



ASSOCIATION OF

FIRE & CASUALTY COMPANIES In TEXAS

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Insurers Urge Bonds for Catastrophe Fund

Members of the Association of Fire And Casualty Companies of Texas (AFACT) are recommending new bonding measures that would prepare the state for the start of what's expected to be another turbulent hurricane season.

Greg Vanek, vice president of AFACT and president of National Lloyds Insurance Company, said that the Texas Windstorm Insurance Association (TWIA), the insurer that provides wind and hail insurance for residents and businesses along the Texas coast, is woefully under funded and cannot handle the financial consequences of a major catastrophe.

Vanek called for the issuance of bonds to push the catastrophe fund up to at least \$3 billion mark to safeguard the state. The funding for the TWIA now stands at \$1.3 billion.

Four separate hurricanes in 2004 caused \$20 billion worth of insured losses to Florida alone. Last year, Hurricanes Katrina, Wilma, Dennis and Rita caused an estimated \$50 billion in damage. Hurricane forecasters say 2006 as well as the next several years will have a higher than average number of hurricanes.

TWIA is the insurer of last resort for wind and hail insurance coverage for residents and business in the 14 counties along the Texas coast including a portion of Harris County. TWIA currently provides nearly \$25 billion in coverage for Texas coastal homeowners and commercial property. This figure continues to grow because of a growing population along the Texas coast and the construction of larger and more expensive homes and businesses.

James Langford, vice president of the Texas Farm Bureau Insurance Companies, is a member of AFACT and serves on the board of directors at TWIA. Langford said the use of bonds has been effective in Florida and it will help ensure that Texas is able to recover from the effects of a major hurricane.

"The bonds would be initially paid by a two percent surcharge on all property and casualty policies sold along the Texas coast," Langford said. "To increase the cat funding up to \$3 billion, an additional half of one percent surcharge would be levied after a catastrophe on all property and casualty policies in Texas with the exception of workers' comp and medical malpractice."

"It's really simple," said Langford. "You build a savings for it now or you pay double digit increases with the possibility of having no coverage at all after it hits."

AFACT is a trade association of property and casualty insurance companies founded in 1941 to broaden consumer knowledge of insurance and support legislation to improve the insurance business.

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