

State Corporation Commission 2010 Fiscal Impact Statement

1. Bill Number: SB36

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

2. Patron: Miller, Y.B.

3. Committee: Commerce and Labor

4. Title: **Residential property; duty of insurer to restore to its preloss condition.**

5. Summary: Requires insurers issuing fire insurance or miscellaneous property insurance written on residential real property to include in the duty to repair, rebuild, or replace the damaged portion of the insured property the duty to restore the undamaged portion of the property that is adjacent to or in the immediate area of the damaged portion of the property with the same materials that are used to repair the damaged portion of the property, if not repairing the undamaged portion of the property would result in a difference in appearance between the undamaged portion of the property and the repaired damaged portion.

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission. Insurers providing the additional coverage required by Senate Bill 36 may raise premiums as a result. Insurers that offer such coverage now charge an additional premium for the coverage. The Bureau of Insurance does not know the extent to which premium increases would be made by insurers or the degree of impact on insurers.

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

10. Technical amendment necessary: No

11. Other comments: The Bureau of Insurance offered the patron of Senate Bill 36 the following comments:

- The phrase “adjacent to or in the immediate area” may be subject to more than one interpretation. For example, in the case of commercial residential property, it could extend to a clubhouse on the premises of an apartment complex;
- Senate Bill 36 does not indicate how much difference has to exist between the damaged and undamaged portion of the property. In other words, the bill does not use the term “significant” or “material,” and the Bureau suggested clarification on this issue.

- The type of insurance coverage added in the provisions of Senate Bill 36 is not currently offered by many Virginia insurers; those insurers that offer the coverage charge an additional premium for it. As a result, insurers that currently do not provide this type of coverage may charge an additional premium for this additional coverage;
- The patron may wish to consider making this a mandatory offer on the part of the insurers with an ability to charge an appropriate premium.

Senate Bill 36 is similar to House Bill 205

Date: 02/03/10 V. Tompkins

cc: Secretary of Commerce and Trade