

**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: HB3969** by Eiland (Relating to establishing a reinsurance program for residential property insurance in the first and second tier coastal counties.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

This bill would add a new chapter to the Insurance Code to establish the Texas Windstorm Reinsurance Facility. The purpose of the facility would be to provide a stable and ongoing source of reinsurance to insurers for certain catastrophe losses incurred in the state's Tier 1 and Tier 2 Coastal Counties. The facility would be administered by a 9-member board of directors appointed by the Commissioner of Insurance, and it would be funded by premiums, investment income and capital market transactions, reinsurance, bond proceeds, and amounts available from the Windstorm Reinsurance Trust Fund.

The bill would establish the Windstorm Reinsurance Trust Fund for the purpose of increasing insurance capacity for catastrophic losses and protecting the state's general well-being. The fund would be held outside of the State Treasury by the Comptroller of Public Accounts (CPA), and it would be maintained by the Texas Department of Insurance (TDI).

The bill would authorize the board of directors to issue bonds on behalf of the facility, subject to restrictions on the use of the proceeds and on the use of service fee assessments to cover debt service. The bill would require that a bond issued under this subchapter, and any related credit agreement, is not a debt of the state or any state agency or political subdivision of the state and is not a pledge of the faith and credit of any of them and that a bond or credit agreement issued under the bill would be payable solely from revenue as provided by the bill. The public securities would be payable from authorized revenue sources and from service fees administered by the facility and assessed against member insurers, including the Texas Windstorm Insurance Association (TWIA) and the FAIR Plan Association. The fees would be paid to and set annually by the facility, with the approval of the Commissioner of Insurance, and in an amount sufficient to cover all security debt service and related expenses. The fee would apply to all property and casualty insurance lines except workers' compensation, accident and health, and medical malpractice.

Based on the analysis of the Texas Public Finance Authority and TDI, it is assumed that any costs for these agencies that might be incurred with the implementation of the bill could be absorbed within existing resources.

Based on the analysis of the Comptroller of Public Accounts, the potential loss in retaliatory taxes to the state in fiscal 2009 consequent to the startup fee that would be imposed on residential property insurers cannot be estimated.

The bill would take effect September 1, 2007.

**Local Government Impact**

No significant 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