

By: Ellis

S.B. No. 897

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the determination of the amount of payment on certain
3 claims under residential property insurance policies.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Subchapter A, Chapter 2002, Insurance Code, is
6 amended by adding Section 2002.007 to read as follows:

7 Sec. 2002.007. REPLACEMENT COST REQUIRED. (a) In this
8 section "residential property insurance" has the meaning assigned
9 by Section 2301.002.

10 (b) This section applies to an insurer that is subject to
11 Chapter 2301 and is authorized to write residential property
12 insurance in this state.

13 (c) An insurer that provides residential property insurance
14 coverage for real or tangible personal property in this state must
15 pay a policyholder the actual cost of replacing, with property of a
16 like kind and quality, any covered property that is damaged or
17 destroyed as a result of a covered peril.

18 (d) When paying a policyholder for replacing any covered
19 property that is damaged or destroyed as a result of a covered
20 peril, an insurer may not elect to pay the policyholder any amount
21 that is less than the amount described by Subsection (c), including
22 paying a policyholder based on:

23 (1) the actual value of the covered property at the
24 time the property sustained a loss or was destroyed; or

1 (2) the stated value of the covered property at the
2 time the property sustained a loss or was destroyed.

3 (e) The commissioner shall adopt rules concerning the
4 documentation an insurer may require from a policyholder before
5 paying a claim in accordance with this section.

6 SECTION 2. The change in law made by this Act applies only
7 to a residential property insurance policy that is delivered,
8 issued for delivery, or renewed on or after January 1, 2008. A
9 residential property insurance policy that is delivered, issued for
10 delivery, or renewed before January 1, 2008, is covered by the law
11 in effect at the time the policy was delivered, issued for delivery,
12 or renewed, and that law is continued in effect for that purpose.

13 SECTION 3. This Act takes effect September 1, 2007.