LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 6, 2005

TO: Honorable John T. Smithee, Chair, House Committee on Insurance

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.), **Committee Report 1st House, Substituted**

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). Under the bill, insurers would able to take credits against insurance premium tax liability for premium surcharges authorized by the bill. In addition, it would change the current conditions to qualify for premium tax liability credits. 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 $2 billion, 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 administered by TWIA and assessed against insurers. All premium surcharges collected by TWIA would be deposited in a fund held by the Comptroller outside the State Treasury. Insurers would receive a credit against insurance premium tax for the amount of the premium surcharge.

Assuming the maximum amount of bonds are issued on January 1, 2006 at a 6 percent interest rate, with a 10-year level debt service amortization (payments on 2/1 and 8/1), the estimated debt service costs would be $163,505,000 for fiscal year 2006 and $280,294,700 for fiscal year 2007. These costs would be paid from the premium surcharges assessed to the insurers.

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

LBB Staff: JOB, JRO, WP, DLBe