

Eye on Austin: Windstorm insurance looms for Legislature

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Column

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The damage that the torrential rains caused in West Texas over the weekend is still being assessed, as is the devastation that Hurricane Ike brought to Galveston and other coastal communities.

For the Gulf Coast alone, preliminary estimates range from \$5 billion to \$18 billion.

And although it will be days - if not weeks - before government officials and insurers estimate the damage, for Republican state Reps. John Smithee of Amarillo and Carl Isett of Lubbock this much is certain: In next year's session, the Legislature will have to pass windstorm legislation to prevent an insurance crisis in the event of another devastating storm.

"We have to figure out how to deal with this," said Smithee, chairman of the House Insurance Committee and the author of last year's windstorm bill that was approved overwhelmingly in the lower chamber but was killed by Sen. Mike Jackson, R-La Porte, in the final hours of the 140-day session.

"We have lived on borrowed time," said Isett, who, as chairman of the Sunset Advisory Commission, the legislative panel that oversees state government agencies, could influence the passage of such legislation. Typically, a state agency, board or commission is reviewed every 12 years and the Texas Department of Insurance is in the current two-year cycle.

To Smithee, Isett and other legislators, Texas is in a precarious situation because nearly a quarter of a million coastal residents are insured by the state because they can't - or don't bother to - find a private carrier to insure their home or business.

As a result, the state could find itself in a financial hole if it had to pay billions of dollars in claims, and the same could happen to insurance companies.

"We ought to be the provider of last resort but a lot of people are not even considering the private sector anymore," said Bill Peacock, director of the Center for Economic Freedom at the Texas Public Policy Foundation, an Austin-based think tank that advocates free market policies.

The number of policy-holders insured by the state-funded Texas Windstorm Insurance Association increased from 68,756 in 2001 to 224,452 at the end of July. If all the policy-holders as of July were to file a claim, the state would

be on the hook for \$66.1 billion, Peacock said.

"It's a burden" for the state, he said.

What this means, Smithee has long argued, is that the state subsidizes coastal residents because the insurance rates they pay are similar to what other Texas home and business owners pay, even though they live in a higher-risk area.

Beaman Floyd, executive director of the Texas Coalition for Affordable Insurance Solutions, an industry group, said he's confident the hurricanes that have hit Texas will be fresh in the minds of lawmakers when the Legislature convenes in mid-January, and he believes they will work to adopt a windstorm insurance bill.

"There is going to be a real effort," Floyd said. Compared to Ike, "in terms of weather Katrina was the strongest storm but in financial terms we still don't know which was more damaging."

Floyd and others are encouraged that Jackson said last year that although he killed Smithee's bill with the threat of a filibuster because he considered it unfair to his constituents, the two lawmakers have worked to address those concerns and Jackson said he was likely to support the bill next session.

Spokesmen for Gov. Rick Perry and Lt. Gov. David Dewhurst said their bosses are also committed to seeing Smithee's bill pass.

"Certainly windstorm insurance will be an important issue when the Legislature returns," said Rich Parsons, press secretary for Dewhurst, the leader of the Senate. "But right now the focus is on the rescue efforts."

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