

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 25, 2023

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1588 by Oliverson (Relating to funding of excess losses and operating expenses of the Texas Windstorm Insurance Association; authorizing an assessment; authorizing a surcharge.), **As Passed 2nd House**

The fiscal implications of the bill cannot be determined because the timing and amounts of any excess losses and amounts loaned from the Economic Stabilization Fund are unknown.

The bill would amend the Insurance Code relating to the payment of excess losses of the Texas Windstorm Insurance Association (TWIA) and allow the Comptroller of Public Accounts (CPA) to enter into an investment arrangement with TWIA to provide up to \$1 billion of the Economic Stabilization Fund balance to fund TWIA's excess losses and operational expenses after a catastrophic event. Additionally, this bill requires TWIA to calculate a probable maximum loss. The bill would be effective immediately if it receives a vote of two-thirds of all members elected to each house; otherwise, the bill would be effective September 1, 2023.

The bill would modify the manner in which excess losses of TWIA are paid. Under current law, excess losses are paid for by the issuance of public securities and by member assessments. The bill would require that excess losses be paid by member assessments not to exceed \$1 billion per catastrophe year; money received from state investment arrangements not to exceed \$1 billion; and the issuance of public securities not to exceed, in aggregate, \$1 billion at any one time. TWIA members could not recoup an assessment through a premium surcharge or tax credit. According to the CPA, the fiscal impact on the state cannot be estimated as the timing and amounts of any excess losses and infrastructure grants are unknown.

Based on the analysis of the Trusteed Programs within the Office of the Governor and the Department of Insurance, any duties and responsibilities associated with implementing the provisions of the bill could be accomplished by the agencies utilizing existing resources.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 300 Trusteed Programs Within the Office of the Governor, 304 Comptroller of Public Accounts, 454 Department of Insurance

LBB Staff: JMc, AAL, LBI, SZ, GDZ