

Texas Windstorm Insurance Association (TWIA): What It Is and How It Works

August 2007

- The Texas Windstorm Insurance Association (TWIA) provides wind and hail insurance for Texas Gulf coast residential and commercial property owners in the event of catastrophic loss.¹ It is the state's insurer of last resort for wind and hail coverage in 14 coastal counties and parts of Harris County.²
- All companies licensed to write property insurance in Texas are required to be members of the TWIA. In the event of a catastrophic storm or hurricane within TWIA's coverage territory, all member insurers share in the association's losses based on their percentage participation in that policy year. Each insurer's percentage participation is based on their company's statewide sales versus sales within TWIA's territory.
- The number of structures insured by TWIA, and its exposure base, is growing rapidly. As of July 31 2007, the total number of policies in force in TWIA was 190,468, up from 149,458 at January 1, 2007. TWIA's exposure to loss (not including Additional Living Expenses (ALE) or Business Interruption) has surged by 326 percent in the last seven years, from \$12.1 billion in 2000 to \$51.5 billion at July 31 2007. Total TWIA exposure (including ALE and Business Interruption coverage) is in excess of \$56.1 billion.
- TWIA has total funding of \$1.7 billion for the 2007 hurricane season. The funding structure comprises insurer assessments, the state's Catastrophe Reserve Fund and reinsurance purchased by TWIA. Once these funds have been depleted, any losses to TWIA in excess of \$1.7 billion would be financed via an unlimited assessment on insurers that is recoverable through premium tax credits.
- To date, TWIA has made only two assessments of its member insurers. A \$100 million assessment was made in 2005 after Hurricane Rita struck the upper Texas coast causing major damage in Jefferson, Chambers and Galveston counties. Hurricane Alicia, which struck Galveston Island in 1983, also led to a \$157 million assessment.
- As of January 1, 2007, residential and commercial policyholders can purchase TWIA coverage up to the following new statutory limits:
 - Residential—Dwelling Building and Contents: \$1.6 million
 - Apartment, Condo, Townhouse—Contents Only: \$173,000
 - Mobile Home—Building and Contents: \$84,000
 - Commercial—Commercial Building and Contents: \$3.2 million
- The predecessor to TWIA was the Texas Catastrophe Property Insurance Association which was created in 1971 when the state stepped in after many insurers decided to stop writing business in exposed coastal communities following extensive damage caused by Hurricane Celia. One of the most damaging hurricanes in the state's history, Celia struck the Texas coast on August 3, 1970, causing an estimated \$310 million in insured losses (in 1970 dollars).

¹ <http://www.twia.org>

² Part of Harris County—when located inside Houston city limits and east of highway 146, the following portions of Harris County are also included: LaPorte, Morgan's Point, Pasadena, Seabrook, Shore Acres.