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March 22, 2019

Rep. Eddie Lucio, Chair
Rep. Tom Oliverson, Vice Chair
House Committee on Insurance
Texas House of Representatives

RE: H.B. 1306

Members of the committee,

My name is R.J. Lehmann and I am director of finance, insurance and trade policy at the R Street Institute. R Street is a think tank devoted to pragmatic free-market solutions to public policy challenges that has engaged on Texas property insurance issues since our founding seven years ago.

I write to you in support of H.B. 1306, an act relating to the provision of flood coverage under insurance policies issued by surplus lines insurers. Under terms of the bill, Texas surplus lines insurers would be released from requirements that flood insurance coverage may be placed only after the insured has completed a diligent search from authorized insurers and that surplus lines flood insurance may be provided only in amounts that exceed that obtainable from authorized insurers.

Streamlining the process to obtain flood insurance from surplus lines insurers would help to bolster the emerging private market for flood insurance. For the past 50 years, most flood coverage in the United States has been underwritten by the National Flood Insurance Program, a federal agency that has been forced to borrow nearly \$40 billion from the U.S. Treasury in recent years to cover its losses. But according to projections by the actuarial firm Milliman, 92 percent of single-family homes in Texas could find more affordable coverage in the private flood insurance market, including 88 percent in the highest-risk coastal zones.

According to statutory insurance data provided by S&P Global, there were \$63.2 million of private flood insurance premiums written in Texas in 2018, up 18 percent from 2017 and roughly double 2016's total. H.B. 1306 would streamline the process to allow even more Texans to take advantage of private coverage, including millions of homeowners who currently have no coverage at all for flood.