

BILL ANALYSIS

S.B. 264
By: Perry
Trade, Workforce & Economic Development
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In 2003, the 78th Texas Legislature passed H.B. 2095, which authorized groups of private employers who, among other conditions, are engaged in the same or similar type of business to establish a self-insurance group to pool their workers' compensation liabilities if approved by the Texas Department of Insurance (TDI). The bill sponsor has informed the committee that workers' compensation insurance rates were high at the time, and offering this option helped small and mid-sized employers to continue to provide affordable workers' compensation insurance coverage to their employees. TDI certified these groups and monitored their financial solvency. The bill sponsor has also informed the committee that workers' compensation insurance rates have since declined, meaning that employers could afford workers' compensation insurance coverage outside of these groups, and as a result almost all of these groups shut down, with only one group, the Cotton Ginners' Trust, left to run their group and provide any additional funding to the Texas self-insurance group guaranty fund trust to pay claims. S.B. 264 seeks to wind down the operations of the self-insurance group guaranty fund and dissolve both the guaranty fund and a related trust fund.

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

S.B. 264 amends the Labor Code to prohibit the commissioner of insurance from issuing a certificate of approval to a proposed workers' compensation self-insurance group on or after September 1, 2025. However, the bill authorizes the commissioner to amend a certificate of approval issued to a workers' compensation self-insurance group before that date.

S.B. 264 requires the board of directors of the Texas self-insurance group guaranty fund, not later than December 1, 2025, to submit to the commissioner of insurance for approval a revised plan of operation to wind down and dissolve the guaranty fund and the trust fund established for the emergency payment of the compensation liabilities of an insolvent group and the guaranty fund's administrative expenses. With respect to the revised plan, the bill does the following:

- requires the plan to include steps for distributing any remaining money in the guaranty fund and trust fund to qualified groups and notifying interested parties and defines a "qualified group" as a group that holds a current certificate of approval to act as a workers' compensation self-insurance group and has not been determined by the commissioner to be insolvent;

- requires the plan to include an estimated timeline for the wind down;
- requires the commissioner to approve the plan if the commissioner determines that the plan sufficiently describes the actions the board will take to wind down and dissolve the guaranty fund and trust fund; and
- requires the board to implement the approved plan and provide written notice to the commissioner of the completion of the wind down not later than the 30th day after the date of completion.

The bill requires the commissioner, not later than the 30th day after the date the commissioner receives the board's notice, to determine whether the guaranty fund has met its obligations under the approved revised plan of operation. If the commissioner determines that the guaranty fund met the fund's obligations, the commissioner must issue an order requiring the distribution of any remaining money in the guaranty fund and trust fund to qualified groups. The bill establishes that on the 30th day after the date the commissioner issues the order, the guaranty fund and the trust fund are dissolved, and the board is abolished.

EFFECTIVE DATE

September 1, 2025.