

By: Taylor

S.B. No. 2439

A BILL TO BE ENTITLED

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

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

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

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

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

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

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

1 catastrophe reserve trust fund available before or accrued during
2 that catastrophe year.

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

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

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

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

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

1 or use alternative risk financing mechanisms, or to make payments
2 to the trust fund and procure reinsurance or use alternative risk
3 financing mechanisms.

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

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

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

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

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

18 (b) The proportion of the amount described by Subsection
19 (a)(2) allocable to each insurer under this section shall be
20 determined in the manner used to determine each insurer's
21 participation in the association for the year under Section
22 2210.052.

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

1 amended by this Act.

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