

By: Middleton

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~~]

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

3 SECTION 4. Subchapter J, Chapter 2210, Insurance Code, is  
4 amended by adding Section 2210.4522 to read as follows:

5 Sec. 2210.4522. REINSURANCE REQUIRED. (a) Notwithstanding  
6 any other provision of this chapter, a member insurer shall provide  
7 to the association reinsurance in lieu of reinsurance purchased  
8 under Section 2210.453 at no cost to the association. The  
9 proportion of the losses that exceed the attachment point for the  
10 provided reinsurance is calculated in the manner used to determine  
11 each insurer's participation in the association for the year under  
12 Section 2210.052.

13 (b) Except as provided by Subsection (c), a member insurer  
14 may purchase reinsurance to cover the proportion of losses for  
15 which the insurer is responsible under Subsection (a).

16 (c) A member insurer may not purchase reinsurance under this  
17 section from an insurer that has prepared the risk model on which  
18 the association relies in determining the probable maximum loss  
19 applicable for the period covered by the reinsurance.

20 (d) A member insurer may not recoup losses incurred from  
21 providing the reinsurance required in Subsection (a) through a  
22 premium surcharge.

23 SECTION 5. Section 2210.453, Insurance Code, is amended by  
24 adding Subsection (b-1) to read as follows:

25 (b-1) In determining the probable maximum loss under  
26 Subsection (b), the association may not consider the cost of  
27 providing loss adjustments.

1           SECTION 6. Section 2210.611, Insurance Code, is amended to  
2 read as follows:

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

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

14           (2) used to redeem or purchase outstanding public  
15 securities [~~, or~~

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

17           SECTION 7. Sections 2210.453(d) and (e), Insurance Code,  
18 are repealed.

19           SECTION 8. Section 2210.063, Insurance Code, as added by  
20 this Act, applies to the Texas Windstorm Insurance Association  
21 beginning on January 1, 2022.

22           SECTION 9. The Texas Windstorm Insurance Association shall  
23 amend the association's plan of operation to conform to the changes  
24 in law made by this Act not later than the 60th day after the  
25 effective date of this Act.

26           SECTION 10. This Act takes effect September 1, 2021.