

James C. Murphy, FCAS, MAAA Vice President - Actuary

September 30, 2013

Marilyn Hamilton Property & Casualty Associate Commissioner Texas Department of Insurance P.O. Box 149104 M/C 104-PC Austin, TX 78701

RE: Texas Windstorm Insurance Association Adjustments to Maximum Liability Limits

Dear Marilyn:

Section 2210.502(a) of the Texas Insurance Code states that, not later than September 30 of each year, the Texas Windstorm Insurance Association shall propose to the Commissioner inflation adjustments to its maximum liability limits at a rate that reflects any change in the BOECKH index.

On August 13, 2013, the Board of Directors of the Association approved the following adjustments:

|   | Current     | Proposed    |
|---|-------------|-------------|
|   | 2013        | 2014        |
| Dwellings and individually owned townhouses         | \$1,773,000 | \$1,816,000 |
| Contents of an apartment, condominium, or townhouse | \$374,000   | \$383,000   |
| Commercial structures and associated contents       | \$4,424,000 | \$4,514,000 |

The limit of liability for governmental buildings and corporeal movable property shall be indexed and adjusted as provided for commercial structures and associated contents, per Texas Insurance Code Section 2210.502(d).

Supporting documents are attached.

We look forward to the Commissioner's approval of the proposed limits. If you or your staff have any questions or comments, please contact John Polak or me.

Respectfully,

James C. Murphy

Encl. (2)



| Type of  | Ratio of<br>Total TWIA | <u>Boeckh Index</u><br>Corpus | cas of May/Ju  | ine 2012          |                          | Boeckh Index<br>Corpus | cas of May/Ju | ne 2013     |
|--|------------------------|-------------------------------|----------------|-------------------|--------------------------|------------------------|---------------|-------------|
| Construction   | Business               | Christi                       | Houston        | Average           |                          | Christi                | Houston       | Average     |
| Dwelling, including individuall                          | y owned townh          | ouse unit, & as               | ssociated corp | oreal movable     | property                 |                        |               |             |
|  |                        |                               |                |                   |                          | 0457.4                 |               | 0405.0      |
| Frame<br>Brick   | 98.25%<br>1.75%        |                               |                |                   | 1.02033674<br>1.02186944 |                        |               |             |
| DIICK  | 1.75%                  | 2133.4                        | 2243.1         | 2190.3            | 1.02100944               | 2102.1                 | 2301.0        | 2241.9      |
| Weighted Average Factor                                  |                        |                               |                | 2143.9            |                          |                        |               | 2196.4      |
| Indicated Change   |                        |                               |                |                   |                          |                        |               | 2.4%        |
| Current Limit  |                        |                               |                |                   |                          |                        |               | 1,773,000   |
| Indicated Limit of Liability                             |                        |                               |                |                   |                          |                        |               | 1,816,000   |
|  |                        |                               |                |                   |                          |                        |               | .,,         |
|  |                        |                               |                |                   |                          |                        |               |             |
|  |                        |                               |                |                   |                          |                        |               |             |
| Individually-owned corporeal                             | movable prope          | rty located in a              | in owner-occu  | pied apartment    | , residential co         | ondominium, c          | or townhouse  | <u>unit</u> |
| Frame  | 50.06%                 | 2114.4                        | 2171.8         | 3 2143.1          |                          | 2157.4                 | 2233.8        | 2195.6      |
| Brick  | 49.94%                 |                               |                |                   |                          | 2182.1                 | 2301.6        |             |
|  |                        |                               |                |                   |                          | 2.02.1                 | 200110        | -           |
| Weighted Average Factor                                  |                        |                               |                | 2166.6            |                          |                        |               | 2218.7      |
| Indicated Change   |                        |                               |                |                   |                          |                        |               | 2.4%        |
| Current Limit  |                        |                               |                |                   |                          |                        |               | 374,000     |
| Indicated Limit of Liability                             |                        |                               |                |                   |                          |                        |               | 383,000     |
| Structure other than a dwellin                           | g or public buil       | ding and the c                | orporeal mova  | able property loo | cated in that s          | tructure               |               |             |
| Anartmanta Driak Maad                                    | 20 550/                | 2104.4                        | 0040.6         | 2000 E            |                          | 2225.0                 | 2202          | 00547       |
| Apartments - Brick, Wood<br>Apartments - Brick, Concrete | 30.55%<br>2.90%        |                               |                |                   |                          | 2225.9<br>2179.2       |               |             |
| Apartments - Brick, Steel                                | 6.70%                  |                               |                |                   |                          | 217 9.2                |               |             |
| Commercial - Frame                                       | 15.02%                 |                               |                |                   |                          | 2205.0                 |               | -           |
| Commercial - Steel                                       | 3.56%                  |                               |                |                   |                          | 2267.9                 |               |             |
| Commercial - Brick, Wood                                 | 6.35%                  |                               |                |                   |                          | 2392.1                 |               |             |
| Commercial - Brick, Steel                                | 13.07%                 |                               |                |                   |                          | 2425.3                 |               |             |
| Commercial - Brick, Concrete                             |                        |                               |                |                   |                          | 2120.2                 |               |             |
| Weighted Average Factor                                  |                        |                               |                | 2286.8            |                          |                        |               | 2333.4      |
| Indicated Change   |                        |                               |                |                   |                          |                        |               | 2.0%        |
| Current Limit  |                        |                               |                |                   |                          |                        |               | 4,424,000   |
| Indicated Limit of Liability                             |                        |                               |                |                   |                          |                        |               | 4,424,000   |
| moleated Elitin of Elability                             |                        |                               |                |                   |                          |                        |               | 4,514,000   |

## Statutory Limits of Liability

|              | Current   | Proposed | Increase |
|--------------|-----------|----------|----------|
| Dwelling     | 1,773,000 | 383,000  | 43,000   |
| Contents     | 374,000   |          | 9,000    |
| Non-Dwelling | 4,424,000 |          | 90,000   |

|                                      | Risks at<br>Statutory<br>Limits | <u>Exposure</u><br>Current                  | Proposed       | Increase       |
|--------------------------------------|---------------------------------|---|----------------|----------------|
| Dwelling<br>Contents<br>Non-Dwelling | 3                               | 6 170,208,00<br>0 11,220,00<br>6 690,144,00 | , ,            | 270,000        |
| Total                                | 28                              | 2 871,572,00                                | 00 890,010,000 | 18,438,000     |
| Total TWIA E                         | xposure                         |   |                | 72,761,259,474 |
| % Increase in                        | 0.03%                           |   |                |                |

