

1-1 By: Sparks, Middleton S.B. No. 495
 1-2 (In the Senate - Filed November 22, 2024; February 3, 2025,
 1-3 read first time and referred to Committee on Business & Commerce;
 1-4 March 4, 2025, reported favorably by the following vote: Yeas 9,
 1-5 Nays 2; March 4, 2025, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7	X			
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13		X		
1-14	X			
1-15		X		
1-16	X			
1-17	X			
1-18	X			

1-19 A BILL TO BE ENTITLED
 1-20 AN ACT

1-21 relating to the authority of the Texas Department of Insurance to
 1-22 adopt rules that implement or are based on certain environmental,
 1-23 social, and governance models, ratings, or standards.

1-24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-25 SECTION 1. Section 36.004, Insurance Code, is amended by
 1-26 amending Subsection (b) and adding Subsection (d) to read as
 1-27 follows:

1-28 (b) For purposes of Subsections ~~[Subsection]~~ (a) and (d) of
 1-29 this section and Section 36.008, a version of a rule, regulation,
 1-30 directive, or standard is expressly authorized by statute if:

1-31 (1) the statute explicitly authorizes the
 1-32 commissioner to adopt rules consistent with the rule, regulation,
 1-33 directive, or standard; or

1-34 (2) that version is the latest version of the rule,
 1-35 regulation, directive, or standard on the date that the statute was
 1-36 enacted.

1-37 (d) In this subsection, "environmental assessment," "social
 1-38 assessment," and "governance assessment" have the meanings
 1-39 assigned by Section 36.008. Notwithstanding Subsection (c) of this
 1-40 section or any other law, the commissioner may not require an
 1-41 insurer to comply with a rule, regulation, directive, or standard,
 1-42 including an accounting standard, adopted by the National
 1-43 Association of Insurance Commissioners if the rule, regulation,
 1-44 directive, or standard is developed using a model, rating, or
 1-45 standard that measures and considers environmental, social, and
 1-46 governance assessments unless application of the rule, regulation,
 1-47 directive, or standard is expressly authorized by statute.

1-48 SECTION 2. Subchapter A, Chapter 36, Insurance Code, is
 1-49 amended by adding Section 36.008 to read as follows:

1-50 Sec. 36.008. RULES IMPLEMENTING CERTAIN ENVIRONMENTAL,
 1-51 SOCIAL, AND GOVERNANCE MODELS, RATINGS, AND STANDARDS PROHIBITED.

1-52 (a) In this section:

1-53 (1) "Environmental assessment" means an assessment of
 1-54 the response by or vulnerability of an entity to climate change,
 1-55 including the extent of the entity's exposure to harm from
 1-56 climate-related factors.

1-57 (2) "Governance assessment" means an assessment of the
 1-58 ethical or moral principles that influence the corporate governance
 1-59 of an entity, including the structure and composition of the
 1-60 governing board, ownership structure, employee and officer pay
 1-61 policy, and accounting methodology of the entity.

2-1 (3) "Social assessment" means an assessment of:
 2-2 (A) the human capital management practices of an
 2-3 entity, including employment practices, employee training and
 2-4 development, employee safety, and the selection of suppliers and
 2-5 vendors based on preferred labor standards;

2-6 (B) the potential for an entity's products to
 2-7 directly or indirectly cause physical or financial harm to persons
 2-8 or to identified groups of persons, including harm caused by
 2-9 quality control or safety failures and the unintentional or
 2-10 unauthorized release of personal identifying information held by
 2-11 the entity;

2-12 (C) an entity's willingness to invest its
 2-13 earnings or reserves to improve the quality and safety of the
 2-14 entity's management practices and products and mitigate any
 2-15 negative effect those practices and products may have on consumers
 2-16 and the environment; or

2-17 (D) any other factor relating to the social
 2-18 effect of the entity's practices or products, including opposition
 2-19 to those practices and products and their effect on the supply
 2-20 chain.

2-21 (b) This section applies only to a rule that:

2-22 (1) implements or is based on an interstate, national,
 2-23 or international model, rating, or standard, including an
 2-24 accounting standard, that measures and considers environmental,
 2-25 social, and governance assessments;

2-26 (2) is intended to:

2-27 (A) protect the environment;

2-28 (B) evaluate the effect of a particular entity or
 2-29 industry on the environment; or

2-30 (C) encourage an entity to engage in specific
 2-31 activities or behaviors in response to environmental concerns; and

2-32 (3) may materially affect in an adverse manner the:

2-33 (A) economy of this state or a sector of the
 2-34 economy of this state;

2-35 (B) productivity and competitiveness of an
 2-36 entity doing business in this state;

2-37 (C) number of people employed in this state; or

2-38 (D) health and safety of the residents of this
 2-39 state.

2-40 (c) The commissioner may not adopt or enforce a rule to
 2-41 which this section applies:

2-42 (1) that was developed by an entity that is not
 2-43 licensed or regulated by:

2-44 (A) the department;

2-45 (B) the National Association of Insurance
 2-46 Commissioners; or

2-47 (C) an entity of this state or of the federal
 2-48 government, other than an entity described by Paragraph (A) or (B),
 2-49 that regulates the practice of insurance;

2-50 (2) that may affect the authority of this state to
 2-51 regulate the practice of insurance in this state; and

2-52 (3) the adoption or enforcement of which is not
 2-53 specifically authorized by statute.

2-54 (d) A person may file an action for declaratory judgment
 2-55 challenging the adoption of a rule on the basis that the rule was
 2-56 adopted in violation of this section. An action for declaratory
 2-57 judgment under this section is governed by Section 2001.038,
 2-58 Government Code. If the court determines that the rule was adopted
 2-59 in violation of this section, the rule is invalid.

2-60 SECTION 3. The change in law made by this Act applies only
 2-61 to a proposed rule for which notice is filed with the secretary of
 2-62 state under Section 2001.023, Government Code, on or after the
 2-63 effective date of this Act.

2-64 SECTION 4. This Act takes effect September 1, 2025.

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