87R20512 SMT-D

By:  Middleton, Hunter, Lozano, Dominguez H.B. No. 769

Substitute the following for H.B. No. 769:

By:  Oliverson C.S.H.B. No. 769

A BILL TO BE ENTITLED

AN ACT

relating to the administration of the Texas Windstorm Insurance Association.

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

SECTION 1.  Subchapter B, Chapter 2210, Insurance Code, is amended by adding Section 2210.063 to read as follows:

Sec. 2210.063.  LOCATION OF ASSOCIATION HEADQUARTERS. The headquarters of the association must be located in a first tier coastal county or second tier coastal county.

SECTION 2.  Subchapter H, Chapter 2210, Insurance Code, is amended by adding Section 2210.3512 to read as follows:

Sec. 2210.3512.  REQUIREMENT FOR VOTE ON RATE FILING. The board of directors may not vote on a proposed rate filing if there is a vacancy on the board.

SECTION 3.  Section 2210.452(c), Insurance Code, is amended to read as follows:

(c)  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 or pay public security obligations, giving priority to the obligations with the highest interest rates[~~, 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~~].

SECTION 4.  Section 2210.453, Insurance Code, is amended by adding Subsections (b-1), (b-2), and (f) to read as follows:

(b-1)  In determining the probable maximum loss under Subsection (b), the association:

(1)  may not consider the cost of providing loss adjustments;

(2)  shall, to the extent possible, contract with any disinterested third parties necessary to execute any hurricane risk simulation models that were executed in the preceding storm season;

(3)  shall, if the association is unable to contract for the execution of a hurricane risk simulation model described by Subdivision (2), contract with any disinterested third party necessary to execute a hurricane risk simulation model that is substantially similar to the model for which the association is unable to contract under Subdivision (2);

(4)  may contract with any disinterested third parties to execute hurricane risk simulation models in addition to the models required by Subdivisions (2) and (3);

(5)  shall provide to a third party executing a hurricane risk simulation model any information necessary to comply with this subsection;

(6)  may not use a combination of hurricane risk simulation models to determine the probable maximum loss; and

(7)  may use only the hurricane risk simulation model that produces the lowest probable maximum loss.

(b-2)  Any information produced in compliance with Subsection (b-1) shall be made publicly available on the Internet website of the association.

(f)  The association may not purchase reinsurance under this section from an insurer or broker involved in the execution of the hurricane risk simulation model on which the association relies in determining the probable maximum loss applicable for the period covered by the reinsurance.

SECTION 5.  Section 2210.611, Insurance Code, is amended to read as follows:

Sec. 2210.611.  EXCESS REVENUE COLLECTIONS AND INVESTMENT EARNINGS. Revenue collected in any calendar year from a premium surcharge under Sections 2210.612, 2210.613, and 2210.6131 that exceeds the amount of the public security obligations and public security administrative expenses payable in that calendar year and interest earned on the funds may, in the discretion of the association, be:

(1)  used to pay public security obligations payable in the subsequent calendar year, offsetting the amount of the premium surcharge that would otherwise be required to be levied for the year under this subchapter; or

(2)  used to redeem or purchase outstanding public securities[~~; or~~

[~~(3)  deposited in the catastrophe reserve trust fund~~].

SECTION 6.  Section 2210.664(b), Insurance Code, is amended to read as follows:

(b)  Not later than November 15, 2022 [~~2020~~], the board shall deliver a [~~the~~] report prepared under Subsection (a) to:

(1)  the governor;

(2)  the lieutenant governor; and

(3)  the speaker of the house of representatives.

SECTION 7.  Section 2210.665, Insurance Code, is amended to read as follows:

Sec. 2210.665.  EXPIRATION. This subchapter expires September 1, 2023 [~~2021~~].

SECTION 8.  Sections 14(c) and (d), Chapter 790 (H.B. 1900), Acts of the 86th Legislature, Regular Session, 2019, are amended to read as follows:

(c)  Not later than January 1, 2023 [~~2021~~], the windstorm insurance legislative oversight board shall submit to the governor, the lieutenant governor, the speaker of the house of representatives, and the Texas Department of Insurance a written report of a [~~the~~] study conducted under this section. The report must include the findings and legislative recommendations of the board.

(d)  This section expires January 1, 2024 [~~2022~~].

SECTION 9.  Section 2210.063, Insurance Code, as added by this Act, applies to the Texas Windstorm Insurance Association beginning January 1, 2023.

SECTION 10.  The Texas Department of Insurance shall amend the Texas Windstorm Insurance 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 11.  This Act takes effect September 1, 2021.