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Texas' Windstorm Challenge: Unprepared for the Worst

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RECOMMENDATIONS

- Deregulate homeowners' insurance in Texas.
- Change TWIA's role to truly be an insurer of last resort.
- Require TWIA to charge adequate rates.
- Improve TWIA's funding mechanism.

OVERVIEW

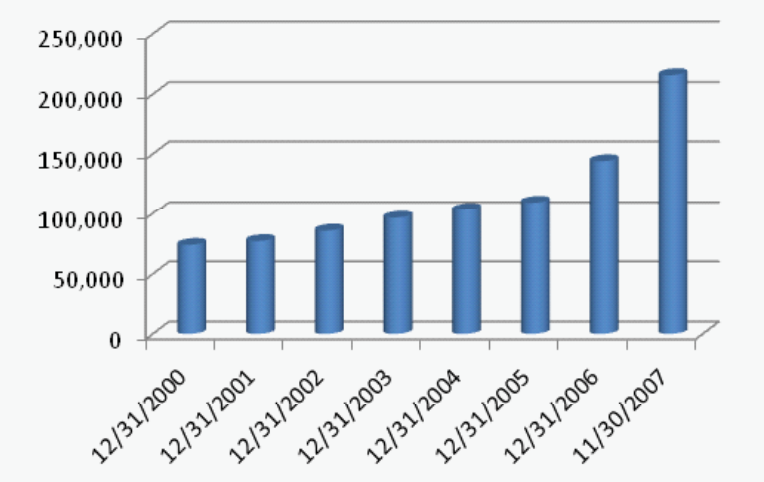
Hurricanes—and their attendant destruction—are nothing new to Texas. From the two 19th-century storms that wiped out Indianola and the Galveston Storm of 1900 to Carla and Rita, Texans have come to understand that hurricanes are an inevitable hazard of life along the Texas coast.

What has changed, particularly in the last 20 years or so, is the growth in development along the Texas coast. Never before have so many people and so much personal property been at risk. While communities along the coast welcome the economic growth, it creates a dilemma for Texas policymakers.

The high-cost but low-frequency nature of hurricanes makes it easy to ignore the perils of building along the coast. In particular, it creates an atmosphere where it is easy to criticize private insurers for their rates and to create alternatives/subsidies for constituents along the coast. What seems to be an easy solution to the problem of insurance rates along the coast remains a free lunch only as long as no hurricanes strike. Such is the situation along the Texas coast today.

The Texas Windstorm Insurance Association (TWIA) was originally envisioned as an insurer of last resort. Unfortunately, rather than acting as a backstop for those who can't otherwise find insurance, the association has almost become the default provider along the coast, resulting in a dramatic increase in policyholders and exposure. In 2001, for example, the association had 68,756 policyholders, but by the end of November 2007 that number reached 215,834[1] (*see* Graph 1). In spite of its rapid growth, TWIA's funding mechanism has not changed since 1993. Although a catastrophic storm striking the Texas coastline could cost TWIA between $5-10 billion, it is only funded to cover about $1.7 billion. This poses severe risks to: 1) Texas coastal policyholders who rely on TWIA for coverage; 2) Texas policyholders who do not reside in the coastal areas; 3) Texas insurance companies that write policies anywhere in the state; and 4) Texas taxpayers, because of the impact on the state of Texas' general revenue fund.

Graph 1: TWIA Policyholders



Source: Southwestern Insurance Information Service website.

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TEXAS WINDSTORM RESIDUAL MARKET

Created in 1971 in response to Hurricane Celia, TWIA provides windstorm and hail coverage in the 14 coastal counties and a few other specially-designated areas. Although originally designed as a residual insurer for property owners who could not obtain insurance in the voluntary market, its exposure has grown rapidly in recent years (*see* Graph 2). All property insurers in Texas must participate in TWIA and must help pay losses.

The current funding system was designed in 1993, when TWIA had about $6.5 billion in exposure. Today, TWIA's exposure is over $58 billion. In the event of a storm, TWIA's current revenues allow it to cover any losses up to $75-80 million. If losses exceed this amount, the following funding system would kick in (*see* Graph 3):

1. $100 million would be assessed to TWIA member insurers,
2. About $400 million would come from the Catastrophe Reserve Trust Fund and about $1 billion would come from reinsurance,
3. $200 million assessed to member insurers, and
4. Unlimited assessment to member insurers that could be recovered through state premium tax credits over five or more successive years.

Steps 1-3 would provide $1.7 billion. If more money were needed, it would come from unlimited assessments against insurers, in return for tax credits. This would seriously harm the state's general revenue fund, considering that in 2005 alone, property and casualty insurance companies paid $472 million in premium taxes.[2] If tax credits kicked in following a major storm, the state could lose this entire revenue stream.

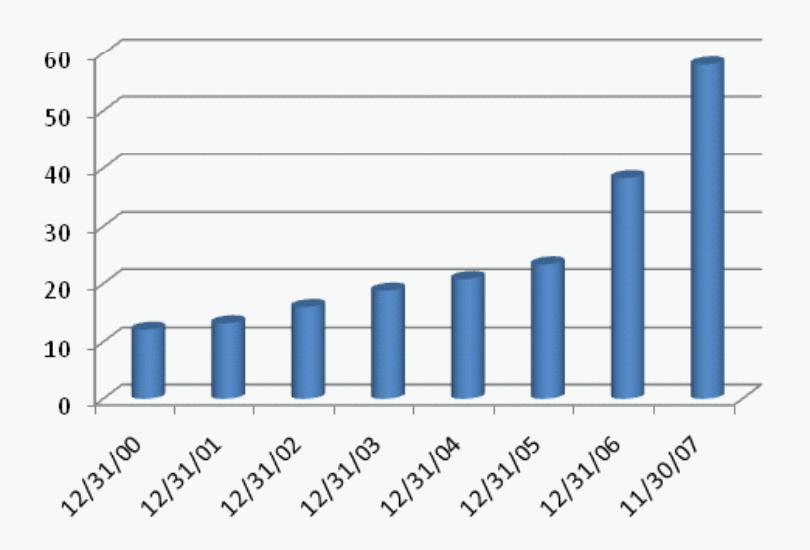
Any attempt to reform Texas windstorm insurance must begin by addressing three key problems: 1) TWIA is crowding private insurers out of the market, 2) TWIA rates are inadequate, and 3) TWIA's funding mechanism is poorly structured.

Although TWIA was intended to provide windstorm insurance coverage only to those who could not purchase insurance in the voluntary market, it is no longer an insurer of last resort. Due largely to below-market, i.e., inadequate rates, TWIA's residual market has seen a tremendous surge in its number of policies.

Talking*Point*:

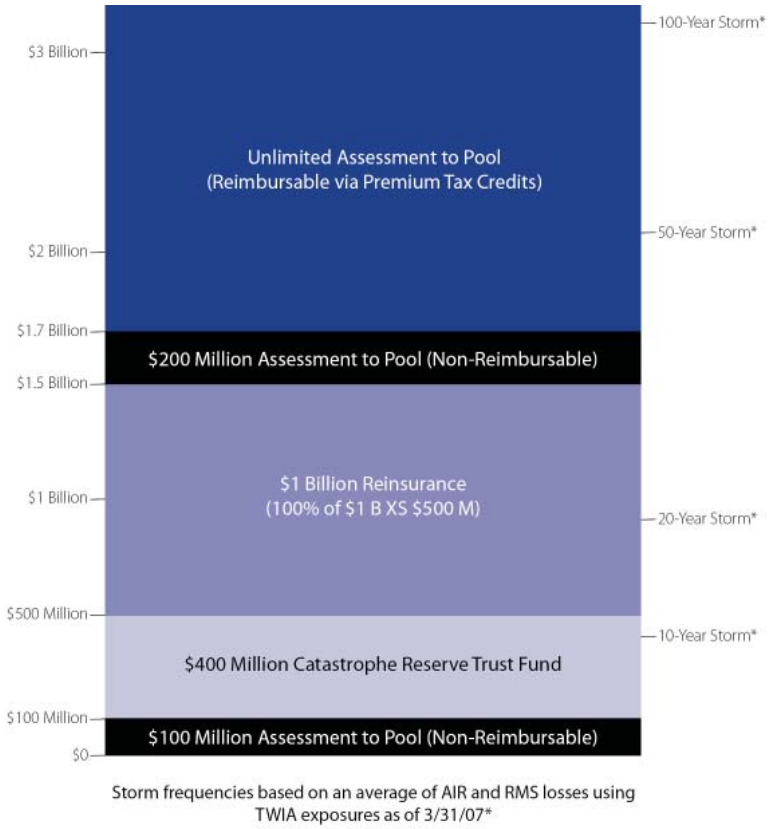
Due largely to below-market, i.e., inadequate rates, TWIA's residual market has seen a tremendous surge in its number of policies.

Graph 2: TWIA Exposure (in billions of dollars)



Source: Southwestern Insurance Information Service website.

Graph 3: TWIA Funding



Source: TWIA Presentation for Joint Senate/House Committee on Windstorm Coverage and Budgetary Impact.

In a recent five-month span, TWIA experienced an increase of nearly 30,000 business and residential policyholders.[3] Because TWIA is not designed to replace the private insurance market, this has created a scenario whereby rates do not adequately fund risk exposure.

TWIA rate increases are normally capped at no more than 10 percent. A statutory provision allows the insurance commissioner to approve increases in excess of 10 percent, following a catastrophe. TWIA asked the commissioner to exercise this authority following Hurricane Rita in its 9/1/06 and 1/1/07 filings. The commissioner declined to do so.

From 1988 to 2007, TWIA's residential rates increased an average of 1.1 percent per year, while commercial rates increased an average of 0.6 percent per year. However, rates have increased more rapidly during the last few years.

Residential rates have increased by 17.74 percent since 2002, an average annual increase of 2.76 percent, while commercial rates have increased 56.52 percent over the same period, for an average annual increase of 7.75 percent. Effective February 2008, the Texas Department of Insurance (TDI) approved rate increases of 8.2 percent and 5.4 percent, respectively, for residential and commercial rates. **Table 1** shows TWIA's rate filings with, and subsequent rate decisions by TDI, since January 1, 2003.[4]

Table 1

Effective Date	Filed (Residential)	Approved (Residential)	Filed (Commercial)	Approved (Commercial)
1/1/2003	10%	0%	10%	10%
1/1/2004	10%	9.6%	10%	10%
1/1/2005	0%	0%	10%	10%
1/1/2006	10%	0%	10%	5%
9/1/2006	19%	3.1%	24%	8%
1/1/2007	18%	4.2%	20%	3.7%
2/1/2008	10%	8.2%	10%	5.4%

TalkingPoint:

A rate-deregulated homeowners' insurance market will allocate resources more efficiently, lead to more availability and lower prices, and enable insurers to charge adequate rates throughout the state.

Texas statute provides specific instructions for how TWIA rates are calculated (Texas Insurance Code Section 2210.356). The Department of Insurance compiles insurance industry premium and loss figures for the areas in which TWIA writes policies and provides the data to TWIA. This industry data is then combined with actual TWIA premiums and losses to calculate "average" expected losses resulting from hurricanes and from non-hurricane events, such as tropical storms, thunderstorms, etc. These estimates are combined with projections for TWIA's operating expenses, reinsurance costs, and a contribution to the Catastrophe Reserve Trust Fund (CRTF) to derive the indicated rates. The differences between the rates filed by TWIA with the Department of Insurance and those ultimately approved by the commissioner result primarily in differences of opinion regarding how often hurricanes are expected to make landfall in Texas, how best to account for reinsurance, and how much premium should be allocated to the CRTF.[5]

The structure of the funding mechanism was designed over a decade ago, when TWIA experienced much less exposure. Today, TWIA is unequipped to handle its current risk and the state's general revenue fund is in jeopardy in the event of a major storm.

Storms have been categorized based upon the likelihood of their striking in any given year.[6] It has been estimated that a 250-year storm in the upper Texas coast would cost TWIA over $5 billion in losses, while a 100-year storm would cost TWIA over $3 billion in losses. If a 250-year storm struck Texas and caused $5 billion in damages, TWIA could only cover about $1.7 billion. Therefore, over $3 billion in state revenue would be at risk. Similarly, if a 100-year storm caused $3 billion in damages, then over $1 billion in state revenue would be at risk.

The perception is that a hurricane will only affect the coastal counties. However, as noted, a severe storm striking Texas will deplete TWIA's funds and cause a revenue shortfall impacting the entire state. Furthermore, the Texas coast is a booming economic region that directly and indirectly impacts people and businesses statewide.

A recent study estimated that a Katrina-size storm striking an unspecified location in the Tier 1 Windstorm Coverage Area[7] would amount to losses of $52.2 billion in gross state product, $43.8 billion in personal income, and almost 617,000 jobs.[8] This is in addition to the previously mentioned impact on general revenue through the premium tax credits.[9]

The same study estimated that, if the same Katrina-size storm were to strike the Port of Houston, Texas would lose $73 billion in gross state product, $61.3 billion in personal income, and more than 863,000 jobs.[10] The state's general revenue would lose around $2.5 billion, in addition to an even longer period of assessments, in exchange for tax credits.[11]

The numbers speak for themselves. The entire state should be concerned with TWIA's inadequate design, because while the coastal area fuels the Texas economy, it also has the potential to handicap it.

WHAT OTHER STATES HAVE DONE

The entire Gulf Coast has had to deal with high insurance prices and limited insurance availability in coastal areas. States have turned to varying degrees of government intervention to address the problem. South Carolina, for example, passed legislation laying out a series of steps aimed at making insurance in the state's coastal areas more available and affordable.[12] While many coastal states, such as Florida (and Texas), have greatly increased the number of policyholders covered by government-created "last resort" insurers, South Carolina has moved away from this approach.

First, South Carolina has offered tax incentives to insurance companies that cover property in

hurricane zones and to property owners who take steps to mitigate potential storm damages to their homes. The legislation also divides the South Carolina coast into tiers, whereby the state's residual insurance provider can vary rates in the different tiers, to reflect the relative risk. Additionally, insurance companies that change their rates must base those changes on statistical data related specifically to South Carolina. Another provision requires the state's wind pool to charge adequate rates, in order to keep competitive private insurers in the game. While South Carolina still relies in many cases on government intervention—such as tax incentives—at least it is intervention attempting to get government out of the windstorm business.

On the other side of the fence are states like Florida, which have adopted the government-centered approach to providing insurance. Florida legislators recently voted to lower insurance rates, primarily in South Florida, by subsidizing its growing problem. In the event of a major hurricane striking Florida, the state would pay for the losses by taxing home, automobile, and other types of insurance.

The state's chartered insurance corporation, Citizens Property ("Citizens"), is Florida's largest property insurance provider. While legislators recently voted to lower insurance rates for many coastal properties, most critics say the rates were already inadequate. It has been projected that a major hurricane strike in the Miami area would cause the state to have to raise an additional $40 billion. This scenario would cripple the Florida government and more than likely result in the involvement of the federal government to help pay for losses.

SOLUTIONS FOR TEXAS

Reforming the Texas windstorm residual market should begin with these steps: 1) Deregulate homeowners' insurance in Texas; 2) Change TWIA's role to truly be an insurer of last resort; 3) Require TWIA to charge adequate rates; and 4) Improve TWIA's funding mechanism. Certainly, this list is not comprehensive, but effective reform of TWIA begins with these points.

I. DEREGULATE HOMEOWNERS' INSURANCE RATES IN TEXAS

Experience shows that a competitive market, unfettered by regulation, is of greater benefit to consumers than a state-controlled market. A rate-deregulated homeowners' insurance market will allocate resources more efficiently, lead to more availability and lower prices, and enable insurers to charge adequate rates throughout the state. Such a change would cause more companies to enter the market and allow insurance companies to operate under sound financial business plans. Critics of the private market complain that Texas is a two-tiered state when it comes to homeowners' insurance—a highly competitive inland market and a stagnating coastal market. While there is much truth to this, the reason for this is the heavy government intervention in the market along the coast.

The focus of TDI's opposition to recent homeowners' rate filings were the proposed increases along the coast. TDI has for years kept TWIA's rates low, stymieing attempts of private insurers to compete against TWIA. This focus on keeping rates "affordable" along the coast is a major factor in creating the two-tiered market in Texas.

A sound, healthy homeowners' insurance market will enable more companies to enter and compete in high risk areas, such as the coastal region. More companies will not only enter the market, but they will also be better equipped to offer higher-risk policies along the Texas coastline. Availability in the private market will increase, competitive pricing will return to the market, and the number of TWIA policyholders and amount of TWIA exposure will decrease.

Talking*Point*:

For more than a decade, TWIA rates have been dangerously inadequate. In the event of a major storm, TWIA would be unable to cover its losses.

II. CHANGE TWIA'S ROLE TO BE SOLELY AN INSURER OF LAST RESORT

TWIA's purpose is "to provide Texas citizens adequate wind and hail coverage when it is not available in the insurance marketplace." While TWIA may have been intended to serve this residual market, i.e., be an insurer of last resort, it has become anything but that. Further, its unrealistically low rates have made TWIA an unbeatable competitor and have harmed the private market.

TalkingPoint:

TWIA can only cover about $1.7 billion in losses until its funding starts to take away from the state's general revenue fund.

Therefore, the first step toward offering realistic rates for wind insurance is to define TWIA as only an "insurer of last resort." By clarifying its purpose, TWIA will be better able to offer more realistic and actuarially sound rates, reduce exposure, and encourage customers to explore the voluntary market. In addition to defining its purpose, TWIA should take an approach to insurance similar to the FAIR Plan. In Texas, FAIR is a homeowners' insurance provider of last resort. Not only does it charge higher rates than the voluntary market, but consumers are also not eligible for FAIR until they have been declined by at least two insurers in the private market. Establishing similar guidelines for TWIA would be a big step toward solidifying it as a true insurer of last resort.

Not only are TWIA's rates unreasonably low, but they also place policyholders at risk, in the event of a storm. By offering rates that reflect sound insurance principles, TWIA will slow its growth, decrease its exposure, and, most importantly, create an opportunity for more competition to enter the wind insurance market. The first step is to reiterate the purpose of TWIA as an "insurer of last resort" and not as a competitor in the marketplace.

An example of how to successfully deal with seemingly unmanageable challenges in residual markets comes from South Carolina. In 1993, over 925,000 drivers were being insured in the state's automobile insurance residual market—this was more than the total in 43 other states combined, including California and New Jersey.[13] By 1999, this total had risen to over one million, or 38 percent of the market.[14] Today, after sweeping free market reforms were implemented in 1999, the residual market in South Carolina comprises only 38 policyholders, or 0.0013 percent of the market.[15]

III. OFFER SOUND AND ADEQUATE RATES IN THE COASTAL AREAS

For more than a decade, TWIA rates have been dangerously inadequate.[16] In the event of a major storm, TWIA would be unable to cover its losses, and even without a storm, inadequate rates serve as an unnecessary impediment to a competitive marketplace. In order to offer more realistic rates, TWIA rate reform should take the following courses of action.

A. Change Texas law to require TWIA to use updated catastrophe modeling methods to calculate rates

According to a recent report on Texas windstorm insurance, "hurricane loss modeling is widely accepted in worldwide insurance markets to determine the adequacy of rates for hurricane exposures in coastal areas. Unfortunately, these models have not been generally accepted by the TDI in TWIA and individual rate filings."[17] While hurricane models have proven to be reliable tools for rate setting, Texas insists on using 30 years of historical data to project future storms. This system may please some constituents who receive lower rates, but it is an unsound way to set rates.

Texas is fortunate that it has not been struck by a major hurricane in the past 30 years. However, the past is no guarantee for the future. By relying on past experiences, TWIA will likely offer inadequate rates that leave consumers at risk in the event of the next big storm. Texas should update the methods by which TWIA calculates its rates to include catastrophe modeling.

B. Allow a larger benchmark whereby TWIA can change its rates without commissioner approval

Under the current system, TWIA must file for rate changes annually. However, rate changes cannot exceed 10 percent, unless they are approved by the Texas Insurance Commissioner. Over the years, there has been a disconnect between what the commissioner approves and the rates needed to support an actuarially sound system.

In order to allow TWIA more flexibility to adapt to changing weather conditions and insurance issues, any reform should address the matter of increasing the current benchmark whereby TWIA can raise rates without seeking approval. Such reforms would allow TWIA to operate more like a private insurer, free to respond to market and weather conditions. Increased rate flexibility will create a more solvent and financially responsible organization that will better benefit consumers in the event of a major storm.

C. Allow TWIA to differentiate rates based upon actual risk rather than offering uniform rates in all coastal areas

To further promote adequate rates, TWIA should be allowed to calculate different rates for different coastal locations. This reform will allow TWIA to charge higher rates in higher-risk locations, while charging lower rates in lower-risk locations.

Currently, many policyholders are being overcharged while others are being subsidized. In addition to being fairer, allowing rate variation within coastal areas to reflect actual risk will create a system where rates reflect sound insurance principles, rather than uniform pricing.

Therefore, if TWIA will offer more adequate rates, it will reduce its exposure and create an incentive for companies to enter a competitive market. Any potential reform can achieve this by clarifying TWIA as an insurer of last resort, updating the modeling methodology used by TWIA, allowing a larger benchmark for TWIA to change rates, and allowing TWIA to differentiate rates based on actual risk, rather than offering uniform rates.

IV. CORRECT TWIA'S OUTDATED FUNDING MECHANISMS

TWIA can only cover about $1.7 billion in losses until its funding starts to take away from the state's general revenue fund. Its funding mechanism was designed in 1993, when it only had about $6 billion in exposure. Several over-arching principles need to be addressed in correcting TWIA's funding system.

A. TWIA is too large

This principle ties into the previously mentioned problem regarding the mission statement of TWIA. Expansion of the private market should be encouraged, while TWIA should begin to operate like a residual insurer. The most basic way to help the current funding crisis without restructuring the funding mechanism is to decrease the exposure of TWIA. This paper has already suggested several mechanisms for this, including making TWIA a true provider of last resort, allowing TWIA greater flexibility in rate increases, and establishing a healthier homeowners' market in Texas. If TWIA offers more realistic rates to fewer customers, the private market will grow and TWIA's exposure will decrease. The previous example about South Carolina shows that dramatically reducing the size of TWIA *can* be accomplished.

B. TWIA should increase its internal solvency

The most immediate goal of TWIA should be to increase its internal solvency. Internal solvency refers to the ability of TWIA to pay its losses from its own cash reserves, while external solvency refers to outside mechanisms that TWIA can use to pay losses if they become too great. With TWIA's exposure nearing $50

TalkingPoint:

Once TWIA exhausts its $1.7 billion in cash reserves, it turns to unlimited assessments against property insurers, in return for tax credits.

billion and the potential for $5-10 billion in losses from a severe storm, TWIA should have the ability to pay much higher losses than the current limit of $1.7 billion. While an effort needs to be made to reduce its exposure, a strong push also needs to be made to increase its internal solvency. By offering higher, more adequate rates, TWIA will decrease its exposure, while also retaining more money for homes still insured by the organization.

Talking*Point*:

A severe storm striking Texas will deplete TWIA's funds and cause a revenue shortfall impacting the entire state.

While no realistic attempt at internal solvency will be able to deal with severe weather, such as a 250-year storm, a benchmark goal should be made so that the organization can focus on attaining a certain level of solvency. For example, it has been suggested that maintaining a level of internal solvency fit for a 50-year storm would be a good goal. The exact level is debatable, but a mark should be set such that TWIA and TDI know what TWIA has to maintain.

This approach is an alternative to the Legislature's requiring higher rates. South Carolina's recent bill mandates that the state's insurer of last resort charge adequate rates. In order to keep private insurers in the market, Texas can effectively do the same thing by requiring TWIA to maintain rates that reflect a certain level of internal solvency. This would be an effective reform that should be coupled with using hurricane models to determine rates, rather than relying on past history.

C. Redesign TWIA's external solvency

Once TWIA exhausts its $1.7 billion in cash reserves, it turns to unlimited assessments against property insurers, in return for tax credits. The worst-case-scenario storm for Texas would be a severe hurricane striking the Port of Houston. If this Katrina-like disaster occurred, losses could be in the range of $10 billion. Thus, once TWIA uses its $1.7 billion to pay losses, the next $8.3 billion would come in the form of unlimited assessments against insurers, in return for tax credits for up to five years.

For several reasons, TWIA should not be able to turn to unlimited assessments. First, as a source of potential instability, assessments are an economic disincentive, deterring many companies from entering the Texas market. This impediment to the free market serves to decrease competition and choices for the Texas consumer. Additionally, in the wake of a severe storm, unlimited assessments will probably result in the insolvency of many smaller insurance companies unequipped to take on the added costs. This will create a domino effect, whereby smaller companies are forced out of business and more assessments are imposed on bigger companies. Non-coastal residents who were insured by smaller firms would be left with no insurance coverage.

Finally, although it has been touched upon, the assessments will cripple the state's general revenue fund. Because unlimited assessments are imposed in exchange for tax credits, the state's revenue will take a severe hit in tax revenues if assessments are levied. Texas has been dodging bullets for too long. It is only a matter of time before another severe hurricane strikes Texas at a vulnerable location. Legislators should move toward disconnecting the state's general revenue from TWIA's funding mechanism.

D. Redesigning funding by using bonds

Most legislators understand that bonds are needed to fund TWIA. While there are some details that need to be worked out through the political process, the system has been fundamentally laid out. TWIA should be able to issue public securities in order to establish reserves to pay claims, purchase reinsurance, and pay other business-related expenses. Most studies recommend issuing pre-event bonds that could be repaid from investments, or TWIA income, if no storm occurs. In the event of a storm, the pre-event bonds would probably be repaid by placing a surcharge in the neighborhood of 1 percent of the premium on property and casualty policy holders in the catastrophe area.

In the event of a severe storm, a second kind of bond should be allowed to be issued. Post-event bonds would be used to cover any additional expenses needed to be paid by TWIA. While those in the catastrophe area will be responsible for repaying pre-event bonds through surcharges, the entire state will face surcharges if the storm is big enough to require post-event bonds.

A scenario that divides responsibility for repaying bonds between coastal residents and non-coastal residents is preferred. Obviously, because the insurance is for the coastal residents, those benefiting from it should have the first priority in repaying the bonds. However, in the event of a major storm that requires post-event bonds, it is reasonable for the entire state to bear the burden of surcharges for repayment. The coastal region is an important cog to the state's economy. In the event of a major calamity on the coast, Texas citizens will experience a more resilient state-wide economy if the burden is shared.

Specific amounts relating to issuing bonds and surcharges will need to be debated and resolved by the Legislature, but the overall blueprint is in place. Bonds will allow TWIA to become externally solvent in a way that does not put the entire state's general revenue fund at risk. However, if bonds are pursued without the other reforms in this paper, then nothing will have been accomplished except making it less painful and less transparent for consumers to subsidize windstorm insurance along the coast. Bonds are clearly the last step in the reform process.

OTHER CONCERNS

In addition to deregulating homeowners' insurance, charging more adequate rates for TWIA insurance, and redesigning TWIA's funding, other problems need to be addressed. Among them is the availability of reinsurance for both TWIA and private insurers. Reinsurance will provide a greater level of protection for all insurance providers and will further stabilize the insurance industry in the wake of a severe storm. Additionally, the composition and responsibilities of TWIA's Board of Directors has been a much-debated topic. While it does not rank as the most important of TWIA concerns, it is something likely to be addressed in any future reform effort. In addition to impacting federal taxation issues, the composition and responsibilities of TWIA governance also play a large role in maintaining solvency. Attempts to mitigate the impact of windstorm damage will likely be addressed, and attempts to further regulate building codes may also loom on the horizon.

CONCLUSION

Arguably the most serious threat facing the Texas economy is that of a severe hurricane strike. Although recent weather forecasts have predicted hurricane seasons for the upcoming years to be higher in volume and in severity, Texas has taken very few steps to prepare for the threat. Unfortunately, the devastation of Hurricane Katrina and the near-miss of Hurricane Rita in 2005 did not adequately motivate Texas to deal with the ongoing threat of a hurricane strike on the shores of Texas.[18] Texas faces the prospect of another full hurricane season before the next regular session of the Legislature. The Texas homeowners' insurance industry is ill-equipped to face a severe hurricane strike, yet can do nothing but hold its breath every time a tropical storm forms in the Atlantic.

Talking*Point*:

Arguably the most serious threat facing the Texas economy is that of a severe hurricane strike.

ENDNOTES

[1] Southwestern Insurance Information Service, Fact Sheet, 13 June 2007.
[2] Beaman Floyd, "Op-Ed: A broken TWIA is a coastal calamity," *Galveston County Daily News*, 11 June 2007.
[3] According to the Southwestern Insurance Information Service, there was an increase of 29,405 TWIA policyholders from January to May in 2007.
[4] Email from James C. Murphy, FCAS, MAAA, Texas Windstorm Insurance Association, 16 Nov. 2007.
[5] Ibid.
[6] For example, a 250-year storm is one that has about a 0.4 percent chance of striking any given year. Meanwhile a 100-year storm is one that has about a 1 percent chance of striking any given year.
[7] Tier 1 is comprised of the following counties: Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio, and Willacy. Tier 1 also includes certain specifically designated communities in Harris County that are east of State Highway 146. These communities are Pasadena, Morgan's Point, Shoreacres, Seabrook and La Porte.
[8] The Perryman Group, "An Economy at Risk: Our Vulnerable Coast and Its Importance to the Texas Economy," Independent Insurance Agents of Texas, Dec. 2006.
[9] Ibid., 28.
[10] Ibid., 29.
[11] Ibid.
[12] H3820, the South Carolina Omnibus Coastal Property Insurance Reform Act of 2007
[13] South Carolina Legislative Audit Council, Auto Insurance in South Carolina, Feb. 1997.
[14] Robert E. Litan, Testimony before the House Committee on Financial Services, Subcommittee on Oversight and Investigations, Brookings Institute, Aug. 2001.
[15] Scott Richardson, Director of Insurance, South Carolina, presentation at the Heritage Foundation, Oct. 2007.
[16] According to a report by TWIA, its residential rates have changed an average of 0.8% per year since 1988, while its commercial rates have changed an average of 0.1% per year.
[17] Jay A. Thompson, "The 2007 Texas Legislature: Legal Storm Clouds on the Horizon? What's Next for Property/Casualty Insurers in Texas," Thompson Coe Cousins & Irons, LLP (2006) 8.
[18] Representative John Smithee (R-Amarillo) authored HB 2960 in the 80th Texas Legislature. Although it failed to pass, it received widespread support from many legislators on both sides of the aisle. Smithee's bill took a largely free-market approach to solving the windstorm insurance crisis.

About the Authors

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