

EMERGING ISSUES AFTER THE ELECTIONS

AND EXPECTATIONS FOR TEXAS LEGISLATION -2023



FINANCIAL REPORTING INSURANCE FORUM (FINREP)

Presentation of Jay Thompson
November 17, 2022

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ELECTION UPDATE

TEXAS STATEWIDE OFFICES

GOVERNOR

- Greg Abbott wins re-election 54.8% of the vote.

LT. GOVERNOR

- Dan Patrick wins re-election 53.8% of the vote.

ATTORNEY GENERAL

- Ken Paxton wins re-election 53.5% of the vote.



ELECTION UPDATE

TEXAS STATEWIDE OFFICES

- COMPTROLLER—Glenn Hegar wins re-election 56.4%
- LAND COMMISSIONER—Dawn Buckingham wins 56.2%
- AGRICULTURE—Sid Miller wins re-election 56.4%.



ELECTION UPDATE

TEXAS STATEWIDE OFFICES

TEXAS SUPREME COURT:

- Evan Young (R) wins
- Debra Lehrmann (R) wins re-election
- Rebecca Huddle (R) wins

OTHER RACES:

Congressional Races-Texas

ELECTION UPDATE TEXAS SENATE

TEXAS SENATE AFTER ELECTIONS

REPUBLICANS: 19 DEMOCRATS: 12
Net gain: +1 for Republicans

KEY CONTESTED RACES

- Charles Schwertner (R) wins re-election-Chair B & C
- Brian Hughes (R) wins re-election-Chair, State Affairs
- Joan Huffman (R) wins re-election-Chair, Finance
- Kelly Hancock (R) wins re-election.
- ALL OTHER INCUMBENTS WIN RE-ELECTION

ELECTION UPDATE

TEXAS SENATE

NEW SENATORS

- Mayes Middleton (R) replaces Sen Taylor (R)
- Pete Flores (R) wins open seat. R-Buckingham
- Tan Parker (R) wins open seat. R- Nelson
- Phil King (R) -wins open seat. D-Powell
- Morgan Lamantia (D) wins open seat. D-Lucio
- Kevin Sparks (R) wins open seat. R-Seliger



ELECTION UPDATE TEXAS HOUSE

REPUBLICANS: 85

DEMOCRATS: 65

Net change: Republicans gain +2, Rep Guillen (R) was a (D) in 2021, changed parties and won handily.

KEY CONTESTED RACES: Current House Ins. Members

- Chairman, Tom Oliverson (R) wins re-election
- Lacey Hull (R) wins re-election
- Dennis Paul (R) wins re-election.
- Ramon Romero (D) wins re-election
- Hubert Vo (D) wins re-election
- Jessica Gonzalez (D) wins re-election

ELECTION UPDATE

TEXAS HOUSE

KEY CONTESTED RACES: Former House Ins. Members

- John Smithee (R) wins re-election-former Chair, Ins.
- Morgan Meyer (R) wins re-election, Chair Ways & Means
- Geanie Morrison (R) wins re-election
- Harold Dutton (D) wins re-election, Chair Public Education
- Senfronia Thompson (D) wins re-election, Chair Licensing
- Sergio Munoz (D) wins re-election
- Greg Bonnen (R) wins re-election, Chair Appropriations
- Todd Hunter (R) wins re-election, Chair Redistricting
- Julie Johnson (D) wins re-election
- Stan Lambert (R) wins re-election

ELECTION UPDATE TEXAS HOUSE

KEY CONTESTED RACES: Former House Ins. Members

- Chris Turner (D) wins re-election, Chair Bus. & Industry
- Mando Martinez (D) wins re-election
- Armando Walle (D) wins re-election

OTHER KEY HOUSE CHAIRS RETURNING

- Jeff Leach (R) - Jurisprudence
- Dustin Burrows (R)-Calendars
- Andy Murr (R)-Corrections

ELECTION UPDATE TEXAS HOUSE

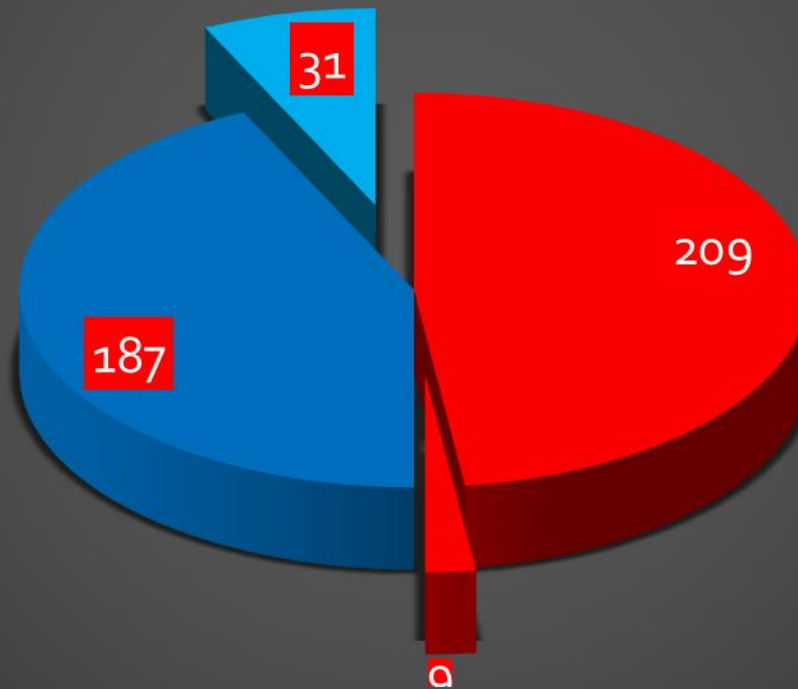
OTHER KEY HOUSE CHAIRS RETURNING

- Briscoe Cain (R)-Elections
- Craig Goldman (R)-Energy
- James Frank (R)-Human Services
- Jeff Leach (R)-Judiciary
- Charlie Geren (R)-Local and Consent Calendar
- Raphael Anchia(D)-Pensions
- Stephanie Kliick(R)-Public Health

ELECTION UPDATE

U.S. CONGRESS

U.S. HOUSE OF REPRESENTATIVES-435
218-NEEDED FOR MAJORITY
DEMOCRAT-187 REPUBLICAN 209
AS OF 11-10-2022



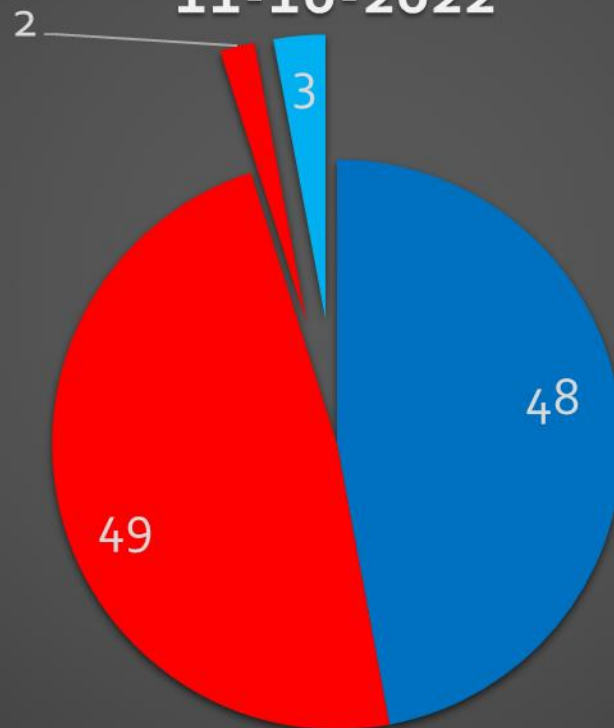
■ REPUBLICAN207 ■ R-NEEDS ■ DEMOCRAT ■ D-NEEDS ■

ELECTION UPDATE

U.S. CONGRESS

U.S. SENATE
Dem-48 Repub-49
3 Seats Undecided

11-10-2022

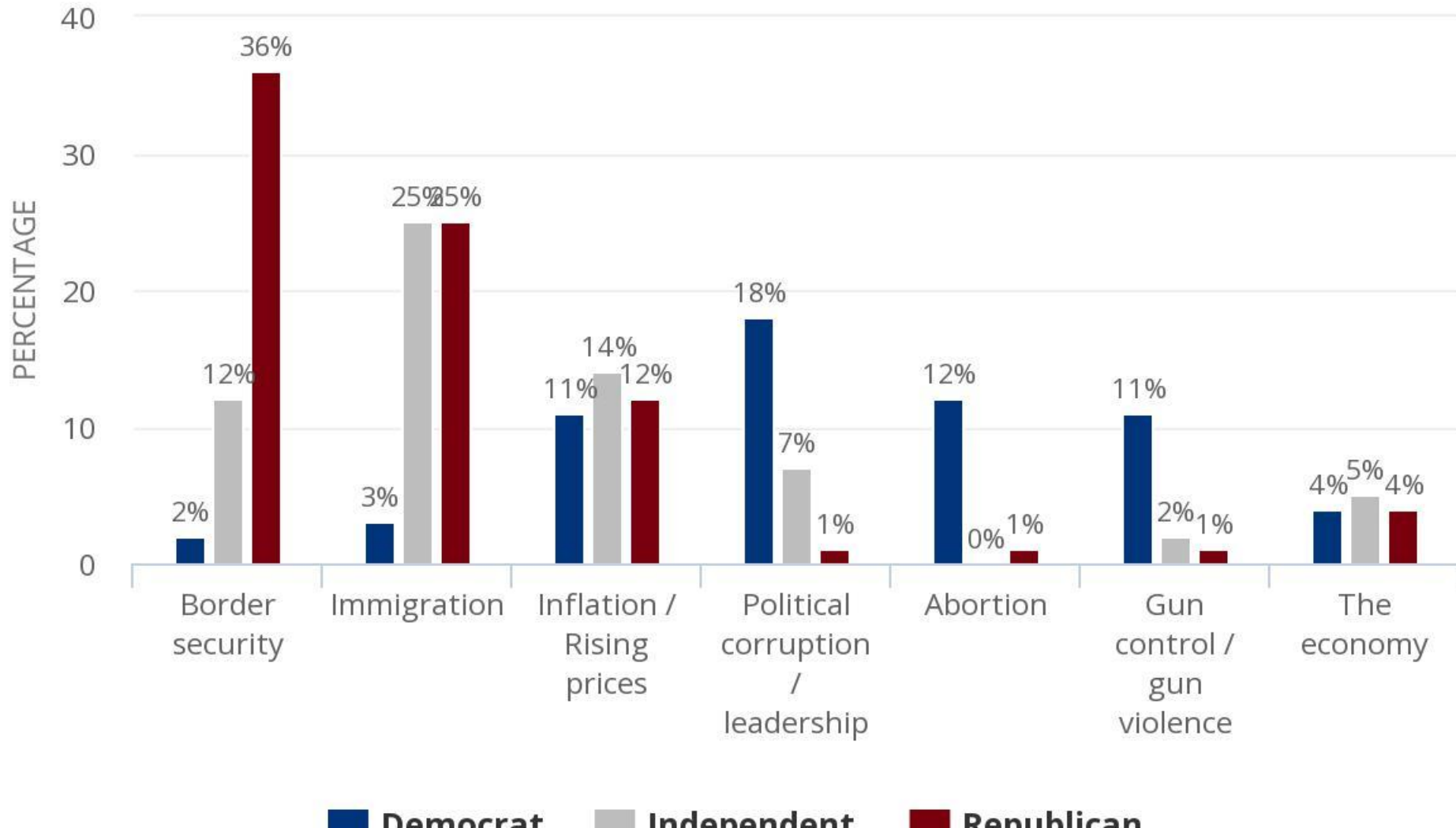


■ DEMOCRAT ■ REPUBLICAN ■ R-Need ■ D-Need

88TH LEGISLATURE

TOP ISSUES CONSIDERED IMPORTANT BY TEXAS VOTERS

MOST IMPORTANT ISSUE FACING TEXAS (OCTOBER 2022)



LEGISLATIVE UPDATE DATES OF INTEREST 88TH LEGISLATURE

- November 14, 2022---First day legislators and legislators-elect may file bills for the 88th Legislature.
- January 10, 2023—Regular Session Begins -1st day
- March 10, 2023-Bill Filing Deadline-60th day
- May 29, 2023 –Regular session ends. Sine die -140th day



88TH LEGISLATURE ANTICIPATED MAJOR ISSUES

BUDGET—Must be adopted by Legislature every 2 years

ADDITIONAL FUNDING-Texas Has a Surplus of \$\$\$

- Infrastructure-Electric Grid, Water, etc.
- Education
- Disaster Resilience
- Transportation
- Health & Human Services



88TH LEGISLATURE

ANTICIPATED MAJOR ISSUES

SOCIAL ISSUES

- Climate Change, ESG, & Reinsurers
 - Investments by State; Contracts with State
 - Discrimination against Firearm Mfg.
 - Discrimination against Oil & Gas and Fossil fuel
- Abortion Law Changes -Exceptions: Rape and Incest??
- OTHER ISSUES

88TH LEGISLATURE ANTICIPATED MAJOR ISSUES

- BORDER SECURITY
- PUBLIC SAFETY
 - Gun Control
 - Violence
- PROPERTY TAX RELIEF
- VOTING RIGHTS
- INFLATION AND THE ECONOMY



TWIA

Emerging Issues

PROPOSED CHANGES FUNDING FOR CATASTROPHES

- Eliminate use of Public Securities.
- Current law requires up to \$1 B each year of Class 1 (\$500M); Class 2 (\$250 M); and Class 3 (\$250M) after an event.
- Bond layer would be replaced by a one-time grant to the TWIA CRTF up to \$1 B
- Insurers would continue to be subject to assessments up to \$1 B.
- If CRTF is depleted, insurers would collect up to \$1 B through surcharges to replenish CRTF

88TH LEGISLATURE

ANTICIPATED P & C INSURANCE ISSUES

AUTOMOBILE REPAIRS

- OEM v. Aftermarket
- Body Shop Legislation from Past Session
- Misleading and Deceptive Practices by Repair Shops

COMMERCIAL AUTO LITIGATION

- TLR --removal of Lucio Amendment in 2021

REPLACEMENT COST—RESIDENTIAL PROPERTY

88TH LEGISLATURE

ANTICIPATED P & C INSURANCE ISSUES

UM/UIM

- Geren Legislation
- Amend Ch. 37-prohibit attorney fees in UM/UIM Dec Suits

APPRAISAL

Ability of Insurers to Restrict Appraisal in Auto

Prompt Pay --Clarify Barbara Technology Case to allow appraisal award payments end all litigation including prompt pay.

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ANTICIPATED P & C INSURANCE ISSUES

- Catalytic Converter Theft-Subject of interim study.
- Roofing Contractors
 - Regulation or registration
 - legislation similar to 2021 likely to be filed
- Preventing Other Contractor Fraud
- Rebating Exceptions—legislation to use NAIC model exceptions for P & C
- Doing Business Electronically-eliminate requirement for consent

88TH LEGISLATURE

ANTICIPATED P & C INSURANCE ISSUES

- Disaster Resiliency-Building Codes
- 3rd Party Litigation Financing Disclosure
- Premium Tax Audits –APCIA discussion on required use of Schedule T
- WC Maintenance Tax Reform & Retaliation-AFACT legislation to use “surcharges” instead of tax for WC.

88TH LEGISLATURE

ANTICIPATED P & C INSURANCE ISSUES

- Funding for Anti-Fraud Efforts
Increasing number of TDI investigators
- MVCPA Funding Increase
Small percentage of fee collected is committed to preventing auto theft and burglary
- Agricultural Theft
Interim study and recommend cost-effective measures to mitigate loss and increase security.

88TH LEGISLATURE

OTHER ISSUES

- Privacy and Cybersecurity
- Separate Accounts/ Exemption for Group Annuity Filings for Large Risk Transactions
- 403b—Changes to any willing provider in School districts?
- Group Capital Calculation-implement NAIC Model law; liquidity testing; other provisions
- TDI Biennial Recommendations ?

Regulatory Issues

Maintenance Tax Rates for Next Year

Fire & Allied Lines—decrease by 11.6%

Casualty—decrease by 38.6%

WC—slight increases for TDI functions; slight decrease for WC Research; DWC remains at 2%.

Life & Health—No change

Conclusions

Q & A

