



Southwestern Insurance Information Service

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## Insurance News

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### **Expert: your insurance likely needs a check-up this hurricane season**

Southeast Texans are well-schooled in hurricane preparations, knowing they need sufficient cash, fuel, water, non-perishable food, batteries, and important papers.

But after a storm passes, and if your property is wrecked, will your insurance replace what you lost?

"I'd look at that every two years," said Leonard Forey, a partner with Talon Insurance Agency.

"What is the current value per square foot on your home? You should look at that very closely. It's not the market value. It's the replacement cost. People get those confused," Forey said.

Jerry Johns, president of the Southwestern Insurance Information Service, said the private insurance market estimates at least 50 percent of homes are underinsured.

"They fail to talk to their agent about construction costs - about how much it costs to rebuild," Johns said.

He referred to wildfires last year in California and Arizona that destroyed thousands of homes.

"They didn't have enough to rebuild to the current market," he said.

Johns said homeowners should check with their agent every year.

"You can probably do that over the phone," he said. "Check construction costs. Even in this economy, you'd be stunned to see what's happened with material and labor."

Forey said his agency's experience is that most people were adequately covered for the last two hurricanes, but it was tougher on the commercial side.

*For Additional Information:*

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"Now that we've had two hurricanes, the deductibles are way up," he said. "It's not unusual to see deductibles of \$100,000 to \$1 million."

Deductibles refer to how much the property owner must pay before insurance claims begin.

"It's a real challenge from the windstorm point of view," Forey said.

The Southwestern Insurance Information Service represents insurers that write about 85 percent of the property and casualty policies in Texas, Johns said.

The organization also acts as an advocate for the Texas Windstorm Insurance Association, which is the state-backed insurance pool for windstorm insurance in the 14 coastal counties, including Jefferson County. Hardin and Orange counties are not coastal counties and private insurers still provide windstorm coverage there.

The windstorm association covers about \$60 billion worth of property along the Texas coast as a result of private insurers abandoning coastal coverage after Hurricane Rita in 2005.

The windstorm association had to cover claims from Hurricanes Dolly and Ike in 2008, which depleted its reserves. The Legislature had to dip into the state's general fund for about \$250 million to cover all the obligations.

"If we have another Rita or Ike, the general fund becomes the insurance carrier,"

Forey said.

That issue launched a flurry of bills this year to ensure the windstorm association could raise sufficient funds to pay off the next round of hurricane claims.

"TWIA is adequately funded," Johns said. "That rumor that it is bankrupt is false."

The bill that Gov. Rick Perry signed Friday allows for premium increases on current policies if a storm results in enough claims that exceed what the windstorm association can pay.

Also, private insurers would pay assessments based on how much their policy values in the state to make up a portion. The state's general fund covers the rest.

Forey, however, said he thinks a longer-term fix is needed, and that will involve a federal approach, like the National Flood Insurance Program.

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To ensure adequate coverage, there should be a national windstorm insurance because so much of the U.S. coastline is vulnerable to storms capable of inflicting significant damage, Forey said.

"Multiple states would have to change their procedures," he said. "It's a difficult problem to solve because of all the moving parts."

For this year, however, Forey said he thinks the windstorm association is inadequately prepared.

"If two or three storms hit the Texas coast, we've got some major problems. We have to create a way to spread the risk."

### **Value of property insurance premiums in Southeast Texas for 2008:**

#### **Residential**

Hardin County: \$12.7 million

Jefferson County: \$81.4 million, plus \$8.3 million for windstorm premium through the Texas Windstorm Insurance Association

Orange County: \$22.8 million

(Note: TWIA serves Jefferson County only because it is a coastal county. Windstorm for Hardin and Orange counties is in the regular premium.)

#### **Auto collision**

Hardin County: \$9.9 million

Jefferson County: \$39.7 million

Orange County: \$15.9 million

#### **Auto liability**

Hardin County: \$7 million

Jefferson County: \$28.9 million

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Orange County: \$11.2 million

Source: Insurance Council of Texas

### **Health insurance coverage in Texas, 2007. Population, 23.7 million**

(Note: figures exceed 100 percent because some individuals may have more than one type of coverage)

Uninsured: 5.9 million, 25 percent of the Texas population.

Medicaid: 2.8 million, 12 percent.

Medicare: 2.8 million, 12 percent.

Children's Health Insurance Program, 349,000, 1.5 percent.

Military: 1 million, 4.3 percent.

HMO commercial: 853,000, 3.6 percent.

Group/individual health plans: 4.3 million, 18.3 percent

Self-insured/employer groups: 6.7 million, 28.5 percent

Source: Texas Department of Insurance

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