

By: Smithee

H.B. No. 2014

Substitute the following for H.B. No. 2014:

By: Smithee

C.S.H.B. No. 2014

A BILL TO BE ENTITLED

AN ACT

relating to the operation and regulation of certain consolidated insurance programs; providing penalties.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Title 2, Insurance Code, is amended by adding Subtitle C to read as follows:

SUBTITLE C. PROGRAMS AFFECTING MULTIPLE LINES OF INSURANCE

CHAPTER 151. CONSOLIDATED INSURANCE PROGRAMS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 151.001. DEFINITIONS. In this chapter:

(1) "Administrator" means a person who operates and manages a consolidated insurance program on behalf of a principal. The term includes a person who, in the regular course of business, operates and manages a consolidated insurance program as an agent of a principal.

(2) "Consolidated insurance program" means a program under which a principal, for a contractor or contractors on a construction project, provides general liability insurance coverage, workers' compensation insurance coverage, or both that are incorporated into an insurance program for a single construction project or multiple construction projects.

(3) "Construction project" means construction, remodeling, maintenance, or repair of improvements to real property.

1 (4) "Construction project site" means the immediate
2 construction location and areas emanating from that location, such
3 as adjacent sidewalks, streets, storage areas, temporary
4 construction yards, and staging areas.

5 (5) "Contractor" includes:

6 (A) a prime contractor;

7 (B) a general contractor;

8 (C) a subcontractor; and

9 (D) any other person who has signed a
10 construction contract covered under the consolidated insurance
11 program, including a client company of a staff leasing services
12 company, as defined by Chapter 91, Labor Code.

13 (6) "Insurance credit" means a discount on a contract
14 price offered to a principal by a contractor, or to a contractor by
15 another contractor, bidding on a construction project contract in
16 consideration of the principal providing insurance coverage for the
17 construction project that covers the contractor.

18 (7) "Insurer" means an insurance company, including a
19 mutual insurance company or a capital stock company, a reciprocal
20 or interinsurance exchange, a Lloyd's plan, or another legal entity
21 authorized to engage in the business of general liability insurance
22 or workers' compensation insurance in this state. The term
23 includes an eligible surplus lines insurer.

24 (8) "Residential construction project" means a
25 construction project involving a single-family house, a duplex, a
26 triplex, a quadruplex, or a unit in a multi-unit structure used for
27 residential purposes:

1 (A) that is:

2 (i) owned by one or more adult persons; and

3 (ii) used or intended to be used as a
4 dwelling by one of the owners; or

5 (B) being constructed or intended to be newly
6 constructed with the intention of sale to a person and for a purpose
7 described by Paragraph (A).

8 Sec. 151.002. PRINCIPAL. (a) For purposes of this chapter,
9 "principal" means the person who procures the insurance policy.

10 (b) The principal under a consolidated insurance program is
11 the person responsible for the payment of the premium on the
12 insurance coverage. The principal is typically the first named
13 insured on a general liability insurance policy.

14 Sec. 151.003. ROLLING CONSOLIDATED INSURANCE PROGRAM. For
15 purposes of this chapter, a "rolling consolidated insurance
16 program" means a consolidated insurance program based on a fixed
17 expiration date and the construction value of the ongoing
18 operations related to certain construction projects. The
19 construction project may be:

20 (1) at one location and involve multiple projects or
21 phases with an overall duration and value as provided by the policy
22 coverage; or

23 (2) at multiple locations and involve different
24 construction projects among different parties within the overall
25 duration and value as provided by the policy coverage, such as:

26 (A) multiple schools being constructed by a
27 school district under a bonded indebtedness program; or

1 (B) certain multiple construction projects for
2 which a principal or contractor purchases a single insurance
3 program.

4 Sec. 151.004. RULES. The commissioner shall adopt rules in
5 the manner provided by Subchapter A, Chapter 36, as necessary to
6 implement and enforce the purpose and intent of this chapter.

7 [Sections 151.005-151.050 reserved for expansion]

8 SUBCHAPTER B. GENERAL REQUIREMENTS FOR CONSOLIDATED INSURANCE

9 PROGRAM

10 Sec. 151.051. GENERAL REQUIREMENTS. An insurance policy
11 issued under a consolidated insurance program must:

12 (1) provide coverages in the manner required by the
13 department under this code; and

14 (2) comply with:

15 (A) commissioner rules and all statutory
16 requirements; and

17 (B) the requirements adopted under this chapter.

18 Sec. 151.052. REQUIRED COVERAGES. (a) An insurance policy
19 issued under a consolidated insurance program must provide
20 coverages for all operations on the construction project site that
21 are necessary and incidental to the construction project to the
22 extent of the type of insurance that is provided under the policy.

23 (b) This chapter or a contract requirement may not be
24 interpreted to prevent a contractor from obtaining any insurance
25 coverage not provided by the consolidated insurance program to
26 protect the contractor and the construction project.

27 Sec. 151.053. NOTICE OF CERTAIN CHANGES. (a) Except as

1 provided by Subsection (b), after the execution of a construction
2 contract by the principal, the coverages or limits under the
3 consolidated insurance program may not be reduced, nonrenewed, or
4 canceled without written notice provided to the principal and all
5 contractors. The notice required under this subsection must be
6 provided by the insurer or administrator not later than the 60th day
7 before the effective date of the reduction, nonrenewal, or
8 cancellation.

9 (b) A notice to cancel coverage due to nonpayment of premium
10 is effective only after written notice is provided to the principal
11 at least 10 days before the scheduled effective date of the
12 cancellation due to nonpayment of premium.

13 (c) If any coverage is canceled, the insurer or
14 administrator shall notify each contractor in writing that coverage
15 has been canceled. The notice under this subsection must be sent
16 not later than the effective date of the cancellation of coverage.

17 Sec. 151.054. COVERAGE OF CONTRACTORS. (a) Each
18 contractor on a construction project covered by a consolidated
19 insurance program must:

20 (1) be listed as a named insured on each general
21 liability insurance policy under the program; and

22 (2) have equal rights under the general liability
23 policy with the principal and other contractors, subject to
24 insurance industry standard differences between a first-named
25 insured and a named insured.

26 (b) Subsection (a) does not apply to a policy that is issued
27 individually in the name of the contractor as the first-named

1 insured under a consolidated insurance program.

2 (c) The principal or a contractor may not require a
3 contractor to obtain an additional insured endorsement on the
4 contractor's separately maintained insurance policy that is of the
5 same general type as the insurance coverage provided by the
6 consolidated insurance program other than an insurance policy
7 covering off-site work for ongoing operations that is related to
8 the project and that is not covered by the consolidated insurance
9 program.

10 (d) The coverages under the consolidated insurance program
11 must be primary and noncontributory to any insurance policy
12 separately maintained by a contractor covered by the consolidated
13 insurance program that is of the same general type as the insurance
14 coverages provided by the consolidated insurance program.

15 Sec. 151.055. COMPLIANCE BY PRINCIPAL AND OTHER
16 CONTRACTORS. (a) A principal under a consolidated insurance
17 program who does not comply with the requirements of this chapter
18 may not, directly or indirectly, including by deduction from a
19 payment or by requesting an insurance credit, charge a contractor
20 for any insurance coverage provided to the contractor by the
21 program.

22 (b) Failure by a principal to maintain the structure,
23 management, or insurance coverage, or to reinstate the limits of
24 liability if the limits are fully expended in a policy year,
25 constitutes a material breach of all construction contracts and
26 subcontracts being performed under the consolidated insurance
27 program. For purposes of this subsection, the determination of

1 when limits of liability are fully expended shall be based on
2 incurred losses and expenses.

3 (c) A contractor who contracts with a lower-tier contractor
4 may not charge the lower-tier contractor for any insurance coverage
5 if the principal has failed to comply with the requirements of this
6 chapter.

7 (d) For purposes of this section, noncompliance by a
8 principal does not include substantial compliance by a principal
9 with the requirements of this chapter such that the lack of full
10 compliance does not violate the purpose and intent of this chapter
11 and no person is harmed from failure to obtain full compliance.

12 Sec. 151.056. SUBROGATION. (a) The principal and a
13 contractor do not have subrogation rights against each other for a
14 general liability claim covered by the consolidated insurance
15 program.

16 (b) A contractor and another contractor do not have
17 subrogation rights against each other for a general liability claim
18 covered by the consolidated insurance program.

19 Sec. 151.057. APPLICATION TO GENERAL LIABILITY COVERAGE.
20 If a consolidated insurance program includes general liability
21 coverage, coverage for a contractor under the consolidated
22 insurance program must be provided for:

23 (1) a negligent act of a contractor, whether caused by
24 a direct act of the contractor or assumed under contract; and

25 (2) the contractor's ongoing operations and the
26 contractor's completed operations.

27 Sec. 151.058. DURATION OF GENERAL LIABILITY COVERAGE. (a)

1 A consolidated insurance program that provides general liability
2 coverage must continue completed operations insurance coverage
3 until the expiration of the limitations period for bringing an
4 action for damages as provided by Section 16.009, Civil Practice
5 and Remedies Code.

6 (b) A contractor's separately maintained insurance policy
7 may not exclude coverage for ongoing operations of the contractor
8 for warranty or punch-out work on a construction project covered by
9 a consolidated insurance program that occurs after the contractor
10 has received written notice from the principal, insurer, or
11 administrator that the consolidated insurance program has ended.

12 (c) The principal, administrator, or insurer shall notify
13 in writing each contractor covered under a consolidated insurance
14 program of the date that ongoing operations coverage ends under the
15 program. The notice must be sent not later than the date on which
16 the coverage ends.

17 Sec. 151.059. INSURER REQUIREMENTS; INSURER RATINGS. (a)
18 All insurance coverages under a consolidated insurance program for
19 a residential or nonresidential construction project must be
20 provided by an insurer that has:

21 (1) a financial strength rating of at least A- and a
22 financial size rating of at least Class XI, as currently reported by
23 the A. M. Best Company; or

24 (2) an equivalent rating made by a similar rating
25 organization recognized by the commissioner.

26 (b) Insurance policies providing coverage under the
27 consolidated insurance program shall be delivered to the

1 first-named insured not later than the 60th day after the date on
2 which the coverage takes effect.

3 (c) The requirements of this section must be maintained for
4 the duration of the construction project.

5 Sec. 151.060. DEFENSE COVERAGE FOR CLAIM OR SUIT. (a) In
6 the event of a lawsuit or arbitration proceeding that is covered by
7 the consolidated insurance program, an insurance policy under the
8 program must provide coverage for the defense of each contractor.

9 (b) Defense costs for a contractor under Subsection (a) may
10 not be included in the limit of liability of an insurance policy
11 under the consolidated insurance program if the defense costs for
12 the principal are not included in the limit of liability.

13 Sec. 151.061. PAYMENT OF CERTAIN DEDUCTIBLES, LOSSES, OR
14 PENALTIES. (a) Except as provided by Subsection (b), a principal
15 is solely liable for:

16 (1) any coverage deductibles or losses in a
17 retrospective rating plan or other loss-sensitive rating plan under
18 a consolidated insurance program;

19 (2) any penalties incurred under the program; and

20 (3) all deductibles applicable to any policy provided
21 under the consolidated insurance program.

22 (b) If a contractor covered by the consolidated insurance
23 program is the cause of a property damage accident for which
24 insurance is provided under the consolidated insurance program, the
25 contractor shall reimburse the principal for any deductible amount
26 for which the principal is responsible under Subsection (a). The
27 deductible amount for which the contractor is responsible under

1 this subsection may not exceed the lesser of:

2 (1) the amount of the contractor's deductible for the
3 same general type of insurance coverage separately maintained by
4 the contractor; or

5 (2) \$5,000.

6 Sec. 151.062. PREMIUMS ASSESSED TO CONTRACTOR. If any
7 premiums for coverage subject to experience modification under a
8 consolidated insurance program on a single or multiple construction
9 project are assessed to a contractor, the contractor's most recent
10 experience modifier, as of the date on which the contractor
11 submitted the contractor's price proposal, must be used in the
12 computation of the premium to be assessed to the contractor for the
13 duration of the construction project.

14 Sec. 151.063. DATA REPORTS FOR WORKERS' COMPENSATION. (a)
15 The administrator shall report at least bimonthly the loss and
16 payroll data that relates to a contractor in detail to the
17 contractor who is the subject of the report.

18 (b) The initial report under Subsection (a) must be sent not
19 later than the 15th day of the second month after the date on which
20 the contractor begins work on the construction project that
21 requires payroll reports, with subsequent bimonthly reports sent
22 not later than the 15th day of the second month after a month in
23 which the contractor performed work covered by the consolidated
24 insurance program.

25 (c) The administrator shall send to each contractor
26 annually a written compilation of all payroll and loss information
27 attributable to the contractor who is the subject of the report.

1 The report must be sent not later than the 120th day after the
2 expiration date of the workers' compensation policy.

3 (d) The contractor who is the subject of the report under
4 Subsection (c) shall send a written notice of any discrepancies in
5 the payroll or loss information to the administrator not later than
6 the 30th day after the date on which the contractor receives the
7 report.

8 (e) The administrator shall resolve any discrepancies
9 reported under Subsection (d) not later than the 30th day after the
10 date of receipt of the contractor's report of discrepancies under
11 Subsection (d), and shall report the correct information to the
12 contractor and to the insurer.

13 (f) If the contractor who is the subject of the report is the
14 sole source of the information required for compilation of the
15 report, the deadlines under Subsection (b), (c), or (e) shall be
16 extended by one day for each day the contractor who is the subject
17 of the report delays providing the necessary information.

18 Sec. 151.064. AUDIT REQUIREMENTS. (a) Except as provided
19 by Subsection (b), any required audit of a contractor covered by a
20 consolidated insurance program who is subject to a premium charge
21 or deduction for the coverage must be completed not later than the
22 90th day after the date on which the contractor completes the
23 contractor's work on the construction project.

24 (b) The audit completion date under Subsection (a) shall be
25 extended by one day for each day the contractor subject to the audit
26 delays completion of a necessary audit by failing to provide the
27 auditor with access to the contractor's records after the

1 contractor has received written notice from the administrator,
2 insurer, or auditor stating the date on which the audit is to be
3 conducted.

4 (c) In complying with this section, the insurer shall comply
5 with the commissioner's rules relating to:

6 (1) the statistical plan for workers' compensation;
7 and

8 (2) the reporting requirements established under the
9 statistical plan.

10 Sec. 151.065. LIMITED EXCEPTION TO RATING STANDARDS.
11 Sections 2053.002 and 2251.052, Insurance Code, and Section 1,
12 Chapter 50, Acts of the 53rd Legislature, Regular Session, 1953
13 (Article 5.77, Vernon's Texas Insurance Code), do not apply to
14 rates used for an insurance policy issued under a consolidated
15 insurance program under this chapter to the extent that those laws
16 require an insurer to produce rates for individual risks.

17 [Sections 151.066-151.100 reserved for expansion]

18 SUBCHAPTER C. COVERAGE LIMITS

19 Sec. 151.101. GENERAL REQUIREMENTS. Subject to Section
20 151.058, aggregate and per-occurrence limits of all general
21 liability insurance coverages under a consolidated insurance
22 program apply to all contractors under the program for the duration
23 of each construction project covered by the program.

24 Sec. 151.102. PER-OCCURRENCE LIMITS. (a) For a
25 residential construction project, the per-occurrence general
26 liability limit must be not less than the greater of:

27 (1) 20 percent of the overall construction project

1 value; or

2 (2) \$5 million.

3 (b) For a nonresidential construction project that has an
4 overall construction project value that does not exceed \$400
5 million, the per-occurrence general liability limit must be not
6 less than the greater of:

7 (1) 25 percent of the overall construction project
8 value; or

9 (2) \$50 million.

10 (c) For a nonresidential construction project that has an
11 overall construction project value that exceeds \$400 million, the
12 per-occurrence general liability limit must be not less than \$100
13 million.

14 (d) For a nonresidential construction project covered by a
15 rolling consolidated insurance program, the per-occurrence general
16 liability limit must be not less than the greater of:

17 (1) 25 percent of the overall construction project
18 value during the 12-month period immediately preceding the
19 inception date of the policy; or

20 (2) \$50 million.

21 (e) For employer liability coverage under a consolidated
22 insurance program that provides workers' compensation insurance
23 coverage, the per-occurrence liability limit may not be less than
24 the applicable general liability limit.

25 Sec. 151.103. ANNUAL REINSTATEMENT OF LIABILITY LIMITS.

26 The consolidated insurance program must reinstate annually the
27 liability limits for each policy subject to the program or be

1 replaced by other policies that provide equivalent coverage and
2 limits. This section does not apply to a completed operations
3 coverage limit on completion of the construction project.

4 Sec. 151.104. NOTICE REGARDING REDUCTION IN LIMIT. (a) The
5 insurer, or the administrator on the insurer's behalf, shall notify
6 all contractors in writing not later than the 10th day after the
7 date the total limit of coverage for any type of liability coverage
8 issued under the consolidated insurance program is reduced by:

9 (1) 50 percent; and

10 (2) each additional 10 percentage point reduction
11 after the initial 50 percent reduction.

12 (b) The reduction in the limit under Subsection (a) shall be
13 computed based on incurred losses and expenses.

14 (c) The notice under Subsection (a) must describe:

15 (1) the initial limit of liability coverage; and

16 (2) the limit of liability coverage that remains as of
17 the notice date.

18 (d) If the limits of a policy have been expended, triggering
19 the limits of another policy, the notice under Subsection (a) is
20 required only if the combined limit of all policies providing the
21 coverage has been reached.

22 (e) The limit of liability may not be reduced if the insurer
23 fails to comply with Subsection (a).

24 [Sections 151.105-151.150 reserved for expansion]

25 SUBCHAPTER D. DISCLOSURE REQUIREMENTS FOR ADMINISTRATION OF
26 CONSOLIDATED INSURANCE PROGRAM

27 Sec. 151.151. REQUIRED DISCLOSURE AT BID SOLICITATION. At

1 the time a principal or contractor is soliciting bids for a
2 construction project, the principal or contractor must disclose
3 prominently in the project plans, specifications, and any request
4 for bids or proposals that the project may be covered by a
5 consolidated insurance program subject to this chapter.

6 Sec. 151.152. GENERAL ELEMENTS OF BID SOLICITATION
7 DISCLOSURE. (a) Each disclosure made under Section 151.151 must
8 include information sufficient to reasonably describe the
9 insurance coverage and limits that will be provided under the
10 consolidated insurance program and the program operation such that
11 a bidder is able to compare the bidder's own insurance program with
12 the coverages, limits, and operation program provided under the
13 consolidated insurance program.

14 (b) The disclosure under Subsection (a) is not required to
15 be as detailed as the disclosure required under Section 151.153.

16 Sec. 151.153. REQUIRED DISCLOSURE PRIOR TO CONTRACT
17 EXECUTION. (a) A principal may establish for a construction
18 project a minimum construction contract amount for a contractor to
19 be included in a consolidated insurance program.

20 (b) Not later than the 14th day before the date on which a
21 principal or contractor executes a contract for a construction
22 project covered by a consolidated insurance program, the principal
23 or contractor that solicited the bid must make a written disclosure
24 to the contractor that contains detailed information concerning the
25 consolidated insurance program.

26 (c) After receipt of the written disclosure required under
27 Subsection (b), if the disclosure contains any adverse material

1 change from the disclosure made under Section 151.151, a contractor
2 may, without recourse or liability for damage to any person:

3 (1) withdraw the contractor's price proposal for work
4 on the construction project; or

5 (2) modify the price for the insurance component of
6 the proposal for work on the construction project.

7 Sec. 151.154. GENERAL ELEMENTS OF PRECONTRACT DISCLOSURE.

8 Each disclosure made under Section 151.153 must include:

9 (1) the name and address of each insurer providing an
10 insurance policy or contract under the consolidated insurance
11 program and identification of the coverage each insurer will
12 provide;

13 (2) the name, primary contact name, street address,
14 city, state, and zip code of the administrator of the consolidated
15 insurance program;

16 (3) a copy of each form, including enrollment forms,
17 claim forms, and payroll forms, that a contractor may be required to
18 submit to the principal, administrator, or insurer;

19 (4) the number, frequency, and subject matter of any
20 payroll reports or payroll audits of the contractor required by the
21 insurer, administrator, or principal;

22 (5) the scope and limits of coverage for each
23 insurance policy under the consolidated insurance program,
24 including:

25 (A) an accurate specimen policy that contains
26 full and complete declarations, insuring agreements, policy
27 conditions, limitations, coverages, and endorsements; and

1 (B) a summary explanation for each endorsement;
2 and

3 (6) the scope of coverage and limits for each policy of
4 excess insurance covering the consolidated insurance program,
5 including:

6 (A) a statement that the excess policy will have
7 the same terms, conditions, and coverages as the primary policy,
8 with any material exceptions listed; and

9 (B) a summary explanation for each endorsement.

10 Sec. 151.155. FORMULA FOR INSURANCE CREDITS. (a) The
11 disclosure required under Section 151.151 must include the formula
12 to be used by a contractor in computing any insurance credits.

13 (b) The formula must include:

14 (1) the discounts, credits, and rate variances used by
15 the contractor;

16 (2) examples of credit computations;

17 (3) a method to incorporate any scheduled credits,
18 premium discounts, or other items of credit or discount that apply
19 specifically to the contractor; and

20 (4) a specific explanation of how any premium increase
21 or decrease resulting from payroll overruns or underruns will be
22 applied.

23 (c) A principal may not require an insurance credit of a
24 contractor for coverage provided under the consolidated insurance
25 program for flat rate excess liability coverage separately
26 maintained by the contractor.

27 [Sections 151.156-151.200 reserved for expansion]

1 SUBCHAPTER E. PROGRAM ADMINISTRATION

2 Sec. 151.201. ADMINISTRATOR. Each principal shall appoint
3 a qualified administrator for the consolidated insurance program
4 whose only duty is administration of the program.

5 Sec. 151.202. POWERS AND DUTIES OF ADMINISTRATOR. (a) An
6 administrator shall comply in a timely manner with the requirements
7 of this section.

8 (b) The administrator shall administer the enrollment of
9 all contractors covered by the consolidated insurance program as
10 necessary to ensure prompt coverage, effective on the date that the
11 contractor begins work on the construction project.

12 (c) The administrator shall:

13 (1) maintain a current consolidated insurance program
14 manual that contains a detailed description of the consolidated
15 insurance program;

16 (2) provide all contractors with a current copy of the
17 manual that is consistent with the insurance provided and the scope
18 of the program:

19 (A) on the date of the contractor's enrollment in
20 the program; and

21 (B) not later than the seventh day after any
22 changes are made to the manual; and

23 (3) provide each contractor on the date of the
24 contractor's enrollment in the program with a certificate that
25 evidences the contractor's coverage under the program.

26 (d) In addition to the certificate provided under
27 Subsection (c)(3), the administrator shall obtain from the insurer

1 or a licensed agent of the insurer and deliver a certificate of
2 insurance on behalf of a contractor to evidence the coverages and
3 limits provided by the consolidated insurance program not later
4 than the fifth day after receipt of a request from a contractor.

5 (e) If the insurer has issued insurance policies, the
6 administrator shall ensure that each contractor receives insurance
7 policies, or renewal certificates for previously issued policies,
8 for all coverages provided by the consolidated insurance program
9 not later than the earlier of:

10 (1) the 30th day after the date the contractor is
11 enrolled in the program; or

12 (2) the date the contractor begins work on the
13 project.

14 (f) The administrator shall coordinate:

15 (1) any regular reporting required of the contractors
16 and any audits required of the contractors;

17 (2) all meetings with the insurer, whether with the
18 principal, the contractors, or other parties; and

19 (3) availability and communication between
20 contractors and any on-site medical facilities.

21 (g) The administrator shall establish and disseminate to
22 contractors:

23 (1) clear procedures for proper filing of claims; and

24 (2) required loss-control procedures.

25 (h) The administrator shall ensure that:

26 (1) all insurance coverages provided by the
27 consolidated insurance program are maintained; and

1 (2) all contractors are notified in writing promptly
2 of any changes or cancellation in coverages provided by the
3 consolidated insurance program.

4 (i) The administrator shall monitor the financial standing
5 of the insurer as provided by Section 151.059 and shall provide
6 written notice to the principal and all contractors of any
7 significant negative change not later than the 10th day after the
8 date of the negative change.

9 (j) The administrator shall prepare and present to a
10 contractor on at least a bimonthly basis any required payroll
11 reports, claim reviews, and loss-control reviews that relate to
12 that contractor.

13 (k) The administrator shall provide oversight and
14 coordinate the filing of claims for the principal and any affected
15 contractor until the construction project is completed and the
16 operation of the consolidated insurance program and the
17 administration of that program is closed.

18 (l) Before the date on which the operation of the
19 consolidated insurance program and administration of the program
20 is closed, the administrator shall provide to the principal and
21 each contractor a written notice that contains the contact person's
22 name, company name, mailing address, telephone number, facsimile
23 number, electronic mail address, and any other necessary contact
24 information, of the person and company responsible for any closed,
25 open, or future claims under the coverages provided by the
26 consolidated insurance program.

27 Sec. 151.203. FIDUCIARY DUTY OF ADMINISTRATOR. For

1 purposes of this chapter and insurance benefits under the
2 consolidated insurance program, the administrator owes a fiduciary
3 duty to each contractor that participates in the program.

4 Sec. 151.204. ERRORS AND OMISSIONS COVERAGE REQUIRED. The
5 administrator shall maintain errors and omissions insurance
6 coverage in the minimum amount of \$5 million per occurrence for any
7 liability of the administrator under this chapter.

8 [Sections 151.205-151.250 reserved for expansion]

9 SUBCHAPTER F. ENFORCEMENT PROVISIONS

10 Sec. 151.251. GENERAL ENFORCEMENT; ADMINISTRATIVE
11 PENALTIES. (a) The commissioner may impose a sanction under
12 Chapter 82, issue a cease and desist order under Chapter 83, or
13 assess an administrative penalty under Chapter 84, on any person
14 regulated by the department who violates this chapter or a rule or
15 order adopted by the commissioner under this chapter.

16 (b) An administrative penalty assessed under this chapter
17 may not exceed \$30,000 for each day and for each violation.

18 [Sections 151.252-151.300 reserved for expansion]

19 SUBCHAPTER G. CIVIL LIABILITY

20 Sec. 151.301. CIVIL LIABILITY FOR VIOLATION OF CHAPTER.
21 (a) A contractor who is harmed by a violation of this chapter may
22 bring a suit or pursue other remedies against the violating party
23 for civil damages resulting from the violation, plus reasonable
24 attorney's fees.

25 (b) Venue for a suit brought under this section is in the
26 county in which the construction project is located.

27 SECTION 2. Chapter 151, Insurance Code, as added by this

1 Act, applies only to a consolidated insurance program for a
2 construction project that begins on or after January 1, 2008. A
3 consolidated insurance program for a construction project that
4 begins before January 1, 2008, is governed by the law as it existed
5 immediately before the effective date of this Act, and that law is
6 continued in effect for that purpose.

7 SECTION 3. This Act takes effect September 1, 2007.