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By:  Lucio III H.B. No. 4534

A BILL TO BE ENTITLED

AN ACT

relating to the funding structure of the Texas Windstorm Insurance Association.

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

SECTION 1.  Section 2210.0741(a), Insurance Code, is amended to read as follows:

(a)  Losses not paid under Sections 2210.0715, 2210.072, 2210.0725, 2210.073, and 2210.074 and, if applicable, 2210.0743 shall be paid as provided by this section from the proceeds from Class 3 public securities authorized to be issued in accordance with Subchapter M on or after the date of any occurrence or series of occurrences that results in insured losses. Public securities issued under this section must be paid within a period not to exceed 10 years, and may be paid sooner if the board of directors elects to do so and the commissioner approves.

SECTION 2.  Section 2210.0742(a), Insurance Code, is amended to read as follows:

(a)  Losses in a catastrophe year not paid under Sections 2210.0715, 2210.072, 2210.0725, 2210.073, 2210.074, and 2210.0741 and, if applicable, 2210.0743 shall be paid as provided by this section from Class 3 member assessments not to exceed $250 million for that catastrophe year.

SECTION 3.  Subchapter B-1, Chapter 2210, Insurance Code, is amended by adding Section 2210.0743 to read as follows:

Sec. 2210.0743.  PAYMENT IN CERTAIN CIRCUMSTANCES. If the balance of the catastrophe reserve trust fund is less than $500 million:

(1)  Class 3 public securities may not be issued until reinsurance proceeds under Section 2210.453(d) are exhausted;

(2)  the association may not assess members for Class 3 assessments until reinsurance proceeds under Section 2210.453(d) are exhausted; and

(3)  losses not paid under Sections 2210.0715, 2210.072, 2210.0725, 2210.073, and 2210.074 must be paid by reinsurance or an alternative risk financing mechanism under Section 2210.453(d).

SECTION 4.  Section 2210.453, Insurance Code, is amended by amending Subsection (c) and adding Subsection (d) to read as follows:

(c)  Except as provided by Subsection (d), the [~~The~~] attachment point for reinsurance purchased under this section may not be less than the aggregate amount of all funding available to the association under Subchapter B-1.

(d)  If the balance of the catastrophe reserve trust fund is less than $500 million, the association shall maintain reinsurance or an alternate risk financing mechanism for the period covered by the plan that:

(1)  has an attachment point not less than the aggregate amount of all the funding available to the association under Sections 2210.0715, 2210.072, 2210.0725, 2210.073, and 2210.074; and

(2)  maintains total available loss funding not less than the probable maximum loss for the association for a catastrophe year with a probability of one in 100.

SECTION 5.  The Texas Windstorm Insurance Association shall amend the association's plan of operation to conform to the changes in law made by this Act not later than the 60th day after the effective date of this Act.

SECTION 6.  This Act takes effect September 1, 2019.