

MEMORANDUM

DATE: January 11, 2012

TO: ALL AGENTS

RE: **Two underwriting rule amendments:**
1) 90-Day Minimum Retained Premium on TWIA Dwelling, including Mobile Homes and Commercial Policies; and
2) Declination of Coverage in the Standard Market

Please distribute this memorandum and the attached documents to everyone in your office who might work with T.W.I.A. Also, the 2012 TWIA Instructions and Guidelines Manual has been revised to incorporate in these amendments. You can access this manual on the home page under Agents at www.twia.org.

1) 90-Day Minimum Retained Premium on TWIA Dwelling, including Mobile Homes and Commercial Policies

TWIA policies effective on or after November 27, 2011, have a minimum retained premium equal to the greater of 90-days of the annual policy term or \$100 (fully earned on the effective date of the policy). For the following exceptions a \$100 minimum retained premium applies to the policyholder:

1. Replacement of the Association policy with similar coverage in the voluntary market;
2. Change in majority interest, including sale of the property to an unrelated party;
3. Foreclosure of the property insured in the Association policy;
4. Death of the policyholder;
5. Total loss of the property insured, including demolition; or
6. Builder's risk policies.

The minimum retained premium does not apply to policies cancelled by the Association.

IMPORTANT NOTICE ON PREMIUM FINANCED POLICIES: The Texas Department of Insurance amended Texas Administrative Code §5.4905 relating to minimum retained premium on Association policies. The amended §5.4905 became effective January 8, 2012.

Policies effective on or after November 27, 2011 that are cancelled by a premium financier will be refunded to the premium financier on a pro rata basis, subject to the minimum retained premium equal to the greater of 90-days of the annual policy term or \$100. All Association policy forms effective on or after November 27, 2011 have been changed to reflect the new minimum retained premium.

Policies effective prior to November 27, 2011 continue to be subject to a 180-Day minimum retained premium. When cancelled by a premium financier those policies will be refunded to the premium financier on a pro rata basis, subject to a \$100 minimum retained premium; however, the policyholder will owe the Association *any* unpaid balance of the 180-day minimum retained premium resulting from the cancellation, and will not be eligible for new coverage through the Association until the balance is paid. For further information on policies effective prior to November 27, 2011 refer to the T.W.I.A. web site at www.twia.org. Click on Agents, then select Agent Bulletins, then click on the 10/13/09 bulletin titled "180-Day Minimum Retained Premium on T.W.I.A. Dwelling, Commercial, and Mobile Home Policies (Except Builder's Risk Policies)".

ATTACHED IS A NOTICE, WHICH WE SUGGEST THAT AGENTS GIVE THEIR CLIENTS, TO HELP EXPLAIN THE NEW MINIMUM RETAINED PREMIUM PROVISIONS.

2) Declination of Coverage in the Standard Market

While agents should be collecting this information since June 19, 2009, agents are now required to maintain, and submit at the request of the Association, evidence of one declination of coverage for the property insured by the Association from an insurer authorized to engage in the business of, and writing, property insurance providing windstorm and hail insurance in the first tier coastal counties (this does not include excess and surplus lines carriers) as follows;

- A declination is required for all new applicants; and
- A declination is required on renewals effective on or after November 27, 2011 **every three (3) calendar years.**

ATTACHED IS A TWIA DECLINATION WORKSHEET FOR YOUR CONVENIENCE

IMPORTANT NOTICE

IF YOU CANCEL YOUR POLICY BEFORE 90-DAYS, YOU COULD SURRENDER A SIGNIFICANT PORTION OF YOUR PREMIUM

Your TWIA windstorm policy is subject to a minimum retained premium equal to the greater of 90-Days of the annual policy term or \$100, unless one of the 6 exceptions listed below applies. If you cancel your policy within 90-Days of the effective date of the policy, TWIA will keep the remaining portion of the premium necessary to cover 90-Days of the policy period and no coverage will be provided beyond the date of your cancellation. Any portion of the premium in excess of \$100 and beyond the minimum retained premium of 90-Days will be refunded to you on a pro rata basis.

Exceptions to the 90-Day minimum retained premium rule (subject to a \$100 minimum premium): Your windstorm policy is not subject to a 90-Day minimum retained premium under the following circumstances:

1. Replacement of the Association policy with similar coverage in the voluntary market;
2. Change in majority interest, including sale of the property to an unrelated party;
3. Foreclosure of the property insured in the Association policy;
4. Death of the policyholder;
5. Total loss of the property insured, including demolition; or
6. Builder's risk policies.

If any of the above exceptions occur, a \$100 minimum retained premium still applies. Any portion in excess of the earned premium beyond the minimum retained premium of \$100 will be refunded to you on a pro rata basis.

PLEASE READ YOUR POLICY

This notice is not a substitute for actual policy language and is only meant to remind the policyholder of the policy's cancellation provisions. Read the policy's cancellation provisions and/or contact your agent for guidance before deciding to cancel your coverage with TWIA.

TWIA DECLINATION WORKSHEET

For

**Evidence Of Declination In Conjunction With Coverage Written By TWIA
(Pursuant to TAC §§ 5.4902 – 5.4903)**

Insurance Company declining to write coverage: _____

Agency submitting application to TWIA Agency Name: _____
Agency Location: City/State _____

Applicant's Name: _____

Physical Address of Property to be Insured: Street No. & Name: _____
City/State: _____, TX
Zip: _____

1. The insurance company shown above is an insurer authorized to engage in the business of property insurance in the state of Texas (SURPLUS LINES COMPANIES DO NOT QUALIFY).
2. The insurance company shown above is writing at least one policy of property insurance providing windstorm and hail insurance coverage in the first tier coastal counties.
3. The insurance company shown above declines to provide windstorm and hail insurance coverage for (mark one of the two reasons below):

- _____ a) the subject property (copy of current declining company's underwriting guideline or letter of specific declination to be kept in client's file of the agent submitting the application to TWIA).
- _____ b) basic insurance coverage sought by the applicant that is substantially equivalent to that offered by the Association.
(For example, the lowest deductible offered by a standard market company is greater than that which can be obtained from TWIA)

DATE OF DECLINATION:

_____ Month / Date / Year

For a detailed explanation concerning the declination requirements and what constitutes acceptable documentation, please read the Commissioner's Orders 10-0135 and 11-0966. Go to: www.tdi.state.tx.gov, then click on: Rules/Codes, on the next screen click on Rules, then click on Proposed and Adopted Rules-2009. On the next screen under the column labeled Adoption Filed click on the date 2/23/10, this will open the Commissioner's Order 10-0135 and Proposed and Adopted Rules-2011. On the next screen under the column labeled Adoption Filed click on the date 12/19/11, this will open Commissioner's Order 11-0966.

Texas Windstorm Insurance Association