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Insurance News

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10% insurance hike forecast along coast

Premiums could jump 10 percent next year for thousands of coastal residents and businesses insured by the state windstorm association.

The Texas Windstorm Insurance Association's board voted this week to seek state approval for a 10 percent rate increase that would go into effect in February, said Jim Oliver, the association's executive director.

The windstorm association provides coverage to 228,000 homeowners and businesses in 14 coastal counties and a small portion of Harris County who can't find it in the private market.

The board's decision centered on rebuilding the Catastrophe Trust Fund, Oliver said.

The association builds the fund with premiums and taps it to pay claims during a major disaster. But last year's hurricane season drained the fund.

"It needs to have enough money in there for future losses because hurricanes Dolly and Ike depleted it to nothing," Oliver said.

The association's projections indicate the need for a 19 percent hike in home owner insurance rates and a 26 percent increase for commercial properties, but state law caps increases at 10 percent, he said.

The association plans to make the filing by the annual Aug. 15 deadline set by the Legislature. Insurance Commissioner Mike Geeslin would then have until Oct. 15 to approve or deny the rate increase.

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The increase would follow a 12.3 percent rate increase in residential rates and 15.6 percent hike for commercial policies that was implemented in February. Though the law caps rate increases for the association at 10 percent, the commissioner was allowed to bypass the cap in the wake of Hurricane Ike.

Another rate increase would compound a crisis of access to affordable insurance for coastal homeowners, said Alex Winslow, director of Austin-based consumer group Texas Watch.

“Certainly, insurance needs to be priced adequately and I would encourage the commissioner to do everything he can to mitigate the impact homeowners feel,” Winslow said. “I can’t say one way or another if a 10 percent rate increase is justified but I can say that people on the coast are struggling with insurance costs as it stands.”

He suggested giving recent reforms passed by lawmakers a chance to generate the revenues necessary to run the windstorm association.

Jerry Hagins, a spokesman for the insurance department, declined to comment until the request is officially made.

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