



Southwestern Insurance Information Service

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Insurance News

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TWIA has enough funds to cover all Ike claims

From staff reports

The Daily News

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Q: Does the Texas Windstorm Insurance Association have enough money to pay the estimated \$2.7 billion in Hurricane Ike claims and where will the money come from?

A: All TWIA policyholder claims will be handled on a case-by-case basis and the association has more than sufficient sources of funding to pay all valid claims.

The association pays claims from money collected from premiums that are placed in the state's Catastrophe Reserve Trust fund, reinsurance that it purchases in advance of storms and finally through assessments of insurers that write property and casualty insurance in Texas.

The \$2.7 billion was a very preliminary estimate. The actual losses from Ike could be significantly less or they could be more. We will not know for many months.

Revenues from premiums

These funds go into the Catastrophe Reserve Trust Fund each year after salaries and other overhead have been paid. When Ike made landfall, the wind pool had \$370 million in the fund.

Reinsurance

When Ike made landfall, the association had \$1.5 billion in reinsurance to pay claims.

Assessments on member companies

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When Ike struck, the association placed an estimate of losses by its actuarial team based on its exposure in the affected counties. To date, TWIA has assessed \$430 million on property casualty insurers in Texas. If it needs more money to pay claims it can assess as much as it needs. Insurers can then recoup those assessments through taxes they pay to the state.

Insurers in the state of Texas have more than adequate capacity to pay TWIA assessments required and can recoup these moneys at a rate of 20 percent per year tax credit on premiums they collect from their policyholders.

Catastrophic reserve fund

This will be replenished from premiums collected but does not have a direct impact on the ability of TWIA to pay claims. TWIA assessments and reinsurance will cover the majority of the wind pool claim. Insurers in the state of Texas have the capacity to pay any assessments required and will do so.

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