

By: Hunter

H.B. No. 1219

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the operation of the Texas Windstorm Insurance
3 Association.

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

5 SECTION 1. Section 2210.052, Insurance Code, is amended by
6 amending Subsections (a) and (d) to read as follows:

7 (a) Each member of the association shall participate in the
8 assessments [~~writings, expenses, profits, and losses~~] of the
9 association in the proportion that the net direct premiums of that
10 member during the preceding calendar year bears to the aggregate
11 net direct premiums by all members of the association, as
12 determined using the information provided under Subsection (b).

13 (d) Notwithstanding Subsection (a), a member, in accordance
14 with the plan of operation, is entitled to receive credit for
15 similar insurance voluntarily written in an area designated by the
16 commissioner. The member's participation in the assessments
17 [~~writings~~] of the association shall be reduced in accordance with
18 the plan of operation.

19 SECTION 2. Section 2210.060(c), Insurance Code, is amended
20 to read as follows:

21 (c) Subsection (a) does not authorize the association to
22 indemnify a member of the association for participating in the
23 assessments made by [~~writings, expenses, profits, and losses of~~]
24 the association in the manner provided by this chapter.

1 SECTION 3. Section 2210.102, Insurance Code, is amended to
2 read as follows:

3 Sec. 2210.102. COMPOSITION. (a) The board of directors is
4 composed of the following 11 [~~nine~~] members appointed by the
5 commissioner:

6 (1) five members who represent the interests of
7 insurers [~~representatives of different insurers who are members of~~
8 ~~the association, elected by the members as provided by the plan of~~
9 ~~operation~~];

10 (2) four [~~two~~] public representatives, two of whom
11 [~~who are nominated by the office of public insurance counsel and~~
12 ~~who, as of the date of the appointment:~~

13 [~~(A)~~] reside in a catastrophe area[~~+~~] and

14 [~~(B)~~] are policyholders of the association as of
15 the date of the appointment; and

16 (3) two property and casualty agents, each of whom
17 must hold a license under Chapter 4051 as a general property and
18 casualty agent or a personal lines property and casualty agent, and
19 at least one of whom must:

20 (A) have demonstrated experience in the
21 association; and

22 (B) maintain the agent's principal office, as of
23 the date of the appointment, in a catastrophe area[~~+~~ and

24 [~~(C)~~ hold a license under Chapter 4051 as a
25 ~~general property and casualty agent or a personal lines property~~
26 ~~and casualty agent~~].

27 (b) Each member of the board of directors who represents the

1 interests of insurers must be a full-time employee of an authorized
2 insurer that is a member of the association at the time of the
3 appointment [~~The persons appointed under Subsections (a)(2) and (3)~~
4 ~~must be from different counties~~].

5 (c) A member of the board of directors serves at the
6 pleasure of the commissioner. The commissioner shall appoint a
7 replacement for a member who leaves or is removed from the board of
8 directors in the manner provided by Section 2210.102.

9 SECTION 4. Section 2210.103(a), Insurance Code, is amended
10 to read as follows:

11 (a) Members of the board of directors serve three-year
12 staggered terms, with the terms of three or four members expiring on
13 the third Tuesday of March of each year.

14 SECTION 5. Section 2210.452, Insurance Code, is amended by
15 amending Subsections (a) and (c) to read as follows:

16 (a) The commissioner shall adopt rules under which the
17 association makes [~~members relinquish their net equity on an annual~~
18 ~~basis as provided by those rules by making~~] payments to the
19 catastrophe reserve trust fund. The trust fund may be used only to
20 fund:

21 (1) the obligations of the trust fund under Section
22 2210.058(a); and

23 (2) the mitigation and preparedness plan established
24 under Section 2210.454 to reduce the potential for payments by
25 association members that give rise to tax credits in the event of
26 loss.

27 (c) At the end of each calendar year or policy year, the

1 association shall pay the net gain from operations [~~equity~~] of the
2 association to the trust fund. For purposes of this subsection,
3 "net gain from operations" includes [~~a member, including~~] all
4 premium and other revenue of the association in excess of incurred
5 losses and operating expenses, and operating expenses includes the
6 cost of any reinsurance [~~to the trust fund or a reinsurance program~~
7 ~~approved by the commissioner~~].

8 SECTION 6. Section 2210.453, Insurance Code, is amended to
9 read as follows:

10 Sec. 2210.453. REINSURANCE PROGRAM. (a) The association
11 shall:

12 (1) make payments into the trust fund; or
13 (2) purchase [~~establish a~~] reinsurance as part of its
14 annual operating expenses to the extent [~~program~~] approved by the
15 department.

16 (b) With the approval of the department, the association may
17 use [~~establish a~~] reinsurance [~~program~~] that operates in addition
18 to or in concert with the trust fund and with assessments authorized
19 by this section.

20 SECTION 7. (a) The board of directors of the Texas
21 Windstorm Insurance Association established under Section
22 2210.102, Insurance Code, as that section existed before amendment
23 by this Act, is abolished on the 30th day after the effective date
24 of this Act.

25 (b) The commissioner of insurance shall appoint the members
26 of the board of directors of the Texas Windstorm Insurance
27 Association under Section 2210.102, Insurance Code, as amended by

1 this Act, for terms beginning on the 31st day after the effective
2 date of this Act.

3 (c) The term of a person who is serving as a member of the
4 board of directors of the Texas Windstorm Insurance Association
5 immediately before the abolition of that board under Subsection (a)
6 of this section expires on the 30th day after the effective date of
7 this Act. Such a person is eligible for appointment by the
8 commissioner of insurance to the new board of directors of the Texas
9 Windstorm Insurance Association under Section 2210.102, Insurance
10 Code, as amended by this Act.

11 SECTION 8. This Act takes effect immediately if it receives
12 a vote of two-thirds of all the members elected to each house, as
13 provided by Section 39, Article III, Texas Constitution. If this
14 Act does not receive the vote necessary for immediate effect, this
15 Act takes effect September 1, 2009.