

**BILL ANALYSIS**

Senate Research Center

H.B. 3320  
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Engrossed

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

Texas has experienced sharp increases in property and casualty insurance premiums in recent years, creating financial challenges for property owners across the state. Religious institutions—especially churches and nonprofit faith-based organizations—have been disproportionately affected by these rising insurance costs, often struggling to find affordable coverage for their facilities.

Recognizing the success of a similar effort in Louisiana, H.B. 3320 aims to provide Texas religious institutions with an affordable alternative to traditional insurance by authorizing them to form and participate in self-insurance risk pools. These pools would allow churches, nonprofit religious organizations, and religious denominations to jointly self-insure for property and casualty risks, helping reduce costs and improve access to reliable coverage.

The bill sets out the legal structure for the creation, governance, and regulation of these religious self-insurance pools, including financial solvency requirements, operational standards, and oversight by the Texas Department of Insurance. By modernizing the insurance framework in this way, H.B. 3320 gives faith-based institutions the tools to protect their properties while maintaining financial sustainability.

H.B. 3320 amends current law relating to a property and casualty self-insurance pool for certain religious institutions, authorizes fees, and provides administrative penalties.

**RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 2214.005, Insurance Code) of this bill.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subtitle G, Title 10, Insurance Code, by adding Chapter 2214, as follows:

CHAPTER 2214. RELIGIOUS INSTITUTIONS SELF-INSURANCE POOL

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2214.001. DEFINITIONS. Defines "board," "church," "fund," "member," "nonprofit religious organization," "organizing party," "person," "pool," "pool coverage," "pool coverage agreement," "pool creation agreement," and "religious denomination."

Sec. 2214.002. POOL NOT INSURANCE; APPLICABILITY OF INSURANCE LAWS. Provides that the pool is not an insurer and pool coverage is not insurance for purposes of the Insurance Code. Provides that, except as provided by this chapter, the pool is not subject to a provision of this code other than this chapter.

Sec. 2214.003. PARTNERSHIP NOT CREATED. Provides that, notwithstanding any other law, the pool is not a partnership under the laws of this state.

Sec. 2214.004. POOL NOT COVERED BY GUARANTY ASSOCIATION. Provides that the pool is not a member insurer of the Texas Property and Casualty Insurance Guaranty Association.

Sec. 2214.005. RULES. Authorizes the commissioner of insurance (commissioner) to adopt rules necessary to implement this chapter.

#### SUBCHAPTER B. CREATION OF POOL

Sec. 2214.051. POOL CREATION AGREEMENT. (a) Authorizes the pool to be created by two or more churches or nonprofit religious organizations or one or more religious denominations that enter into an agreement described by Subsection (b).

(b) Requires that an agreement under Subsection (a) be in the form of an indemnity agreement signed by each organizing party acknowledging and agreeing to the assumption of the obligations of the pool under this chapter.

(c) Requires each organizing party that enters into the agreement to have a positive net worth, be financially solvent, and be capable of assuming the obligations of the pool.

Sec. 2214.052. TRUST FUND. Requires the organizing parties to establish a trust fund to serve as the group self-insurance account for the members.

Sec. 2214.053. SELECTION OF TEMPORARY BOARD. Requires the organizing parties, at the time the organizing parties enter into the pool creation agreement, to select nine individuals to serve as the temporary board and draft a plan of operation for the pool.

Sec. 2214.054. POWERS OF TEMPORARY BOARD. Authorizes the temporary board to solicit applications from prospective members to participate in the pool on the date the pool begins providing pool coverage, accept payment of premiums for the prospective pool coverage, and take any other action necessary to complete and submit an application for a certificate of authority under Subchapter C.

Sec. 2214.055. DOMICILE. Requires the pool to be domiciled in this state.

#### SUBCHAPTER C. CERTIFICATE OF AUTHORITY

Sec. 2214.101. CERTIFICATE OF AUTHORITY. (a) Prohibits the pool from providing pool coverage before the Texas Department of Insurance (TDI) issues a certificate of authority to the pool.

(b) Provides that a certificate of authority issued under this subchapter is continuous until revoked or suspended by the commissioner or the board of trustees of the pool voluntarily surrenders the certificate in connection with the pool's dissolution under Section 2214.451.

(c) Requires the temporary board appointed by the organizing parties under Section 2214.053 to submit to TDI a written application, in the form and manner prescribed by the commissioner, for a certificate of authority.

Sec. 2214.102. APPLICATION CONTENTS. (a) Requires that an application for a certificate of authority under this chapter include:

(1) the pool creation agreement;

(2) the plan of operation; and

(3) evidence of the financial strength and liquidity of the organizing parties to pay claims promptly and support the pool's financial ability to satisfy the pool's obligations.

(b) Requires that the evidence described by Subsection (a)(3) be in the form of:

(1) either financial statements, dated not later than one year before the date the temporary board submits the application and audited by an independent certified public accountant, showing a combined net worth of the organizing parties of at least \$1 million or financial documents, in the form and manner prescribed by the commissioner, sufficient to verify the combined net worth of the organizing parties is at least \$1 million;

(2) current financial documents of each prospective member that has applied to participate in the pool dated not later than one year before the date the board submits the application;

(3) schedules of all prospective members showing the ratio of current assets to current liabilities of all prospective members combined to be greater than one-to-one, the working capital of all prospective members combined to be an amount establishing the financial strength and liquidity of the pool to pay claims promptly, and the net worth of all prospective members combined to be at least \$1 million; and

(4) other financial information and documents as required by the commissioner.

(c) Requires that certain items be included with the application.

(d) Requires that the application be sworn to and subscribed before a notary public.

Sec. 2214.103. APPLICATION APPROVAL. (a) Requires the commissioner to approve an application for a certificate of authority if the application and the proposed pool satisfy the requirements of this subchapter and rules adopted under this chapter.

(b) Authorizes the commissioner to deny without review an application for a certificate of authority under this chapter that does not meet the requirements of this subchapter.

Sec. 2214.104 FEES. (a) Authorizes the commissioner to impose a fee for an application for a certificate of authority under this chapter in an amount necessary to cover TDI's expenses in reviewing the application.

(b) Authorizes the commissioner to impose other fees in amounts reasonable and necessary to defray the costs of administering this chapter.

#### SUBCHAPTER D. OPERATION OF POOL

Sec. 2214.151. GOVERNANCE OF POOL; BOARD OF TRUSTEES. (a) Provides that the pool is governed by a board of trustees composed of nine members selected as provided by the plan of operation.

(b) Requires the initial regular board, not later than the 15th day after the date the commissioner approves the temporary board's application for a certificate of authority, to be selected as provided by the plan of operation. Requires the members of the initial regular board to take office not later than the 30th day after the date the application for the certificate of authority is approved.

Sec. 2214.152. POOL ADMINISTRATION. (a) Authorizes the board to administer the pool by employing an administrator or contracting with a third-party administrator.

(b) Requires the pool, if the board employs an administrator to administer the pool, to purchase a bond, errors and omissions insurance, directors' and officers' liability insurance, or another security approved by the commissioner for the administration of the pool.

(c) Requires a third-party administrator contracted by the board and whose acts are not covered by the pool's bond, errors and omissions insurance, directors' and officers' liability insurance, or other security approved by the commissioner and any person contracting either directly or indirectly with the pool to provide claims adjusting, underwriting, safety engineering, loss control, marketing, investment advisory, or administrative services to the pool or the members, other than bookkeeping, auditing, or claims investigation services, to:

(1) submit to TDI a safekeeping receipt or trust receipt from a bank or savings and loan association doing business in this state indicating the deposit and pledge to secure the performance of the administrator's or person's obligations under the contract and this chapter of \$50,000 or bonds of the United States, this state, or any political subdivision of this state having a par value of \$50,000 or a surety bond issued by a corporate surety authorized to engage in business in this state of not less than \$50,000; and

(2) place all contractual terms, including fee arrangements, in a written agreement that constitutes the entire agreement between the parties and is signed by the administrator or person and the pool.

#### SUBCHAPTER E. POOL COVERAGE

Sec. 2214.201. COVERAGE AUTHORIZED. (a) Provides that the pool's certificate of authority authorizes the pool to provide coverage to churches, nonprofit religious organizations, and religious denominations on a self-insured basis for damage to or loss of a structure or building.

(b) Authorizes pool coverage, in addition to coverage authorized by Subsection (a), to include premises liability coverage, contents coverage for furniture or equipment, wind and hail coverage, loss of use coverage, or medical payments coverage.

(c) Provides that pool coverage is provided in the form of an indemnity agreement entered into by the member under which the member is entitled to pool coverage in exchange for the payment of premiums to the pool and is obligated for pool liabilities as provided by Section 2214.202.

Sec. 2214.202. MEMBER LIABILITY. Provides that, to the extent required by this chapter, each member is jointly and severally liable for liabilities incurred by the pool for each fiscal year in which the member is entitled to pool coverage.

Sec. 2214.203. RATES; APPEAL. (a) Required the board to set rates for pool coverage. Requires that the rates be actuarially justified.

(b) Provides that the board is required to file proposed rates with TDI and is authorized to use the rates beginning on the 90th day after the date of the filing, unless the commissioner disapproves the use of the rates within the 90-day period.

(c) Requires the board to prescribe a reasonable procedure for any member aggrieved by the rates to request in writing a review of the rating system for pool

coverage. Requires the board to grant or deny the request in writing not later than the 30th day after the date the board receives the request.

(d) Authorizes the party requesting the review, if the board rejects a request for review under Subsection (c) or fails to grant or reject the request within the 30-day period described by that subsection, to appeal to the commissioner for a hearing not later than the 30th day after the expiration of the 30-day period. Authorizes the commissioner, after the hearing, to affirm, modify, or reverse an action taken by the board with respect to rates.

Sec. 2214.204. RATE REVIEW. Requires the pool, on the request of the commissioner, to obtain a rate review conducted by a national independent actuarial firm, provided that the commissioner is prohibited from making more than two requests in any calendar year for a rate review under this section. Requires the firm to report its findings to the commissioner.

Sec. 2214.205. UNDERWRITING GUIDELINES; MEMBERSHIP APPLICATION. (a) Requires the board in the plan of operation to prescribe underwriting guidelines and procedures for evaluating risks and procedures for eligible persons to apply to become members.

(b) Requires the board to provide written notice to an applicant for pool membership that the pool is not a member insurer covered by the Texas Property and Casualty Insurance Guaranty Association.

#### SUBCHAPTER F. SOLICITATION OF POOL MEMBERSHIP

Sec. 2214.251. USE OF INSURANCE AGENT REQUIRED. Requires any person soliciting applications for pool membership to hold a general property and casualty agent license under Chapter 4051 (Property and Casualty Agents). Provides that a pool employee or employee of a religious denomination or association of nonprofit religious organizations is not required to hold an agent's license if the solicitation of applications for pool membership is not the employee's primary duty.

Sec. 2214.252. LIABILITY OF AGENT. Provides that an insurance agent or other person involved in the soliciting or processing of applications for pool membership is not liable for claims arising out of the insolvency of the pool or the inability of the pool to pay claims as they become due unless the claimant first exhausts all remedies available to the claimant against the members as provided by this chapter.

Sec. 2214.253. USE OF APPLICATION INFORMATION. (a) Provides that, except as otherwise provided by this section, for purposes of soliciting, selling, or negotiating the renewal or sale of group self-insurance coverage, insurance products, or insurance services, an insurance agent has the exclusive use of expirations, records, or other written or electronic information directly related to an application for pool coverage submitted to the agent or to a pool coverage agreement arranged through the agent.

(b) Prohibits the pool from using expirations, records, or other written or electronic information related to applications for pool coverage to solicit, sell, or negotiate the renewal or sale of insurance coverage, insurance products, or insurance services to members, either directly or by providing the information to others, without the express written consent of an insurance agent.

(c) Authorizes the pool to use the expirations, records, or other written or electronic information related to an application for pool coverage to review the application, to issue a pool coverage agreement, or for any other purpose necessary for arranging pool coverage through an insurance agent. Authorizes the pool to also use the agent's expirations, records, or other written or electronic information for any other purpose that does not involve the soliciting, selling, or

negotiating the renewal or sale of group self-insurance coverage, insurance products, or insurance services.

Sec. 2214.254. AGENT LOST COMMISSION CLAIMS. (a) Requires an insurance agent's claim for lost commissions to be resolved in accordance with dispute resolution terms in the applicable agent contract. Requires the parties, in the absence of any dispute resolution terms, to attempt to resolve the dispute through mediation.

(b) Authorizes the parties, if the claim is not resolved through mediation, to agree to submit the claim to binding arbitration. Authorizes an insurance agent, in the absence of an agreement to resolve the claim through binding arbitration, to bring an action against the pool for the claim.

Sec. 2214.255. OTHER AGREEMENTS AUTHORIZED. Authorizes the board or pool administrator and an insurance agent, in a written agreement separate from the agency contract, to mutually agree to terms different from the provisions provided by this subchapter.

Sec. 2214.256. EXEMPTIONS FROM SUBCHAPTER. Provides that this subchapter does not apply to certain agreements and contracts.

## SUBCHAPTER G. RECORDS

Sec. 2214.301. DEFINITIONS. Defines "copy" and "record."

Sec. 2214.302. MAINTENANCE AND AVAILABILITY OF POOL RECORDS. (a) Requires the pool to maintain and make available to TDI all pool records to allow the commissioner to determine that the pool's financial condition, affairs, and operations are in compliance with this chapter.

(b) Requires the pool, except as provided by Subsection (c), to maintain in this state the original or a copy of a record for the purpose of commissioner examination until the earlier of certain dates.

(c) Requires the pool to permanently maintain an original or certified copy of a record in which a member agrees to or acknowledges the members' joint and several liability for liabilities incurred by the pool.

Sec. 2214.303. CONFIDENTIALITY OF RECORDS. Provides that, except as otherwise provided by this chapter, the pool's records and any records of TDI associated with the pool are confidential and not subject to disclosure under Chapter 552 (Public Information), Government Code.

## SUBCHAPTER H. FINANCIAL PROVISIONS

Sec. 2214.351. INITIAL FINANCIAL REQUIREMENTS. (a) Requires the commissioner, to maintain the pool's financial stability, at times determined necessary by the commissioner, to require two or more members to maintain a minimum combined net worth of \$1 million and a current assets to current liabilities ratio of at least one-to-one.

(b) Authorizes the commissioner, after the pool has been operating for three years and has a total surplus of \$3 million, to waive any requirements imposed under Subsection (a).

(c) Requires the pool to maintain at least \$750,000 in earned premiums in the pool's first year of operation as documented in the pool's audited financial statement prepared in accordance with generally accepted accounting principles.

(d) Requires the board, during the pool's first year of operation, to submit to TDI a safekeeping receipt or trust receipt from a bank or savings and loan association

doing business in this state indicating that the board has deposited and pledged \$100,000 or bonds of the United States, this state, or a political subdivision of this state having a par value of \$100,000 or a surety bond issued by a corporate surety authorized to engage in business in this state in an amount of \$100,000 to secure the pool's obligations.

Sec. 2214.352. **EARNED PREMIUM REQUIREMENTS.** Requires the pool, each year after the pool's first year of operation, to maintain at least \$2 million in earned premiums as documented on the pool's audited financial statement prepared in accordance with generally accepted accounting principles.

Sec. 2214.353. **SECURITY.** Requires the board, each year after the pool's first year of operation, to submit to TDI a safekeeping receipt or trust receipt from a bank or savings and loan association doing business in this state indicating that the board has deposited and pledged \$250,000 or bonds of the United States, this state, or any political subdivision of this state having a par value of \$250,000 or a surety bond issued by a corporate surety authorized to engage in business in this state, in the amount of \$250,000 to secure the pool's obligations.

Sec. 2214.354. **RESERVE ACCOUNT.** (a) Requires the board, to maintain the financial stability of the pool, to annually assess each member a reserve payment in an amount that is a percentage of the premium owed by the member for that year.

(b) Requires the board, before assessing a reserve payment under Subsection (a), to obtain approval from the commissioner of the percentage amount to be paid by all members.

(c) Requires the board to deposit all reserve payments into a separate reserve account and maintain the account at all times while the pool is in operation. Prohibits the board from withdrawing money from the reserve account without commissioner approval.

Sec. 2214.355. **EXCESS INSURANCE AND REINSURANCE.** (a) Requires the pool to maintain, on a fiscal year basis, a contract of specific excess insurance or reinsurance of not less than an amount that is actuarially sound and approved by the commissioner. Prohibits the maximum retention under the contract from exceeding amounts provided by the commissioner. Requires the commissioner to approve an excess insurance or reinsurance contract before use by the pool.

(b) Provides that, solely for purposes of authorizing the purchase of reinsurance under this section, the pool is considered an insurer.

(c) Authorizes the board to purchase excess insurance or reinsurance from a domestic or foreign company, subject to Chapter 493 (Authorized Reinsurance; Credit and Accounting) and Financial Accounting Standards Board Statement No. 113, Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts.

(d) Requires a casualty insurer, to be eligible to write excess coverage for the pool, to have on file with TDI the insurer's current financial statement showing assets, including any surplus to policyholders, at least equal to the current commissioner requirements for admission of a new company to engage in business in this state. Authorizes the board to enter into a contract for excess insurance coverage with an active underwriter of Lloyd's of London with prior commissioner approval.

(e) Requires the board, in addition to the requirements described by Subsection (c) or (d), as applicable, to purchase excess insurance or reinsurance only from a company having an eligible rating of at least certain grades assigned by certain entities.

Sec. 2214.356. FINANCIAL STATEMENTS AND REPORTS. Requires the board to file with TDI financial statements and financial reports, including financial statements audited by an independent certified public accountant and actuarial reports, as may be required by the commissioner under rules adopted under this chapter.

Sec. 2214.357. MEMBER REFUNDS. Authorizes the board to declare as refundable to members any money exceeding the amount necessary to fulfill the pool's obligations. Authorizes the board to distribute the refund at board's discretion, in accordance with the plan of operation, provided that the amount of the refund does not exceed the members' distributions payable and is recorded on the pool's balance sheet as indicated by the most recently completed audited financial statements of the pool and the board provides written notice of the refund to TDI not later than the 10th day before the date the board provides the refund.

Sec. 2214.358. INVESTMENTS. (a) Provides that the board is authorized to invest pool money only in a security or other investment authorized by this section that is interest-bearing, interest-accruing, dividend-paying, or income-paying and that is not in default. Provides that a pool investment is exclusively for the benefit of the pool and the board is required to deposit the investment's interest or income in the fund.

(b) Authorizes the board to invest pool money not needed for current obligations in certain assets.

(c) Authorizes the board to invest in corporate bonds in excess of the 5 percent and 50 percent limitations specified under certain provisions up to an additional 10 percent of the pool's assets if the financial circumstances are acceptable to the commissioner, such as an increase in market value after initial purchase of a corporate bond, provided that the initial purchase of corporate bonds was within the limitations specified under certain provisions and, in determining the financial condition of the pool, the commissioner does not include as assets of the pool those corporate bonds that exceed 50 percent of the pool's total assets.

(d) Prohibits the board, except as provided by Subsection (e), from investing in certain rental assets.

(e) Provides that Subsection (d)(3) (relating to any item for which the pool pays a regular or periodic fee for the right to carry the item as an asset) does not apply to leases capitalized under generally accepted accounting principles.

Sec. 2214.359. CONSECUTIVE NET LOSSES. (a) Provides that this section applies if the pool has three years of consecutive net losses on the pool's audited financial statements or two years of consecutive net losses on the pool's audited financial statements of more than the greater of \$500,000 or five percent of the premium of the latest audited financial statement.

(b) Requires an authorized representative of the board, if a condition described by Subsection (a) exists, to:

(1) attend a meeting with TDI, the pool administrator, and any third-party administrator to discuss the financial condition of the pool and to advise TDI of the course of action the pool will take to obtain net incomes on subsequently audited financial statements;

(2) file with TDI a written plan signed by the board describing the actions the pool will take to generate net incomes on subsequently audited financial statements; and

(3) obtain an actuarial rate analysis, if an actuarial rate analysis was not performed for the previous fiscal year.



Sec. 2214.360. INSOLVENCY PLAN. (a) Defines "insolvent."

(b) Requires the board, if the pool becomes insolvent, to file with TDI, not later than the 60th day after the date the board becomes aware of the insolvency, a written plan to resolve the insolvency signed by the board. Prohibits intangible property such as patents, trade names, or goodwill, in determining whether the pool is insolvent, from being considered to be assets of the pool.

(c) Requires that the insolvency plan provide in detail the means by which the board intends to eliminate the insolvency, including any assessment of the members the board determines is necessary, the timetable for implementing the plan, and the reporting that will be made to the department regarding the progress of the plan, and include any other information required by the commissioner.

(d) Requires the commissioner to review the insolvency plan and notify the board of the plan's approval or disapproval not later than the 30th day after the date TDI receives the plan.

(e) Requires the commissioner to provide written notice to the board of a determination that the insolvency plan submitted by the board is disapproved or the pool is not implementing a plan approved by the commissioner in accordance with the plan's terms.

Sec. 2214.361. SUPERVISION, CONSERVATORSHIP, OR RECEIVERSHIP. (a) Defines "hazardous financial condition" and "insolvent."

(b) Authorizes the commissioner, in addition to any other powers of the commissioner, if the commissioner determines that the pool is insolvent, is operating in a hazardous financial condition, or is otherwise operating in violation of this chapter, to take any action against the pool that the commissioner could take against an insurer under Chapter 441 (Supervision and Conservatorship) or Chapter 443 (Insurer Receivership Act).

#### SUBCHAPTER I. COMMISSIONER EXAMINATION

Sec. 2214.401. EXAMINATION REQUIRED. (a) Requires the commissioner to conduct an examination of the pool at least once every five years and at other times as the commissioner considers necessary.

(b) Requires that the examination be conducted in the same manner as an examination of an insurer under Chapter 401 (Audits and Examinations).

(c) Provides that, in conducting an examination of the pool, the commissioner has the same powers and duties with respect to the pool, and with respect to other persons in relation to the pool's affairs and condition, that the commissioner has with respect to an insurer or other persons with respect to an insurer's affairs and condition.

#### SUBCHAPTER J. DISSOLUTION OF POOL

Sec. 2214.451. APPLICATION FOR VOLUNTARY DISSOLUTION. (a) Requires the board, if the members of the pool elect to dissolve the pool, to apply to the commissioner in the form and manner prescribed by the commissioner for the authority to dissolve.

(b) Requires the commissioner to approve or disapprove an application to dissolve the pool not later than the 60th day after the date the commissioner receives the application.

(c) Requires the commissioner to approve an application to dissolve the pool if the pool has no outstanding liabilities including incurred but not reported liabilities or is covered by an irrevocable commitment from an authorized insurer that provides for payment of all outstanding liabilities and related services, including payment of claims, preparation of reports, and administration of transactions associated with the period during which the pool provided pool coverage.

Sec. 2214.452. DISTRIBUTION OF POOL ASSETS. Requires that the pool assets, on the pool's dissolution and after payment of all outstanding liabilities and indebtedness, be distributed to the members under a distribution plan submitted by the board to TDI and approved by the commissioner.

Sec. 2214.453. DISSOLUTION WITHOUT APPROVAL. (a) Provides that dissolution of the pool without authorization is prohibited.

(b) Provides that the dissolution of the pool in violation of this section does not absolve or release the pool, a member, or any individual or entity that has executed an indemnity agreement in connection with the pool from obligations incurred or entered into before the dissolution.

#### SUBCHAPTER K. ENFORCEMENT

Sec. 2214.501. CONSUMER COMPLAINTS; ADMINISTRATIVE PENALTY. (a) Authorizes a consumer to file a complaint with TDI to report a suspected violation of this chapter or the failure of the pool to meet its obligations under a pool coverage agreement or the plan of operation.

(b) Authorizes the commissioner, after investigating a complaint regarding the pool, to order the board to take a corrective action the commissioner considers necessary instead of taking an enforcement action under another provision of this subchapter.

Sec. 2214.502. CORRECTIVE ACTION PLAN. (a) Authorizes the commissioner to order the board to submit a corrective action plan to remediate any noncompliance or financial issues affecting the pool.

(b) Requires the board to submit the completed corrective action plan to the commissioner for approval and include standards, time frames, and other parameters acceptable to the commissioner.

(c) Authorizes the corrective action plan to include mandatory training, on-site or off-site monitoring and supervision of the activities of the pool for a specific period of time to determine progress regarding correction of deficiencies, the submission of written progress reports, the institution of measures to conserve or generate additional funding for the pool, or the imposition of an administrative penalty under Section 2214.504 for any future misconduct of the kind that contributed to the need for the imposition of the corrective action plan.

(d) Authorizes failure by the pool to comply with the corrective action plan to result in the imposition of an administrative penalty under Section 2214.504, suspension or revocation of the pool's certificate of authority, or placement of the pool into supervision.

Sec. 2214.503. CEASE AND DESIST ORDER; SUSPENSION OR REVOCATION OF CERTIFICATE OF AUTHORITY. (a) Authorizes the commissioner, if the commissioner determines the pool has violated this chapter, a commissioner rule, or any order or directive issued by the commissioner, to order the pool to cease and desist from the conduct constituting the violation or suspend or revoke the pool's certificate of authority.

(b) Authorizes a cease and desist order issued under this section to include a prohibition on issuing or renewing pool coverage.

Sec. 2214.504. ADMINISTRATIVE PENALTY. Authorizes the commissioner, if the commissioner determines that the pool or any trustee, member, officer, administrator, or employee of the pool has violated this chapter, any other applicable law relating to the pool, a commissioner rule, or any order or directive issued by the commissioner, to impose an administrative penalty not to exceed \$2,000 for an initial violation. Authorizes the commissioner, for a subsequent violation, to impose an administrative penalty not to exceed \$4,000.

SECTION 2. Prohibits a board of trustees from applying for a certificate of authority under Section 2214.101, Insurance Code, as added by this Act, before January 1, 2026.

SECTION 3. Effective date: September 1, 2025.