

Windstorm insurer hurting for reserves

[By Elizabeth Pierson Hernandez, The Brownsville Herald](#)

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AUSTIN – The biggest windstorm insurer in Texas might not have enough money to rebuild coastal homes and businesses if a whopper of a hurricane makes landfall, experts said Wednesday.

“If it were a private company, it would be shut down tomorrow,” Rep. John Smithee, R-Amarillo, said of the Texas Windstorm Insurance Association, or TWIA.

Smithee, who leads the House Insurance Committee, was one of several lawmakers and policy experts who discussed a forum on Wednesday how to fix the problems of the state-created windstorm insurer.

If catastrophe strikes and TWIA exhausts what money it has available, private companies would have to make up the difference. That would result in increased rates for policy-holders statewide.

TWIA has only enough to pay about \$1.5 billion in storm damages. Jim Oliver, TWIA director, described a worse-case scenario in which a Category 4 or 5 storm hit Galveston, putting the insurer on the hook for at least \$8 billion.

Private insurers would have to foot the bill for the rest of the \$6.5 billion.

Another problematic scenario would be two storms hitting the coast in succession without giving TWIA time to replenish its reserves, Oliver said.

Just one strong hurricane in Brownsville could cost TWIA between \$1.5 billion and \$3 billion, Oliver said. Even if the insurer could cover the losses of that storm, its reserves would be depleted.

“Once that goes, we don’t have anything left for the next storm,” he said.

TWIA insures more than half of homeowners on the Texas coast, as well as businesses and government agencies.

The Legislature created it with the intention of serving those who couldn’t find insurance on the private market. It has become the go-to insurer as private companies have decided it is too risky to cover wind damage in Texas.

In Cameron and Willacy counties, more than 14,000 homes and businesses are insured through TWIA for more than \$4 billion.

One of the larger policy-holders is the Brownsville school district, which is insured for about \$1 billion, said Lorenzo Sanchez, chief financial officer of the district.

If TWIA can’t come through after a storm, the district would struggle, he said.

“This district could not recover,” Sanchez said. “How are we going to rebuild those facilities?”

The Legislature has been unable to pass a bill reforming the agency, despite attempts by Smithee, Sen. Mike Jackson, R-La Porte, and others. Jackson said he wants to make sure any reform does not unfairly slap coastal residents with higher rates based on hurricane prediction models.

Smithee suggested reforming TWIA so it could cover moderate storms and require inland rate-payers to help out only in the event of a catastrophe.

Jackson suggested the state could give private insurers incentives for writing policies on the coast.

“The people on the coast, by and large are not complaining about carrying their fair share of the burden,” he said.; “They don’t want to be just overly strapped with somebody’s hypothetical.”