

BILL ANALYSIS

Senate Research Center

S.B. 1387
By: Patterson
Economic Development
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As Filed

DIGEST

Currently, coverage applicable to a dwelling under a policy issued by the Texas Catastrophe Property Insurance Association (association) is extended to include full cost of repair or replacement of a dwelling at the time of loss. Roof damage is a common loss and the association will often pay full replacement cost for a roof that was already damaged or in disrepair at the time of loss. This bill would authorize the association, after prior approval and a hearing by the commissioner of insurance, to implement underwriting guidelines to insure roofs based on actual cash value.

PURPOSE

As proposed, S.B. 1387 authorizes the Texas Catastrophe Property Association to issue policies paying actual cash value benefits instead of replacement cost benefits for damages to roofs.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the commissioner of insurance in SECTION 1 (Section 8A(b), Article 21.49, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 21.49, Insurance Code (Texas Catastrophe Property Insurance Pool Act), as follows:

Sec. 8A(b). Authorizes coverage applicable to a dwelling under a policy, if, at the time of loss, the total amount of insurance applicable to the 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 Texas Catastrophe Property Insurance Association (association), to be extended to include the full cost of repair or replacement, without a deduction for depreciation. Prohibits liability for the loss under the policy, if, at the time of loss, the total amount of insurance applicable to the 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, from exceeding the replacement cost of that part of the dwelling damaged or destroyed, less depreciation. Authorizes the association, subject to the prior approval and conditions of the commissioner of insurance after a public hearing, to implement underwriting guidelines allowing it to insure roofs of a building covered by an association policy based on actual cash value instead of replacement cost.

SECTION 2. Effective date: September 1, 1997.

SECTION 3. Emergency clause.