

SUBJECT: Requiring an initial insurance payment for property repair or replacement

COMMITTEE: Insurance — committee substitute recommended

VOTE: 7 ayes — Oliverson, Vo, J. González, Israel, Middleton, Romero, Sanford

2 nays — Hull, Paul

WITNESSES: For — Lee Loftis, Independent Insurance Agents of Texas; Ware Wendell, Texas Watch; (*Registered, but did not testify*: Jennifer Fagan, Texas Construction Association; Mona Muro, Texas Council on Family Violence; Julia Parenteau, Texas Realtors; Carl Isett, Texas Roofing Contractors Association)

Against — Jay Thompson, Afact; Joe Woods, American Property and Casualty Insurance Association; Jon Schnautz, National Association of Mutual Insurance Companies; Beaman Floyd, Texas Coalition for Affordable Insurance Solutions; (*Registered, but did not testify*: Anne O’Ryan, Auto Club Indemnity; Bruce Scott, State Farm; Jarrett Hill, Texas Farm Bureau Insurance Companies)

On — (*Registered, but did not testify*: Luke Bellsnyder and David Muckerheide, Texas Department of Insurance)

DIGEST: CSHB 1100 would require any homeowner's, renter's, or condominium owner's insurance policy that included replacement cost coverage to provide that, in a valid claim for damage to insured property, the insurer must make an initial payment of at least 80 percent of the estimated cost to repair or replace the damaged dwelling or personal property minus the applicable deductible.

The insurer would be required to make the remaining payment upon the policy holder's payment of the applicable deductible and the completion of documentation that the repair or replacement was completed. An insurer would not be required to pay more than the total cost to replace lost or damaged personal property with equivalent property.

The bill would apply to each insurer authorized to engage in residential property insurance in the state, and only to an insurance policy delivered, issued for delivery, or renewed on or after February 13, 2021.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2021.

**SUPPORTERS  
SAY:**

CSHB 1110 would help Texas homeowners, especially those of lower and middle income, who have experienced property damage to more easily obtain repair or replacement of property by requiring an upfront insurance payment of at least 80 percent of the relevant costs. Currently, homeowners receive only the actual cash value of property depreciation due to damage, and must pay any additional upfront costs of home repairs and personal property replacement and wait to be reimbursed by their insurers until after repairs are completed. This policy disadvantages many homeowners who cannot afford these upfront costs. The combination of the COVID-19 pandemic and Winter Storm Uri, along with the ongoing effects of other natural disasters in recent years, has exacerbated the struggle of homeowners to afford repairs.

CSHB 1110 would ensure that homeowners have the funds to begin timely repairs on their homes and property. The actual cash value payment for depreciated value is not sufficient to guarantee that lower and middle income homeowners can find a reputable contractor to begin repairs. At the same time, the bill would safeguard the interests of insurers by allowing them to hold back up to 20 percent of costs until repair or replacement was completed, which also would deter any fraudulent use of the upfront payment. The bill would not increase the cost of claims, only the timing of payments.

Allowing multiple options for insurance payment structure would make a process that already is confusing and intimidating for many homeowners even more so. CSHB 1110 would streamline the process and enable lower and middle income homeowners to more easily receive the benefits that they have paid for.

CRITICS  
SAY:

CSHB 1110 is unnecessary because there are no systemic difficulties in getting contractors to start repair projects using the actual cash value payment for depreciated value that homeowners currently receive. Requiring a larger upfront payment could make it more difficult for insurance companies to do business in the state.

The bill could facilitate fraud by dishonest contractors, who might take upfront payment from homeowners and then flee with the money or make inadequate repairs. Homeowners may also be tempted to take the initial insurance payment without using it for repairs.

OTHER  
CRITICS  
SAY:

CSHB 1110 would mandate a one-size-fits-all approach to insurance payments for property damage. The bill would be improved if it allowed other payment structure choices for consumers.