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R Street Urges Veto of SB 900

Office of the Governor
P.O. Box 12428
Austin, TX 78711

June 1, 2015

Dear Gov. Abbott:

R Street is a free-market think tank dedicated to limited, effective government, free markets and responsible environmental stewardship. One of R Street's core focus areas is insurance reform and we have long advocated measures to restore the fiscal sustainability of the Texas Windstorm Insurance Association (TWIA). We write to urge you to veto S.B. 900, which would take TWIA in the wrong direction.

TWIA is in desperate need of reform. According to the agency's calculations, its rates are more than 20 percent below what is needed for the agency to be actuarially sound. These low rates have led to a more than tripling of TWIA policies over the last decade, as private insurers are unable to compete with the TWIA's below-market rates in many cases.

S.B. 900, however, attempts to deal with TWIA's fiscal shortfall by shifting cost and risk onto non-TWIA policyholders throughout the state. The bill mandates greater use by TWIA of assessments on insurance companies and requires earlier reliance on assessments in the event it has insufficient funds to meet claims. These costs will be passed on to millions of non-TWIA policyholders, both along the coast and throughout the state, who receive no benefit from the TWIA program. By increasing the cost-shifting, SB 900 makes it more difficult for TWIA to return to its original role as a windstorm insurance provider of last resort.

TWIA does need fundamental reform. But SB 900 is not an appropriate approach to achieve fiscal stability for the agency. We therefore respectfully ask you to veto SB 900.

Sincerely,
Josiah Neeley
R Street Institute