

State Corporation Commission 2010 Fiscal Impact Statement

1. Bill Number: SB 298

House of Origin X Introduced Substitute Engrossed
Second House X In Committee Substitute Enrolled

2. Patron: Miller, J.C.

3. Committee: Commerce and Labor

4. Title: Homeowners insurance; defective drywall.

5. Summary: Prohibits insurers writing policies on owner-occupied dwellings from canceling, refusing to renew, or increasing rates on such policies solely because of the use in the construction of the dwelling of drywall or building materials made of defective drywall. The bill defines “drywall” as “dried gypsum-based plaster that (i) as a result of containing the same or greater levels of strontium sulfide that has been found in drywall manufactured in the People’s Republic of China and imported into the United States between 2004 and 2007 is capable, when exposed to heat, humidity, or both, of releasing sulfur dioxide, hydrogen sulfide, carbon disulfide, or other sulfur compounds into the air or (ii) has been designated by the U. S. Consumer Product Safety Commission as a product with a product defect that constitutes a substantial product hazard within the meaning of § 15(a)(2) of the Consumer Product Safety Act (15 U.S.C. § 2064(a)(2)).”

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission. However, the impact on the insurance industry could be significant depending on the number of affected Virginia consumers. See Item 11.

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: The Bureau of Insurance offered the following technical comments to the patron:

- Subsection K limits the applicability of this proposal to “Chinese drywall.” However, a number of dwellings have experienced the same problems with drywall manufactured in the United States. Using a more generic term such as “defective drywall” would help to ensure that the bill’s provisions apply to tainted drywall wherever it was manufactured.
- At the beginning of Line 124, The Bureau of Insurance recommended adding the phrase “Except as provided in subsection K,” in order to clarify that an exception Senate Bill 298

has been added to the provision that allows insurers to set rates in accordance with relevant actuarial data.

11. Other comments: The Bureau of Insurance is not aware of any information which specifies the number of Virginia consumers with defective drywall. The impact on the insurance industry could be significant depending on the number of affected Virginia consumers. A recent survey of insurers writing these types of policies indicates that no insurer is currently terminating owner-occupied dwelling policies because of defective drywall.

Senate Bill 298 is similar to House Bill 45.

Date: 02/10/10 V. Tompkins
cc: Secretary of Commerce and Trade