

BILL ANALYSIS

Senate Research Center
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H.B. 1588
By: Oliverson et al. (Middleton)
Business & Commerce
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Windstorm Insurance Association (TWIA) was created by the Texas Legislature in 1971 to serve as the "insurer of last resort" and provides windstorm and hail insurance coverage to residential and commercial properties in counties along the Texas coast—sometimes referred to as "Tier 1" counties—that cannot find coverage elsewhere. TWIA is not a state agency and does not receive general revenue. Rather, TWIA is an insurance company that collects premiums, issues and services policies, and is responsible for paying covered losses. However, TWIA's current funding structure is not sustainable.

C.S.H.B. 1588 seeks to create a sustainable funding structure for TWIA to ensure its ability to meet its obligations to policyholders. In doing so, the bill eliminates debt as a method for funding losses and provides other funding sources, including an assessment, a surcharge, and state-funded financing arrangements, to protect the state's interests in coastal infrastructure.

H.B. 1588 amends current law relating to funding of excess losses and operating expenses of the Texas Windstorm Insurance Association, authorizes an assessment, and authorizes a surcharge.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1.17 of this bill.

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 2.06 (Section 2210.452, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. FUNDING OF INSURED LOSSES AND OPERATING EXPENSES OF TEXAS WINDSTORM INSURANCE ASSOCIATION

SECTION 1.01. (a) Defines "association."

(b) Provides that the legislature finds that the use of public securities would not be an efficient or viable long-term method to fund losses of the Texas Windstorm Insurance Association (TWIA) in order for TWIA to continue to provide windstorm and hail insurance after a catastrophic event. Provides that Subchapter B-2, Chapter 2210, Insurance Code, as added by this Act, is intended to replace Subchapter B-1, Insurance Code, to provide for funding of excess losses and operating expenses of TWIA incurred after December 31, 2023.

(c) Provides that the legislature finds that:

(1) previous experience has shown that the expense to TWIA of issuing public securities, and the interest rates for those securities, would be significant and can impose significant long-term expense obligations on coastal property and casualty risks that may be avoided if the legislature provides for financing or investment from available state money to TWIA before or after a catastrophic event;

(2) the financing or investment described by Subdivision (1) of this subsection would be a more efficient way to provide funding necessary for the association to pay losses after a catastrophic event; and

(3) a loan or other investment from available state money to the association of not more than \$500 million before a catastrophic event and not more than \$1 billion after a catastrophic event would:

(A) replace the funding levels currently provided by issuing public securities;

(B) be consistent with sound insurance solvency standards; and

(C) provide a more viable method for TWIA to have money for losses after a catastrophic event than the issuance of public securities; and

(D) provide a secured investment for the state that would:

(i) yield interest income for the state on state money; and

(ii) be adequately secured for repayment through statewide catastrophe surcharge on certain insurance policies in this state.

(d) Provides that the legislature finds that authorizing catastrophe surcharges is a more viable method to assure repayment of loans or investments of state money after a hurricane and to ensure that TWIA can continue to provide windstorm and hail insurance in the coastal areas of this state after a catastrophic event to maintain TWIA's viability for the benefit of the public and in furtherance of a public purpose.

SECTION 1.02. Amends the heading to Subchapter B-1, Chapter 2210, Insurance Code, to read as follows:

SUBCHAPTER B-1. PAYMENT OF LOSSES INCURRED BEFORE JANUARY 1, 2024

SECTION 1.03. Amends Subchapter B-1, Chapter 2210, Insurance Code, by adding Section 2210.070, as follows:

Sec. 2210.070. APPLICABILITY OF SUBCHAPTER. (a) Provides that this subchapter applies only to the payment of losses and operating expenses of TWIA for a catastrophe year that occurs before January 1, 2024, and results in excess losses and operating expenses incurred by TWIA before January 1, 2024.

(b) Requires that payment of excess losses and operating expenses of TWIA incurred after December 31, 2023, be paid as provided by Subchapter B-2.

SECTION 1.04. Amends Section 2210.071(a), Insurance Code, as follows:

(a) Requires that the excess losses and operating expenses, if, in a catastrophe year before January 1, 2024, an occurrence or series of occurrences in a catastrophe area results in insured losses and operating expenses of TWIA in excess of premium and other revenue of TWIA, be paid as provided by this subchapter.

SECTION 1.05. Amends Section 2210.0715(b), Insurance Code, as follows:

(b) Prohibits proceeds of public securities issued, a financing arrangement entered into, or assessments made before January 1, 2024, or as a result of any occurrence or series of occurrences in a catastrophe year that occurs before January 1, 2024, and results in insured losses before that date from being included in reserves available for a subsequent catastrophe year for purposes of Section 2210.0715 (Payment From Reserves and Trust

Fund) or Section 2210.082 unless approved by the commissioner of insurance (commissioner).

SECTION 1.06. Amends the heading to Section 2210.075, Insurance Code, to read as follows:

Sec. 2210.075. REINSURANCE BY MEMBERS.

SECTION 1.07. Amends Subchapter B-1, Chapter 2210, Insurance Code, by adding Section 2210.076, as follows:

Sec. 2210.076. PAYMENT FROM STATE-FUNDED FINANCING ARRANGEMENTS. (a) Authorizes TWIA to pay losses TWIA would otherwise pay as provided by Section 2210.072 (Payment From Class 1 Public Securities; Financial Instruments), 2210.073 (Payment From Class 2 Public Securities), or 2210.0741 (Payment Through Class 3 Public Securities) by borrowing from, or entering into other financing arrangements with, this state as provided by Subchapter M-1 and Section 404.0242, Government Code, notwithstanding the provisions of this subchapter to the contrary.

(b) Provides that Subchapter M-2 applies to the financing of losses under this section to the extent necessary to secure and repay a debt obligation to the state under a financing arrangement entered into with this state under this section.

(c) Authorizes a financing arrangement described by Subsection (a) to also be used for a purpose described by Section 2210.072(d) (relating to authorizing TWIA to borrow from, or enter into financing agreements with, any market source under certain conditions) in the same manner as a financing arrangement with a market source.

SECTION 1.08. Amends Chapter 2210, Insurance Code, by adding Subchapter B-2, as follows:

SUBCHAPTER B-2. PAYMENT OF EXCESS LOSSES AND OPERATING EXPENSES

Sec. 2210.080. APPLICABILITY OF SUBCHAPTER. (a) Provides that this subchapter applies only to payment of losses and operating expenses of TWIA for a catastrophe year that occurs after December 31, 2023, and results in excess losses and operating expenses incurred by TWIA after December 31, 2023.

(b) Provides that this section expires September 1, 2025.

Sec. 2210.081. PAYMENT OF EXCESS LOSSES. (a) Requires that the excess losses and operating expenses be paid as provided by this subchapter if, in a catastrophe year, an occurrence or series of occurrences in a catastrophe area results in insured losses and operating expenses of TWIA in excess of premium and other revenue of TWIA.

(b) Prohibits TWIA from paying insured losses and operating expenses resulting from an occurrence or series of occurrences in a catastrophe year with premium and other revenue earned in a subsequent year.

Sec. 2210.082. PAYMENT FROM RESERVES AND TRUST FUND; STATE-FUNDED FINANCING ARRANGEMENTS. (a) Requires TWIA to pay insured losses and operating expenses resulting from an occurrence or series of occurrences in a catastrophe year in excess of premium and other revenue of TWIA for that catastrophe year from reserves of TWIA available before or accrued during that catastrophe year and amounts in the catastrophe reserve trust fund available before or accrued during that catastrophe year.

(b) Requires TWIA to arrange for financing of not more than \$1 billion through one or more financing arrangements entered into with the state, as provided by

Subchapter M-1 and Section 404.0242, Government Code, for insured losses and operating expenses for a catastrophe year not paid under Subsection (a).

Sec. 2210.083. PAYMENT FROM MEMBER ASSESSMENTS. (a) Requires that insured losses and operating expenses for a catastrophe year not paid under Section 2210.082 be paid as provided by this section from member assessments not to exceed \$1 billion for that catastrophe year.

(b) Requires the board of directors of TWIA (board of directors) to notify each TWIA member of the amount of the member's assessment under this section. Requires that the proportion of the insured losses and operating expenses allocable to each insurer under this section be determined in the manner used to determine each insurer's participation in TWIA for the year under Section 2210.052 (Member Participation in Association).

(c) Prohibits a TWIA member from recouping an assessment paid under this section through a premium surcharge or tax credit.

Sec. 2210.084. REINSURANCE BY MEMBERS FOR MEMBER ASSESSMENTS. (a) Authorizes a TWIA member, before any occurrence or series of occurrences, to purchase reinsurance to cover an assessment for which the member would otherwise be liable under this subchapter.

(b) Requires a TWIA member to notify the board of directors, in the manner prescribed by TWIA, whether the member will be purchasing reinsurance. Provides that the member remains liable for any assessment imposed under this subchapter if the member does not purchase reinsurance under this section.

SECTION 1.09. Amends Section 2210.452(b), Insurance Code, as follows:

(b) Requires the Comptroller of Public Accounts of the State of Texas to hold the money deposited in the catastrophe reserve trust fund outside the state treasury on behalf of, and with legal title in, the Texas Department of Insurance (TDI) on behalf of TWIA. Authorizes TWIA to include the amounts held in the catastrophe reserve trust fund as an admitted asset in the financial statements of TWIA.

SECTION 1.10. Amends Section 2210.4521(a), Insurance Code, to authorize the Texas Treasury Safekeeping Trust Company and board of directors to recommend investments to protect the catastrophe reserve trust fund and create investment income.

SECTION 1.11. Amends Sections 2210.453(d) and (e), Insurance Code, as follows:

(d) Authorizes TWIA to obtain reinsurance at any level including excess of loss, quota share, and other forms of reinsurance to protect the solvency and viability of TWIA. Authorizes the commissioner to consult with the board of directors regarding methods to protect the solvency and continued viability of TWIA, including by protecting the minimum balance, acquiring reinsurance, or by other means. Deletes existing text requiring that the cost of the reinsurance purchased or alternative financing mechanisms used under Section 2210.453 (Funding Levels; Reinsurance and Alternative Risk Financing Mechanisms; Reinsurance From Certain Insurer or Broker Prohibited) in excess of the minimum funding level required by Subsection (b) (relating to requiring TWIA to maintain total available loss funding in a certain amount) be paid by assessments as provided by this subsection. Deletes existing text requiring TWIA, with the approval of the commissioner, to notify each member of TWIA of the amount of the member's assessment under this subsection. Deletes existing text requiring that the proportion of the cost to each insurer under this subsection be determined in the manner used to determine each insurer's participation in TWIA for the year under Section 2210.052.

(e) Authorizes the commissioner to adopt a method or approve TWIA's method of determining the probability of one in 100 for TWIA risks. Requires the commissioner to provide any adopted or approved method to TWIA on or before February 1 of each year. Deletes existing text prohibiting a member of TWIA from recouping an assessment paid under Subsection (d) through a premium surcharge or tax credit.

SECTION 1.12. Amends Section 2210.601, Insurance Code, as follows:

Sec. 2210.601. New heading: FINDINGS. Provides that the legislature finds that for losses incurred before January 1, 2024, authorizing TWIA to enter into financing arrangements with this state as provided by Section 2210.076, rather than issuance of securities, to provide a method to raise funds to provide windstorm and hail insurance through TWIA in certain designated portions of the state is for the benefit of the public and in furtherance of a public purpose.

SECTION 1.13. Amends Subchapter M, Chapter 2210, Insurance Code, by adding Section 2210.6015, as follows:

Sec. 2210.6015. APPLICABILITY OF SUBCHAPTER. Authorizes TWIA, to provide for a reasonable transition, to issue public securities under Subchapter M (Public Securities Program) or enter into financing arrangements with this state as provided by Section 2210.076 if TWIA needs to provide funds for excess losses and operating expenses incurred by TWIA before January 1, 2024, for a catastrophe year occurring before January 1, 2024. Prohibits TWIA, after December 31, 2023, from issuing public securities under this subchapter except to fund excess losses and operating expenses incurred before January 1, 2024.

SECTION 1.14. Amends Chapter 2210, Insurance Code, by adding Subchapters M-1 and M-2, as follows:

SUBCHAPTER M-1. STATE-FUNDED CATASTROPHE FINANCING ARRANGEMENTS

Sec. 2210.631. STATE-FUNDED CATASTROPHE FINANCING ARRANGEMENTS. Provides that the legislature has determined that providing catastrophe funding to TWIA by permitting TWIA to enter into a financing arrangement with this state is an acceptable use of state money and provides an efficient method for TWIA to pay losses following a catastrophic event.

Sec. 2210.632. PROCEEDS OF CATASTROPHE FINANCING ARRANGEMENT. Requires that the proceeds of a catastrophe financing arrangement with this state entered into under this subchapter before a catastrophic event be deposited in the catastrophe reserve trust fund.

Sec. 2210.633. CATASTROPHE FINANCING ARRANGEMENT AUTHORIZED; LIMITS. (a) Authorizes TWIA to enter into a financing arrangement with this state as provided by Section 404.0242, Government Code:

(1) before a catastrophic event, for not more than \$500 million; and

(2) after a catastrophic event that depletes the catastrophe reserve fund, for not more than \$1 billion.

(b) Provides that the amount available under Subsection (a)(2) is reduced by the amount of any outstanding pre-event or post-event financing obtained by TWIA under this section.

SUBCHAPTER M-2. CATASTROPHE SURCHARGE

Sec. 2210.641. DEFINITION. Defines "catastrophic event."

Sec. 2210.642. APPLICABILITY OF SUBCHAPTER. (a) Provides that this subchapter, notwithstanding Section 2210.006 (Applicability of Chapter to Certain Insurers), applies to an insurer that is:

(1) an insurer authorized to engage in the business of insurance in this state that is required to be a member of TWIA, including a farm mutual insurance company that is a fronting insurer as defined by Section 221.001(c) (relating to defining "fronting insurer");

(2) a farm mutual insurance company that is not a fronting insurer as defined by Section 221.001(c) only for purposes of the collection of surcharges authorized by this subchapter;

(3) an unaffiliated eligible surplus lines insurer writing the lines of business subject to a premium surcharge under this subchapter;

(4) TWIA; and

(5) the FAIR Plan Association.

(b) Provides that a premium surcharge under this subchapter applies to:

(1) a policy written under the following lines of insurance: fire and allied lines, farm and ranch owners, and residential property insurance; and

(2) the property insurance portion of a commercial multiple peril insurance policy.

Sec. 2210.6425. CONSTRUCTION OF SUBCHAPTER. (a) Prohibits this subchapter from being construed to require an insurer to be a TWIA member if the insurer is not otherwise required to be a member under Section 2210.052.

(b) Provides that a farm mutual insurance company that is not a fronting insurer as defined by Section 221.001(c) is not a member of TWIA as a result of the company's collection of surcharges authorized by this subchapter or for any other reason.

Sec. 2210.643. ANNUAL FINANCIAL REPORT BY COMMISSIONER. Requires the commissioner to determine the amount available in the catastrophe reserve trust fund as of December 31 of each year and provide a written report to the governor, lieutenant governor, and speaker of the house of representatives that includes the amount available in the catastrophe reserve trust fund and information regarding the current financial condition of TWIA.

Sec. 2210.6435. CATASTROPHE SURCHARGES. (a) Authorizes the commissioner, in consultation with the board of directors, to order a catastrophe surcharge as provided by this subchapter only if:

(1) before a catastrophic event, TWIA enters into a financing arrangement with this state that is the basis for the surcharge under Subchapter M-1; or

(2) after a catastrophic event:

(A) the commissioner determines that TWIA has depleted its reserves, other money, and the catastrophe reserve trust fund; and

(B) TWIA enters into a financing arrangement with this state that is the basis for the surcharge under Subchapter M-1.

(b) Requires the commissioner, in consultation with the board of directors, to set the catastrophe surcharge as a percentage of premium to be collected by each insurer to which this subchapter applies.

(c) Prohibits the total amount authorized to be collected under this section for any catastrophe surcharge from exceeding the amount needed to repay the debt obligation to the state under the financing arrangement entered into with this state under Subchapter M-1 that is the basis for the surcharge.

(d) Requires that the catastrophe surcharge percentage be set in an amount sufficient to repay the debt obligation to the state under the financing arrangement entered into with this state under Subchapter M-1 that is the basis for the surcharge. Authorizes the commissioner to set the surcharge as a percentage of premium to collect the needed aggregate amount over a period of time not to exceed three years.

(e) Requires that a catastrophe surcharge authorized under this section be assessed by insurers on all policyholders of policies that are subject to this subchapter.

(f) Provides that a catastrophe surcharge under this subchapter is a separate charge in addition to the premiums collected and is not subject to premium tax or commissions.

(g) Provides that failure by a policyholder to pay a catastrophe surcharge constitutes failure to pay premium for purposes of policy cancellation.

(h) Provides that a catastrophe surcharge is not refundable if the policy is canceled or terminated.

Sec. 2210.644. CATASTROPHE SURCHARGE PROCEEDS. Requires that the proceeds of a catastrophe surcharge authorized under this subchapter be deposited into the catastrophe reserve trust fund or an account designated by the comptroller for purposes of repayment of TWIA's debt obligation to the state under the financing arrangement that is the basis for the surcharge.

Sec. 2210.6445. DISCLOSURE OF SURCHARGE. Requires that each policy that is assessed a surcharge under this subchapter contain a certain prominent disclosure in the documents attached to the policy. Sets forth the language required to be included in the disclosure.

Sec. 2210.645. EXEMPTION FROM TAXATION. Provides that a surcharge collected under this subchapter is exempt from taxation by this state or a municipality or other political subdivision of this state.

Sec. 2210.6455. LIMITATION OF PERSONAL LIABILITY. Provides that TWIA members, the insurers required to collect a surcharge under this subchapter, members of the board of directors, TWIA employees, the commissioner, and TDI employees are not personally liable as a result of exercising the rights and responsibilities granted under this subchapter.

Sec. 2210.646. EXEMPTION FROM SURCHARGE. Prohibits an insurer from collecting a surcharge authorized under this subchapter on any policy issued to this state, an agency of this state, or a political subdivision of this state.

SECTION 1.15. Amends Subchapter C, Chapter 404, Government Code, by adding Section 404.0242, as follows:

Sec. 404.0242. INVESTMENT IN WINDSTORM CATASTROPHE FINANCING ARRANGEMENTS. (a) Requires the comptroller to invest state money to provide

financing for losses of TWIA in accordance with this section and Chapter 2210, Insurance Code.

(b) Authorizes the comptroller, for purposes of this section, to enter into an appropriate financing arrangement with TWIA to provide TWIA up to \$500 million in funding before a catastrophic event and up to \$1 billion in funding after a catastrophic event to fund the losses of TWIA arising from the catastrophic event. Requires that financing provided under this section be secured and repaid by catastrophe surcharges under Subchapter M-2, Chapter 2210, Insurance Code.

(c) Provides that if the terms of a financing arrangement entered into under this section include interest, the interest rate is prohibited from exceeding the sum of:

(1) the lesser of:

(A) the rate set by the Federal Home Loan Bank Board; or

(B) the federal funds rate as specified by Section 4A.506(b) (relating to the process of determining the amount of interest a receiving bank is required to pay if a preexisting agreement or rule is not in place), Business and Commerce Code; and

(2) 2 percent.

(d) Prohibits a debt obligation entered into under this section from exceeding 36 months to maturity.

(e) Authorizes the comptroller, directly or indirectly through a separately managed account or other investment vehicle, to use up to \$1 billion of the economic stabilization fund balance to provide financing under this section, notwithstanding any other law.

(f) Prohibits the aggregate amount of outstanding pre-event and post-event financing provided under this section from exceeding \$1 billion.

SECTION 1.16. Repealers, effective September 1, 2025: Subchapter B-1 (Payment of Losses) and Subchapter M (Public Securities Program), Chapter 2210, Insurance Code.

SECTION 1.17. Requires the commissioner, as soon as practicable after the effective date of this Act and not later than December 1, 2023, to adopt rules necessary to implement Subchapters B-2 and M-2, Insurance Code, as added by this Act.

ARTICLE 2. CONFORMING AMENDMENTS

SECTION 2.01. Amends Section 2210.0081, Insurance Code, effective September 1, 2025, as follows:

Sec. 2210.0081. CERTAIN ACTIONS BROUGHT AGAINST ASSOCIATION BY COMMISSIONER. Deletes existing text providing that TWIA's inability to satisfy obligations under Subchapter M related to the issuance of public securities under Chapter 2210 (Texas Windstorm Insurance Association), in an action brought by the commissioner against TWIA under Chapter 441 (Supervision and Conservatorship), constitutes a condition that makes TWIA's continuation in business hazardous to the public or to TWIA's policyholders for the purposes of Section 441.052 (Circumstances Constituting Insurer Exceeding Powers). Deletes existing requiring TWIA, in an action brought by the commissioner against TWIA under Chapter 441, unless the commissioner takes further action against TWIA under Chapter 441, as a condition of release from supervision, to demonstrate to the satisfaction of the commissioner that TWIA is able to satisfy obligations under Subchapter M related to the issuance of public securities under this chapter. Makes nonsubstantive changes.

SECTION 2.02. (a) Amends Section 2210.056(b), Insurance Code, as follows:

(b) Prohibits TWIA's assets from being used for or diverted to any purpose other than certain purposes, including to satisfy, in whole or in part, the obligations of TWIA incurred in connection with certain subchapters, including Subchapters B-2 and M-2, including certain obligations. Makes nonsubstantive changes.

(b) Amends Sections 2210.056(b) and (c), Insurance Code, effective September 1, 2025, as follows:

(b) Prohibits TWIA's assets from being used for or diverted to any purpose other than for certain purposes, including to satisfy, in whole or in part, the obligations of TWIA incurred in connection with Subchapters B-2, J (Catastrophe Reserve Trust Fund; Reinsurance and Alternative Risk Financing), and M-2, including reinsurance and financial instruments, rather than in connection with Subchapters B-1, J, and M, including reinsurance, public securities, and financial instruments.

(c) Provides that all assets of TWIA, on dissolution of TWIA, revert to the state. Deletes existing text providing that all assets of TWIA, other than assets pledged for the repayment of public securities issued under this chapter, on dissolution of TWIA, revert to the state.

SECTION 2.03. (a) Amends Section 2210.1052, Insurance Code, as follows:

Sec. 2210.1052. EMERGENCY MEETING. Requires the board of directors, if the ultimate loss estimate for an occurrence or series of occurrences made by the chief financial officer or chief actuary of TWIA indicates member insurers may be subject to an assessment under Subchapter B-1 or B-2 to call an emergency meeting to notify the member insurers about the assessment.

(b) Amends Section 2210.1052, Insurance Code, effective September 1, 2025, as follows:

Sec. 2210.1052. EMERGENCY MEETING. Requires the board of directors, if the ultimate loss estimate for an occurrence or series of occurrences made by the chief financial officer or chief actuary of TWIA indicates member insurers may be subject to an assessment under Subchapter B-2, rather than Subchapter B-1, to call an emergency meeting to notify the member insurers about the assessment.

SECTION 2.04. Amends Section 2210.355(b), Insurance Code, effective September 1, 2025, as follows:

(b) Deletes existing text requiring that payment of public security obligations issued under this chapter, including the additional amount of any debt service coverage determined by TWIA to be required for the issuance of marketable public securities, be considered in adopting rates under this chapter. Makes nonsubstantive changes.

SECTION 2.05. (a) Amends Section 2210.363(a), Insurance Code, as follows:

(a) Authorizes TWIA to offer a person insured under this chapter an actuarially justified premium discount on a policy issued by TWIA, or an actuarially justified credit against a surcharge assessed against the person, other than a surcharge assessed under Subchapter M or M-2 if certain requirements are met.

(b) Amends Section 2210.363(a), Insurance Code, effective September 1, 2025, as follows:

(a) Authorizes TWIA to offer a person insured under this chapter an actuarially justified premium discount on a policy issued by TWIA, or an actuarially justified credit against a surcharge assessed against the person, other than a surcharge

assessed under Subchapter M-2, rather than Subchapter M, if certain requirements are met.

SECTION 2.06. (a) Amends Sections 2210.452(a) and (d), Insurance Code, as follows:

(a) Authorizes the catastrophe reserve trust fund, except as otherwise specifically provided by Section 2210.452 (Establishment and Use of Trust Fund), to be used only for certain purposes, including funding the obligations of the trust fund under Subchapters B-1 and B-2.

(d) Makes a conforming change to this subsection.

(b) Amends Sections 2210.452(a), (c), and (d), Insurance Code, effective September 1, 2025, as follows:

(a) Authorizes the catastrophe reserve trust fund, except as otherwise specifically provided by this section, to be used only for certain purposes, including funding the obligations of the trust fund under Subchapter B-2, rather than Subchapter B-1.

(c) Deletes existing text requiring TWIA, at the end of each calendar year or policy year, to use the net gain from public security obligation and public security administrative expenses to make payments to the trust fund, 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. Makes nonsubstantive changes.

(d) Makes a conforming change to this subsection.

SECTION 2.07. (a) Amends Sections 2210.453(b) and (c), Insurance Code, as follows:

(b) Requires TWIA to maintain total available loss funding in an amount not less than the probable maximum loss for TWIA for a catastrophe year with a probability of one in 100. Requires the required funding level, if necessary, to be achieved through the purchase of reinsurance or the use of alternative financing mechanisms, or both to operate in addition to or in concert with the trust fund, public securities, financial instruments, financing arrangements, and assessments authorized by this chapter.

(c) Prohibits the attachment point for reinsurance purchased under Section 2210.453 from being less than the aggregate amount of all funding available to TWIA under Subchapters B-1 and B-2.

(b) Amends Sections 2210.453(b) and (c), Insurance Code, effective September 1, 2025, as follows:

(b) Requires that the required funding level, if necessary, be achieved through the purchase of reinsurance or the use of alternative financing mechanisms, or both, to operate in addition to or in concert with the catastrophe reserve trust fund, financial instruments, financing arrangements, and assessments authorized by this chapter. Deletes existing text requiring that the required funding level, if necessary, be achieved through the purchase of reinsurance or the use of alternative financing mechanisms, or both, to operate in addition to or in concert with public securities authorized by this chapter.

(c) Prohibits the attachment point for reinsurance purchased under this section from being less than the aggregate amount of all funding available to TWIA under Subchapter B-2, rather than Subchapter B-1.

ARTICLE 3. TRANSITION AND SAVINGS PROVISIONS

SECTION 3.01. Provides that, notwithstanding the repeal by this Act of Subchapters B-1 and M, Chapter 2210, Insurance Code, and other changes in law made by this Act effective September 1, 2025:

(1) the payment of excess losses and operating expenses of TWIA incurred before January 1, 2024, is governed by the law as it existed on the effective date of this Act, and that law is continued in effect for that purpose;

(2) the issuance of public securities to pay excess losses and operating expenses of TWIA incurred before January 1, 2024, the use of the proceeds of those securities, the repayment or refinancing of those securities, and any other rights, obligations, or limitations with respect to those securities and proceeds of those securities are governed by the law as it existed on the effective date of this Act, and that law is continued in effect for that purpose; and

(3) proceeds of any assessments made under Subchapter B-1, Chapter 2210, Insurance Code, are prohibited from being included in reserves available for a catastrophe year for purposes of Section 2210.082, Insurance Code, as added by this Act, unless approved by the commissioner.

ARTICLE 4. EFFECTIVE DATE

SECTION 4.01. Effective date, except as otherwise provided by this Act: September 1, 2023.