Taylor Kerr

From: Kibbe, Scot <scot.kibbe@apci.org>
Sent: Friday, August 1, 2025 11:22 AM
To: PublicComment
Cc: Gonzales, Walter; Griffin, Donald
Subject: Rate Filing

Dear Board Members:

The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA members account for 63.1 percent of the personal and commercial insurance market in Texas

We appreciate the opportunity to comment on the Association's annual rate filing.

While we believe some positive steps were taken by the Legislature with the passage of HB 3689 during the recent session, APCIA members remain concerned about TWIA's sustainability. Important decisions still must be made by the Board in the coming months to ensure that TWIA will be able to meet its obligations. Setting rates is one of those decisions. It is vital that rates keep up with the increasing costs and risk exposures faced by the Association.

We urge the Board to address the staff findings of rate inadequacy with a rate increase of 3% for residential policies and 5% for commercial policies.

Thank you for your consideration of these comments and your service to our state.

Scot Kibbe
Vice President, State Government Relations (Texas, Iowa, Kansas, Nebraska, Arkansas)
scot.kibbe@apci.org
512-461-1964

APCIA℠
apci.org

Public Comment

From:	Angie Cervantes <acervantes@insurancecouncil.org>
Sent:	Friday, August 1, 2025 4:49 PM
To:	PublicComment
Cc:	Albert Betts; Jon Schnautz; Ward Tisdale; Linda G. Vallejo
Subject:	Joint Comments from ICT and NAMIC
Attachments:	2025 TWIA Rates Joint Ltr ICT NAMIC.pdf

Good afternoon,

Attached are joint comments from the Insurance Council of Texas (ICT) and the National Association of Mutual Insurance Companies (NAMIC) for the TWIA Board's consideration in advance of their August 5 meeting on the proposed rate filing.

Angie Cervantes
Government & Legislative Affairs Manager
Insurance Council of Texas
Mobile: 512-461-5416
5508 W Hwy 290
STE. 100
Austin, Tx 78735
InsuranceCouncil.org | Twitter | Facebook | LinkedIn | YouTube
ICT Insurance Council of TEXAS

August 1, 2025

via email: PublicComment@TWIA.org
Board of Directors
Texas Windstorm Insurance Association

Re: August 5 Board Meeting - Rate Filing for TWIA 2025/2026

To Members of the TWIA Board of Directors:

These comments are submitted jointly on behalf of the Insurance Council of Texas (ICT) and the National Association of Mutual Insurance Companies (NAMIC). ICT is a property and casualty insurance trade association representing the interests of nearly 400 insurers who do business in Texas. ICT member companies represent 86% of all property and casualty insurers. NAMIC is a national trade association of more than 1,400 members comprising mutual property casualty insurers including insurers that are required to be members of TWIA.

Our member companies are part of the private property and casualty market which provides personal and commercial lines insurance coverage to protect Texans and takes a significant amount of risk for wind coverage on the coast. The vast majority of our members are required by law to be members of TWIA and have an interest in the financial well-being of TWIA and its funding structure.

In addition to providing home, auto, and business coverage for coastal residents, our member insurers are prepared each year to provide up to $1 billion in assessments if needed to help pay TWIA claims losses after a storm. As a reminder, in 2017 and 2018, after Hurricane Harvey, private insurers paid $372 million in TWIA assessments, in addition to approximately $8.9 billion for auto, residential, and commercial losses. Our members play a significant role in insuring the risks, whether TWIA policyholders or our members' policyholders, faced by coastal residents and businesses when Texas suffers from a major storm.

<u>TWIA Board Consideration on Rates</u>

Under Texas Insurance Code §2210.352, TWIA must make its annual rate filing with the Texas Department of Insurance (TDI) by August 15 of each year. At the July 14, 2025, meeting of the TWIA Actuarial & Underwriting Committee, TWIA staff presented its 2025 Rate Adequacy Analysis and explained the methodology and assumptions used to determine TWIA's rate indications. TWIA staff's analysis determined that rates were inadequate (according to staff's interpretation of inadequacy in the context of TWIA's statutory obligations) by 3% for residential coverage and 5% for commercial. This is a major change from prior rate indications that were significantly higher. For comparison, from 2013 to 2024, TWIA's rate analysis has shown rate inadequacy for residential policies ranging from a low of 15% (in 2022) to a high of 44% (in 2020) and for commercial policies from a low of 11% (in 2022) to a high of 50% (in 2019).

Most notably, the 2025 TWIA rate analysis is a significant decrease from the 2024 Rate Adequacy Analysis which indicated that TWIA's rates were inadequate by 38% for residential coverage and 45% for commercial coverage. According to TWIA staff, this significant decrease in its analysis can be attributed to recently passed legislation that will be in effect in 2026, HB 3689 and HB 2517, which included changes in TWIA funding and reduces the statutorily mandated funding level to the 1-in-50 year PML, and TWIA no longer being subject to premium and maintenance taxes.

Despite this much lower rate indication, the TWIA Actuarial & Underwriting Committee recommended no rate increase and discussed a variety of reasons for doing so. These included TDI's disapproval of the 2024 actuarially justified proposed 10% rate increase and concerns about public perception. Although recent actuarial indications have been significantly higher, and the TWIA board has at times voted to modestly increase rates, TWIA has not had consistent rate increases for much of the last decade. For perspective, despite prior actuarial analysis indicating inadequate rates, TWIA has only implemented two 5% rate increases since 2017.

For 2026, we urge the TWIA board to act in accordance with the staff's findings on rate indications and approve a 3% increase for residential coverage and 5% for commercial coverage. This modest and fair increase is important for TWIA's ability to have the necessary funds to pay losses and meet the needs of its policyholders who file claims after a catastrophic event. As you are aware, TWIA's only direct source of revenue is policyholder premiums. While TWIA's broader funding structure includes funds for the payment of losses from statewide policyholders, member insurers, and reinsurance purchases, premiums are the sole contribution that TWIA itself provides to meet its statutory funding obligations.

For years, the debate over TWIA rates has been a question of how to apply principles of insurance and TWIA's ability to pay losses balanced against concerns about affordability and economic impact to policyholders. While the modest increase in the staff's analysis would not make TWIA's rates "adequate" in the sense that term is usually applied to insurance pricing, it is still the sounder option than a zero-rate change. In terms of cost, a 3% increase in residential rates, using TWIA's average annual policyholder premium, would equate to less than a $6 a month increase. While no rate increase is ever welcome, this is a realistic adjustment especially in the context of broader market conditions, in which policyholders across the state are also facing significant premium increases, and those same policyholders will also face increasing exposure to TWIA's losses as the 2025 legislation takes effect.

TWIA Growth in Policies and Exposure

The board should also consider TWIA's continued growth in policy count and exposure. According to TWIA's 2025 Annual Report, as of the end of the first quarter of 2025, TWIA has more than 276,000 policies with more than $117 billion in exposures. This represents the highest levels in TWIA's history. While this growth is often attributed to fewer private insurers writing in the catastrophe area, private insurers still write approximately half of the wind and hail coverage in this area. However, lower TWIA rates are also a barrier to private insurers writing in the catastrophe area. Private insurers' rates must satisfy legal standards for rates and must be adequate for the risks being covered. Private insurers are unable to compete against residual market rates that are suppressed despite repeated indications of needed rate adjustments.

It seems inconsistent to continue to take on additional risk and exposure within TWIA and not price that risk accordingly. TWIA staff made its analysis, considered expenses and estimated losses for 2026, estimated the impact of new laws and arrived at a conclusion on rate indications. Given the choice between adopting this increase or filing no rate change, the board should adopt the increase.

Insurance Law Requires TWIA to Maintain Adequate Rates

The Committee's recommendation of no rate change ignores the legal requirements for rates that apply to TWIA. We urge the board to consider this and base its rate filing on statutory requirements and sound actuarial principles. Texas Insurance Code §2210.355(c) requires that TWIA rates be:

(c) reasonable, ***adequate***, not unfairly discriminatory, and ***nonconfiscatory as to any class of insurer***. (Emphasis added)

Texas Insurance Code §2251.052(c), states that a rate is inadequate if:

(1) the ***rate is insufficient to sustain projected losses and expenses to which the rate applies***; and
(2) continued use of the rate: (A) endangers the solvency of an insurer using the rate: or (B) has the effect of substantially lessening competition or creating a monopoly in a market. (Emphasis added)

In addition, the Texas Insurance Code requires TWIA rates to be "not unfairly discriminatory." Under Texas Insurance Code §2251.051, a rate is unfairly discriminatory if:

(1) the rate is not based on sound actuarial principles;
(2) the ***rate does not bear a reasonable relationship to the expected loss and expense experience among risks***; or
(3) the rate is based wholly or partly on the race, creed, color, ethnicity, or national origin of the policyholder or an insured. (Emphasis added).

TWIA staff presented the committee with their findings and analysis of the appropriate rate indications and Rate Adequacy Analysis. Their rate indications should be followed to comply with the law as cited above.

Insurance Losses and Costs Should be Considered

While we understand the desire to keep rates low for TWIA policyholders, given current economic pressures, TWIA must prioritize its financial health. This issue is not unique to TWIA; private insurers face similar inflationary pressures and increased costs.

For reference, in 2024, property and casualty insurers paid over $47.2 billion in direct losses representing a 4.2% increase from 2023 losses, of which nearly $11.7 billion was for homeowner insurance losses. These totals reflect a trend of increases in losses for the past few years.

And as a reminder of TWIA losses, in 2024, Hurricane Beryl became the third largest claim event for TWIA and depleted its CRTF, as ultimately Beryl is estimated to cost $480 million (including loss and loss adjustment expenses). After paying Beryl losses, the Catastrophe Reserve Trust Fund (CRTF) balance has been as low as $8.4 million. Even a modest wind event this year would require TWIA to use debt to pay losses. If multiple storms happen this year, TWIA would incur even more debt to pay losses and member insurers could be subject to assessments. These insurer assessments impact property insurance policyholders statewide. As you can see, past and current decisions about TWIA rates have and will continue to have broader implications than simply costs for TWIA policyholders.

Admittedly, in 2026, HB 3689 changes the funding structure for TWIA but the initial layer for loss payment remains TWIA funds. Consistent with the TWIA staff rate analysis, TWIA should apply the indicated increases to allow TWIA to be able fund a greater portion of any losses in 2026.

For 2026, under the new law, every premium dollar TWIA chooses to fail to collect by not following the rate indications, puts TWIA and its policyholders, along with Texas property policyholders statewide, at risk of surcharges, and increases the likelihood of assessments against member insurers. Approving these small rate increases would increase premium revenue and strengthen the CRTF in the future and concurrently, reduce the need for surcharges on Texas property policies, which must be disclosed to the policyholders, and assessments on insurers, which are not as transparent to Texas policyholders but nonetheless impact them.

We urge the board to follow the findings and rate analysis of its actuaries and file a 3% increase in residential and 5% increase in commercial rates with TDI. TWIA should not disregard the actuarial information and legal requirements which support the need for action on rates. Ignoring TWIA's rate analysis also shifts a greater portion of responsibility for TWIA loss payment to policyholders statewide.

We appreciate the opportunity to review and provide feedback on these important matters. Please let us know if you have any questions or need additional information.

Sincerely,

Albert Betts
Executive Director
Insurance Council of Texas

Ward Tisdale
Regional Vice President – Southwest
National Association of Mutual insurance Companies

Cc: ICT Board of Directors
Angie Cervantes, ICT
Jon Schnautz, ICT
Ward Tisdale, NAMIC