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Insurance News

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Author: Kelley Shannon

SIIS Office: (512) 795-8214
SIIS Cell: (512) 965-4001 Jerry
(512) 468-6965 Sandra

Senate OKs windstorm insurance plan

AUSTIN, Texas — The Texas Senate signed off on a plan Monday to restructure the state's windstorm fund that insures coastal property for hurricane damage, putting to rest a tricky item that could have led to a special legislative session.

The Senate voted unanimously to approve a House-Senate compromise for the Texas Windstorm Insurance Association, sending it on to Gov. Rick Perry. House members approved the plan Sunday.

The restructuring relies in large part on 10-year bonding to replenish the windstorm account after a major hurricane. One provision calls for the state to provide a bridge loan of sorts to the windstorm fund until bonds can be issued to cover damage claims, said Sen. Troy Fraser, a Horseshoe Bay Republican who worked on the bill all session.

Coastal residents would pay into the fund through their insurance premiums to cover the costs of the bonds.

"It is a total rewrite of the structure," said Sen. Mike Jackson, R-La Porte. "And it's a lot stronger and it's a lot better."

The state-chartered windstorm insurance association — the only property insurer for residents and businesses in 14 coastal counties — was depleted after last year's hurricanes Dolly and Ike slammed into the Gulf Coast.

For thousands of coastal Texans, the association became the only wind damage property insurer after private companies decided to pull out of the region following Hurricanes Katrina and Rita in 2005. The association has been funded by policy holders' premium payments, assessments on insurance companies that do business in the state and reinsurance, a backup policy sold to insurance companies.

Under the existing system, insurance companies can seek state tax credits for some of the payments they make into the system, and that removes money from the state budget over time.

The new structure does not call for the state fund to buy reinsurance, though insurance companies can purchase it to cover their payments into the system in the event of a big storm, Jackson said.

For Additional Information:

8303 N Mopac, Ste B-231
Austin, TX 78759

Phone: (512) 795-8214
Fax: (512) 795-9363



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Perry declared reform of the Texas Windstorm Insurance Association an emergency item for the legislative session. He, legislative leaders and insurance industry representatives warned that something had to be done to restore the fund before another hurricane hits Texas. As the end of the regular session approached, Perry warned he might call a special session if the issue didn't get resolved.

The Senate gave its approval to the compromise plan on Monday, the same day hurricane season began.

"We will be ready to enter another hurricane season with the passage of this bill," said Sen. Eddie Lucio, a Brownsville Democrat. "We're going to see the governor sign it, hopefully soon."

The Texas Coalition for Affordable Insurance Solutions, an insurance industry group, praised passage of the windstorm legislation. Executive Director Beaman Floyd said the coalition joins "both coastal and inland Texans in breathing a sigh of relief."

The windstorm insurance bill is HB4409.

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