

## **BILL ANALYSIS**

H.B. 2366  
By: Thompson, Ed  
Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The Texas Windstorm Insurance Association (TWIA) pays a premium and maintenance tax to the Texas Department of Insurance (TDI) even though TWIA is a nonprofit association operating in a residual market. Premium and maintenance taxes fund TDI's administrative costs, which help TDI regulate the business of insurance in Texas. TWIA, however, is a nonprofit association that is highly regulated by the legislature through statute. TWIA does not operate on market principles and must write any eligible policy regardless of risk, unlike traditional insurers who can reject high risk properties. TWIA's board reports regularly to the legislature and follows transparency laws and open meetings statutes. Factors like these are what separate TWIA from other insurance companies who pay premium and maintenance taxes.

In fiscal year 2023, TWIA is projected to owe more than \$8 million in premium tax liability according to information supplied by TDI and TWIA. This is money that could be added to the catastrophe reserve trust fund. Because TWIA is a nonprofit entity, funds are cycled right back into operating expenses, and every dollar that TWIA can place into the trust fund reduces the amount of reinsurance needed. This is important because reinsurance is TWIA's largest cost.

H.B. 2366 seeks to exempt TWIA from paying the mandatory premium and maintenance taxes to TDI.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 2366 amends the Insurance Code to exempt the Texas Windstorm Insurance Association from the property and casualty insurance premium tax and the fire and allied lines insurance maintenance tax. These exemptions expressly do not affect tax liability accruing before the 2023 calendar year.

### **EFFECTIVE DATE**

September 1, 2023.