

# IIAT Coastal Insurance Markets Survey Analysis

*Results analysis of IIAT members surveyed in Texas Tier 1 and Tier 2 counties June 15 and again Oct. 12, 2006*

Responses are reported as percentages of total respondents. PL refers to personal lines insurance, such as homeowners; CL refers to commercial or business insurance. Admitted markets (standard) are regulated by Texas Department of Insurance. Non-admitted (surplus) markets are not regulated and can price and cover risks without filing rates or forms.

## Summary of key indicators and changes

Survey responses in June indicated a tightening of the markets for windstorm coverage in both Tier 1 and Tier 2. Changes in the markets were manifested most clearly by price and deductible increases. While capacity was a problem on large property risks, voluntary markets were generally available in Tier 2 and parts of Tier 1.

Availability became a greater issue by October. More than half of agents responding to the survey in Harris County reported increased problems with placement of accounts. Many agencies have turned to surplus markets, for both personal and commercial lines. Carriers have placed significant new business limitations on agents, especially in Harris. At the same time, the market continued upward pressure on both rates and deductible amounts.

## Availability

The majority of insurance companies has and continues to exclude windstorm on Tier 1 properties. Agents in Harris County appear to be experiencing a change as fewer carriers are renewing policies with windstorm coverage in those parts of the county where coverage is available in TWIA.

*Many insurance companies are excluding windstorm coverage they wrote last year.*

<b>Tier 1</b>		<b>June</b>	<b>Oct.</b>
<b>Harris County</b>	PL	12	18
	CL	<b>19</b>	<b>35</b> ←
<b>Other coastal counties</b>	PL	53	60
	CL	62	61

Admitted insurance companies cannot exclude windstorm from property policies in Tier 2. Instead, more carriers are limiting the amount of new business they will accept from agents in Tier 2, as well as increasing deductibles and rates for property in wind-prone

areas. A significant percentage of agents report carriers refusing to write property insurance in some locations and for some construction classes. The availability problem is particularly pronounced in Harris County.

*Many or most companies have placed volume limitations on new windstorm business.*

<b>Tier 2</b>		<b>June</b>	<b>Oct.</b>
<b>Harris County</b>	PL	27	50
	CL	<b>13</b>	<b>48 ←</b>
<b>Other coastal counties</b>	PL	22	32
	CL	18	26

Agencies report that carriers are excluding windstorm coverage when the option exists. This would include personal insurance written with non-admitted (surplus) companies and commercial lines written with surplus companies or exempted from policy form regulation by the large risk rule.

*Many companies are excluding windstorm coverage in Tier 2 when they have the option.*

<b>Tier 2</b>		<b>June</b>	<b>Oct.</b>
<b>Harris County</b>	PL	<b>4</b>	<b>24 ←</b>
	CL	12	32
<b>Other coastal counties</b>	PL	6	19
	CL	10	29

### **Excess wind markets**

In Tier 1, agents with access to these additional markets may write excess windstorm coverage above the limit provided by TWIA (\$1.5 million personal; \$3 million commercial). These excess markets involve few carriers and are a good indication of reinsurers' reactions to storm potential. Generally, availability has declined as prices have increased in these markets, especially for personal lines.

*Excess wind insurance is not available for some properties.*

<b>Availability</b>		<b>June</b>	<b>Oct.</b>
<b>Harris County</b>	PL	<b>7</b>	<b>21 ←</b>
	CL	17	30
<b>Other coastal counties</b>	PL	13	25
	CL	17	22

*Excess windstorm insurance pricing is increasing by 11% to as much as 40%.*

<b>Pricing</b>		<b>June</b>	<b>Oct.</b>
<b>Harris County</b>	PL	<b>15</b>	<b>27</b> ←
	CL	23	17
<b>Other coastal counties</b>	PL	17	28
	CL	18	12

**Deductibles**

Because most damage done by windstorms is less than total loss of value, deductibles are one way insurance companies can control losses. It is evident that when companies are writing windstorm insurance in Tier 1 and most areas of Tier 2, higher deductibles are being required. Agents reported an increase in personal insurance deductibles to 2% of dwelling value and commercial deductibles to 5% of building value or higher.

*Common windstorm deductibles are increasing as a percent of building value.*

<b>Tier 1</b>		<b>June</b>	<b>Oct.</b>
<b>Harris County</b>	PL (2%+)	54	65
	CL (5%+)	12	18
<b>Other coastal counties</b>	PL (2%+)	52	63
	CL (5%+)	7	<b>19</b> ←
<b>Tier 2</b>		<b>June</b>	<b>Oct.</b>
<b>Harris County</b>	PL (2%+)	46	56
	CL (5%+)	<b>2</b>	<b>21</b> ←
<b>Other coastal counties</b>	PL (2%+)	38	49
	CL (5%+)	6	11

**Pricing**

The cost of property insurance is increasing dramatically in both Tier 1 and Tier 2. More agencies report having to use surplus lines markets for both personal and commercial accounts where pricing is usually higher. But it was the rise in the cost of coverage in the standard, admitted insurance markets that was most dramatic. While the majority of agencies reported price increases of more than 10%, a significant number reported increases of more than 20%.



The cost of property insurance in admitted (standard) markets has increased by more than 20%.

<b>Tier 1</b>			<b>June</b>	<b>Oct.</b>
<b>Harris County</b>	PL		<b>0</b>	<b>18</b> ←
	CL		12	29
<b>Other coastal counties</b>	PL		6	14
	CL		12	21
<b>Tier 2</b>			<b>June</b>	<b>Oct.</b>
<b>Harris County</b>	PL		2	15
	CL		<b>0</b>	<b>21</b> ←
<b>Other coastal counties</b>	PL		2	8
	CL		3	14

### Methodology

All agencies surveyed were independent agents with membership in IIAT. A total of 430 agencies were sent an electronic survey. Those not responding to the initial communication were sent one follow up within two weeks. A total of 148 agencies responded to the first survey (June). The second survey (October) received 101 responses.

No attempt was made to assess the markets represented by these agencies, agency size or specific location. All agencies had home offices within Tier 1 or Tier 2 counties on the Texas coast.