

SUBJECT: Assessment of a premium surcharge due to a claim on an insurance policy

COMMITTEE: Insurance — favorable, without amendment

VOTE: 7 ayes — Smithee, T. Smith, Taylor, Eiland, Hancock, Vo, Woolley

0 nays

2 absent — Martinez, Thompson

WITNESSES: For — Pamela Bolton, Texas Watch

Against — Beaman Floyd, Texas Coalition for Affordable Insurance Solutions (*Registered, but did not testify*: Joe Woods, Property Casualty Insurers Association of America)

On — (*Registered, but did not testify*: J'ne Byckovski, Texas Department of Insurance)

BACKGROUND: Under Insurance Code, sec. 551.107(c), an insurer of a standard fire, homeowners, farm, or ranch owners insurance policy may assess a premium surcharge at the time a policy is renewed if the insured has filed one or more claims in the preceding three policy years. This amount must be based on sound actuarial principles. A claim resulting from a loss caused by natural causes, that was not paid out, or was a water damage claim would not count as a claim filed in the preceding three years.

DIGEST: HB 1913 would increase from one to two the number of claims a person could file before his or her insurer could assess a premium surcharge.

The bill would apply to a policy that was delivered, issued, or renewed on or after January 1, 2008.

The bill would take effect September 1, 2007.

SUPPORTERS SAY: HB 1913 would protect consumers who currently face an increase in their premiums after just one claim on a homeowners insurance policy. This would provide a reasonable remedy for a homeowner who currently is unable to use his or her policy without being subject to a penalty. This

unfair provision effectively prevents a homeowner from using a policy for which he or she is paying. HB 1913 would allow a policyholder to make one claim every three years before the insurer could assess a surcharge, a reasonable compromise that would not impose an undue burden upon insurance providers.

**OPPONENTS
SAY:**

Current law governing claims on a homeowners policy is sufficient. Any surcharge must be actuarially justified, ensuring oversight of provider practices. In addition, exemptions are allowed if a claim was due to a natural occurrence or water damage, reasonable exceptions that benefit consumers. The change proposed under HB 1913 would lead to the subsidization of higher-risk policy holders by those who had never made claims on their policies.

NOTES:

The companion bill, SB 978 by Watson, passed the Senate on March 28 on the Local and Uncontested Calendar and was reported favorably, without amendment, by the House Insurance Committee on May 2 and recommended for the House Local and Consent Calendars Committee, making it eligible to be considered in lieu of HB 1913.