

No. 3667

**Official Order  
of the  
Texas Commissioner of Insurance**

**Date: NOV 14 2014**

**Subject Considered:**

Annual Inflation Adjustments to the Maximum Liability Limits for Risks  
Insured by the Texas Windstorm Insurance Association  
Docket No. 2775

The commissioner of insurance considers the Texas Windstorm Insurance Association's proposal to adjust the maximum liability limits for TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2015, based on the BOECKH Index, as required by Insurance Code §2210.502. The commissioner conducted a public hearing on the proposed adjustments on November 5, 2014.

After considering TWIA's filing and supplements, staff analysis, and all written and oral testimony presented at the hearing, the commissioner adopts the following findings of fact and conclusions of law.

**FINDINGS OF FACT**


1. On September 17, 2014, TWIA filed its proposal (Reference No. P-0914-06) to adjust the maximum liability limits for TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2015, from the January 1, 2014, limits based on the BOECKH Index, as required by Insurance Code §2210.502.
2. 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.
3. The change in the BOECKH Index factors from 2013 to 2014 reflects an increase in construction costs.
4. TWIA calculated a weighted average of BOECKH Index factors using TWIA's distribution of total business by type of construction. The increases in the weighted average BOECKH Index factors are

- (a) 4.5 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) 4.3 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) 4.1 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.
5. The commissioner held a public hearing on the proposed adjustments on November 5, 2014.
6. TWIA testified in support of the proposal at the public hearing. Lee Otis Zapp Jr. testified about the proposal on behalf of the Coastal Windstorm Insurance Coalition (CWIC). Mr. Zapp also submitted written comments on behalf of CWIC. CWIC requested that the commissioner increase TWIA's maximum limits of liability consistent with both TWIA's current request and TWIA's 2013 request, which was denied.
7. Since January 1, 2005, TWIA's maximum liability limit for dwellings, including individually owned townhouse units, 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, has increased by 308 percent. For the same period, the corresponding BOECKH Index factors increased by about 35 percent.
8. Since January 1, 2005, TWIA's maximum liability limit 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, has increased by 140 percent. For the same period, the corresponding BOECKH Index factors increased by about 35 percent.
9. Since January 1, 2005, TWIA's maximum liability limit for commercial buildings and the corporeal movable property located in those structures, and as an extension of coverage, away from those premises, as provided under the policy, has increased by 102 percent. For the same period, the corresponding BOECKH Index factors increased by less than 50 percent.

**CONCLUSIONS OF LAW**

1. The commissioner has jurisdiction over this matter under Insurance Code §2210.504.
2. TWIA's board of directors must propose inflation adjustments to the maximum liability limits for its windstorm and hail insurance policies no later than September 30 of each year in compliance with Insurance Code §2210.502(a).
3. The commissioner must, after notice and hearing, approve, disapprove, or modify the proposed inflation adjustments to the maximum liability limits no later than 60 days after the date TWIA files the proposed inflation adjustments in compliance with Insurance Code §2210.504.
4. The commissioner gave proper and timely notice of the hearing in compliance with Insurance Code §2210.504(a).

Based on the above findings of fact and conclusions of law, the commissioner finds that TWIA's proposal to adjust the maximum limits of liability is not necessary at this time. The commissioner denies TWIA's proposal to adjust the maximum limits of liability for TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2015.

  
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Julia Rathgeber  
Commissioner of Insurance