

BILL ANALYSIS

C.S.S.B. 458
By: Schwertner
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill sponsor has informed the committee that the appraisal process for disputed losses under personal automobile or residential property insurance policies serves as a method of dispute resolution to determine the amount of loss when there is a disagreement between the policyholder and the insurer. The bill sponsor has further informed the committee that, while appraisals in personal automobile and residential property insurance policies have long been the status quo, one of the largest personal automobile insurance carriers successfully removed the appraisal process from policies for partial vehicle losses in 2015 and that without clear statutory requirements, state regulators do not have the authority to mandate access to appraisal in certain insurance policies regulated by the Texas Department of Insurance. C.S.S.B. 458 seeks to preserve a personal automobile or residential property insurance policyholder's access to an appraisal process to dispute losses by requiring such policies to include an appraisal provision for dispute resolution purposes.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 of this bill.

ANALYSIS

C.S.S.B. 458 amends the Insurance Code to require a personal automobile or residential property insurance policy delivered, issued for delivery, or renewed in Texas by an applicable insurer to contain an appraisal provision that is intended to provide a type of dispute resolution process solely to determine the amount of loss when that amount is in dispute between the policyholder and the insurer. The bill establishes that an appraisal under that required policy provision does not affect any applicable policy terms and requires an appraisal award to be made in substantial compliance with the appraisal clause of the insurance policy. The bill establishes that, except for fraud, accident, or material mistake relevant to the appraisal or an appraisal award made without authority, the amount of loss determined by an appraisal under the bill's provisions is binding as to the policyholder and the insurer. The bill provides the following with respect to the bill's applicability:

- the insurers subject to the bill's provisions include a capital stock insurance company, a mutual insurance company, a county mutual insurance company, a Lloyd's plan, a reciprocal or interinsurance exchange, a farm mutual insurance company, an eligible surplus lines insurer if Texas is the insured's home state as defined by applicable state law, and the FAIR Plan Association; and

- the bill's provisions do not apply to an insurance policy delivered, issued for delivery, or renewed by the Texas Windstorm Insurance Association or to a commercial insurance policy.

C.S.S.B. 458 requires the commissioner of insurance to adopt rules necessary to implement the bill's provisions, including rules mandating an appraisal for total loss and damage of the property that is the subject of the appraisal and rules establishing the period in which an appraisal under a provision required by the bill must be completed. In adopting rules establishing that period, the commissioner must consider the qualifications and selection of appraisers and umpires for the appraisal.

C.S.S.B. 458 makes its provisions applicable only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2026. The bill establishes that an insurance policy form required to be filed under statutory provisions relating to policy forms generally that provides for an appraisal process that is in use on January 1, 2026, and that is otherwise compliant with the bill's provisions is not required to be filed with the Texas Department of Insurance (TDI) as a consequence of the bill.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

While C.S.S.B. 458 may differ from the engrossed in minor or nonsubstantive ways, the following summarizes the substantial differences between the engrossed and committee substitute versions of the bill.

The substitute clarifies that the requirement of the engrossed for an appraisal award to be made in substantial compliance with the applicable insurance policy applies to the appraisal clause of the insurance policy.

The substitute revises the provision of the engrossed establishing that an insurance policy form required to be filed under statutory provisions relating to policy forms generally that provides for an appraisal process that is in use on September 1, 2025, and that is otherwise compliant with the bill's provisions is not required to be filed with TDI as a consequence of the bill by replacing September 1, 2025 with January 1, 2026.