

Hurricane Ike Fact Sheet: TWIA

The Texas Windstorm Insurance Association (TWIA) is the nonprofit association that provides wind coverage for Texans living in our coastal counties and parts of Harris County.

TWIA Funding (2008):

- Cash on hand (from premium)
- \$100M assessment to member insurers
- Catastrophe Reserve Trust Fund (CRTF): \$470M
- Reinsurance (\$1.5B in three layers of \$500M, subject to \$600M deductible)
- \$200M assessment to member insurers
- unlimited assessment to member insurers subject to premium tax credits

Because of the way TWIA is set up by law, there will be funds to pay claims. However, by law, the state of Texas itself is impacted by TWIA losses above certain levels of available funds and reinsurance. Due to Hurricanes Dolly and Ike, TWIA's funds on hand (including reinsurance) have been surpassed. Consequently, the state of Texas through premium tax credit will be impacted by part of Ike's damages.

Hurricane Dolly

- \$80M cash on hand
 - \$100M assessment
 - \$100M CRTF
- Total estimated TWIA Dolly losses: \$280M

Hurricane Ike

In the 6 TWIA-eligible counties most affected by Hurricane Ike, TWIA had 142,566 policies in force and a total exposure of approximately \$42B. TWIA's current estimate of Ike losses (10/8/2008) is \$2.7B.

- No cash on hand (due to Dolly)
- \$100M member assessment used for Dolly
- \$370M CRTF remaining after Dolly
- \$200M assessment
- \$1.5B Reinsurance available after \$600M deductible
- unlimited assessment to member insurers subject to premium tax credits

Total member assessment authorized by TWIA Board on 9-17-2008 was \$430M (\$230M of which is subject to premium tax credits). At its 10-8-2008 board meeting, no action was taken for further assessments as loss estimate had been revised downward and there was sufficient cash on hand to pay claims. The board will meet again in December, at which time the need for additional assessments will be considered.

TWIA Rates: In its annual rate filing for 2008, TWIA requested a 10 percent increase in both residential and commercial rates. A public meeting was held 9-26-2008 in which the Commissioner heard testimony on the rate request. Due to the disruption caused by Hurricane Ike, the period for public testimony has been extended to 11-3-2008. The Commissioner will issue a decision in mid November.

Future TWIA Funding: As in past legislative sessions, TDI will continue to work with the Legislature on meaningful reform to improve funding for TWIA. Any fix will take years to achieve financial strength for the Association, but in the meantime, TWIA will continue to pay claims.