

MAY 21, 2009 CWIC COMMENTARY ON SB 14,
HOUSE INSURANCE COMMITTEE SUBSTITUTE

After substantial debate, the Senate stripped SB 14 of many punitive, unsupported surcharges, and the double charging portion of the cost of reinsurance. May 20, 2009 the House Insurance Committee passed a substitute SB 14 which modified a number of the problems that remained in the bill. At this point we hope additional amendments can correct the following concerns:

- Composition of the board of directors must recognize the vital character of windstorm insurance to the Texas and Coastal economy by including a *Coastal majority*.
- Rate development *criteria*, which will allow ‘models’ must also restore Sec. 2210.356 actual experience rate basis, to obtain an accurate rate.
- Rate approval *procedures* need to continue the open, OPIC and public input to TDI system now in place, with the sole exception of ‘file and use’ for annual increases of 5% or less.
- Rule making *procedures* also need to continue open, OPIC and public input to TDI.
- TWIA policyholders rights are equal to any other insurer’s policyholders’ rights; they *should not be discriminated against*.
- The present *uniform ‘spread of risk’* across the Texas coast best implements this basic principle of insurance. The irregularity of frequency, severity, and location of hurricanes require that any change from ‘uniform’ rates must be extremely limited, and only based on long term and very substantial amounts of experience data.
- Zero tolerance of WPI-8 certificate requirement is not appropriate. Wind will be excluded from additional thousands of voluntary policies, those thousands of Texans will be driven to TWIA. Many of these owners have no WPI-8 certificate, and can no longer obtain one. Is Texas’ market of ‘last resort’ going to be required to reject these Texans? There is no place else for them to go.
- Requirement of a ‘Declination’ of coverage—to prove abandonment by voluntary insurers—is a travesty, and a red tape technicality sure to injure many at the very time of need: when a hurricane strikes. This purposeless encumbrance should not be imposed; if it must be, then it should not be imposed for annual renewals
- Safety valve for ‘the big one’. The bill provides an inventive method to fund most losses, but relative to the current size of TWIA, funding is limited, unlike the current law since 1971. An emergency method to access funds is a vital basic need. Insurers have caused this need. That cause should be recognized?

We THANK our Senators; we THANK our Representatives, for what they have accomplished in these mind numbing, grueling months of the 81st Legislature.

The problem is not yet solved. The need is GREAT

. Please use these final days of this session to address the troubles remaining in SB 14.

MEMBERS, SAVE YOUR PEOPLE

Coastal Windstorm Insurance Coalition [CWIC]
By Lee Otis “Otie” Zapp, Jr.