

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1393
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, the Texas Windstorm Insurance Association (TWIA) provides property and casualty insurance to residents within the TWIA coverage zone, which acts as an insurer of last resort. Similarly, the Fair Access to Insurance Requirements (FAIR) Plan delivers residential property insurance to Texans who reside in underserved areas of the state if residential property insurance is not reasonably available in the voluntary market. In order to qualify for FAIR plan coverage, the residential property must have received two declinations of coverage from insurers.

Concerns have been raised that residential properties located outside of the TWIA coverage zone are also ineligible for FAIR Plan coverage because they do not receive coverage offers. However, these properties are offered coverage at a significantly increased and untenable cost due to their location near the Coast, making it difficult and burdensome to obtain adequate property insurance.

C.S.S.B. 1393 seeks to remedy this issue by declaring that an offer of coverage through the voluntary market for a residential property within four miles beyond the TWIA catastrophe area that is more than 110 percent of the Texas FAIR Plan Association's offering of equivalent coverage with similar property characteristics constitutes a declination for the purpose of establishing eligibility for coverage under the FAIR Plan. This would allow individuals to obtain residential property insurance through the FAIR Plan at a reasonable, affordable rate.

The committee substitute changes the eligible boundary from two miles to four miles to conform with the House companion and clarifies that the offer must be more than 110 percent of "substantially equivalent coverage," instead of 10 percent, to be considered a declination of coverage. Finally, the substitute makes it clear that the boundary is outside of the TWIA catastrophe area, a change that the Texas Department of Insurance recommended for clarity.

C.S.S.B. 1393 amends current law relating to eligibility for coverage by the Fair Access to Insurance Requirements Plan in certain areas.

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 Section 2211.151, Insurance Code, as follows:

Sec. 2211.151. MANDATORY COVERAGE PROVIDED TO CERTAIN INSURED.

(a) Creates this subsection from existing text.

(b) Provides that an offer of coverage for the property through the voluntary market at a cost that exceeds 110 percent of the cost for an association policy providing substantially equivalent coverage of residential property with similar rating characteristics, including size, elevation, age, and construction standards, for residential properties in the area surrounding, but not located more than four miles beyond, the Texas Windstorm Insurance Association catastrophe area

designated under Section 2210.005 (Designation as Catastrophe Area; Revocation of Designation), is considered a declination for purposes of establishing eligibility for coverage under Subsection (a) (relating to requiring the FAIR Plan Association to make residential property insurance available to applicants in underserved areas who cannot obtain residential property insurance through the private market).

SECTION 2. Effective date: upon passage or September 1, 2023.