

## **BILL ANALYSIS**

S.B. 2077  
By: Zaffirini  
Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The bill sponsor has informed the committee that 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 its mission to serve as a competitive force in the marketplace, and that these qualifications carried over to the Texas Workers' Compensation Insurance Fund's successor, the Texas Mutual Insurance Company. Under current state law, a person is not eligible to serve on the Texas Mutual Insurance Company board of directors if the person or a family member within the second degree of affinity or consanguinity, or another individual residing in the same household with the individual, has an employment or consulting relationship with, or an ownership or financial interest in, a person or organization required to be registered or licensed under the Insurance Code. However, the bill sponsor has informed the committee that while this structure sought to ensure Texas Mutual Insurance Company board members had appropriate separation from the insurance industry, the list of persons and organizations required to be registered or licensed under the Insurance Code has grown to cover a broad array of tangentially related industries. S.B. 2077 seeks to revise the qualifications to serve on the Texas Mutual board of directors and expand the pool of qualified individuals while maintaining safeguards against conflicts of interest.

### **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. 2077 amends the Insurance Code to revise the professional characteristics of an individual, and another individual who has a specified relationship with the individual, that prohibit the individual from serving as a member of the board of directors of the Texas Mutual Insurance Company as follows:

- changes from an individual who is registered or licensed under the Insurance Code or who is required to be registered or licensed under that code to an individual who is a licensed insurance agent;
- changes from an individual who is employed by or acting as a consultant to a person registered or licensed under the Insurance Code or required to be registered or licensed under that code to an individual who serves as an employee, officer, director, or consultant, or in any other capacity for an insurer writing workers' compensation

insurance in Texas or an affiliate of an insurer writing workers' compensation insurance in Texas; and

- changes from an individual who owns, controls, has a financial interest in, or participates in the management of an organization registered or licensed under the Insurance Code or required to be registered or licensed under that code to an individual who owns, controls, has a financial interest in, or participates in the management of an insurer writing workers' compensation insurance in Texas or an affiliate of an insurer writing workers' compensation insurance in Texas.

Additionally, the bill changes the nature of the relationship between those individuals that, when combined with the specified professional characteristics, renders the individual ineligible to serve as a board member from being related within the second degree by consanguinity or affinity to being related within the first degree by consanguinity or affinity. The bill also removes the provision rendering an individual ineligible if they reside in the same household with another individual with those specified professional characteristics.

S.B. 2077 expressly does not affect the entitlement of a member serving on the board of directors of the Texas Mutual Insurance Company immediately before the bill's effective date to continue to serve for the remainder of the member's term.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2025.