

CSHB 1588 IS BAD FOR TEXAS

Texans already pay some of the highest property and casualty premiums in the nation due to the frequency of inclement weather and the severity of those weather events in Texas. CSHB 1588 only exacerbates these cost issues by dramatically shifting the responsibility to pay coastal wind and hail claims to non-coastal Texans.

CSHB 1588 is a direct \$1 BILLION per year HIDDEN coastal insurance subsidy (at the greatest risk level) paid by non-coastal residents.

CSHB 1588 places a \$1 billion assessment on insurance companies doing business in Texas as the very first layer of funding for losses that exceed TWIA resources. The truth is – those dollars come from the pockets of non-coastal Texans who pay the insurance premiums ultimately fund that annual \$1 billion assessment. As a result, because that first layer funding, and could be activated by even a moderate tropical event, consumers in every part of Texas will have to pay for the risk of coastal storms every year, rain or shine, whether they live on the coast or not, in the form of higher premiums. Thus, HB1588 would further heap the financial responsibility for future TWIA claims on non-coastal Texans who see no insurance benefit from TWIA.

If the \$1B HIDDEN coastal subsidy was not enough, CSHB 1588 calls for the State of Texas to loan TWIA an additional \$1B from state funds - which in turn will be repaid by a statewide surcharge on policies of non-coastal Texans.

CSHB 1588 contains yet another layer of funding in the form of bonds, payable either by coastal residents or by Texans statewide. However, because TWIA has historically paid bond debt out of premium rather than as an additional charge on TWIA policyholders, such payments drain TWIA's ability to pay its own claims through collected premium. This once again leads to a higher risk of assessments on and costs to all Texans. CSHB 1588 preserves a provision that forces insurance companies to pay its bills for reinsurance TWIA purchases for funding for a major storm (over a 1-in-100 year level) through assessments. Insurers have no say in whether such a purchase will be made, but still must account for the risk of such an occurrence, again through rates associated with that risk.

The Texas economy must have insurance to function. Homeowners must have insurance to protect their property and their livelihoods. The Texas property and casualty market is already extremely difficult for insurers to underwrite. Texas needs every property and casualty insurer it can attract to protect its citizens and booming economy. CSHB 1588's expectation that insurers may have to pay \$1 billion every year for even moderate storms to support TWIA in exchange for ZERO premium is just another reason property and casualty companies may chose not to invest in Texas.