

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 2, 2007

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

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

IN RE: HB2960 by Smithee (Relating to the operation and funding of the Texas Windstorm Insurance Association.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Insurance Code Chapters 2210 and 2251, relating to the operations and funding of the Texas Windstorm Insurance Association (TWIA). The bill would remove fire insurance from the purpose of Chapter 2210, and it would restrict the purpose only to include the state's coastal counties.

The bill would amend Chapter 2210 to revise the funding procedures and assessment schedule to cover TWIA's excess losses, including the making of payments from the Catastrophe Reserve Trust Fund (CRTF). The bill would eliminate the premium tax credit and all insurer assessments. In their place, the bill would require that losses be paid from TWIA's available reserves, the CRTF, reinsurance, and public securities.

The bill would establish procedures for TWIA to issue pre-event and post-event public securities. At the request of TWIA, and with the approval of the Commissioner of Insurance, the Texas Public Finance Authority could issue public securities, in an amount sufficient to cover the losses and operating expenses of TWIA, at a maturity of not more than ten years.

The public securities issued under the new bill would be payable from TWIA's authorized revenue sources and from service fees administered by TWIA and assessed against member insurers. Fees to service the public securities issued before or after a catastrophic event could be collected from policyholders in the catastrophe area; and fees to service the public securities issued to cover certain excess losses, as defined by the bill, could be collected from policyholders throughout the state.

The fee would be collected from policyholders in the form of a premium surcharge, which would be set by TWIA, with the approval of the Commissioner of Insurance, and in an amount sufficient to cover all security debt service and related expenses. The premium surcharge would be paid to TWIA and would apply to all property and casualty insurance lines except workers' compensation, accident and health, and medical malpractice. The policy surcharge would be a separate charge in addition to premiums collected and would not be subject to the insurance premium tax.

Based on the analysis of the Texas Department of Insurance, The Comptroller of Public Accounts, and the Texas Public Finance Authority, it is assumed that costs associated with implementing the provisions of the bill could be covered from existing resources.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

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, MW, SK, JW