



1050 17th Street, N.W.
Suite 1150
Washington, DC 20036
202.525.5717

Free Markets. Real Solutions.
www.rstreet.org

April 22, 2015

**Rep. John Frullo, Chairman
House Committee on Insurance
Texas House of Representatives**

RE: H.B. 696 and H.B. 2245, Texas Windstorm Insurance Association

Chairman Frullo, members, my name is Josiah Neeley and I am Texas director of the R Street Institute. R Street is a nonprofit, free-market think tank that specializes in insurance and other issues. I'm here today to speak against H.B. 696 and H.B. 2245.

I would like to commend the committee, Chairman Hunter and Rep. Bonnen for taking up this important issue. While TWIA's financial situation has improved greatly in the last few years, it is still in need of serious reform to return it to its original role as a true insurer of last resort along the Texas coast.

However, several of the provisions in H.B. 696 and H.B. 2245 risk undermining even the progress that TWIA has made. For example, TWIA's rates are, by its own calculations, 22 percent below what is necessary to be actuarially sound. It was only a few years ago that TWIA's rates were 40 percent below this necessary minimum. TWIA has managed to make up the difference through small but regular annual rate increases. Both H.B. 696 and 2245 would restructure TWIA's board in a manner that would likely preclude further rate increases. Instead, the bills mandate increased reliance on assessments of insurance companies and non-TWIA policyholders, who do not benefit from the program.

Rather than making it harder for TWIA to reach financial stability, reform legislation ought to build on the progress TWIA has already made. Right now, for example, TWIA is restricted from charging different rates within its territory based on geography. Simply allowing this tool would go a long way toward achieving actuarial soundness. TWIA has also launched a "depopulation portal," a special website that makes it easier for private insurers to take on current TWIA policies on a voluntary basis. One company has already announced its intention to make offers on nearly 60,000 policies via the portal. Other states such as Florida and Louisiana have had a lot of success in using depopulation portals to get people back into the private insurance market, and Texas should look to strengthen the portal along similar lines.

I would be happy to answer any questions.