By: Garcia Hernandez H.B. No. 1234

A BILL TO BE ENTITLED

AN ACT

relating to payment of the replacement cost of lost or damaged property under a homeowner's, renter's, or condominium owner's insurance policy.

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

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

Sec. 2002.007. REPLACEMENT COST COVERAGE REQUIREMENTS. (a) This section applies to each insurer authorized to engage in the business of residential property insurance in this state, including a county mutual insurance company, Lloyd's plan, and reciprocal or interinsurance exchange.

(b) A homeowner's, renter's, or condominium owner's insurance policy that includes replacement cost coverage must provide that in a valid claim for loss of or damage to insured property, the insurer must not reduce an initial payment by an amount greater than 20 percent of the insurer's estimated cost to repair or replace the lost or damaged dwelling or personal property minus the applicable deductible.

(c) On documentation provided to the insurer that repair or replacement is completed and on payment of the applicable deductible, the insurer shall make the remaining payment due after the initial payment.

(d) An insurer is not required to pay more than the total

cost to replace the lost or damaged dwelling or personal property with property of a like kind and quality.

SECTION 2. Section 2002.007, Insurance Code, as added by this Act, applies only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2028.

SECTION 3. This Act takes effect September 1, 2027.