

BILL ANALYSIS

Senate Research Center
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S.B. 1642
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 55th Legislature in 1957 created the State Board of Insurance (SBI) with three members responsible for hiring a commissioner of insurance to serve as the chief administrative officer. In 1991, significant legislation passed, overhauling the ratemaking process and renaming the SBI to the Texas Department of Insurance (TDI). By 1993, most of SBI's authority had shifted to a singular commissioner overseeing rates, policy forms, and related matters—a system under which we continue to operate.

Presently, Texas has the second largest insurance market in the nation, and the fifth largest in the world, totaling \$290 billion in premiums. With a growing population seeking fair insurance products, questions have risen about whether the legislature has equipped TDI with the tools necessary to be responsive to consumer needs. As the insurance marketplace expands, TDI must maintain robust regulatory oversight to safeguard consumer protections and uphold industry stability.

S.B. 1642 restructures TDI leadership, moving from a single commissioner to a state commission tasked with regulating and administering the business of insurance, while placing an emphasis on consumer advocacy. S.B. 1642 also makes changes to the qualifications and term limits of the commission, aimed at meeting increasing agency responsibilities.

As proposed, S.B. 1642 amends current law relating to the composition of, appointment of, and qualifications for the state commission of insurance.

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 31.001(1), Insurance Code, to define "commission" and delete existing definition of "commissioner."

SECTION 2. Amends Section 31.007, Insurance Code, as follows:

Sec. 31.007. New heading: REFERENCES TO BOARD OR COMMISSIONER. Provides that a reference in the Insurance Code or other law to the former State Board of Insurance, the Board of Insurance Commissioners, an individual commissioner, or the commissioner of insurance (commissioner) means the state commission of insurance (commission) or the Texas Department of Insurance (TDI) as consistent with the respective duties of the commission, rather than the commissioner or TDI as consistent with the respective duties of the commissioner, and TDI under this code and other insurance laws. Makes a conforming change.

SECTION 3. Amends the heading to Subchapter B, Chapter 31, Insurance Code, to read as follows:

SUBCHAPTER B. STATE COMMISSION OF INSURANCE

SECTION 4. Amends Section 31.021, Insurance Code, as follows:

Sec. 31.021. New heading: GOVERNING BODY. (a) Provides that the commission, rather than commissioner, is TDI's governing body, rather than TDI's chief executive and administrative officer. Requires the commission to administer and enforce this code, other insurance laws of this state, and other laws granting jurisdiction or applicable to TDI or the commission. Makes conforming changes.

(b) Makes a conforming change to this subsection.

SECTION 5. Amends Section 31.022, Insurance Code, as follows:

Sec. 31.022. New heading: APPOINTMENT; TERM; PRESIDING OFFICER. (a) Requires the governor, with the advice and consent of the senate, to appoint three members to serve on the commission serving staggered terms of six years, rather than appoint the commissioner. Deletes existing text providing that the commissioner serves a two-year term that expires on February 1 of each odd-numbered year.

(b) Requires the governor, in appointing members to serve on the commission, to appoint one member with expertise in insurance regulation, one member with expertise in insurance administration and one member with expertise in insurance consumer advocacy.

(c) Requires the governor to designate one member of the commission as the presiding officer. Provides that the presiding officer serves at the pleasure of the governor, serves for a two-year term that expires February 1 of each odd-numbered year and is ineligible to be designated as presiding officer more than once during a six-year period.

(d) Creates this subsection from existing text. Requires the governor to appoint a member of the commission, rather than the commissioner, without regard to certain characteristics.

SECTION 6. Amends Section 31.023, Insurance Code, as follows:

Sec. 31.023. QUALIFICATIONS. Requires a member of the commission to fulfill certain requirements, including being well informed and qualified in consumer advocacy; having at least five years of experience in the administration of business or government or as a practicing attorney, certified public accountant, physician, dentist, chiropractor, podiatrist, or health care administrator or business owner; and being a resident of this state. Makes conforming and nonsubstantive changes.

SECTION 7. Amends Section 31.024, Insurance Code, to make conforming and nonsubstantive changes.

SECTION 8. Amends Section 31.027, Insurance Code, to make conforming changes.

SECTION 9. Amends Sections 33.002(a), and (b), Insurance Code, to make conforming changes.

SECTION 10. Amends Sections 33.004(a) and (b), Insurance Code, to make conforming changes.

SECTION 11. Requires the governor, not later than December 1, 2025, to:

(1) appoint each initial member of the commission to serve staggered terms beginning January 1, 2026, with one of the members serving a two-year term, one of the members serving a four-year term, and one of the members serving a six-year term; and

(2) designate a member appointed under Subdivision (1) of this section as the initial presiding officer of the commission.

SECTION 12. Requires the commissioner serving on the effective date of this Act, until each member of the initial commission is appointed and confirmed by the senate in the manner provided by Section 31.022, Insurance Code, as amended by this Act, unless otherwise removed as provided by law, to continue in office under the prior law that governed the office, and that prior law is continued in effect for that purpose. Requires the commissioner serving on January 1, 2026, if on that date there is a vacancy in the office of a member of the commission created under this Act because the initial appointee has not been confirmed by the senate as provided by Section 31.022, Insurance Code, as amended by this Act, has died, or refuses or is permanently unable to serve, unless otherwise removed as provided by law, to continue in office under the prior law that governed the office until the governor fills the vacancy by appointment in the manner provided by Section 31.022, Insurance Code, as amended by this Act. Provides that the prior law that governed the office of the commissioner is continued in effect for that purpose.

SECTION 13. Effective date: September 1, 2025.