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Director - Underwriting/Pricing

MEMORANDUM

DATE: October 28, 2003
TO: ALL AGENTS
RE: T.W.I.A. Builders Risk Application Process

Please read and route to interested personnel in your agency!

The Builder's Risk application process to Texas Windstorm Insurance Association (T.W.I.A.) has just gotten easier! As of November 1, 2003 you will no longer be required to submit a copy of the Texas Department of Insurance (T.D.I.) wpi-1 with your builder's risk application to T.W.I.A. as a prerequisite to binding insurance coverage.

In part, this is a result of changes due to Senate Bill 14, which states that, "a person must submit a notice of a windstorm inspection to the unit responsible for certification of windstorm inspections at the department (T.D.I.) **before beginning to construct, alter, remodel, enlarge, or repair a structure.**" The person to submit the wpi-1 to T.D.I. will usually be the engineer for the project, but could also be anyone else, including but not limited to the owner, builder/contractor, qualified inspector, or insurance agent. Because of this change in the law, it is no longer necessary for TWIA to see that a wpi-1 is initiated as the law now mandates that this form (wpi-1) be submitted to T.D.I. before construction begins, as stated above.

The application process to TWIA will continue to require:

- A completed application, ACORD 64 TX.
- Photograph of the construction site and/or structure
- Indication of the date construction began or is to begin (dd/mm/yyyy)
- Check for the net premium (Gross premium minus the agent's commission)

(Revised Instructions and Guidelines pages 7/8, 9/10 and 15/16 are also attached. Please insert these pages in manuals you have to bring them up to date.)

5. **COMMISSION:**

The agent's commission is 16% of the gross policy premium, which must be withheld from the gross premium when submitting payment to the Association. (This does not apply to the Mobile Home Program or the Per Risk Reinsurance Program. For Mobile Home guidelines refer to page 73 of this manual. For Per Risk Reinsurance guidelines refer to page 59 of this manual).

6. **PHOTOGRAPH:**

A. Attach a current photograph, which has been taken in the past 90 days, for the following:

- New business applications submitted on an Acord 64 TX application (or the equivalent)
- With renewal applications for each new policy term on the 5, 10, 15,...consecutive year,
- When adding a new item by endorsement, and
- As requested by the Association.

B. Please note that a photo will be required for each of the following item types:

- Each structure to be insured,
- Each structure containing property to be insured (when the structure itself is not being insured), and
- The construction site when applying for builder's risk coverage.

Note: Colored digital photos are frequently un-acceptable due to the poor quality of the image. For this reason, black & white digital photos are not accepted. Please make sure that your photo was taken in the past 90 days, and both the physical condition and type of construction are clearly visible. Otherwise, additional photos may be required prior to issuance of the policy.

7. **BLANKET INSURANCE NOT PERMITTED:**

Blanket coverage is not permitted except when coverage is being provided on a Church Form TWIA-26, Lumber Yard Form TWIA-115 or School Form TWIA-176.

8. **FINANCED PREMIUMS:**

If the premium has been financed, you must submit a copy of the completed Premium Assignment Clause (Form TWIA-151A) or a copy of the Power of Attorney. The form must be signed by the named insured and must show the name of the premium financier. You must include the title, or position, of the person signing the form if the named insured is listed as a company. You must also indicate the name of the premium financier and their mailing address in the space provided on the application

9. **AGENT/AGENCY LICENSE INFORMATION:**

In order to write coverage through the Texas Windstorm Insurance Association (T.W.I.A.) an agent/agency must hold a General Lines Agent-Property & Casualty license, *formerly a "Local Recording Agent License" or "Non-Resident License"*.

An agent/agency name and address will be listed on the T.W.I.A. database exactly as they are registered with the Texas Department of Insurance (T.D.I.) If you are using a name and/or address that is different than shown on your license you must register this information with T.D.I. To request changes contact T.D.I. at 512-322-3503 or visit their website at www.tdi.state.tx.us to obtain additional information and required forms.

T.W.I.A. will require the following to complete our files:

- A copy of your General Lines Agent-Property & Casualty license
- A copy of your dba and/or branch location registration on file with T.D.I. (if using a name and/or address other than shown on your license)
- A completed W9 form (Refer to the form for instructions)

Notes:

Standard applications submitted must show your current license number and your tax identification number or social security number in spaces provided. **You must also include this information when changing the agent of record on a renewal notice.**

10. **FEDERAL COASTAL BARRIER RESOURCES ZONE:**

All residential structures, other than a condominium, apartment, duplex, or other multifamily residence, or a hotel or resort facility, which are located within those areas designated as units under the Federal Coastal Barrier Resources Act (Public Law 97-348) and for which a building permit or plat has been filed with the municipality, the county, or the United States Army Corps of Engineers prior to June 11, 2003 shall be considered insurable property; subject to other normal underwriting criteria.

11. **SUPERIOR CONSTRUCTION BUILDINGS:**

Non-Class Rated Structures:

A copy of the ISO published rate must be submitted to this Association on all non-class rated structures prior to qualifying as superior construction. (Refer to page 53 of this manual.)

Class Rated Structures

For class rated structures refer to page 54-57 of this manual for instructions on obtaining the proper documentation to qualify for superior construction rating.

12. **ENDORSEMENT REQUESTS:**

When preparing a request for an endorsement, it is important to detail all changes on agency letterhead and follow the steps outlined below:

A. When requesting an increase in an amount of insurance please advise:

- Requested effective date (Refer to "Effecting Coverage", page 6, rule 2.)
- Amount of increase desired
- Reason for the increase
- Current estimated replacement value
- Current estimated actual cash value

Note: If the increase is due to an addition also forward the following items:

- Date construction commenced on addition
- Form WPI-8 from the Texas Department of Insurance for the addition
- New total area (including addition)

B. When adding a new item please provide the following information and forward requested items:

- A current photograph of the new item(s). Refer to page 7, rule 6 in General Information of this manual. **Coverage will not be bound without the photo(s).**
- Requested effective date (Refer to "Effecting Coverage", page 6, rule 2.)
- Amount of insurance desired
- Complete description
- Location
- Occupancy
- Total area
- Estimated replacement cost
- Estimated cash value
- Published rate file number (for commercial, non-class rated items)
- Coinsurance desired
- Deductible desired
- Certificate of Compliance if applicable (WPI-8, POOL-BC-10-85 or Engineer's Statement)

C. When requesting a decrease in coverage or deleting an item advise:

- Date deletion or reduction is to be effective
- Reason for deletion or reduction (sold, over-insured, etc.)

D. Miscellaneous Non-Money Endorsement Requests:

For other types of requests, such as changing the named insured, the mortgagee, etc., send a written request on agency letterhead to this Association.

13. **CANCELLATIONS:**

To cancel a T.W.I.A. policy you must forward:

- A request to cancel the policy, stating the reason for cancellation and the requested effective date, and
- The original policy, or
- A completed lost policy voucher, signed by the named insured with each signature witnessed, or
- A request for T.W.I.A. to send a 14 day Notice of Cancellation

"Cancellations" continued on next page.....

When Coverage has been Rewritten or there is Duplicate Coverage:

When the T.W.I.A. policy is being cancelled due to the coverage being rewritten, or due to duplicate coverage, a copy of the policy providing the duplicate coverage or the company name, policy number and term of the duplicate coverage will be required.

When there is an NSF Check to the Agent:

At the agent's request, a notice of cancellation (NOC) will be sent due to the agent receiving an insufficient fund check as payment on an application. Coverage will be cancelled on the effective date indicated on the NOC, giving the appropriate number of days notice. The \$100 minimum earned policy premium applies.

Cancellation due to Non-payment of premium to the Premium Financier:

In order to cancel a T.W.I.A. policy due to non-payment of premium to the premium financier a completed Form TWIA-151-A or power of attorney must be on file with T.W.I.A. prior to proceeding with cancellation. The \$100 minimum earned policy premium applies.

- With Form TWIA-151-A or a power of attorney on file, and **with** the original policy or completed lost policy voucher, the policy will be cancelled pro rata on the date the original policy or lost policy voucher is received by T.W.I.A. (or a later date if requested).
- With Form TWIA-151-A or power of attorney on file and **without** the original policy or completed lost policy voucher, a certified mail notice of cancellation (NOC) will be sent, giving the appropriate number of days notice.

Refer to cancellation guidelines in the TDI Manual of the T.W.I.A. and to the Texas Windstorm Insurance Association policy for additional information.

APPLICATIONS

ACORD 64 TX APPLICATION:

When submitting an Acord 64 TX application (or the equivalent), forward the first two (2) copies of the typed application, keeping the third copy for your records. **Applications must be typewritten.** The binder copy of the application will be removed and returned to the submitting agent. This copy acknowledges receipt of the application and contains the provisions of the T.W.I.A. 60 day binder.

Forward:

- *The completed and signed Acord 64 TX application.
- *A check for the full net premium (total premium minus agent's commission).
A separate check is required for each application.
- *A current photograph or Renewal / Reference number.
- Blank schedule form providing detailed information for items not shown on the face of the application.
- Building code certificate of compliance (where applicable).
- Forms providing information/signatures not otherwise provided on application.

Refer to:

Page 6, rule 4.

Page 7, rule 6.

Pages 63-68.

*** Must be submitted with the Acord 64 TX application to be considered for a binder.**

INSTRUCTIONS FOR COMPLETING AN ACORD 64 TX APPLICATION

1. Application should be typewritten.
2. Indicate type of policy as either Commercial or Residential.
3. Enter the T.W.I.A. policy number of a policy that you are **referencing**, i.e.apartment or condominium master policy.
4. Enter the **previous T.W.I.A. policy number**. A new photo will be required if the photo on file is more than 5 years.
5. Enter Insured's name and mailing address in detail.
6. Enter agent's name and mailing address in detail. This must coincide with the TDI license number as indicated on application.
7. Enter requested policy term. Refer to page 7, Rule G of the TDI Manual of the T.W.I.A.
8. Indicate Agent's Federal Tax Identification Number or Social Security Number.
9. Indicate Texas General Lines Agent – Property & Casualty license number.
10. Indicate applicable forms/coverages to be applied to the policy and also the deductible desired. A copy of all forms containing signatures, or information not otherwise provided on the application, must be attached.
11. Add amounts of insurance for all items shown under "Description of Property" and enter the Total.
12. Determine the premium for each item shown under "Description of Property" separately, rounded to the nearest whole dollar. Add amounts for all items and enter the Total.
13. Enter full name and mailing address of each mortgagee. (If a loss payee is applicable to personal property or business personal property, attach a completed Form TWIA-1 12.) If additional space is required, a Blank Schedule Form TWIA-1 may be used.
14. Indicate the description and location for each item by providing the requested information.
15. Complete Section I by indicating:
 - Estimated cash value and estimated replacement value for each item (except personal property in a dwelling).
 - Total area for each building item.
16. Advise:
 - If coverage other than windstorm & hail is being provided by marking the appropriate box.
 - The name of the company providing the other coverage in space provided (if applicable).
 - Type of companion policy, or indicate "no companion coverage", by marking the appropriate box. (Where applicable, indicate if Wind Driven Rain coverage is desired).
17. Complete Section II by advising if structure was "Inside City Limits" **when originally constructed**. Provide this information for all items to be covered.
18. Complete Section III relating to the date of original construction, additions and structural repairs. Also indicate type of repairs where applicable. This information should be provided separately for all items to be insured.
19. Section IV. Advise the date of the last complete re-roof. If same as original construction, show original construction date.
20. Section V. Review this information for instructions on providing building code certificate of compliance documentation (WPI-8, POOL-BC-10-85, etc.).
21. Complete Section VI by providing the name of the agency personnel who may be contacted concerning the application, include telephone and fax numbers.
22. Where the premium is financed complete Section VII. You must include the complete name and mailing address for the premium financier. Attach a copy of a completed Form TWIA-151A (Premium Assignment Clause) or a copy of the Power of Attorney, which shows the name of the premium financier and has been signed by the named insured shown on application
23. Application must be dated and signed by the insured or the insured's agent

COMMERCIAL INSURANCE

PROCEDURES TO SECURE NEW BUSINESS BUILDERS RISK COVERAGE:

1. When submitting a New Business Builders Risk application you must:

- Submit a completed application form (Refer to pages 9 -11 of this manual).
- Attach photograph of the construction site and/or structure.
- Indicate the complete date (month, day and year) construction began or is to begin, (Construction officially begins when materials are delivered to the building site; exclusive of fill dirt and the grading of land.)
- Specify the policy term desired (1 through 365 days).
- If a Builders Risk application covers repairs & improvements only, indicate this information on the form. If coverage is desired due to a building addition you must indicate if the addition exceeds 10% of the original grade floor area.

For rating purposes refer to the following tables located on page 18 (Rate Table A) of this manual:

Dwelling: Table 2 (FR or SFR), Table 5 (Brick), 5A (Frame) or 5B (Brick Veneer)
Commercial: Table 2 (FR or SFR), Table 8 (Brick), or Table 9 (Frame)

Note: When you are insuring an addition, which exceeds 10% of the original grade floor area of the original structure, apply the permanent building rate (or premium) of the original structure or the builder's risk rate, whichever is higher.

2. Form TWIA-21 (Actual Completed Value Form):

In order for Form TWIA-21 to be applicable:

- Coverage must be bound on the date construction begins (see above definition) with no lapse in coverage.
- The estimated completed cost cannot exceed the T.W.I.A. limit of liability, and
- The coverage cannot extend to the original structure when insuring repairs and improvements.

Procedure:

- A. Type an application as usual and indicate Form TWIA-21 on the "Forms attached" line.
- B. Annual premium will be calculated by applying the Builders Risk rate by one-half of the Estimated Completed Cost.
- C. Attach a check for the full net premium.
- D. Attach photograph of the vacant lot where construction is to take place

3. Form TWIA-18 (Stated Value Form):

Form TWIA-18 must be used when:

- Construction has already commenced (see above definition) or there has been a lapse in coverage.
- The estimated completed cost exceeds the T.W.I.A. limit of liability (coinsurance must be waived), or
- The application covers both the original structure and the repairs and improvements, which are being made.

Procedure:

- A. Type an application as usual and indicate Form TWIA-18 on the "Forms attached" line.
- B. Annual premium will be calculated based on the applicable Builders Risk rate times the full amount of insurance, unless coinsurance is being waived. In this case the First Loss Scale Formula must be applied. Refer to page 26 of this manual
- C. Attach a check for the full net premium.
- D. Attach photograph of the construction site and/or structure.