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By:  Taylor S.B. No. 2439

A BILL TO BE ENTITLED

AN ACT

relating to the funding of the Texas Windstorm Insurance Association.

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

SECTION 1.  Section 2210.071, Insurance Code, is amended to read as follows:

Sec. 2210.071.  PAYMENT OF EXCESS LOSSES. (a) If, in a catastrophe year, an occurrence or series of occurrences in a catastrophe area results in insured losses and operating expenses of the association in excess of premium and other revenue of the association, the excess losses and operating expenses shall be paid as provided by this subchapter.

(b)  The association may not pay insured losses and operating expenses resulting from an occurrence or series of occurrences in a catastrophe year with premium and other revenue earned in a subsequent year.

SECTION 2.  Section 2210.0715, Insurance Code, is amended to read as follows:

Sec. 2210.0715.  PAYMENT FROM RESERVES AND TRUST FUND. (a) The association shall pay losses resulting from an occurrence or series of occurrences in a catastrophe year in excess of premium and other revenue of the association for that catastrophe year from [~~available~~] reserves of the association available before or accrued during that catastrophe year and [~~available~~] amounts in the catastrophe reserve trust fund available before or accrued during that catastrophe year.

(b)  Proceeds of [~~Class 1~~] public securities issued or assessments made before or as a result [~~the date~~] of any occurrence or series of occurrences in a catastrophe year that results in insured losses may not be included in [~~available~~] reserves available for a subsequent catastrophe year for purposes of this section.

SECTION 3.  Subchapter C, Chapter 2210, Insurance Code, is amended by adding Section 2210.1052 to read as follows:

Sec. 2210.1052.  EMERGENCY MEETING. If the final estimate of losses for an occurrence or series of occurrences made by the chief financial officer or chief actuary of the association indicates member insurers may be subject to an assessment under Subchapter B-1, the board of directors shall call an emergency meeting of the members of the association to notify the members about the assessment.

SECTION 4.  Section 2210.452, Insurance Code, is amended by amending Subsection (c) and adding Subsection (c-1) to read as follows:

(c)  In addition to the payment required by Subsection (c-1), at [~~At~~] the end of each calendar year or policy year, the association shall use the net gain from operations of the association, including all premium and other revenue of the association in excess of incurred losses, operating expenses, public security obligations, and public security administrative expenses, to make payments to the trust fund, procure reinsurance, or use alternative risk financing mechanisms, or to make payments to the trust fund and procure reinsurance or use alternative risk financing mechanisms.

(c-1)  The association shall annually pay to the catastrophe reserve trust fund 20 percent of net earned premium of the association.

SECTION 5.  Subchapter J, Chapter 2210, Insurance Code, is amended by adding Section 2210.4531 to read as follows:

Sec. 2210.4531.  EXCESS FUNDING IN CERTAIN CIRCUMSTANCES; ASSESSMENTS. (a) The association may only purchase reinsurance or other alternative risk financing mechanisms in excess of the minimum amount required by Section 2210.453(b) if:

(1)  the balance of the catastrophe reserve trust fund is less than an amount specified by the commissioner by rule; and

(2)  the members of the association pay for the reinsurance or risk financing mechanism through assessments or otherwise.

(b)  The proportion of the amount described by Subsection (a)(2) allocable to each insurer under this section shall be determined in the manner used to determine each insurer's participation in the association for the year under Section 2210.052.

SECTION 6.  As soon as practicable after the effective date of this Act, the Texas Windstorm Insurance Association, through the board of directors of that association, shall propose to the commissioner of insurance amendments to the association's plan of operation as necessary under Chapter 2210, Insurance Code, as amended by this Act.

SECTION 7.  This Act takes effect September 1, 2019.