



The State of Texas  
House of Representatives  
Austin, Texas

**John Smithee**

State Representative  
District 86

Dallam  
Deaf Smith  
Hartley  
Oldham  
Parmer  
Randall

Committees:

Insurance  
Chairman

State  
Affairs

May 29, 2013

The Honorable Rick Perry  
Governor of Texas  
P.O. Box 12428  
Austin, Texas 78711

Dear Governor Perry:

This past week, out-going Commissioner Eleanor Kitzman disapproved the \$500 million bank anticipation note (BAN) that the Texas Windstorm Insurance Association (TWIA) Board of Directors had proposed for the 2013 hurricane season. After reviewing her order, it is hard to argue with the reasoning process that underlies the denial. I believe that all would agree that it was a prudent and sound decision.

Nonetheless, the disapproval of the \$500 million in available cash raises significant concerns regarding TWIA. First, when the BAN denial is coupled with TWIA's apparent inability to market some or all Class 1 bonds, it appears that we will likely be presented with a \$1 billion gap in TWIA's finance structure. More importantly, however, is that the apparent gap occurs at the front-end of the structure. Without availability of the \$500 million BAN, there appears to be a legitimate concern regarding TWIA's liquidity to pay losses in the 30-90 days following a 2013 storm of even low to moderate severity. This 30-90 day window is critical to TWIA policyholders, because the inability to pay for and complete repairs in that time frame would likely result in much more significant losses resulting from the delay.

Despite this serious problem, I believe that there is a relatively simple fix. I have discussed my ideas with a number of coastal legislators, as well as with former Commissioner Kitzman. Certainly there will need to be tweaks to the concept I am proposing, but I have seen no evidence to indicate that the framework of this solution is either unreasonable or unreachable.

Therefore, I would respectfully request that you add TWIA to the Special Session call as quickly as possible. It is not too late to provide significant relief, if needed, to coastal policyholders for the 2013 storm season, not to mention being better prepared for the 2014 season. I would be happy to discuss this matter with you or your staff at any time.

Yours very truly,

A handwritten signature in black ink that reads "John Smithee". The signature is written in a cursive style with a large initial "J".

John Smithee

cc: The Honorable Joe Straus, Speaker  
The Honorable David Dewhurst, Lieutenant Governor  
The Honorable John Carona, Senate Business & Commerce Chairman  
Members of the Windstorm Insurance Legislative Oversight Board  
Julia Rathgeber, Commissioner of Insurance  
Mike Gerick, TWIA Board Chairman