

BILL ANALYSIS

Senate Research Center

S.B. 2077
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

When the Texas Workers' Compensation Insurance Fund was created in 1991, the board qualifications were drafted to ensure the insurance industry was not overrepresented, which could have impeded the mission to serve as a competitive force in the marketplace. These board qualifications carried over to the Texas Workers' Compensation Insurance Fund's successor, the Texas Mutual Insurance Company.

Under current law a person is not eligible to serve on the Texas Mutual Insurance Company board of directors if the person or a family member of within the second degree of affinity or consanguinity has any association with, or financial interest in, a person or entity required to be registered or licensed under the Insurance Code.

While this structure sought to ensure Texas Mutual Insurance Company board members had appropriate separation from workers' compensation insurance affiliates, the list of persons required to register under the Insurance Code has grown to cover a broad array of tangentially related industries. This expansion of ineligible parties has made it increasingly difficult for the Texas Mutual Insurance Company to fill vacancies on its board.

Accordingly, S.B. 2077 would expand eligibility for board service by prohibiting any person from serving if the person, or a close family member (first degree), is a licensed insurance agent, works for an insurer or an affiliate of an insurer that writes workers' compensation insurance, or holds any financial or management interest in such entities. This change would streamline the filling of vacancies while maintaining safeguards against conflicts of interest to enhance the board's effectiveness in the workers' compensation marketplace.

(Original Author's/Sponsor's Statement of Intent)

S.B. 2077 amends current law relating to the qualifications of members of the board of directors of the Texas Mutual Insurance Company.

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 2054.052(b), Insurance Code, as follows:

(b) Prohibits an individual from serving as a member of the board of directors of the Texas Mutual Insurance Company (board) if the individual or another individual related to the individual within the first degree by consanguinity or affinity, rather than within the second degree by consanguinity or affinity or another individual residing in the same household with the individual:

(1) is a licensed insurance agent, rather than is registered or licensed under the Insurance Code or is required to be registered or licensed under this code;

(2) serves as an employee, officer, director, or consultant, or in any other capacity for an insurer writing workers' compensation insurance in this state or an affiliate of an insurer writing workers' compensation insurance in this state, rather than is employed by or acts as a consultant to a person registered or licensed under this code or required to be registered or licensed under this code;

(3) owns, controls, has a financial interest in, or participates in the management of an insurer writing workers' compensation insurance in this state or an affiliate of an insurer writing workers' compensation insurance in this state, rather than an organization registered or licensed under this code or required to be registered or licensed under this code; or

(4)-(5) makes no changes to these subdivisions.

Makes nonsubstantive changes to this subsection.

SECTION 2. Provides that Section 2054.052(b), Insurance Code, as amended by this Act, does not affect the entitlement of a member serving on the board immediately before the effective date of this Act to continue to serve for the remainder of the member's term.

SECTION 3. Effective date: upon passage or September 1, 2025.