

BILL ANALYSIS

Senate Research Center
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S.B. 563
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, Texas law does not define commercial property insurance. The industry practice for many years has been for commercial property policies to include coverages such as fire and allied lines; glass; inland marine; boiler and machinery other than explosion; and other perils as described in S.B. 563.

Several years ago, the Insurance Code was amended to include multi-peril insurance as a separate line of insurance for the first time, but also without a definition. The unintended result has been confusion over whether commercial property policies providing this broad coverage are to remain commercial property policies or are now multi-peril policies. Clearing up this confusion is important to the commercial insurance marketplace in Texas, as evidenced by the Texas Department of Insurance including it as a recommendation in its biennial report to the legislature.

Multi-peril policies are common in the marketplace, but are generally written and rated on a different basis, which requires additional rate and form filings for programs that have been successfully written for many years.

S.B. 563 allows Texas commercial consumers access to a product available in other states by supplying a definition that is in line with other state's definitions of commercial property insurance and the practice in Texas for many years. S.B. 563's definition of commercial property insurance makes it clear that when these coverages are included with commercial property coverage, these policies are not unintentionally reclassified as multi-peril policies.

As proposed, S.B. 563 amends current law relating to the definition of commercial property insurance for purposes of certain provisions governing insurance rates and policy forms.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2251.002, Insurance Code, by amending Subdivision (a) and adding Subdivision (1-a), as follows:

(a) Defines "commercial property insurance" to mean insurance coverage against loss resulting from loss, damage, or destruction of real or person property provided through a commercial property insurance policy. Provides that the term includes:

- (A) commercial fire or allied lines;
- (B) commercial inland marine insurance;
- (C) commercial crime coverage;
- (D) boiler and machinery insurance other than explosion;

(E) glass insurance provided as part of other coverage; and

(F) as authorized by commissioner of insurance rule, insurance covering other perils of providing other coverage or other lines of first party property insurance.

(1-a) Creates this subsection from existing text. Makes no further changes to this subsection.

SECTION 2. Amends Section 2301.002, Insurance Code, by amending Subdivision (1) and adding Subdivision (1-a), as follows:

(1) Defines "commercial property insurance."

(1-a) Creates this subsection from existing text. Makes no further changes to this subsection.

SECTION 3. Effective date: upon passage or September 1, 2017.