

No. 10-0983

**Official Order
of the
Commissioner of Insurance
of the
State of Texas
Austin, Texas**

Date: NOV 12 2010

Subject Considered:

**ANNUAL INFLATION ADJUSTMENTS TO THE
MAXIMUM LIMITS OF LIABILITY FOR RISKS INSURED BY
THE TEXAS WINDSTORM INSURANCE ASSOCIATION**

Docket No. 2719

General remarks and official action taken:

On this day came on for consideration by the Commissioner of Insurance (Commissioner) a proposal by the Texas Windstorm Insurance Association (Association) concerning inflation adjustments to the maximum limits of liability under windstorm and hail insurance policies issued by the Association, as required by Insurance Code §2210.502. The Association is composed of all insurers authorized to transact property insurance in this state and operates pursuant to Insurance Code Chapter 2210 to provide windstorm and hail insurance in certain designated areas of the state.

Under Insurance Code §2210.501(a) and §2210.502(a), the Association's board of directors must propose inflation adjustments to the maximum liability limits of its windstorm and hail insurance policies not later than September 30 of each year. The proposed adjustments must be in statutorily specified increments at a rate that reflects any change in the BOECKH Index. Further, Insurance Code §2210.502(c) provides that the Association's board of directors may propose additional increases in the maximum liability limits as the board determines to be necessary to implement the purposes of this chapter.

Insurance Code §2210.504(a) provides that, not later than the 60th day after the date of receipt of a filing under Insurance Code §2210.503, and after notice and

a hearing, the Commissioner by order shall approve, disapprove, or modify the proposed adjustments to the maximum liability limits. Under Insurance Code §2210.502(b), the approved adjustments to the maximum liability limits apply to each Association windstorm and hail insurance policy delivered, issued for delivery, or renewed on or after January 1 of the year following the date of the Commissioner's decision.

By Commissioner's Order No. 09-0949, dated November 24, 2009, in accordance with Insurance Code §2210.504, the Commissioner adopted the following maximum limits of liability, adjusted for inflation pursuant to Insurance Code §2210.502(a), for Association windstorm and hail policies delivered, issued for delivery, or renewed on or after January 1, 2010: (1) \$1,773,000 for a dwelling, including an individually owned townhouse unit, and the corporeal movable property located in or about the dwelling, and as an extension of coverage, away from those premises, as provided under the policy; (2) \$374,000 for individually owned corporeal movable property located in an apartment unit, residential condominium unit, or townhouse unit that is occupied by the owner of that property, and as an extension of coverage, away from those premises, as provided under the policy; and (3) \$4,424,000 for a commercial building and the corporeal movable property located in that structure and as an extension of coverage, away from those premises, as provided under the policy, and for a government building and the corporeal movable property located in the building.

Because the maximum limit of liability for a commercial building and the corporeal property located in that structure had exceeded \$2,192,000, the maximum limit of liability for a government building and the corporeal movable property located in the building, was indexed and adjusted as provided for a commercial building, as required by the Insurance Code §2210.502(d).

The Association filed a petition (Reference No. P-0910-07) pursuant to Insurance Code §2210.502(a), proposing no change in the maximum liability limits, due to a decrease in the BOECKH index, for Association windstorm and hail policies. The public hearing on the proposed adjustments was held on November 9, 2010, at 9:30 a.m., in Room 100 of the William P. Hobby, Jr. State Office Building, 333 Guadalupe Street, in Austin, Texas.

The Association's proposal not to adjust the maximum limits of liability is based on changes in the BOECKH Index factors for Corpus Christi and Houston, the only two index factors available for the state's coastal region. These changes were then averaged and that average indicated a decrease in the BOECKH Index factors of: (1) -2.4 percent for a dwelling, including an individually owned townhouse unit, and the corporeal movable property located in or about the dwelling, and as an extension of coverage, away from those premises, as provided under the policy; (2) -2.5 percent for individually owned corporeal movable property located in an apartment unit, residential condominium unit, or

townhouse unit that is occupied by the owner of that property, and as an extension of coverage, away from those premises, as provided under the policy; and (3) -6.3 percent for a commercial building and the corporeal movable property located in that structure and as an extension of coverage, away from those premises, as provided under the policy, and for a government building and the corporeal movable property located in the building.

The Association testified that it had communicated with Marshall & Swift / Boeckh, which compiles the BOECKH index, and that Marshall & Swift / Boeckh considered that the indicated decrease in the BOECKH index factors was an anomaly. The Association, based upon the assessment by Marshall & Swift and the fact any decrease in the maximum liability limits would reduce coverage for some policies, recommended to the Commissioner that no change be made in the maximum limits.

The Commissioner finds that the Association's board of Directors proposal and recommendation not to change maximum limits of liability is reasonable and should be adopted.

IT IS THEREFORE THE ORDER of the Commissioner that the maximum limits of liability for windstorm and hail insurance policies issued by the Association are adopted as follows: (1) \$1,773,000 for a dwelling, including an individually owned townhouse unit, and the corporeal movable property located in or about the dwelling and as an extension of coverage, away from those premises, as provided under the policy; (2) \$374,000 for individually owned corporeal movable property located in an apartment unit, residential condominium unit, or townhouse unit that is occupied by the owner of that property, and as an extension of coverage, away from those premises, as provided under the policy; and (3) \$4,424,000 for a commercial building and the corporeal movable property located in that structure and as an extension of coverage, away from those premises, as provided under the policy, and for a government building and the corporeal movable property located in the building.

IT IS FURTHER ORDERED that the adjusted maximum limits of liability are effective for Association windstorm and hail policies delivered, issued for delivery, or renewed on or after January 1, 2011.

AND IT IS SO ORDERED.


MIKE GEESLIN
COMMISSIONER OF INSURANCE