

Amend **CSHB 3** by adding the following appropriately numbered SECTIONS to the bill and renumbering subsequent SECTIONS of the bill accordingly:

SECTION _____. Chapter 2210, Insurance Code, is amended by adding Subchapter O to read as follows:

SUBCHAPTER O. CESSATION OF OPERATIONS OF ASSOCIATION

Sec. 2210.701. CESSATION OF OPERATIONS. (a)
Notwithstanding any other law, the commissioner, as soon as practicable after January 1, 2012, shall by rule adopt and implement a transition plan for the cessation of all operations of the association.

(b) The plan adopted under Subsection (a) must:

(1) provide for the repayment of the association's public security obligations, public security administrative expenses, and other lawful obligations in the manner provided by Section 2210.609, using association assets as provided by Section 2210.056;

(2) permit the continued operation of the association, including the continued issuance of policies and collection of premiums and premium surcharges, for an amount of time and to the extent reasonably necessary to satisfy the requirement of Subdivision (1);

(3) be consistent with Section 2210.616; and

(4) on repayment of all obligations of the association, provide for the transfer of any remaining assets of the catastrophe reserve trust fund, as defined by Section 2210.003, to the department for use in the development and implementation of a mitigation and preparedness plan, in order to:

(A) improve preparedness for windstorm and hail catastrophes in the seacoast territory;

(B) reduce potential losses in the event of such a catastrophe; and

(C) provide research into the means to:

(i) reduce those losses;

(ii) educate or inform the public in determining the appropriateness of particular upgrades to structures; and

(iii) protect infrastructure from potential damage from those catastrophes.

(c) This section does not prohibit the appointment of a receiver under Chapter 443.

SECTION _____. Subtitle G, Title 10, Insurance Code, is amended by adding Chapter 2214 to read as follows:

CHAPTER 2214. WINDSTORM AND HAIL INSURANCE IN SEACOAST TERRITORY

Sec. 2214.001. DEFINITIONS. In this chapter:

(1) "First tier coastal county" means:

- (A) Aransas County;
- (B) Brazoria County;
- (C) Calhoun County;
- (D) Cameron County;
- (E) Chambers County;
- (F) Galveston County;
- (G) Jefferson County;
- (H) Kenedy County;
- (I) Kleberg County;
- (J) Matagorda County;
- (K) Nueces County;
- (L) Refugio County;
- (M) San Patricio County; or
- (N) Willacy County.

(2) "Seacoast territory" means the territory of this state composed of the first tier coastal counties and the second tier coastal counties.

(3) "Second tier coastal county" means:

- (A) Bee County;
- (B) Brooks County;
- (C) Fort Bend County;
- (D) Goliad County;
- (E) Hardin County;
- (F) Harris County;
- (G) Hidalgo County;
- (H) Jackson County;
- (I) Jim Wells County;
- (J) Liberty County;

- (K) Live Oak County;
- (L) Orange County;
- (M) Victoria County; or
- (N) Wharton County.

(4) "Windstorm and hail insurance" means deductible insurance against:

(A) direct loss to insurable property incurred as a result of windstorm or hail, as those terms are defined and limited in policies and forms approved by the department; and

(B) indirect losses resulting from the direct loss.

Sec. 2214.002. APPLICABILITY. (a) Except as provided by Subsection (b), this chapter applies to each insurer authorized to engage in the business of property insurance in this state, including a county mutual insurance company, a Lloyd's plan, and a reciprocal or interinsurance exchange.

(b) This chapter does not apply to:

(1) a farm mutual insurance company operating under Chapter 911;

(2) a nonaffiliated county mutual fire insurance company described by Section 912.310 that is writing exclusively industrial fire insurance policies as described by Section 912.310(a)(2); or

(3) a mutual insurance company or a statewide mutual assessment company engaged in business under Chapter 12 or 13, Title 78, Revised Statutes, respectively, before those chapters' repeal by Section 18, Chapter 40 (S.B. 37), Acts of the 41st Legislature, 1st Called Session, 1929, as amended by Section 1, Chapter 60 (S.B. 106), General Laws, Acts of the 41st Legislature, 2nd Called Session, 1929, that retains the rights and privileges under the repealed law to the extent provided by those sections.

Sec. 2214.003. REQUIREMENT TO ISSUE WINDSTORM AND HAIL INSURANCE IN SEACOAST TERRITORY; PHASE-IN PERIOD AUTHORIZED. (a) Subject to Subsection (b), as a condition of the insurer's authority to engage in the business of insurance in this state, each insurer to which this chapter applies shall issue windstorm and hail insurance policies to applicants in the seacoast territory of

this state, in an amount such that the insurer's share of the market for windstorm and hail insurance in the aggregated first tier coastal counties and aggregated second tier coastal counties, respectively, is in proportion to the insurer's statewide market share, exclusive of the seacoast territory. For purposes of satisfying the requirement of this section, each insurer's market share is determined in a manner provided by Section 2210.052 for determining an insurer's participation in the Texas Windstorm Insurance Association.

(b) Notwithstanding Subsection (a), the commissioner shall annually review the market-share allocation of insurers during the phase-in period and may adjust an insurer's obligation to take account of the insurer's risk-based capital score, ability to bear risk, or related factors.

(c) An insurer's duty to comply with this section begins on the date specified in the transition plan adopted by the commissioner under Section 2210.701. To the extent consistent with Sections 2210.701(b)(2) and (3), the transition plan may provide for a reasonable schedule during which the duty to comply with this section becomes effective in increments.

Sec. 2214.004. ORDERS AND RULES. (a) The commissioner may issue any orders that the commissioner considers necessary to implement this chapter.

(b) The commissioner may adopt rules in the manner prescribed by Subchapter A, Chapter 36, as reasonable and necessary to implement this chapter.

Sec. 2214.005. RATES. Rates for windstorm and hail insurance issued as required by this chapter are determined in the manner provided by Chapter 2251.