

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 175 - HB 165

March 2, 2015

SUMMARY OF BILL: Removes the word “fire” in statute regarding fire insurance, effectively making statute in Tenn. Code Ann. §§ 56-7-801 & 56-7-804 applicable to all insurance policies regarding homeowner’s property. Removes a current requirement of insurance companies to reimburse an insured for any premiums paid in excess of the actual value of the destroyed property plus six percent annual interest on such excess premiums, from the date the fire insurance policy was issued. Requires insurers, within 90 days of making or writing any contract of insurance on any building or structure in this state, to inspect the insured buildings or structures.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Pursuant to § 56-7-801 (b), insurance companies or agents of such companies cannot offer a fire policy upon property or interests in the property an amount that, with any existing insurance on the property, exceeds the fair value of the property.
- Removing the word “fire” from § 56-7-801(b) may have the effect of prohibiting any insurance policy on property of which the worth of such policy exceeds the fair value of the covered property.
- This legislation is assumed to have no significant effect on homeowners’ insurance policies regarding fires or other liabilities, as insurers, in an overwhelming majority of cases, would not provide a policy in an amount exceeding the liability.
- It is assumed that any decrease in claim reimbursements to policyholders, experienced as a consequence of this legislation, will not result in a decrease to premiums paid on homeowner’s insurance policies and therefore, there will be no decrease in premium tax revenue to the state.
- Requiring insurers or agents of such insurers to inspect a structure within 90 days of making or writing any contract of insurance on such structure will have no significant effect on the state.
- Based on information provided by the Department of Commerce and Insurance, it can enforce the provisions in this legislation at no additional cost.

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IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumptions:

- This legislation may have the effect of lowering reimbursements for claims made by homeowners with regards to a homeowner’s insurance policy.
- Any excess claims and interest on such claims of which an insurer will now, due to this legislation, not be liable to reimburse is assumed to be not significant.
- Requiring insurers to inspect a structure within 90 days of making or writing any contract of insurance on such structure will have no significant effect on insurance companies domiciled in the state as such inspections are currently required to be made within 12 months of the making or writing of the contract. It is assumed that any domiciled insurer affected by this legislation will reconfigure inspection schedules to meet this new requirement.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

/jdb