would specify that the list of each type of deductible in the policy, or the identification of each applicable policy provision or endorsement that could change the deductible, may be provided on a page separate from the declarations page.

The bill would be effective September 1, 2013. It would apply to policies delivered, issued for delivery, or renewed on or after January 1, 2014.

**SUPPORTERS
SAY:**

CSSB 112 would be a simple reform to help homeowners know what they are buying when they purchase an insurance policy. Currently, some residential insurance policies list the deductible as a percentage, which can be unclear and misleading for policyholders who assume that, like a health insurance policy, it applies to the claim amount, when it actually refers to the value of the home, condominium, or apartment.

Listing the deductible in dollar terms would allow consumers to make more informed and responsible decisions and would give them an increased ability to compare policies and shop the insurance market, fostering competition.

Since many insurance policies' declarations pages already state deductibles in dollar amounts, the bill would be an extension of industry best practices and would not impose any noticeable administrative or financial burdens on insurers.

**OPPONENTS
SAY:**

CSSB 112 would unnecessarily micromanage the insurance industry. The difference between listing the deductible as a percentage or a fixed dollar amount is insubstantial and should be left to consumers to interpret and the market to accommodate. The bill would require innumerable forms be redesigned, and could set a precedent for further government modifications to the declarations page.

NOTES:

CSSB 112 differs from the Senate bill in that it would allow either the list of each type of deductible, or the list of policy provisions or endorsements, be provided apart from the declarations page, rather than be provided as a separate page made up of both.

The companion bill, HB 1400 by Smithee, was left pending in the House Insurance Committee on April 23.