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Insurance News

Date: October 17, 2009

Source: Galveston Daily News

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Windstorm rate increase denied

Citing hardships already endured by coastal residents because of Hurricane Ike, Texas Insurance Commissioner Mike Geeslin denied a request by a state-backed insurer to raise windstorm policy rates along the coast by 10 percent.

Geeslin on Thursday signed an order denying the Texas Windstorm Insurance Association's request to raise the rates by 10 percent for residential and commercial consumers, a bit of rare good insurance news after the September 2008 storm.

The windstorm association requested the rate increase in August.

Among the factors that shaped Geeslin's decision were comments by state Sen. Mike Jackson, who said a rate hike would be another burden on Texans still recovering from Hurricane Ike.

The windstorm association, also known as the windstorm pool, is the insurer of last resort to about 231,000 coastal consumers who can't find coverage through private insurers.

In Galveston County, 64,896 windstorm association policies are in force, down by 3,668 policies after the storm, which wiped thousands of homes from their foundations on the Bolivar Peninsula and other hard-hit areas.

Geeslin's decision to deny a rate hike marked the first time he flatly rejected any increase for the association.

In the past, Geeslin, who regulates Texas insurance rates, could reject, approve or request modifications, which he sometimes did. But legislation that went into effect June 1 gave him only two options — approving or denying.

The windstorm association is made of all casualty and property insurers in Texas. State law allows the windstorm association to assess member companies if the pool's funds are depleted.

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In the last legislative session that ended in May, the rules changed in that private insurers are no longer on the hook for claims that top \$2.5 billion. Any payouts more than that ultimately could come from policyholders.

The windstorm association, which has about \$2.6 billion available to pay claims — about \$50 million from premiums — can always file again for a rate increase, association manager Jim Oliver said.

The windstorm association's board would consider the issue when it meets in December, Oliver said.

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