



July 6, 2012

The Honorable John J. Carona
Chairman, Senate Business & Commerce Committee
Texas Senate
P.O. Box 12068
Austin, TX 78711-2068

Dear Chairman Carona:

Please accept this letter as the Texas Association of Builders' (TAB) initial comments regarding the Senate Business & Commerce Committee's interim charge addressing the Texas homeowners insurance market. Specifically, TAB would like to comment on the portion of the charge reading as follows: "Study the relationship between insurance premiums and construction costs, especially as associated with recovery from natural disasters, to ensure that consumers are treated fairly." TAB certainly appreciates the opportunity to comment and thanks the Committee for reviewing this important issue.

At the Committee's upcoming hearing on July 10, 2012, TAB will have an insurance agent fluent in construction coverage testify with specifics on the various insurance products and their impact on construction. Insurance products such as Construction General Liability insurance and Builders Risk coverage are products common to the building industry and used by homebuilders during the construction phase of a home. These products cover damages to a home resulting during the construction and may provide a measure of defect coverage. Once construction is complete and a homeowner takes control of the dwelling, homeowners insurance is available in differing forms and coverages to cover many damages that can occur to the home. It is important to note that once a home is completed, a homeowner should adequately insure the home for its true replacement value in order to make certain that the home can be adequately rebuilt if it is significantly damaged through a disaster or any other means.

As you well know, Texas is geographically susceptible to various types of natural disasters ranging from hurricanes and tornadoes to droughts, hail and wildfires. During the 82nd Texas Legislative Session, TAB worked to help pass HB 1711, which requires that a disaster remediation contract be in writing and prohibits a disaster remediation contractor from requiring payment prior to beginning work or charging a partial payment in any amount disproportionate to the work that has been performed. In order to protect scrupulous contractors who are an established part of a community, the bill exempts those who have held a business address for one

year in the county or adjacent county where the work occurs. This statutory change will help protect the victims of natural disasters by providing safeguards against fly-by-night operators who tend to infiltrate our great state in times of disaster. During the wildfire season of 2011, TAB educated builders and consumers alike through our website and public service announcements about the HB 1711 provisions and how to best choose a reputable builder/remodeler.

Strong building standards go a long way toward helping prevent damage to homes when disaster strikes and ensure safe housing. TAB has worked over the years to protect consumers by advocating and working for strong construction standards across the state. All homes in Texas built within municipalities must be built to the nationally accepted International Residential Code (IRC). Due to the 2009 sunset of the Texas Residential Construction Commission and its requirements that all homes in the unincorporated areas meet IRC provisions, TAB successfully worked with the counties to give them the authority to require that all homes be built to code and mandate that builders get independent third party inspections to ensure those homes are properly built to the IRC standards, which include stringent windstorm provisions along the Texas coast. Additionally, the Texas Department of Insurance (TDI) provides for Texas revisions to the windstorm portion of the IRC to increase certain windstorm protections over and above the IRC requirements. The IRC standards have proven themselves during Hurricane Rita in 2005 and Hurricane Ike in 2008. Attached is a Texas Windstorm Insurance Association (TWIA) press release stating that our state building codes work. In fact, the 2007 TWIA release pointed out that the newer, up to date building codes helped prevent property damage during Hurricane Rita and that homes built to the current codes at the time resulted in far fewer claims, with the average paid loss for those homes at 40 to 50 percent less than homes not built to updated codes. Additionally, the attached FEMA report released after Hurricane Ike also concluded that building codes work. According to the December 2008 report, "Ike provided evidence that modern building and floodplain codes work when well enforced." The report further stated that "modern homes built to the 130mph standard of the International Residential Code were still standing the morning after." With such strong codes in place, homeowners will see less damage to their homes should disaster strike.

Thank you for the opportunity to comment on this charge. We look forward to next week's hearing and stand ready to work with the Committee on this important issue. Please do not hesitate to contact us anytime should you have any questions or comments on this or any other matter.

Sincerely,



Ned Muñoz

V.P. for Regulatory Affairs and General Counsel

Attachment