

BILL ANALYSIS

Senate Research Center
88R10729 CJD-D

H.B. 2366
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Windstorm Insurance Association (TWIA) pays a premium and maintenance tax to the Texas Department of Insurance (TDI) even though TWIA is a nonprofit association operating in a residual market. Premium and maintenance taxes fund TDI's administrative costs, which help TDI regulate the business of insurance in Texas. TWIA, however, is a nonprofit association that is highly regulated by the legislature through statute. TWIA does not operate on market principles and must write any eligible policy regardless of risk, unlike traditional insurers who can reject high risk properties. TWIA's board reports regularly to the legislature and follows transparency laws and open meetings statutes. Factors like these are what separate TWIA from other insurance companies that pay premium and maintenance taxes.

In fiscal year 2023, TWIA is projected to owe more than \$8 million in premium tax liability according to information supplied by TDI and TWIA. This is money that could be added to the catastrophe reserve trust fund. Because TWIA is a nonprofit entity, funds are cycled right back into operating expenses, and every dollar that TWIA can place into the trust fund reduces the amount of reinsurance needed. This is important because reinsurance is TWIA's largest cost.

H.B. 2366 seeks to exempt TWIA from paying the mandatory premium and maintenance taxes to TDI.

H.B. 2366 amends current law relating to the applicability of premium and maintenance taxes to the Texas Windstorm Insurance Association.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 221.001(b), Insurance Code, as follows:

(b) Provides that Chapter 221 (Property and Causality Insurance Premium Tax) does not apply to:

(1)-(4) makes no changes to these subdivisions;

(5)-(6) makes nonsubstantive changes to these subdivisions; or

(7) the Texas Windstorm Insurance Association (TWIA).

SECTION 2. Amends Section 252.005, Insurance Code, as follows:

Sec. 252.005. EXCEPTION. Provides that Chapter 252 (Fire and Allied Lines Insurance) does not apply to:

(1)-(2) makes nonsubstantive changes to these subdivisions; or

(3) TWIA.

SECTION 3. Provides that the changes in law made by this Act do not affect tax liability accruing before the 2023 calendar year. Provides that that liability continues in effect as if this Act and not been enacted, and the former law is continued in effect for the collection of taxes due and for enforcement of the liability for those taxes.

SECTION 4. Effective date: September 1, 2023.