

TERRIFYING FEATURES IN HB 911

Hundreds of thousands of Texas Coastal Property Owners have been discriminated against by the cumulative action of individual insurance companies licensed to sell their product in the state of Texas. The Texas Windstorm Insurance Association [TWIA], created by the Texas Legislature as a 'shared market' of all Texas insurers, has filled the vital economic need for windstorm insurance.

All Texas' insurers, collectively, accepted 100% full responsibility from 1971 to 1979, but have been rapidly escaping responsibility ever since. Now, even though accelerated additional insurer withdrawal has caused a five fold increase of TWIA exposure since 2000, proposed HB 911 would reward insurers by eliminating all insurer responsibility other than serving as a 'pass through', collecting from policyholder, paying to funding source or reinsurer.

Coastal property owners, however, would be terrorized by changes such as these:

- The first 60 days of a TWIA policy would provide NO COVERAGE.
- Over 40,000 secondary residences now insured would become uninsurable.
- Over 20,000 primary residences could not be insured to their current value.
- Over 2,400 businesses and governmental structures could not be insured to their current value.
- Over 100,000 homeowners' basic loss of use coverage would be terminated.
- Over 13,000 business's business interruption coverage would be terminated.
- Many thousands of existing policies eligibility would become questionable [WPI-8].
- The greatly reduced policyholder 'base' would be required to buy at least \$2 Billion reinsurance from reinsurers who know they are legally required to buy it. [2008, \$1.5 B cost \$184.5 Million, more than 50% of TWIA gross premium]. This alone could add over 50% SURCHARGE to TWIA premium.
- In addition to reinsurance, TWIA policies would be surcharged to repay a \$1.5 Billion loan [terms unknown]; if, like reinsurance, 1 year repayment is required, this SURCHARGE WOULD BE ABOUT +450% of 2008 PREMIUM [5 year, +100%; 10 year, +55%].
- If losses exceed \$1.5 B loan and \$2+ B reinsurance, additional loans [terms unknown] would be required, repayable with [? %] ADDITIONAL SURCHARGES.
- Current law: rates must be developed using actual experience; would be nullified by HB 911; instead, use of simulated models would be required [in TWIA'S 2009 rate filing, a models exhibit indicated an increase of +52% residential rates], as would a loading for the Catastrophe Reserve Trust Fund [CRTF]; 2009 rates are loaded +15% for CRTF.
- Commissioner of Insurance would no longer hear from several actuaries before determining a correct rate. Instead, TWIA would file its rate, use it immediately, with NO competitive pressure to moderate its cost. TWIA policies cost would be the addition of this unilaterally determined rate PLUS annual reinsurance and loan payment SURCHARGES.

RECAP: Under HB 911 Substantially Fewer people could insure--for much lower amounts of coverage only. Those few would have to pay [100% 2009 rates, +52% simulated 'models' +50% reinsurance, +450% [or +100% or +55%] ? loan repayment, + ?% additional loans, if needed = between +257+% and 652+%, if 2008 level of business continues--improbable] paralyzingly higher costs.

If HB 911 passed, what public response could be expected? Would many 'go bare'?, would they just leave? Will loans be possible? If insurers damage the coastal economy with this bill, could the second tier of counties [Houston] be next? How hard is it to get windstorm coverage in Houston today?