

John Zerwas, M.D.
Chairman



Oscar Longoria
Vice Chairman

TEXAS HOUSE OF REPRESENTATIVES
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON DISASTER IMPACT AND RECOVERY

AGENDA

TUESDAY, FEBRUARY 20, 2018
11:00AM

EMERGING TECHNOLOGY COMPLEX - VICTORIA COLLEGE

Examine the use of federal funds by state agencies responding to the effects of Hurricane Harvey and identify opportunities to maximize the use of federal funds to reduce the impact of future natural disasters. Also identify the need for state resources to respond to Hurricane Harvey relief and recovery efforts, as well as opportunities for state investment in infrastructure projects that will reduce the impact of future natural disasters.

I. CALL TO ORDER

II. CHAIRMAN'S OPENING REMARKS

III. LOCAL OFFICIALS

- THE HONORABLE ROBERT BLASCHKE, JUDGE, REFUGIO COUNTY
- THE HONORABLE LUIS LAMAS, MAYOR, CITY OF INGLESIDE
- THE HONORABLE JIMMY KENDRICK, MAYOR, CITY OF FULTON
- THE HONORABLE JACK WHITLOW, MAYOR, CITY OF PORT LAVACA
- THE HONORABLE JEFF BAUKNIGHT, MAYOR PRO-TEM, CITY OF VICTORIA

IV. PUBLIC EDUCATION

- DR. ROBERT JAKLICH, SUPERINTENDENT, VICTORIA INDEPENDENT SCHOOL DISTRICT
- ABBIE BARNETT, SUPERINTENDENT, BLOOMINGTON INDEPENDENT SCHOOL DISTRICT
- CHARLOTTE BAKER, EXECUTIVE DIRECTOR, REGION 3 EDUCATION SERVICE CENTER

V. TEXAS GENERAL LAND OFFICE

- HEATHER LAGRONE, DEPUTY DIRECTOR FOR THE COMMUNITY DEVELOPMENT AND REVITALIZATION PROGRAM

VI. TEXAS WINDSTORM INSURANCE AGENCY

- DAVID DURDEN, VICE PRESIDENT, LEGAL AND COMPLIANCE DEPARTMENT

VII. WEST HOUSTON ASSOCIATION

- TIM BUSCHA, P.E., AMERICAN COUNCIL OF ENGINEERING COMPANIES OF HOUSTON, PRESIDENT

VIII. CLOSING REMARKS AND ADJOURNMENT



Action Plan & 1st Project Timeline

(State Run Multifamily Program)

\$57 million Action Plan

- Federal Register Notice Effective Date – 1/2/2018
- Draft Action Plan – 16 days
- Translate Action Plan – 10 days
- Post for Public Comment – 30 days
- Respond to Public Comments – 7 days
- Action Plan submitted HUD – 3/1/2018
- HUD Review Action Review Period – 45 days
- HUD Grant Agreement Execution – After HUD approval

*\$5 billion will likely be about 2 months behind.

Project Implementation

- **NOFA Publication – March 15, 2018**
 - Applications Due – 30-45 days
 - Application Review 30-90 days
 - Contract Execution 30 days
 - Engineer Design and Environmental Review 45-60 days
 - Construction Permitting 14-30 days
- **Construction Starts – 9/15/2018**

*In order to reduce the overall timeline, overlap in phases will be utilized when possible.

Lead Department: General Land Office (GLO) – Community Development and Revitalization (CDR) Program

Subject: Federal Register Notice for \$57.8 million CDBG-DR funding

Date Prepared: 1/11/18

Federal Register Notice: HUD allocated \$57.8 million to the State of Texas in response to Hurricane Harvey through the publication of the Federal Register Notice on December 27, 2017. The \$57,800,000 allocated is the remaining amount from \$400 million appropriated under Public Law 115-31 that allocated Texas CDBG-DR funds for the 2015 and 2016 floods.

Notice Requirements:

- An Action Plan must be submitted to HUD for approval detailing the proposed use of all funds, including criteria for eligibility, and how the use of these funds will address longterm recovery and restoration of infrastructure and housing and economic revitalization in the most impacted and distressed areas.
- At least 80% of the \$57,800,000 must address unmet needs within Harris County, Texas, the single “most impacted and distressed” area, as identified by HUD.
- The remaining 20% may be spent in Harris County or in other areas that received a Hurricane Harvey, DR-4332, presidential disaster declaration.
- At least 70% of the CDBG-DR program funds must be used to support activities benefitting low- and moderate-income persons.
- A 14 day public comment period will be required before the Action Plan can be submitted to HUD for approval.
- 100% of funds must be expended within 6 years of the grant agreement.

Proposed Action Plan Budget, Eligible Applicants and Activities:

Harris County (buyouts)	\$35,465,600
Harris County (PREPS match)	\$8,000,000
Aransas County	\$10,866,400
State Project Delivery (1%)	\$578,000
State Administration (5%)	\$2,890,000
Total	\$57,800,000

Harris County

- Eligible Applicant: Harris County & Harris County Flood Control District
- Allocation Amount: \$35,465,600
- Eligible Activity: Residential buyouts for low-to-moderate income households

Harris County PREPS Cost Share Match

- Utilize CDBG-DR funds toward 10% cost share requirement for the PREPS program

Other Most Impacted and Distressed Areas

- Eligible Applicant: Aransas County and/or entities within the county
- Allocation Amount: \$10,866,400
- Eligible Activities: Affordable Rental Housing to replace workforce housing lost

Lead Department: General Land Office (GLO) – Community Development and Revitalization (CDR) Program

Subject: Federal Register Notice for \$3,024,215,000

Date Prepared: 2/15/2018

Federal Register Notice: HUD allocated \$5 billion to the State of Texas in response to Hurricane Harvey through the publication of the Federal Register Notice on February 9, 2018. The \$5 billion allocated is from \$7.4 billion appropriated under Public Law 115-56 approved September 8, 2017.

Notice Requirements:

Total Allocation: \$5,024,215,000

80% to Most Impacted Areas: \$4,019,372,000

Most Impacted Areas:

Harris, Jefferson, Orange, Galveston, Fort Bend, Brazoria, Montgomery, Liberty, Hardin, Chambers, Aransas, Wharton, San Patricio, San Jacinto, Nueces, and Victoria Counties – **(16)** 78945 (Fayette), 77423 (Waller), 77612 (Jasper), 78934 (Colorado), 75956 (Jasper), 77632 (Orange), 75979 (Tyler), 77414 (Matagorda), 77335 (Polk), 78377 (Refugio), and 77979 (Calhoun) – **(11)**
County identifiers for zip codes are approximate

70% of the funds must be spent on LMI projects

The Action Plan must be submitted within 90 days of the Federal Register Notice date

Public Comment must be at least 14 calendar days

The State has 2 years to expend the CDBG-DR funds; OMB may waive this requirement for a total of no more than 6 years

The State must maintain a disaster recovery website that is updated at least monthly

The State must make its first disbursement within 180 days of the Federal Register Notice date

Grantees (Texas) must propose an allocation of CDBG-DR funds that primarily considers and addresses unmet housing need. Before infrastructure and economic revitalization activities may be funded grantees must identify how any remaining unmet housing needs will be addressed or how the activities contribute to long term recovery of housing.

CDBG-DR funds may be used as the match for any other federal program; encouragement for the State to use any “rainy day” funds to financially contribute

Housing must be compliant with the Green Building Standard

Any project constructed or substantially improved must be elevated to 2 feet over base flood elevation

Affordable rental units must maintain a 51% LMI tenant occupancy for at least 20 years; historically we have done 10 years

No second homes will be eligible for repair or replacement

Anyone assisted from CDBG-DR in a floodplain must maintain flood insurance in perpetuity to be eligible for any future federal assistance

Homeowners making over 120% of the area median income with homes in floodplains who did not have flood insurance coverage will not be eligible

Private utilities are not eligible for any assistance



TEXAS WINDSTORM
INSURANCE ASSOCIATION



Written Testimony
Prepared for the
House Appropriations
Committee:
TWIA Hurricane Harvey Response

David Durden
Acting General Manager
Submitted: 2/15/2018



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Hurricane Harvey Response

Hurricane Harvey by the Numbers¹

	TWIA Total	Commercial	Residential	Mobile Home
New Claims	74,460	2,607	66,464	334
Closed Claims	69,849	2,194	62,280	322
% Closed Claims	93.81%	84.16%	93.70%	96.41%
Paid to Policyholders	\$962,625,256	\$256,267,676	\$702,628,461	\$3,729,119
Avg. # Days: FNOL to Pay	35.3	45.8	34.9	42.6
TDI Complaints	110			
Complaint Ratio	0.15%			
Disputed Claims	1,086			
Disputed Claim Ratio	1.46%			

TWIA Harvey Claim Counts by County

County	Nueces	Galveston	Jefferson	Aransas	San Patricio	Brazoria	Calhoun	Chambers	Matagorda	Harris	Refugio	Cameron	Kleberg	Unverified or NPIF	TWIA TOTAL
August Total	10,643	4,835	2,545	5,339	4,143	1,521	1,186	418	224	252	287	14	8	2,198	33,613
September Total	12,747	5,268	6,375	1,589	2,344	2,122	1,194	503	563	284	112	8	18	2,544	35,671
October Total	894	532	653	85	136	240	102	47	55	25	11	7	6	191	2,984
November Total	354	207	203	37	52	84	40	21	18	16	2	6	1	70	1,111
December Total	210	128	82	13	23	52	21	6	5	10	1	3	5	31	590
January Total	202	84	67	25	16	33	13	11	5	8	1	3	2	21	491
TWIA TOTAL	25,050	11,054	9,925	7,088	6,714	4,052	2,556	1,006	870	595	414	41	40	5,055	74,460

Claim Handling Efficiency and Resources

- TWIA implemented a new claims administration system in July 2016 designed to speed up and improve the claims handling process and provide better communication with policyholders and agents about their claims.
- Filed claims are assigned to the appropriate resources based on complexity and type and claims are worked in a team environment to ensure sufficient coverage to respond to policyholders' questions.
- TWIA scaled up our field adjuster and internal claim resources in the immediate days following Hurricane Harvey to adequately respond to claim volume from the storm; field adjusters and claim examiners worked seven days a week to process claims.

¹ Data as of 1/31/2018



	Initial Harvey Resources	Ike Resources
Field Adjusters	1,230	894
Inside Claims Personnel	366	143
Call Center Staff	220	69

Coastal Presence

- Established Mobile Claim Centers (MCCs) in Rockport, Corpus Christi, and Port Aransas within days after Harvey made landfall to directly issue advance claim payments to policyholders.
- In their first three weeks, the Mobile Claim Centers served more than 10,000 TWIA policyholders. TWIA paid a total of \$11.6 million in emergency claim payments to policyholders visiting the claim center sites.
- Transitioned all three Mobile Claim Centers to Claims Support Centers at the end of September to provide ongoing support for policyholder claims through the end of 2017; our Rockport location remained open into 2018 and will close on February 23.
- Participated in 21 Harvey-specific outreach events in coastal communities to provide in person policyholder support, including two TWIA hosted townhall events in January 2018; monthly TWIA hosted events are planned for 2018.
- Distributed information through multiple channels to provide guidance on the TWIA claims process, including establishing a 'Guides on the Claims Process' hub on the TWIA.org website, posting information on social media, and reaching out to Chambers of Commerce and churches in affected areas to ensure their members were aware of available TWIA claims resources and information.

TWIA Ultimate Losses from Harvey and Funding Structure

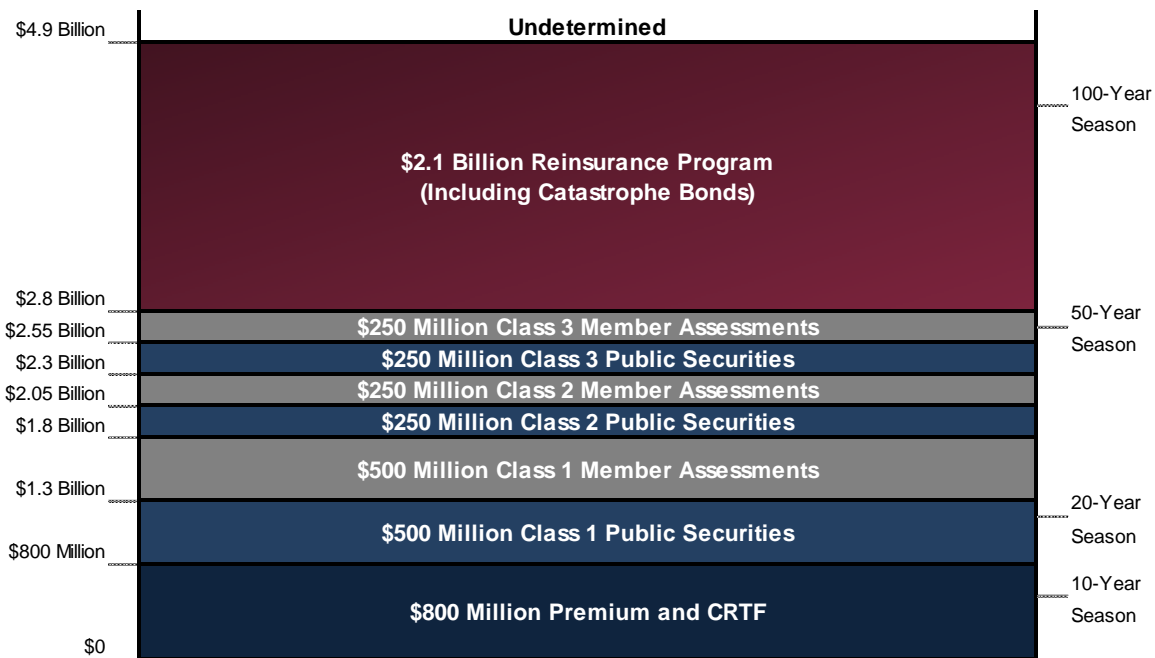
- For the 2017 hurricane season, TWIA secured \$4.9 billion in total funding, sufficient to fund claims associated with over 99% of all modeled hurricane seasons, or a 125-year season.
- TWIA's initial estimate of ultimate loss and loss adjustment expenses (LAE) from Hurricane Harvey was \$1.13 billion. Based on data as of December 31, 2017, TWIA has revised our ultimate loss and LAE estimate to \$1.446 billion; primarily due to an increase in average claim severity.
- TWIA has utilized the \$743.2 million available from the Catastrophe Reserve Trust Fund (CRTF) and \$96.3 million of the amount payable to the CRTF from 2017 operations for the payment of Hurricane Harvey claims.
- TWIA has also withdrawn \$348 million from the Class 1 Pre-event Bonds issued in 2014 (a total of \$500 million), leaving approximately \$100 million of the proceeds available for the payment of



Harvey losses; a portion of the proceeds (\$6 million) was used for debt issuance costs and \$46 million is required to be maintained in a debt service reserve fund.

- SB 900, passed by the 84th Texas Legislature, took effect September 1, 2015 and changed TWIA’s funding structure. TWIA’s current funding structure is, in order:
 - TWIA premiums and amounts in the CRTF
 - \$500 million in pre-event Class 1 public securities
 - \$500 million in Class 1 company assessments
 - \$250 million in Class 2 public securities
 - \$250 million in Class 2 company assessments
 - \$250 million in Class 3 public securities
 - \$250 million in Class 3 company assessments
 - Sufficient reinsurance, including both traditional reinsurance and catastrophe bonds, so that total funding is at least equal to a hurricane season with a 1% probability.

Class 1, 2, and 3 public securities will be repaid by TWIA premiums and surcharges on TWIA policies. Class 2 and 3 public securities, after a finding by the Commissioner of Insurance, may also be repaid by surcharges on coastal policyholders, if necessary.



Storm frequencies based on modeled losses using TWIA exposures as of 12/31/16



TWIA Background

About TWIA

The Texas Windstorm Insurance Association (TWIA or Association) was established in 1971 by the Texas Legislature after several major hurricanes led to an inadequate market for windstorm and hail insurance along the Texas coast. The Legislature found that the provision of adequate windstorm and hail insurance is necessary to the economic welfare of Texas, and without that insurance, the orderly growth and development of the state would be severely impeded.

TWIA's mission is to provide access to wind and hail insurance along the coast for Texans unable to obtain it from the private market. TWIA serves as a residual insurer of last resort and as such is not a direct competitor in the private market. It serves only the Texas coastline, a specific 14-county geographic area defined by the Commissioner of Insurance.

TWIA is governed by Chapter 2210 of the Texas Insurance Code; however, it is not a state agency and does not receive funds from the general revenue. It is a not-for-profit organization that operates as an insurance company by issuing policies, collecting premiums, and paying losses.

Mission and Vision

TWIA's mission is to efficiently provide essential property insurance products and services for eligible Texas policyholders when no one else will. Our vision is to be respected and trusted by our stakeholders.

TWIA's core values are the foundation of the Association's operations, decisions, and actions.

- Provide quality service to our policyholders
- Respect the interests of a broad spectrum of stakeholders
- Ensure the financial sustainability of the enterprise
- Operate efficiently in order to achieve the best use of policyholder funds
- Be a steward of the public trust and hold ourselves to a high standard of ethics

Coverage and Eligibility

TWIA policies provide coverage only for wind and hail losses. No other perils are covered by TWIA policies. Applications for coverage, accompanied by the full annual premium, may be submitted to TWIA through any agent properly licensed through the Texas Department of Insurance (TDI).

To be eligible for a TWIA policy, applicants and properties must meet specific criteria defined by the Texas Legislature. The criteria include:



- a. applicants must have been denied coverage by at least one insurer in the private market
- b. properties must be located in the designated catastrophe area
- c. properties must have been built to applicable windstorm building codes
- d. properties located in flood zones V, VE, or V1-30 that were constructed, altered, remodeled, or enlarged on or after September 1, 2009 and that can obtain flood insurance through the NFIP must provide proof of flood insurance coverage, and
- e. properties must meet all other Association underwriting requirements, including maintaining the structure in an insurable condition – in good repair, with no unrepaired damage or hazardous conditions, with limited exceptions.

Coverage Area

TWIA policies provide coverage for residential and commercial property located within the area designated by the Commissioner of Insurance. This area currently includes all 14 first tier coastal counties and parts of Harris County east of Highway 146. The specific counties are Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio and Willacy. When the property is located inside the city limits and east of Highway 146, the following portions of Harris County are also included: La Porte, Morgan’s Point, Pasadena, Seabrook, and Shore Acres.

Current TWIA Statistics – TWIA Fast Facts²

As of December 31, 2017, TWIA policies in-force numbered 227,012 with insured building and contents coverage totaling \$65.0 billion. 2017 written premiums were \$423.1 million.

2017 TWIA Premiums	\$423.1 Million		
TWIA Policies In-Force	227,012		
TWIA Total Insured Value ³	\$65.0 Billion		
TWIA Registered Agents	6,896		
Operating Cost as a % of Premium	5.3% TWIA	12% Texas	30% Plans

² Data as of 12/31/2017

³ Building and contents coverage only