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## Insurance News

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### **A bill to destroy life on the coast**

**By Michael A. Smith**

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House Bill 911, which would dramatically change what the Texas Windstorm Insurance Association is able to cover and how much the coverage would cost consumers, is aptly named, as it constitutes an emergency for people living, and trying to make a living, along the coast.

The bill would make second homes and resort rental property such as beach houses rented by the day ineligible for windstorm coverage through the association.

The Galveston Windstorm Action committee estimates that 40,000 houses would be punted out of the program under the bill.

That would mean all the houses in Galveston, particularly on the West End, on Bolivar Peninsula and along the bay all the way to Kemah that are owned by people residing elsewhere could not be covered for windstorm damage.

That would be a near-fatal blow to the real-estate industry all along the coast.

If you can't insure a house, you can't get a mortgage, so the bill, among other things, would make it practically impossible to sell to anyone who didn't plan to live there full time or rent the place out.

The bill also would lower the coverage cap on residential property from about \$1.7 million to \$250,000. After taking contents into account, that would, for practical purposes, cap the value of houses along the coast at less than \$250,000.

The bill would lower the coverage on commercial property and contents to \$1 million from \$4.2 million. That might not inspire established business owners to leave, but it certainly would prevent new ones from

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coming to the coast.

The bill would reduce the coverage cap on governmental buildings to about \$2.2 million from about \$4.2 million, leaving local or federal taxpayers on the hook for the uninsured difference.

The bill also just generally reduces the value of windstorm coverage while laying the groundwork for substantial rate increases.

For example, the bill would require the association to buy \$2 billion in reinsurance to help underwrite its own potential losses. Last year, the association had to pay \$184 million for \$1.5 billion in reinsurance. That coverage would be more expensive now, in part because of the legislative mandate to buy it. Meanwhile, a much smaller group of policyholders would have to pick up the tab for it.

Supporters will probably pitch HB 911, which would be in effect until 2013, as a hard-nosed way to protect the state's taxpayers from having to pay for hurricane damage.

What it probably is, however, is an attempt to get insurance companies less on the hook, and the federal government more on the hook for those damages. The rationale being that some federal pocket would pay for uninsured losses.

There's a better way to do that — U.S. Rep. Gene Taylor's Multi Peril Insurance Act, which would roll wind and flood insurance into the same federal policy.

If Texas insurance companies can't stand the risk of hurricanes, let's get them out of the game altogether.

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