

MEMORANDUM

DATE: December 16, 2010

TO: ALL AGENTS

FROM: Texas Windstorm Underwriting Dept.

RE: January 1, 2011 rate increase versus 180 Day Minimum Premium

This bulletin is to remind all agents and their clients that TWIA has a 180-day minimum retained premium that is required by the Texas Insurance Code and the Texas Administrative Code. These requirements are also contained in the TWIA policy forms and manual rules. (Please review the TWIA Agents' Bulletin dated October 13, 2009 posted under the 'Agent Bulletin' section of the TWIA web site). The rule specifically states that the 180-day minimum retained premium applies unless it qualifies for one of the six (6) exceptions. Listed among the exceptions is that it would not apply to:

- *“Replacement of the Association policy with similar coverage in the **voluntary** market”.*

The rule does not make an exception for cancellation and rewrite by TWIA. Consequently a policyholder or agent who suggests that someone cancel their TWIA policy prior to January 1, 2011 to avoid the 5% rate increase going into effect at that time, then re-writing it with TWIA, is subject to the 180-day minimum retained premium if the cancellation is within the first 180 days of the current policy period. Whether the replacement policy is initiated by the existing agent or a new agent, the 180-day minimum retained premium rule applies as stipulated above.

While those policies beyond the 180-day mark could be cancelled and rewritten without a cancellation penalty, any actions by agents to circumvent the rate increase is frowned upon.

Texas Windstorm Insurance Association