

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 21, 2015

TO: Honorable John Frullo, Chair, House Committee on Insurance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB696 by Hunter (Relating to the operation of the Texas Windstorm Insurance Association; affecting surcharges.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Insurance Code relating to the operation of the Texas Windstorm Insurance Association (TWIA); affecting surcharges.

The bill would modify the manner in which insured losses in excess of reserves and amounts available in the Catastrophe Reserve Trust Fund (CRTF) would be paid. Under the provisions of the bill, excess losses in a catastrophe year would be paid from (1) Class 1 member assessments not to exceed \$500 million; (2) the issuance of up to \$500 million in Class 1 securities; (3) Class 2 member assessments not to exceed \$500 million; (4) the issuance of up to \$500 million in Class 2 public securities; and, if necessary, (5) the issuance of up to \$1 billion in Class 3 public securities. Class 1 and Class 2 securities would be repaid by TWIA net premium and other revenue and, if necessary, by a catastrophe area premium surcharge. Class 3 securities would be repaid by net premium and other revenue and, if necessary, by a statewide premium surcharge, not to exceed one percent of premium charged.

The bill would amend Chapter 2210 of the Insurance Code to require the Texas Department of Insurance to conduct a study of market incentives to promote participation in the voluntary windstorm and hail insurance market in the seacoast territory and include the results of the study in the report submitted by TDI under Section 32.022 of the Insurance Code.

This analysis does not reflect estimates of the fiscal impact of assessments made by TWIA on insurers in the state in the event of a disaster as those revenues are deposited to the CRTF and are accounted for outside the state treasury. Further, because the state is not liable for any public issuances by or on behalf of TWIA, the bill would have no fiscal implications to the state related to any public securities issue by, or on behalf of TWIA.

The bill would create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in the bill would be subject to funds consolidation review by the current Legislature.

Based on information provided by TDI, the Office of the Governor, Bond Review Board, Public Finance Authority, and the Comptroller of Public Accounts, it is assumed that all duties and responsibilities necessary to implement the provisions of the bill could be accomplished utilizing

existing staff and resources.

The bill would take effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If the bill does not receive the vote necessary for immediate effect, the bill would take effect September 1, 2015.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 301 Office of the Governor, 304 Comptroller of Public Accounts, 352 Bond Review Board, 454 Department of Insurance, 347 Public Finance Authority

LBB Staff: UP, AG, NV, ER, CL, LBe