



City of Galveston

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July 15, 2022

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Texas Windstorm
Insurance Association

Ms. Debbie King, Chair
Actuarial & Underwriting Committee
Texas Windstorm Insurance Association
P.O. Box 99090
Austin, TX 78709-9090

Dear Chairperson King,

I am writing to express strong opposition to the Texas Windstorm Insurance Association (TWIA) Actuarial & Underwriting Committee (the "Committee") presenting a premium rate increase recommendation to the TWIA Board of Directors. By increasing premium rates at this time, the TWIA Board will not address the core funding structural issues that continue to plague TWIA and the provision of windstorm insurance in Texas.

Since 1971, the TWIA role has been "the insurer of last resort" for coastal residents unable to obtain windstorm insurance in the private market. However, over time TWIA's role has evolved into a primary retail insurance provider for the fourteen (14) counties along the Texas coastline. Over the past 51 years, the Texas Legislature has attempted to correct a myriad of financial, adjudication, and policy problems, with the most recent major TWIA reforms occurring in 2011 and 2015. However, escalating premium rates have made this essential protection an unaffordable burden for many working coastal families and small businesses with little relief in sight.

Numerous people living along the coast work for industries critical to the Texas economy. Port Houston is a crucial economic engine as the number one U.S. port in waterborne tonnage, providing \$801.9 billion in national economic value. Texas, the largest chemical producing state, provides forty-two (42) percent of the nation's basic chemical stock that other States rely upon when manufacturing food and drink packaging, appliances and electronics, hardware and construction materials, pharmaceuticals, fertilizers, and automotive parts. Port of Galveston is the 4th largest cruise line port in the nation and 11th in world. Statewide, the cruise industry generated \$1.6 billion in expenditures and 27,000 jobs in 2019.

We cannot sit back and watch as an essential coastal workforce that supports these industries are priced out of their homes due to increasingly unaffordable windstorm insurance. In 2019, the Texas Sunset Advisory Commission reported to the 86th Texas Legislature that TWIA's current funding structure is too uncertain and the Legislature should weigh in on the best strategy to ensure adequate windstorm insurance along the coast. Significant structural change is essential for TWIA.



Rather than taking on another band-aid approach to correct a dysfunctional system by pursuing yet another premium rate increase, the Committee should urge the TWIA Board to evaluate alternative approaches, obtain stakeholder input, and engage discussion with legislators on legislative recommendations to consider during the Regular Session of the 88th Texas Legislature. With a thorough assessment of TWIA's funding structure, further reforms must empower TWIA with alternative approaches that can avoid placing the heaviest burden on families and businesses.

The TWIA Board should identify structural reforms to empower TWIA with alternative approaches that address three fundamental issues: 1) reduce TWIA's expensive administrative overhead and claims processing costs; 2) incentivize greater private market participation along the coast; and 3) place guardrails on a limited reinsurer role for TWIA that doesn't impede private market competition. The City of Galveston recommends an approach that benefits policyholders and the state by transitioning TWIA towards a reinsurer role. Restructuring TWIA as a reinsurance provider is an option that would incentivize the private insurance market to provide more affordable windstorm insurance along the Texas coast.

As a reinsurer, TWIA could sell low cost attachments to private market insurance companies.

1. A significant number of windstorm claims processed by TWIA involve smaller claim amounts.
2. A low-cost attachment could restrict TWIA coverage to claims above \$25,000 thereby reducing risk for the private insurance companies.
3. TWIA could market the low-cost attachment statewide to induce greater private sector participation as well as further spread and reduce risk.
4. A minimal processing fee could be applied to each windstorm policy across the state as a revenue source.
5. By addressing claims up to \$25,000, the low-cost attachment would benefit communities across the state with non-hurricane events such as tornados and hailstorms. This will diversify risk and access greater capital.
6. In addition, such an arrangement could allow private insurance companies to bundle policies (i.e. homeowners, automobile, life, and windstorm), thus providing an even more lucrative incentive.
7. By creating an appropriate TWIA risk-bearing role and expanding private insurance market involvement statewide, premiums will be based upon more competitive risk-based pricing that can prompt affordable opportunities for policyholders.
8. Strengthen private public partnerships through the use of private reinsurance and catastrophe bonds (insurance linked securities) tools for larger scale claim losses (above the \$25,000 low cost attachment).

Preserving affordable windstorm coverage is essential for sustaining a workforce on the Texas coast that provides services for critical Texas industries. I ask the Committee to urge the TWIA Board to work with stakeholders and legislators to identify meaningful restructuring

improvements for TWIA that will provide long-term solutions that achieve sustainable quality windstorm insurance for property owners in Texas.

I want to thank you for this opportunity to provide written comments. The City of Galveston stands ready to assist the Committee and the TWIA Board as you evaluate and weigh alternatives and recommendations to improve TWIA and provide sustainable, affordable windstorm protection.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Maxwell". The signature is fluid and cursive, with the first name "Brian" being more prominent than the last name "Maxwell".

Brian Maxwell
City Manager

cc: The Honorable Larry Taylor, State Senator, District 11
The Honorable Brandon Creighton, State Senator, District 4
The Honorable Mayes Middleton, State Representative, District 23
The Honorable Greg Bonnen, State Representative, District 24

Public Comment

From: [REDACTED]
Sent: Thursday, July 21, 2022 10:59 AM
To: PublicComment
Subject: TWIA Rate Increase

CAUTION: This email originated from outside of the organization. Do not reply with sensitive information or click links or open attachments unless you recognize the sender and know the content is safe.

As not only a homeowner in Galveston but also a realtor, I have seen over the years how windstorm rates can not only shy people away from buying here but also force people to sell their homes. I hereby request there be a 0% rate increase by TWIA.

Thank you!

Public Comment

From: [REDACTED]
Sent: Thursday, July 21, 2022 9:03 AM
To: PublicComment
Subject: 0 increase insurance

CAUTION: This email originated from outside of the organization. Do not reply with sensitive information or click links or open attachments unless you recognize the sender and know the content is safe.

To all Board Members

Please adopt a 0 rate increase to wind insurance!

Thank you
Struggling Home Owner

[Sent from the all new AOL app for iOS](#)