

BILL ANALYSIS

C.S.H.B. 1338
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Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Homeowners insurance policies and personal property policies used in Texas that are "replacement cost coverage" or that have replacement cost endorsements require a dwelling to be insured for an amount close to the dollar figure needed to replace the dwelling in the event of a total loss. This requirement allows a consumer, in the event of a loss, to restore a home to its condition before a loss, even in the event of a fire or tornado.

However, some lenders have required consumers to insure their homes for an amount that at least equals the loan value. Considering the value of land, there are cases where this requirement results in the consumer being required to purchase a higher level of insurance for a home than is needed to replace the home in the event of a total loss. C.S.H.B. 1338 provides that no lender may require in connection with certain financing arrangements a borrower to purchase homeowners, mobile or manufactured home, or residential property insurance coverage in an amount that exceeds the replacement value of the dwelling and its contents.

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. 1338 amends the Insurance Code to provide that no lender, as a condition of financing a residential mortgage or providing other financing arrangements for residential property, may require a borrower to purchase homeowners, mobile or manufactured home, or other residential property insurance coverage in an amount that exceeds the replacement value of the dwelling and its contents, regardless of the amount of the mortgage or other financial arrangement entered into by the borrower. The bill prohibits a lender from including the fair market value of the land on which a dwelling is located in the replacement value of the dwelling and its contents.

EFFECTIVE DATE

September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 1338 modifies the original by including mobile or manufactured home insurance coverage among the coverages to which the provisions of the Act apply.