

BILL ANALYSIS

Senate Research Center
78R9345 KCR-D

H.B. 1338
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Engrossed

DIGEST AND PURPOSE

Homeowners insurance policies and personal property policies used in Texas that are "replacement cost coverage" or that have replacement cost endorsements require a dwelling to be insured for an amount close to the dollar figure needed to replace the dwelling in the event of a total loss. This requirement allows a consumer, in the event of a loss, to restore a home to its condition before a loss, including in the event of a fire or tornado. However, some lenders have required consumers to insure their homes for an amount that at least equals the loan value. Considering the value of land, there are cases where this requirement results in the consumer being required to purchase a higher level of insurance for a home than is needed to replace the home in the event of a total loss. H.B. 1338 provides that no lender may require, in connection with certain financing arrangements, a borrower to purchase homeowners, mobile or manufactured home, or other residential property insurance coverage in an amount that exceeds the replacement value of the dwelling and its contents.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2, Article 21.48A, Insurance Code, by adding Subsection (g) to provide that no lender, as a condition of financing a residential mortgage or providing other financing arrangements for residential property, including a mobile or manufactured home, may require a borrower to purchase homeowners insurance coverage, mobile or manufactured home insurance coverage, or other residential property insurance coverage in an amount that exceeds the replacement value of the dwelling and its contents, regardless of the amount of the mortgage or other financing arrangement entered into by the borrower. Prohibits a lender from including the fair market value of the land on which a dwelling is located in the replacement value of the dwelling and its contents.

SECTION 2. Effective date: upon passage or September 1, 2003.
Makes application of this Act prospective to January 1, 2004.