



Southwestern Insurance Information Service

WWW.SIISINFO.ORG

Fact Sheet

Date: May 2009
Source: SIIS/TWIA
Author: SIIS

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

The Texas Windstorm Insurance Association May 2009: Challenges and Solutions

The Texas Windstorm Insurance Association is seeking solutions to pay losses and avoid compromising the Texas General Revenue fund in the event a major hurricane makes landfall again in Galveston or Corpus Christi. *The number of structures insured by TWIA has grown dramatically during this decade even as we have seen the number of structures decrease significantly as a result of Hurricane Ike.*

In 2001 the association had 68,756 policies in force. As of May 31, 2009, this insurer of last resort had 225,641 policies in 14 coastal counties and a portion of Harris County. This represents an increase of 151,826 policies since 2001 and an increase of 10,104 policies since January 1, 2009.

In 1992 TWIA had about \$5 billion exposure in these counties. At the end of May 2009 their exposure was approximately \$62.2 billion not including loss of business coverage and additional living expense coverage. This is a \$3.6 billion increase since January 1, 2009.

When business interruption and additional living expense coverages are included the total TWIA exposure rises to \$68.1 billion.

Building and contents exposure in Galveston county alone is currently \$19.2 billion, an increase of \$1.1 billion since January 1, 2009.

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

Fact Sheet

Under the current TWIA funding mechanism, once the insurance companies have paid their initial assessments, the Catastrophe Reserve Fund has been depleted and the reinsurance that TWIA has purchased has been used, any remaining losses would be paid by unlimited assessments on insurance companies. With the arrival of Hurricane Ike in September, these events have already occurred.

These unlimited assessments affect the General Revenue of the state of Texas because the insurance companies that pay them are allowed premium tax credits for up to 20% of the assessments over the next 5 or more years. The state of Texas receives more than \$450 million in revenue each year from insurance company premium taxes. Should these premium taxes be limited or eliminated for one or more years because of storm activity, the entire state and its budget would suffer.

The TWIA Board had approved recommendations for changes in legislation which call for issuing pre and post-event bonds to be paid for by a surcharge on property and casualty policies in Texas, excluding workers' compensation, medical malpractice and health and accident policies.

Finding a resolution to the funding of TWIA and reducing reinsurance costs are matters of extreme importance for the entire state of Texas when one or more hurricanes eventually hit the Texas coast.

May 2009

Source: Southwestern Insurance Information Service /Texas Windstorm Insurance Association

Tele: (512) 795-8214

For Additional Information:

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

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