

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

- H.B. 4409 provides the Windstorm 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 H.B. 2209 and secured by Association net revenues.
- The Texas Comptroller is providing liquidity/credit support for the commercial paper program, but the liquidity agreement expires on December 31, 2010.
- 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

