

BILL ANALYSIS

Senate Research Center

S.B. 2008
By: Kolkhorst
Business & Commerce
4/12/2023
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Farm mutual insurance companies were established in Texas to provide a limited set of coverages to rural and underserved areas of the state. Language in Chapter 911 of the Texas Insurance Code must be updated to allow farm mutuals to continue their mission of providing coverage and competition for those customers farm mutuals were designed to serve.

Statutory language provides geographical restrictions for farm mutual carriers, stating that a majority of each farm mutual's policies must apply coverage to "rural property." That definition was put in place in the early 1970s and originated decades earlier. The current statutory definition of "rural property" has not been updated since that time and is as follows:

- "Rural property" means property located outside an area of land subject to the taxing authority of a municipality with a population of more than 2,500.

Farm mutuals have sought to update this population definition for more than a decade as Texas's population growth has continued. The 2023 U.S. Census identified a significant increase in Texas' population, some of which has impacted Texas's rural communities. These growing rural areas still require the unique insurance coverages that farm mutual carriers provide.

Texas statutes include over 40 definitions of "rural" and related terms. Some focus on county populations, others on regional populations or municipal populations, and yet others use a combination. The definition in Chapter 911 discussed above references municipal boundaries and that is the most effective reference based on consumer need. While Texas's overall population is booming, vast areas of the state have seen slow or negative population growth, including some rural areas of densely populated counties. For that reason, a definition utilizing municipal boundaries allows those less dense areas of counties to still be considered rural and, therefore, assure there are no gaps in insuring areas that would leave rural Texans with limited choices for insurance.

Key Provisions

- Increase current statutory city population reference to 20,000
- Increases the current Section 911.301 to state "20,000" rather than "2,500."
- Both the U.S. Census Bureau and the United States Department of Agriculture (USDA) have recently updated their threshold population counts for "rural" areas:
 - Census Bureau – Threshold for "rural" increased from 2,500 to 5,000, as noted above.
 - USDA rural development program thresholds increased recently from 2,500 to 20,000.
- There are more than two dozen rural definitions currently used by federal agencies, using population size thresholds between 2,500 and 50,000. The definition of rural varies depending on program goals as

well as how much data is available in order to measure what should or should not be considered rural.

- Index the statutory city cap to keep up with growth.
 - Indexes the updated 20,000-person population cap in Chapter 911 to increase/decrease with each census update (every 10 years) by a percentage commensurate with the overall state population. This will prevent the need to update the statute based on future population growth.

As proposed, S.B. 2008 amends current law relating to operating requirements for farm mutual insurance companies related to insurance in force on rural property.

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 911.301, Insurance Code, by amending Subsection (a) and adding Subsections (e) and (f), as follows:

(a) Defines "census year" and redefines "rural property." Makes nonsubstantive changes.

(e) Provides that on January 1 of the second year following a census year, the population limit described by Subsection (a)(2) (relating to defining "rural property") increases or decreases by a percentage that is equal to the percentage increase or decrease in the population of this state from previous decennial census.

(f) Requires the commissioner of insurance, not later than November 1 of the year following a census to:

- (1) compute the new population limit in accordance with Subsection (e); and
- (2) publish the limit on the Texas Department of Insurance's Internet website.

SECTION 2. Effective date: September 1, 2023.