

TESTIMONY BEFORE THE SENATE BUSINESS AND COMMERCE COMMITTEE

Charge 1: HB 4409

PRESENTED BY JAY THOMPSON

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AUGUST 24, 2010

TESTIMONY of JAY A. THOMPSON
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COMMITTEE CHARGE: CHARGE 1:

Study the implementation of H.B. 4409 enacted by the 81st Legislature pertaining to the financing of insured losses in excess of premium and other revenue of the Texas Windstorm Insurance Association (TWIA). Assess the coverage and affordability of TWIA policies. Review the claims and payments processes and make recommendations to improve the stability of TWIA while enhancing services to clients.

HIGHLIGHTS OF CHANGES IN HB 4409:

1. TWIA is changed from a potential statewide pool to a market of last resort for wind coverage in the Seacoast territory.
2. TWIA is required to undergo a Sunset review before 2015.
3. The TDI is required to maintain a list of insurers that voluntarily write in the Seacoast territory and maintain a list of incentives to encourage voluntary writings and minimize use of TWIA.
4. The Funding for payment of losses after a hurricane is changed dramatically. The "unlimited" assessment on insurers with tax credits is eliminated. Funding is required in the following order:
 - TWIA Funds and the CRTF.
 - \$1B in post-event bonds or commercial paper repaid by TWIA.
 - \$1B in post-event bonds repaid by member insurers and surcharges on coastal P & C policies.
 - 30% is to be repaid by members through assessments without recoupment through surcharges.
 - \$500 M in post-event bonds repaid by member insurers.
5. The method of approving rates for TWIA is changed to permit file and use for rate changes up to 5% and prior approval for higher rate changes.
6. Territory rating is permitted with caps on rate differentials within a county that gradually increase over a period of time.
7. Board of Directors members are appointed by the Commissioner. 4 industry representatives, 4 from the catastrophe area, and 1 from outside the catastrophe area. 1 person must be a licensed agent. Industry representatives are appointed from nominations submitted by the TWIA board.

8. Requires a mandatory declination to be eligible for TWIA.
9. Property located in Zone V and built after the effective date of the Act must have flood insurance. There is also a minimum period of 180 days.
10. Property built after the effective date must comply with building codes or pay a mandatory surcharge.
11. A Legislative Oversight Board is created.