

## **BILL ANALYSIS**

C.S.H.B. 3510  
By: Faircloth  
Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties contend that the time at which replacement cost coverage for Texas Windstorm Insurance Association residential policies is determined creates uncertainty for policyholders and may result in policyholders receiving less coverage at the time of loss than anticipated. C.S.H.B. 3510 seeks to address this issue by changing the time at which replacement cost coverage for such a policy is to be determined to the effective date of the policy.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 3510 amends the Insurance Code to change the time at which a certain amount of Texas windstorm and hail insurance applicable to a dwelling for replacement costs triggers an extension of coverage applicable to the dwelling under a policy issued by the Texas Windstorm Insurance Association (TWIA) to include the full cost of repair or replacement, without a deduction for depreciation, from the time of loss to the effective date of a TWIA policy. The bill changes the time at which a certain amount of Texas windstorm and hail insurance applicable to a dwelling for replacement costs triggers the prohibition against the liability for loss under a TWIA policy exceeding the replacement cost of the part of the dwelling that is damaged or destroyed, less depreciation, from the time of loss to the effective date of the TWIA policy. The bill's provisions apply only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2018.

### **EFFECTIVE DATE**

September 1, 2017.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 3510 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Sections 2210.207(c) and (d), Insurance Code, are amended to read as follows:

(c) If, at the time of the initial issuance of or a renewal of the association policy [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 the association, coverage applicable to the dwelling under the policy is extended to include the full cost of repair or replacement, without a deduction for depreciation.

(d) If, at the time of the initial issuance of or a renewal of the association policy [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 the association, 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. Section 2210.207, Insurance Code, as amended by this Act, applies only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2018. A policy delivered, issued for delivery, or renewed before January 1, 2018, is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 3. This Act takes effect September 1, 2017.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Sections 2210.207(c) and (d), Insurance Code, are amended to read as follows:

(c) If, on the effective date of an association policy [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 the association, coverage applicable to the dwelling under the policy is extended to include the full cost of repair or replacement, without a deduction for depreciation.

(d) If, on the effective date of an association policy [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 the association, 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. Same as introduced version.

SECTION 3. Same as introduced version.