

By: Oliverson

H.B. No. 1588

A BILL TO BE ENTITLED

AN ACT

1
2 relating to funding of excess losses and operating expenses of the
3 Texas Windstorm Insurance Association; authorizing an assessment,
4 a surcharge, and an infrastructure grant.

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

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

8 SECTION 1.01. (a) In this section, "association" means the
9 Texas Windstorm Insurance Association.

10 (b) The legislature finds that the use of public securities
11 is not an efficient or viable long-term method to fund losses of the
12 association in order for the association to continue to provide
13 windstorm and hail insurance after a catastrophic event. Subchapter
14 B-2, Chapter 2210, Insurance Code, as added by this Act, is intended
15 to replace Subchapter B-1, Insurance Code, to provide for funding
16 of excess losses and operating expenses of the association incurred
17 after December 31, 2023.

18 (c) The legislature finds that:

19 (1) previous experience has shown that the expense of
20 issuing public securities is significant and can impose
21 significant long-term expense obligations on coastal property and
22 casualty risks that may be avoided if the legislature provides for
23 an infrastructure grant to the association as a more efficient way
24 to provide either pre-event or post-event funding for the

1 association; and

2 (2) a grant to the association of not more than \$1
3 billion would:

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

6 (B) be more consistent with sound insurance
7 solvency standards than the issuance of public securities; and

8 (C) provide a more viable method for the
9 association to have catastrophe reserve funds for a catastrophic
10 event than the issuance of public securities.

11 (d) The legislature finds that authorizing contingent
12 surcharges is a more viable method to raise money to replenish the
13 catastrophe reserve trust fund after a hurricane and to ensure that
14 the association can continue to provide windstorm and hail
15 insurance in the coastal areas of this state after a catastrophic
16 event to maintain the association's viability for the benefit of
17 the public and in furtherance of a public purpose.

18 SECTION 1.02. The heading to Subchapter B-1, Chapter 2210,
19 Insurance Code, is amended to read as follows:

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

21 SECTION 1.03. Subchapter B-1, Chapter 2210, Insurance Code,
22 is amended by adding Section 2210.070 to read as follows:

23 Sec. 2210.070. APPLICABILITY OF SUBCHAPTER. (a) This
24 subchapter applies only to the payment of losses and operating
25 expenses of the association for a catastrophe year that occurs
26 before January 1, 2024, and results in excess losses and operating
27 expenses incurred by the association before January 1, 2024.

1 (b) Payment of excess losses and operating expenses of the
2 association incurred after December 31, 2023, shall be paid as
3 provided by Subchapter B-2.

4 SECTION 1.04. Section 2210.071(a), Insurance Code, is
5 amended to read as follows:

6 (a) If, in a catastrophe year before January 1, 2024, an
7 occurrence or series of occurrences in a catastrophe area results
8 in insured losses and operating expenses of the association in
9 excess of premium and other revenue of the association, the excess
10 losses and operating expenses shall be paid as provided by this
11 subchapter.

12 SECTION 1.05. Section 2210.0715(b), Insurance Code, is
13 amended to read as follows:

14 (b) Proceeds of public securities issued or assessments
15 made before January 1, 2024, or as a result of any occurrence or
16 series of occurrences in a catastrophe year that occurs before
17 January 1, 2024, and results in insured losses before that date may
18 not be included in reserves available for a subsequent catastrophe
19 year for purposes of this section or Section 2210.082 unless
20 approved by the commissioner.

21 SECTION 1.06. The heading to Section 2210.075, Insurance
22 Code, is amended to read as follows:

23 Sec. 2210.075. REINSURANCE BY MEMBERS.

24 SECTION 1.07. Chapter 2210, Insurance Code, is amended by
25 adding Subchapter B-2 to read as follows:

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

27 Sec. 2210.080. APPLICABILITY OF SUBCHAPTER. (a) This

1 subchapter applies only to payment of losses and operating expenses
2 of the association for a catastrophe year that occurs after
3 December 31, 2023, and results in excess losses and operating
4 expenses incurred by the association after December 31, 2023.

5 (b) This section expires September 1, 2025.

6 Sec. 2210.081. PAYMENT OF EXCESS LOSSES. (a) If, in a
7 catastrophe year, an occurrence or series of occurrences in a
8 catastrophe area results in insured losses and operating expenses
9 of the association in excess of premium and other revenue of the
10 association, the excess losses and operating expenses shall be paid
11 as provided by this subchapter.

12 (b) The association may not pay insured losses and operating
13 expenses resulting from an occurrence or series of occurrences in a
14 catastrophe year with premium and other revenue earned in a
15 subsequent year.

16 Sec. 2210.082. PAYMENT FROM RESERVES AND TRUST FUND. The
17 association shall pay insured losses and operating expenses
18 resulting from an occurrence or series of occurrences in a
19 catastrophe year in excess of premium and other revenue of the
20 association for that catastrophe year from reserves of the
21 association available before or accrued during that catastrophe
22 year and amounts in the catastrophe reserve trust fund available
23 before or accrued during that catastrophe year.

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

1 catastrophe year.

2 (b) The board of directors shall notify each association
3 member of the amount of the member's assessment under this section.
4 The proportion of the insured losses and operating expenses
5 allocable to each insurer under this section shall be determined in
6 the manner used to determine each insurer's participation in the
7 association for the year under Section 2210.052.

8 (c) An association member may not recoup an assessment paid
9 under this section through a premium surcharge or tax credit.

10 Sec. 2210.084. REINSURANCE BY MEMBERS FOR MEMBER
11 ASSESSMENTS. (a) Before any occurrence or series of occurrences,
12 an association member may purchase reinsurance to cover an
13 assessment for which the member would otherwise be liable under
14 this subchapter.

15 (b) An association member must notify the board of
16 directors, in the manner prescribed by the association, whether the
17 member will be purchasing reinsurance. If the member does not
18 purchase reinsurance under this section, the member remains liable
19 for any assessment imposed under this subchapter.

20 SECTION 1.08. Section 2210.452(b), Insurance Code, is
21 amended to read as follows:

22 (b) All money, including investment income, deposited in
23 the trust fund constitutes state funds until disbursed as provided
24 by this chapter and commissioner rules. The comptroller shall hold
25 the money outside the state treasury on behalf of, and with legal
26 title in, the department on behalf of the association. The
27 department shall keep and maintain the trust fund in accordance

1 with this chapter and commissioner rules. The comptroller, as
2 custodian of the trust fund, shall administer the trust fund
3 strictly and solely as provided by this chapter and commissioner
4 rules. The association may include the amounts held in the
5 catastrophe reserve trust fund as an admitted asset in the
6 financial statements of the association.

7 SECTION 1.09. Section 2210.4521(a), Insurance Code, is
8 amended to read as follows:

9 (a) The comptroller shall invest in accordance with the
10 investment standard described by Section 404.024(j), Government
11 Code, the portion of the trust fund balance that exceeds the amount
12 of the sufficient balance determined under Subsection (b). The
13 comptroller's investment of that portion of the balance is not
14 subject to any other limitation or other requirement provided by
15 Section 404.024, Government Code. The Texas Treasury Safekeeping
16 Trust Company and board of directors may recommend investments to
17 protect the trust fund and create investment income.

18 SECTION 1.10. Sections 2210.453(d) and (e), Insurance Code,
19 are amended to read as follows:

20 (d) The association shall obtain reinsurance at any level
21 including excess of loss, quota share, and other forms of
22 reinsurance to protect the solvency of the association. In
23 determining the amount of required reinsurance, the association
24 shall consider maintaining or protecting a minimum balance of \$250
25 million in the catastrophe reserve trust fund. The commissioner
26 may consult with the board of directors regarding methods to
27 protect the solvency and continued viability of the association,

1 including by protecting the minimum balance, acquiring
2 reinsurance, or by other means [~~The cost of the reinsurance~~
3 ~~purchased or alternative financing mechanisms used under this~~
4 ~~section in excess of the minimum funding level required by~~
5 ~~Subsection (b) shall be paid by assessments as provided by this~~
6 ~~subsection. The association, with the approval of the~~
7 ~~commissioner, shall notify each member of the association of the~~
8 ~~amount of the member's assessment under this subsection. The~~
9 ~~proportion of the cost to each insurer under this subsection shall~~
10 ~~be determined in the manner used to determine each insurer's~~
11 ~~participation in the association for the year under Section~~
12 ~~2210.052~~].

13 (e) The commissioner may adopt a method or approve the
14 association's method of determining the probability of one in 100
15 for association risks. The commissioner shall provide any adopted
16 or approved method to the association on or before February 1 of
17 each year [~~A member of the association may not recoup an assessment~~
18 ~~paid under Subsection (d) through a premium surcharge or tax~~
19 ~~credit~~].

20 SECTION 1.11. Section [2210.601](#), Insurance Code, is amended
21 to read as follows:

22 Sec. 2210.601. FINDINGS [~~PURPOSE~~]. The legislature finds
23 that for losses incurred before January 1, 2024, the authorization
24 of [~~authorizing~~] the continued issuance of public securities to
25 provide a method to raise funds to provide windstorm and hail
26 insurance through the association in certain designated portions of
27 the state is for the benefit of the public and in furtherance of a

1 public purpose.

2 SECTION 1.12. Subchapter M, Chapter 2210, Insurance Code,
3 is amended by adding Section 2210.6015 to read as follows:

4 Sec. 2210.6015. APPLICABILITY OF SUBCHAPTER. To provide
5 for a reasonable transition, the association may issue public
6 securities under this subchapter if the association needs to
7 provide funds for excess losses and operating expenses incurred by
8 the association before January 1, 2024, for a catastrophe year
9 occurring before January 1, 2024. After December 31, 2023, the
10 association may not issue public securities under this subchapter
11 except to fund excess losses and operating expenses incurred before
12 January 1, 2024.

13 SECTION 1.13. Chapter 2210, Insurance Code, is amended by
14 adding Subchapters M-1 and M-2 to read as follows:

15 SUBCHAPTER M-1. CATASTROPHE INFRASTRUCTURE GRANT

16 Sec. 2210.631. CATASTROPHE INFRASTRUCTURE GRANT. (a) The
17 legislature has determined that providing an infrastructure grant
18 to the association to capitalize the catastrophe reserve trust fund
19 in an amount not more than \$1 billion would provide the necessary
20 infrastructure for insuring catastrophic risks.

21 (b) The governor, in consultation with the commissioner,
22 lieutenant governor, and speaker of the house of representatives,
23 may authorize an infrastructure grant to the association consistent
24 with this subchapter under any act appropriating or authorizing the
25 grant of money for infrastructure improvements.

26 Sec. 2210.632. CATASTROPHE INFRASTRUCTURE GRANT PROCEEDS.

27 The proceeds of a catastrophe infrastructure grant authorized under

1 this subchapter shall be deposited in the catastrophe reserve trust
2 fund.

3 SUBCHAPTER M-2. CONTINGENT HURRICANE SURCHARGE

4 Sec. 2210.641. DEFINITION. In this subchapter,
5 "catastrophic event" means an occurrence or a series of occurrences
6 that:

7 (1) occurs in a catastrophe area during a calendar
8 year; and

9 (2) results in insured losses and operating expenses
10 of the association in excess of premium and other revenue of the
11 association.

12 Sec. 2210.642. APPLICABILITY OF SUBCHAPTER. (a)
13 Notwithstanding Section 2210.006, this subchapter applies to an
14 insurer that is:

15 (1) an insurer authorized to engage in the business of
16 insurance in this state that is required to be a member of the
17 association, including a farm mutual insurance company that is a
18 fronting insurer as defined by Section 221.001(c);

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

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

25 (4) the association; and

26 (5) the FAIR Plan Association.

27 (b) A premium surcharge under this subchapter applies to:

1 (1) a policy written under the following lines of
2 insurance:

3 (A) fire and allied lines;

4 (B) farm and ranch owners; and

5 (C) residential property insurance; and

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

8 Sec. 2210.6425. CONSTRUCTION OF SUBCHAPTER. (a) This
9 subchapter may not be construed to require an insurer to be an
10 association member if the insurer is not otherwise required to be a
11 member under Section 2210.052.

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

16 Sec. 2210.643. ANNUAL FINANCIAL REPORT BY COMMISSIONER.
17 The commissioner shall determine the amount available in the
18 catastrophe reserve trust fund as of December 31 of each year and
19 provide a written report to the governor, lieutenant governor, and
20 speaker of the house of representatives that includes:

21 (1) the amount available in the catastrophe reserve
22 trust fund; and

23 (2) information regarding the current financial
24 condition of the association.

25 Sec. 2210.6435. CONTINGENT HURRICANE SURCHARGES. (a) The
26 commissioner, in consultation with the board of directors, may
27 order a contingent hurricane surcharge as provided by this

1 subchapter only if the commissioner determines after a catastrophic
2 event that:

3 (1) the association has depleted its reserves, other
4 funds, and the catastrophe reserve trust fund; and

5 (2) the association has no other source of funding
6 reasonably available to provide adequate funding for the next
7 catastrophe year.

8 (b) The commissioner, in consultation with the board of
9 directors, shall set the contingent hurricane surcharge as a
10 percentage of premium to be collected by each insurer to which this
11 subchapter applies.

12 (c) The total amount authorized to be collected under this
13 section for any contingent hurricane surcharge may not exceed the
14 lesser of:

15 (1) the amount needed to recapitalize the catastrophe
16 reserve trust fund to \$1 billion; or

17 (2) \$1 billion.

18 (d) The contingent hurricane surcharge percentage must be
19 set in an amount sufficient to replenish the catastrophe reserve
20 trust fund to an aggregate amount of not more than \$1 billion. The
21 commissioner may set the surcharge as a percentage of premium to
22 collect the needed aggregate amount over a period of time not to
23 exceed three years.

24 (e) The commissioner shall determine the period of time and
25 percentage to be applied subject to Subsection (d).

26 (f) A contingent hurricane surcharge authorized under this
27 section shall be assessed by insurers on all policyholders of

1 policies that are subject to this subchapter.

2 (g) A contingent hurricane surcharge under this subchapter
3 is a separate charge in addition to the premiums collected and is
4 not subject to premium tax or commissions.

5 (h) Failure by a policyholder to pay a contingent hurricane
6 surcharge constitutes failure to pay premium for purposes of policy
7 cancellation.

8 (i) A contingent hurricane surcharge is not refundable if
9 the policy is canceled or terminated.

10 Sec. 2210.644. CONTINGENT HURRICANE SURCHARGE PROCEEDS.
11 The proceeds of a contingent hurricane surcharge authorized under
12 this subchapter shall be deposited into the catastrophe reserve
13 trust fund.

14 Sec. 2210.6445. DISCLOSURE OF SURCHARGE. Each policy that
15 is assessed a surcharge under this subchapter shall contain the
16 following prominent disclosure in the documents attached to the
17 policy:

18 "A HURRICANE SURCHARGE HAS BEEN INCLUDED ON YOUR POLICY.
19 THIS SURCHARGE WILL BE USED TO PROVIDE FUNDS FOR THE TEXAS WINDSTORM
20 INSURANCE ASSOCIATION TO PAY FOR LOSSES AFTER A CATASTROPHIC EVENT,
21 INCLUDING A HURRICANE. THE SURCHARGE IS NOT REFUNDABLE IF YOU
22 CANCEL OR TERMINATE THIS POLICY."

23 Sec. 2210.645. EXEMPTION FROM TAXATION. A surcharge
24 collected under this subchapter is exempt from taxation by this
25 state or a municipality or other political subdivision of this
26 state.

27 Sec. 2210.6455. LIMITATION OF PERSONAL LIABILITY. The

1 association members, the insurers required to collect a surcharge
2 under this subchapter, members of the board of directors,
3 association employees, the commissioner, and department employees
4 are not personally liable as a result of exercising the rights and
5 responsibilities granted under this subchapter.

6 Sec. 2210.646. EXEMPTION FROM SURCHARGE. An insurer may
7 not collect a surcharge authorized under this subchapter on any
8 policy issued to this state, an agency of this state, or a political
9 subdivision of this state.

10 SECTION 1.14. Effective September 1, 2025, the following
11 provisions of the Insurance Code are repealed:

- 12 (1) Subchapter B-1, Chapter 2210; and
13 (2) Subchapter M, Chapter 2210.

14 SECTION 1.15. As soon as practicable after the effective
15 date of this Act and not later than December 1, 2023, the
16 commissioner of insurance shall adopt rules necessary to implement
17 Subchapters B-2 and M-2, Insurance Code, as added by this Act.

18 ARTICLE 2. CONFORMING AMENDMENTS

19 SECTION 2.01. Effective September 1, 2025, Section
20 2210.0081, Insurance Code, is amended to read as follows:

21 Sec. 2210.0081. CERTAIN ACTIONS BROUGHT AGAINST
22 ASSOCIATION BY COMMISSIONER. In an action brought by the
23 commissioner against the association under Chapter 441, [+

24 ~~[(1) the association's inability to satisfy~~
25 ~~obligations under Subchapter M related to the issuance of public~~
26 ~~securities under this chapter constitutes a condition that makes~~
27 ~~the association's continuation in business hazardous to the public~~

1 ~~or to the association's policyholders for the purposes of Section~~
2 ~~441.052,~~

3 [~~2~~] the time for the association to comply with the
4 requirements of supervision or for the conservator to complete the
5 conservator's duties, as applicable, is limited to three years from
6 the date the commissioner commences the action against the
7 association[~~, and~~

8 [~~3~~] ~~unless the commissioner takes further action~~
9 ~~against the association under Chapter 441, as a condition of~~
10 ~~release from supervision, the association must demonstrate to the~~
11 ~~satisfaction of the commissioner that the association is able to~~
12 ~~satisfy obligations under Subchapter M related to the issuance of~~
13 ~~public securities under this chapter].~~

14 SECTION 2.02. (a) Section 2210.056(b), Insurance Code, is
15 amended to read as follows:

16 (b) The association's assets may not be used for or diverted
17 to any purpose other than to:

18 (1) satisfy, in whole or in part, the liability of the
19 association on claims made on policies written by the association;

20 (2) make investments authorized under applicable law;

21 (3) pay reasonable and necessary administrative
22 expenses incurred in connection with the operation of the
23 association and the processing of claims against the association;

24 (4) satisfy, in whole or in part, the obligations of
25 the association incurred in connection with Subchapters B-1, B-2,
26 ~~J, and~~ M, and M-2, including reinsurance, public securities, and
27 financial instruments; or

1 (5) make remittance under the laws of this state to be
2 used by this state to:

3 (A) pay claims made on policies written by the
4 association;

5 (B) purchase reinsurance covering losses under
6 those policies; or

7 (C) prepare for or mitigate the effects of
8 catastrophic natural events.

9 (b) Effective September 1, 2025, Sections [2210.056](#)(b) and
10 (c), Insurance Code, are amended to read as follows:

11 (b) The association's assets may not be used for or diverted
12 to any purpose other than to:

13 (1) satisfy, in whole or in part, the liability of the
14 association on claims made on policies written by the association;

15 (2) make investments authorized under applicable law;

16 (3) pay reasonable and necessary administrative
17 expenses incurred in connection with the operation of the
18 association and the processing of claims against the association;

19 (4) satisfy, in whole or in part, the obligations of
20 the association incurred in connection with Subchapters [B-2](#) [~~B-1~~],
21 J, and [M-2](#) [~~M~~], including reinsurance[~~, public securities,~~] and
22 financial instruments; or

23 (5) make remittance under the laws of this state to be
24 used by this state to:

25 (A) pay claims made on policies written by the
26 association;

27 (B) purchase reinsurance covering losses under

1 those policies; or

2 (C) prepare for or mitigate the effects of
3 catastrophic natural events.

4 (c) On dissolution of the association, all assets of the
5 association[~~, other than assets pledged for the repayment of public~~
6 ~~securities issued under this chapter,~~] revert to this state.

7 SECTION 2.03. (a) Section [2210.1052](#), Insurance Code, is
8 amended to read as follows:

9 Sec. 2210.1052. EMERGENCY MEETING. If the ultimate loss
10 estimate for an occurrence or series of occurrences made by the
11 chief financial officer or chief actuary of the association
12 indicates member insurers may be subject to an assessment under
13 Subchapter B-1 or B-2, the board of directors shall call an
14 emergency meeting to notify the member insurers about the
15 assessment.

16 (b) Effective September 1, 2025, Section [2210.1052](#),
17 Insurance Code, is amended to read as follows:

18 Sec. 2210.1052. EMERGENCY MEETING. If the ultimate loss
19 estimate for an occurrence or series of occurrences made by the
20 chief financial officer or chief actuary of the association
21 indicates member insurers may be subject to an assessment under
22 Subchapter B-2 [~~B-1~~], the board of directors shall call an
23 emergency meeting to notify the member insurers about the
24 assessment.

25 SECTION 2.04. Effective September 1, 2025, Section
26 [2210.355](#)(b), Insurance Code, is amended to read as follows:

27 (b) In adopting rates under this chapter, the following must

1 be considered:

2 (1) the past and prospective loss experience within
3 and outside this state of hazards for which insurance is made
4 available through the plan of operation, if any;

5 (2) expenses of operation, including acquisition
6 costs;

7 (3) a reasonable margin for profit and contingencies;
8 and

9 (4) ~~[payment of public security obligations issued
10 under this chapter, including the additional amount of any debt
11 service coverage determined by the association to be required for
12 the issuance of marketable public securities, and~~

13 ~~[(5)]~~ all other relevant factors, within and outside
14 this state.

15 SECTION 2.05. (a) Section [2210.363](#)(a), Insurance Code, is
16 amended to read as follows:

17 (a) The association may offer a person insured under this
18 chapter an actuarially justified premium discount on a policy
19 issued by the association, or an actuarially justified credit
20 against a surcharge assessed against the person, other than a
21 surcharge assessed under Subchapter M or M-2, if:

22 (1) the construction, alteration, remodeling,
23 enlargement, or repair of, or an addition to, insurable property
24 exceeds applicable building code standards set forth in the plan of
25 operation; or

26 (2) the person elects to purchase a binding
27 arbitration endorsement under Section [2210.554](#).

1 (b) Effective September 1, 2025, Section 2210.363(a),
2 Insurance Code, is amended to read as follows:

3 (a) The association may offer a person insured under this
4 chapter an actuarially justified premium discount on a policy
5 issued by the association, or an actuarially justified credit
6 against a surcharge assessed against the person, other than a
7 surcharge assessed under Subchapter M-2 [~~M~~], if:

8 (1) the construction, alteration, remodeling,
9 enlargement, or repair of, or an addition to, insurable property
10 exceeds applicable building code standards set forth in the plan of
11 operation; or

12 (2) the person elects to purchase a binding
13 arbitration endorsement under Section 2210.554.

14 SECTION 2.06. (a) Sections 2210.452(a) and (d), Insurance
15 Code, are amended to read as follows:

16 (a) The commissioner shall adopt rules under which the
17 association makes payments to the catastrophe reserve trust fund.
18 Except as otherwise specifically provided by this section, the
19 trust fund may be used only for purposes directly related to funding
20 the payment of insured losses, including:

21 (1) funding the obligations of the trust fund under
22 Subchapters [~~Subchapter~~] B-1 and B-2; and

23 (2) purchasing reinsurance or using alternative risk
24 financing mechanisms under Section 2210.453.

25 (d) The commissioner by rule shall establish the procedure
26 relating to the disbursement of money from the trust fund to
27 policyholders and for association administrative expenses directly

1 related to funding the payment of insured losses in the event of an
2 occurrence or series of occurrences within a catastrophe area that
3 results in a disbursement under Subchapter B-1 or B-2.

4 (b) Effective September 1, 2025, Sections [2210.452](#)(a), (c),
5 and (d), Insurance Code, are amended to read as follows:

6 (a) The commissioner shall adopt rules under which the
7 association makes payments to the catastrophe reserve trust fund.
8 Except as otherwise specifically provided by this section, the
9 trust fund may be used only for purposes directly related to funding
10 the payment of insured losses, including:

11 (1) funding the obligations of the trust fund under
12 Subchapter B-2 [~~B-1~~]; and

13 (2) purchasing reinsurance or using alternative risk
14 financing mechanisms under Section [2210.453](#).

15 (c) At the end of each calendar year or policy year, the
16 association shall use the net gain from operations of the
17 association, including all premium and other revenue of the
18 association in excess of incurred losses and~~[and]~~ operating expenses,
19 [~~public security obligations, and public security administrative~~
20 ~~expenses,~~] to make payments to the trust fund, procure reinsurance,
21 or use alternative risk financing mechanisms, or to make payments
22 to the trust fund and procure reinsurance or use alternative risk
23 financing mechanisms.

24 (d) The commissioner by rule shall establish the procedure
25 relating to the disbursement of money from the trust fund to
26 policyholders and for association administrative expenses directly
27 related to funding the payment of insured losses in the event of an

1 occurrence or series of occurrences within a catastrophe area that
2 results in a disbursement under Subchapter B-2 [~~B-1~~].

3 SECTION 2.07. (a) Section 2210.453(c), Insurance Code, is
4 amended to read as follows:

5 (c) The attachment point for reinsurance purchased under
6 this section may not be less than the aggregate amount of all
7 funding available to the association under Subchapters
8 [~~Subchapter~~] B-1 and B-2.

9 (b) Effective September 1, 2025, Sections 2210.453(b) and
10 (c), Insurance Code, are amended to read as follows:

11 (b) The association shall maintain total available loss
12 funding in an amount not less than the probable maximum loss for the
13 association for a catastrophe year with a probability of one in 100.
14 If necessary, the required funding level shall be achieved through
15 the purchase of reinsurance or the use of alternative financing
16 mechanisms, or both, to operate in addition to or in concert with
17 the trust fund, [~~public securities,~~] financial instruments, and
18 assessments authorized by this chapter.

19 (c) The attachment point for reinsurance purchased under
20 this section may not be less than the aggregate amount of all
21 funding available to the association under Subchapter B-2 [~~B-1~~].

22 ARTICLE 3. TRANSITION AND SAVINGS PROVISIONS

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

26 (1) the payment of excess losses and operating
27 expenses of the Texas Windstorm Insurance Association incurred

1 before January 1, 2024, is governed by the law as it existed on the
2 effective date of this Act, and that law is continued in effect for
3 that purpose;

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

12 (3) proceeds of any assessments made under Subchapter
13 [B-1](#), Chapter [2210](#), Insurance Code, may not be included in reserves
14 available for a catastrophe year for purposes of Section 2210.082,
15 Insurance Code, as added by this Act, unless approved by the
16 commissioner of insurance.

17 ARTICLE 4. EFFECTIVE DATE

18 SECTION 4.01. Except as otherwise provided by this Act,
19 this Act takes effect September 1, 2023.