



TEXAS WINDSTORM INSURANCE ASSOCIATION 2024–25 BIENNIAL OVERVIEW

AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

LEGISLATIVE BUDGET BOARD ID: 8758

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OBJECTIVE

The Texas Windstorm Insurance Association (TWIA) was established as the Texas Catastrophe Property Insurance Association in 1971, providing an adequate market for windstorm and hail insurance in the state's coastal region.

KEY FACTS

- ◆ TWIA issues insurance policies like an insurance company and functions as a pooling mechanism. All property insurers licensed in Texas are required to become TWIA members.
- ◆ TWIA is the insurer of last resort, offering windstorm and hail insurance to home and commercial property owners who cannot obtain this coverage in the private market due to the risks posed by catastrophic hurricanes.

BUDGETARY IMPACT

As required by statute, TWIA transfers any net gain from operations each year into the Catastrophe Reserve Trust Fund (CRTF), an account maintained by the Comptroller of Public Accounts outside the Treasury. The CRTF is dedicated primarily to the payment of future TWIA catastrophe losses. TWIA is not a state agency and does not receive public funding.

STATUTORY REFERENCES

The Texas Insurance Code, Chapter 2210

The Texas Windstorm Insurance Association (TWIA) provides wind and hail insurance coverage to applicants along designated areas of the Texas Gulf Coast who are determined to be unable to obtain adequate insurance coverage in the private market. The Texas Insurance Code governs this quasi-governmental organization, which is not a state agency and does not receive public funding. TWIA is a residual insurer of last resort for windstorm and hail damage and is required by statute not to compete directly with insurers in the private market.

HISTORY

TWIA was established as the Texas Catastrophe Property Insurance Association in 1971 in response to Hurricane Celia, which caused \$500.0 million in property damage along the Texas Gulf Coast region in 1970. TWIA's purpose is to provide an adequate market of insurers for windstorm and hail insurance coverage to serve the needs of the region, which supports local and statewide economic development. The TWIA Board of Directors consists of nine individuals appointed by the Commissioner of Insurance. Statute prescribes the following board composition: three members must be representatives of the insurance industry who actively write and renew windstorm and hail insurance in the designated first-tier coastal counties; three members must reside in each region of the first-tier coastal counties, northern, central, and southern; and three members must reside in an area of the state located more than 100.0 miles from the region.

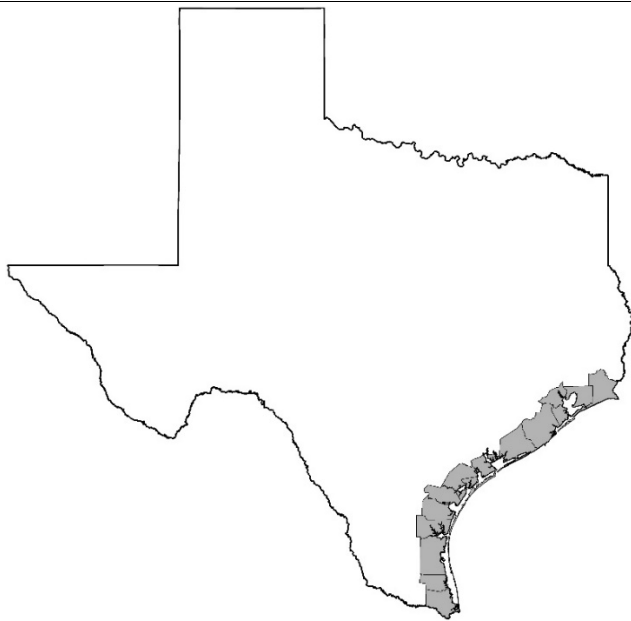
INSURANCE COVERAGE

TWIA-issued policies provide coverage to property owners and tenants for wind and hail damage, loss of use, and other losses in 14 coastal counties and a portion of Harris County designated as a catastrophe area by the Commissioner of Insurance. This designated catastrophe area is known as the first-tier coastal region. TWIA sells insurance policies through private insurance agents who represent consumers rather than directly to consumers. Eligibility requirements for coverage through TWIA include an inspection through the Texas Department of Insurance's (TDI) Windstorm Inspection Program, declination from at least one licensed insurer in Texas, and, for some zones, flood insurance through the National Flood Insurance Program. As of March 2024, 252,433 TWIA-issued policies covered property throughout the first-tier coastal region, which is a 10.4 percent increase from the previous year. These policies earn approximately \$464.2 million in revenue from direct premiums. **Figure 1** shows the first-tier counties.

FUNDING OF INSURED LOSSES DUE TO CATASTROPHE

The Texas Insurance Code outlines TWIA's statutory funding structure. TWIA pays losses in excess of amounts covered by premiums from funding sources in the following order: the Catastrophe Reserve Trust Fund (CRTF), public securities, member company assessments, and reinsurance. TWIA is required to secure total funding in the amount of the probable maximum loss (PML) for a catastrophe year with a probability of one in 100. The PML for the calendar year 2024

FIGURE 1
TEXAS COASTAL COUNTIES DESIGNATED AS CATASTROPHE AREAS FOR WINDSTORM INSURANCE COVERAGE, MARCH 2024



FIRST-TIER COASTAL REGION COUNTIES

| | |
|---------------------------------|---------------------|
| Aransas County | Kenedy County |
| Brazoria County | Kleberg County |
| Calhoun County | Matagorda County |
| Cameron County | Nueces County |
| Chambers County | Refugio County |
| Galveston County | San Patricio County |
| certain cities in Harris County | Willacy County |
| Jefferson County | |

SOURCE: Texas Windstorm Insurance Association.

hurricane season is \$6.5 billion, as assessed by Gallagher Re reinsurance brokers and approved by the TWIA board. Statute requires TWIA to cover excess losses from a catastrophic year without using revenue from premiums earned during subsequent years. Additionally, TWIA is statutorily authorized to credit the net gain from premiums and other revenues to the CRTF for use against future excess losses. As of May 2024, the CRTF balance was \$467.1 million. **Figure 2** shows the beginning balance of the CRTF for each fiscal year since 2019.

DEPOPULATION PROGRAMS

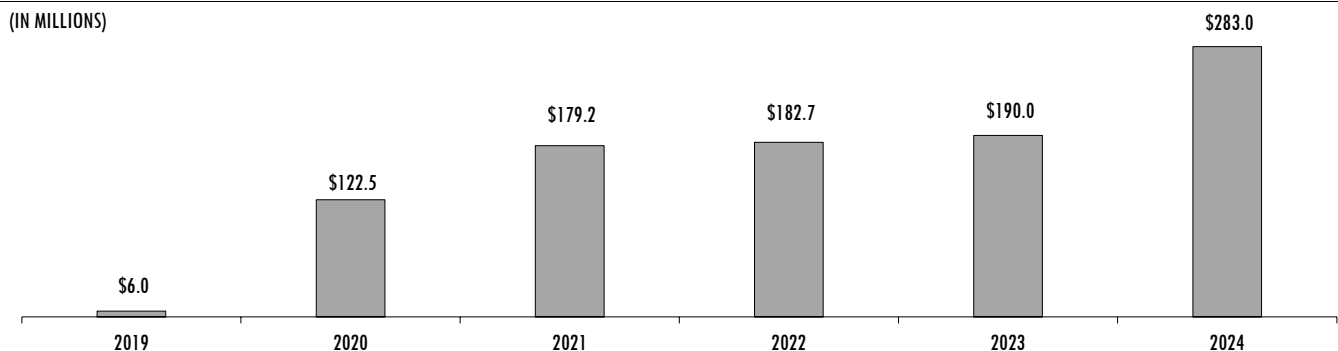
Senate Bill 900, Eighty-fourth Legislature, 2015, established a depopulation program that encourages the transfer of TWIA policies to private insurers through two options: voluntary market

or assumption reinsurance. The Voluntary Market Depopulation Program enables insurers to make offers on individual TWIA policies at policy renewal. As of April 2024, four participating insurance carriers had assumed 4,854 policies bound through the voluntary market program. The Assumption Reinsurance Depopulation Program enables insurers to make offers on groups of TWIA policies. As of April 2024, participating insurance carriers had assumed 16,051 policies bound through the assumption reinsurance program.

**TEXAS DEPARTMENT OF INSURANCE
 REGULATION AND RESPONSIBILITIES**

TDI has general regulatory authority over TWIA and any insurer in the state. Additionally, the Texas Insurance Code, Chapter

FIGURE 2
CATASTROPHE RESERVE TRUST FUND BEGINNING BALANCES, FISCAL YEARS 2019 TO 2024



SOURCE: Legislative Budget Board.

2210, the Texas Windstorm Insurance Association Act, provides the Commissioner of Insurance with the following authority: (1) for general rulemaking; (2) to issue any orders considered necessary to implement the statute's requirements; and (3) to set property and casualty insurance rates for commercial and residential policies in the coverage area. Additionally, TDI's Windstorm Inspection Program performs property inspections to certify compliance of building codes as required by statute. A certificate of compliance is evidence of insurability and is required before TWIA can issue a policy for a structure. The agency completed 5,919 windstorm inspections during the 2022–23 biennium.

USEFUL REFERENCES

[Texas Windstorm Insurance Association's 2024 Annual Report](#)

[Texas Department of Insurance Fiscal Year 2024, Quarter 1, Texas Windstorm Insurance Association Overview](#)

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