

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: HB2245 by Bonnen, Greg (Relating to the operation of the Texas Windstorm Insurance Association and the renaming of the Texas Windstorm Insurance Association as the Texas Coastal Insurance Association.), **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) and the renaming of the Texas Windstorm Insurance Association as the Texas Coastal Insurance Association (TCIA).

The bill would require the Commissioner of Insurance to contract with an administrator to run TCIA, and to administer their plan of operation. The term of the administrator could not exceed five years, and would be renewable. This analysis assumes that the administrator would be paid with funds collected by TCIA.

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 this 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; and (4) the issuance of up to \$500 million in Class 2 public securities. Class 1 and Class 2 securities would be repaid by TCIA net premium and other revenue and, if necessary, by a catastrophe area premium surcharge on association policyholders. A member of the association may not recoup an assessment paid under Chapter 2210 of the Insurance Code through a premium surcharge or tax credit.

The bill would amend Chapter 2210 of the Insurance Code to require the Texas Department of Insurance (TDI) to conduct a biennial 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 TCIA on insurers in the state in the event of a disaster as those revenues are deposited to the CRTF and accounted for outside the treasury. Further, because the state is not liable for any public issuances by or on behalf of TCIA, the bill would have no significant fiscal implications to the state related to any public securities issued by, or on behalf of TCIA.

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 the TDI 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: 304 Comptroller of Public Accounts, 454 Department of Insurance

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