

## **BILL ANALYSIS**

Senate Research Center

C.S.H.B. 3383  
By: Eiland (Patterson)  
Economic Development  
5-14-97  
Committee Report (Substituted)

### **DIGEST**

The current building code standards for properties insured by the Texas Catastrophe Property Insurance Association (association) were adopted in 1972. These standards are outdated and stricter standards, based on updated engineering methods, could help reduce losses due to windstorm and hail along the Texas coast. This bill provides that a new building code adopted by the commissioner of insurance (commissioner) must be met for new residential construction to be insurable by the association. Additionally, this bill requires the commissioner to establish rate reductions for new residential construction built to the standards of a new building code.

### **PURPOSE**

As proposed, C.S.H.B. 3383 provides regulations for the operation of the Texas catastrophe property insurance pool.

### **RULEMAKING AUTHORITY**

Rulemaking authority is granted to the commissioner of insurance in SECTION 3 (Section 8E(c), Article 21.49, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Sets forth legislative findings regarding the negative impact of new building code standards on consumers and elimination of that impact through insurance rate reductions.

SECTION 2. Amends Section 3, Article 21.49, Insurance Code, by adding Subsection (o), to define "new building code."

SECTION 3. Amends Article 21.49, Insurance Code, by adding Section 8E, as follows:

Sec. 8E. RATE ROLLBACK. Provides that this section applies only to policies or coverages that are issued by the Texas Catastrophe Property Insurance Association (association) to cover new residential construction, excluding additions or repairs to existing structures, built to the standards of a new building code. Requires the commissioner of insurance (commissioner) to hold a rulemaking hearing under Chapter 2001, Government Code, to determine the percentage of equitable across-the-board reductions in insurance rates required for Texas windstorm and hail insurance coverage written by the association. Requires the commissioner to issue an order mandating the appropriate rate reductions within a certain time period. Requires the commissioner to require a six-percent across-the-board reduction under certain circumstances. Requires a hearing under this section be held before the commissioner or the commissioner's designee, notwithstanding Article 1.33B of this code.

SECTION 4. Emergency clause.  
Effective date: upon passage.

### **SUMMARY OF COMMITTEE CHANGES**

SECTION 4.

Deletes proposed SECTION 4 and rennumbers subsequent SECTION.