

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				
1-8		Yea	Nay	Absent	PNV
1-9	Schwertner	X			
1-10	King			X	
1-11	Blanco	X			
1-12	Campbell	X			
1-13	Creighton	X			
1-14	Johnson	X			
1-15	Kolkhorst	X			
1-16	Menéndez	X			
1-17	Middleton	X			
1-18	Nichols	X			
1-19	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.

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

- (1) an executive director; and
- (2) officers and employees the commission considers ~~[appoint deputies, assistants, and other personnel as]~~ necessary to carry out the powers and duties of the commission ~~[commissioner]~~ and the department under this code, other insurance laws of this state, and other laws granting jurisdiction or applicable to the department or the commission ~~[commissioner]~~.

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

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

SECTION 11. Section 31.042, Insurance Code, is amended to read as follows:

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

(b) The executive director ~~[commissioner]~~ shall develop and implement policies that clearly define the respective responsibilities of ~~[the commissioner and the staff of the]~~ department officers and employees.

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

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

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

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

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

(4) reasonable methods to appropriately address those areas of significant underuse.

SECTION 13. Section 31.044, Insurance Code, is amended to read as follows:

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

(1) qualification for office or employment under this code; and

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

SECTION 14. Section 31.045, Insurance Code, is amended to read as follows:

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

(b) The executive director ~~[commissioner or the commissioner's designee]~~ shall develop a system of annual performance evaluations. All merit pay for department officers and 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 provided by Section 31.022, Insurance Code, as amended by this Act.
5-2 The prior law that governed the office of the commissioner of
5-3 insurance is continued in effect for that purpose.
5-4 SECTION 19. This Act takes effect September 1, 2025.

5-5 * * * * *