



Southwestern Insurance Information Service

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Insurance News

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Windstorm bill blows away in House partisan fight

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Partisan gridlock in the Texas Legislature has all but killed a bill intended to fix the agency that insures coastal residents against hurricanes.

The deadline for voting on the bill passed at midnight Tuesday and as of press time it remained stalled behind a controversial voter identification measure.

That likely would send lawmakers into an overtime special session to deal with the continuing financial problems of the Texas Windstorm Insurance Association.

The floundering bill would have allowed an increase of 1.2 percent on premiums for coastal windstorm policyholders for the first \$300 million in damage following a Gulf storm.

The bill would have allowed another 1.2 percent jump in premiums for damages up to \$600 million.

That would help shore up the association after the next storm and allow it to buy additional insurance from private companies in the event of a catastrophic storm like Ike.

Without those resources, private insurers, most of whom withdrew windstorm coverage from the coast after Hurricane Rita in 2005, would be hit with assessments.

The companies would be charged based on the value of the policies they sell in Texas. Only a portion of the assessments would be recoverable through tax credits on the premium revenue they earn.

"The companies that write the most homeowners policies will have the largest potential assessment. It is possible some may choose to restrict their writing or, in the worst case, leave the state because of possible TWIA assessments in the future. Companies need to have enough capital to pay all claims, not just the coastal wind and hail claims," said Sandra

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Helin, public affairs director of the Southwestern Insurance Information Service. The group represents insurance industry interests.

Ultimately, the state, through its general revenue, would bear the cost of recovering from Gulf storms without adjustments to the windstorm association's premiums.

The windstorm association right now is responsible for about \$60 billion in coastal coverage. Jefferson County represents about \$6 billion of that figure.

Helin said the first \$300 million that TWIA assesses insurers is not recoverable through premium tax credits.

After that \$300 million is exhausted, TWIA can place unlimited assessments on insurers until all covered claims are paid.

TWIA could possibly buy reinsurance for the season, but would have to assess companies to purchase it.

"If we had another Ike or worse, with no cash or reinsurance available to TWIA, the potential impact on the general revenue fund could send shock waves across the state," Helin said.

N. Alex Winslow, executive director of consumer organization Texas Watch, said the gridlock caused by the partisan voter ID bill means lawmakers can't address issues of importance for all Texans.

The voter ID bill would require people to bring photographic identification to the polls in addition to their voter registration cards.

Democrats are fighting the voter ID bill by slowing down a package of almost 300 bills that usually passes without debate.

But the windstorm bill was on the House calendar after voter ID, and so was a bill requiring review of the Texas Department of Insurance.

Winslow said the agency hasn't been reviewed in 16 years, and in that time Texas homeowner insurance costs have risen to become the highest in the nation.

And, coastal residents have the highest insurance costs in the state, he said.

"The average homeowner policy in Texas is \$1,400," Winslow said.

The national average is about \$800, according to a table from the National Association of Insurance Commissioners.

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State Rep. Joe Deshotel, D-Beaumont, who helped forge the windstorm bill from his seat on the House Insurance Committee, said the governor might call a special session to deal with windstorm insurance issues.

Winslow quoted a local news report from an Austin television station that estimated the cost of a special session at \$60,000 per day, which is \$1.8 million for a 30-day session.

"Using the NAIC average of \$1,409 per policy, you can get 1,277 insurance policies for the cost of a special session," Winslow said.

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