

Insurance market failure on the Texas Coast

Homeowners turn to state for wind insurance

By Hunter Sauls, The Facts (Brazoria County, TX)

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After the devastation of hurricanes Katrina and Rita, selling windstorm insurance along the Gulf Coast no longer is a risk many insurance companies are willing to take.

As more people turn to the quasi-public Texas Windstorm Insurance Association, many don't know their new policies come with some requirements they haven't seen before.

Within the last 18 months, more than 2,500 Texans have purchased new windstorm insurance policies with the Texas Windstorm Insurance Association each week, said Jim Oliver, general manager of the association. The norm is about 400 or 500 a week, he said.

About 207,000 policies had been written by the end of September, but at the end of the year it should be 250,000. Oliver said the insurance association will carry more than 50 percent of windstorm policies along the coast, even higher in some counties.

With more than 250,000 policies along the Texas coast by the end of the year, Texas Windstorm is exposed to more than \$60 billion in potential payable damages, Oliver said. It never would get that high because no single storm or even storm season would destroy the entire covered area, he said. But several high points, such as Galveston and Corpus Christi, could cost more than \$2 billion each if a major storm hit.

"If we had a storm in any of these areas, the possibility the damages would exceed our current resources, requiring the state to get involved and issue tax credits is pretty significant," he said.

Looking at the damages and the effect on the state's funds is irrelevant because the damages from past storms have largely been absorbed by private companies, he said. They aren't there anymore.

"In 2005 when Rita hit Beaumont, we had only 3,700 policies there," Oliver said. "Now we have over 21,000 policies in Jefferson County alone.

"To look at past exposure is really meaningless," Oliver said. "You have to look at current exposure - otherwise you'll be woefully short."