



1212 New York Ave. N.W.  
Suite 900  
Washington, D.C. 20005  
202-525-5717

*Free Markets. Real Solutions.*  
[www.rstreet.org](http://www.rstreet.org)

Testimony from:  
Josiah Neeley, Texas Director, R Street Institute  
In OPPOSITION to HB 1772, 3632, 3633, 3960, 3961 & 3962

April 9, 2019

House Committee on Insurance

Mr. Chairman and members of the committee:

My name is Josiah Neeley, and I am the Texas Director and an Energy and Environment Senior Fellow at the R Street Institute. R Street is a nonprofit, nonpartisan public policy research organization with a mission to engage in policy research and outreach to promote free markets and limited, effective government. I am here today to speak in opposition to HB 1772, 3632, 3633, 3960, 3961 and 3962.

The Texas Windstorm Insurance Association (TWIA) was created to serve as an insurer of last resort along the Texas coast. TWIA has faced persistent financial difficulties, which are ultimately rooted in the fact that its rates are lower than what is necessary to pay out claims over the long term.

As TWIA itself notes, in 2018 the agency's rates were 32.2 percent below actuarially adequate levels for residential policies and 37.3 percent below actuarially adequate levels for commercial policies. TWIA has been making progress toward rate adequacy with a series of rate increases averaging 5 percent per year over the past decade.

Reaching actuarially adequate rates should be TWIA's primary goal. Unfortunately, the legislation being considered today would hamper TWIA's ability to continue making progress toward that goal. HB 1772, 3960, 3961 and 3962 would limit the ability of TWIA to increase rates without the prior approval of the TDI Commissioner. HB 3632 would make rate increases above 5 percent subject to the veto of policyholders. And HB 3633 increases the representation of groups traditionally hostile to rate increases on the TWIA board. If enacted, these bills will make achieving rate adequacy much more difficult.



1212 New York Ave. N.W.  
Suite 900  
Washington, D.C. 20005  
202-525-5717

*Free Markets. Real Solutions.*  
[www.rstreet.org](http://www.rstreet.org)

TWIA's unsustainably low rates are not simply a matter of abstract accounting. To the extent that TWIA is unable to meet its obligations, Texans will be required to pick up the bill. It is fundamentally unfair to require Texans who live hundreds of miles from the coast to indirectly subsidize TWIA policyholders through assessments on private insurance.

I would be happy to answer any questions.

Josiah Neeley  
Texas Director  
R Street Institute  
512-415-2012  
[jneeley@rstreet.org](mailto:jneeley@rstreet.org)