

## BILL ANALYSIS

Senate Research Center  
86R5358 SCL-D

S.B. 442  
By: Hancock  
Business & Commerce  
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### AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, Texas insurance companies are not required to disclose to a policyholder whether or not their policy carries flood insurance. A property located within a Federal Emergency Management Agency 100-year flood plain must have flood coverage in order to obtain a federally backed mortgage. However, according to the Texas Department of Insurance (TDI), more than half the homes flooded during Hurricane Harvey were outside of the 100-year flood plain, and most of those properties did not carry flood insurance. A lack of consumer awareness about both flood insurance and flood-prone areas has generated considerable discussion in the legislature about how to best educate consumers about flood coverage options and to encourage more participation in the National Flood Insurance Program (NFIP).

This bill addresses those concerns by requiring any insurer that issues a residential property insurance policy that does not provide flood coverage to provide written notice to the insured that the policy does not provide coverage against flood loss. This bill does not prescribe the required language, and instead gives the commissioner of insurance the rulemaking authority to issue the form and content of the notice. "Residential property insurance" in this bill covers the following:

- homeowners insurance policy, including a tenants insurance policy;
- a condominium owners insurance policy;
- a residential and allied lines insurance policy;
- a farm and ranch insurance policy;
- a farm and ranch owners insurance policy.

#### Bill Analysis

1. Amends Chapter 2002 of the Texas Insurance Code by adding Section 2002.103, DISCLOSURE REGARDING FLOOD COVERAGE REQUIRED.
2. Section 1(a) defines "residential property insurance" and the types of insurance policies this bill will apply to.
3. Section 1(b) applies the bill to every insurer engaged in the residential property insurance business in Texas.
4. Section 1(c) requires written notice if a policy does not insure against loss due to flooding.
5. Section 1(d) authorizes the commissioner of insurance to issue by rule the form and content of the notice.
6. Section 2 states this bill only applies to insurance policies delivered, issued for delivery, or renewed on or after January 1, 2020.
7. Section 3 establishes the effective date of September 1, 2019.

As proposed, S.B. 442 amends current law relating to a disclosure regarding flood coverage under a residential property insurance policy.

## **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 2002.103, Insurance Code) of this bill.

## **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter C, Chapter 2002, Insurance Code, by adding Section 2002.103, as follows:

Sec. 2002.103. DISCLOSURE REGARDING FLOOD COVERAGE REQUIRED. (a) Defines "residential property insurance."

(b) Provides that this section applies to each insurer authorized to engage in the business of residential property insurance in this state, including a county mutual insurance company, farm mutual insurance company, Lloyd's plan, and reciprocal or interinsurance exchange.

(c) Requires an insurer that issues a residential property insurance policy that does not provide coverage against loss caused by flooding to provide written notice to the insured that the policy does not provide coverage against loss caused by flooding.

(d) Requires the commissioner of insurance by rule to prescribe the form and content of the notice required by Subsection (c).

SECTION 2. Makes application of Section 2002.103, Insurance Code, as added by this Act, prospective to January 1, 2020.

SECTION 3. Effective date: September 1, 2019.