

## **BILL ANALYSIS**

Senate Research Center  
82R691 TJS-D

S.B. 95  
By: Lucio  
Business & Commerce  
2/25/2011  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

After the insurance reform of 2003, insurers were allowed to deviate from standard policies and to offer an unlimited number of policies with different levels of coverage. The purpose of this reform was to provide insurers with the flexibility to provide the product most needed by their consumers. The unintended consequence of this change, however, is that consumers can no longer shop for insurance based on price alone as coverage varies widely from policy to policy. Moreover, insurance contracts are written in such convoluted legalese that the average policyholder does not understand what he or she is buying. Because policies vary from company to company, most consumers are not sure of the coverage that they are carrying.

S.B. 95 gives the commissioner of insurance (commissioner) the ability to adopt standard insurance policy forms and requires that insurers writing residential property insurance offer those forms adopted by the commissioner, in addition to whatever other policy forms the insurer has had approved. S.B. 95 thus keeps the benefits of the 2003 reform—a diverse array of insurance products in the market—while ensuring that consumers have the option to compare policies with standard levels of coverage between companies.

As proposed, S.B. 95 amends current law relating to required use by insurers of certain standard insurance policy forms for residential property insurance.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 3 (Section 2301.0525, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 2301.008, Insurance Code, as follows:

Sec. 2301.008. ADOPTION AND USE OF STANDARD FORMS. (a) Creates this subsection from existing text. Authorizes the commissioner of insurance (commissioner) to adopt standard insurance policy forms, printed endorsement forms, and forms related to insurance policy forms and printed endorsement forms, except as provided by Subsection (b).

(b) Requires the commissioner to adopt standard insurance policy forms, printed endorsement forms, and forms related to insurance policy forms and printed endorsement forms for use in writing residential property insurance.

(c) Authorizes an insurer, in writing insurance subject to this subchapter other than residential property insurance, to use the standard forms adopted by the commissioner under Subsection (a) instead of the insurer's own forms. Requires an insurer, in writing residential property insurance, to use the standard forms in the manner prescribed by Section 2301.0525.

Deletes existing text authorizing the commissioner to adopt certain forms other than insurance policy forms and printed endorsement forms that an insurer may

use instead of the insurer's own forms in writing insurance subject to this subchapter.

SECTION 2. Amends Section 2301.052(b), Insurance Code, to make application of this subsection (relating to the continued use of certain approved policy forms or endorsements) subject to Section 2301.0525.

SECTION 3. Amends Subchapter B, Chapter 2301, Insurance Code, by adding Section 2301.0525, as follows:

Sec. 2301.0525. USE OF CERTAIN STANDARD INSURANCE POLICY FORMS REQUIRED. (a) Requires each insurer that writes residential property insurance in this state to use the standard insurance policy forms adopted by the commissioner under Section 2301.008 for use in writing residential property insurance and authorizes an insurer, subject to Subsection (b), to use alternative policy forms approved by the commissioner under Section 2301.006 (Filing and Approval of Forms).

(b) Prohibits an insurer from delivering or issuing for delivery a residential insurance policy to an applicant for that coverage in this state unless the insurer, in the manner prescribed by the commissioner by rule, informs the applicant that the applicant may elect to obtain residential property insurance coverage under a standard insurance policy adopted by the commissioner under Section 2301.008.

SECTION 4. Makes this Act prospective to January 1, 2012.

SECTION 5. Effective date: September 1, 2011.