SUBJECT: Modifying certain insurance company board regulations, meeting dates

COMMITTEE: Insurance — favorable, without amendment

VOTE: 9 ayes — Oliverson, Vo, J. González, Hull, Israel, Middleton, Paul, Romero, Sanford

0 nays

SENATE VOTE: On final passage, April 9 — 31-0, on Local and Uncontested Calendar

WITNESSES: No public hearing.

BACKGROUND: Insurance Code sec. 822.152(b) specifies that the board of an insurance company other than a life, health, or accident insurance company consists of no fewer than seven directors. Sec. 822.153(b) requires shareholders of such an insurance company to meet before May 1 of each year as provided by the company's bylaws to elect successor directors. Sec. 841.153(b) requires the annual meeting of a life, health, or accident insurance company's shareholders to be held before May 1 of each year after the directors are first elected.

Sec. 841.154 establishes that the bylaws of a domestic life, health, or accident insurance company may provide that the company's directors, other than initial directors, may be elected to serve staggered terms. This provision applies only to domestic insurance companies with boards of directors consisting of at least nine members.

DIGEST: SB 918 would decrease from seven to five the minimum number of directors on boards of insurance companies, other than life, health, or accident insurance companies, and specify that the meetings required under Insurance Code secs. 822.153(b) and 841.153(b) would have to be held annually, rather than by May 1 of each year.

The bill also would repeal the statute limiting the ability to provide staggered terms for boards of directors of life, health, and accident insurance companies to boards with nine or more members.

The bill would take effect September 1, 2021, and would apply only to the election of members of the board of directors of an insurance company who were elected on or after that date.

SUPPORTERS SAY:

SB 918 would modernize the Insurance Code and provide more flexibility to insurance companies by lowering the minimum number of required directors on certain boards, creating a broader time frame for shareholder meetings, and allowing boards of life, health, and accident insurance companies of all sizes to provide staggered terms for board members.

The current requirement for boards of certain insurance companies to have seven members is unnecessary and diverts company funds that could be put to more productive uses. The bill updates the regulations on insurance company boards and brings them in line with industry best practices by lowering the minimum board size to five. The bill also provides greater flexibility to shareholders in determining the annual meeting date to elect directors by removing an arbitrary May 1 deadline.

Currently, the ability to stagger terms for directors is limited to life, health, and accident insurance companies with more than nine directors. By allowing companies with boards of all sizes to provide staggered terms, the bill would allow companies to provide greater stability in their boards' operations and retain the institutional knowledge of the directors.

CRITICS SAY:

No concerns identified.

NOTES:

The House companion bill, HB 2665 by Leman, was considered by the House Insurance Committee in a public hearing on April 6, reported favorably on April 9, and sent to the Local and Consent Calendars Committee.