



Southwestern Insurance Information Service

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Insurance News

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Mr. Nice Guy can't hold rates forever

State Insurance Commissioner Michael Geeslin's rejection last week of a rate increase request from Texas Windstorm Insurance Association was a nice gesture; unfortunately, that's all it was.

People along the coast had endured enough recently and ought not be forced to pay 10 percent more for windstorm insurance, Geeslin said.

Well-meaning and helpful as the decision was, it also was as transitory as a friendly nod.

All the forces driving inflation in windstorm rates still are present.

Sooner or later, the association will come back for another rate increase. The commissioner will not be able to reject them forever.

The trend is going to be for higher and higher windstorm rates until we face some facts about the situation.

Among them:

- Private insurers are not going to come back to the coast. They've been leaving faster than fly-by-night roofers arrived after Hurricane Ike. That's not apt to change.

In our experience, industry representatives can't even say in the most hypothetical terms what it would take to get them back. Forget it.

- High-risk pools like the windstorm association operate exactly counter to the bedrock principle of insurance — spreading risk. It's time to start talking about a national pool that spreads all sorts of disaster risk across the widest possible base of premium payers.

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- The cycle of reinsurance addiction will have to be broken. This industry comprises a small pool of unregulated underwriters with a captive market. Some lawmakers suspect those underwriters are colluding to divide and exploit that market, rather than competing. There is no limit, not even the sky, on how high rates can go under those circumstances.
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