

By: Middleton, Hunter, Lozano, Dominguez

H.B. No. 769

Substitute the following for H.B. No. 769:

By: Oliverson

C.S.H.B. No. 769

A BILL TO BE ENTITLED

AN ACT

relating to the administration of the Texas Windstorm Insurance Association.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 2210, Insurance Code, is amended by adding Section 2210.063 to read as follows:

Sec. 2210.063. LOCATION OF ASSOCIATION HEADQUARTERS. The headquarters of the association must be located in a first tier coastal county or second tier coastal county.

SECTION 2. Subchapter H, Chapter 2210, Insurance Code, is amended by adding Section 2210.3512 to read as follows:

Sec. 2210.3512. REQUIREMENT FOR VOTE ON RATE FILING. The board of directors may not vote on a proposed rate filing if there is a vacancy on the board.

SECTION 3. Section 2210.452(c), Insurance Code, is amended to read as follows:

(c) At the end of each calendar year or policy year, the association shall use the net gain from operations of the association, including all premium and other revenue of the association in excess of incurred losses, operating expenses, public security obligations, and public security administrative expenses, to make payments to the trust fund or pay public security obligations, giving priority to the obligations with the highest interest rates~~[, procure reinsurance, or use alternative risk~~

1 ~~financing mechanisms, or to make payments to the trust fund and~~
2 ~~procure reinsurance or use alternative risk financing mechanisms].~~

3 SECTION 4. Section 2210.453, Insurance Code, is amended by
4 adding Subsections (b-1), (b-2), and (f) to read as follows:

5 (b-1) In determining the probable maximum loss under
6 Subsection (b), the association:

7 (1) may not consider the cost of providing loss
8 adjustments;

9 (2) shall, to the extent possible, contract with any
10 disinterested third parties necessary to execute any hurricane risk
11 simulation models that were executed in the preceding storm season;

12 (3) shall, if the association is unable to contract
13 for the execution of a hurricane risk simulation model described by
14 Subdivision (2), contract with any disinterested third party
15 necessary to execute a hurricane risk simulation model that is
16 substantially similar to the model for which the association is
17 unable to contract under Subdivision (2);

18 (4) may contract with any disinterested third parties
19 to execute hurricane risk simulation models in addition to the
20 models required by Subdivisions (2) and (3);

21 (5) shall provide to a third party executing a
22 hurricane risk simulation model any information necessary to comply
23 with this subsection;

24 (6) may not use a combination of hurricane risk
25 simulation models to determine the probable maximum loss; and

26 (7) may use only the hurricane risk simulation model
27 that produces the lowest probable maximum loss.

1 (b-2) Any information produced in compliance with
2 Subsection (b-1) shall be made publicly available on the Internet
3 website of the association.

4 (f) The association may not purchase reinsurance under this
5 section from an insurer or broker involved in the execution of the
6 hurricane risk simulation model on which the association relies in
7 determining the probable maximum loss applicable for the period
8 covered by the reinsurance.

9 SECTION 5. Section 2210.611, Insurance Code, is amended to
10 read as follows:

11 Sec. 2210.611. EXCESS REVENUE COLLECTIONS AND INVESTMENT
12 EARNINGS. Revenue collected in any calendar year from a premium
13 surcharge under Sections 2210.612, 2210.613, and 2210.6131 that
14 exceeds the amount of the public security obligations and public
15 security administrative expenses payable in that calendar year and
16 interest earned on the funds may, in the discretion of the
17 association, be:

18 (1) used to pay public security obligations payable in
19 the subsequent calendar year, offsetting the amount of the premium
20 surcharge that would otherwise be required to be levied for the year
21 under this subchapter; or

22 (2) used to redeem or purchase outstanding public
23 securities[~~, or~~

24 [~~(3) deposited in the catastrophe reserve trust fund].~~

25 SECTION 6. Section 2210.664(b), Insurance Code, is amended
26 to read as follows:

27 (b) Not later than November 15, 2022 [~~2020~~], the board shall

1 deliver a [~~the~~] report prepared under Subsection (a) to:

2 (1) the governor;

3 (2) the lieutenant governor; and

4 (3) the speaker of the house of representatives.

5 SECTION 7. Section [2210.665](#), Insurance Code, is amended to
6 read as follows:

7 Sec. 2210.665. EXPIRATION. This subchapter expires
8 September 1, 2023 [~~2021~~].

9 SECTION 8. Sections 14(c) and (d), Chapter 790 (H.B. 1900),
10 Acts of the 86th Legislature, Regular Session, 2019, are amended to
11 read as follows:

12 (c) Not later than January 1, 2023 [~~2021~~], the windstorm
13 insurance legislative oversight board shall submit to the governor,
14 the lieutenant governor, the speaker of the house of
15 representatives, and the Texas Department of Insurance a written
16 report of a [~~the~~] study conducted under this section. The report
17 must include the findings and legislative recommendations of the
18 board.

19 (d) This section expires January 1, 2024 [~~2022~~].

20 SECTION 9. Section 2210.063, Insurance Code, as added by
21 this Act, applies to the Texas Windstorm Insurance Association
22 beginning January 1, 2023.

23 SECTION 10. The Texas Department of Insurance shall amend
24 the Texas Windstorm Insurance Association's plan of operation to
25 conform to the changes in law made by this Act not later than the
26 60th day after the effective date of this Act.

27 SECTION 11. This Act takes effect September 1, 2021.