

CITY & STATE

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HURRICANE IKE

Agency snubs own experts, won't pay up

By **Harvey Rice**

GALVESTON — The Texas Windstorm Insurance Association ignored the judgment of independent appraisers in refusing to pay \$14 million in Hurricane Ike claims to the city of Galveston, according to a Thursday court filing by the city.

After 15 months of inspections, appraisers appointed by the city and the insurance association agreed with an umpire picked by the association that Galveston should collect \$13.97 million for windstorm damages, said state Rep. Craig Eiland, the attorney representing the city. The insurance association was required to pay within five days but

two weeks later has not done so, Eiland said.

League City, too

The association also is refusing to pay \$3.5 million to League City for damage caused by Hurricane Ike, a figure reached after a similar appraisal process, said attorney Steve Mostyn, representing League City.

Both attorneys said the association offered no explanation for its failure to pay within the required five days. The insurance association did not respond to requests for comment.

The Legislature created the Texas Windstorm Insurance Association as an insurer of last resort after many private

insurers refused to write windstorm properties for coastal properties.

The rejection of the appraisals calls into question legislation intended to reform the insurance association after it refused to pay claims related to Hurricane Ike, which struck Galveston in 2008, Eiland said. The legislation required appraisal in disputes over insurance awards to avoid the avalanche of lawsuits like those following Ike.

Cited appraisal clause

The insurance association invoked the appraisal clause when the cities contested the amounts the association was willing to pay.

"This unanimous ap-

praisal award is another sad reminder of what a poor job (the Windstorm Insurance Association) did in assessing damages after Hurricane Ike," Eiland said. "My concern is that appraisal was supposed to replace litigation and be the end of litigation, not the beginning of litigation."

Eiland and Mostyn said the only way the Windstorm Insurance Association can win in court is by proving claims were fraudulent.

Galveston's disagreement with the insurance association began last year when it determined that the association owed it \$3.6 million for storm damage to City Hall. The city hired Eiland, who

began surveying all the city-owned properties.

Fears for homeowners

Eiland said he expected to avoid a lawsuit by bargaining with the association, but the association invoked the appraisal clause in the policy. Under the clause, the city and the Windstorm Insurance Association each choose an appraiser. The city appraiser agreed to use an umpire from a list provided by the association, Eiland said, although the city could have decided to have a district judge make the choice.

Mostyn said League City hired him after objecting to the association's refusal to pay an estimated \$4 million in wind

damage to the marble facade on City Hall. League City asked a district judge to choose an umpire.

The city appraiser estimated the value at \$3.9 million, the Windstorm Insurance Association appraiser at \$1.5 million and the umpire resolved the dispute by putting the number at \$3.5 million, Mostyn said.

"If (the association) is not going to pay League City and the city of Galveston appraisal rewards, what are they going to do with an appraisal award to your regular homeowner?" Eiland asked. "That is the big picture concern to me."

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