

BILL ANALYSIS

Senate Research Center

C.S.H.B. 2437
By: Bonnen (Sibley)
Economic Development
5-13-97
Committee Report (Substituted)

DIGEST

Currently, under Article 21.28-C, Insurance Code, the Texas Property and Casualty Insurance Guaranty Association is required to pay the unpaid covered claims of an insolvent insurer. The limit on covered claims is \$100,000, and unearned premium refunds are limited to 75 percent up to a maximum of \$1,000. However, a family could easily experience a homeowners insurance loss in excess of \$100,000, particularly in the event of a natural disaster. This bill would remove the 75 percent limit and raise the maximum allowable amount to be paid on individual covered claims to \$300,000.

PURPOSE

As proposed, C.S.H.B. 2437 removes the 75 percent limit on unearned premiums, raises the maximum allowable amount to be paid on covered claims to \$25,000, and raises the limit on individual covered claims to \$300,000.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 5(8), Article 21.28-C, Insurance Code, to redefine "covered claim" by deleting the 75 percent limit on unearned premiums, raising the maximum allowable amount to be paid on covered claims to \$25,000, and raising the limit on individual covered claims to \$300,000.

SECTION 2. Amends Section 5(10)(A), Article 21.28-C, Insurance Code, to redefine "member insurer."

SECTION 3. (a) Effective date for SECTION 1: September 1, 1997. Makes application of this Act prospective.

(b) Effective date for SECTION 2: September 1, 1997.

SECTION 4. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 2.

Adds Section 5(10)(A), Article 21.28-C, Insurance Code, to redefine "member insurer."
Redesignates subsequent SECTIONS.

SECTION 3.

Adds Subsection (b), to provide that SECTION 2 of this bill shall take effect on September 1, 1997.