By: Hancock (Frullo) S.B. No. 563

A BILL TO BE ENTITLED

AN ACT

relating to the definition of commercial property insurance for purposes of certain provisions governing insurance rates and policy forms.

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

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

(1) "Commercial property insurance" means insurance coverage against loss caused by or resulting from loss, damage, or destruction of real or personal property provided through a commercial property insurance policy. The term includes any combination of:

(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 rule, insurance covering other perils or providing other coverages or other lines of first party property insurance.

(1-a) "Disallowed expenses" includes:

(A) administrative expenses, other than acquisition, loss control, and safety engineering expenses, that exceed 110 percent of the industry median for those expenses;

(B) lobbying expenses;

(C) advertising expenses, other than for advertising:

(i) directly related to the services or products provided by the insurer; or

(ii) designed and directed at loss prevention;

(D) amounts paid by an insurer:

(i) as damages in an action brought against the insurer for bad faith, fraud, or any matters other than payment under the insurance contract; or

(ii) as fees, fines, penalties, or exemplary damages for a civil or criminal violation of law;

(E) contributions to:

(i) social, religious, political, or fraternal organizations; or

(ii) organizations engaged in legislative advocacy;

(F) except as authorized by commissioner rule, fees and assessments paid to advisory organizations;

(G) any amount determined by the commissioner to be excess premiums charged by the insurer; and

(H) any unreasonably incurred expenses, as determined by the commissioner after notice and hearing.

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

(1) "Commercial property insurance" means insurance coverage against loss caused by or resulting from loss, damage, or destruction of real or personal property provided through a commercial property insurance policy. The term includes any combination of:

(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 rule, insurance covering other perils or providing other coverages or other lines of first party property insurance.

(1-a) "Form" means an insurance policy form or a printed endorsement form.

SECTION 3. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2017.