

Amend **CSHB 1588** (senate committee printing) by striking all below the enacting clause and substituting the following:

SECTION 1. Subchapter J, Chapter 2210, Insurance Code, is amended by adding Section 2210.4531 to read as follows:

Sec. 2210.4531. DETERMINATION OF PROBABLE MAXIMUM LOSS. (a) The association shall file with the department a proposed probable maximum loss, subject to Section 2210.453.

(b) In determining the probable maximum loss, 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 catastrophe models that were executed in the preceding storm season;

(3) shall, if the association is unable to contract for the execution of a catastrophe model described by Subdivision (2), contract with any disinterested third party necessary to execute a catastrophe 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 catastrophe models in addition to the models required under Subdivisions (2) and (3);

(5) shall provide to a disinterested third party executing a catastrophe model any information necessary to comply with this subsection;

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

(7) may use only the catastrophe model that produces the lowest probable maximum loss.

(c) The association shall make any information produced in compliance with Subsection (b) publicly available on the association's Internet website.

(d) The association may only use a probable maximum loss that is approved by the commissioner. The commissioner may reject a probable maximum loss filed with the department by the association and set a probable maximum loss at any amount determined by the

commissioner.

(e) The amount of loss adjustment expense, as adopted by the board of directors for a catastrophe year and used for the association's rate indication for purposes of filing a rate under this chapter, must be considered above the probable maximum loss.

SECTION 2. Sections 2210.655(a) and (d), Insurance Code, are amended to read as follows:

(a) The board shall:

(1) gather information regarding:

(A) how the association's current funding and funding structure operate;

(B) how the catastrophic risk pools of other states operate; ~~and~~

(C) how an investment from the economic stabilization fund could be used to establish a new funding source for the association;

(D) options, in addition to the option provided by Paragraph (C), for eliminating or reducing the association's reliance on the issuance of public securities as a mechanism for funding the association;

(E) methods to increase the association's contributions to the catastrophe reserve trust fund; and

(F) 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 the association.

(d) This section expires September 1, 2025 ~~[2023]~~.

SECTION 3. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2023.