

- SUBJECT:** Providing windstorm insurance to certain previously insured residences.
- COMMITTEE:** Insurance — favorable, without amendment
- VOTE:** 9 ayes — Smithee, Eiland, G. Bonnen, Creighton, Morrison, Muñoz, Sheets, Taylor, C. Turner
- 0 nays
- SENATE VOTE:** On final passage, April 11 — 31-0, on Local and Uncontested Calendar
- WITNESSES:** (*On companion bill, HB 3007:*)
For — (*Registered, but did not testify:* Lee Loftis, Independent Insurance Agents of Texas; Chelsey Thomas, Texas Association of Realtors)
- Against — None
- On — Marilyn Hamilton, Texas Department of Insurance; John Polak, Texas Windstorm Insurance Association; (*Registered, but did not testify:* Sam Nelson, Texas Department of Insurance)
- BACKGROUND:** Initially called the Texas Catastrophe Property Insurance Association, the Texas Windstorm Insurance Association (TWIA) was established in 1971 to protect consumers after companies ceased to write coverage on the Texas coast following Hurricane Celia in 1970. As a provider of last-resort insurance, TWIA provides basic wind and hail coverage to property owners in 14 coastal counties and parts of Harris County when such coverage is excluded from homeowners' and other property policies.
- To obtain TWIA coverage, a property owner typically must provide a certificate of building code compliance (called a WPI-8 or, in certain instances, a WPI-12). TWIA maintains three waiver programs — an approval program, a transition program, and an alternative certification program — that allow a residential property owner to gain coverage without a certificate of compliance under certain circumstances.
- DIGEST:** SB 1702 would amend Insurance Code, sec. 2210.251 to allow windstorm coverage to be obtained or continued under the section, eliminating the

current deadline of September 1, 2009 by which insurance would have to have been obtained for coverage to be continued. It also would provide that a new or renewal policy obtained under that section was subject to a 15 percent surcharge.

The bill would allow TWIA to insure a residential structure constructed, altered, remodeled, enlarged, repaired, or added to on or after June 19, 2009 that was not in compliance with the applicable building codes standards. Such a home would be required to have been insured on or after that date by an insurer in the private market who canceled or did not renew coverage before September 1, 2013. Also, no construction, alteration, remodeling, enlargement, or repair of or addition to the structure could have been made after cancellation or renewal of that coverage and before submission of the application for coverage to TWIA.

SB 1802 would repeal Insurance Code, sec. 2210.260 "Alternative Eligibility for Coverage."

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

**SUPPORTERS
SAY:**

SB 1702 would simplify TWIA's complex waiver programs so that residential structures need not have been insured by TWIA as of September 1, 2009 to obtain TWIA insurance. Homeowners along the coast who have maintained private insurance that did not require a building code compliance certificate find it difficult to seek TWIA coverage. In order to obtain TWIA insurance, despite being covered by a private insurer, they are faced with costly structural modifications under the alternative certification program that are expensive and invasive, especially for property owners of limited means.

Many such homeowners have conducted repairs to their homes, which can make it cost-prohibitive and nearly impossible to obtain a building code compliance certificate. For example, one individual had to decide whether to replace a 30-year roof that was installed in 2003, among many other needless activities, such as removing all the brick from the home and replacing it, in order to obtain TWIA insurance. The seller was forced to remove the home from the market.

Real estate sales along the coast are suffering because of TWIA's onerous

waiver and certification requirements. SB 1702 would help ensure that situations like the one described above were avoided in the future, allowing real estate, insurance, and mortgage markets on the coast to operate unburdened by TWIA's complex alternative certification requirements.

Many of the homes that could enter TWIA under the provisions in SB 1702 are being dropped by private insurers and have been insured, improved, and maintained for years. These homes represent a low insurance risk, and their owners would pay the 15 percent surcharge the bill would apply to the waiver program. In addition, a building code compliance certificate still would be required for new residential construction.

**OPPONENTS
SAY:**

SB 1702 would increase TWIA's exposure by allowing more homes to obtain TWIA insurance without having the needed certifications.

NOTES:

The companion bill, HB 3007 by D. Bonnen, was left pending in the House Insurance Committee following a public hearing on April 2.