

# Ike claims fall on taxpayers

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Publication Date: [09/25/08](#)

AUSTIN - Amarillo and Lubbock may be more than 500 miles away from the Texas Coast but homeowners in the Panhandle and the South Plains may pay dearly for the damage Hurricane Ike caused in the Houston-Galveston area two weeks ago.

Texas Insurance Commissioner Mike Geeslin told a legislative panel Wednesday that more than 50,000 insurance claims have been filed and the number could go as high as 300,000, making it hard for some carriers to pay all claims and forcing the state, the insurer of last resort for nearly 250,000 coast residents who are not covered by a private carrier, to pay off as much as \$4 billion in claims.

"I anticipate this to be much larger than Rita," Geeslin said in reference to the devastating 2005 hurricane.

With Geeslin's report in mind, the Sunset Advisory Commission, a 12-member panel whose mission is to oversee all state agencies, approved a series of recommendations intended to lower insurance rates and make the market more competitive. The reforms the commission approved after more than three hours of debate and amendments will be presented to the Legislature when the lawmakers are back in session early next year.

"We will draft legislation," said Rep. Carl Isett, R-Lubbock, chairman of the commission. "Today was the first of what will probably be many policy decisions that will have to be made with respect of how we regulate these industries."

However, the spirited debate among the members and the close vote on some of the recommendations are a sign windstorm legislation could be a contentious issue.

Rep. John Smithee, R-Amarillo, chairman of the House Insurance Commission, said in a phone interview the recommendations the Sunset Commission staff made would be good for the insurance industry but not necessarily for homeowners.

"The recommendations made no sense," Smithee said. "What the (Texas Insurance) Commissioner has to have is broad authority" to set and oversee insurance rates.

One of the key recommendations the Sunset Commission staff made was to have an unregulated market.

Smithee's committee was scheduled to meet Friday but it canceled because

Geeslin could not attend. But at a hearing that has yet to be rescheduled, possibly in October, the panel is expected to address this and other windstorm insurance related issues.

One of the tough issues the Legislature will have to address is how the state can continue subsidizing the nearly 250,000 homeowners living near the coast who are insured by the state-funded Texas Windstorm Insurance Association, or TWIA, said William Lutz, managing editor of the Lone Star Report, an online publication which specializes on legislative issues.

"This is going to be a significant issue," said Lutz, who sees Smithee and Rep. Craig Eiland, D-Galveston, and also a member of the House Insurance Committee, as the key players. "If John Smithee and Craig Eiland don't like this bill, it is going to be hard to pass it."

Beaman Floyd, executive director at the Texas Coalition for Affordable Insurance Solutions, an industry group, said that although he also anticipates windstorm-insurance legislation as being a hot issue, in the end it will pass.

So, does Drew Thornley of the Texas Public Policy Foundation, an Austin-based think which advocates free market policies.

"Texas has been warned for at least a decade that TWIA's rates did not accurately reflect the risk to coastal communities," Thornley said. "Sadly, Hurricane Ike broke our windstorm-insurance system, putting Texas taxpayers on the hook for a costly bailout."

Like Smithee and others, the foundation has argued that the state has long subsidized coast residents because the insurance rates they pay are pretty much the same all other Texas home and business owners pay, even though they live in a higher risk area.

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