



Southwestern Insurance Information Service

WWW.SIISINFO.ORG

## Insurance News

**Date:** October 22, 2008  
**Source:** Houston Chronicle  
**Author:**

**SIIS Office:** (512) 795-8214  
**SIIS Cell:** (512) 965-4001 Jerry  
(512) 468-6965 Sandra

---

### **Insurer of last resort to boost homeowners rates**

By PURVA PATEL Copyright 2008 Houston Chronicle  
**Oct. 22, 2008, 8:51AM**

Thousands of Harris and Fort Bend county homeowners who have policies with the state's home insurer of last resort will see their rates jump 20 percent starting next month.

The Texas Fair Access to Insurance Requirements Plan, formed in 2002 after the mold crisis, sells limited coverage to homeowners who can't find it in the private market.

Most of the plan's 87,396 policyholders live in Fort Bend and Harris counties, where it insures a combined 57,495 homes as of September's end, said James Murphy, an actuary with the plan.

The plan needs the higher rates to help cover potential natural disasters, he said.

State Insurance Commissioner Mike Geeslin approved the hike Aug. 29, long before Ike blew through Texas. So the upcoming rate increases aren't tied to Ike's losses, Murphy said.

The plan has so far received about 18,000 claims related to Ike, said Jerry Johns, a spokesman for the insurer.

The plan initially asked for a statewide average increase of 27.8 percent in February.

Geeslin rejected that request because it didn't meet the department's rating standards of being "fair and reasonable," following which the plan asked for a statewide average 10.7 percent average increase, said Jerry Hagins, a spokesman for the Texas Department of Insurance.

*For Additional Information:*

---

8303 N Mopac, Ste B-231  
Austin, TX 78759

Phone: (512) 795-8214  
Fax: (512) 795-9363



Southwestern Insurance Information Service

WWW.SIISINFO.ORG

## Insurance News

Though rates will jump in Houston, Sugar Land and nearby cities in counties once removed from the coast, they're dropping 8 percent to 20 percent just about everywhere else.

The plan's 3,000 Galveston County policyholders, for instance, will see rates plummet 20 percent. That's because the plan doesn't offer windstorm coverage directly on the coast.

Policies with the plan can cost less than those sold by private insurers, but the plan's policies also offer stripped-down coverage.

For instance, the plan doesn't cover damage from the weight of ice on structures, frozen plumbing or mold. To keep homeowners shopping for cheaper coverage from inundating the plan, officials only accept applicants who have been declined coverage by at least two insurance companies.

However, losses from Ike could cause some insurers to withdraw from selling coverage in counties once removed from the coast. That could force policyholders into the state-backed insurer, possibly overwhelming the plan's ability to pay claims in the event of a major catastrophe.

If the plan runs out of its own funds, the law allows it to issue \$75 million in bonds and turn to insurance companies statewide with unlimited assessments.

The companies can then recoup any assessments or interest on the securities through policy surcharges on policies they sell over a three-year period.

It's too early to know if that will happen, but it's something lawmakers need to watch, said Rep. John Smithee, R-Amarillo, chairman of the House Insurance Committee.

"There's a potential for it to become a growing market," he said. "But the coverage won't be very extensive and that will impede customers from coming to it."

Sandra Helin

*For Additional Information:*

8303 N Mopac, Ste B-231  
Austin, TX 78759

Phone: (512) 795-8214  
Fax: (512) 795-9363

# SIIS

Southwestern Insurance Information Service

WWW.SIISINFO.ORG

## Insurance News

---

*For Additional Information:*

8303 N Mopac, Ste B-231  
Austin, TX 78759

Phone: (512) 795-8214  
Fax: (512) 795-9363