

BILL ANALYSIS

Senate Research Center

S.B. 442
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Business & Commerce
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, Texas insurance companies are not required to disclose to a policyholder whether or not their policy carries flood insurance. A property located within a Federal Emergency Management Agency 100-year flood plain must have flood coverage in order to obtain a federally backed mortgage. However, according to the Texas Department of Insurance (TDI), more than half the homes flooded during Hurricane Harvey were outside of the 100-year flood plain, and most of those properties did not carry flood insurance. A lack of consumer awareness about both flood insurance and flood-prone areas has generated considerable discussion in the legislature about how to best educate consumers about flood coverage options and to encourage more participation in the National Flood Insurance Program (NFIP).

This bill addresses those concerns by requiring any insurer that issues a residential property insurance policy that does not provide flood coverage to provide written notice to the insured that the policy does not provide coverage against flood loss. This bill does not prescribe the required language, and instead gives the commissioner of insurance the rulemaking authority to issue the form and content of the notice. "Residential property insurance" in this bill covers the following:

- homeowners insurance policy, including a tenants insurance policy;
- a condominium owners insurance policy;
- a residential and allied lines insurance policy;
- a farm and ranch insurance policy;
- a farm and ranch owners insurance policy. (Original Author's/Sponsor's Statement of Intent)

S.B. 442 amends current law relating to a disclosure regarding flood coverage under a commercial or residential property insurance policy.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter C, Chapter 2002, Insurance Code, by adding Section 2002.103, as follows:

Sec. 2002.103. DISCLOSURE REGARDING FLOOD COVERAGE REQUIRED. (a) Defines "commercial property insurance" and "residential property insurance" for purposes of this section.

(b) Provides that this section applies to each insurer authorized to engage in the business of commercial or residential property insurance in this state, including a county mutual insurance company, farm mutual insurance company, Lloyd's plan, and reciprocal or interinsurance exchange.

(c) Requires an insurer that issues or renews a commercial or residential property insurance policy that does not provide coverage against loss caused by flooding to include with the policy documents provided to the policyholder at the time the policy is issued or renewed a certain statement and sets forth the language of the statement.

(d) Requires the statement described by Subsection (c) to be conspicuous, as defined by Section 1.201 (General Definitions), Business & Commerce Code.

(e) Provides that an insurer's failure to comply with this section does not invalidate any exclusion, including a flood exclusion, in an insurance policy subject to this section.

SECTION 2. Makes application of Section 2002.103, Insurance Code, as added by this Act, prospective to January 1, 2020.

SECTION 3. Effective date: September 1, 2019.