

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 1, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1890** by Stephenson (Relating to certain contracts between the Texas Windstorm Insurance Association or the Texas Public Finance Authority and a financial advisor or investment banking services provider.), **As Introduced**

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

The bill would amend the Insurance Code relating to certain contracts between the Texas Windstorm Insurance Association (TWIA) or the Texas Public Finance Authority (TPFA) and a financial advisor or investment banking services provider. The bill would prohibit TWIA or TPFA with respect to an offering of public securities from entering into a contract with a financial advisor or investment banking service provider if TWIA or TPFA already have a contract with that provider or have had one in the preceding 12-month period. The bill also prohibits a contract with TWIA or TPFA if the financial advisor or investment banking service provider has contracted with a state or federal insurance program, pool, fund, or other residual market provider that would reasonably be expected to incur substantial losses in the event of any catastrophe that would also reasonably be expected to cause substantial losses to TWIA. The insurance commissioner could rule to allow the contract after a public hearing if the contract would not give rise to a conflict of interest or the services provided under the contract with a prior listed entity are immaterial to the TWIA or TPFA.

The bill could impact the availability of firms eligible to serve as financial advisors or investment banking service providers on TWIA related transactions, thus potentially causing an increase to the costs of issuance paid by TWIA outside of the treasury. This bill could also impact the workload for the Texas Department of Insurance's (TDI) purchasing office if they are required to conduct contract solicitation of behalf of TWIA. There would also be an additional increase in workload for TDI's legal division related to preparing determinations regarding a conflict of interest or the materiality of services in contracts for required hearings. However, based on information provided by TDI and TPFA it is assumed that any costs associated with the implementation of this bill could be absorbed within existing staff and resources.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 347 Public Finance Authority, 454 Department of Insurance

**LBB Staff:** UP, AG, ER, LXH