

## **BILL ANALYSIS**

H.B. 2665  
By: Leman  
Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Concerns have been raised regarding state law governing the composition of the board of directors of certain insurance companies. Given that the board size requirements were enacted into law decades ago, there have been calls to revise those requirements to better reflect modern operating practices and eliminate the problem of unnecessarily large boards assembled for the sole purpose of compliance with the law.

Additional concerns have been raised regarding restrictions on when an insurance company may hold its annual shareholder meeting. An insurance company should be allowed to set its annual meeting of shareholders for the election of successor directors at a date and time that best fits the governance model of that particular company.

Furthermore, the staggering of director terms plays a significant role in ensuring a stable and consistent knowledge base on the board, but an existing authorization to stagger terms is unnecessarily restricted to companies with large boards. H.B. 2665 seeks to address all of these issues by revising the requisite number of directors on the board of certain insurance companies, offering scheduling flexibility with regard to annual shareholder meetings, and repealing a restriction on staggered director terms.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 2665 amends the Insurance Code to decrease from seven to five the minimum number of directors on the board of an insurance company other than a life, health, or accident insurance company. The bill removes the requirement that the shareholders of such an insurance company hold their annual meeting to elect directors before May 1.

H.B. 2665 removes the requirement that the annual meeting held by the shareholders of a life, health, or accident insurance company for the election of directors occur before May 1. The bill repeals the provision limiting the life, health, or accident insurance companies who may provide staggered terms for their board of directors to those whose board consists of at least nine directors.

H.B. 2665 repeals Section 841.154(a), Insurance Code.

**EFFECTIVE DATE**

September 1, 2021.