

BILL ANALYSIS

Senate Research Center
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S.B. 1036
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Business & Commerce
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Operating as the insurer of last resort for wind and hail insurance since 1971, the Texas Windstorm Insurance Association (TWIA) insures over 200,000 residential and commercial policies across 14 counties in addition to a portion of Harris County.

In its Biennial Report to the 86th Texas Legislature, TWIA recommends making a statutory change to its coverage for replacement costs by adjusting the timeline by which coverage type is determined.

Under current law, replacement cost coverage is determined at the time of loss, based on insurance to value of at least 80 percent. This creates uncertainty for policyholders and results in less coverage than anticipated after a major event.

S.B. 1036 provides greater certainty for TWIA policyholders by establishing replacement cost coverage to be determined at the time of policy issuance, rather than at the time a claim is filed.

As proposed, S.B. 1036 amends current law relating to replacement cost coverage in policies issued by the Texas Windstorm Insurance Association.

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 Sections 2210.207(c) and (d), Insurance Code, as follows:

(c) Provides that, if, on the effective date of a Texas Windstorm Insurance Association (TWIA) policy, rather than at the time of loss, the total amount of insurance applicable to a dwelling is equal to 80 percent or more of the full replacement cost of the dwelling or equal to the maximum amount of insurance otherwise available through TWIA, coverage applicable to the dwelling under the policy is extended to include the full cost or repair or replacement, without a deduction for depreciation.

(d) Provides that if, on the effective date of a TWIA policy, rather than at the time of loss, the total amount of insurance applicable to a dwelling is equal to less than 80 percent of the full replacement cost of the dwelling and less than the maximum amount of insurance available through TWIA, liability for loss under the policy may not exceed the replacement cost of the part of the dwelling that is damaged or destroyed, less depreciation.

SECTION 2. Makes application of Section 2210.207, Insurance Code, as amended by this Act, prospective to January 1, 2020.

SECTION 3. Effective date: September 1, 2019.