

By: Lucio III

H.B. No. 4534

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to the funding structure of the Texas Windstorm Insurance  
3 Association.

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

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

7 (a) Losses not paid under Sections 2210.0715, 2210.072,  
8 2210.0725, 2210.073, and 2210.074 and, if applicable, 2210.0743  
9 shall be paid as provided by this section from the proceeds from  
10 Class 3 public securities authorized to be issued in accordance  
11 with Subchapter M on or after the date of any occurrence or series  
12 of occurrences that results in insured losses. Public securities  
13 issued under this section must be paid within a period not to exceed  
14 10 years, and may be paid sooner if the board of directors elects to  
15 do so and the commissioner approves.

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

18 (a) Losses in a catastrophe year not paid under Sections  
19 2210.0715, 2210.072, 2210.0725, 2210.073, 2210.074, and 2210.0741  
20 and, if applicable, 2210.0743 shall be paid as provided by this  
21 section from Class 3 member assessments not to exceed \$250 million  
22 for that catastrophe year.

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

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

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

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

9           (3) losses not paid under Sections 2210.0715,  
10 2210.072, 2210.0725, 2210.073, and 2210.074 must be paid by  
11 reinsurance or an alternative risk financing mechanism under  
12 Section 2210.453(d).

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

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

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

24           (1) has an attachment point not less than the  
25 aggregate amount of all the funding available to the association  
26 under Sections 2210.0715, 2210.072, 2210.0725, 2210.073, and  
27 2210.074; and

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

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

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