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Written Testimony

Submitted to the

Senate Business and Commerce Committee, July 5th, 2012

Overview

Homeowners' insurance is a difficult business throughout the United States. In the past few years, headlines have been filled with a long string of disasters that have resulted in billions of dollars in paid insurance claims. Unfortunately, Texas has been the location of a large number of these catastrophic events.

Though Texas has been subject to some of the biggest catastrophes to hit the United States in recent years, severity is only part of the story. Texas disasters come from a wide variety of events with a sad frequency. In a recent study conducted jointly by Kiplinger.com and Verisk Analytics, the authors observed that, unlike other high loss states such as Louisiana and Florida, Texas losses were largely "due to common thunderstorms and tornados, with the state enduring major wildfire loss, one tropical storm, four hurricanes, seven winter storms, and 53 severe weather incidents during the ten year study period. [1]

Insurance costs are driven not only by weather, but also by the intersection of damaging events and insured value. Unfortunately, much of the severe weather risk in Texas is located over high population and construction concentrations.[2] From the Panhandle to the Dallas-Fort Worth Metroplex, down the I-35 corridor or down! -45 to Houston, Galveston, and the coastal bend, Texas is built largely under severe weather risk.

The occurrence of frequent weather disasters over population centers creates a high level of both claims frequency and severity in our state. To put the values into perspective, Illinois, the tenth state on Kiplinger's top ten list of disaster loss states, had weather disaster losses of $4.9 billion over the past decade. Texas suffered in excess of $1 billion of loss from a

[1] Insurance Institute for Business and Home Safety, June 21, 2012.
[2] For a graphic analysis of reported weather events, see Texas map slides in the III presentation.

single afternoon hailstorm on June 13th, more than 20% of Illinois' ten-year total[3]-. And this storm is only the latest in a series of major weather losses suffered from McAllen to our northern borders that had already cost hundreds of millions of dollars[4], with the major part of wildfire, hurricane, and winter storm season still ahead of us.

Results

The result of these weather losses over the long term, in addition to frequent public safety concerns and disruptions for many Texans, is high long-term claims costs and high rates relative to most other states. Though most national premium comparisons, including the annual comparison published by the National Association of Insurance Commissioners ("NAIC"), are somewhat flawed by their own admission, there is no doubt that Texas homeowners' insurance is among the most expensive in the nation, and substantially higher than the national average.

We should note that the NAIC comparison most often cited to compare Texas to other states compares premium, not rate. Premium is the cost of policies without reference to the value insured. Rate is the cost of insurance for a specified amount of coverage, most often expressed in cost per $1000 of coverage. While premium has remained generally stable over the last decade, rate has actually declined, due to the significant increase in the average amount insured in Texas policies.[5]

Year	Average written amount of insurance per policy	Average premium per policy	Rate: average cost per $1000 of coverage
2002	$142,400.00	$1,232.00	$8.64
2003	$151,400.00	$1,249.00	$8.37
2004	$161,100.00	$1,244.00	$7.72
2005	$169,000.00	$1,222.00	$7.26
2006	$181,100.00	$1,215.00	$6.79
2007	$196,100.00	$1,251.00	$6.37
2008	$201,200.00	$1,272.00	$6.32
2009	$208,300.00	$1,332.00	$6.39

The market reform of the Texas homeowners' market in 2003, including some rating and policy form flexibility, staved off a collapse at that time and created some stability in the following decade. The fortunate coincidence of an improved regulatory system and a few years of good weather experience helped to reverse the movement toward market collapse, keep

[3] Insurance Journal, June 25, 2012.
[4] Sources: Austin American Statesman, January 27th, 2012; Reuters, San Antonio, March 20th, 2012, Insurance Journal, April 3, 2012, CBS DFW Channel 11, May 3, 2012.
[5] Source: 2002 data, TDI Insight Magazine, May 2008; 2003-2009 data, Texas Department of Insurance.

overall premium stable for a number of years, and reduce overall rates from 2003 to 2009. Unfortunately, our severe weather pattern returned in 2008 with Hurricanes Dolly and Ike and has continued into the current year, creating a renewed strain on the marketplace.

Loss Ratios, Duties of Texas Insurers

Though comparing Texas rates to those of other states can provide a valuable academic reference, the key public policy value is the consideration of Texas rates in the context of our unique risk factors, loss experience, the business responsibilities that insurers have to their customers, members or shareholders, and to insurers' overall duties under the law.

Perhaps the most important starting point for evaluating the marketplace in terms of rates and loss is a careful review of combined loss ratios over time. Combined loss ratios, expressed as a percentage, are the sum of direct claims payments and direct insurance expenses[6] divided by premiums. For example, a combined loss ratio of 100% would mean that an insurer paid out exactly the same amount of money in claims and related expenses as in took in as premium. A study of loss ratios over time is one of the best ways to review the propriety of rates and overall health of the marketplace.

Texas homeowners' loss ratios in both short term and long term views are cause for concern. In 10 of the past 20 years, Texas loss ratios have been over 100%. Worse, because of substantial losses in some years, the average combined loss ratios measured over various periods exceeds 100%:[7]

Period, preceding years starting with 2011	Incurred (Pure) Loss Ratio	Expense Ratio	Combined Ratio
5 year average	70.5%	38.6%	109.1%
10 year average	63.9%	38.1%	102.0%
20 year average	67.2%	39.6%	106.8%

Not only are these long-term losses deeply concerning to insurers as business entities, but they are also serious in relation to other statutory duties required of insurers. These duties include:

- Solvency: insurers are required by law to maintain adequate surplus to pay for losses that may exceed premium income. The minimum surplus requirement is one third of a company's premium in force,[8] though the commissioner can require greater surplus

[6] Certain expenses are "disallowed " under the law for the purpose of calculating rates and loss ratios. Refer to Ch. 2251.002, Insurance Code, for a list of disallowed expenses.
[7] Source, Texas Department of Insurance.
[8] Ch. 822.205, Insurance Code.

levels if a company's risk levels may require it.[9] As a result, continued losses, or increased premiums can reduce the amount of business an insurer is allowed to write.[10]

- Accurate rating: insurers are required by law to consider a host of factors when determining a rate, including past and prospective loss experience, the peculiar hazards and experiences of individual risks, past and prospective, inside and outside this state, the insurer's actuarially credible historical premium, exposure, loss, and expense experience, catastrophe hazards in this state, operating expenses (excluding disallowed expenses), investment income, and a reasonable margin for profit.[11] Because insurers are required to have adequate rates, loss ratio data can require insurers to file for rate increases or reduce risk in their book of business, or a combination of both.

- Claims handling standards, contractual obligations: Insurers are required to meet various claims handling standards, including specific provisions related to the prompt payment of claims.[12] These standards and the contractual obligations of insurers to provide a defense to their insureds in most policies generate a significant portion of the expenses that form the expense portion of the combined loss ratio.

In general, these statutory obligations codify good business practices that would be met or exceeded by most reputable insurers. However, in the context of a review of rate issues in the Texas homeowners' insurance market, it is important to consider both the business realities and the manifold requirements in Texas law that drive a company's insurance decisions.

Key Points

This examination of the long-term losses suffered in Texas, the resulting loss ratios, and the ongoing obligations of insurers to their customers and the insurance code highlights certain key points that must be considered when addressing insurance public policy decisions. These points include:

- In terms of profit and loss, homeowners' insurance in Texas has been a very difficult business, with significant loss both in the preceding year and over time.

- Homeowners' premiums in Texas are spent entirely on claims, insurance related, and loss adjustment expense. From premium to claim, there is no significant pooling of

[9] Ch. 822.210, Insurance Code.
[10] Specific regulatory consequences of changes to an insurer's surplus position are found in Ch. 404, Insurance Code.
[11] Ch. 2251.052, Insurance Code.
[12] Ch. 542.051, Insurance Code.

money in the insurance process that could be accessed by a public policy requirement to lower rates.

- Insurers must maintain adequate surplus to meet the needs of their customers and satisfy the requirements of the solvency statutes. Reductions in surplus create both a business and legal imperative to write less business.

- Any address of the price of homeowners' insurance in Texas must address the true claims costs through loss mitigation.

Possible Improvements

Neither insurers nor policymakers can reduce the severity of Texas weather, and its assault on the property of our citizens. However, policymakers can support a variety of efforts to incrementally reduce the risk of loss and costs in the homeowners' insurance market.

Building codes: Texas should require uniform application and enforcement of the state-adopted building code as a minimum code, with enhancements allowed by local subdivisions. Currently local jurisdictions may adopt a weaker code than that adopted by the state, and there is no clear system for enforcement. In those instances where stronger building codes have been required and enforced, such as the TWIA requirements and inspection program, loss mitigation results have been very good, reducing both the number and severity of claims by substantial percentages. [13] Building codes would not be an immediate fix for high rates. However, uniform application, enforcement, and periodic review and enhancement of building codes would incrementally harden Texas against loss in the long term.

Continuation and enhancement of insurance company competitive risk underwriting and rating programs: One of the best long-term ways to reduce overall loss in Texas is to allow companies to isolate, quantify, and disincentivize risk with their own rating and underwriting programs. Allowing companies to offer discounts to better risks, surcharge higher risks, and make underwriting decision to manage overall risk, is part of a healthy competitive market that will attract and retain insurance capital. Such programs have historically enhanced risk mitigation and safety for consumers, including creating incentives for everything from trimming limbs away from houses to better building practices to better law enforcement and fire protection services. In addition, insurance companies using good rating and underwriting tools are better able to make incremental decisions that stabilize their books of business and preserve the surplus vital for offering next year's policies.

[13] See TWIA Hurricane Ike Building Code Analysis for Jefferson, Chambers, Galveston, and Brazoria Counties. 44.8% of dwellings in the study area built to the IRC code filed claims, while 70.6% of non-code compliant structures in the same area filed claims. Severity of individual claims was also 30% worse on average for non-code homes.

Contractor registration/regulation: The frequency and severity of claims in Texas, and the resulting high losses, require that every claim dollar is spent as efficiently as possible. Homeowners' insurance claims checks should never be spent on substandard repairs or fraudulent businesses. Across the country, states are passing legislation to address this issue, most notably with laws related to the registration or licensing of roofing contractors. These laws also provide a wide array of other consumer safeguards such as prohibitions on contractors paying the deductible or engaging in other fraudulent activity. This year's enactments include Kentucky, Arizona, Louisiana, South Dakota, Colorado, Iowa and Nebraska. By establishing basic regulation of roofers prior to a loss or catastrophe, consumers are better protected in the stressful aftermath of a disaster, and can contract for repairs with more confidence. Over time, the reduction in wasteful spending on substandard work will strengthen the marketplace financially.

Continued study of instances with high expense or claims dispute levels: policymakers should continue to monitor instances where expense ratios are higher than normal averages. In some instances these increases are logical and unavoidable, as in the aftermath of a catastrophe where insurers expend tremendous resources in contracting, overtime, and specialty services to handle severe loss and high claims volume. However, some spikes, particularly in expenses associated with claims disputes, could involve the artificial generation of disputes, recalcitrance by a company or companies, or a basic lack of clarity in some facet of the claims process. A certain amount of dispute in the insurance claims system is inevitable, given the duties of insurers to stay within the terms of their contracts with customers, fact disputes, and human fallibility. Nevertheless, insurers, regulators, and policymakers should continue to examine broadly aberrant instances, and make public policy improvements where possible.

Conclusion

In just the past few years, Texas insurers have paid billions of dollars in loss claims to their policyholders, for everything from individual thefts and incidents to enormous catastrophes. TCAIS member companies are proud of their efforts serve their customers, provide a strong choice of policies, and meet their policy obligations. Their success is demonstrated not only in the sheer volume of their activities, but in fast service, high closure rates, continued excellent performance on customer satisfaction surveys, and low complaint ratios. In a famously difficult homeowners' insurance environment, the majority of insurers continue to meet their obligations both to their own standards and to the Texas Insurance Code.

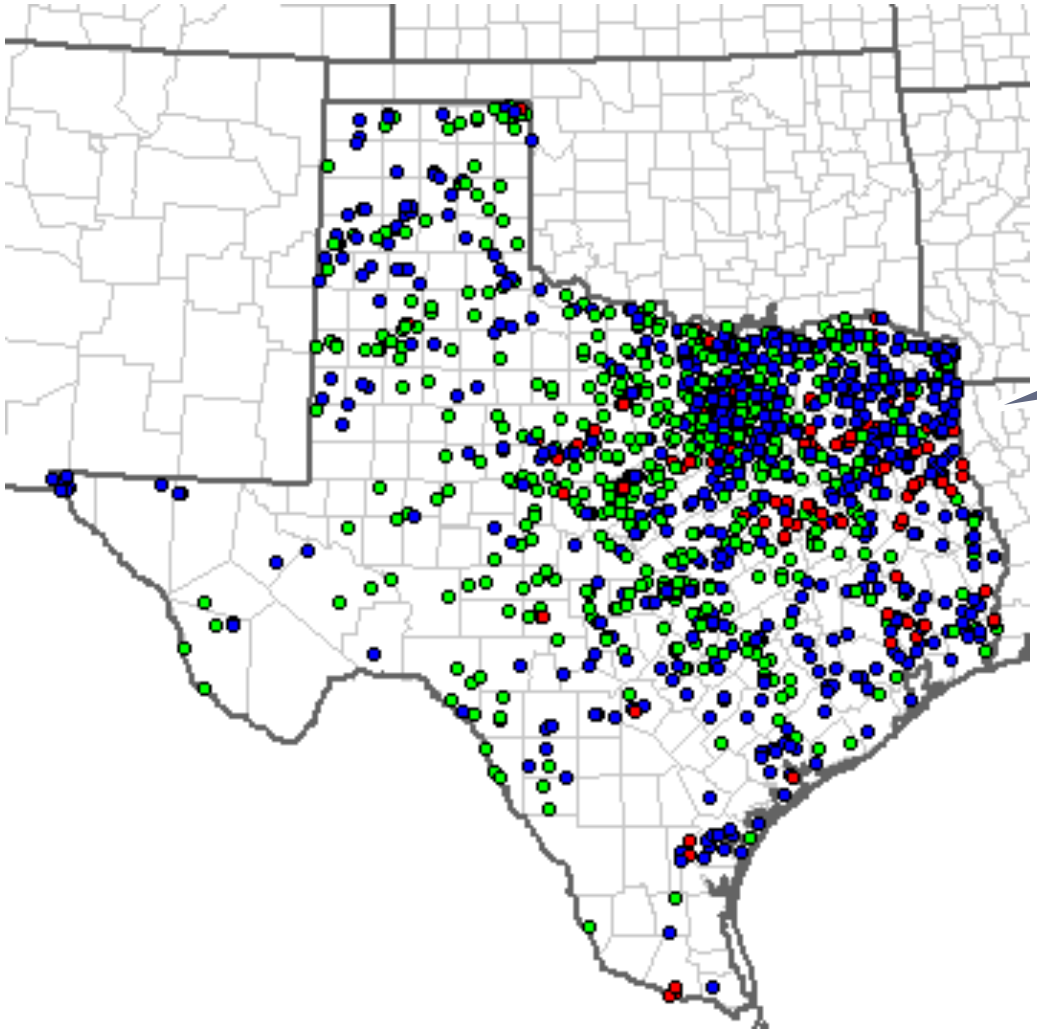
Though successful in meeting its obligations, the Texas homeowners' marketplace has been under both acute short-term financial stress and chronic long-term stress. The high claims costs in Texas continue to be the primary driver of rates. Recognition of the reality of these

costs must be part of any policy initiative. In the face of acute risk related to natural hazards, Texas must continue to attract private insurance capital and foster competition by allowing companies to employ sound business models, offer options to customers, and make necessary adjustments to both rates, and their books of business. In other words, Texas must not exacerbate its inevitable natural risk with undue regulatory risk.

All parties must be mindful of both the importance and efficacy of some incremental actions. In many important policy options, such as building codes, real improvements in Texas loss costs will likely occur over time. Conversely, quick or unbalanced solutions to rates can create strains in other areas of statutory obligation, particularly solvency, potentially leading to dramatic swings in insurance availability and rate, and a lack of predictability for both insurers and their customers.

Policymakers should examine those areas where risk in Texas can be incrementally improved in the public interest. Whether through standards for structures and service providers, or through the allowing and enhancing of risk mitigation incentives, some measure of loss mitigation is certainly possible, which will translate over time to a more stable marketplace with better rates than otherwise possible.

Severe Weather Reports in Texas, January 1—December 31, 2011



There were 1,547 severe weather reports in TX in 2011

TEXAS

Total Reports = 1,537

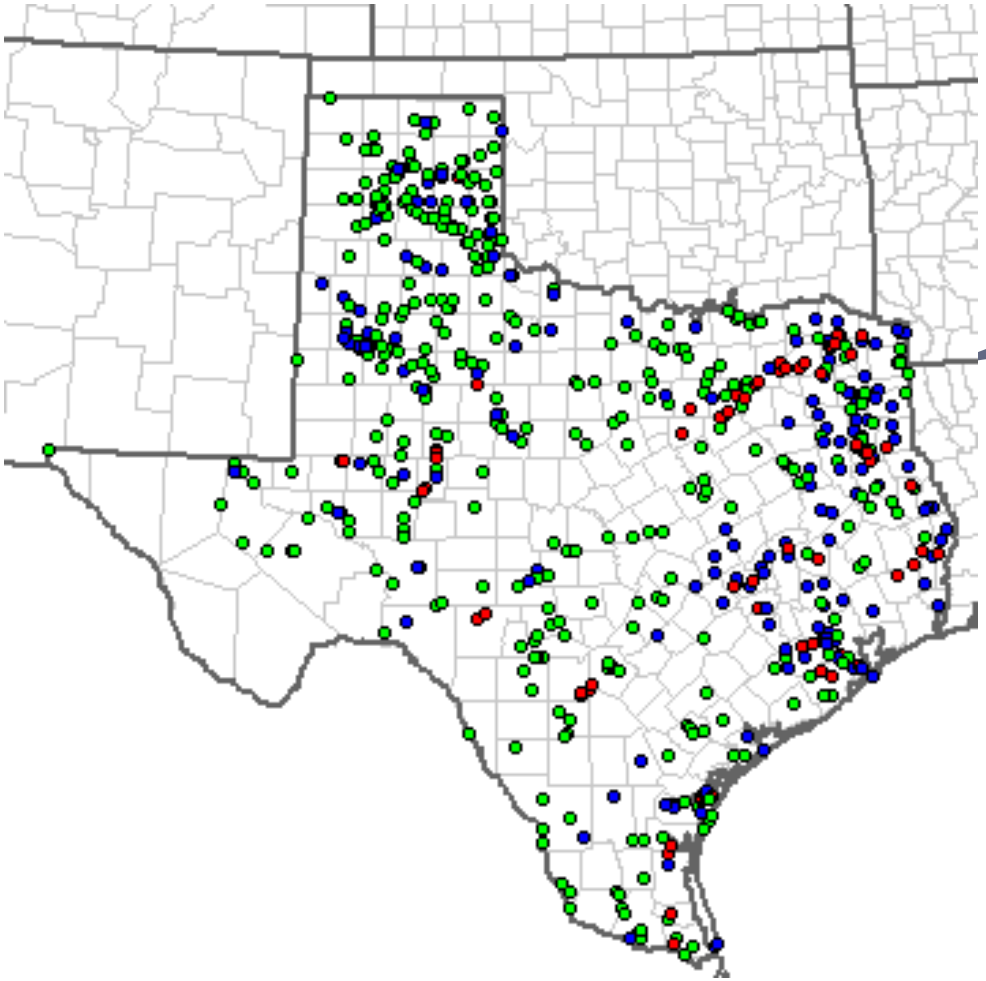
Tornadoes = 115 (Red)

Hail Reports = 741 (Green)

Wind Reports = 681 (Blue)

Source: NOAA Storm Prediction Center and the Insurance Information Institute
http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html

Severe Weather Reports in Texas
January 1—May 2, 2012



There have already been 671 severe weather reports in TX in 2012, through May 2nd.

TEXAS

Total Reports = 671

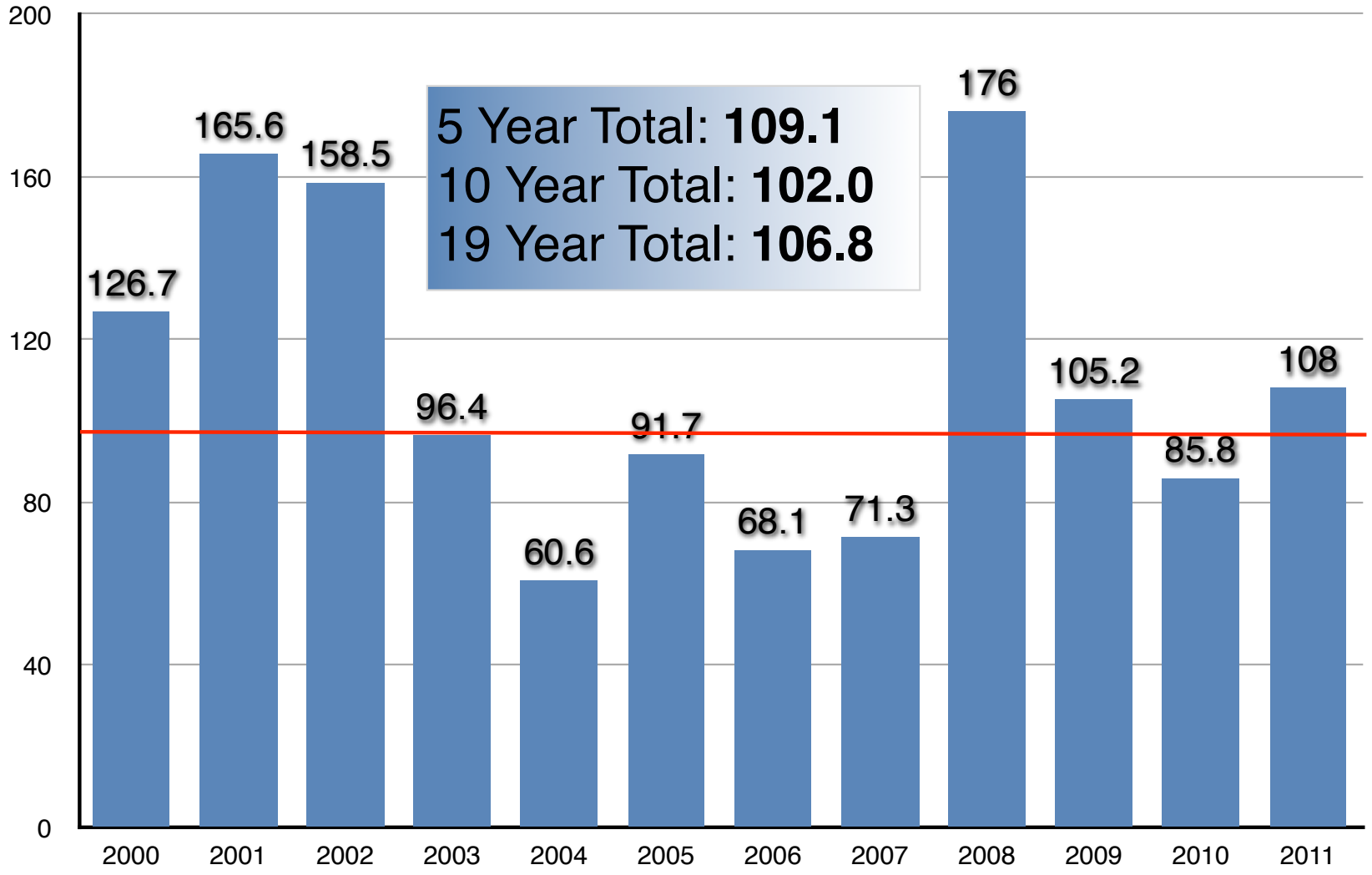
Tornadoes = 66 (Red)

Hail Reports = 407 (Green)

Wind Reports = 198 (Blue)

Source: NOAA Storm Prediction Center and the Insurance Information Institute
http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html

Texas Homeowners Insurance Combined Loss Ratios Since 2000



Source: Texas Department of Insurance – April 2012

Insurance Premiums

Average amount paid for every $1,000 of insurance purchased has dropped more than 26 percent (2002 to 2009)

Year	Average Written Amount of Insurance Per Policy*	Average Premium Cost Per Policy	Average Written Premium Per $1,000 Amount of Insurance
2002	$142,400.00	$1,232.00	$8.64
2003	$151,400.00	$1,249.00	$8.37
2004	$161,100.00	$1,244.00	$7.72
2005	$169,000.00	$1,222.00	$7.26
2006	$181,100.00	$1,215.00	$6.79
2007	$196,100.00	$1,251.00	$6.37
2008	$201,200.00	$1,272.00	$6.32
2009	$208,300.00	$1,332.00	$6.39

Source: TDI InSight Magazine, May 2008; 2003-2009 data: Texas Department of Insurance

INSURANCE JOURNAL
Jan. 24, 2012
http://www.insurancejournal.com/news/southcentral/2012/01/24/232491.htm

Hailstorms, Heat and Wildfires Made 2011 a Rough Year in Texas

With weather forecasters issuing severe weather alerts for Texas as a slow moving cold front rolls across the state, many Texans may be reminded of the natural forces in 2011 that destroyed lives and property in all corners of the Lone Star State.

El Paso, Bastrop, Abilene and Robstown experienced catastrophic conditions last year as each city witnessed millions of dollars in damage from violent weather to wildfires, the Insurance Council of Texas reported.

In the early hours of Jan. 11, 2011, a line of thunderstorms continued to grow during a storm that swept through portions of south Texas. The storm began building near Laredo and moved eastward lashing residents of Alice with strong winds and hail. The storm strengthened causing more damage as it moved across Robstown and into Corpus Christi. Insured losses were estimated at $100 million to homes, businesses and vehicles, according to the ICT.

A brutal cold front hit the city of El Paso on Feb. 2, plummeting temperatures to near zero. The freezing temperatures resulted in bursting water pipes in residences, businesses and water mains throughout the city.

"What stood out was the duration of the cold weather which set an all time record low maximum where the temperature did not rise above 18 degrees for two days," said John Fausett, warning coordination meteorologist for the National Weather Service Office in Santa Teresa, N.M. "El Paso also experienced rolling black-outs as thousands of residents were without heat for hours at a time."

In April, three separate storm systems moved through the Dallas/Fort Worth area causing wide-spread damage. Each storm spawned tornados, large hail and hurricane force winds resulting in damage from Denton to Hillsboro.

On April 24, the costliest hailstorm in Abilene's history occurred when softball size hail fell. More than 8,000 homes required new roofs and hundreds of cars wound up in auto repair shops requiring body work and new windshields.

Areas of Texas not hit by rains in April began seeing wildfires. Six of the top 10 largest fires in Texas history all occurred in April. The largest fire occurred near the Big Bend in Fort Davis County where more than 300,000 acres burned and 41 homes were destroyed. The fire near Possum Kingdom Lake burned more than 100,000 acres and destroyed 168 homes. Many of these homes were insured for more than $1 million.

The costliest wildfire in Texas history erupted on Labor Day weekend in Bastrop County. The result was the loss of two lives and 1,600 homes destroyed by fire. Insured losses were set at $325 million.

The summer of 2011 will be remembered for its triple digit temperatures occurring over a record number of days. Lake levels fell rapidly preventing many people from taking advantage of personal recreation on the water. Water restrictions, burn bans and loss of crops and yards were the norm. The majority of Texas ranchers reduced their herds of cattle because of the lack of water and increasing cost for feed. Texans who tried to beat the heat by staying inside felt the cost in the form of higher utility bills.

"Unfortunately the drought in Texas continues and so do the wildfires," said Mark Hanna, a spokesman for the Insurance Council of Texas. "2011 was by far the costliest year for wildfires in Texas and an above average year for damaging storms. We can only hope that much needed rainfall is on its way and the destructive storms are kept to a minimum."

statesman.com
Austin American-Statesman
Jan. 27, 2012
http://www.statesman.com/news/local/storm-produces-tornado-in-northeast-austin-damage-from-2126332.html

Storm produces tornado in Northeast Austin, damage from flooding across region

By Patrick George
AMERICAN-STATESMAN STAFF

Surprisingly powerful storms early Wednesday caused a tornado that ravaged an industrial park and parts of a neighborhood in Northeast Austin, as well as floods, power outages, water rescues, school closures and destruction across Central Texas and much of the state.

Residents throughout the Walnut Place neighborhood off Springdale Road and U.S. 290 had widespread damage, as the tornado uprooted trees that toppled cars and homes, launching roofs and insulation into the air and sending wayward branches and debris into the streets.

Somehow, no injuries were reported.

"It was like a jet engine taking off," said homeowner Louis Ramirez, 60. "It didn't even last a minute. It shattered windows — my chimney is gone — knocked down fences and mangled my satellite dish like a toothpick."

The tornado touched down near Old Manor Road and Commercial Park Drive and ended its destructive path on Sansom Road and Ferguson Lane about 1¼ miles away, National Weather Service forecaster Jim Ellis said. He said forecasters are reviewing photos of the damage to determine the tornado's strength.

Ellis said tornadoes are not uncommon in Travis County but that they usually occur in the springtime or fall and are rare in January.

On Tuesday night, forecasters predicted severe weather with about 2 inches of rain or more in the Austin area.

But as the storms moved across Central Texas early Wednesday, record amounts of rain drenched the area.

At Austin-Bergstrom International Airport, 5.67 inches of rain fell between midnight and midmorning, more than on any day in 2011, forecasters said.

At Camp Mabry, 3.1 inches fell. Creedmoor saw 7 inches, the highest total in Travis County, weather service forecaster Pat McDonald said. Cedar Creek in Bastrop County saw 7.2 inches, he said.

On Commercial Park Drive in Northeast Austin, the tornado ripped through several businesses, turning one building inside out, ripping up roofs, knocking down walls and throwing air-conditioning units into the roadway.

Aztec Marking Co. was destroyed, and the nearby National Trench Safety building was severely damaged. Four buildings belonging to LTD Materials were also heavily damaged, officials said.

Jim Galemore, owner of the 37-year-old Aztec business, which makes real estate signs, said he had just put his 15,000-square-foot property up for sale two weeks ago. Now Galemore, 65, is awaiting word from his insurance company on what to do next.

"That tornado took the roof, took down the walls," he said. "The building is a total loss."

The company was moving most of its business operations to offices in Kansas and no longer had employees working at the Commercial Park location, he said.

Total damage to the area was estimated at $1.5 million, including $350,000 to Aztec Marking, $500,000 to National Trench and $600,000 to LTD Materials, Fire Department officials said.

High-water caused numerous road closures, mostly at low-water crossing areas, across the area.

Trees were blown over, fences were knocked down and several businesses sustained heavy damage in Travis County. STAR Flight helicopters were dispatched about 10 times between 4 a.m. and 8 a.m. for various water rescues and searches. One person in Bastrop County and another in Caldwell County were rescued, said Travis County sheriff's office spokesman Roger Wade.

Some roads and freeways were flooded in Houston by midday, and the Houston school district canceled all after-school activities. The weather service planned to survey damage in downtown Brenham, about 60 miles northwest of Houston, and in Pearland after reports of possible tornadoes.

To the south, areas near San Antonio had more than 9 inches of rain.

Several roads in Bastrop County, including parts of FM 535 and FM 812, experienced severe flooding that lasted long after the rains ended.

Bastrop County Emergency Management Coordinator Mike Fisher spent Wednesday assessing the damage to roads, bridges, culverts and guard rails.

"It's still unfolding, but I can say we've got lots and lots of damage," Fisher said.

Bastrop County is still in its recovery phase from the devastating September wildfires, and Fisher said Tuesday's heavy rain will have an environmental impact.

Reuters
March 20, 2012
http://www.reuters.com/article/2012/03/20/us-usa-weather-idUSBRE82J0HR20120320

At least one Texas tornado damages homes, storms cause flooding

By Jim Forsyth
SAN ANTONIO, Texas | Tue Mar 20, 2012 6:36pm EDT
(Reuters) - At least one tornado southwest of San Antonio caused widespread damage as a line of thunderstorms flooded streets across the region and left thousands without power, officials said Tuesday.

The National Weather Service confirmed a tornado touched down late Monday about 25 miles southwest of San Antonio and moved toward the city. The presence of three separate "tracks" indicates there could have been more than one tornado, said Joe Arellano, chief meteorologist with the weather service in New Braunfels.

Two dozen homes, a handful of businesses and a church were damaged in Medina County, with the worst damage in the town of Devine. Five people were injured, none of them seriously, according to Medina County Sheriff's deputies. "It was really scary," Devine Mayor Bill Herring said. "We really dodged the bullet. Another mile inside and it would have hit a very populated area."

Tree limbs were blown down, and debris covered the roads. Metal and shingle roofs that were ripped off buildings lay tangled against fences and trees.

The Red Cross opened a shelter for families in Devine whose homes were damaged.

In the town of Natalia, just northeast of Devine along IH-35, Amanda Gallegos watched as a tornado touched down near her home.

"You could clearly see the funnel cloud; it was huge," she said. "We heard a real huge rumbling."

In San Antonio, about 25 miles further northeast, winds ripped the roofs off homes and brought down power lines. CPS Energy, the region's electric utility, reported about 35,000 customers without power at the height of the storm. That number dwindled by midday Tuesday as sunny weather allowed crews to repair downed power lines.

Strong winds blew out several windows at San Antonio's sprawling main post office, and overturned at least one postal vehicle. Not far from the post office, a truck driver was stuck in his cab for several hours after a power line collapsed on the cab of his 18-wheeler.

Several dozen San Antonio streets were flooded, prompting officials to post barricades to prevent motorists from driving into flood water. High water also closed dozens of streets in the Austin area, where thousands of homes and businesses lost power.

Lightning strikes were suspected in three fires in San Antonio early Tuesday, fire officials said.

Several dozen people took refuge in a community center set up in the town of Somerset, southwest of San Antonio, officials said.

The National Weather Service issued flash flood warnings for portions of Texas, Oklahoma, Arkansas and Louisiana. By midday, up to 5 inches of rain was recorded along wide swaths of eastern Oklahoma, with more rain possible, the weather service said.

In Arkansas, high winds extensively damaged the roof of the Green Bay Packaging plant northwest of Little Rock in Morrilton. The storm also destroyed two buildings at the Conway County fair grounds and sent a tree through a house in the town, according to county emergency management officials.

In southwestern Louisiana, some 5 inches of rain had fallen by Tuesday afternoon, adding to problems created during heavy rains in the region late last week, according to the National Weather Service. In New Orleans, the Corps of Engineers began preparing for the storm system by closing a floodgate on a canal on the west side of the Mississippi River.

Monday's tornado strikes in Texas followed two confirmed twisters in Nebraska on Sunday that destroyed homes, toppled train cars and injured two people.

The flooding rains come at a time when south and central Texas are still in the grips of a drought that began early in 2011. It developed into the state's worst one-year drought ever.

"The more water we can get now the better off we'll be down the road, later on this year," said Roland Ruiz, Assistant General Manager of the Edwards Aquifer Authority, which manages the region's water supply.

INSURANCE JOURNAL

April 3, 2012
http://www.insurancejournal.com/news/southcentral/2012/04/03/241956.htm

Millions in Damage Claims Expected from South Texas Storm

Hurricane force winds, heavy rains and baseball size hail struck the northern part of McAllen on March 29 causing extensive damage to homes, cars and businesses. The damage is expected to be in the tens of millions of dollars in insured losses.

The National Weather Service (NWS) in Brownsville said the storm produced a tremendous down draft of wind that in its wake left "a war zone." Barry Goldsmith, warning coordination meteorologist for the NWS, said the storm had peak wind gusts of 75 mph and frequent gusts above 50 mph accompanied by hail up to three inches in diameter.

"The unique part of this storm was its duration which lasted nearly 45 minutes," said Goldsmith. "There was hail in four foot drifts in some places."

The wind gusts blew air conditioning units off of businesses and the hail knocked out the windows on vehicles, the sides of homes and commercial property. Trees were stripped of their leaves. One BMW dealership in McAllen reported heavy damage to approximately 80 new cars on its lot.

Kevin Shropshire, an employee at UT Pan American in nearby Edinburg, said the storm knocked out several windows in his home sending broken glass throughout the house. "Once the hail finally stopped, everything outside was white with a strange mist coming off the ground which made it hard to see," Shropshire said. "We are used to hurricanes down here, but this storm just caught everybody off guard."

Insurance companies have sent catastrophic teams to the area to help with adjusting claims. Auto body shops in McAllen say it might take a month to repair all of the vehicles they are receiving.

Insurance Council of Texas spokesman Mark Hanna urged policyholders in McAllen to determine their damage and report their claims to their agent or insurance company as soon as possible.

KWTX-TV
April 11, 2012

http://www.kwtx.com/weather/headlines/North_Texas_Tornado_Outbreak_Cost_Taxpayers_17_Million_147070595.html

North Texas Tornado Outbreak Cost Taxpayers $17 Million

FORT WORTH, Texas (April 11, 2012)—Nim Kidd, the state's emergency management chief said Wednesday the tornadoes and storms that slammed North Texas last week have cost public agencies almost $17 million so far.

Nim Kidd said Wednesday the public costs from the April 3 storms include damage to roads, bridges and public buildings.

The tally also takes into account the costs of cleaning up and responding to areas affected by the storms.

Texas is expected to formally request federal emergency aid by the end of this week.

Kidd said officials are still working to determine what categories of aid Texas can request.

Kidd says almost all of the hundreds of homes seriously damaged in the storm were insured.

One insurance industry group said damage claims in the storm have exceeded $300 million.

No storm-related deaths have been reported.

A total of 17 confirmed tornadoes touched down last week in North Texas.

CBS DFW Ch. 11
May 3, 2012
http://dfw.cbslocal.com/2012/05/03/tornado-insurance-claims-exceed-initial-estimates/

Tornado Insurance Claims Exceed Initial Estimates

LANCASTER (CBSDFW.COM) – Insurance claims from the tornadoes and hail that hit one month ago will exceed initial estimates.

The Southwestern Insurance Information Service is now saying that the April 3 storm will cost in excess of $500 million. That puts it on par with the downtown Fort Worth tornado 12 years ago. Spokeswoman Sandra Helin says this storm cost so much because there was widespread tornado and hail damage.

"The hail was so large that it did total a lot of vehicles. When the hail is that large, you can't use the simple methods of possibly bringing out the hail with a heat device," Helin said.

The insurance group is urging those who haven't made claims yet to get it done. Cities have been helping impacted home and business owners.

There's a Disaster Relief Town Hall meeting at the Lancaster Senior Life Center Thursday at 6:30 p.m. located at 240 Veterans Memorial Parkway. You can also get more information by calling 972-218-1300.

PROPERTY CASUALTY360°
PropertyCasualty360.com
June 14, 2012

Texas Hail Storm Insured Losses Could Eclipse April Tornadoes

Imagine getting your car back from a Texas auto body shop from the last hail storm just, in time to have it damaged again by ice the size of baseballs falling from the sky.

Such is the case for some unlucky drivers in the Dallas area as two storm systems pummeled several cities in the area with hail ranging in size from a golf ball to a baseball.

“We’ve had enough,” says Mark Hanna, spokesman for the Insurance Council of Texas (ICT), “Here we go with another high-loss event.”

In April more than a dozen tornadoes brought high winds and hail, ripping through the Dallas-Fort Worth area. ICT says insured losses from the tornadoes are estimated at $400 million.

But the hail and wind storms June 13 could produce higher insured losses. Damage from the tornadoes was concentrated in specific areas. This last storm system affected a larger region of the state.

“You’re talking about two systems with large hail hitting heavily-populated areas,” Hanna says. “Everything got hit. The price of roofs hasn’t gotten any cheaper and neither have car repairs.”

State Farm says it has already received more than 11,000 claims as off early June 15: 7,898 auto claims and 3,442 homeowners' insurance claims. The insurer expects claims numbers to increase.

In comparison, several days after the April twisters State Farm reported about 8,610 auto claims.

Farmers Insurance says its claims count as of the afternoon of June 15 was nearly 4,500 and rising.

USAA says its members have submitted about 4,000 claims, with slightly more auto than homeowners' claims.

State Farm agent Stephanie South of Richardson, Texas says the morning after the hail storm was the busiest she has ever had.

"When I got in, every line was ringing," she says. Most claims are for heavily-damaged vehicles with shattered windows. Other policyholders are calling to seek advice about their home roofs. South says she is telling policyholders to mitigate an future damages, especially for cars without windows, by garaging the car or placing a tarp over it.

Hail the size of baseballs traveling at a high rate of speed from the sky is enough to break windshields and compromise the roofs of homes, leaving them susceptible to leaks.

Vehicles traveling on the city’s highways when the hail started falling scrambled to find shelter under overpasses—which became crowded quickly—or on the sides of tractor-trailers, at least to shield some of the falling ice.

“Other than that, you pull over and take your lumps,” Hanna says.

Insurers have classified the June 13 storm as a catastrophe, meaning insurance adjusters from throughout the state are returning to Dallas to help with claims.

“If they were headed home from the last storm, they’re headed back now,” Hanna says.

Reuters
June 20, 2012

ICT Insured-Loss Estimate for Texas Hail Down from Earlier $2B SIIS Estimate

(Reuters) - Insured losses from last week's violent hailstorm in Dallas should be just under $1 billion, a trade group for Texas insurers said on Tuesday, sharply less than what another industry group estimated last week.

The Insurance Council of Texas, via its spokesman's Twitter account, said losses should fall "just short of" $1 billion from the storm, which was the worst of its kind in the area in about nine years.

Last Friday, the Southwestern Insurance Information Service, which speaks for insurers in Texas and Oklahoma, preliminarily estimated losses at $1.5 billion to $2 billion.

Even with the lowered estimate, though, the Dallas storm will still rank as one of the larger hail losses ever. According to the Insurance Information Institute, hail storms typically cause about $1 billion in damage annually.

State Farm, the largest personal property insurer in Texas with more than a quarter of the market, said Tuesday it has received nearly 17,000 claims from the storm, about two-thirds for autos and the rest for homes.

USAA, the military-focused insurer that ranks in the top five in the state, said Tuesday it is up to about 5,000 claims.

Insurance Institute for Business and Home Safety
June 21, 2012
http://disastersafety.org/blog/top-10-states-for-severe-weather-losses/

Top 10 states for severe weather losses

Severe weather strikes throughout the country, leaving all home and business owners at a constant risk of property damage. In fact, in 2012 we've already seen deadly tornado outbreaks, damaging hail, heavy rainfall and flooding, and even an early start to hurricane season.

Prepare your home or business for severe weather and reduce your risk of property damage by using FORTIFIED stronger, safer building standards offered by the Insurance Institute for Business & Home Safety (IBHS). The FORTIFIED program offers building standards for new and existing homes, as well as standards for commercial buildings. The program uses applied building science solutions to reduce the severe weather risks that each individual building faces.

Meanwhile, Kiplinger.com has worked with the Property Claim Services unit of Verisk Analytics to create a top 10 list of states that experienced the most property losses from disasters in the past decade. Find out if your state made the list below:

TOP 10 STATES FOR INSURED PROPERTY LOSSES (2002-2011):

1. Louisiana
Estimated Insured Property Loss: $32.2 billion
Louisiana's large property loss total is mainly due to Hurricane Katrina's impacts in 2005.

2. Florida
Estimated Insured Property Loss: $31.4 billion
In 2004, the state broke a record after experiencing four major hurricanes.

3. Texas
Estimated Insured Property Loss: $24.9 billion
Due to common thunderstorms and tornadoes, the state witnessed 53 severe weather incidents during this time.

4. Mississippi
Estimated Insured Property Loss: $15 billion
Hurricane Katrina is also largely responsible for the high property losses in Mississippi.

5. Alabama
Estimated Insured Property Loss: $7.9 billion
April 2011's tornado outbreak in Tuscaloosa and Birmingham caused significant damage, while hurricanes are also common for the Gulf Coast state.

6. Tennessee
Estimated Insured Property Loss: $7 billion
Tennessee was also struck by the April 2011 tornado outbreak, which caused extensive damage throughout the state.

7. Missouri
Estimated Insured Property Loss: $6.2 billion
An EF-5 tornado tore through Joplin, Missouri on May 22, 2011, which resulted in the greatest loss of lives on record (158 deaths).

8. Oklahoma
Estimated Insured Property Loss: $6 billion
Located in Tornado Alley, damage from high winds and tornadoes is common in the state.

9. Ohio
Estimated Insured Property Loss: $5.2 billion
Snowstorms often cause damage to Ohio properties, but it was Hurricane Ike in 2008 that brought significant losses to residents.

10. Illinois
Estimated Insured Property Loss: $4.9 billion
Tornadoes, high winds, thunderstorms, and snowstorms all contribute to Illinois' property losses each year.

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http://www.insurancejournal.com/news/southcentral/2012/06/25/252809.htm

Trade Group: 70K Vehicles Damaged in Dallas Area Hailstorm

Approximately 70,000 vehicles were damaged in the June 13 hailstorm in the Dallas, Texas, area and car rental companies are feeling the pinch, according to an insurance industry trade group.

Car rental companies are reporting a shortage of cars, not only due to the high number of vehicle owners taking advantage of rental reimbursement coverage while their own vehicles are being repaired. Car rental companies also report that their fleets were damaged in the massive storm and many vehicles were put out of service, according to the Insurance Council of Texas.

Ted Maniscalco, a spokesman for Enterprise Rent A Car, said companies have called for additional rental vehicles from around the state and outside Texas to beef up their inventory.

Dallas body shops were already backed-up from the April 3 hailstorm and the recent hailstorm has compounded the problem, the ICT said. Body shops are telling vehicle owners that they may have to wait six to eight weeks before their vehicles can be repaired.

The June 13 storm has become the second costliest hailstorm in Texas history behind the May 5, 1995, storm. Insured losses from the Dallas hailstorm are expected to exceed $1 billion.