

BILL ANALYSIS

Senate Research Center

S.B. 1448
By: Taylor
Business & Commerce
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 86th Regular Session of the Texas Legislature passed into law legislation that, among other things, created two select interim legislative committee assignments. The committees were tasked with studying the funding and funding structure of the Texas Windstorm Insurance Association (TWIA), and combining the Texas Fair Access to Insurance Requirements (FAIR) Plan and TWIA into one association, respectively. As a direct result of the COVID-19 pandemic, neither committee was able to meet. The legislation sunset the committee studies in 2021.

S.B. 1448 extends the sunset dates of both select interim committees until 2023 so that the committees can meet and complete their tasks during the upcoming legislative interim.

(Original Author's / Sponsor's Statement of Intent)

S.B. 1448 amends current law relating to the powers and duties of the Texas Windstorm Insurance Association and the windstorm insurance legislative oversight board and to certain studies by the board relating to the association and the Fair Access to Insurance Requirements Plan.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2210.351, Insurance Code, by amending Subsection (d) and adding Subsection (f), as follows:

(d) Authorizes the Texas Windstorm Insurance Association (TWIA) to use a rate filed by TWIA without prior commissioner of insurance (commissioner) approval if:

- (1) makes no changes to this subdivision;
- (2) the filed rate does not exceed the rate, rather than does not exceed 105 percent of the rate, in effect on the date on which the filing is made; and
- (3) the commissioner has not disapproved the filing in writing, advising of the reasons for the disapproval and the criteria TWIA is required to meet to obtain approval.

Deletes existing text authorizing TWIA to use a rate filed by TWIA without prior commissioner approval if the filed rate does not reflect a rate change for an individual rating class that is 10 percent higher than the rate in effect for that rating class on the date on which the filing is made. Makes a nonsubstantive change.

(f) Prohibits TWIA from filing a rate under Section 2210.351 (Association Filings) that exceeds the rate in effect on the date on which the filing is made unless two-thirds of the board of directors votes to approve the rate.

SECTION 2. Amends Section 2210.352, Insurance Code, by amending Subsection (a-1) and adding Subsection (a-3), as follows:

(a-1) Authorizes TWIA to use a rate filed by TWIA under Section 2210.352 (Manual Rate Filings: Annual Filing) without prior commissioner approval if:

- (1) makes a nonsubstantive change to this subdivision; and
- (2) the filed rate does not exceed the rate, rather than does not exceed 105 percent of the rate, in effect on the date on which the filing is made.

Deletes existing text authorizing TWIA to use a rate filed by TWIA under this section without prior commissioner approval if the filed rate does not reflect a rate change for an individual rating class that is 10 percent higher than the rate in effect for that rating class on the date on which the filing is made. Makes a nonsubstantive change.

(a-3) Prohibits TWIA from filing a rate under Section 2210.352 that exceeds the rate in effect on the date on which the filing is made unless two-thirds of the board of directors votes to approve the rate.

SECTION 3. Amends Subchapter N, Chapter 2210, Insurance Code, by adding Section 2210.655, as follows:

Sec. 2210.655. TEMPORARY POWERS AND DUTIES OF BOARD; STUDY OF FUNDING AND FUNDING STRUCTURE. (a) Requires the windstorm insurance legislative oversight board (board) to:

- (1) gather information regarding how TWIA's current funding and funding structure operate, how the catastrophic risk pools of other states operate, and other information that the board considers necessary to prepare the information required by Subsection (c); and
- (2) hold public meetings to hear testimony from experts, stakeholders, and other interested parties regarding recommendations and proposals for establishing and implementing sustainable funding and a sustainable funding structure for TWIA.

(b) Authorizes the board to request reports and other information as necessary to implement this section from the Texas Department of Insurance, TWIA, and experts, stakeholders, and other interested parties described by Subsection (a)(2).

(c) Requires the board to include in the report described by Section 2210.654 (Report) the board's findings regarding the current funding and funding structure of TWIA, problems with the funding and funding structure, and recommendations for legislative action related to the funding, funding structure, and sustainability of TWIA. Requires that the report include:

- (1) an analysis of the current funding, funding structure, and sustainability of TWIA, including TWIA's reliance on debt and reinsurance; and
- (2) recommendations for legislative action necessary to address problems with the current funding and funding structure of TWIA and to foster the stability and sustainability of TWIA.

(d) Provides that this section expires September 1, 2023.

SECTION 4. Amends Sections 14(c) and (d), Chapter 790 (H.B. 1900), Acts of the 86th Legislature, Regular Session, 2019, as follows:

(c) Requires the board, not later than January 1, 2023, rather than January 1, 2021, to submit to certain entities a written report of a study conducted under Section 14 (relating to the merger of TWIA and the Fair Access to Insurance Requirements Plan).

(d) Provides that Section 14 expires January 1, 2024, rather than January 1, 2022.

SECTION 5. Makes application of Sections 2210.351 and 2210.352, Insurance Code, as amended by this Act, prospective.

SECTION 6. Effective date: September 1, 2021.