



Southwestern Insurance Information Service

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Insurance News

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Senate approves windstorm insurance bill

AUSTIN, Texas — The Texas Senate approved a new structure for the state's depleted windstorm insurance fund Thursday, providing a combination of potential rate hikes, bonding and other revenue to ensure the account gets replenished.

Gulf Coast policy holders of the Texas Windstorm Insurance Association could see an estimated rate increase of 5 percent a year for three years to get the fund, known as TWIA, to the point of being financially sound.

Hurricane Ike's devastation last year took a huge toll on the state-chartered fund, a hit that some lawmakers and coastal residents had warned about for years. The windstorm fund is the only wind insurance available for property owners in 14 coastal counties.

"We're sitting there with zero money in the fund. We're bankrupt. We have no money," said Republican Sen. Troy Fraser of Horseshoe Bay, who's proposing the new system.

The Senate approved his legislation 27-4, over the objections of several Gulf Coast senators who worried about the cost it would impose on residents of their region, rather than spreading the expense across the state.

"We are one state and one family," said Sen. Juan "Chuy" Hinojosa, a McAllen Democrat whose region was pounded by Hurricane Dolly last year.

The bill now moves to the House.

Fraser said his proposal represents a fragile compromise among legislators and that it will remain a work in progress as it goes through the Capitol. He said the bill approved by the Senate removes a provision in an earlier version that mandated a steeper automatic rate increase for TWIA policy holders.

He said once the bill gets to a House-Senate conference committee to work out any differences between the two chambers, he will push for \$300 million to \$500 million from the state's Rainy Day Fund to enable the windstorm association to buy reinsurance, a form of backup insurance for insurance companies.

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"If there's ever a rainy day, this is it," he said.

TWIA has \$68 billion in coverage for properties along the Texas coast. Fraser said that poses a risk to the state's budget. Some of the money paid into the current coverage system by insurance companies can be recouped by the companies through state tax credits, and that affects the state's finances.

His legislation would add a post-storm charge of \$400 million to TWIA member insurers if losses exceed amounts in the association's catastrophe reserve fund. Right now there is no money in the fund.

Republican Gov. Rick Perry declared reform of the windstorm association an emergency item this legislative session. Fraser, insurers and others say something must be done before the next hurricane season arrives this summer. The 140-legislative session ends June 1.

Fraser's legislation would allow the windstorm association to issue bonds before or after a storm of up to \$600 million, to be paid for through charges to TWIA policy holders and other property and casualty policy holders in Texas.

One problem with the current system, according to Fraser, is TWIA's rates are so low there is no incentive for regular insurance companies to write wind policies along the coast.

The Southwestern Insurance Information Service, which represents TWIA and other companies, said helping the association's sagging financial condition is important to all taxpayers.

"The ability to issue general revenue bonds and purchase reinsurance is essential in helping preserve the financial integrity of TWIA. Not purchasing reinsurance is like a consumer not purchasing insurance on their home or car, which can ruin lives," said Sandra Helin, a spokeswoman for the Southwestern Insurance Information Service.

The Texas Coalition for Affordable Insurance Solutions, an insurance industry coalition, said it's glad a windstorm insurance bill is moving through the Legislature but said it has "serious concerns" about Fraser's bill, including the \$400 million post-storm assessment on private insurance companies.

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The Texas Windstorm Insurance Association bill is SB14.

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