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News Release

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State wind pool decreases projected claims from Ike

By PURVA PATEL Copyright 2008 Houston Chronicle
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AUSTIN — The state wind insurance pool reduced its projection of claims from Hurricane Ike to \$2.1 billion to \$2.5 billion, down from \$2.7 billion earlier this fall.

The revision allowed the Texas Windstorm Insurance Association board to delay at least until the summer — and possibly indefinitely — any further assessments on the insurance companies that help fund it.

The association sells windstorm coverage to homeowners and businesses in 14 coastal counties and parts of Harris County that can't find it elsewhere.

The revised projection could change again as some already closed claims are reopened, or if the association faces significant litigation related to its refusal to cover flood claims, said Jim Oliver, the association's director.

"I have no idea at this point what the losses will be or what the litigation will be," he said.

The association doesn't cover flood damage but is examining each claim individually to determine whether wind or rising water caused damages to each property, Oliver said.

He expects the association will see about 3,000 properties that have been raked to the slab, which will take longer to determine.

The individual investigations are causing claims to take longer to close, he said, but he added that the association has closed about 63 percent of the 89,175 claims it had received as of Monday.

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Some agents also stopped serving as intermediaries between the association and policyholders, forcing the association to ramp up its staff and phone lines, Oliver said.

"Some agents just threw in the towel," he said, adding that the Texas Department of Insurance is looking into some of those agent issues.

The association has still has about \$1.2 billion in cash on hand to pay claims as well as \$900 million left in reinsurance coverage that it buys. That money is expected to be drained by Ike losses, they are helping stave off any future assessments on the private insurance industry.

State law allows the association to assess the industry statewide when it runs out of money. In exchange, companies can take state tax credits and pass on higher costs to policyholders, ultimately putting taxpayers and consumers on the hook for the pool's losses. Besides the \$430 million assessment last month, the association earlier assessed \$100 million for losses related to Hurricane Dolly, which struck South Texas in July.

So far, the association has incurred about \$1.8 billion in losses and paid out about \$519 million.

Also at Tuesday's board meeting, Oliver noted the association has received about 1,500 claims from people who don't actually have policies with the association, either because they didn't renew, their agent didn't forward premium payments on time or they never had a policy with the association.

To alleviate the problem in the future, the association plans to bill consumers directly next year.

The association put off any major changes to its operations in anticipation of a busy legislative session, in which the state-created insurer's funding is expected to be revamped.

Also today, Jim Murphy, an actuary for the association, said he planned to wait until at least March to determine what rate increases the association may need based on Ike.

State regulators recently granted the association a rate hike of 12.3 percent on homeowner policies and 15.6 percent on commercial policies, but the rates didn't account for Ike-related losses. The new rates go into effect Feb. 1.

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