

1-1 By: Schwertner S.B. No. 1642
1-2 (In the Senate - Filed February 25, 2025; March 11, 2025,
1-3 read first time and referred to Committee on Business & Commerce;
1-4 April 14, 2025, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 10, Nays 0; April 14, 2025,
1-6 sent to printer.)

1-7 COMMITTEE VOTE

| | Yea | Nay | Absent | PNV |
|------------|-----|-----|--------|-----|
| Schwertner | X | | | |
| King | | | X | |
| Blanco | X | | | |
| Campbell | X | | | |
| Creighton | X | | | |
| Johnson | X | | | |
| Kolkhorst | X | | | |
| Menéndez | X | | | |
| Middleton | X | | | |
| Nichols | X | | | |
| Zaffirini | X | | | |

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 1642 By: Schwertner

1-21 A BILL TO BE ENTITLED
1-22 AN ACT

1-23 relating to the administration of the Texas Department of
1-24 Insurance, including the appointment of the state commission of
1-25 insurance.

1-26 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-27 SECTION 1. Section 31.001(1), Insurance Code, is amended to
1-28 read as follows:

1-29 (1) "Commission" ["Commissioner"] means the state
1-30 commission [commissioner] of insurance.

1-31 SECTION 2. Section 31.007, Insurance Code, is amended to
1-32 read as follows:

1-33 Sec. 31.007. REFERENCES TO BOARD OR COMMISSIONER. A
1-34 reference in this code or other law to the former State Board of
1-35 Insurance, the Board of Insurance Commissioners, [or] an individual
1-36 commissioner, or the commissioner of insurance means the commission
1-37 [commissioner] or the department as consistent with the respective
1-38 duties of the commission [commissioner] and the department under
1-39 this code and other insurance laws.

1-40 SECTION 3. The heading to Subchapter B, Chapter 31,
1-41 Insurance Code, is amended to read as follows:

1-42 SUBCHAPTER B. STATE COMMISSION [COMMISSIONER] OF INSURANCE

1-43 SECTION 4. Section 31.021, Insurance Code, is amended to
1-44 read as follows:

1-45 Sec. 31.021. GOVERNING BODY [CHIEF EXECUTIVE]. (a) The
1-46 commission [commissioner] is the department's governing body
1-47 [chief executive and administrative officer]. The commission
1-48 [commissioner] shall administer and enforce this code, other
1-49 insurance laws of this state, and other laws granting jurisdiction
1-50 or applicable to the department or the commission [commissioner].

1-51 (b) The commission [commissioner] has the powers and duties
1-52 vested in the department by:

1-53 (1) this code and other insurance laws of this state;
1-54 and

1-55 (2) Title 5, Labor Code, and other workers'
1-56 compensation insurance laws of this state.

1-57 SECTION 5. Section 31.022, Insurance Code, is amended to
1-58 read as follows:

1-59 Sec. 31.022. APPOINTMENT; TERM; PRESIDING OFFICER.
1-60 (a) The governor, with the advice and consent of the senate, shall

2-1 appoint three members to serve on the commission serving staggered
 2-2 terms of six years [the commissioner. The commissioner serves a
 2-3 two-year term that expires on February 1 of each odd-numbered
 2-4 year].

2-5 (b) In appointing members to serve on the commission, the
 2-6 governor shall appoint:

2-7 (1) one member with expertise in insurance regulation;
 2-8 (2) one member with expertise in insurance
 2-9 administration; and
 2-10 (3) one member with expertise in insurance consumer
 2-11 advocacy.

2-12 (c) The governor shall designate one member of the
 2-13 commission as the presiding officer. The presiding officer:

2-14 (1) serves at the pleasure of the governor;
 2-15 (2) serves for a two-year term that expires February 1
 2-16 of each odd-numbered year; and
 2-17 (3) is ineligible to be designated as presiding
 2-18 officer more than once during a six-year period.

2-19 (d) The governor shall appoint a member of the commission
 2-20 [the commissioner] without regard to the race, color, disability,
 2-21 sex, religion, age, or national origin of the appointee.

2-22 SECTION 6. Section 31.023, Insurance Code, is amended to
 2-23 read as follows:

2-24 Sec. 31.023. QUALIFICATIONS. A member of the commission
 2-25 [the commissioner] must:

2-26 (1) be a competent and experienced administrator;
 2-27 (2) be well informed and qualified in the field of
 2-28 insurance and insurance regulation; [and]
 2-29 (3) be well informed and qualified in consumer
 2-30 advocacy;

2-31 (4) have at least five years of experience in the
 2-32 administration of business or government or as a practicing
 2-33 attorney, [or] certified public accountant, physician, dentist,
 2-34 chiropractor, podiatrist, or health care administrator or business
 2-35 owner; and

2-36 (5) be a resident of this state.

2-37 SECTION 7. Section 31.024, Insurance Code, is amended to
 2-38 read as follows:

2-39 Sec. 31.024. INELIGIBILITY FOR PUBLIC OFFICE. A member of
 2-40 the commission [the commissioner] is ineligible to be a candidate
 2-41 for another [a] public elective office in this state, unless the
 2-42 member [commissioner] has resigned and the governor has accepted
 2-43 the resignation.

2-44 SECTION 8. Section 31.027, Insurance Code, is amended to
 2-45 read as follows:

2-46 Sec. 31.027. GROUNDS FOR REMOVAL. (a) It is a ground for
 2-47 removal from office if a member of the commission [the
 2-48 commissioner]:

2-49 (1) does not have at the time of appointment the
 2-50 qualifications required by Section 31.023;
 2-51 (2) does not maintain during service as member
 2-52 [commissioner] the qualifications required by Section 31.023;
 2-53 (3) violates a prohibition established by Section
 2-54 33.001, 33.003, 33.004, or 33.005; or
 2-55 (4) cannot, because of illness or disability,
 2-56 discharge the member's [commissioner's] duties for a substantial
 2-57 part of the member's [commissioner's] term.

2-58 (b) The validity of an action of the commission
 2-59 [commissioner] or the department is not affected by the fact that it
 2-60 is taken when a ground for removal of a member of the commission
 2-61 [commissioner] exists.

2-62 SECTION 9. Subchapter C, Chapter 31, Insurance Code, is
 2-63 amended by adding Section 31.040 to read as follows:

2-64 Sec. 31.040. DEFINITION. In this subchapter, "executive
 2-65 director" means the department's executive director employed under
 2-66 Section 31.041.

2-67 SECTION 10. Section 31.041, Insurance Code, is amended to
 2-68 read as follows:

2-69 Sec. 31.041. EXECUTIVE DIRECTOR; DEPARTMENT PERSONNEL.

3-1 (a) Subject to the General Appropriations Act or other law, the
 3-2 commission [commissioner] shall employ:

3-3 (1) an executive director; and

3-4 (2) officers and employees the commission considers
 3-5 [appoint deputies, assistants, and other personnel as] necessary to
 3-6 carry out the powers and duties of the commission [commissioner]
 3-7 and the department under this code, other insurance laws of this
 3-8 state, and other laws granting jurisdiction or applicable to the
 3-9 department or the commission [commissioner].

3-10 (b) A person employed [appointed] under this section must
 3-11 have the professional, administrative, and insurance experience
 3-12 necessary to qualify the person for the position to which the person
 3-13 is employed [appointed].

3-14 [(c) A person appointed as an associate or deputy
 3-15 commissioner or to hold an equivalent position must have at least
 3-16 five years of the experience required for appointment as
 3-17 commissioner under Section 31.023. At least two years of that
 3-18 experience must be in work related to the position to be held.]

3-19 SECTION 11. Section 31.042, Insurance Code, is amended to
 3-20 read as follows:

3-21 Sec. 31.042. DUTIES OF EXECUTIVE DIRECTOR; DIVISION OF
 3-22 DEPARTMENT PERSONNEL RESPONSIBILITIES. (a) The executive director
 3-23 is responsible for the daily operations of the department and shall
 3-24 coordinate the activities of department officers and employees.

3-25 (b) The executive director [commissioner] shall develop and
 3-26 implement policies that clearly define the respective
 3-27 responsibilities of [the commissioner and the staff of the]
 3-28 department officers and employees.

3-29 SECTION 12. Section 31.043(a), Insurance Code, is amended
 3-30 to read as follows:

3-31 (a) The executive director [commissioner or the
 3-32 commissioner's designee] shall prepare and maintain a written
 3-33 policy statement to ensure implementation of a program of equal
 3-34 employment opportunity under which all personnel transactions are
 3-35 made without regard to race, color, disability, sex, religion, age,
 3-36 or national origin. The policy statement must include:

3-37 (1) personnel policies, including policies relating
 3-38 to recruitment, evaluation, selection, appointment, training, and
 3-39 promotion of personnel that are in compliance with Chapter 21,
 3-40 Labor Code;

3-41 (2) a comprehensive analysis of the department
 3-42 workforce that meets federal and state guidelines;

3-43 (3) procedures by which a determination can be made of
 3-44 significant underuse in the department workforce of all persons for
 3-45 whom federal or state guidelines encourage a more equitable
 3-46 balance; and

3-47 (4) reasonable methods to appropriately address those
 3-48 areas of significant underuse.

3-49 SECTION 13. Section 31.044, Insurance Code, is amended to
 3-50 read as follows:

3-51 Sec. 31.044. QUALIFICATIONS AND STANDARDS OF CONDUCT. The
 3-52 executive director [commissioner] shall provide to the commission
 3-53 and department officers and employees, as often as necessary,
 3-54 information regarding their:

3-55 (1) qualification for office or employment under this
 3-56 code; and

3-57 (2) responsibilities under applicable laws relating
 3-58 to standards of conduct for state officers and employees.

3-59 SECTION 14. Section 31.045, Insurance Code, is amended to
 3-60 read as follows:

3-61 Sec. 31.045. CAREER LADDER PROGRAM; PERFORMANCE
 3-62 EVALUATIONS. (a) The executive director [commissioner or the
 3-63 commissioner's designee] shall develop an intra-agency career
 3-64 ladder program. The program must require intra-agency posting of
 3-65 all nonentry level positions concurrently with any public posting.

3-66 (b) The executive director [commissioner or the
 3-67 commissioner's designee] shall develop a system of annual
 3-68 performance evaluations. All merit pay for department officers and
 3-69 employees must be based on the system established under this

4-1 subsection.

4-2 SECTION 15. Sections 33.002(a) and (b), Insurance Code, are
4-3 amended to read as follows:

4-4 (a) A person is not eligible for appointment as a member of
4-5 the commission [commissioner] if the person, the person's spouse,
4-6 or any other person who resides in the same household as the person:

4-7 (1) is registered, certified, or licensed by the
4-8 department;

4-9 (2) is employed by or participates in the management
4-10 of a business entity or other organization regulated by or
4-11 receiving funds from the department;

4-12 (3) owns or controls, directly or indirectly, more
4-13 than a 10 percent interest in a business entity or other
4-14 organization regulated by or receiving funds from the department;
4-15 or

4-16 (4) uses or receives a substantial amount of tangible
4-17 goods, services, or funds from the department, other than
4-18 compensation or reimbursement authorized by law.

4-19 (b) A person is not eligible for appointment as a member of
4-20 the commission [commissioner] if the person:

4-21 (1) is a stockholder, director, officer, attorney,
4-22 agent, or employee of an insurance company, insurance agent,
4-23 insurance broker, or insurance adjuster; or

4-24 (2) is directly or indirectly interested in a business
4-25 described by Subdivision (1).

4-26 SECTION 16. Sections 33.004(a) and (b), Insurance Code, are
4-27 amended to read as follows:

4-28 (a) A person who is an officer, employee, or paid consultant
4-29 of a trade association in the field of insurance may not be:

4-30 (1) a member of the commission [commissioner]; or

4-31 (2) an employee of the department who is exempt from
4-32 the state's position classification plan or is compensated at or
4-33 above the amount prescribed by the General Appropriations Act for
4-34 step 1, salary group A17, of the position classification salary
4-35 schedule.

4-36 (b) A person who is the spouse of an officer, manager, or
4-37 paid consultant of a trade association in the field of insurance may
4-38 not be:

4-39 (1) a member of the commission [commissioner]; or

4-40 (2) an employee of the department who is exempt from
4-41 the state's position classification plan or is compensated at or
4-42 above the amount prescribed by the General Appropriations Act for
4-43 step 1, salary group A17, of the position classification salary
4-44 schedule.

4-45 SECTION 17. Not later than December 1, 2025, the governor
4-46 shall:

4-47 (1) appoint each initial member of the state
4-48 commission of insurance to serve staggered terms beginning January
4-49 1, 2026, with one of the members serving a two-year term, one of the
4-50 members serving a four-year term, and one of the members serving a
4-51 six-year term; and

4-52 (2) designate a member appointed under Subdivision (1)
4-53 of this section as the initial presiding officer of the state
4-54 commission of insurance.

4-55 SECTION 18. Until each member of the initial state
4-56 commission of insurance is appointed and confirmed by the senate in
4-57 the manner provided by Section 31.022, Insurance Code, as amended
4-58 by this Act, the commissioner of insurance serving on the effective
4-59 date of this Act shall, unless otherwise removed as provided by law,
4-60 continue in office under the prior law that governed the office, and
4-61 that prior law is continued in effect for that purpose. If on
4-62 January 1, 2026, there is a vacancy in the office of a member of the
4-63 state commission of insurance created under this Act because the
4-64 initial appointee has not been confirmed by the senate as provided
4-65 by Section 31.022, Insurance Code, as amended by this Act, has died,
4-66 or refuses or is permanently unable to serve, the commissioner
4-67 serving on that date shall, unless otherwise removed as provided by
4-68 law, continue in office under the prior law that governed the office
4-69 until the governor fills the vacancy by appointment in the manner

5-1 C.S.S.B. No. 1642
5-2 provided by Section 31.022, Insurance Code, as amended by this Act.
5-3 The prior law that governed the office of the commissioner of
5-4 insurance is continued in effect for that purpose.
5-5 SECTION 19. This Act takes effect September 1, 2025.

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