



Texas Department of Insurance

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June 4, 2010

The Honorable John Carona
Chairman, Senate Committee on Transportation and Homeland Security
Texas Senate
P.O. Box 12068
Austin, Texas 78711

Dear Chairman Carona and Members of the Committee,

In response to the request of the Senate Committee on Transportation and Homeland Security, I am providing information in relation to the Committee's interim charge on the following:

Recommend improvements to homeland security, including the state's infrastructure and housing recovery operations. Make recommendations for incorporating best practices and addressing any gaps in existing procedures, and disaster preparation and response, including volunteer involvement, evacuation and sheltering and trauma care, and communications interoperability.

Specifically, the Department of Insurance (TDI) was asked to provide information regarding involvement with consumers (including complaints) and industry in relation to additional living expenses in insurance policies (ALE) and with information related to disaster preparation and response, including volunteer involvement.

Additional Living Expenses

The homeowners policies that TDI has approved include coverage for the ALE incurred by residents of homes rendered uninhabitable due to damages caused by a peril covered by the policy. The ALE coverage limit ranges from 10%-30% of the amount of insurance on the dwelling, depending on the policy purchased. Many of these policies cover ALE incurred by homeowners or tenants after an event occurs if a civil authority prohibits use of the residence as a result of damage to neighboring premises caused by a peril covered by the policy. These policies do not cover ALE incurred due to evacuation orders by civil authorities when there has been no damage to covered property or neighboring premises.

Other residential property policies that TDI has approved, including manufactured homes, condominiums, townhouses, and renters policies, also include coverage for ALE similar to the homeowners policy. The Texas Windstorm Insurance Association Dwelling policy may also include coverage equal to 10%-20% of the dwelling limit of liability for the ALE incurred by residents of homes rendered uninhabitable due to damages caused by windstorm or hail.

Senate Committee on Transportation and Homeland Security

Flood policies written through the National Flood Insurance Program do not cover ALE.

ALE coverage typically lasts for the reasonable time required to repair or replace the damaged property, or if the insured permanently relocates, the reasonable time for the insured's household to become settled elsewhere.

TDI received a very small number of complaints regarding ALE after Hurricane Ike.

Disaster Preparation and Response

TDI conducts a variety of activities to help the public, insurance industry, and the agency effectively prepare for and respond to disasters. Key activities include assisting consumers in the field following a disaster; surveying insurers about their catastrophe, business continuity, and pandemic response plans; monitoring company handling of disaster claims for compliance and solvency concerns; issuing emergency licenses to adjusters who come to Texas following a disaster; conducting windstorm inspections; issuing safety tips to avoid carbon monoxide poisoning when using generators; and maintaining and testing the TDI Disaster Recovery Plan.

TDI recognizes the need for coordination among governmental and non-governmental entities to effectively and efficiently respond to disasters. TDI leads the Texas State Disaster Coalition (TSDC), which consists of more than 200 members including industry representatives, the Texas Division of Emergency Management (TDEM), Federal Emergency Management Agency (FEMA), and other agencies and organizations. Additionally, TDI's disaster response and recovery staff are certified in FEMA's National Incident Management System (NIMS), which provides a consistent nationwide approach for disaster response and recovery. Further, the State Fire Marshal's Office participates in the Texas Intrastate Fire Mutual Aid System (TIFMAS), which mobilizes, deploys, organizes, and manages Texas fire-related resources.

A more detailed listing of the activities of TDI, including response statistics related to Hurricane Ike, is attached to this letter as well as a summary of some disaster-related legislation passed during the 81st Legislature, Regular Session.

On behalf of the Department of Insurance, we look forward to working with you on the interim charges as well as in the upcoming legislative session.

As always, if you have any questions, please do not hesitate to contact me or Carol Cates at 512.463.6123.

Sincerely,



Mike Geeslin
Commissioner of Insurance

Cc: Members of the Senate Committee on Transportation and Homeland Security
Carol Cates, Associate Commissioner, TDI Government Relations

Texas Department of Insurance Disaster Response Activities

Activities conducted by the Texas Department of Insurance (TDI) include:

- staffing disaster recovery centers to assist consumers following a disaster
- utilizing technology to assist consumers including laptops with wireless network cards and cell phones
- providing consumers with helpful disaster planning information before, during, and following a disaster, creating disaster-specific web resource pages such as the Hurricane Ike, H1N1 Flu and AIG resource pages, and sending reminders to consumers before disaster season starts to review their insurance policies and complete a home inventory
- participating in the TDEM conference calls, disaster preparedness exercises, and homeland security conferences
- anticipating future disasters by staying attuned to National Weather Service predictions, Department of Homeland Security warnings, Centers for Disease Control and Prevention pandemic response instructions, and cyber security prevention tips
- coordinating with TDEM, FEMA, the insurance industry, consumer advocacy groups, state agencies, the National Association of Insurance Commissioners (NAIC), and volunteer organizations through the TSDC conference calls and group e-mail list
- distributing "Help us prevent fraud" alerts to assist consumers and the insurance industry
- using real-time models to predict the potential impact of Gulf Coast hurricanes and identify companies that may become financially hazardous
- participating in the NAIC Disaster Reporting Working Group
- surveying insurers about their plans for paying catastrophe claims, business continuity/recovery, and pandemic response, and reviewing insurers', HMOs', and workers' compensation health care networks' catastrophe and business continuity plans during routine examinations
- continuing the State Fire Marshal's Office participation in TIFMAS
- providing training to staff about TDI's disaster response strategies, and to disaster volunteers about critical incident management, procedures in the field, and insurance coverages
- developing disaster recovery and pandemic policies and procedures, including cross-training staff and testing the agency's preparedness through table-top exercises and phone tree "drills"
- issuing bulletins regarding key regulatory changes in response to disasters such as copay waivers, extended response times for claims handling, prescription supplies, etc.
- implementing emergency rules for adjusters, waiving licensing fees for agents who work in Texas after a disaster occurs or who relocate to Texas following a disaster, monitoring the market to ensure sufficient adjuster availability for claim volume
- gathering carrier claim payment information via a survey several months after a disaster to assess payment activities, examining carriers' disaster claims handling practices, analyzing disaster claims data to identify potentially hazardous companies, monitoring disaster complaints, and sharing information internally about issues and trends to ensure appropriate follow-up actions
- completing windstorm inspections to assist consumers.

Pertinent statistics regarding TDI's response to Hurricane Ike (September 13, 2008):

- Assisted more than 8,800 consumers in the field from September 15, 2008, until April 10, 2009. TDI staff assisted consumers at more than 60 Disaster Recovery Centers in the 33 affected counties including the cities of Houston, Galveston, Beaumont, Port Arthur, and towns in South East and East Texas. At one point, TDI had staff working at 20 different locations at the same time.
- Expanded the Consumer Help Line hours to seven days a week, 8 a.m. until 7 p.m. immediately after the storm, then matched Help Line hours to Disaster Recovery Center hours. Assisted more than 11,900 consumers via the Consumer Help Line.
- Issued more than 3,500 emergency adjuster licenses and 1,100 permanent adjuster licenses.
- Resolved more than 4,800 complaints and returned more than \$41.1 million to consumers through the complaints resolution process.
- Completed more than 41,000 windstorm inspections.

HB 1579 by Gonzales, et al.; Sponsored by Lucio (Effective immediately – June 19, 2009)

- Amends the Local Government Code to authorize a county to provide assistance for the removal from private property, including a road, of flood water resulting from a natural disaster in a colonia if the removal of the water is necessary to protect the health and safety of the colonia.

HB 1831 by Corte, et al.; Sponsored by Carona (Effective September 1, 2009 with Article 5 on Judicial Preparedness effective immediately – June 19, 2009)

- Omnibus bill relating to disaster preparedness and emergency management.
- Requires the Governor's Division of Emergency Management (GDEM), in cooperation with other agencies, groups, and local governments, to develop an annex to the state emergency management plan that addresses initial response planning for providing essential population support supplies, equipment, and services during the first five days immediately following a disaster.
- TDI's understanding on phased re-entry plan required in Section 1.09 of the bill: Re-entry will ultimately be the call of the Local Jurisdiction; any re-entry will probably be limited to first responders; GDEM will begin working on implementation procedures in the next month or so, but the ultimate authority is with the Local Jurisdictions.
- GDEM will also be working with FEMA to create uniform guidelines for acceptable home repairs following a disaster (Section 1.06 of the bill).
- Upon declaration of a disaster, regulation of signage in the disaster area is suspended to allow licensed or admitted insurance carriers or licensed agents to erect temporary claims service signage for not more than 30 days or until the end of the declaration of disaster, whichever is earlier.

HB 2450 by Eiland, et al.; Sponsored by Lucio (Effective September 1, 2009)

- Provides for home ownership repairs administered by the Texas Department of Housing and Community Affairs for applicants seeking federally provided financial assistance.
- Authorizes appointment of a Natural Disaster Housing Reconstruction Advisory Committee composed of representatives from appropriate local, state, and federal entities and organizations and nonprofit organizations.

HB 3851 by Eiland; Sponsored by Huffman (Effective immediately – June 19, 2009)

- Authorizes the governor, on request of a political subdivision, to waive or suspend a deadline imposed by a statute or agency order or rule on the political subdivision, including a deadline relating to a budget or property tax, if the waiver or suspension is reasonably necessary to cope with a disaster.
- A deadline imposed by local law, including a deadline relating to a budget or property tax, is suspended for up to 30 days if the territory of the political subdivision is located in a declared disaster area and the presiding officer or governing body of the political subdivision proclaims the political subdivision is unable to comply with the requirement because of the disaster.
- The bill authorizes the presiding officer or governing body to issue an order ending the suspension of a deadline.

HB 4102 by Eiland, et al.; Sponsored by Carona (Effective immediately – June 19, 2009)

- Allows a state or local government entity or other eligible entity that participates in disaster recovery to request and receive funding from the disaster contingency fund.
- Provides that a state or local government entity or other eligible entity that receives funding from the disaster contingency fund to pay for costs associated with disaster recovery and that subsequently receives reimbursement from the federal government, an insurer, or another

source for those same costs shall reimburse the disaster contingency fund for the reimbursed amounts.

- Amends the Education Code to allow for adjustments of average daily attendance for school districts in a disaster area; adjustments for property values affected by a state of disaster; and reimbursement for disaster remediation costs.

HB 4409 by Taylor, et al.; Sponsored by Jackson (Effective immediately – June 19, 2009 with some provisions effective September 1, 2009)

HB 4409 relates to emergency preparation and management and includes revisions to the Texas Windstorm Insurance Association with the goal of sustaining its funding for the future. The bill also requires the Association to be reviewed by the Sunset Advisory Commission in 2015 and to submit to the Commissioner, the Legislature, and the Sunset Advisory Commission a biennial report on or before December 31st of each even-numbered year.

Changes to the Association's operation include a new Board of Directors composition, provisions for post-event issuance of public securities with re-payment not dependent on the State's general revenue, evidence of one declination to obtain coverage, evidence of flood coverage in certain flood zones to obtain coverage, mandatory compliance with the windstorm building code with a surcharge for certain non-compliant structures, and a file-and-use rating provision with certain limitations on rate increases. The bill also requires TDI to develop incentive programs to encourage authorized insurers to write insurance on a voluntary basis and to minimize the use of the Association as a means to obtain insurance.

The bill further requires the General Land Office and Texas Department of Transportation to solicit proposals and enter into pre-event contracts for beach and highway debris removal and requires the Texas Department of Housing and Community Affairs to solicit proposals and enter into pre-event contracts for temporary or emergency housing. The contracts would be activated only in the event of a weather-related disaster declaration, would be paid for with money from the Disaster Contingency Fund, and would have to be adopted no later than January 1, 2010.

SB 361 by Patrick, Dan; Sponsored by Callegari (Effective immediately – June 19, 2009)

- Relates to the requirement that certain water service providers ensure emergency operations during an extended power outage.
- Provides that an “affected utility” (in counties with large population – as defined) must ensure the emergency operation of its water system during an extended power outage as soon as safe and practicable following the occurrence of a natural disaster.

SB 1328 by Nelson; Sponsored by Naishtat (Effective immediately – June 19, 2009)

- Provides that the Department of State Health Services shall conduct a study to determine the feasibility of providing certain vaccines (hepatitis B, tetanus, and other vaccines recommended by Centers for Disease Control and Prevention) to:
 - (1) a first responder who may be exposed to vaccine-preventable diseases during the responder's deployment to a disaster area; and
 - (2) the immediate family members of a first responder to whom the first responder may transmit a vaccine-preventable disease after deployment to a disaster area.
- Not later than August 1, 2011, the Department of State Health Services shall submit to the legislature a written report containing the findings of the study and that Department's recommendations.