

1-1 By: Middleton, et al. S.B. No. 2530
 1-2 (In the Senate - Filed March 13, 2025; April 3, 2025, read
 1-3 first time and referred to Committee on Business & Commerce;
 1-4 April 28, 2025, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 11, Nays 0; April 28, 2025,
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			
1-18	X			
1-19	X			

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 2530 By: Blanco

1-21 A BILL TO BE ENTITLED
 1-22 AN ACT

1-23 relating to the Texas Windstorm Insurance Association; providing an
 1-24 administrative penalty.

1-25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-26 SECTION 1. Section 2210.014, Insurance Code, is amended by
 1-27 adding Subsection (d) to read as follows:

1-28 (d) The association is not subject to any insurance premium
 1-29 tax or insurance maintenance fee or tax.

1-30 SECTION 2. Subchapter A, Chapter 2210, Insurance Code, is
 1-31 amended by adding Section 2210.017 to read as follows:

1-32 Sec. 2210.017. LEGISLATIVE LOBBYING. (a) The association
 1-33 may not use any money under its control to attempt to influence the
 1-34 passage or defeat of a legislative measure.

1-35 (b) An association employee or member of the board of
 1-36 directors who violates Subsection (a) is subject to:

1-37 (1) immediate termination; and
 1-38 (2) an administrative penalty under Chapter 84 in the
 1-39 amount of \$10,000 to be deposited in the catastrophe reserve trust
 1-40 fund.

1-41 (c) This section does not prohibit an association employee
 1-42 or member of the board of directors from using money under the
 1-43 association's control to provide public information or to provide
 1-44 information responsive to a request for public information.

1-45 SECTION 3. Subchapter B, Chapter 2210, Insurance Code, is
 1-46 amended by adding Section 2210.063 to read as follows:

1-47 Sec. 2210.063. LOCATION OF ASSOCIATION HEADQUARTERS. The
 1-48 headquarters of the association must be located in a first tier
 1-49 coastal county or a second tier coastal county.

1-50 SECTION 4. Section 2210.072(a), Insurance Code, is amended
 1-51 to read as follows:

1-52 (a) Losses not paid under Section 2210.0715 shall be paid as
 1-53 provided by this section from the proceeds from Class 1 public
 1-54 securities issued in accordance with Subchapter M before, on, or
 1-55 after the date of any occurrence or series of occurrences that
 1-56 results in insured losses. Public securities described by this
 1-57 section must be paid within a period not to exceed 14 years, and
 1-58 must [may] be paid sooner if the board of directors determines the
 1-59 association has the ability [elects] to do so and the commissioner
 1-60 approves.

2-1 SECTION 5. Section 2210.0725(a), Insurance Code, is amended
 2-2 to read as follows:

2-3 (a) Losses in a catastrophe year not paid under Sections
 2-4 2210.0715 and 2210.072 shall be paid as provided by this section
 2-5 from Class 1 member assessments of at least [not to exceed] \$500
 2-6 million, adjusted annually in proportion to the growth in the
 2-7 association's probable maximum loss for that catastrophe year.

2-8 SECTION 6. Section 2210.073(a), Insurance Code, is amended
 2-9 to read as follows:

2-10 (a) Losses not paid under Sections 2210.0715, 2210.072, and
 2-11 2210.0725 shall be paid as provided by this section from the
 2-12 proceeds from Class 2 public securities authorized to be issued in
 2-13 accordance with Subchapter M on or after the date of any occurrence
 2-14 or series of occurrences that results in insured losses. Public
 2-15 securities issued under this section must be paid within a period
 2-16 not to exceed 10 years and must [may] be paid sooner if the board of
 2-17 directors determines the association has the ability [elects] to do
 2-18 so and the commissioner approves.

2-19 SECTION 7. Section 2210.074(a), Insurance Code, is amended
 2-20 to read as follows:

2-21 (a) Losses in a catastrophe year not paid under Sections
 2-22 2210.0715, 2210.072, 2210.0725, and 2210.073 shall be paid as
 2-23 provided by this section from Class 2 member assessments of at least
 2-24 [not to exceed] \$250 million, adjusted annually in proportion to
 2-25 the growth in the association's probable maximum loss for that
 2-26 catastrophe year.

2-27 SECTION 8. Section 2210.0741(a), Insurance Code, is amended
 2-28 to read as follows:

2-29 (a) Losses not paid under Sections 2210.0715, 2210.072,
 2-30 2210.0725, 2210.073, and 2210.074 shall be paid as provided by this
 2-31 section from the proceeds from Class 3 public securities authorized
 2-32 to be issued in accordance with Subchapter M on or after the date of
 2-33 any occurrence or series of occurrences that results in insured
 2-34 losses. Public securities issued under this section must be paid
 2-35 within a period not to exceed 10 years, and must [may] be paid
 2-36 sooner if the board of directors determines the association has the
 2-37 ability [elects] to do so and the commissioner approves.

2-38 SECTION 9. Section 2210.0742(a), Insurance Code, is amended
 2-39 to read as follows:

2-40 (a) Losses in a catastrophe year not paid under Sections
 2-41 2210.0715, 2210.072, 2210.0725, 2210.073, 2210.074, and 2210.0741
 2-42 shall be paid as provided by this section from Class 3 member
 2-43 assessments of at least [not to exceed] \$250 million, adjusted
 2-44 annually in proportion to the growth in the association's probable
 2-45 maximum loss for that catastrophe year.

2-46 SECTION 10. Sections 2210.102(c), (c-1), and (d), Insurance
 2-47 Code, are amended to read as follows:

2-48 (c) Three members must, as of the date of the appointment,
 2-49 reside in the first tier coastal counties. ~~[Each of the following~~
 2-50 ~~regions must be represented by a member residing in the region and~~
 2-51 ~~appointed under this subsection:~~

2-52 ~~[(1) the region consisting of Cameron, Kenedy,~~
 2-53 ~~Kleberg, and Willacy Counties;~~

2-54 ~~[(2) the region consisting of Aransas, Calhoun,~~
 2-55 ~~Nueces, Refugio, and San Patricio Counties; and~~

2-56 ~~[(3) the region consisting of Brazoria, Chambers,~~
 2-57 ~~Galveston, Jefferson, and Matagorda Counties and any part of Harris~~
 2-58 ~~County designated as a catastrophe area under Section 2210.005.]~~

2-59 (c-1) At least one [One] of the members appointed under
 2-60 Subsection (c) must be a property and casualty agent who is licensed
 2-61 under this code and is not a captive agent.

2-62 (d) Three members must reside in an area of this state that
 2-63 is located outside of a first tier coastal county [more than 100
 2-64 miles from the Texas coastline].

2-65 SECTION 11. Section 2210.105, Insurance Code, is amended by
 2-66 amending Subsection (d) and adding Subsection (h) to read as
 2-67 follows:

2-68 (d) Except for an emergency meeting or a meeting described
 2-69 by Subsection (h), a meeting of the board of directors shall be held

3-1 at a location as determined by the board of directors.
 3-2 (h) A meeting to establish the association's probable
 3-3 maximum loss and the annual rate setting meeting shall be held in
 3-4 person at a location within a first tier coastal county.
 3-5 Notwithstanding Section 2210.1051, a member of the board of
 3-6 directors may only vote for the establishment of the probable
 3-7 maximum loss or the adoption of the annual rate filing in person at
 3-8 a meeting held under this subsection.
 3-9 SECTION 12. Subchapter E, Chapter 2210, Insurance Code, is
 3-10 amended by adding Section 2210.211 to read as follows:
 3-11 Sec. 2210.211. LIMITATIONS ON CERTAIN ADJUSTMENTS. The
 3-12 association may not adjust premiums, fees, or any other costs to
 3-13 policyholders for inflation without a vote by the board of
 3-14 directors.
 3-15 SECTION 13. Sections 2210.352(a) and (c), Insurance Code,
 3-16 are amended to read as follows:
 3-17 (a) Not later than September [~~August~~] 15 of each year, the
 3-18 association shall file with the department a proposed manual rate
 3-19 for all types and classes of risks written by the association.
 3-20 (c) Except as provided by Subsection (a-1), the
 3-21 commissioner shall approve or disapprove the filing in writing not
 3-22 later than November [~~October~~] 15 of the year in which the filing was
 3-23 made. If the filing is not approved or disapproved on or before that
 3-24 date, the filing is considered approved.
 3-25 SECTION 14. Section 2210.355(b), Insurance Code, is amended
 3-26 to read as follows:
 3-27 (b) In adopting rates under this chapter, the following must
 3-28 be considered:
 3-29 (1) the past and prospective loss experience within
 3-30 [~~and outside~~] this state of hazards for which insurance is made
 3-31 available through the plan of operation, if any;
 3-32 (2) expenses of operation, including acquisition
 3-33 costs;
 3-34 (3) a reasonable margin for profit and contingencies;
 3-35 (4) payment of public security obligations issued
 3-36 under this chapter, including the additional amount of any debt
 3-37 service coverage determined by the association to be required for
 3-38 the issuance of marketable public securities; and
 3-39 (5) all other relevant factors[~~7~~] within [~~and outside~~]
 3-40 this state.
 3-41 SECTION 15. Section 2210.453, Insurance Code, is amended by
 3-42 amending Subsection (b) and adding Subsection (b-1) to read as
 3-43 follows:
 3-44 (b) The association shall maintain total available loss
 3-45 funding in an amount not less than the probable maximum loss for the
 3-46 association for a catastrophe year with a probability of one in 50
 3-47 [~~100~~]. If necessary, the required funding level shall be achieved
 3-48 through the purchase of reinsurance or the use of alternative
 3-49 financing mechanisms, or both, to operate in addition to or in
 3-50 concert with the trust fund, public securities, financial
 3-51 instruments, and assessments authorized by this chapter.
 3-52 (b-1) The probable maximum loss described by Subsection (b)
 3-53 shall be established as provided by Section 2210.4531.
 3-54 SECTION 16. Subchapter J, Chapter 2210, Insurance Code, is
 3-55 amended by adding Section 2210.4531 to read as follows:
 3-56 Sec. 2210.4531. PROBABLE MAXIMUM LOSS. (a) The
 3-57 association shall file with the department a proposed probable
 3-58 maximum loss to be used for purposes of Section 2210.453(b). The
 3-59 association may not propose a probable maximum loss unless
 3-60 two-thirds of the board of directors votes to approve the proposed
 3-61 probable maximum loss in the manner provided by Section
 3-62 2210.105(h).
 3-63 (b) The association may use a probable maximum loss only if
 3-64 the probable maximum loss is approved by the commissioner.
 3-65 (c) The commissioner may reject a proposed probable maximum
 3-66 loss filed with the department under Subsection (a) and set a
 3-67 probable maximum loss in an amount determined by the commissioner.
 3-68 If the association does not timely propose a probable maximum loss,
 3-69 the commissioner shall set a probable maximum loss.

4-1 (d) The amount of loss adjustment expense adopted by the
4-2 board of directors for a catastrophe year and used for the
4-3 association's rate indication for purposes of filing a rate under
4-4 this chapter may not be included in the probable maximum loss.

4-5 SECTION 17. Section 2210.063, Insurance Code, as added by
4-6 this Act, applies to the Texas Windstorm Insurance Association
4-7 beginning on January 1, 2027.

4-8 SECTION 18. (a) Subchapter B-1, Chapter 2210, Insurance
4-9 Code, as amended by this Act, applies only to the payment of losses
4-10 of the Texas Windstorm Insurance Association incurred on or after
4-11 January 1, 2026. Payment of losses incurred before January 1, 2026,
4-12 is governed by the law as it existed immediately before the
4-13 effective date of this Act, and that law is continued in effect for
4-14 that purpose.

4-15 (b) On January 1, 2026, the minimum amounts of member
4-16 assessments for purposes of Sections 2210.0725(a), 2210.074(a),
4-17 and 2210.0742(a), Insurance Code, as amended by this Act, are
4-18 adjusted in proportion to the growth in the association's probable
4-19 maximum loss between January 1, 2021, and January 1, 2026.

4-20 SECTION 19. This Act takes effect immediately if it
4-21 receives a vote of two-thirds of all the members elected to each
4-22 house, as provided by Section 39, Article III, Texas Constitution.
4-23 If this Act does not receive the vote necessary for immediate
4-24 effect, this Act takes effect September 1, 2025.

4-25 * * * * *