

BILL ANALYSIS

Senate Research Center
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S.B. 1081
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Consolidated insurance programs (CIPs) are insurance programs under which a principal provides general liability insurance coverage, workers' compensation insurance coverage, or both, that are incorporated into an insurance program for a single construction project to provide insurance coverage for the owner and all contractors on a construction project. These policies are bought by the project owner or general contractor. When bidding on a project covered by a CIP, contractors are expected to deduct the cost of insurance from their bids. In theory, CIPs reduce insurance costs for a project through buying in bulk and ensure that each contractor on a project has sufficient coverage. In practice, many contractors have found that the cost savings associated with a CIP are realized through providing insufficient coverage that results in risk shifting to contractors that would ordinarily be covered by the contractors' own insurance coverage. It is important to note that most contractors cannot supplement the coverage provided under a CIP with their own insurance due to an endorsement in their policies that excludes coverage for work done on CIP projects.

S.B. 1081 requires disclosure that a project will be covered by a CIP and that contractors are provided sufficient information to compare the coverage under a CIP with their own insurance. Such disclosure will be provided when soliciting bids for a construction project and prior to signing the construction contract. It is understood that the amount of information disclosed when soliciting bids will be less than the amount of information disclosed prior to signing the construction contract. S.B. 1081 also requires that each contractor covered by a CIP be provided a copy of the policy.

As proposed, S.B. 1081 amends current law relating to the disclosure of certain information under a consolidated insurance program.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 151.003, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter A, Chapter 151, Insurance Code, by adding Section 151.003, as follows:

Sec. 151.003. REQUIRED DISCLOSURE. (a) Requires an insurer or the insurer's agent to timely provide information to a contractor or potential contractor of a construction project that is covered under or that may be covered under an insurance policy under a consolidated insurance program.

(b) Requires the commissioner of insurance to adopt rules establishing requirements governing the provision of information under Subsection (a). Requires that the rules require an insurer or the insurer's agent to provide:

(1) within a reasonable time, sufficient information to a potential bidder for a contract on a construction project to meaningfully compare the bidder's own insurance program with the coverages, exclusions, limits,

deductibles, credits, and costs of the coverage provided under the consolidated insurance program;

(2) before the construction contract is entered into, and with sufficient time for a prudent businesslike analysis, detailed information to a successful bidder on:

(A) the conditions, insuring agreement, coverages, exclusions, deductibles, and limits of each policy issued or to be issued under the consolidated insurance program;

(B) the claims processing procedures and other administrative policies or procedures under the consolidated insurance program; and

(C) the methods to be used in calculating costs, deductibles, and credits under the consolidated insurance program; and

(3) on the contractor's enrollment in the consolidated insurance program, a copy to each contractor of:

(A) each policy under the consolidated insurance program, including any renewal or replacement policy; or

(B) if the insurer has not issued the policy, a copy of an insurance binder and all related endorsements.

SECTION 2. Provides that Section 151.003, Insurance Code, as added by this Act, applies only to a construction contract that is entered into on or after January 1, 2016. Makes application of this Act prospective to January 1, 2016.

SECTION 3. Effective date: September 1, 2015.