

## Windstorm plan boosts costs for residents, firms

### Many local leaders speak out against bill during hearing

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AUSTIN — Reforming the state-run Texas Windstorm Insurance Association would mean a hefty price tag and new mandates for both coastal property owners and the insurance industry under the terms of a bill pending in the Senate Business and Commerce Committee.

Senate Bill 14 isn't the absolute answer to replenishing the fund depleted by Hurricane Ike claims last year, its author Sen. Troy Fraser said, but it's the start of a necessary discussion to avoid the next major hurricane bankrupting the state.

After Hurricane Ike, the fund used to pay claims in 14 coastal counties associated with a hurricane will be dangerously low — about \$300 million this year to cover at least \$68 billion in potential liability, according to Fraser, R-Horseshoe Bay.

"Doing nothing is not an option," Fraser said. "I don't have the answers, but I would love input from anyone that can give me direction on where to go. This is going to be a work in progress. The bill will likely be written in conference committee after a very painful process."

During the hearing, Fraser said his proposed legislation would replenish the fund, encourage private insurers to offer windstorm coverage in coastal counties by making the market competitive and minimize the use of the state-run insurance program in favor of private insurers.

"There is plenty of pain to go around in this bill," the senator said, explaining that few people would like his legislation.

Committee members from the coast, Eddie Lucio, D-Brownsville, and Mike Jackson, R-Pasadena, along with a contingent of protesters from coastal counties, said Fraser's bill unfairly targets Gulf Coast property owners.

As written, Fraser's legislation would put an immediate 20 percent surcharge on policies for coastal homesteads through the windstorm insurance association, which provides coverage to more than 200,000 property owners in 14 coastal counties. Following the surcharge, an additional 10 percent surcharge would be added every year for four years. For properties that are not homesteaded such as second homes, the surcharge would be 40 percent, followed by four annual 10 percent surcharges.

The surcharges would generate \$160 million, which Fraser called the coast's fair share of replenishing the fund. Insurance companies that are part of the association would be assessed a collective \$400 million, a cost they wouldn't be allowed to pass through to policyholders. Under Fraser's plan, the state would come up with \$500 million to shore up the association's pool of money.

During the hearing, one man spoke in favor of the proposed changes, and 12 testified against it. Another 52 people signed position cards opposing the bill. There were no cards in favor.

Bill Peacock, the director of the Center for Economic Freedom at the Texas Public Policy Foundation, an Austin conservative think tank, supported the bill, saying that the state has been subsidizing coastal property owners who choose to live in high-risk areas.

A string of witnesses including Nueces County Judge Loyd Neal, Ingleside City Manager Jim Gray as well as Debbie Lindsey Opel and Leon Loeb, the government relations co-chairs for the Corpus Christi Chamber of Commerce, protested the bill.

"We do not believe that the Legislature should put all of the cost associated with building the surplus and providing adequate windstorm coverage for coastal residents solely on the backs of these 14 counties," Neal said after the hearing.

Beaman Floyd, a lobbyist for insurance interests, complained that the bill is tough on the insurance industry. He said private insurers aren't eager to jump into a market where companies can't accurately calculate the risk and the state offers windstorm rates 38 percent to 60 percent less than what they should be.

Fraser admonished Floyd, telling him that the companies he represents must come back with ideas on how to institute reforms such as rate structures and coverage or face tougher action from the Legislature.

"We can mandate that if you are going to do business in Texas that you have to pick up a portion of windstorm coverage," Fraser said. "It's against my nature to do that, but I want to depopulate TWIA. I want the carriers to pick it up."

