

SUBJECT: Repealing workers' compensation insurance fund board membership limit

COMMITTEE: Business and Industry — favorable, without amendment

VOTE: 9 ayes — Brimer, Dukes, Corte, George, Giddings, Ritter, Siebert, Solomons, Woolley
0 nays

WITNESSES: For — None
Against — None
On — Russell R. Oliver, Texas Workers' Compensation Insurance Fund

BACKGROUND: The Texas Workers' Compensation Insurance Fund was created by the 72nd Legislative Session in 1991. The Board is required to guarantee the availability of workers' compensation insurance in Texas, serve as the insurer of last resort, and serve as a competitive force in the market. The fund provides workers' compensation insurance to more than 35,000 businesses.

The fund is governed by a nine-member board of directors, appointed by the governor, with Senate approval, for staggered, six-year terms. It is regulated by the Texas Department of Insurance and the Texas Workers' Compensation Commission. VACS Insurance Code, Article 5.76-3 requires all board members to be policyholders of the fund.

The fund's revenue comes from premiums paid by policyholders and from investments. It receives no state tax dollars, and its employees do not receive state benefits.

DIGEST: HB 542 would repeal the requirement that a member of the board of the Texas Workers' Compensation Insurance Fund be a policyholder of the fund or an officer or employee of a policyholder of the fund. It also would repeal the requirement that initial appointees to the board be employers in Texas.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

**SUPPORTERS
SAY:**

HB 542 would expand the pool of potential board members from which the governor could choose in appointing members to the board. The bill also would eliminate the requirement that qualified, experienced persons who want to serve on the board have to buy workers' compensation insurance from the fund, instead of from other providers. This should be an economic decision, not a political one.

Since 1994, the policyholder base of the fund has decreased nearly 50 percent, making it difficult to recruit qualified board members. The decrease is due to increased competition in the workers' compensation market in Texas. During the fund's first three years of operations, its policyholder base grew rapidly because few insurance carriers offered workers' compensation insurance.

It is no longer practical to require that all board members be policyholders. Market forces will ensure that the fund will continue to be responsive to policyholder concerns. If the fund is not responsive to its policyholders, it will lose business.

**OPPONENTS
SAY:**

No apparent opposition.