

BILL ANALYSIS

Senate Research Center
88R30507 SCL-F

C.S.H.B. 1588
By: Oliverson et al. (Middleton)
Business & Commerce
5/17/2023
Committee Report (Substituted)

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 coverages 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 introduces a state-funded investment for funding losses in TWIA's funding structure, decreasing reliance in public securities.

C.S.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 1.28 of this bill.

SECTION BY SECTION ANALYSIS

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

SECTION 1.01. Amends Section 404.0241, Government Code, by amending Subsections (b-2), (b-4), and (b-5) and adding Subsections (f), (g), and (h), as follows:

(b-2) Prohibits a person from bringing a civil action against this state, the Texas Treasury Safekeeping Trust Company, or an employee, independent contractor, or official of this state, including the Comptroller of Public Accounts of the State of Texas (comptroller), for any claim, including breach of fiduciary duty or violation of any constitutional, statutory, or regulatory requirement, in connection with any action, inaction, decision, divestment, investment, report, or other determination made or taken in connection with Section 404.0241 (Investment of Certain Economic Stabilization Fund Balances), rather than with Subsections (b-1) (relating to requiring the comptroller to invest certain monies in certain purposes), (b-4), and (b-5).

(b-4) Requires the comptroller to manage the investments described by Subsections (b-1) and (g) as separate investment portfolios, rather than manage the investments required by Subsection (b-1) as a separate investment portfolio. Makes conforming changes.

(b-5) Makes a conforming change to this subsection.

(f) Authorizes the comptroller, notwithstanding any other law, directly or indirectly through a separately managed account or other investment vehicle, to invest an amount

not to exceed \$1 billion of the economic stabilization fund balance in accordance with this section and Chapter 2210 (Texas Windstorm Insurance Association), Insurance Code.

(g) Authorizes the comptroller, for purposes of Subsection (f), to enter into an investment arrangement with the Texas Windstorm Insurance Association (TWIA) to provide TWIA an amount not to exceed \$1 billion in funding for each catastrophe year in accordance with Subchapter M-1, Chapter 2210, Insurance Code, after a catastrophic event to fund TWIA's losses and operational expenses arising from the catastrophic event in excess of TWIA's premium and other revenue, available reserves, the catastrophe reserve trust fund, and member assessments authorized under Section 2210.083.

(h) Provides that an investment arrangement entered into under Subsection (g):

(1) is required to be secured and repaid by catastrophe surcharges under Subchapter M-2, Chapter 2210, Insurance Code;

(2) is required to include interest at a rate equal to the three-year United States treasury note rate plus at least four percent; and

(3) is prohibited from exceeding 36 months to maturity.

SECTION 1.02. Amends Section 2210.0081, Insurance Code, as follows:

Sec. 2210.0081. CERTAIN ACTIONS BROUGHT AGAINST ASSOCIATION BY COMMISSIONER. Provides that in an action brought by the commissioner of insurance (commissioner) against TWIA under Chapter 441 (Supervision and Conservatorship):

(1) TWIA's inability to satisfy obligations under Subchapter M or M-1 related to the issuance of public securities under this chapter or an investment arrangement with this state, as applicable, 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);

(2) makes no changes to this subdivision; and

(3) makes conforming changes to this subdivision.

SECTION 1.03. 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 1.04. 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 1.05. Amends Section 2210.071(a), Insurance Code, as follows:

(a) Requires that the excess losses and operating expenses be paid as provided by this subchapter 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.

SECTION 1.06. Amends Section 2210.0715(b), Insurance Code, as follows:

(b) Prohibits proceeds of public securities issued, an investment 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 this section or Section 2210.082 unless approved by the commissioner.

SECTION 1.07. Amends the heading to Section 2210.075, Insurance Code, to read as follows:

Sec. 2210.075. REINSURANCE BY MEMBERS.

SECTION 1.08. Amends Subchapter B-1, Chapter 2210, Insurance Code, by adding Section 2210.076, as follows:

Sec. 2210.076. PAYMENT FROM STATE INVESTMENT ARRANGEMENTS. (a) Authorizes TWIA, notwithstanding the provisions of this subchapter to the contrary, 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 entering into one or more investment arrangements with this state as provided by Subchapter M-1 of this chapter and Section 404.0241, Government Code.

(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 an investment arrangement entered into with this state under this section.

(c) Authorizes an investment 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 other financing arrangements with certain market sources) in the same manner as a financing arrangement with a market source.

SECTION 1.09. 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 the 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. (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) Prohibits proceeds of public securities issued or assessments made before or as a result of any occurrence or series of occurrences in a catastrophe year that results in insured losses from being included in reserves available for a subsequent catastrophe year for purposes of this section.

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 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. PAYMENT FROM STATE INVESTMENT ARRANGEMENTS. Requires TWIA, for insured losses and operating expenses for a catastrophe year not paid under Section 2210.082 or 2210.083, to enter into one or more investment arrangements totaling not more than \$1 billion with the state as provided by Subchapter M-1 of this chapter and Section 404.0241, Government Code.

Sec. 2210.085. PAYMENT FROM PUBLIC SECURITIES. (a) Requires that insured losses and operating expenses for a catastrophe year not paid under Section 2210.082, 2210.083, or 2210.084 be paid from the proceeds from public securities issued in accordance with Subchapter M before, on, or after the date of any occurrence or series of occurrences that results in insured losses. Provides that public securities described by this section are required to be paid within a period not to exceed 14 years and are authorized to be paid sooner if the board of directors elects to do so and the commissioner approves.

(b) Provides that public securities described by Subsection (a) that are issued before an occurrence or series of occurrences that results in incurred losses:

(1) are authorized to be issued on the request of the board of directors with the approval of the commissioner; and

(2) are prohibited from, in the aggregate, exceeding \$1 billion at any one time, regardless of the calendar year or years in which the outstanding public securities were issued.

(c) Provides that public securities described by Subsection (a):

(1) are required to be issued as necessary in a principal amount not to exceed \$1 billion per catastrophe year, in the aggregate, for securities issued during that catastrophe year before the occurrence or series of occurrences that results in incurred losses in that year and securities issued on or after the date of that occurrence or series of occurrences, and regardless of whether for a single occurrence or a series of occurrences; and

(2) subject to the maximum described by Subdivision (1), are authorized to be issued, in one or more issuances or tranches, during the calendar year

in which the occurrence or series of occurrences occurs or, if the public securities cannot reasonably be issued in that year, during the following calendar year.

(d) Requires that public securities be repaid in the manner prescribed by Subchapter M if the public securities are issued as described by this section.

(e) Authorizes TWIA to borrow from, or enter into other financing arrangements with, any market source, under which the market source makes interest-bearing loans or other financial instruments to TWIA to enable TWIA to pay losses under this section or to obtain public securities under this section. Provides that for purposes of this subsection, financial instruments includes commercial paper.

(f) Requires that the proceeds of any outstanding public securities described by Subsection (a) that are issued before an occurrence or series of occurrences, together with the proceeds of any outstanding public securities issued on or before December 31, 2023, be depleted before the proceeds of any securities issued after an occurrence or series of occurrences are authorized to be used. Provides that this subsection does not prohibit TWIA from issuing securities after an occurrence or series of occurrences before the proceeds of outstanding public securities issued during a previous catastrophe year have been depleted.

(g) Provides that if, under Subsection (f), the proceeds of any outstanding public securities issued during a previous catastrophe year, together with the proceeds of any outstanding public securities issued on or before December 31, 2023, are required to be depleted, those proceeds are required to count against the limit on public securities described by this section in the catastrophe year in which the proceeds are required to be depleted.

Sec. 2210.086. 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 if the member does not purchase reinsurance under this section, the member remains liable for any assessment imposed under this subchapter.

SECTION 1.10. Amends Section 2210.355(b), Insurance Code, as follows:

(b) Requires that certain factors be considered in adopting rates under this chapter, including payment of obligations related to an investment arrangement with this state under Subchapter M-1 of this chapter and Section 404.0241, Government Code, including the additional amount of any related debt service determined by TWIA to be required for the investment arrangement. Makes nonsubstantive changes.

SECTION 1.11. Amends Section 2210.452(b), Insurance Code, as follows:

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

SECTION 1.12. 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 1.13. Amends Section 2210.453, Insurance Code, by adding Subsection (a-1), as follows:

(a-1) 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.

SECTION 1.14. Amends Subchapter J, Chapter 2210, Insurance Code, by adding Section 2210.4531, as follows:

Sec. 2210.4531. DETERMINATION OF PROBABLE MAXIMUM LOSS. (a) Requires TWIA to file with TDI a proposed probable maximum loss, subject to Section 2210.453 (Funding Levels; Reinsurance and Alternative Risk Financing Mechanisms; Reinsurance From Certain Insurer or Broker Prohibited).

(b) Provides that TWIA, in determining the probable maximum loss:

(1) is required, to the extent possible, to contract with any disinterested third parties necessary to execute any catastrophe models that were executed in the preceding storm season;

(2) is required, if TWIA is unable to contract for the execution of a catastrophe model described by Subdivision (1), to contract with any disinterested third party necessary to execute a catastrophe model that is substantially similar to the model for which TWIA is unable to contract under Subdivision (1);

(3) is authorized to contract with any disinterested third parties to execute catastrophe models in addition to the models required under Subdivisions (1) and (2);

(4) is required to provide to a disinterested third party executing a catastrophe model any information necessary to comply with this subsection;

(5) is prohibited from using a combination of catastrophe models to determine the probable maximum loss; and

(6) is authorized to use only the catastrophe model that produces the lowest probable maximum loss.

(c) Requires TWIA to make any information produced in compliance with Subsection (b) publicly available on TWIA's Internet website.

(d) Authorizes TWIA to only use a probable maximum loss that is approved by the commissioner. Authorizes the commissioner to reject a probable maximum loss filed with TDI by TWIA and set a probable maximum loss at any amount determined by the commissioner.

SECTION 1.15. Amends Section 2210.602, Insurance Code, effective January 1, 2024, by amending Subdivision (7) and adding Subdivision (12) to redefine "public security" and to define "public security trust fund."

SECTION 1.16. Amends Section 2210.604(a), Insurance Code, effective January 1, 2024, as follows:

(a) Requires the Texas Public Finance Authority (TPFA), in accordance with and subject to the limitations provided by Section 2210.085, at the request of TWIA and with the approval of the commissioner, to issue public securities, rather than Class 1, Class 2, or Class 3 public securities.

SECTION 1.17. Amends Sections 2210.608(a) and (c), Insurance Code, effective January 1, 2024, as follows:

(a) Authorizes TWIA to use the proceeds for certain purposes, including to pay incurred claims and operating expenses of TWIA in accordance with Section 2210.085.

(c) Prohibits the proceeds from public securities issued under Section 2210.085, rather than Section 2210.072, before an occurrence or series of occurrences that results in incurred losses, including investment income, notwithstanding Subsection (a)(2), from being used to purchase reinsurance for TWIA.

SECTION 1.18. Amends Sections 2210.609(a), (c), (d), and (e), Insurance Code, effective January 1, 2024, as follows:

(a) Requires TWIA, if TWIA determines that it is unable to pay the public security obligations and public security administrative expenses, if any, with available funds, to pay those obligations and expenses in accordance with Section 2210.612, rather than with Sections 2210.612, 2210.613, and 2210.6131 as applicable. Authorizes public securities to be issued on a parity or subordinate lien basis with other public securities, rather than authorizes Class 1, Class 2, or Class 3 public securities to be issued on a parity or subordinate lien basis with other Class 1, Class 2, or Class 3 public securities, respectively.

(c) Requires TWIA to deposit all revenue collected under Section 2210.612 in the public security trust fund. Deletes existing text requiring TWIA to deposit all revenue collected under Section 2210.612 in the Class 1 public security trust fund, all revenue collected under Section 2210.613 in the Class 2 public security trust fund, and all revenue collected under Section 2210.6131 in the Class 3 public security trust fund. Makes conforming changes.

(d)-(e) Makes conforming changes to these subsections.

SECTION 1.19. Amends Section 2210.610(a), Insurance Code, effective January 1, 2024, to make conforming changes.

SECTION 1.20. Amends Section 2210.611, Insurance Code, effective January 1, 2024, as follows:

Sec. 2210.611. EXCESS REVENUE COLLECTIONS AND INVESTMENT EARNINGS. Makes conforming changes to this section.

SECTION 1.21. Amends the heading to Section 2210.612, Insurance Code, effective January 1, 2024, to read as follows:

Sec. 2210.612. PAYMENT OF PUBLIC SECURITIES.

SECTION 1.22. Amends Sections 2210.612(a) and (e), Insurance Code, effective January 1, 2024, as follows:

(a) Makes conforming changes to this subsection.

(e) Authorizes TWIA to enter financing arrangements as described by Section 2210.085(e), rather than Section 2210.072(d), as necessary to obtain public securities issued under Section 2210.085, rather than Section 2210.072. Makes a conforming change.

SECTION 1.23. Amends the heading to Section 2210.6132, Insurance Code, effective January 1, 2024, to read as follows:

Sec. 2210.6132. CONTINGENT SOURCE OF PAYMENT FOR PUBLIC SECURITIES.

SECTION 1.24. Amends Sections 2210.6132(a) and (b), Insurance Code, effective January 1, 2024, to make conforming changes.

SECTION 1.25. Amends Section 2210.614, Insurance Code, effective January 1, 2024, as follows:

Sec. 2210.614. REFINANCING PUBLIC SECURITIES. Authorizes TWIA to request the board of directors of TPFA to refinance any public securities issued in accordance with Section 2210.085, rather than with Subchapter B-1, whether Class 1, Class 2, or Class 3 public securities, with public securities payable from the same sources as the original public securities.

SECTION 1.26. Amends Chapter 2210, Insurance Code, by adding Subchapters M-1 and M-2, as follows:

SUBCHAPTER M-1. STATE CATASTROPHE INVESTMENT ARRANGEMENTS

Sec. 2210.631. STATE CATASTROPHE INVESTMENT ARRANGEMENTS. Provides that the legislature has determined that providing catastrophe investment arrangements to TWIA by permitting TWIA to enter into those arrangements 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. CATASTROPHE INVESTMENT ARRANGEMENT AUTHORIZED; LIMITS. Authorizes TWIA to enter into an investment arrangement with this state as provided by Section 404.0241, Government Code, for not more than \$1 billion after a catastrophic event that depletes the catastrophe reserve fund and member assessments imposed under Section 2210.083.

SUBCHAPTER M-2. CATASTROPHE SURCHARGE

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

Sec. 2210.642. APPLICABILITY OF SUBCHAPTER. (a) Provides that, notwithstanding Section 2210.006 (Applicability of Chapter to Certain Insurers), this subchapter 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" to mean a farm mutual insurance company taking certain actions);
- (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:

- (1) the amount available in the catastrophe reserve trust fund; and
- (2) information regarding the current financial condition of TWIA.

Sec. 2210.6435. CATASTROPHE SURCHARGES. (a) Authorizes the commissioner, in consultation with the board of directors of TWIA, to order a catastrophe surcharge effective on the closing date of an investment arrangement with this state and as provided by this subchapter only if, after a catastrophic event:

- (1) the commissioner determines that TWIA has depleted its reserves, other money, the catastrophe reserve trust fund, and member assessments in the amount of \$1 billion imposed under Section 2210.083; and
- (2) TWIA intends to enter into an investment arrangement with this state under Subchapter M-1 that is the basis for the surcharge.

(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 satisfy the terms of the investment 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, including a reserve amount, to satisfy the terms of the investment arrangement entered into with this state under Subchapter M-1 that is the basis for the surcharge. Requires the commissioner to review the catastrophe surcharge percentage semiannually and adjust the percentage as necessary to ensure amounts collected will be sufficient to satisfy the terms of the investment arrangement. Provides that TWIA will provide a semiannual report to the commissioner and comptroller in the form and manner prescribed by the commissioner of the premium assessed and collected and its sufficiency to satisfy the terms of the investment arrangement. 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 satisfying the terms of the investment arrangement that is the basis for the surcharge, and that the proceeds be paid to this state under the terms of the investment arrangement until the terms are fully satisfied.

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 of TWIA, 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 1.27. (a) Repealers, effective January 1, 2024: Sections 2210.602(2) (relating to defining "Class 1 public securities") and (2-a) (relating to defining "Class 1 public security trust fund"), Insurance Code.

Repealers, effective January 1, 2024: Sections 2210.602(3) (relating to defining "Class 2 public securities") and (3-a) (relating to defining "Class 2 public security trust fund"), Insurance Code.

Repealers, effective January 1, 2024: Sections 2210.602(4) (relating to defining "Class 3 public securities") and (4-a) (relating to defining "Class 3 public security trust fund"), Insurance Code.

Repealers, effective January 1, 2024: Sections 2210.613 (Payment of Class 2 Public Securities) and 2210.6131 (Payment of Class 3 Public Securities), Insurance Code.

(b) Repealer, effective September 1, 2025: Subchapter B-1 (Payment of Losses), Chapter 2210, Insurance Code.

SECTION 1.28. 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 Subchapter M, Insurance Code, as amended by this Act, and Subchapters B-2 and M-2, Insurance Code, as added by this Act.

ARTICLE 2. CONFORMING AMENDMENTS

SECTION 2.01. (a) Amends Section 2210.056(b), Insurance Code, to make conforming changes.

(b) Amends Section 2210.056(b), Insurance Code, effective September 1, 2025, to make conforming changes.

SECTION 2.02. (a) Amends Section 2210.1052, Insurance Code, as follows:

Sec. 2210.1052. EMERGENCY MEETING. Makes a conforming change to this section.

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

Sec. 2210.1052. EMERGENCY MEETING. Makes a conforming change to this section.

SECTION 2.03. Amends Section 2210.363(a), Insurance Code, to make a conforming change.

SECTION 2.04. (a) Amends Sections 2210.452(a) and (d), Insurance Code, to make conforming changes.

(b) Amends Sections 2210.452(a) and (d), Insurance Code, effective September 1, 2025, to make conforming changes.

SECTION 2.05. (a) Amends Sections 2210.453(b) and (c), Insurance Code, 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 trust fund, public securities, financial instruments, investment arrangements, and assessments authorized by this chapter.

(c) Makes a conforming change to this subsection.

(b) Amends Section 2210.453(c), Insurance Code, effective September 1, 2025, to make a conforming change.

ARTICLE 3. TRANSITION AND SAVINGS PROVISIONS

SECTION 3.01. Provides that notwithstanding the amendment by this Act of Subchapter M, Chapter 2210, Insurance Code, the repeal by this Act of Subchapter B-1, 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.