

WRITTEN TESTIMONY TO THE SENATE COMMITTEE ON BUSINESS AND COMMERCE

BY **Jacob Nemit**, Texas Public Policy Foundation
JUNE 2026

Chairman Schwertner and Members of the Committee,

My name is Jacob Nemit, and I am a policy analyst at the Texas Public Policy Foundation, a free-market institute headquartered in Austin. Thank you in advance for the committee's work to improve property insurance, housing affordability, and consumer protection. In furtherance of this effort, I am pleased to submit the following written remarks and offer any future assistance to ease rising property insurance premiums by eliminating regulatory barriers and expanding marketplace competition.

Regarding today's deliberations, the relevant interim charge calls for the committee to explore:

"Strengthening Regulatory Oversight and Access to Affordable Insurance for Texans: Evaluate the rising cost of property and casualty insurance in Texas. Consider the stability and competitiveness of the Texas insurance market, insurer participation, and coverage availability to meet consumer demand. Make recommendations to increase affordability, improve reporting to strengthen consumer protections, and support timely regulatory and legislative responses."

Given this framework, the written remarks below will consider the current property insurance environment with an emphasis on the coastal region and the Texas Windstorm Insurance Association (TWIA). It will detail recent legislative changes to TWIA's funding structure, examine the ways in which TWIA's funding structure impedes *the stability and competitiveness of the Texas insurance market* and the problems of *affordability* it transfers onto non-TWIA policyholders across the state, as well as address the concerns relating to TWIA's growth in terms of market share, exposure-in-force, and policy count. It will also propose that policymakers consider a new approach to gain greater insight into TWIA and its impact on the broader marketplace.

RECENT LEGISLATIVE REFORM

The 89th Texas Legislature made notable changes to TWIA's funding structure in response to the high costs associated with reinsurance premiums and repayment of public securities. The biggest reforms came from the passage of House Bill (HB) 3689.

continued

HB 3689 (2025) reduced TWIA’s total funding requirements by lowering its Probable Maximum Loss (PML) standard to a 1-in-50-year storm. Historically, TWIA had to maintain a funding stack capable of covering a 1-in-100-year storm, leading it to purchase large amounts of reinsurance. HB 3689 also removed public securities from its funding stack and added a state financing arrangement to be repaid through statewide surcharges, which is likely to have more favorable interest rates.

While this legislation enacted significant structural reforms intended to “help reduce TWIA’s long-term financial burdens, ensure timely repayment of state loans, and enhance TWIA’s capacity to cover losses from disasters” ([HB 3689 Bill Analysis, 2025, p. 2](#)), it is still too soon to know whether these goals will be fully achieved. However, one point about HB 3689’s passage that seems more certain is that these changes did not create the definitive standard for TWIA’s funding stack. In fact, HB 3689 is one of 23 enacted bills pertaining to TWIA in eight of the last nine legislative sessions ([TDI, 2026](#)).¹ At the very least, the numerous bills passed hint at an ongoing need to address funding inadequacies and organizational shortcomings.

COST DISTRIBUTION TO PRIVATE POLICYHOLDERS

TWIA’s history of distributing risk onto third parties is well documented. Member insurers were assessed following Hurricane Rita in 2005, Hurricane Dolly and Hurricane Ike in 2008, and, despite legislative changes to its funding stack, Hurricane Harvey in 2017 ([TDI, 2026](#)). In fact, Hurricane Harvey levied a total of \$372 million in losses on member insurers between 2018 and 2020 ([TDI, 2026](#)). Private insurers, however, do not bear these costs alone.

According to TWIA, “companies generally include a provision for potential assessments in their rates” ([TWIA, 2020a](#)), suggesting that private policyholder premiums reflect member insurers’ risk of assessments. In addition, HB 3689 introduced statewide surcharges as the mechanism for repaying both the principal and interest on the state financing arrangement when utilized. Therefore, private policyholder premiums not only reflect assessment risk but also may include an additional surcharge going forward.

The distribution of risks is only more exacerbated given that TWIA incentivizes personal and commercial migration and has become the primary windstorm and hail insurer in the Catastrophe Area.

MARKET SHARE

- In 2020, TWIA made up 37.3% of the residential wind market share.²
- In 2025, TWIA made up 55% of the residential wind market share ([TDI, 2026](#)).

EXPOSURE-IN-FORCE

- In 2020, TWIA’s exposure-in-force totaled \$55 billion ([TWIA, 2020b](#)).
- In 2025, TWIA’s exposure-in-force totaled \$126.5 billion ([TWIA, 2025a](#)).

TOTAL POLICY COUNT

- In 2020, TWIA insured 184, 890 properties ([TWIA, 2025b](#)).
- In 2025, TWIA insured 284,846 properties ([TWIA, 2025b](#)).

¹ Author counted the “Legislative updates” on the TWIA overview page.

² Information received via Texas Public Information Act.

RECOMMENDATIONS

TWIA has a history of relying on third-party payments to sufficiently cover losses. The nature of this system is both economically and structurally questionable, given that it incentivizes migration while shifting burdens onto its non-coastal neighbors. At the very least, TWIA's expanding presence and majority share indicate a need to consider whether more market-oriented approaches might better serve the coastal community whilst also alleviating the affordability issue elsewhere.

In light of this consideration, the 90th Texas Legislature should establish a blue-ribbon committee to explore the following: (i) how many private residents are aware they contribute to TWIA's funding stack, (ii) the extent to which migration patterns are attributable to TWIA's presence, (iii) the variables contributing to private insurers decreased participation, (iv) what premium amount is sufficient for an insurer to operate in the Catastrophe Area without third party funding, (v) how much private premiums are attributable to insurer assessment risk, and (vi) further recommendations to shift insurance industry in a more market-oriented direction.

REFERENCES

- HB 3689. Enrolled. 89th Texas Legislature. Regular. (2025). <https://capitol.texas.gov/tlodocs/89R/billtext/pdf/HB03689F.pdf>
- HB 3689 Bill Analysis. House Research Organization. 89th Texas Legislature. Regular (2025, April). <https://hro.house.texas.gov/pdf/ba89r/hb3689.pdf>
- Texas Department of Insurance (TDI). (2026). *TWIA overview*. <https://tdi.texas.gov/pubs/pc/twia-overview.pdf>
- Texas Windstorm Insurance Association (TWIA). (2025a). *TWIA liability report: As of December 31, 2025*. <https://www.twia.org/wp-content/uploads/TWIA-Liability-Report-20251231.pdf>
- Texas Windstorm Insurance Association (TWIA). (2025b). *TWIA fact book: Q4 2025*. <https://www.twia.org/wp-content/uploads/Q4-2025-TWIA-Fact-Book.pdf>
- Texas Windstorm Insurance Association (TWIA). (2020a). *Board of Directors meeting materials*. <https://www.twia.org/wp-content/uploads/TWIA-Board-of-Directors-Meeting-Materials-August-4-2020.pdf>
- Texas Windstorm Insurance Association (TWIA). (2020b). *Quarterly liability statement (as of December 31, 2020)*. https://www.twia.org/wp-content/uploads/TWIA_Qtrly_Liab_20201231-1.pdf

