HB 911 [81st R], Smithee

In the opinion of the undersigned, this extreme proposal would use:
1.) 'ex post facto' type reduction of policy limits and eligibility for coverage,
2.) elimination of 60 days coverage and of loss of use perils,
3.) change from 'experience based' rate development, and
4.) employ unbearable burdens to obtain immediate loss reserves.
It would potentially increase cost of TWIA policies over 6 times. It is absolutely unsustainable. IT WOULD DOOM TEXAS' COASTAL ECONOMY. It is comparable to curing hiccups by holding one's head underwater for 30 minutes.

In this bill, current operation and funding of TWIA under Chapter 2210 is 'temporarily' preempted until 9/1/13 by adding *new Subchapter I:*

2210.401 Commercial and residential "insurable property" definition is narrowed. (a) Seems to overrule 1971 'grandfathering', as well as structures surcharged, but not WPI-8 certified. *Many currently insured properties could become uninsurable.* (b) restricted to primary residences, whether owned or rented; *second homes would not be insurable.* (c) accepts limited residential eligibility in "Co.B.R.A." areas, but is not clearly limited to those areas, *casting a shadow over condos, apartments, etc. in the entire Catastrophe Area.* (f) would make houses on the public beach uninsurable. (g) would allow the Commissioner to completely change Subchapter F code inspections.

2210.403 If flood insurance is available, structures in flood "V" zones would only be insurable for wind if also insured for flood. If flood is not available, surcharged [10% or more] wind coverage would be available.

2210.404 Maximum amounts of building and contents coverage per property would be reduced to: 1.) Dwelling: $250,000 from $1,705,000; 2.) Government: $2,192,000 from $4,154,000; 3.) Any other structure & contents: $1,000,000 from $4,154,000. ['contents' without structure, in apartments, condos, townhouses is not stated]. *These ex post facto changes would disenfranchise thousands of currently insured properties, damaging their owners and their lienholders.*

2210.405 (d) loss of use coverage is repealed. *Residential additional living expense, and commercial business interruption coverage would be removed from scores of thousands of policies.*

2210.406 (a) The first 60 days of a policy would not provide coverage. *This appears to affect every policy, whether it is new coverage or is a policy which extends coverage expiring under a previous TWIA or other insurer's policy.*

2210.407 (c) TWIA rates can be 'used' upon its board of directors filing, subject only to commissioner 'disapproval' under Chapter 2251, Subchapter C. *TWIA is subjected to market 'competition' forces, although it is NOT a competitor—and is directed NOT to compete.*

2210.407 (e) TWIA rates must comply with 2210.052; be ‘actuarially sound’; use territorial rating; and “include” [means “add”]: CRTF funding, and loading for all TWIA losses, notwithstanding the source of funding from which losses are actually paid.
(f) actual industry and TWIA data must be considered, as well as models; rules for the approval and use of models are to be provided by the Commissioner.

2210.408 LOSSES in excess of TWIA net annual income shall be paid from: (b) a $1.5 Billion loan from the Texas Constitutional “economic stabilization fund” on terms set by the Legislative Budget Board. TWIA member assessments, recoupable per 2210.408 (e), shall repay the loan.
(c) losses in excess of (b) shall be payable by $2 Billion or more reinsurance, which TWIA is made legally obligated to purchase, payable by TWIA member assessment, which TWIA may recoup through “… pro-rata assessments on association policyholders made on or before December 31, 2009,…” [*This 2009 reinsurance will presumably expire in 2010. Subsequent years to 2013 are not provided]. The 2008 purchase of reinsurance reportedly ‘exhausted’ the market, and cost $184.5 Million plus an additional $184.5 M reinstatement premium [$369 M]. Assuming a $1.5 B 2009 ‘attaching point’ [$600 M in 2008], the larger amount could be estimated to cost a similar amount, MORE THAN DOUBLING the TWIA 2008 $331 M total gross premium. <u>In ADDITION to the cost to repay the $1.5 B loan provided in (e) below.</u>*
(d) funding to pay losses in excess of (c) are to be paid by unlimited additional loans to TWIA from the Texas Constitutional “…economic stabilization fund…” on terms pre-set by the LBB.
(e) TWIA may recoup “… the assessments…”: [of members] through surcharges on each of its policies [no time period is specified; no reimbursement of members is stated]. *Possible 2009 TWIA policy surcharges range upward from approximately FIVE and 4/10 times the 2008 premium to repay the section (b) loan and (c) reinsurance in one year—assuming NO REDUCTION OF POLCIES/COVERAGE [certain to be understated, a large percentage of property insured in 2008 would NO LONGER BE ELIGIBLE IN 2009; therefore not insured, and not available to pay surcharges]. This is IN ADDITION TO the newly expectable higher base coverage costs under the new rating requirements, AND any ADDITIONAL (d) LOAN repayments.*

Coastal Windstorm Insurance Coalition [“C W I C”]
By Lee Otis Zapp, Jr., GWACI
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