

No. 11-0912

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

**Date: November 29, 2011**

**Subject Considered:**

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

Docket No. 2729

**The Commissioner of Insurance (Commissioner) makes the following findings and conclusions of law:**

1. Insurance Code §2210.502(a) requires the Texas Windstorm Insurance Association's (TWIA) board of directors to propose inflation adjustments to the maximum liability limits for its windstorm and hail insurance policies not later than September 30 of each year.
2. Insurance Code §2210.502(a) requires TWIA's board of directors to propose the inflation adjustments in \$1,000 increments and at a rate that reflects any change in the BOECKH Index.
3. Insurance Code §2210.502(c) authorizes TWIA's board of directors to propose additional inflation adjustments necessary to implement the purposes of Insurance Code Chapter 2210.
4. Insurance Code §2210.504 requires the Commissioner, after notice and hearing, to approve, disapprove, or modify the proposed inflation adjustments to the maximum liability limits not later than the 60th day after the date TWIA files the proposed inflation adjustments.

5. Insurance Code §2210.502(b) provides that the approved inflation adjustments to the maximum liability limits apply to each TWIA 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 approval.

6. The change in the BOECKH Index factors from 2009 to 2010 reflected a decrease in construction costs.

7. On September 14, 2010, TWIA proposed no change in the maximum liability limits for TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2011, from the January 1, 2010, limits.

8. By Commissioner's Order No. 10-0983, dated November 12, 2010, the Commissioner approved the proposal and did not adjust the maximum liability limits for TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2011, from the January 1, 2010, limits.

9. On September 30, 2011, TWIA filed its proposal (Reference No. P-0911-09) not to adjust the maximum liability limits for TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2012, from the January 1, 2011, limits.

10. TWIA's proposal reflects changes in the BOECKH Index factors for Corpus Christi and Houston, the only two locations on the Texas coast where index factors are available.

11. TWIA calculated a weighted average of BOECKH Index factors using TWIA's distribution of total business by type of construction.

12. The increase in the weighted average BOECKH Index factors is

(a) 0.6 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;

(b) 0.2 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

(c) 4.3 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.

13. Insurance Code §2210.502(d) requires the maximum limit of liability for a governmental structure and the corporeal property located in that structure to be indexed with the maximum limit of liability for a commercial structure and the corporeal property located in that structure when the maximum limit of liability for commercial structures exceeds \$2,192,000.

14. TWIA calculated the 2012 indicated maximum limits of liability by applying the change in the weighted average BOECKH Index factors to the 2011 indicated maximum limits of liability.

15. While construction costs have increased, the 2012 indicated maximum limits of liability are still less than the current maximum limits of liability.

16. Exhibit A summarizes TWIA's current, indicated, and proposed maximum limits of liability.

17. The Commissioner held a public hearing on the proposed adjustments on November 8, 2011.

18. TWIA testified in support of the proposal at the public hearing. No one else testified about the proposal.

19. The Commissioner finds that TWIA's proposal not to adjust the maximum limits of liability is reasonable and should be approved.

**THEREFORE THE COMMISSIONER APPROVES** the following maximum limits of liability for TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2012:

(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 governmental building and the corporeal movable property located in the building.

**AND IT IS SO ORDERED.**

**ELEANOR KITZMAN  
COMMISSIONER OF INSURANCE**

Exhibit A: Summary of TWIA's Maximum Limits of Liability (Limits)

	(A) Limits Effective 01/01/2010	(B) Change in BOECKH Index from 2009 to 2010	(C) 2011 Indicated Limits	(D) Limits Effective 01/01/2011	(E) Change in BOECKH Index from 2010 to 2011	(F) 2012 Indicated Limits	(G) Proposed Limits Effective 01/01/2012
Type of Coverage							
Dwellings and individually owned townhouses	\$1,773,000	-0.8%	\$1,759,000	\$1,773,000	0.6%	\$1,770,000	\$1,773,000
Contents of an apartment, condominium, or townhouse	\$374,000	-1.1%	\$370,000	\$374,000	0.2%	\$371,000	\$374,000
Commercial and government structures and associated contents	\$4,424,000	-4.2%	\$4,236,000	\$4,424,000	4.3%	\$4,417,000	\$4,424,000

Column A: TWIA's maximum limits of liability effective January 1, 2010.

Column B: Average change in the BOECKH index factors from 2009 to 2010 from TWIA's petition reference number P-0910-07.

Column C: Column (A) times column (B). 2011 indicated limits proposed in TWIA's filing dated September 14, 2010.

Column D: Limits approved in Commissioner's Order Number 10-0983, effective January 1, 2011.

Column E: Average change in the BOECKH index factors from 2010 to 2011 from TWIA's petition reference number P-0911-09.

Column F: Column (C) times column (E). 2012 indicated limits proposed in TWIA's filing dated September 30, 2011.

Column G: Limits proposed in TWIA's petition reference number P-0911-09, for policies effective on or after January 1, 2012.