

By: Torres

H.B. No. 3155

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the issuance of certain public securities by the Texas
3 Windstorm Insurance Association.

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

5 SECTION 1. Section 2210.072, Insurance Code, is amended by
6 amending Subsections (a), (b), and (c) and adding Subsection (b-1)
7 to read as follows:

8 (a) Losses not paid under Section 2210.071 shall be paid as
9 provided by this section from the proceeds from Class 1 public
10 securities authorized to be issued in accordance with Subchapter M
11 before, on, or after the date of any occurrence or series of
12 occurrences that results in insured losses. Public securities
13 issued under this section must be repaid within a period not to
14 exceed 10 years, and may be repaid sooner if the board of directors
15 elects to do so and the commissioner approves.

16 (b) Public securities described by Subsection (a) that are
17 issued before an occurrence or series of occurrences that results
18 in incurred losses may be issued if the board of directors
19 determines, before the date of any occurrence, that the amount
20 available from premium and other revenue, in combination with the
21 amounts available from the catastrophe reserve trust fund, may be
22 insufficient to pay insured losses.

23 (b-1) Public securities described by Subsection (a) shall
24 be issued as necessary in a principal amount not to exceed \$1

1 billion per year, in the aggregate, for securities issued before an
2 occurrence or series of occurrences that results in incurred losses
3 and securities issued on or after the date of that occurrence or
4 series of occurrences.

5 (c) If the losses are paid with public securities described
6 by this section, the public securities shall be repaid in the manner
7 prescribed by Subchapter M from premium surcharges and association
8 premium revenue, as applicable.

9 SECTION 2. Section 2210.602(2), Insurance Code, is amended
10 to read as follows:

11 (2) "Class 1 public securities" means public securities
12 authorized to be issued before, on, or after an occurrence or series
13 of occurrences by Section 2210.072, including a commercial paper
14 program authorized before the occurrence of a catastrophic event so
15 long as no tranche of commercial paper is issued under the program
16 until after the catastrophic event.

17 SECTION 3. Section 2210.612(a), Insurance Code, is amended
18 to read as follows:

19 (a) The association shall pay Class 1 public securities
20 issued under Section 2210.072 from:

21 (1) the premium surcharge described by Section
22 2210.6121, for principal on pre-event securities; and

23 (2) the association's [its] premium and other revenue,
24 for interest on pre-event securities and principal and interest on
25 post-event securities.

26 SECTION 4. Subchapter M, Chapter 2210, Insurance Code, is
27 amended by adding Section 2210.6121 to read as follows:

1 Sec. 2210.6121. CLASS 1 PREMIUM SURCHARGE. (a)

2 Notwithstanding any other provision of this chapter to the
3 contrary, to pay principal on pre-event Class 1 public securities,
4 each insurer and the association shall collect from their
5 policyholders a surcharge in addition to any premiums to pay public
6 security obligations and public security administrative expenses,
7 if any, on pre-event Class 1 public securities. The association
8 shall determine the premium surcharge under this subsection at
9 least annually.

10 (b) On approval by the commissioner, each insurer and the
11 association shall assess a premium surcharge under Subsection (a)
12 to their policyholders who have a property or casualty insurance
13 policy or Texas windstorm and hail insurance policy that provides
14 coverage for premises, locations, operations, or property located
15 in the catastrophe area.

16 (c) A premium surcharge under Subsection (a) applies to all
17 policies that provide coverage on any premises, locations,
18 operations, or property located in the catastrophe area for all
19 property and casualty lines of insurance, other than federal flood
20 insurance, workers' compensation insurance, accident and health
21 insurance, and medical malpractice insurance.

22 (d) A premium surcharge under this section is a separate
23 nonrefundable charge in addition to the premiums collected and is
24 not subject to premium tax or commissions. Failure by a
25 policyholder to pay the surcharge constitutes failure to pay
26 premium for purposes of policy cancellation.

27 SECTION 5. This Act takes effect September 1, 2011.