

1-1 By: Hunter, et al. H.B. No. 3689  
 1-2 (Senate Sponsor - Kolkhorst, et al.)  
 1-3 (In the Senate - Received from the House May 5, 2025;  
 1-4 May 5, 2025, read first time and referred to Committee on Business  
 1-5 & Commerce; May 23, 2025, reported adversely, with favorable  
 1-6 Committee Substitute by the following vote: Yeas 11, Nays 0;  
 1-7 May 23, 2025, sent to printer.)

1-8 COMMITTEE VOTE

1-9		Yea	Nay	Absent	PNV
1-10	Schwertner	X			
1-11	King	X			
1-12	Blanco	X			
1-13	Campbell	X			
1-14	Creighton	X			
1-15	Johnson	X			
1-16	Kolkhorst	X			
1-17	Menéndez	X			
1-18	Middleton	X			
1-19	Nichols	X			
1-20	Zaffirini	X			

1-21 COMMITTEE SUBSTITUTE FOR H.B. No. 3689 By: King

1-22 A BILL TO BE ENTITLED  
 1-23 AN ACT

1-24 relating to funding of excess losses and operating expenses of the  
 1-25 Texas Windstorm Insurance Association; authorizing an assessment;  
 1-26 authorizing a surcharge.

1-27 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-28 ARTICLE 1. FUNDING OF INSURED LOSSES AND OPERATING EXPENSES OF  
 1-29 TEXAS WINDSTORM INSURANCE ASSOCIATION

1-30 SECTION 1.01. (a) In this section, "association" means the  
 1-31 Texas Windstorm Insurance Association.

1-32 (b) The legislature finds that the use of public securities  
 1-33 would not be an efficient or viable long-term method to fund losses  
 1-34 of the association in order for the association to continue to  
 1-35 provide windstorm and hail insurance after a catastrophic event.  
 1-36 Subchapter B-2, Chapter 2210, Insurance Code, as added by this Act,  
 1-37 is intended to replace Subchapter B-1, Chapter 2210, Insurance  
 1-38 Code, to provide for funding of excess losses and operating  
 1-39 expenses of the association incurred after December 31, 2025.

1-40 (c) The legislature finds that:

1-41 (1) previous experience has shown that the expense to  
 1-42 the association of issuing public securities, and the interest  
 1-43 rates for those securities, would be significant and can impose  
 1-44 significant long-term expense obligations on coastal property and  
 1-45 casualty risks that may be avoided if the legislature provides for  
 1-46 financing or investment from available state money to the  
 1-47 association before or after a catastrophic event;

1-48 (2) the financing or investment described by  
 1-49 Subdivision (1) of this subsection would be a more efficient way to  
 1-50 provide funding necessary for the association to pay losses after a  
 1-51 catastrophic event; and

1-52 (3) a financing arrangement or other investment from  
 1-53 available state money to the association of not more than \$500  
 1-54 million before a catastrophic event and not more than \$1 billion  
 1-55 after a catastrophic event would:

1-56 (A) replace the funding levels currently  
 1-57 provided by issuing public securities;

1-58 (B) be consistent with sound insurance solvency  
 1-59 standards;

1-60 (C) provide a more viable method for the

2-1 association to have money for losses after a catastrophic event  
2-2 than the issuance of public securities; and  
2-3 (D) provide a secured investment for the state  
2-4 that would:

- 2-5 (i) yield interest income for the state on
- 2-6 state money; and
- 2-7 (ii) be adequately secured for repayment
- 2-8 through statewide catastrophe surcharges on certain insurance
- 2-9 policies in this state.

2-10 (d) The legislature finds that authorizing catastrophe  
2-11 surcharges is a viable method to assure repayment of financing  
2-12 arrangements or investments of state money after a hurricane and to  
2-13 ensure that the association can continue to provide windstorm and  
2-14 hail insurance in the coastal areas of this state after a  
2-15 catastrophic event to maintain the association's viability for the  
2-16 benefit of the public and in furtherance of a public purpose.

2-17 SECTION 1.02. Section 2210.003, Insurance Code, is amended  
2-18 by adding Subdivisions (3-c), (3-d), and (3-e) to read as follows:

2-19 (3-c) "Financing arrangement" means an arrangement  
2-20 entered into by the association for the financing of payments for  
2-21 the uses authorized by Section 2210.634. The term includes an  
2-22 arrangement between the association and this state under Section  
2-23 404.0242, Government Code.

2-24 (3-d) "Financing arrangement administrative expense"  
2-25 means an expense incurred to administer a financing arrangement  
2-26 issued under this chapter, including:

- 2-27 (A) a fee for credit enhancement;
- 2-28 (B) a payment to a paying agent, trustee, or
- 2-29 attorney; or
- 2-30 (C) an expense relating to another professional
- 2-31 service necessary to carry out a financing arrangement.

2-32 (3-e) "Financing arrangement obligation" means the  
2-33 principal of and any premium and interest on a financing  
2-34 arrangement issued under this chapter.

2-35 SECTION 1.03. The heading to Subchapter B-1, Chapter 2210,  
2-36 Insurance Code, is amended to read as follows:

2-37 SUBCHAPTER B-1. PAYMENT OF LOSSES INCURRED BEFORE JANUARY 1, 2026

2-38 SECTION 1.04. Subchapter B-1, Chapter 2210, Insurance Code,  
2-39 is amended by adding Section 2210.070 to read as follows:

2-40 Sec. 2210.070. APPLICABILITY OF SUBCHAPTER. (a) This  
2-41 subchapter applies only to the payment of losses and operating  
2-42 expenses of the association for a catastrophe year that occurs  
2-43 before January 1, 2026, and results in excess losses and operating  
2-44 expenses incurred by the association before January 1, 2026.

2-45 (b) Payment of excess losses and operating expenses of the  
2-46 association incurred after December 31, 2025, shall be paid as  
2-47 provided by Subchapter B-2.

2-48 SECTION 1.05. Section 2210.071, Insurance Code, is amended  
2-49 to read as follows:

2-50 Sec. 2210.071. PAYMENT OF EXCESS LOSSES. (a) If, in a  
2-51 catastrophe year before January 1, 2026, an occurrence or series of  
2-52 occurrences in a catastrophe area results in insured losses and  
2-53 operating expenses of the association in excess of premium and  
2-54 other revenue of the association, the excess losses and operating  
2-55 expenses shall be paid as provided by this subchapter.

2-56 (b) The association may not pay insured losses and operating  
2-57 expenses resulting from an occurrence or series of occurrences in a  
2-58 catastrophe year in excess of premium and other revenue of the  
2-59 association for that catastrophe year with premium and other  
2-60 revenue earned in a subsequent year.

2-61 SECTION 1.06. Section 2210.0715(b), Insurance Code, is  
2-62 amended to read as follows:

2-63 (b) Proceeds of public securities issued, a financing  
2-64 arrangement entered into, or assessments made before January 1,  
2-65 2026, or as a result of any occurrence or series of occurrences in a  
2-66 catastrophe year that occurs before January 1, 2026, and results in  
2-67 insured losses before that date may not be included in reserves  
2-68 available for a subsequent catastrophe year for purposes of this  
2-69 section or Section 2210.082 unless approved by the commissioner.

3-1 SECTION 1.07. The heading to Section 2210.075, Insurance  
3-2 Code, is amended to read as follows:

3-3 Sec. 2210.075. REINSURANCE BY MEMBERS.

3-4 SECTION 1.08. Subchapter B-1, Chapter 2210, Insurance Code,  
3-5 is amended by adding Section 2210.076 to read as follows:

3-6 Sec. 2210.076. PAYMENT FROM STATE-FUNDED FINANCING  
3-7 ARRANGEMENTS. (a) Notwithstanding the provisions of this  
3-8 subchapter to the contrary, the association may pay losses the  
3-9 association would otherwise pay as provided by Section 2210.072,  
3-10 2210.073, or 2210.0741 by entering into financing arrangements with  
3-11 this state as provided by Subchapter M-1 of this code and Section  
3-12 404.0242, Government Code.

3-13 (b) Subchapter M-2 applies to the financing of losses under  
3-14 this section to the extent necessary to secure and repay a financing  
3-15 arrangement to the state that is entered into under Subchapter M-1.

3-16 (c) The association may enter into a financing arrangement  
3-17 that includes interest-bearing loans or other financial  
3-18 instruments with any market source to enable the association to pay  
3-19 losses secured by a financing arrangement with this state under  
3-20 Subchapter M-1.

3-21 SECTION 1.09. Chapter 2210, Insurance Code, is amended by  
3-22 adding Subchapter B-2 to read as follows:

3-23 SUBCHAPTER B-2. PAYMENT OF EXCESS LOSSES AND OPERATING EXPENSES

3-24 Sec. 2210.080. APPLICABILITY OF SUBCHAPTER. This  
3-25 subchapter applies only to the payment of losses and operating  
3-26 expenses of the association for a catastrophe year that occurs  
3-27 after December 31, 2025, and results in excess losses and operating  
3-28 expenses incurred by the association after December 31, 2025.

3-29 Sec. 2210.081. PAYMENT OF EXCESS LOSSES. (a) If, in a  
3-30 catastrophe year, an occurrence or series of occurrences in a  
3-31 catastrophe area results in insured losses and operating expenses  
3-32 of the association in excess of premium and other revenue of the  
3-33 association, the excess losses and operating expenses shall be paid  
3-34 as provided by this subchapter.

3-35 (b) The association may not pay insured losses and operating  
3-36 expenses resulting from an occurrence or series of occurrences in a  
3-37 catastrophe year in excess of premium and other revenue of the  
3-38 association for that catastrophe year with premium and other  
3-39 revenue earned in a subsequent year.

3-40 Sec. 2210.082. PAYMENT FROM RESERVES AND TRUST FUND;  
3-41 STATE-FUNDED FINANCING ARRANGEMENTS. (a) The association shall  
3-42 pay insured losses and operating expenses resulting from an  
3-43 occurrence or series of occurrences in a catastrophe year in excess  
3-44 of premium and other revenue of the association for that  
3-45 catastrophe year from reserves of the association available before  
3-46 or accrued during that catastrophe year and amounts in the  
3-47 catastrophe reserve trust fund available before or accrued during  
3-48 that catastrophe year.

3-49 (b) For insured losses and operating expenses for a  
3-50 catastrophe year not paid under Subsection (a), the association  
3-51 shall arrange for financing of not more than \$1 billion through one  
3-52 or more financing arrangements entered into with the state as  
3-53 provided by Subchapter M-1 of this code and Section 404.0242,  
3-54 Government Code.

3-55 Sec. 2210.083. PAYMENT FROM MEMBER ASSESSMENTS. (a)  
3-56 Insured losses and operating expenses for a catastrophe year not  
3-57 paid under Section 2210.082 shall be paid as provided by this  
3-58 section from member assessments not to exceed \$1 billion for that  
3-59 catastrophe year.

3-60 (b) The board of directors shall notify each association  
3-61 member of the amount of the member's assessment under this section.  
3-62 The proportion of the insured losses and operating expenses  
3-63 allocable to each insurer under this section shall be determined in  
3-64 the manner used to determine each insurer's participation in the  
3-65 association for the year under Section 2210.052.

3-66 (c) An association member may not recoup an assessment paid  
3-67 under this section through a premium surcharge or tax credit.

3-68 Sec. 2210.084. REINSURANCE BY MEMBERS FOR MEMBER  
3-69 ASSESSMENTS. (a) Before any occurrence or series of occurrences,

4-1 an association member may purchase reinsurance to cover an  
 4-2 assessment for which the member would otherwise be liable under  
 4-3 this subchapter.

4-4 (b) An association member must notify the board of  
 4-5 directors, in the manner prescribed by the association, whether the  
 4-6 member will be purchasing reinsurance. If the member does not  
 4-7 purchase reinsurance under this section, the member remains liable  
 4-8 for any assessment imposed under this subchapter.

4-9 SECTION 1.10. Section 2210.452(b), Insurance Code, is  
 4-10 amended to read as follows:

4-11 (b) All money, including investment income, deposited in  
 4-12 the trust fund constitutes state funds until disbursed as provided  
 4-13 by this chapter and commissioner rules. The comptroller shall hold  
 4-14 the money outside the state treasury on behalf of, and with legal  
 4-15 title in, the department on behalf of the association. The  
 4-16 department shall keep and maintain the trust fund in accordance  
 4-17 with this chapter and commissioner rules. The comptroller, as  
 4-18 custodian of the trust fund, shall administer the trust fund  
 4-19 strictly and solely as provided by this chapter and commissioner  
 4-20 rules. The association may include the amounts held in the  
 4-21 catastrophe reserve trust fund as an admitted asset in the  
 4-22 financial statements of the association.

4-23 SECTION 1.11. Section 2210.4521, Insurance Code, is amended  
 4-24 by amending Subsection (a) and adding Subsection (a-1) to read as  
 4-25 follows:

4-26 (a) The comptroller shall invest in accordance with the  
 4-27 investment standard described by Section 404.024(j), Government  
 4-28 Code, the portion of the trust fund balance that exceeds the amount  
 4-29 of the sufficient balance determined under Subsection (b).

4-30 (a-1) The comptroller's investment of that portion of the  
 4-31 balance is not subject to any other limitation or other requirement  
 4-32 provided by Section 404.024, Government Code. The comptroller and  
 4-33 board of directors may recommend investments to protect the trust  
 4-34 fund and create investment income.

4-35 SECTION 1.12. Sections 2210.453(d) and (e), Insurance Code,  
 4-36 are amended to read as follows:

4-37 (d) The association may obtain reinsurance at any level  
 4-38 including excess of loss, quota share, and other forms of  
 4-39 reinsurance to protect the solvency and viability of the  
 4-40 association. The commissioner may consult with the board of  
 4-41 directors regarding methods to protect the solvency and continued  
 4-42 viability of the association, including by protecting the minimum  
 4-43 balance, acquiring reinsurance, or by other means [The cost of the  
 4-44 reinsurance purchased or alternative financing mechanisms used  
 4-45 under this section in excess of the minimum funding level required  
 4-46 by Subsection (b) shall be paid by assessments as provided by this  
 4-47 subsection. The association, with the approval of the  
 4-48 commissioner, shall notify each member of the association of the  
 4-49 amount of the member's assessment under this subsection. The  
 4-50 proportion of the cost to each insurer under this subsection shall  
 4-51 be determined in the manner used to determine each insurer's  
 4-52 participation in the association for the year under Section  
 4-53 2210.052].

4-54 (e) The commissioner may adopt a method or approve the  
 4-55 association's method of determining the probability of one in 100  
 4-56 for association risks. The commissioner shall provide any adopted  
 4-57 or approved method to the association on or before February 1 of  
 4-58 each year [A member of the association may not recoup an assessment  
 4-59 paid under Subsection (d) through a premium surcharge or tax  
 4-60 credit].

4-61 SECTION 1.13. Section 2210.601, Insurance Code, is amended  
 4-62 to read as follows:

4-63 Sec. 2210.601. FINDINGS [PURPOSE]. The legislature finds  
 4-64 that for losses incurred before January 1, 2026, authorizing the  
 4-65 association to enter into financing arrangements with this state as  
 4-66 provided by Section 2210.076 [issuance of public securities] to  
 4-67 provide a method to raise funds to provide windstorm and hail  
 4-68 insurance through the association in certain designated portions of  
 4-69 the state is for the benefit of the public and in furtherance of a

5-1 public purpose.

5-2 SECTION 1.14. Subchapter M, Chapter 2210, Insurance Code,  
5-3 is amended by adding Section 2210.6015 to read as follows:

5-4 Sec. 2210.6015. APPLICABILITY OF SUBCHAPTER. To provide  
5-5 for a reasonable transition, the association may issue public  
5-6 securities under this subchapter or enter into financing  
5-7 arrangements with this state as provided by Section 2210.076 if the  
5-8 association needs to provide funds for excess losses and operating  
5-9 expenses incurred by the association before January 1, 2026, for a  
5-10 catastrophe year occurring before January 1, 2026. After December  
5-11 31, 2025, the association may not issue public securities under  
5-12 this subchapter except to fund excess losses and operating expenses  
5-13 incurred before January 1, 2026.

5-14 SECTION 1.15. Chapter 2210, Insurance Code, is amended by  
5-15 adding Subchapters M-1 and M-2 to read as follows:

5-16 SUBCHAPTER M-1. STATE-FUNDED FINANCING ARRANGEMENTS

5-17 Sec. 2210.631. DEFINITION. In this subchapter,  
5-18 "catastrophic event" has the meaning assigned by Section 2210.602.

5-19 Sec. 2210.6315. STATE-FUNDED FINANCING ARRANGEMENTS. The  
5-20 legislature has determined that providing catastrophe funding to  
5-21 the association by permitting the association to enter into a  
5-22 financing arrangement with this state is an acceptable use of state  
5-23 money and provides an efficient method for the association to pay  
5-24 losses following a catastrophic event.

5-25 Sec. 2210.632. FINANCING ARRANGEMENT AUTHORIZED; LIMITS.

5-26 (a) The association may enter into a financing arrangement with  
5-27 this state as provided by Section 404.0242, Government Code, and in  
5-28 accordance with this subchapter:

5-29 (1) before a catastrophic event, for not more than  
5-30 \$500 million; and

5-31 (2) after a catastrophic event that depletes the  
5-32 catastrophe reserve trust fund, for not more than \$1 billion.

5-33 (b) The amount available under Subsection (a)(2) is reduced  
5-34 by the amount of any outstanding pre-event or post-event financing  
5-35 obtained by the association under this section.

5-36 Sec. 2210.6325. REQUEST TO ENTER INTO FINANCING  
5-37 ARRANGEMENT. (a) The association may submit a request to the  
5-38 comptroller to enter into a financing arrangement as authorized by  
5-39 Section 404.0242, Government Code. The request must include the  
5-40 association's requested maximum principal amount and maximum term  
5-41 of the arrangement.

5-42 (b) The association and the comptroller may agree to  
5-43 increase the maximum principal amount stated in a request submitted  
5-44 under Subsection (a) on a showing that a greater principal amount is  
5-45 needed to:

5-46 (1) pay the costs related to the issuance of the  
5-47 financing arrangement;

5-48 (2) provide for a debt service reserve fund; or

5-49 (3) capitalize interest for a period equal to the  
5-50 lesser of:

5-51 (A) a period determined necessary by the  
5-52 association; or

5-53 (B) six months.

5-54 Sec. 2210.633. ADDITIONAL COVENANTS. With respect to a  
5-55 financing arrangement entered into under Section 2210.632, the  
5-56 association may:

5-57 (1) make additional covenants with respect to the  
5-58 financing arrangement and the designated income and receipts of the  
5-59 association pledged to the payment of the financing arrangement;  
5-60 and

5-61 (2) provide for the flow of money and the  
5-62 establishment, maintenance, investment, and administration of  
5-63 funds and accounts with respect to the financing arrangement.

5-64 Sec. 2210.6335. DEPOSIT OF PROCEEDS. The proceeds of a  
5-65 financing arrangement with this state entered into under Section  
5-66 2210.632 before a catastrophic event shall be deposited into a  
5-67 separate account located in the catastrophe reserve trust fund.

5-68 Sec. 2210.634. USE OF PROCEEDS. (a) The proceeds of a  
5-69 financing arrangement, including investment income, shall be held

6-1 in trust for the exclusive use and benefit of the association. The  
 6-2 association may use the proceeds to:

6-3 (1) pay incurred claims and operating expenses of the  
 6-4 association;

6-5 (2) pay the costs of issuing a financing arrangement  
 6-6 and any financing arrangement administrative expenses;

6-7 (3) provide for debt service reserve funds;

6-8 (4) pay capitalized interest and principal on a  
 6-9 financing arrangement for a period determined necessary by the  
 6-10 association;

6-11 (5) pay private financial arrangements entered into by  
 6-12 the association as temporary sources of payment of losses and  
 6-13 operating expenses of the association; and

6-14 (6) reimburse the association for any cost described  
 6-15 by this subsection paid to the association before issuance of the  
 6-16 financing arrangement.

6-17 (b) The association may use excess proceeds of a financing  
 6-18 arrangement entered into under Section 2210.632 remaining after the  
 6-19 purposes for which the financing arrangement was entered into are  
 6-20 satisfied to repay any financing arrangement obligations or  
 6-21 financing arrangement administrative expenses. If all outstanding  
 6-22 financing arrangement obligations or financing arrangement  
 6-23 administrative expenses are satisfied, the excess proceeds shall be  
 6-24 transferred to the catastrophe reserve trust fund.

6-25 Sec. 2210.6345. REPAYMENT OF FINANCING ARRANGEMENT  
 6-26 OBLIGATION. (a) With respect to a financing arrangement entered  
 6-27 into under Section 2210.632, the comptroller and the association  
 6-28 shall enter into a separate agreement under which the association  
 6-29 shall provide for the payment of all financing arrangement  
 6-30 obligations and financing arrangement administrative expenses from  
 6-31 money collected by the association and deposited in the manner  
 6-32 provided by this subchapter.

6-33 (b) If a financing arrangement entered into under Section  
 6-34 2210.632 is outstanding, the comptroller shall notify the  
 6-35 association of the amount of outstanding financing arrangement  
 6-36 obligations and estimated financing arrangement administrative  
 6-37 expenses each calendar year in a period sufficient, as determined  
 6-38 by the association, to permit the association to assess a premium  
 6-39 surcharge as necessary to meet the obligations and expenses.

6-40 Sec. 2210.635. EXCESS REVENUE COLLECTIONS AND INVESTMENT  
 6-41 EARNINGS. With respect to a financing arrangement entered into  
 6-42 under Section 2210.632, the association may use revenue collected  
 6-43 in a calendar year from a premium surcharge, including earned  
 6-44 interest, that exceeds the amount of the financing arrangement  
 6-45 obligations and financing arrangement administrative expenses  
 6-46 payable during that calendar year to:

6-47 (1) pay financing arrangement obligations payable in  
 6-48 the subsequent calendar year, offsetting the amount of a premium  
 6-49 surcharge that would otherwise be required to be levied for the year  
 6-50 under this chapter;

6-51 (2) pay outstanding financing arrangement  
 6-52 obligations; or

6-53 (3) deposit additional money into the catastrophe  
 6-54 reserve trust fund.

6-55 Sec. 2210.6355. SOURCE OF PAYMENT; STATE DEBT NOT CREATED.  
 6-56 (a) A financing arrangement entered into under Section 2210.632 is  
 6-57 payable solely from revenue as provided by this subchapter.

6-58 (b) A financing arrangement entered into under Section  
 6-59 2210.632 is not a debt of this state or any state agency or  
 6-60 political subdivision of this state and does not constitute a  
 6-61 pledge of the faith and credit of this state or any state agency or  
 6-62 political subdivision of this state.

6-63 (c) Each financing arrangement entered into under Section  
 6-64 2210.632 must state that:

6-65 (1) except as otherwise provided by this subchapter,  
 6-66 neither this state nor a state agency, political corporation, or  
 6-67 political subdivision of this state is obligated to pay the  
 6-68 principal of or interest on the financing arrangement; and

6-69 (2) neither the faith and credit nor the taxing power

7-1 of this state or a state agency, political corporation, or  
7-2 political subdivision of this state is pledged to the payment of the  
7-3 principal of or interest on the financing arrangement.

7-4 Sec. 2210.636. STATE NOT TO IMPAIR FINANCING ARRANGEMENT  
7-5 OBLIGATION. The state pledges for the benefit and protection of  
7-6 financing parties that the state will not take or permit any action  
7-7 that would:

7-8 (1) impair the collection of premium surcharges or the  
7-9 deposit of that money into the applicable fund;

7-10 (2) reduce, alter, or impair the premium surcharges to  
7-11 be imposed, collected, and remitted to financing parties until the  
7-12 principal, interest, and premium and any other charges incurred and  
7-13 contracts to be performed in connection with the related financing  
7-14 arrangement obligations have been paid and performed in full; or

7-15 (3) in any way impair the rights and remedies of the  
7-16 parties to a financing arrangement entered into under Section  
7-17 2210.632 before the financing arrangement is fully discharged.

7-18 Sec. 2210.6365. RIGHTS WITH RESPECT TO FINANCING  
7-19 ARRANGEMENT. If amounts due under a financing arrangement entered  
7-20 into under Section 2210.632 are outstanding, the rights and  
7-21 interests of the association, a successor to the association, any  
7-22 member of the association, or any member of the Texas FAIR Plan  
7-23 Association, including the right to impose, collect, and receive a  
7-24 premium surcharge authorized under this subchapter, are only  
7-25 contract rights until those revenues are first pledged for the  
7-26 repayment of the association's financing arrangement obligations  
7-27 as provided by this subchapter and Subchapter M-2.

7-28 Sec. 2210.637. ENFORCEMENT. A writ of mandamus and any  
7-29 other legal and equitable remedies are available to a party at  
7-30 interest to require the association or another party to fulfill an  
7-31 agreement and to perform functions and duties under:

7-32 (1) this subchapter;

7-33 (2) the Texas Constitution; or

7-34 (3) a relevant financing arrangement.

7-35 Sec. 2210.6375. NO PERSONAL LIABILITY. Notwithstanding any  
7-36 other provision of this subchapter, the members of the association,  
7-37 the members of the association board of directors, association  
7-38 employees, the comptroller and comptroller employees, the  
7-39 commissioner, and department employees are not liable as a result  
7-40 of exercising the rights and responsibilities granted under this  
7-41 subchapter, including by entering into a financing arrangement  
7-42 under Section 2210.632.

7-43 SUBCHAPTER M-2. CATASTROPHE SURCHARGE

7-44 Sec. 2210.641. DEFINITION. In this subchapter,  
7-45 "catastrophic event" means an occurrence or a series of occurrences  
7-46 that:

7-47 (1) occurs in a catastrophe area during a calendar  
7-48 year; and

7-49 (2) results in insured losses and operating expenses  
7-50 of the association in excess of premium and other revenue of the  
7-51 association.

7-52 Sec. 2210.642. APPLICABILITY OF SUBCHAPTER. (a)  
7-53 Notwithstanding Section 2210.006, this subchapter applies to an  
7-54 insurer that is:

7-55 (1) an insurer authorized to engage in the business of  
7-56 insurance in this state that is required to be a member of the  
7-57 association, including a farm mutual insurance company that is a  
7-58 fronting insurer as defined by Section 221.001(c);

7-59 (2) a farm mutual insurance company that is not a  
7-60 fronting insurer as defined by Section 221.001(c) only for purposes  
7-61 of the collection of surcharges authorized by this subchapter;

7-62 (3) an unaffiliated eligible surplus lines insurer  
7-63 writing the lines of business subject to a premium surcharge under  
7-64 this subchapter;

7-65 (4) the association; and

7-66 (5) the FAIR Plan Association.

7-67 (b) A premium surcharge under this subchapter applies to:

7-68 (1) a policy written under the following lines of  
7-69 insurance:

8-1 (A) fire and allied lines;  
 8-2 (B) farm and ranch owners; and  
 8-3 (C) residential property insurance; and  
 8-4 (2) the property insurance portion of a commercial  
 8-5 multiple peril insurance policy.  
 8-6 Sec. 2210.6425. CONSTRUCTION OF SUBCHAPTER. (a) This  
 8-7 subchapter may not be construed to require an insurer to be an  
 8-8 association member if the insurer is not otherwise required to be a  
 8-9 member under Section 2210.052.  
 8-10 (b) A farm mutual insurance company that is not a fronting  
 8-11 insurer as defined by Section 221.001(c) is not a member of the  
 8-12 association as a result of the company's collection of surcharges  
 8-13 authorized by this subchapter or for any other reason.  
 8-14 Sec. 2210.643. ANNUAL FINANCIAL REPORT BY COMMISSIONER.  
 8-15 The commissioner shall determine the amount available in the  
 8-16 catastrophe reserve trust fund as of December 31 of each year and  
 8-17 provide a written report to the governor, lieutenant governor, and  
 8-18 speaker of the house of representatives that includes:  
 8-19 (1) the amount available in the catastrophe reserve  
 8-20 trust fund; and  
 8-21 (2) information regarding the current financial  
 8-22 condition of the association.  
 8-23 Sec. 2210.6435. CATASTROPHE SURCHARGES. (a) The  
 8-24 commissioner, in consultation with the board of directors and the  
 8-25 comptroller, may order a catastrophe surcharge as provided by this  
 8-26 subchapter only if:  
 8-27 (1) before a catastrophic event, the association  
 8-28 enters into a financing arrangement with this state that is the  
 8-29 basis for the surcharge under Subchapter M-1; or  
 8-30 (2) after a catastrophic event:  
 8-31 (A) the commissioner determines that the  
 8-32 association has depleted its reserves, other money, and the  
 8-33 catastrophe reserve trust fund; and  
 8-34 (B) the association enters into a financing  
 8-35 arrangement with this state that is the basis for the surcharge  
 8-36 under Subchapter M-1.  
 8-37 (b) The commissioner, in consultation with the board of  
 8-38 directors and the comptroller, shall set the catastrophe surcharge  
 8-39 as a percentage of premium to be collected by each insurer to which  
 8-40 this subchapter applies.  
 8-41 (c) The total amount authorized to be collected under this  
 8-42 section for any catastrophe surcharge may not exceed the amount  
 8-43 needed to repay the financing arrangement obligation and  
 8-44 administrative expenses to the state under the financing  
 8-45 arrangement entered into with this state under Subchapter M-1 that  
 8-46 is the basis for the surcharge.  
 8-47 (d) The catastrophe surcharge percentage must be set in an  
 8-48 amount sufficient to repay the financing arrangement obligation and  
 8-49 administrative expenses to the state under the financing  
 8-50 arrangement entered into with this state under Subchapter M-1 that  
 8-51 is the basis for the surcharge. The commissioner may set the  
 8-52 surcharge as a percentage of premium to collect the needed  
 8-53 aggregate amount over a period of time not to exceed three years.  
 8-54 (e) A catastrophe surcharge authorized under this section  
 8-55 shall be assessed by insurers on all policyholders of policies that  
 8-56 are subject to this subchapter.  
 8-57 (f) A catastrophe surcharge under this subchapter is a  
 8-58 separate charge in addition to the premiums collected and is not  
 8-59 subject to premium tax or commissions.  
 8-60 (g) Failure by a policyholder to pay a catastrophe surcharge  
 8-61 constitutes failure to pay premium for purposes of policy  
 8-62 cancellation.  
 8-63 (h) A catastrophe surcharge is not refundable if the policy  
 8-64 is canceled or terminated.  
 8-65 Sec. 2210.644. CATASTROPHE SURCHARGE PROCEEDS. The  
 8-66 proceeds of a catastrophe surcharge authorized under this  
 8-67 subchapter shall be deposited into an account designated by the  
 8-68 comptroller for purposes of repayment of the association's  
 8-69 financing arrangement obligation and administrative expenses to

9-1 the state under the financing arrangement entered into with this  
9-2 state under Subchapter M-1 that is the basis for the surcharge.

9-3 Sec. 2210.6445. DISCLOSURE OF SURCHARGE. Each policy that  
9-4 is assessed a surcharge under this subchapter shall contain the  
9-5 following prominent disclosure in the documents attached to the  
9-6 policy:

9-7 "A CATASTROPHE SURCHARGE HAS BEEN INCLUDED ON YOUR POLICY.  
9-8 THIS SURCHARGE WILL BE USED TO REPAY STATE MONEY USED BY THE TEXAS  
9-9 WINDSTORM INSURANCE ASSOCIATION TO PAY FOR LOSSES AFTER A  
9-10 CATASTROPHIC EVENT, INCLUDING A HURRICANE. THE SURCHARGE IS NOT  
9-11 REFUNDABLE IF YOU CANCEL OR TERMINATE THIS POLICY."

9-12 Sec. 2210.645. EXEMPTION FROM TAXATION. A surcharge  
9-13 collected under this subchapter is exempt from taxation by this  
9-14 state or a municipality or other political subdivision of this  
9-15 state.

9-16 Sec. 2210.6455. LIMITATION OF PERSONAL LIABILITY. The  
9-17 association members, the insurers required to collect a surcharge  
9-18 under this subchapter, members of the board of directors,  
9-19 association employees, the commissioner, and department employees  
9-20 are not personally liable as a result of exercising the rights and  
9-21 responsibilities granted under this subchapter.

9-22 Sec. 2210.646. EXEMPTION FROM SURCHARGE. An insurer may  
9-23 not collect a surcharge authorized under this subchapter on any  
9-24 policy issued to this state, an agency of this state, or a political  
9-25 subdivision of this state.

9-26 SECTION 1.16. Subchapter C, Chapter 404, Government Code,  
9-27 is amended by adding Section 404.0242 to read as follows:

9-28 Sec. 404.0242. INVESTMENT IN WINDSTORM CATASTROPHE  
9-29 FINANCING ARRANGEMENTS. (a) The comptroller shall invest certain  
9-30 economic stabilization fund balances to provide a financing  
9-31 arrangement for losses of the Texas Windstorm Insurance Association  
9-32 in accordance with this section and Chapter 2210, Insurance Code,  
9-33 provided that, at the time of investment, the economic  
9-34 stabilization fund balances are above the sufficient balance  
9-35 determined under Section 316.092 of this code. For the purpose of  
9-36 investing the assets of the economic stabilization fund under this  
9-37 section, the comptroller may acquire, exchange, sell, supervise,  
9-38 manage, or retain any kind of investment that a prudent investor  
9-39 exercising reasonable care, skill, and caution would acquire,  
9-40 exchange, sell, supervise, manage, or retain in light of the  
9-41 purposes, terms, distribution requirements, and other  
9-42 circumstances then prevailing for the economic stabilization fund,  
9-43 taking into consideration the investment of all the assets of the  
9-44 fund rather than a single investment.

9-45 (b) For purposes of this section, the comptroller may enter  
9-46 into an appropriate financing arrangement with the Texas Windstorm  
9-47 Insurance Association to provide the association up to \$500 million  
9-48 in funding before a catastrophic event and up to \$1 billion in  
9-49 funding after a catastrophic event to fund the losses of the  
9-50 association arising from the catastrophic event. Financing  
9-51 provided under this section must be secured and repaid by  
9-52 catastrophe surcharges under Subchapter M-2, Chapter 2210,  
9-53 Insurance Code. For purposes of this chapter and subchapter, the  
9-54 term "financing arrangement" includes all outstanding principal,  
9-55 interest, and related financing and administrative expenses in  
9-56 issuing a financing arrangement.

9-57 (c) The interest rate charged in connection with a financing  
9-58 arrangement entered into under this section shall be calculated as  
9-59 the sum of:

9-60 (1) the current market rate of a United States  
9-61 Treasury Security of comparable maturity, as determined by the  
9-62 comptroller; and

9-63 (2) two percent.

9-64 (d) A financing arrangement entered into under this section  
9-65 may not exceed 36 months to maturity and may include a contractual  
9-66 coverage amount of at least 1.10 but not greater than 1.25.

9-67 (e) Notwithstanding any other law, directly or indirectly  
9-68 through a separately managed account or other investment vehicle,  
9-69 the comptroller may invest up to \$1 billion of the economic

10-1 stabilization fund balance per catastrophe year to provide  
 10-2 financing under this section.

10-3 (f) The aggregate amount of outstanding pre-event and  
 10-4 post-event financing provided under this section may not exceed \$2  
 10-5 billion.

10-6 (g) A person may not bring a civil action against this  
 10-7 state, the Texas Treasury Safekeeping Trust Company, or an  
 10-8 employee, independent contractor, or official of this state,  
 10-9 including the comptroller, for any claim, including breach of  
 10-10 fiduciary duty or violation of any constitutional, statutory, or  
 10-11 regulatory requirement, in connection with any action, inaction,  
 10-12 decision, divestment, investment, report, or other determination  
 10-13 made or taken in connection with this section. A person who brings  
 10-14 an action described by this subsection is liable to the defendant  
 10-15 for the defendant's costs and attorney's fees resulting from the  
 10-16 action.

10-17 (h) The comptroller shall manage the investments required  
 10-18 by this section as a separate investment portfolio. The comptroller  
 10-19 shall provide separate accounting and reporting for the investments  
 10-20 in that portfolio. The comptroller shall credit to that portfolio  
 10-21 all payments, distributions, interest, and other earnings on the  
 10-22 investments in that portfolio. The comptroller has any power  
 10-23 necessary to accomplish the purposes of managing and investing the  
 10-24 assets of this separate investment portfolio. In managing the  
 10-25 assets of that portfolio, through procedures and subject to  
 10-26 restrictions the comptroller considers appropriate, the  
 10-27 comptroller may acquire, sell, transfer, or otherwise assign the  
 10-28 investments as appropriate, taking into consideration the  
 10-29 purposes, terms, distribution requirements, and other  
 10-30 circumstances of that portfolio then prevailing.

10-31 SECTION 1.17. Effective September 1, 2027, the following  
 10-32 provisions of the Insurance Code are repealed:

10-33 (1) Subchapter B-1, Chapter 2210; and

10-34 (2) Subchapter M, Chapter 2210.

10-35 SECTION 1.18. As soon as practicable after the effective  
 10-36 date of this Act and not later than December 1, 2025, the  
 10-37 commissioner of insurance shall adopt rules necessary to implement  
 10-38 Subchapters B-2, M-1, and M-2, Chapter 2210, Insurance Code, as  
 10-39 added by this Act.

10-40 ARTICLE 2. CONFORMING AMENDMENTS

10-41 SECTION 2.01. (a) Section 2210.0081, Insurance Code, is  
 10-42 amended to read as follows:

10-43 Sec. 2210.0081. CERTAIN ACTIONS BROUGHT AGAINST  
 10-44 ASSOCIATION BY COMMISSIONER. In an action brought by the  
 10-45 commissioner against the association under Chapter 441:

10-46 (1) the association's inability to satisfy obligations  
 10-47 under Subchapter M, M-1, or M-2 related to a financing arrangement  
 10-48 entered into or the issuance of public securities under this  
 10-49 chapter constitutes a condition that makes the association's  
 10-50 continuation in business hazardous to the public or to the  
 10-51 association's policyholders for the purposes of Section 441.052;

10-52 (2) the time for the association to comply with the  
 10-53 requirements of supervision or for the conservator to complete the  
 10-54 conservator's duties, as applicable, is limited to three years from  
 10-55 the date the commissioner commences the action against the  
 10-56 association; and

10-57 (3) unless the commissioner takes further action  
 10-58 against the association under Chapter 441, as a condition of  
 10-59 release from supervision, the association must demonstrate to the  
 10-60 satisfaction of the commissioner that the association is able to  
 10-61 satisfy obligations under Subchapter M, M-1, or M-2 related to a  
 10-62 financing arrangement entered into or the issuance of public  
 10-63 securities under this chapter.

10-64 (b) Effective September 1, 2027, Section 2210.0081,  
 10-65 Insurance Code, is amended to read as follows:

10-66 Sec. 2210.0081. CERTAIN ACTIONS BROUGHT AGAINST  
 10-67 ASSOCIATION BY COMMISSIONER. In an action brought by the  
 10-68 commissioner against the association under Chapter 441:

10-69 (1) the association's inability to satisfy obligations

11-1 under Subchapter M-1 or M-2 [M] related to a financing arrangement  
 11-2 entered into [the issuance of public securities] under this chapter  
 11-3 constitutes a condition that makes the association's continuation  
 11-4 in business hazardous to the public or to the association's  
 11-5 policyholders for the purposes of Section 441.052;

11-6 (2) the time for the association to comply with the  
 11-7 requirements of supervision or for the conservator to complete the  
 11-8 conservator's duties, as applicable, is limited to three years from  
 11-9 the date the commissioner commences the action against the  
 11-10 association; and

11-11 (3) unless the commissioner takes further action  
 11-12 against the association under Chapter 441, as a condition of  
 11-13 release from supervision, the association must demonstrate to the  
 11-14 satisfaction of the commissioner that the association is able to  
 11-15 satisfy obligations under Subchapter M-1 or M-2 [M] related to a  
 11-16 financing arrangement entered into [the issuance of public  
 11-17 securities] under this chapter.

11-18 SECTION 2.02. (a) Section 2210.056(b), Insurance Code, is  
 11-19 amended to read as follows:

11-20 (b) The association's assets may not be used for or diverted  
 11-21 to any purpose other than to:

11-22 (1) satisfy, in whole or in part, the liability of the  
 11-23 association on claims made on policies written by the association;

11-24 (2) make investments authorized under applicable law;

11-25 (3) pay reasonable and necessary administrative  
 11-26 expenses incurred in connection with the operation of the  
 11-27 association and the processing of claims against the association;

11-28 (4) satisfy, in whole or in part, the obligations of  
 11-29 the association incurred in connection with Subchapters B-1, B-2,  
 11-30 J, [and] M, M-1, and M-2, including reinsurance, financing  
 11-31 arrangements, public securities, and financial instruments; or

11-32 (5) make remittance under the laws of this state to be  
 11-33 used by this state to:

11-34 (A) pay claims made on policies written by the  
 11-35 association;

11-36 (B) purchase reinsurance covering losses under  
 11-37 those policies; or

11-38 (C) prepare for or mitigate the effects of  
 11-39 catastrophic natural events.

11-40 (b) Effective September 1, 2027, Sections 2210.056(b) and  
 11-41 (c), Insurance Code, are amended to read as follows:

11-42 (b) The association's assets may not be used for or diverted  
 11-43 to any purpose other than to:

11-44 (1) satisfy, in whole or in part, the liability of the  
 11-45 association on claims made on policies written by the association;

11-46 (2) make investments authorized under applicable law;

11-47 (3) pay reasonable and necessary administrative  
 11-48 expenses incurred in connection with the operation of the  
 11-49 association and the processing of claims against the association;

11-50 (4) satisfy, in whole or in part, the obligations of  
 11-51 the association incurred in connection with Subchapters B-2 [B-1],  
 11-52 J, M-1, and M-2 [M], including reinsurance, financing arrangements,  
 11-53 [, public securities,] and financial instruments; or

11-54 (5) make remittance under the laws of this state to be  
 11-55 used by this state to:

11-56 (A) pay claims made on policies written by the  
 11-57 association;

11-58 (B) purchase reinsurance covering losses under  
 11-59 those policies; or

11-60 (C) prepare for or mitigate the effects of  
 11-61 catastrophic natural events.

11-62 (c) On dissolution of the association, all assets of the  
 11-63 association, other than assets pledged for the repayment of  
 11-64 financial arrangements entered into [public securities issued]  
 11-65 under this chapter, revert to this state.

11-66 SECTION 2.03. (a) Section 2210.1052, Insurance Code, is  
 11-67 amended to read as follows:

11-68 Sec. 2210.1052. EMERGENCY MEETING. If the ultimate loss  
 11-69 estimate for an occurrence or series of occurrences made by the

12-1 chief financial officer or chief actuary of the association  
12-2 indicates member insurers may be subject to an assessment under  
12-3 Subchapter B-1 or B-2, the board of directors shall call an  
12-4 emergency meeting to notify the member insurers about the  
12-5 assessment.

12-6 (b) Effective September 1, 2027, Section 2210.1052,  
12-7 Insurance Code, is amended to read as follows:

12-8 Sec. 2210.1052. EMERGENCY MEETING. If the ultimate loss  
12-9 estimate for an occurrence or series of occurrences made by the  
12-10 chief financial officer or chief actuary of the association  
12-11 indicates member insurers may be subject to an assessment under  
12-12 Subchapter B-2 [~~B-1~~], the board of directors shall call an  
12-13 emergency meeting to notify the member insurers about the  
12-14 assessment.

12-15 SECTION 2.04. (a) Section 2210.355(b), Insurance Code, is  
12-16 amended to read as follows:

12-17 (b) In adopting rates under this chapter, the following must  
12-18 be considered:

12-19 (1) the past and prospective loss experience within  
12-20 and outside this state of hazards for which insurance is made  
12-21 available through the plan of operation, if any;

12-22 (2) expenses of operation, including acquisition  
12-23 costs;

12-24 (3) a reasonable margin for profit and contingencies;

12-25 (4) payment of financing arrangement obligations or  
12-26 public security obligations issued under this chapter, including  
12-27 the additional amount of any debt service coverage included in a  
12-28 financing arrangement or determined by the association to be  
12-29 required for the issuance of marketable public securities; and

12-30 (5) all other relevant factors, within and outside  
12-31 this state.

12-32 (b) Effective September 1, 2027, Section 2210.355(b),  
12-33 Insurance Code, is amended to read as follows:

12-34 (b) In adopting rates under this chapter, the following must  
12-35 be considered:

12-36 (1) the past and prospective loss experience within  
12-37 and outside this state of hazards for which insurance is made  
12-38 available through the plan of operation, if any;

12-39 (2) expenses of operation, including acquisition  
12-40 costs;

12-41 (3) a reasonable margin for profit and contingencies;

12-42 (4) payment of financing arrangement [~~public~~  
12-43 ~~security~~] obligations issued under this chapter, including the  
12-44 additional amount of any debt service included in a financing  
12-45 arrangement [~~coverage determined by the association to be required~~  
12-46 ~~for the issuance of marketable public securities~~]; and

12-47 (5) all other relevant factors, within and outside  
12-48 this state.

12-49 SECTION 2.05. (a) Section 2210.363(a), Insurance Code, is  
12-50 amended to read as follows:

12-51 (a) The association may offer a person insured under this  
12-52 chapter an actuarially justified premium discount on a policy  
12-53 issued by the association, or an actuarially justified credit  
12-54 against a surcharge assessed against the person, other than a  
12-55 surcharge assessed under Subchapter M, M-1, or M-2, if:

12-56 (1) the construction, alteration, remodeling,  
12-57 enlargement, or repair of, or an addition to, insurable property  
12-58 exceeds applicable building code standards set forth in the plan of  
12-59 operation; or

12-60 (2) the person elects to purchase a binding  
12-61 arbitration endorsement under Section 2210.554.

12-62 (b) Effective September 1, 2027, Section 2210.363(a),  
12-63 Insurance Code, is amended to read as follows:

12-64 (a) The association may offer a person insured under this  
12-65 chapter an actuarially justified premium discount on a policy  
12-66 issued by the association, or an actuarially justified credit  
12-67 against a surcharge assessed against the person, other than a  
12-68 surcharge assessed under Subchapter M-1 or M-2 [~~M~~], if:

12-69 (1) the construction, alteration, remodeling,

13-1 enlargement, or repair of, or an addition to, insurable property  
 13-2 exceeds applicable building code standards set forth in the plan of  
 13-3 operation; or

13-4 (2) the person elects to purchase a binding  
 13-5 arbitration endorsement under Section 2210.554.

13-6 SECTION 2.06. (a) Sections 2210.452(a) and (d), Insurance  
 13-7 Code, are amended to read as follows:

13-8 (a) The commissioner shall adopt rules under which the  
 13-9 association makes payments to the catastrophe reserve trust fund.  
 13-10 Except as otherwise specifically provided by this section, the  
 13-11 trust fund may be used only for purposes directly related to funding  
 13-12 the payment of insured losses, including:

13-13 (1) funding the obligations of the trust fund under  
 13-14 Subchapters [Subchapter] B-1 and B-2; and

13-15 (2) purchasing reinsurance or using alternative risk  
 13-16 financing mechanisms under Section 2210.453.

13-17 (d) The commissioner by rule shall establish the procedure  
 13-18 relating to the disbursement of money from the trust fund to  
 13-19 policyholders and for association administrative expenses directly  
 13-20 related to funding the payment of insured losses in the event of an  
 13-21 occurrence or series of occurrences within a catastrophe area that  
 13-22 results in a disbursement under Subchapter B-1 or B-2.

13-23 (b) Effective September 1, 2027, Sections 2210.452(a), (c),  
 13-24 and (d), Insurance Code, are amended to read as follows:

13-25 (a) The commissioner shall adopt rules under which the  
 13-26 association makes payments to the catastrophe reserve trust fund.  
 13-27 Except as otherwise specifically provided by this section, the  
 13-28 trust fund may be used only for purposes directly related to funding  
 13-29 the payment of insured losses, including:

13-30 (1) funding the obligations of the trust fund under  
 13-31 Subchapter B-2 [B-1]; and

13-32 (2) purchasing reinsurance or using alternative risk  
 13-33 financing mechanisms under Section 2210.453.

13-34 (c) At the end of each calendar year or policy year, the  
 13-35 association shall use the net gain from operations of the  
 13-36 association, including all premium and other revenue of the  
 13-37 association in excess of incurred losses, operating expenses,  
 13-38 financing arrangement obligations, and financing arrangement  
 13-39 administrative expenses [public security obligations, and public  
 13-40 security administrative expenses,] to make payments to the trust  
 13-41 fund, procure reinsurance, or use alternative risk financing  
 13-42 mechanisms[, or to make payments to the trust fund and procure  
 13-43 ~~reinsurance or use alternative risk financing mechanisms~~].

13-44 (d) The commissioner by rule shall establish the procedure  
 13-45 relating to the disbursement of money from the trust fund to  
 13-46 policyholders and for association administrative expenses directly  
 13-47 related to funding the payment of insured losses in the event of an  
 13-48 occurrence or series of occurrences within a catastrophe area that  
 13-49 results in a disbursement under Subchapter B-2 [B-1].

13-50 SECTION 2.07. (a) Sections 2210.453(b) and (c), Insurance  
 13-51 Code, are amended to read as follows:

13-52 (b) The association shall maintain total available loss  
 13-53 funding in an amount not less than the probable maximum loss for the  
 13-54 association for a catastrophe year with a probability of one in 100.  
 13-55 If necessary, the required funding level shall be achieved through  
 13-56 the purchase of reinsurance or the use of alternative financing  
 13-57 mechanisms, or both, to operate in addition to or in concert with  
 13-58 the trust fund, public securities, financial instruments,  
 13-59 financing arrangements, and assessments authorized by this  
 13-60 chapter.

13-61 (c) The attachment point for reinsurance purchased under  
 13-62 this section may not be less than the aggregate amount of all  
 13-63 funding available to the association under Subchapters  
 13-64 [Subchapter] B-1 and B-2.

13-65 (b) Effective September 1, 2027, Sections 2210.453(b) and  
 13-66 (c), Insurance Code, are amended to read as follows:

13-67 (b) The association shall maintain total available loss  
 13-68 funding in an amount not less than the probable maximum loss for the  
 13-69 association for a catastrophe year with a probability of one in 100.

14-1 If necessary, the required funding level shall be achieved through  
14-2 the purchase of reinsurance or the use of alternative financing  
14-3 mechanisms, or both, to operate in addition to or in concert with  
14-4 the trust fund, [~~public securities,~~] financial instruments,  
14-5 financing arrangements, and assessments authorized by this  
14-6 chapter.

14-7 (c) The attachment point for reinsurance purchased under  
14-8 this section may not be less than the aggregate amount of all  
14-9 funding available to the association under Subchapter B-2 [~~B-1~~].

14-10 ARTICLE 3. TRANSITION AND SAVINGS PROVISIONS

14-11 SECTION 3.01. Notwithstanding the repeal by this Act of  
14-12 Subchapters B-1 and M, Chapter 2210, Insurance Code, and other  
14-13 changes in law made by this Act effective September 1, 2027:

14-14 (1) the payment of excess losses and operating  
14-15 expenses of the Texas Windstorm Insurance Association incurred  
14-16 before January 1, 2026, is governed by the law as it existed on the  
14-17 effective date of this Act, and that law is continued in effect for  
14-18 that purpose;

14-19 (2) the issuance of public securities to pay excess  
14-20 losses and operating expenses of the Texas Windstorm Insurance  
14-21 Association incurred before January 1, 2026, the use of the  
14-22 proceeds of those securities, the repayment or refinancing of those  
14-23 securities, and any other rights, obligations, or limitations with  
14-24 respect to those securities and proceeds of those securities are  
14-25 governed by the law as it existed on the effective date of this Act,  
14-26 and that law is continued in effect for that purpose; and

14-27 (3) proceeds of any assessments made under Subchapter  
14-28 B-1, Chapter 2210, Insurance Code, may not be included in reserves  
14-29 available for a catastrophe year for purposes of Section 2210.082,  
14-30 Insurance Code, as added by this Act, unless approved by the  
14-31 commissioner of insurance.

14-32 ARTICLE 4. EFFECTIVE DATE

14-33 SECTION 4.01. Except as otherwise provided by this Act,  
14-34 this Act takes effect September 1, 2025.

14-35 \* \* \* \* \*