

By: \_\_\_\_\_ .B. No. \_\_\_\_\_

Substitute the following for \_\_\_\_B. No. \_\_\_\_\_:

By: \_\_\_\_\_ C.S.\_\_\_\_B. No. \_\_\_\_\_

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the operation of the Texas Windstorm Insurance  
3 Association and the FAIR Plan Association and the renaming of the  
4 Texas Windstorm Insurance Association as the Texas Residual  
5 Insurance Plan.

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

7 SECTION 1. Section 2210.001, Insurance Code, is amended to  
8 read as follows:

9 Sec. 2210.001. PURPOSE. The primary purpose of the Texas  
10 Residual [~~Windstorm~~] Insurance Plan [~~Association~~] is the provision  
11 of an adequate market for windstorm and hail insurance in the  
12 seacoast territory of this state. The legislature finds that the  
13 provision of adequate windstorm and hail insurance is necessary to  
14 the economic welfare of this state, and without that insurance, the  
15 orderly growth and development of this state would be severely  
16 impeded. This chapter provides a method by which adequate  
17 windstorm and hail insurance may be obtained in certain designated  
18 portions of the seacoast territory of this state. The plan  
19 [~~association~~] is intended to serve as a residual insurer of last  
20 resort for windstorm and hail insurance in the seacoast territory.  
21 The plan [~~association~~] shall:

22 (1) function in such a manner as to not be a direct  
23 competitor in the private market; and

24 (2) provide windstorm and hail insurance coverage to

1 those who are unable to obtain that coverage in the private market.

2 SECTION 2. Section 2210.002, Insurance Code, is amended by  
3 amending Subsection (a) and adding Subsection (a-1) to read as  
4 follows:

5 (a) This chapter may be cited as the Texas Residual  
6 ~~[Windstorm]~~ Insurance Plan ~~[Association]~~ Act.

7 (a-1) A reference in this chapter or other law to the Texas  
8 Windstorm Insurance Association means the Texas Residual Insurance  
9 Plan.

10 SECTION 3. Section 2210.003, Insurance Code, is amended by  
11 amending Subdivision (1) and adding Subdivisions (1-a), (3-c), and  
12 (14) to read as follows:

13 (1) "Administrator" means the entity contractually  
14 retained to:

15 (A) manage the association and administer the  
16 plan of operation under Section 2210.062;

17 (B) establish, administer, and maintain the  
18 electronic portal under Section 2210.211; and

19 (C) manage the FAIR Plan Association and  
20 administer the plan of operation under Section 2211.0522.

21 (1-a) "Association" means the Texas Residual  
22 ~~[Windstorm]~~ Insurance Plan ~~[Association]~~.

23 (3-c) "Exposure reduction plan fund" means the  
24 dedicated trust fund established by the board of directors and held  
25 by the Texas Treasury Safekeeping Trust Company into which  
26 assessments collected under Section 2210.212 are deposited for the  
27 purpose of achieving the association's required exposure reduction

1 through means including mitigation, rate assistance, or any other  
2 means related to that purpose considered necessary by the board.

3 (14) "Total insured exposure" means the total of all  
4 risks insured by the association in any class of business.

5 SECTION 4. Section 2210.014, Insurance Code, is amended by  
6 amending Subsection (b) and adding Subsection (c) to read as  
7 follows:

8 (b) Chapter 542 does not apply to the processing and  
9 settlement of claims by the association or to an agent or  
10 representative of the association.

11 (c) An insurer or adjuster, or the administrator contracted  
12 under Section 2210.062, is an agent of the association for purposes  
13 of adjusting association claims under this section.

14 SECTION 5. Subchapter A, Chapter 2210, Insurance Code, is  
15 amended by adding Section 2210.015 to read as follows:

16 Sec. 2210.015. STUDY OF MARKET INCENTIVES; BIENNIAL  
17 REPORTING. (a) Each biennium, the department shall conduct a study  
18 of market incentives to promote participation in the voluntary  
19 windstorm and hail insurance market in the seacoast territory of  
20 this state. The study must address as possible incentives the  
21 mandatory or voluntary issuance of windstorm and hail insurance in  
22 conjunction with the issuance of a homeowners policy in the  
23 seacoast territory.

24 (b) The department shall include the results of the study  
25 conducted under this section in the report submitted under Section  
26 32.022.

27 SECTION 6. Subchapter B, Chapter 2210, Insurance Code, is

1 amended by adding Sections 2210.062, 2210.063, 2210.064, 2210.065,  
2 and 2210.066 to read as follows:

3 Sec. 2210.062. ADMINISTRATION BY CONTRACTED ADMINISTRATOR.

4 (a) Notwithstanding any other law, the commissioner shall contract  
5 with an administrator to manage the association and administer the  
6 plan of operation beginning January 1, 2014. The administrator may  
7 not exercise any power under the contract before January 1, 2014.

8 (b) The administrator must hold either a managing general  
9 agent license issued under Chapter 4053 or a third-party  
10 administrator certificate of authority issued under Chapter 4151.

11 (c) The term of the administrator's contract may not exceed  
12 five years. The contract may be renewed for additional terms not to  
13 exceed five years for each term.

14 (d) In establishing the compensation paid to the  
15 administrator under the contract, the commissioner shall consider  
16 the cost of operations of the association and make every reasonable  
17 effort to ensure that the cost of operations of the association  
18 under the contract does not exceed average historical costs.

19 Sec. 2210.063. PROPRIETARY INFORMATION. (a) Any  
20 information, analyses, programs, or data acquired or created by the  
21 administrator under a contract under this chapter or Chapter 2211  
22 are property of the department.

23 (b) Information, analyses, programs, or data described by  
24 Subsection (a) are confidential and exempt from public disclosure  
25 under Chapter 552, Government Code.

26 Sec. 2210.064. OFFICE; RECORDS. (a) The administrator  
27 shall maintain an office in Austin, Texas.

1       (b) The commissioner may arrange to lease office space of  
2 the department to the administrator.

3       Sec. 2210.065. AUDIT. (a) The administrator is subject to  
4 audit by the commissioner and shall pay the costs incurred by the  
5 commissioner in performing an audit under this section in an amount  
6 the commissioner finds reasonable.

7       (b) Work papers, as defined by Section 401.020(a), from an  
8 audit are confidential and not subject to disclosure under Chapter  
9 552, Government Code.

10       Sec. 2210.066. ANNUAL REPORT OF ADMINISTRATOR. (a) Not  
11 later than March 1 of each year, the administrator shall submit a  
12 report regarding the administrator's duties under this chapter and  
13 Chapter 2211 to:

14               (1) the governor;

15               (2) the lieutenant governor;

16               (3) the speaker of the house of representatives;

17               (4) the senate committee on business and commerce or  
18 the successor of that committee with jurisdiction over insurance;

19               (5) the house committee on insurance or the successor  
20 of that committee with jurisdiction over insurance; and

21               (6) the legislative oversight board established under  
22 Subchapter N.

23       (b) The report must be made in accordance with the terms of  
24 the administrator's contract with the department.

25       SECTION 7. Subchapter B-1, Chapter 2210, Insurance Code, is  
26 amended by amending Section 2210.071 and adding Section 2210.0715  
27 to read as follows:

1           Sec. 2210.071. PAYMENT OF EXCESS LOSSES [~~;~~ ~~PAYMENT FROM~~  
2 ~~RESERVES AND TRUST FUND~~]. [~~(a)~~] If, in a catastrophe year, an  
3 occurrence or series of occurrences in a catastrophe area results  
4 in insured losses and operating expenses of the association in  
5 excess of premium and other revenue of the association, the excess  
6 losses and operating expenses shall be paid as provided by this  
7 subchapter.

8           Sec. 2210.0715. PAYMENT FROM RESERVES AND TRUST FUND. [~~(b)~~]  
9 The association shall pay losses in excess of premium and other  
10 revenue of the association from available reserves of the  
11 association and available amounts in the catastrophe reserve trust  
12 fund.

13           ~~[(c) Losses not paid under Subsection (b) shall be paid from~~  
14 ~~the proceeds from public securities issued in accordance with this~~  
15 ~~subchapter and Subchapter M and, notwithstanding Subsection (a),~~  
16 ~~may be paid from the proceeds of public securities issued under~~  
17 ~~Section 2210.072(a) before an occurrence or series of occurrences~~  
18 ~~that results in insured losses.]~~

19           SECTION 8. Subchapter B-1, Chapter 2210, Insurance Code, is  
20 amended by adding Section 2210.0716 to read as follows:

21           Sec. 2210.0716. PAYMENT FROM CLASS 1 ASSESSMENTS. (a)  
22 Losses in a catastrophe year not paid under Section 2210.0715 shall  
23 be paid as provided by this section from member assessments not to  
24 exceed \$500 million for that catastrophe year.

25           (b) The administrator, with the approval of the  
26 commissioner, shall notify each member of the amount of the  
27 member's assessment under this section. The proportion of the

1 losses allocable to each insurer under this section shall be  
2 determined in the manner used to determine each insurer's  
3 participation in the association for the year under Section  
4 2210.052.

5 (c) A member of the association may not recoup an assessment  
6 paid under this section through a premium surcharge or tax credit.

7 SECTION 9. Sections 2210.072(a), (b), (b-1), (c), and (f),  
8 Insurance Code, are amended to read as follows:

9 (a) Losses not paid under Sections 2210.0715 and 2210.0716  
10 [~~Section 2210.071(b)~~] shall be paid as provided by this section  
11 from the proceeds from Class 1 public securities authorized to be  
12 issued in accordance with Subchapter M before, on, or after the date  
13 of any occurrence or series of occurrences that results in insured  
14 losses. Public securities issued under this section must be paid  
15 [~~repaid~~] within a period not to exceed 10 [~~14~~] years, and may be  
16 paid [~~repaid~~] sooner if the board of directors elects to do so and  
17 the commissioner approves.

18 (b) Public securities described by Subsection (a) that are  
19 issued before an occurrence or series of occurrences that results  
20 in incurred losses:

21 (1) may be issued on the request of the board of  
22 directors with the approval of the commissioner; and

23 (2) may not, in the aggregate, exceed \$500 million [~~\$1~~  
24 ~~billion~~] at any one time, regardless of the calendar year or years  
25 in which the outstanding public securities were issued.

26 (b-1) Public securities described by Subsection (a):

27 (1) shall be issued as necessary in a principal amount

1 not to exceed \$500 million [~~\$1 billion~~] per catastrophe year, in the  
2 aggregate, for securities issued during that catastrophe year  
3 before the occurrence or series of occurrences that results in  
4 incurred losses in that year and securities issued on or after the  
5 date of that occurrence or series of occurrences, and regardless of  
6 whether for a single occurrence or a series of occurrences; and

7 (2) subject to the \$500 million [~~\$1 billion~~] maximum  
8 described by Subdivision (1), may be issued, in one or more  
9 issuances or tranches, during the calendar year in which the  
10 occurrence or series of occurrences occurs or, if the public  
11 securities cannot reasonably be issued in that year, during the  
12 following calendar year.

13 (c) If public securities are issued as described by this  
14 section, the public securities shall be paid [~~repaid~~] in the manner  
15 prescribed by Subchapter M [~~from association premium revenue~~].

16 (f) If, under Subsection (e), the proceeds of any  
17 outstanding public securities issued during a previous catastrophe  
18 year must be depleted, those proceeds shall count against the \$500  
19 million [~~\$1 billion~~] limit on public securities described by this  
20 section in the catastrophe year in which the proceeds must be  
21 depleted.

22 SECTION 10. Subchapter B-1, Chapter 2210, Insurance Code,  
23 is amended by adding Section 2210.0725 to read as follows:

24 Sec. 2210.0725. PAYMENT FROM CLASS 2 ASSESSMENTS. (a)  
25 Losses in a catastrophe year not paid under Sections 2210.0715,  
26 2210.0716, and 2210.072 shall be paid as provided by this section  
27 from member assessments not to exceed \$500 million for that



1 catastrophe year.

2 (b) The administrator, with the approval of the  
3 commissioner, shall notify each member of the amount of the  
4 member's assessment under this section. The proportion of the  
5 losses allocable to each insurer under this section shall be  
6 determined in the manner used to determine each insurer's  
7 participation in the association for the year under Section  
8 2210.052.

9 (c) A member of the association may not recoup an assessment  
10 paid under this section through a premium surcharge or tax credit.

11 SECTION 11. Section 2210.073, Insurance Code, is amended to  
12 read as follows:

13 Sec. 2210.073. PAYMENT FROM CLASS 2 PUBLIC SECURITIES. (a)  
14 Losses not paid under Sections 2210.0715, 2210.0716, [2210.071 and]  
15 2210.072, and 2210.0725 shall be paid as provided by this section  
16 from the proceeds from Class 2 public securities authorized to be  
17 issued in accordance with Subchapter M on or after the date of any  
18 occurrence or series of occurrences that results in insured losses  
19 [under this subsection]. Public securities issued under this  
20 section must be paid ~~repaid~~ within a period not to exceed 10  
21 years, and may be paid ~~repaid~~ sooner if the board of directors  
22 elects to do so and the commissioner approves.

23 (b) Public securities described by Subsection (a):

24 (1) shall ~~may~~ be issued as necessary in a principal  
25 amount not to exceed \$500 million ~~[\$1 billion]~~ per catastrophe  
26 year, in the aggregate, whether for a single occurrence or a series  
27 of occurrences; and

1           (2) subject to the \$500 million [~~\$1 billion~~] maximum  
2 described by Subdivision (1), may be issued, in one or more  
3 issuances or tranches, during the calendar year in which the  
4 occurrence or series of occurrences occurs or, if the public  
5 securities cannot reasonably be issued in that year, during the  
6 following calendar year.

7           (c) If the losses are paid with public securities described  
8 by this section, the public securities shall be paid [~~repaid~~] in the  
9 manner prescribed by Subchapter M.

10           SECTION 12. Section 2210.102, Insurance Code, is amended to  
11 read as follows:

12           Sec. 2210.102. COMPOSITION. (a) The board of directors is  
13 composed of nine members appointed by the governor [~~commissioner~~]  
14 in accordance with this section.

15           (b) Three [~~Four~~] members must be representatives of the  
16 insurance industry who actively write and renew windstorm and hail  
17 insurance in the first tier coastal counties.

18           (c) Three [~~Four~~] members must, as of the date of the  
19 appointment, reside in the first tier coastal counties. Each of  
20 the following regions must be represented by a member residing in  
21 the region and [~~At least one of the members~~] appointed under this  
22 subsection:

23                   (1) the region consisting of Cameron, Kenedy, Kleberg,  
24 and Willacy Counties;

25                   (2) the region consisting of Aransas, Calhoun, Nueces,  
26 Refugio, and San Patricio Counties; and

27                   (3) the region consisting of Brazoria, Chambers,

1 Galveston, Jefferson, and Matagorda Counties and any part of Harris  
2 County designated as a catastrophe area under Section 2210.005.

3 (c-1) One of the members appointed under Subsection (c) must  
4 be a property and casualty agent who is licensed under this code and  
5 is not a captive agent.

6 (d) One member must be a representative of an area of this  
7 state that is not located in the seacoast territory [~~with~~  
8 ~~demonstrated expertise in insurance and actuarial principles~~].

9 (d-1) One member must be an engineer who:

10 (1) is knowledgeable of, and has professional  
11 expertise in, wind-related design and construction practices in  
12 coastal areas that are subject to high winds and hurricanes; and

13 (2) resides in a second tier coastal county.

14 (d-2) One member must be a representative of the financial  
15 industry who resides in a second tier coastal county.

16 (e) All members must have demonstrated experience in  
17 insurance, general business, or actuarial principles and the  
18 member's area of expertise, if any, sufficient to make the success  
19 of the association probable.

20 (f) Insurers who are members of the association shall  
21 nominate, from among those members, persons to fill any vacancy in  
22 the three [~~four~~] board of director seats reserved for  
23 representatives of the insurance industry. The board of directors  
24 shall solicit nominations from the members and submit the  
25 nominations to the governor [~~commissioner~~]. The nominee slate  
26 submitted to the governor [~~commissioner~~] under this subsection must  
27 include at least three more names than the number of vacancies. The

1 governor may [~~commissioner shall~~] appoint replacement insurance  
2 industry representatives from the nominee slate.

3 (g) In addition to the nine members appointed under  
4 Subsection (a), the governor [~~The commissioner~~] shall appoint three  
5 individuals [~~one person~~] to serve as [~~a~~] nonvoting ex officio  
6 members [~~member~~] of the board to advise the board [~~regarding issues~~  
7 ~~relating to the inspection process. The commissioner may give~~  
8 ~~preference in an appointment under this subsection to a person who~~  
9 ~~is a qualified inspector under Section 2210.254~~]. Each [~~The~~]  
10 nonvoting member appointed under this section must:

11 (1) hold an elective office of this state or a  
12 political subdivision of this state; and

13 (2) reside in and represent one of the following  
14 areas:

15 (A) the northern portion of the seacoast  
16 territory [~~be an engineer licensed by, and in good standing with,~~  
17 ~~the Texas Board of Professional Engineers~~];

18 (B) the southern portion of the seacoast  
19 territory [~~(2) reside in a first tier coastal county~~]; or [~~and~~]

20 (C) an area of this state that is not located in  
21 the seacoast territory [~~(3) be knowledgeable of, and have~~  
22 ~~professional expertise in, wind-related design and construction~~  
23 ~~practices in coastal areas that are subject to high winds and~~  
24 ~~hurricanes~~].

25 (h) The persons appointed under Subsection (c) must reside  
26 in [~~be from~~] different counties. The persons appointed under  
27 Subsection (g) must reside in different counties.

1 SECTION 13. Section 2210.103(c), Insurance Code, is amended  
2 to read as follows:

3 (c) A member of the board of directors may be removed by the  
4 governor [~~commissioner~~] with cause stated in writing and posted on  
5 the association's website. The governor [~~commissioner~~] shall  
6 appoint a replacement in the manner provided by Section 2210.102  
7 for a member who leaves or is removed from the board of directors.

8 SECTION 14. Subchapter E, Chapter 2210, Insurance Code, is  
9 amended by adding Sections 2210.2022, 2210.211, 2210.212, and  
10 2210.213 to read as follows:

11 Sec. 2210.2022. INFORMATION REQUIRED FOR CERTAIN  
12 APPLICATIONS. An application for association coverage, including  
13 an application for new or renewal coverage on or after January 1,  
14 2014, must include information on the applicant's policy that  
15 covers perils other than windstorm and hail, if any, including:

16 (1) the total premium for that policy, including a  
17 policy number for coverage issued by the FAIR Plan Association  
18 under Chapter 2211, if applicable, and:

19 (A) the amount of insurance on the dwelling and  
20 contents; or

21 (B) if the policy is a tenants policy or  
22 condominium owners policy, the insured amount for the contents  
23 coverage; and

24 (2) the deductibles applicable for each policy.

25 Sec. 2210.211. VOLUNTARY ELECTRONIC PORTAL. (a) As soon as  
26 practicable after January 1, 2014, the administrator shall make  
27 available to all insurers an electronic portal to provide insurers

1 access to information described by Subsection (b).

2 (b) The portal must provide insurers access to information  
3 on each insured's association policy and other policy, if any, that  
4 covers other perils, if known, including:

5 (1) the insured's total premium amount on the  
6 association policy; and

7 (2) for coverage for perils other than windstorm and  
8 hail:

9 (A) the total premium for that policy, including  
10 a policy issued by the FAIR Plan Association under Chapter 2211, if  
11 applicable, and:

12 (i) the amount of insurance on the dwelling  
13 and its contents; or

14 (ii) if the policy is a tenants policy or  
15 condominium owners policy, the insured amount for the contents  
16 coverage; and

17 (B) the deductibles applicable for each policy.

18 Sec. 2210.212. EXPOSURE REDUCTION PLAN. (a) The  
19 association shall reduce the association's total insured exposure  
20 determined as of January 1, 2013, according to the following  
21 schedule:

22 (1) not later than January 1, 2016, the amount of the  
23 association's total insured exposure must reflect a 20 percent  
24 reduction from the association's total insured exposure as of  
25 January 1, 2013;

26 (2) not later than January 1, 2018, the amount of the  
27 association's total insured exposure must reflect a 35 percent

1 reduction from the total insured exposure as of January 1, 2013;

2 (3) not later than January 1, 2020, the amount of the  
3 association's total insured exposure must reflect a 45 percent  
4 reduction from the association's total insured exposure as of  
5 January 1, 2013;

6 (4) not later than January 1, 2022, the amount of the  
7 association's total insured exposure must reflect a 55 percent  
8 reduction from the association's total insured exposure as of  
9 January 1, 2013; and

10 (5) not later than January 1, 2024, the amount of the  
11 association's total insured exposure must reflect a 60 percent  
12 reduction from the association's total insured exposure as of  
13 January 1, 2013.

14 (b) As soon as practicable after January 1, 2016, January 1,  
15 2018, January 1, 2020, and January 1, 2024, respectively, the board  
16 of directors shall determine whether the reductions in the  
17 association's total insured exposure required under Subsection (a)  
18 have been achieved.

19 (c) If on January 1, 2016, the association did not achieve  
20 the reduction in the total insured exposure required by Subsection  
21 (a)(1), the board of directors shall establish a plan to reduce the  
22 association's total insured exposure, which must include imposing  
23 an assessment as described by Subsection (e).

24 (d) If on January 1, 2018, January 1, 2020, and January 1,  
25 2024, respectively, the association did not achieve the reduction  
26 in the total insured exposure required for that date, the board of  
27 directors shall establish a plan to reduce the association's total

1 insured exposure, which must include imposing an assessment as  
2 described by Subsection (f).

3 (e) An exposure reduction plan under Subsection (c) or (d)  
4 must be implemented not later than March 31 in the year in which the  
5 board of directors determines that the required reduction was not  
6 achieved and must result in the achievement of the required  
7 reduction by not later than December 31 of that year.

8 (f) An assessment imposed under this section must be paid  
9 into the exposure reduction plan fund and is assessed against each  
10 member of the association that, as determined by the board of  
11 directors, has not met the member's proportionate responsibility  
12 for reduction of the association's total insured exposure. The  
13 total aggregate amount of an assessment under this section, if  
14 assessed against all members of the association, is \$200 million.

15 (g) The amount of a member's assessment paid under  
16 Subsection (f) must be equal to the portion of \$200 million that is  
17 consistent with the member's proportionate participation in the  
18 association as determined under Section 2210.052.

19 (h) A member of the association may not recoup an assessment  
20 paid under this section through a premium surcharge or tax credit or  
21 through a rate increase.

22 (i) At the request of the commissioner, but not less  
23 frequently than twice each year, the administrator shall submit a  
24 report to the commissioner detailing the amount of the  
25 association's total insured exposure and any statistical  
26 information or experience data requested by the commissioner  
27 concerning the characteristics of that exposure.



1       (j) Not later than May 15 and November 15 of each year, the  
2 commissioner shall submit a report to the windstorm insurance  
3 legislative oversight board established under Subchapter N  
4 summarizing the contents of the report submitted to the  
5 commissioner under Subsection (i).

6       (k) In determining whether the association has met the goal  
7 established under Subsection (a), the commissioner shall make  
8 adjustments to book value of the total insured exposure as of  
9 January 1, 2013, to reflect any change in the BOECKH Index. If the  
10 BOECKH Index ceases to exist, the commissioner shall make  
11 adjustments in the same manner based on another index that the board  
12 of directors determines accurately reflects changes in the cost of  
13 construction or residential values in the catastrophe area.

14       (l) Not later than January 1 of each year, beginning January  
15 1, 2014, the department shall notify each member of the member's  
16 proportionate share of the association's total insured exposure  
17 required to be reduced under this section and of the member's  
18 potential liability for an assessment under this section.

19       (m) The commissioner shall adopt rules necessary to  
20 implement and enforce this section.

21       Sec. 2210.213. CONFIDENTIAL INFORMATION. (a) Except as  
22 provided by Subsection (b), all information, data, and databases  
23 collected and used under Sections 2210.2022, 2210.211, and 2210.212  
24 are confidential information not subject to disclosure under  
25 Chapter 552, Government Code.

26       (b) Information described by Subsection (a) may be used for  
27 the purposes and in the manner described by this chapter and Chapter

1 2211.

2 SECTION 15. Section 2210.451, Insurance Code, is amended to  
3 read as follows:

4 Sec. 2210.451. DEFINITION. Except to the extent that  
5 context clearly requires otherwise, in [~~In~~] this subchapter, "trust  
6 fund" means the catastrophe reserve trust fund.

7 SECTION 16. Section 2210.452, Insurance Code, is amended by  
8 amending Subsections (a), (c), and (d) and adding Subsection (f) to  
9 read as follows:

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

15 (1) funding [~~to fund~~] the obligations of the trust  
16 fund under Subchapter B-1; and

17 (2) purchasing reinsurance or using alternative risk  
18 financing mechanisms under Sections 2210.453 and 2210.4531.

19 (c) At the end of each calendar year or policy year, the  
20 association shall use the net gain from operations of the  
21 association, including all premium and other revenue of the  
22 association in excess of incurred losses, operating expenses,  
23 deposits to the fund under Section 2210.4521, public security  
24 obligations, and public security administrative expenses, to make  
25 payments to the trust fund, to procure reinsurance, or to make  
26 payments to the trust fund and to procure reinsurance.

27 (d) The commissioner by rule shall establish the procedure

1 relating to the disbursement of money from the trust fund to  
2 policyholders and for association administrative expenses directly  
3 related to funding the payment of insured losses in the event of an  
4 occurrence or series of occurrences within a catastrophe area that  
5 results in a disbursement under Subchapter B-1.

6 (f) The commissioner by rule shall establish the procedure  
7 relating to the disbursement of money from the trust fund to pay for  
8 operating expenses, including reinsurance or alternate risk  
9 financing mechanisms under Sections 2210.453 and 2210.4531, if the  
10 association does not have sufficient premium and other revenue.

11 SECTION 17. Subchapter J, Chapter 2210, Insurance Code, is  
12 amended by adding Section 2210.4521 to read as follows:

13 Sec. 2210.4521. CATASTROPHE RESERVE TRUST FUND DEDICATION.

14 (a) Notwithstanding any other provision in this chapter, as  
15 provided for in the plan of operation, the association shall  
16 deposit monthly in a fund, separate from the catastrophe reserve  
17 trust fund established under Section 2210.452, an amount sufficient  
18 to accumulate on an annual calendar year basis an amount equal to 30  
19 percent of the association's earned premium for the preceding  
20 calendar year.

21 (b) The fund described by Subsection (a) is a trust fund  
22 with the Texas Treasury Safekeeping Trust Company to be held  
23 outside the state treasury.

24 (c) Not later than February 1 of each year the association  
25 shall direct the Texas Treasury Safekeeping Trust Company to  
26 deposit all amounts deposited in the fund described by Subsection  
27 (a) during the preceding calendar year, and interest earned on

1 those amounts, into the catastrophe reserve trust fund.

2 (d) Money deposited in the fund described by Subsection (a)  
3 is irrevocably pledged to be distributed to the catastrophe reserve  
4 trust fund as provided in this section and is exempt from any other  
5 claim or attachment under law.

6 (e) Money deposited under this section may be invested by  
7 the Texas Treasury Safekeeping Trust Company as permitted by  
8 general law.

9 SECTION 18. Section 2210.453, Insurance Code, is amended to  
10 read as follows:

11 Sec. 2210.453. REINSURANCE AND ALTERNATIVE RISK FINANCING  
12 MECHANISMS. (a) The association shall ~~[may]~~  
13 ~~[(1) make payments into the trust fund; and~~  
14 ~~[(2)]~~ purchase reinsurance or use alternative risk  
15 financing mechanisms in an amount equal to \$1 billion.

16 (b) The ~~[association may purchase]~~ reinsurance or  
17 alternative risk financing mechanisms purchased or used under this  
18 section operate ~~[that operates]~~ in addition to ~~[or in concert with~~  
19 ~~the trust fund,]~~ public securities, other approved financial  
20 instruments, and assessments authorized by this chapter.

21 (c) The attachment point for reinsurance purchased under  
22 this section may not be less than the aggregate amount of all  
23 funding available to the association under Subchapter B-1. ~~[If the~~  
24 ~~association does not purchase reinsurance as authorized by this~~  
25 ~~section, the board, not later than June 1 of each year, shall submit~~  
26 ~~to the commissioner, the legislative oversight board established~~  
27 ~~under Subchapter N, the governor, the lieutenant governor, and the~~

1 ~~speaker of the house of representatives a report containing an~~  
2 ~~actuarial plan for paying losses in the event of a catastrophe with~~  
3 ~~estimated damages of \$2.5 billion or more. The report required by~~  
4 ~~this subsection must:~~

5 ~~[(1) document and denominate the association's~~  
6 ~~resources available to pay claims, including cash or other highly~~  
7 ~~liquid assets, assessments that the association is projected to~~  
8 ~~impose, pre-event and post-event bonding capacity, and~~  
9 ~~private-sector recognized risk-transfer mechanisms, including~~  
10 ~~catastrophe bonds and reinsurance;~~

11 ~~[(2) include an independent, third-party appraisal of~~  
12 ~~the likelihood of an assessment, the maximum potential size of the~~  
13 ~~assessment, and an estimate of the probability that the assessment~~  
14 ~~would not be adequate to meet the association's needs; and~~

15 ~~[(3) include an analysis of financing alternatives to~~  
16 ~~assessments that includes the costs of borrowing and the~~  
17 ~~consequences that additional purchase of reinsurance, catastrophe~~  
18 ~~bonds, or other private-sector recognized risk-transfer~~  
19 ~~instruments would have in reducing the size or potential of~~  
20 ~~assessments.~~

21 ~~[(d) A person who prepares a report required by Subsection~~  
22 ~~(c) may not contract to provide any other service to the~~  
23 ~~association, except for the preparation of similar reports, before~~  
24 ~~the third anniversary of the date the last report prepared by the~~  
25 ~~person under that subsection is submitted.~~

26 ~~[(e) The report submitted under this section is for~~  
27 ~~informational purposes only and does not bind the association to a~~

1 ~~particular course of action.]~~

2 SECTION 19. Subchapter J, Chapter 2210, Insurance Code, is  
3 amended by adding Section 2210.4531 to read as follows:

4 Sec. 2210.4531. ADDITIONAL REINSURANCE. (a) The  
5 association shall purchase, in addition to any reinsurance  
6 purchased under Section 2210.453, reinsurance in an amount not  
7 greater than the lesser of:

8 (1) \$800 million; or

9 (2) an amount such that the association's total loss  
10 funding is sufficient to fund its probable maximum loss for a  
11 catastrophe year with a probability of one in 100.

12 (b) The attachment point for reinsurance purchased under  
13 this section may not be less than the aggregate amount of all  
14 funding available to the association under Subchapter B-1 and  
15 Section 2210.453.

16 (c) The association shall assess member insurers the cost of  
17 reinsurance purchased under this section. The proportion of the  
18 reinsurance cost allocable to each insurer under this section shall  
19 be determined in the manner used to determine each insurer's  
20 participation in the association for the year under Section  
21 2210.052.

22 SECTION 20. Subchapter L-1, Chapter 2210, Insurance Code,  
23 is amended by adding Section 2210.5725 to read as follows:

24 Sec. 2210.5725. ASSOCIATION CLAIMS PROCESSING. (a) An  
25 insurer that has primary coverage on property for loss by fire must  
26 adjust all claims made on an association policy covering the same  
27 property.

1           (b) An insurer acting under this section is an agent of the  
2 association for purposes of Sections 2210.014 and 2210.572 and  
3 shall process claims as prescribed by this chapter and the plan of  
4 operation.

5           (c) An insurer acting under this section is not liable for  
6 any amount payable under the terms of the association policy.

7           SECTION 21. Section 2210.602, Insurance Code, is amended by  
8 adding Subdivisions (2-a) and (3-a) to read as follows:

9           (2-a) "Class 1 public security trust fund" means the  
10 dedicated trust fund established by the board and held by the Texas  
11 Treasury Safekeeping Trust Company into which premium surcharges  
12 collected under Section 2210.612 for the purpose of repaying Class  
13 1 public securities are deposited.

14           (3-a) "Class 2 public security trust fund" means the  
15 dedicated trust fund established by the board and held by the Texas  
16 Treasury Safekeeping Trust Company into which premium surcharges  
17 collected under Section 2210.613 for the purpose of repaying Class  
18 2 public securities are deposited.

19           SECTION 22. Section 2210.604(a), Insurance Code, is amended  
20 to read as follows:

21           (a) At the request of the association and with the approval  
22 of the commissioner, the Texas Public Finance Authority shall issue  
23 Class 1 or [~~7~~] Class 2 [~~7 or Class 3~~] public securities. The  
24 association shall submit to the commissioner a cost-benefit  
25 analysis of various financing methods and funding structures when  
26 requesting the issuance of public securities under this subsection.

27           SECTION 23. Section 2210.609, Insurance Code, is amended to

1 read as follows:

2           Sec. 2210.609. REPAYMENT OF ASSOCIATION'S PUBLIC SECURITY  
3 OBLIGATIONS. (a) The board and the association shall enter into an  
4 agreement under which the association shall provide for the payment  
5 of all public security obligations from available funds collected  
6 by the association and deposited as required by this subchapter  
7 [~~into the public security obligation revenue fund~~]. If the  
8 association determines that it is unable to pay the public security  
9 obligations and public security administrative expenses, if any,  
10 with available funds, the association shall pay those obligations  
11 and expenses in accordance with Sections 2210.612 and [7] 2210.613,  
12 [~~2210.6135, and 2210.6136~~] as applicable. Class 1 or [7] Class  
13 2[~~, or Class 3~~] public securities may be issued on a parity or  
14 subordinate lien basis with other Class 1 or [7] Class 2[~~, or Class~~  
15 ~~3~~] public securities, respectively.

16           (b) If any public securities issued under this chapter are  
17 outstanding, the authority shall notify the association of the  
18 amount of the public security obligations and the estimated amount  
19 of public security administrative expenses, if any, each calendar  
20 year in a period sufficient, as determined by the association, to  
21 permit the association to determine the availability of funds[7  
22 ~~assess members of the association under Sections 2210.613 and~~  
23 ~~2210.6135,~~] and assess a premium surcharge if necessary.

24           (c) The association shall deposit all revenue collected  
25 under Section 2210.612 in the Class 1 public security trust fund  
26 [~~public security obligation revenue fund,~~] and all revenue  
27 collected under Section 2210.613 [~~2210.613(b)~~] in the Class 2



1 public security trust fund [~~premium surcharge trust fund, and all~~  
2 ~~revenue collected under Sections 2210.613(a) and 2210.6135 in the~~  
3 ~~member assessment trust fund~~]. Money deposited in a fund may be  
4 invested as permitted by general law. Money in a fund required to  
5 be used to pay public security obligations and public security  
6 administrative expenses, if any, shall be transferred to the  
7 appropriate funds in the manner and at the time specified in the  
8 proceedings authorizing the public securities to ensure timely  
9 payment of obligations and expenses. This may include the board  
10 establishing funds and accounts with the comptroller that the board  
11 determines are necessary to administer and repay the public  
12 security obligations. If the association has not transferred  
13 amounts sufficient to pay the public security obligations to the  
14 board's designated interest and sinking fund in a timely manner,  
15 the board may direct the Texas Treasury Safekeeping Trust Company  
16 to transfer from the Class 1 public security trust fund [~~public~~  
17 ~~security obligation revenue fund, the premium surcharge trust~~  
18 ~~fund,~~] or the Class 2 public security trust fund [~~member assessment~~  
19 ~~trust fund~~] to the appropriate account the amount necessary to pay  
20 the public security obligation.

21 (d) The association shall provide for the payment of the  
22 public security obligations and the public security administrative  
23 expenses by irrevocably pledging revenues received from premiums,  
24 [~~member assessments,~~] premium surcharges, and amounts on deposit in  
25 the Class 1 public security trust fund [~~public security obligation~~  
26 ~~revenue fund, the premium surcharge trust fund,~~] and the Class 2  
27 public security trust fund [~~member assessment trust fund~~], together

1 with any public security reserve fund, as provided in the  
2 proceedings authorizing the public securities and related credit  
3 agreements.

4 (e) An amount owed by the board under a credit agreement  
5 shall be payable from and secured by a pledge of revenues received  
6 by the association [~~or amounts from the public security obligation~~  
7 ~~trust fund~~], the Class 1 public security trust fund [~~premium~~  
8 ~~surcharge trust fund~~], and the Class 2 public security trust fund  
9 [~~member assessment trust fund~~] to the extent provided in the  
10 proceedings authorizing the credit agreement.

11 SECTION 24. Section 2210.610(a), Insurance Code, is amended  
12 to read as follows:

13 (a) Revenues received from the premium surcharges under  
14 Sections 2210.612 and [Section] 2210.613 [~~and member assessments~~  
15 ~~under Sections 2210.613 and 2210.6135~~] may be applied only as  
16 provided by this subchapter.

17 SECTION 25. Section 2210.611, Insurance Code, is amended to  
18 read as follows:

19 Sec. 2210.611. EXCESS REVENUE COLLECTIONS AND INVESTMENT  
20 EARNINGS. Revenue collected in any calendar year from a premium  
21 surcharge under Sections 2210.612 and [Section] 2210.613 [~~and~~  
22 ~~member assessments under Sections 2210.613 and 2210.6135~~] that  
23 exceeds the amount of the public security obligations and public  
24 security administrative expenses payable in that calendar year and  
25 interest earned on the funds [~~public security obligation fund~~] may,  
26 in the discretion of the association, be:

27 (1) used to pay public security obligations payable in

1 the subsequent calendar year, offsetting the amount of the premium  
2 surcharge [~~and member assessments, as applicable,~~] that would  
3 otherwise be required to be levied for the year under this  
4 subchapter;

5 (2) used to redeem or purchase outstanding public  
6 securities; or

7 (3) deposited in the catastrophe reserve trust fund.

8 SECTION 26. Section 2210.612, Insurance Code, is amended to  
9 read as follows:

10 Sec. 2210.612. PAYMENT OF CLASS 1 PUBLIC SECURITIES.

11 (a) The association shall pay Class 1 public securities issued  
12 under Section 2210.072 from:

13 (1) [its] net premium and other revenue; and

14 (2) if net premium and other revenue are not  
15 sufficient to pay the securities, a catastrophe area premium  
16 surcharge collected in accordance with this section.

17 (b) On approval by the commissioner, the association and  
18 each insurer that provides insurance in a catastrophe area shall  
19 assess, as provided by this section, a premium surcharge to each  
20 policyholder of a policy described by Subsection (c). The premium  
21 surcharge must be set in an amount sufficient to pay, for the  
22 duration of the issued public securities, all debt service not  
23 already covered by available funds and all related expenses on the  
24 public securities.

25 (c) The premium surcharge under this section shall be  
26 assessed on all policyholders of policies that cover insured  
27 property that is located in a catastrophe area, including an

1 automobile principally garaged in a catastrophe area. The premium  
2 surcharges shall be assessed on each Texas windstorm and hail  
3 insurance policy and each property and casualty insurance policy,  
4 including an automobile insurance policy, issued for an automobile  
5 or other property located in the catastrophe area. The premium  
6 surcharges applies to:

7 (1) all policies written under the following lines of  
8 insurance:

9 (A) fire and allied lines;

10 (B) farm and ranch owners;

11 (C) residential property insurance;

12 (D) private passenger automobile liability and  
13 physical damage insurance; and

14 (E) commercial automobile liability and physical  
15 damage insurance; and

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

18 (d) A premium surcharge under this section is a separate  
19 charge in addition to the premiums collected and is not subject to  
20 premium tax or commissions. Failure by a policyholder to pay the  
21 surcharges constitutes failure to pay premium for purposes of policy  
22 cancellation.

23 (e) [~~(b)~~] The association may enter financing arrangements  
24 as described by Section 2210.072(d) as necessary to obtain public  
25 securities issued under Section 2210.072. Nothing in this  
26 subsection shall prevent the authorization and creation of one or  
27 more programs for the issuance of commercial paper before the date

1 of an occurrence or series of occurrences that results in insured  
2 losses under Section 2210.072(a).

3 SECTION 27. Section 2210.613, Insurance Code, is amended to  
4 read as follows:

5 Sec. 2210.613. PAYMENT OF CLASS 2 PUBLIC SECURITIES. (a)  
6 The association shall pay Class 2 public securities issued under  
7 Section 2210.073 from:

8 (1) net premium and other revenue; and

9 (2) if net premium and other revenue are not  
10 sufficient to pay the securities, a catastrophe area premium  
11 surcharge collected in accordance with this section.

12 (b) On approval by the commissioner, the association and  
13 each insurer that provides insurance in a catastrophe area shall  
14 assess, as provided by this section, a premium surcharge to each  
15 policyholder of a policy described by Subsection (c). The premium  
16 surcharge must be set in an amount sufficient to pay, for the  
17 duration of the issued public securities, all debt service not  
18 already covered by available funds and all related expenses on the  
19 public securities. ~~[as provided by this section. Thirty percent of~~  
20 ~~the cost of the public securities shall be paid through member~~  
21 ~~assessments as provided by this section. The association shall~~  
22 ~~notify each member of the association of the amount of the member's~~  
23 ~~assessment under this section. The proportion of the losses~~  
24 ~~allocable to each insurer under this section shall be determined in~~  
25 ~~the manner used to determine each insurer's participation in the~~  
26 ~~association for the year under Section 2210.052. A member of the~~  
27 ~~association may not recoup an assessment paid under this subsection~~

1 ~~through a premium surcharge or tax credit.~~

2 ~~[(b) Seventy percent of the cost of the public securities~~  
3 ~~shall be paid by a premium surcharge collected under this section in~~  
4 ~~an amount set by the commissioner. On approval by the~~  
5 ~~commissioner, each insurer, the association, and the Texas FAIR~~  
6 ~~Plan Association shall assess, as provided by this section, a~~  
7 ~~premium surcharge to each policyholder of a policy that is in effect~~  
8 ~~on or after the 180th day after the date the commissioner issues~~  
9 ~~notice of the approval of the public securities. The premium~~  
10 ~~surcharge must be set in an amount sufficient to pay, for the~~  
11 ~~duration of the issued public securities, all debt service not~~  
12 ~~already covered by available funds or member assessments and all~~  
13 ~~related expenses on the public securities.]~~

14 (c) The premium surcharge under this section [~~Subsection~~  
15 ~~(b)~~] shall be assessed on all policyholders of policies that cover  
16 insured property that is located in a catastrophe area, including  
17 automobiles principally garaged in a catastrophe area. The  
18 premium surcharge shall be assessed on each Texas windstorm and  
19 hail insurance policy and each property and casualty insurance  
20 policy, including an automobile insurance policy, issued for  
21 automobiles and other property located in the catastrophe area.  
22 The [A] premium surcharge under this section [~~Subsection (b)~~]  
23 applies to:

24 (1) all policies written under the following lines of  
25 insurance:

26 (A) fire and allied lines;

27 (B) farm and ranch owners;

- 1 (C) residential property insurance;  
2 (D) private passenger automobile liability and  
3 physical damage insurance; and  
4 (E) commercial automobile liability and physical  
5 damage insurance; and  
6 (2) the property insurance portion of a commercial  
7 multiple peril insurance policy.

8 (d) A premium surcharge under this section [~~Subsection (b)~~]  
9 is a separate charge in addition to the premiums collected and is  
10 not subject to premium tax or commissions. Failure by a  
11 policyholder to pay the surcharge constitutes failure to pay  
12 premium for purposes of policy cancellation.

13 SECTION 28. Section 2210.614, Insurance Code, is amended to  
14 read as follows:

15 Sec. 2210.614. REFINANCING PUBLIC SECURITIES. The  
16 association may request the board to refinance any public  
17 securities issued in accordance with Subchapter B-1, whether Class  
18 1 or [~~7~~] Class 2 [~~7~~, ~~or Class 3~~] public securities, with public  
19 securities payable from the same sources as the original public  
20 securities.

21 SECTION 29. Section 2210.616(a), Insurance Code, is amended  
22 to read as follows:

23 (a) The state pledges for the benefit and protection of  
24 financing parties, the board, and the association that the state  
25 will not take or permit any action that would:

- 26 (1) impair the collection of [~~member assessments and~~]  
27 premium surcharges or the deposit of those funds into the Class 1

1 public security [~~member assessment~~] trust fund or Class 2 public  
2 security [~~premium surcharge~~] trust fund;

3 (2) reduce, alter, or impair the [~~member assessments~~  
4 ~~or~~] premium surcharges to be imposed, collected, and remitted to  
5 financing parties until the principal, interest, and premium, and  
6 any other charges incurred and contracts to be performed in  
7 connection with the related public securities, have been paid and  
8 performed in full; or

9 (3) in any way impair the rights and remedies of the  
10 public security owners until the public securities are fully  
11 discharged.

12 SECTION 30. Section 2210.6165, Insurance Code, is amended  
13 to read as follows:

14 Sec. 2210.6165. PROPERTY RIGHTS. If public securities  
15 issued under this subchapter are outstanding, the rights and  
16 interests of the association, a successor to the association, any  
17 member of the association, or any member of the Texas FAIR Plan  
18 Association, including the right to impose, collect, and receive a  
19 premium surcharge [~~or a member assessment~~] authorized under this  
20 subchapter, are only contract rights until those revenues are first  
21 pledged for the repayment of the association's public security  
22 obligations as provided by Section 2210.609.

23 SECTION 31. Section 2210.653(a), Insurance Code, is amended  
24 to read as follows:

25 (a) The board shall:

26 (1) receive information about rules proposed by the  
27 department relating to windstorm insurance and may submit comments



1 to the commissioner on the proposed rules;

2 (2) review the reports required by Section  
3 2210.212(j);

4 (3) monitor windstorm insurance in this state,  
5 including:

6 (A) the adequacy of rates;

7 (B) the operation of the association; and

8 (C) the availability of coverage; ~~and~~

9 (4) monitor the activities of the administrator under  
10 Section 2210.212, including:

11 (A) the performance of the administrator  
12 contracted to administer the association;

13 (B) the progress toward meeting the requirements  
14 of Section 2210.212; and

15 (C) the extent of voluntary market participation  
16 in coastal and historically underserved areas in this state;

17 (5) review and provide input with regard to efforts to  
18 meet the requirements of Section 2210.212; and

19 (6) ~~(3)~~ review recommendations for legislation  
20 proposed by the department or the association.

21 SECTION 32. Section 2211.001, Insurance Code, is amended by  
22 amending Subdivision (1) and adding Subdivision (1-a) to read as  
23 follows:

24 (1) "Administrator" means the entity contractually  
25 retained to manage:

26 (A) the Texas Residual Insurance Plan under  
27 Section 2210.062; and

1                   (B) the association under Section 2211.0522.

2           (1-a) "Association" means the FAIR Plan Association  
3 established under this chapter.

4           SECTION 33. Subchapter B, Chapter 2211, Insurance Code, is  
5 amended by adding Sections 2211.0522 and 2211.0555 to read as  
6 follows:

7           Sec. 2211.0522. ADMINISTRATION BY ADMINISTRATOR.  
8 Notwithstanding Section 2211.052 or any other law, the  
9 administrator shall manage the association and administer the plan  
10 of operation beginning January 1, 2014. The administrator may not  
11 exercise any power under the contract before January 1, 2014.

12           Sec. 2211.0555. ASSOCIATION CLAIMS PROCESSING. (a) The  
13 administrator shall adjust claims made on or after January 1, 2014,  
14 on an association policy.

15           (b) The administrator is not liable for any amount payable  
16 under the terms of an association policy.

17           SECTION 34. Subchapter D, Chapter 2211, Insurance Code, is  
18 amended by adding Sections 2211.1514 and 2211.1515 to read as  
19 follows:

20           Sec. 2211.1514. VOLUNTARY ELECTRONIC PORTAL. (a) As soon  
21 as practicable after January 1, 2014, the administrator shall make  
22 available to all insurers an electronic portal to provide insurers  
23 access to information described by Subsection (b).

24           (b) The portal must provide insurers access to information  
25 on each insured's association policy and other policy, if any, that  
26 covers other perils, if known, including:

27                   (1) the insured's total premium amount on the

1 association policy;

2 (2) the total premium for a policy that covers losses  
3 due to windstorm and hail, if any, including a policy issued by the  
4 Texas Residual Insurance Plan under Chapter 2210, if applicable,  
5 and:

6 (A) the amount of insurance on the dwelling and  
7 its contents; or

8 (B) if the policy is a tenants policy or  
9 condominium owners policy, the insured amount for the contents  
10 coverage; and

11 (3) the deductibles applicable for each policy.

12 Sec. 2211.1515. CONFIDENTIAL INFORMATION. (a) Except as  
13 provided by Subsection (b), all information and data collected and  
14 used under Section 2211.1514 constitute confidential information  
15 not subject to disclosure under Chapter 552, Government Code.

16 (b) Information described by Subsection (a) may be used for  
17 the purposes and in the manner described by this chapter and Chapter  
18 2210.

19 SECTION 35. The Texas Department of Insurance shall conduct  
20 a study to consider possible exposure reduction plans for the FAIR  
21 Plan Association established under Chapter 2211, Insurance Code.  
22 Not later than January 1, 2014, the department shall submit a report  
23 containing the findings of the study to:

24 (1) the governor;

25 (2) the lieutenant governor;

26 (3) the speaker of the house of representatives;

27 (4) the senate committee on business and commerce or

1 the successor of that committee with jurisdiction over insurance;

2 (5) the house committee on insurance or the successor  
3 of that committee with jurisdiction over insurance; and

4 (6) the legislative oversight board established under  
5 Subchapter N, Chapter 2210, Insurance Code.

6 SECTION 36. The following provisions of Chapter 2210,  
7 Insurance Code, are repealed:

8 (1) Sections 2210.074 and 2210.075;

9 (2) Sections 2210.602(4), (5-a), (6-b), (6-c), and  
10 (10);

11 (3) Section 2210.605(c); and

12 (4) Sections 2210.6135 and 2210.6136.

13 SECTION 37. (a) The board of directors of the Texas  
14 Windstorm Insurance Association established under Section  
15 2210.102, Insurance Code, as that section existed before amendment  
16 by this Act, is abolished effective November 1, 2013.

17 (b) The governor shall appoint the members of the board of  
18 directors of the Texas Residual Insurance Plan under Section  
19 2210.102, Insurance Code, as amended by this Act, effective  
20 November 1, 2013. The initial directors shall draw lots to achieve  
21 staggered terms, with three of the directors serving one-year  
22 terms, three of the directors serving two-year terms, and three of  
23 the directors serving three-year terms.

24 (c) The term of a person who is serving as a member of the  
25 board of directors of the Texas Windstorm Insurance Association  
26 immediately before the abolition of that board under Subsection (a)  
27 of this section expires on November 1, 2013. Such a person is

1 eligible for appointment by the governor to the new board of  
2 directors of the Texas Residual Insurance Plan under Section  
3 2210.102, Insurance Code, as amended by this Act.

4 (d) Notwithstanding Section 2210.4521, Insurance Code, as  
5 added by this Act, beginning on the effective date of this Act and  
6 continuing until December 31, 2013, the Texas Residual Insurance  
7 Plan shall deposit 30 percent of its earned premium into the trust  
8 fund described by that section. Not later than February 1, 2014,  
9 the plan shall direct the Texas Treasury Safekeeping Trust Company  
10 to deposit all amounts deposited in the trust fund during the 2013  
11 calendar year, and interest earned on those funds, into the  
12 catastrophe reserve trust fund as described by that section.

13 (e) Section 2210.4521, Insurance Code, as added by this Act,  
14 applies to all Texas Residual Insurance Plan premium earned on and  
15 after January 1, 2014.

16 (f) Notwithstanding Subsection (d) of this section and  
17 Section 2210.0715, Insurance Code, as added by this Act, amounts  
18 collected under Section 2210.4521, Insurance Code, as added by this  
19 Act, may not be used to pay for a covered insured association loss  
20 incurred before June 1, 2013.

21 (g) Section 2210.5725, Insurance Code, as added by this Act,  
22 applies only to adjustment of a claim made on or after the effective  
23 date of this Act.

24 (h) It is the intent of the legislature that each member of  
25 the legislative oversight board appointed under Section 2210.652,  
26 Insurance Code, and serving on the effective date of this Act  
27 continues to serve after the effective date of this Act until a

1 successor is appointed under that section.

2           SECTION 38. This Act takes effect immediately if it  
3 receives a vote of two-thirds of all the members elected to each  
4 house, as provided by Section 39, Article III, Texas Constitution.  
5 If this Act does not receive the vote necessary for immediate  
6 effect, this Act takes effect September 1, 2013.