



## MEMORANDUM

DATE: March 1, 2010

TO: All Agents

**RE: Phase I of TWIA Direct Bill and Commission Modernization Project**

This bulletin is an early notification about changes which will occur in the 3<sup>rd</sup> quarter of 2010. You will be officially notified about a start date in a future bulletin.

TWIA has always lacked an accounting system to handle paying agents their commissions, so one of the project goals is to remove the burden that agents now have in collecting premiums from TWIA policyholders and having to convert those funds to their own business accounts so that they can remit premiums net of commissions. Since TWIA has no grace period for renewals, often agents currently send TWIA checks before knowing whether or not clients' funds are going to clear his/her bank account. If the client's check proves to be insufficient, the agent ends up short when TWIA cancels the policy. **Under phase 1 of the new billing system agents will be encouraged NOT to convert their clients' checks, but ask for the total premium to be sent to the agency, with a check made payable to TWIA.** In turn the agent will attach his/her client's check for the full gross premium to the TWIA renewal application for forwarding to TWIA. TWIA will then take responsibility for handling non-sufficient fund (NSF) checks from policyholders rather than you, the agent.

The above process will follow review of the renewal application between you (agent) and your client. TWIA will be sending both parties a renewal package 60 days prior to the renewal inception date. (Previously the renewal package only went to the agent with an expiration notice to the policyholder). HB4409 makes it difficult to collect the premium directly from the policyholder to renew coverage, as the agent is required to send TWIA a renewal application confirming that he/she has, 1) obtained a proper declination in the standard market, and 2) secured flood insurance if appropriate, and in certain instances must provide his/her client with a flood quote at a minimum. For these reasons TWIA's original intent of securing renewal directly from the insured has been delayed until the legislature can amend current law to remedy the situation.

Concurrent with the billing/commission system, the Underwriting Dept., with approval by TDI, will put in place the automatic adjusted building cost (ABC) endorsement, which will increase dwelling limits by the percentage indicated from Marshall & Swift/Boeckh on each annual renewal unless changed by the policyholder, through their agent. If the policyholder wants other changes or to change the suggested limits of liability, then the agent can revise the renewal notice accordingly, quoting the changes to the policyholder's premium through TWIA's online automation program, E-Quote, and submitting the new total gross premium and revised renewal notice to TWIA prior to the expiration of the existing policy's expiration. NOTE: All premiums will be remitted to TWIA on a gross basis (without commissions being withheld by the agent or policyholder), as TWIA will deposit the agents' commissions after the end of each month directly to that agent's bank account via an Automated Clearing House (ACH) transaction with a statement sent to the agent detailing their transactions.

### Texas Windstorm Insurance Association

5700 South MoPac Expressway, Building E, Suite 530, Austin, Texas 78749 • P.O. Box 99090, Austin, Texas 78709-9090  
512-899-4900 / Fax 512-899-4950

In summary, but not all inclusive, the modernized billing/commission system together with changes in the TWIA renewal process, when implemented will:

1. Inform policyholders of what their renewal will look like, including the premium charges for the following year, rather than a snapshot of what it was in retrospect at expiration, as is currently the case. NOTE: This will also protect consumers from overpaying agents who were adding fees without proper legal disclosure to the policyholder.
2. Protect agents from having to become a collection agency to collect NSF checks from clients, as TWIA will now deal directly with policyholders who submit an insufficient funds check.
3. Allows policyholders to take their renewal notice and shop for alternatives, such as coverage in the standard market, or on the other hand, to efficiently secure a declination that can be used by their agent to renew coverage in TWIA as required by HB4409.
4. Use of the ABC endorsement will help protect consumers from building cost inflation automatically, rather than having to deal with a cumbersome change to a renewal notice, which was the process previously.
5. Consumers will further be protected from agents who neglect to return unearned premiums and commissions to insureds when TWIA is asked to cancel or reduce coverage, as TWIA will now be sending return premiums, including unearned commission, directly to the policyholder.
6. Reconciliation of commissions with the agent will be handled on the agent's monthly commission statement, similar to how it is done in most standard market companies and the Texas FAIR Plan.

To prepare for these changes, agents will be receiving subsequent TWIA bulletins covering several topics, including:

- Transition to gross premium remittance before going live with the billing/commission system.
- ACH Documents to be submitted to TWIA in order to transact business with TWIA so that commissions can be paid directly to the agents' bank accounts each month (Mandatory).
- Request for agents to clean up addresses of clients, mortgagees, and the agents themselves.
- Communicate to agents with information on "How to Read the TWIA Commission statement".
- Send out a Notice of fees, which will be assessed by TWIA for NSF checks from agents or policyholders.

Phase II, with help from the Texas legislature, will allow TWIA to move to accepting payment for renewals directly from the insured and/or mortgagee, streamlining the process even further. In the interim, and after we go live, agents that have questions about the new billing process can call to our office as they do currently, or they can send their questions via an email to [billingquestions@twia.org](mailto:billingquestions@twia.org) for an answer. We plan to post these questions and answers to the TWIA website so that all parties concerned will have the information as we move forward.

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