

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**May 18, 2005**

**TO:** Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

**FROM:** John S. O'Brien, Deputy Director, Legislative Budget Board

**IN RE: HB1890** by Smithee (Relating to the operation and funding of the Texas Windstorm Insurance Association, including funding of coverage for certain catastrophic events through the establishment of a revenue bond program.), **As Engrossed**

The bill would amend Insurance Code Article 21.49 and Chapters 941 and 942, relating to the operations and funding of the Texas Windstorm Insurance Association (TWIA). The bill would change the current conditions to qualify for premium tax liability credits for excess loss assessments. As a result, insurance premium tax revenue collected by the State could change.

This bill would amend Insurance Code Article 21.49 and Chapters 941 and 942, relating to the operations and funding of the Texas Windstorm Insurance Association (TWIA).

The bill would establish a revenue bond program for TWIA operations and the payment of claims. At the request of TWIA, and with the approval of the Commissioner of Insurance, the Texas Public Finance Authority could issue bonds, not to exceed in the aggregate \$800 million, at a maturity of not more than ten years. Any funds generated from the issuance of such bonds would be held by the Comptroller in a new fund outside the State Treasury.

Debt service would be payable from, among other authorized sources, premium surcharges approved by the Commissioner of Insurance and applied to insurance policies written through the association in the first tier coastal counties.. All premium surcharges would be deposited in a fund held by the Comptroller outside the State Treasury.

Assuming a 6 percent interest rate, with a 10-year level debt service amortization the estimated annual debt service is \$107.5 million. These costs would be paid from the premium surcharges.

This legislation would create a new trust fund outside of the Treasury. The new trust fund included in this bill would be subject to funds consolidation review by the current Legislature. If the Legislature does not include the new trust fund in funds consolidation legislation, the new trust fund would not be established.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 454 Department of Insurance, 304 Comptroller of Public Accounts, 347 Public Finance Authority

**LBB Staff:** JOB, JRO, WP, DLBe