

Brief Overview
of
Texas Windstorm Financing

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Texas Public Finance Authority Overview

- The Texas Public Finance Authority's mission is to provide the most cost-effective financing available to fund capital projects, equipment purchases, and other programs authorized by the Legislature.
- The Legislature created the Texas Public Finance Authority (TPFA) in 1983 to issue bonds on behalf of the General Services Commission and has since expanded its clients to currently include 23 State and State-related entities. Today, TPFA is one of the State's primary issuers of debt repaid from General Revenue. The authority also issues other types of bonds as authorized by the Legislature.
- The 81st Legislature's passage of H.B. 4409 instructed TPFA to help the Texas Windstorm Association provide post-storm event financing, to address shortfalls in claims paying resources.

Texas Windstorm Financing

- Texas Windstorm is a member entity of property and casualty insurance companies who are authorized to write property insurance in the state, and it is designed to provide access to property insurance for wind and hail for those unable to procure such insurance in the voluntary market.
- Extensive claims from the 2008 hurricane season, retreat of the voluntary insurance market, and other factors reduced the Association's resources to address needs in future hurricane seasons. The Association's traditional resources have been premiums and Catastrophe Reserve Trust Fund balances.
- H.B. 4409 (the "Act") provides the Association with a new funding source—up to \$2.5 billion in public securities per year.
- These securities would only be issued after the storm event(s). The bonds/notes are repaid at various levels from Association net revenues, catastrophe area surcharges, and assessments to the Association member companies.
- As an initial "line of defense," the Association will utilize a \$300 million commercial paper program set up by TPFA, from which to draw upon in the event of a catastrophic event.
- The commercial paper notes would be sold as "Class 1" securities as defined in the Act and secured by Association net revenues.
- The Texas Comptroller will provide liquidity/credit support for the commercial paper program.
- Any commercial paper notes issued are expected to be refinanced into Class 1 fixed rate bonds payable over a period not to exceed a ten-year term.

Texas Windstorm Insurance Association Financing

Public Securities under HB 4409

Public Security	When/how issuable	Max Amount	Max Term	Revenue to repay
Class 1	Post-event	\$1 billion per year	10 years	TWIA premiums and other TWIA Revenue
Class 2	Post-event	\$1 billion per year	10 years	<p>30% - assessment on TWIA members based on TWIA participation</p> <p>70% - premium surcharge on P&C policies in CAT area, excluding federal flood, medical malpractice, workers' comp., and accident & health</p>
Class 3	Post-event	\$500 million per year	10 years	Assessment on TWIA members of up to \$500 million/per year
Refunding Bonds	Anytime	Any amount		Same source as original securities