

- SUBJECT:** Authorization for home protection insurance policies
- COMMITTEE:** Insurance — favorable, without amendment
- VOTE:** 7 ayes — Smithee, Burnam, G. Lewis, J. Moreno, Olivo, Seaman, Thompson  
0 nays  
2 absent — Eiland, Wise
- WITNESSES:** For — Paul Lamb, Signature Group  
Against — None
- BACKGROUND:** The Texas Department of Insurance (TDI) does not have a classification for property loss insurance sold to consumers who buy home security services or products. Such policies reimburse a consumer for the homeowners insurance deductible if the consumer has a property loss after buying a home security service or product.
- TDI must evaluate every policy of this type that an insurer proposes and attempt to fit the policy within existing classifications such as contractual liability or surplus lines coverage. TDI has declined to authorize some policies of this type while approving other policies.
- DIGEST:** HB 2941 would amend the Insurance Code to authorize companies providing marine, fire, and allied lines of insurance to write home protection insurance. Home protection insurance coverage would be limited to \$2,000 for any single occurrence and would insure purchasers of residential property protection services or products against actual property loss. Such insurance would be regulated by TDI in the same way that the agency regulates inland marine insurance.
- The bill would take effect September 1, 1999, and would apply only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2000.

**SUPPORTERS  
SAY:**

If home protection insurance is going to be regulated, there should be a specific classification for it. Since this form of insurance does not fit neatly into either contractual liability or surplus lines coverage, the statute should define a new category of insurance. Most states have statutes authorizing home protection policies or choose not to regulate the policies at all.

The current practice of evaluating each proposed policy and approving it depending on how well it fits into an existing class of insurance is inconsistent and creates a monopoly for the few insurance companies that have been allowed to write these policies.

The type of home protection insurance covered by HB 2941 is the simplest type because the consumer pays the premium at the time of purchase and is reimbursed directly by the insurer. Home protection policies could be written that insure the seller of the home protection service or product, but this would require licensing the seller to collect insurance premiums. Also, HB 2941 would be limited to residential coverage, so policies on automobile antitheft products and other related products and services would not be involved.

Home security companies still could provide their own guarantees to consumers without going through insurance companies. HB 2941 simply would provide another way to protect consumers. If an insurance policy is involved, it should be regulated the same as other insurance policies.

Though the average home protection insurance coverage is only \$500, the \$2,000 policy limit proposed in HB 2941 would allow flexibility and would prevent having to amend the statute for inflation in a few years.

**OPPONENTS  
SAY:**

HB 2941 would not cover all potential types of home protection insurance. It would not address other ways to write a home protection policy, such as direct coverage for the seller or property loss policies for buyers of automobile or commercial protection products and services.

**OTHER  
OPPONENTS  
SAY:**

The proposed \$2,000 limit on home protection insurance coverage is unrealistic since most policies do not exceed \$500.