

Amend CSSB 900 (house committee printing) as follows:

(1) On page 3, line 10, strike "~~[(b)]~~" and substitute "(a) ~~[(b)]~~".

(2) On page 3, between lines 14 and 15, insert the following:

(b) Proceeds of Class 1 public securities issued before the date of any occurrence or series of occurrences that results in insured losses may not be included in available reserves for purposes of this section.

(3) Strike page 3, line 23, through page 5, line 24, and substitute the following:

Sec. 2210.072. PAYMENT FROM CLASS 1 PUBLIC SECURITIES; FINANCIAL INSTRUMENTS. (a) Losses not paid under Section 2210.0715 [~~Section 2210.071(b)~~] shall be paid as provided by this section from the proceeds from Class 1 public securities [~~authorized to be~~] issued in accordance with Subchapter M before, on, or after the date of any occurrence or series of occurrences that results in insured losses. Public securities described by [~~issued under~~] this section must be paid [~~repaid~~] within a period not to exceed 14 years, and may be paid [~~repaid~~] sooner if the board of directors elects to do so and the commissioner approves.

(b) Public securities described by Subsection (a) that are issued before an occurrence or series of occurrences that results in incurred losses:

(1) may be issued on the request of the board of directors with the approval of the commissioner; and

(2) may not, in the aggregate, exceed \$500 million [~~\$1 billion~~] at any one time, regardless of the calendar year or years in which the outstanding public securities were issued.

(b-1) Public securities described by Subsection (a):

(1) shall be issued as necessary in a principal amount not to exceed \$500 million [~~\$1 billion~~] per catastrophe year, in the aggregate, for securities issued during that catastrophe year before the occurrence or series of occurrences that results in incurred losses in that year and securities issued on or after the date of that occurrence or series of occurrences, and regardless of whether for a single occurrence or a series of occurrences; and

(2) subject to the [~~\$1 billion~~] maximum described by Subdivision (1), may be issued, in one or more issuances or tranches, during the calendar year in which the occurrence or series of occurrences occurs or, if the public securities cannot reasonably be issued in that year, during the following calendar year.

(c) If public securities are issued as described by this section, the public securities shall be repaid in the manner prescribed by Subchapter M [~~from association premium revenue~~].

(d) The association may borrow from, or enter into other financing arrangements with, any market source, under which the market source makes interest-bearing loans or other financial instruments to the association to enable the association to pay losses under this section or to obtain public securities under this section. For purposes of this subsection, financial instruments includes commercial paper.

(e) The proceeds of any outstanding public securities described by Subsection (a) that are issued before an occurrence or series of occurrences, together with the proceeds of any outstanding Class 1 public securities issued on or before June 1, 2015, shall be depleted before the proceeds of any securities issued after an occurrence or series of occurrences may be used. This subsection does not prohibit the association from issuing securities after an occurrence or series of occurrences before the proceeds of outstanding public securities issued during a previous catastrophe year have been depleted.

(f) If, under Subsection (e), the proceeds of any outstanding public securities issued during a previous catastrophe year, together with the proceeds of any outstanding Class 1 public securities issued on or before June 1, 2015, must be depleted, those proceeds shall count against the [~~\$1 billion~~] limit on public securities described by this section in the catastrophe year in which the proceeds must be depleted.

(4) On page 9, line 8, strike "proceeds from public" and substitute "the proceeds from Class 3 public".

(5) On page 9, line 16, strike "may" and substitute "shall".

(6) On page 13, add the following appropriately numbered

SECTION:

SECTION _____. Section 2210.355(b), Insurance Code, is amended to read as follows:

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

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

(2) expenses of operation, including acquisition costs;

(3) a reasonable margin for profit and contingencies;

(4) payment of public security obligations [~~for Class 1 public securities~~] issued under this chapter, including the additional amount of any debt service coverage determined by the association to be required for the issuance of marketable public securities; and

(5) all other relevant factors, within and outside this state.

(7) On page 15, strike lines 2-13 and substitute the following:

Sec. 2210.453. FUNDING LEVELS; REINSURANCE AND ALTERNATIVE RISK FINANCING MECHANISMS. (a) The association may[+

~~(1) make payments into the trust fund; and~~

~~(2)]~~ purchase reinsurance or use alternative risk financing mechanisms or both as necessary.

(b) The association shall maintain total available loss funding in an amount not less than the probable maximum loss for the association for a catastrophe year with a probability of one in 100. If necessary, the required funding level shall be achieved through the [may] purchase of reinsurance or the use of alternative financing mechanisms, or both, to operate [that operates] in addition to or in concert with the trust fund, public securities, financial instruments, and assessments authorized by this chapter.

(8) On page 16, strike lines 22-26.

(9) On page 17, line 1, strike "Subdivisions (3-a)" and substitute "Subdivisions (2-a), (3-a),".

(10) On page 17, between lines 2 and 3, insert the

following:

(2-a) "Class 1 public security trust fund" means the dedicated trust fund established by the board and held by the Texas Treasury Safekeeping Trust Company into which premium surcharges collected under Section 2210.612 for the purpose of paying Class 1 public securities are deposited.

(11) On page 18, line 14, strike "public security obligation revenue" and substitute "Class 1 public security trust [~~public security obligation revenue~~]".

(12) On page 19, lines 4-5, strike "public security obligation revenue" and substitute "Class 1 public security trust [~~public security obligation revenue~~]".

(13) On page 19, line 13, strike "public security obligation revenue" and substitute "Class 1 public security trust [~~public security obligation revenue~~]".

(14) On page 19, line 20, strike "public security obligation" and substitute "Class 1 public security [~~obligation~~]".

(15) On page 20, line 1, strike "[~~Section~~] 2210.613" and substitute "2210.612, [~~Section~~] 2210.613,".

(16) On page 20, line 8, strike "[~~Section~~] 2210.613" and substitute "2210.612, [~~Section~~] 2210.613,".

(17) On page 20, between lines 21 and 22, insert the following appropriately numbered SECTION:

SECTION _____. Section 2210.612, Insurance Code, is amended to read as follows:

Sec. 2210.612. PAYMENT OF CLASS 1 PUBLIC SECURITIES.

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

(1) [~~its~~] net premium and other revenue; and

(2) if net premium and other revenue are not sufficient to pay the securities, a catastrophe area premium surcharge collected in accordance with this section.

(b) On approval by the commissioner, the association shall assess, as provided by this section, a premium surcharge to each policyholder of a policy described by Subsection (c). The premium surcharge must be set in an amount sufficient to pay, for the duration of the issued public securities, all debt service not

already covered by available funds and all related expenses on the public securities.

(c) The premium surcharge under this section shall be assessed on all policyholders of association policies issued under this chapter.

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

(e) The association may enter financing arrangements as described by Section 2210.072(d) as necessary to obtain public securities issued under Section 2210.072. Nothing in this subsection shall prevent the authorization and creation of one or more programs for the issuance of commercial paper before the date of an occurrence or series of occurrences that results in insured losses under Section 2210.072(a).

(18) On page 23, line 5, strike "Section 2210.6131" and substitute "Sections 2210.6131 and 2210.6132".

(19) On page 23, following line 27, insert the following:

Sec. 2210.6132. CONTINGENT SOURCE OF PAYMENT FOR CLASS 2 AND CLASS 3 PUBLIC SECURITIES. (a) The commissioner may determine, in consultation with the board and the authority, that:

(1) the authority is unable to issue Class 2 or Class 3 public securities to be payable under Section 2210.613 or 2210.6131, as applicable; or

(2) the issuance of Class 2 or Class 3 public securities to be payable under Section 2210.613 or 2210.6131, as applicable, is financially unreasonable for the association.

(b) If the commissioner makes a determination under Subsection (a), the commissioner shall order the Class 2 or Class 3 public securities, as applicable, to be paid by a premium surcharge assessed by each insurer, the association, and the Texas FAIR Plan Association on all policyholders of policies that are in effect on or after the 180th day after the date the commissioner issues the order. The premium surcharge must be set in an amount sufficient to pay all debt service not already covered by available funds and

all related expenses on the public securities.

(c) The premium surcharge under this section shall be assessed on all policyholders of policies that cover insured property that is located in a catastrophe area, including automobiles principally garaged in a catastrophe area. The premium surcharge shall be assessed on each Texas windstorm and hail insurance policy and each property and casualty policy, including an automobile insurance policy, issued for automobiles and other property located in the catastrophe area. A premium surcharge under Subsection (b) applies to:

(1) all policies written under the following lines of insurance:

(A) fire and allied lines;

(B) farm and ranch owners;

(C) residential property insurance;

(D) private passenger automobile liability and physical damage insurance; and

(E) commercial automobile liability and physical damage insurance; and

(2) the property insurance portion of a commercial multiple peril insurance policy.

(20) On page 25, strike line 5 and substitute the following:

(1) Sections 2210.602(5-a), (6), (6-b), (6-c), and (10);

(21) On page 26, add the following appropriately numbered SECTION:

SECTION _____. Subchapter M, Chapter 2210, Insurance Code, as it existed before the effective date of this Act, is applicable to bond obligations incurred under Chapter 2210, Insurance Code, before the effective date of this Act, and that law is continued in effect for that purpose.

(22) Renumber SECTIONS of the bill appropriately.