

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 15, 2011

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

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

IN RE: HB2818 by Taylor, Larry (Relating to the operation of the Texas Windstorm Insurance Association and to the resolution of certain disputes concerning claims made to that association.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2818, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>Insurance Maint Tax Fees</i> 8042	Probable (Cost) from <i>Insurance Maint Tax Fees</i> 8042
2012	\$50,000	(\$50,000)
2013	\$50,000	(\$50,000)
2014	\$0	\$0
2015	\$0	\$0
2016	\$0	\$0

Fiscal Analysis

The bill would amend the Insurance Code relating to the operation of the Texas Windstorm Insurance Association (TWIA) and to the resolution of certain disputes concerning claims made to that association.

The bill would require the Texas Department of Insurance (TDI) to appoint a panel of experts to advise the insurance commissioner concerning the matter in which following a storm, TWIA should evaluate the extent to which a loss to insurable property was incurred as a result of wind, waves, tidal surges, rising waters not caused by waves or surges, and wind-driven rain associated with the storm. The bill would require that following a storm, the panel would again be convened to recommend to the insurance commissioner standardized data necessary to evaluate the extent to which a loss to insurable property was incurred as a result of wind, waves, tidal surges, rising waters not caused by waves or surges, and wind-driven rain associated with the storm. The bill would require the commissioner, after

consideration of the panel's recommendations, to adopt a rule regarding standardized data as part of the formula that TWIA will use to settle claims following the storm.

The bill would authorize the commissioner to enter an emergency cease-and-desist order to a qualified inspector if the inspector is in violation of certain requirements. The bill would require TDI to appoint an advisory committee on building code standards. The advisory committee would be required to submit a report to TWIA to be included in the association's biennial report.

Additionally, the bill would modify the public securities that shall be issued following a storm to change from once per year to once per occurrence or series of occurrences in a calendar year. The bill would require TWIA to follow the open meetings rules. The bill would amend statute to state that to pay Class 3 securities the association shall not assess the members in excess of \$500 million per occurrence or series of occurrences. This bill would authorize TWIA to direct Texas Public Finance Authority to issue revenue bonds up to \$1 billion for Class 1, \$1 billion for Class 2 and up to \$500 million per occurrence or series of occurrences in a calendar year to pay excess losses.

The bill would take effect immediately upon receiving a two-thirds majority vote in each house. If the bill does not receive a two-thirds vote in each house, the bill would take effect September 1, 2011.

Methodology

Based on the analysis by TDI, it is anticipated that the expert panel will cost \$50,000 during fiscal year 2012 to meet to establish basic information, identify necessary standardized data, and identify methodology to develop the recommended formula. Following a storm, the panel will reconvene to recommend standardized data to evaluate and make a recommendation to the insurance commissioner regarding a formula TWIA will use to settle claims. It is anticipated that the expert panel will cost \$50,000 to reconvene after a storm. Since the timing, magnitude, location, and number of storms that might occur cannot be estimate, this analysis assumes one storm during the next five years.

Since insurance maintenance tax is self-leveling, this analysis assumes that the costs to implement this bill would come from fund balances or the maintenance tax would be set to recover a higher level of revenue.

Based on the analysis by the Bond Review Board, the public securities are obligations solely of 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.

Technology

No technology impact is anticipated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 352 Bond Review Board, 454 Department of Insurance

LBB Staff: JOB, KJG, MW, CH