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Windstorm Insurance Crisis Could Affect Taxpayers

Thursday, September 27, 2007

By: Jack Williams

What some see as a looming windstorm insurance crises in Texas has lawmakers, the insurance industry and homeowners looking for a solution. A state-chartered insurance pool that underwrites most windstorm damage policies says it has way more liability than it could afford if a big hurricane hit along the Gulf Coast. Houston Public Radio's Jack Williams reports.

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The [Texas Windstorm Insurance Association](#), chartered by the state as an insurer of last resort for homes and businesses in 14 Texas counties, says if a big storm hit, it could afford to pay out about \$1.7 billion in claims. That's far less than the \$5 or \$6 billion in exposure it might have if a hurricane made landfall near Houston. If that happened, insurance companies who contribute to the "last resort" pool would then be on the hook for the extra money. Those companies would then get a break on premium taxes they pay the state, which would in turn be short of expected revenues. Confusing, yes, but the Association's Director Jim Oliver says it's reality.

"Basically what you'll end up with is the state short of money for all the programs that it needs to provide and you end up with the insurance companies in a mess at a time when they need the cash to pay their own claims so it could create a real problem. We need to find other ways to fund those loses over that \$1.7 billion."

Bill Peacock with the Texas Public Policy Foundation says despite the "insurer of last resort" tag, TWIA has become the first choice for many home and business owners. He says private insurers can't compete and in many cases have quit trying.

"Rather than go to private companies people are just going to TWIA first and they're buying these below-market rates and the coverage and exposure at TWIA has just exploded over the last few years to the place where we are today, and so they're essentially pricing the private sector out of the market."

Lawmakers have considered fixes, including purchasing catastrophe bonds that would spread the

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It turns out that NASA scientists aren't the only ones building mock-up Mars Rovers. A program at the University of Houston has been capturing the attention of elementary and middle school students for several years. Houston Public Radio's Rod Rice reports that it is time to start thinking about the next Mars Rover Celebration.

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The National Weather Service is rolling out a new technology to provide more geographically tailored weather alerts. As Houston Public Radio's Laurie Johnson reports,

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insurance burden over a longer period of time if a big storm hit Texas. Several bills that would have raised windstorm insurance rates for coastal homes and businesses were killed in the last legislative session. State Representative John Smithee chairs the Texas House Insurance Committee and says a solution won't be easy.

"To find a solution is a political issue that is going to require the people on the coast and their legislators to realize that we have a problem and to want to try to fix it. Until we reach that point politically, I'm not sure it can be resolved."

University of Houston Law Professor Seth Chandler says it's obvious the windstorm insurance system in Texas is broken.

"This is a problem that can be fixed in advance. It's just the same thing as if you own a \$200,000 house, but you decide to insure it for \$100,000. If no disaster hits, you're in great shape. When your house burns down, you have a problem."

Earlier this month, TWIA requested a 10 percent hike in windstorm insurance premiums in order to have more reserves on hand. The Texas Department of Insurance is expected to rule on the request in November.

they're throwing out the county-wide severe weather warnings.

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A Rice University Sociologist thinks the U.S. Supreme Court's intervention in a Texas death penalty case, and two similar cases from Kentucky, is just one more step in the direction of outlawing capital punishment altogether. Houston Public Radio's Jim Bell reports.



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