LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 7, 2009

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

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

IN RE: **HB3853** by Eiland (Relating to the operation of the Texas Windstorm Insurance Association.), **As Introduced**

The positive fiscal impact to the General Revenue Fund resulting from premium tax credits being removed under the provisions of the bill for Texas Windstorm Insurance Association member assessments associated with weather-related disaster claims would depend on the timing, magnitude, location and number of natural disasters that might occur in insured areas which cannot be determined.

The bill would amend the Insurance Code relating to the operation of the Texas Windstorm Insurance Association (TWIA). Based on the analysis provided by the Texas Department of Insurance (TDI), it is assumed that any costs associated with implementing the provisions of the bill could be absorbed within the agency's existing resources.

This bill authorizes TWIA to direct Texas Public Finance Authority to issue revenue bonds in an amount necessary to provide funds to establish and maintain reserves to pay claims, pay incurred claims, pay operating expenses, purchase reinsurance and pay issuance costs. According to the analysis of the Bond Review Board, the public securities are obligations solely of the TWIA and do not create a pledge, gift or loan of the faith, credit or taxing authority of this state. Since the issuance of TWIA debt is not and may not constitute a legal or moral obligation of the state, it should have no direct impact on the fiscal health of the state.

The bill would remove the current premium tax credit for assessments paid by TWIA members allowed under this chapter. The assessments and associated premium tax credits vary dependent on claims from natural disasters. Based on analysis provided by the Comptroller of Public Accounts, the potential positive fiscal impact on the state cannot be estimated because the excess loss amount would depend on the timing, magnitude, location and number of natural disasters that might occur in insured areas which cannot be determined.

For the purpose of this analysis, Hurricane Ike, the state's most recent weather-related disaster with a significant impact on TWIA, was used as a source of reference. While the fiscal impact of Hurricane Ike to state agencies is an estimated $2.0 billion, it is an estimated $2.2 billion to TWIA. Under the provisions of the bill, removing premium tax credit assessments paid by TWIA members would have resulted in a positive revenue gain to the General Revenue Fund in the amount of $46 million each fiscal year from 2010 through 2014.

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, 352 Bond Review Board, 454 Department of Insurance

LBB Staff: JOB, KJG, MW, CH, SD, NV