



**Independent
Insurance
Agents of Texas**

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News

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Texas insurance market unprepared for Katrina-caliber Hurricane *State's leading insurance association warns of statewide impact of major storm*

AUSTIN, TX – Still scared by fallout from Hurricanes Katrina, Rita and Wilma, and predictions of more frequent storms, private property insurers in Texas continue to back off writing hurricane coverage along the Texas coast. That leaves only one coverage alternative for coastal residents – the Texas Windstorm Insurance Association – the state windpool – and it is in serious funding trouble.

A major storm this year could have far-reaching effects for all Texas communities, according to the Independent Insurance Agents of Texas (IIAT).

“Because the Gulf Coast is the economic engine of Texas, a major storm would have a ripple effect across the state in communities far beyond those physically impacted,” said IIAT Executive Director David VanDelinder. “A Katrina-sized storm would cost the state more than \$50 billion in lost gross product, according to a detailed IIAT economic study. It would severely impact our strong Texas economy, including the insurance industry,” said VanDelinder.

Funding shortfalls by TWIA, which could run into billions of dollars, would be paid by property insurers in the state, resulting in drastically higher rates for all Texas property policyholders and fewer market options for consumers.

“We have a competitive buyers market for insurance right now, but that could change dramatically if insurance companies have to pay for losses on property they did not insure,” said VanDelinder. “For proof such a situation can occur, Texans need look only to neighboring states such as Florida, which has faced similar catastrophic scenarios and increasing insurance premiums.”

A Katrina-sized storm would also affect state revenues. Over time insurance companies could, by law, recover money paid out to settle windpool claims above windpool funding levels through tax credits for premium taxes. This lost tax revenue could amount to more \$500 million a year.

“After a major storm, the state government would be called upon to help rebuild Texas’ coastal infrastructure,” said VanDelinder, “and that would put tremendous pressure on our state’s financial resources at a most inopportune time.”

IIAT believes that proper TWIA funding will require legislative changes next year during the 2009 session. IIAT will urge legislators to provide additional TWIA funding to reduce the potential of a devastated insurance market and state revenue disruptions. “As the third largest insurance market in the country, we should fulfill our obligation to properly fund TWIA and protect Texans’ access to affordable insurance,” said VanDelinder.

About IIAT

The Independent Insurance Agents of Texas (IIAT) is the nation’s largest statewide non-profit association of Trusted Choice® agencies, representing approximately 1,800 agencies and more than 15,000 agents and insurance professionals. Because Trusted Choice® independent agents represent multiple insurance companies, they help consumers comparison shop for cost-effective and customized coverage based on their needs. IIAT is also affiliated with the Independent Insurance Agents & Brokers of America and works with legislative, regulatory and judicial bodies in Texas on behalf of independent insurance agents across the state. For more, please visit iiat.org.