



Southwestern Insurance Information Service

WWW.SIISINFO.ORG

Insurance News

Date: September 30, 2008
Source: Houston Chronicle
Author:

SIIS Office: (512) 795-8214

SIIS Cell: (512) 965-4001 Jerry
(512) 468-6965 Sandra

Allstate assessed top figure

By PURVA PATEL Copyright 2008 Houston Chronicle
Sept. 29, 2008, 11:53PM

How much insurers owe the windstorm pool: chron.com/databases/ikewindinsurance.html

The state's second-largest home insurer will pay the most in the state windstorm association's initial round of assessments.

Allstate Insurance Group must fork over \$65.5 million to the Texas Windstorm Insurance Association, which sells coverage to coastal homes and businesses that can't find it elsewhere.

Allstate declined to comment.

The windstorm association can, by law, turn to insurance companies that do business in the state to help it pay claims once it runs out of its own funds. The \$2.1 billion the association had on hand, which included \$1.5 billion in reinsurance and a \$370 million catastrophe reserve fund, was wiped out by Hurricane Ike.

The amount companies are required to pay is a function of how much business they do statewide and on the coast. Those with more policies on the coast, deemed more risky because of the potential for hurricanes, pay less than those that don't.

Nearly 60 percent of the \$430 million assessment will be paid by the state's five largest insurers, Allstate, State Farm, Farmers, USAA and Travelers.

Lumbermen's Underwriting Alliance and National American Insurance Co. have the lowest bill so far at \$4,200 each.

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

Jim Oliver, the association's executive director, wanted to assess companies \$830 million, but company representatives on the association's board objected.

The board plans to meet next week in Austin to discuss additional assessments to cover the association's estimated \$4.2 billion hit from Ike. As of Monday, the association had received 64,659 claims.

The impact the assessments will have on many companies will depend a lot on how much they draw on their reinsurance, coverage they buy for themselves, said Richard Attanasio, an analyst with rating firm A.M. Best.

Those that use it all will face costs to keep their policy in effect the rest of the year.

"That would be the immediate exposure to companies," he said. "I would think that would be where most of the impact would come."

5 largest insurers

Companies may also face higher prices for the reinsurance when it comes up for renewal, a cost they then factor into the rates they charge their customers.

Some insurers declined to comment on how they will pay their assessments, saying only that they were prepared.

"In Texas, we analyze and anticipate potential losses to our customers — as well as assessments from TWIA—to plan for events like Hurricane Ike," Mark Toohey, a spokesman for Farmers, said in an e-mail. "This catastrophe planning and management is done to ensure that we have the financial strength to honor our commitments to our customers in Texas and across the United States."

So far this year, Farmers has been assessed \$42.7 million by the windstorm association for Hurricane Ike and \$9.3 million for Hurricane Dolly for a total of \$52 million.

'Much uncertainty'

The industry as well as the association have long warned that the windstorm association needs a new structure for funding, saying it puts too much of the costs on the shoulders of the industry and taxpayers.

The unlimited assessments companies face could limit competition, said Kevin Davis, a spokesman for State Farm.

"There is much uncertainty that this structure brings about for those considering coming into the market," he said.

The bill for State Farm, the state's largest home insurer, totals \$61.5 million.

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