



Randy Wipf, CIC
Director - Underwriting/Pricing

MEMORANDUM

DATE: November 22, 2004
TO: ALL AGENTS
RE: 2005 Commercial rate increase
2005 Maximum limits

Please read and route to interested personnel in your agency!

2005 T.W.I.A. Commercial rates increased for new and renewal policies effective 1/1/2005 or after as follows:

- +10% / All Commercial rates, to include Farm and Ranch and all builders risk policies
- **NOTE: T.W.I.A. Residential rates did not change for 2005**

New rate pages can be copied from the T.W.I.A. web site along with this bulletin by clicking on 'News' on the T.W.I.A. Home Page, then opening the Bulletin entitled, "2005 limits and rate changes". A revised Instructions and Guidelines manual is also available by clicking on 'Downloads' on the T.W.I.A. Home Page, then opening the bulleted and underlined item entitled, "T.W.I.A. Complete Instructions Manual". Either document can be printed from your computer once opened, by clicking on the printer icon on the tool bar on the top of your screen. If you do not have computer access, you can call your assigned underwriter at T.W.I.A. to request the revised rate pages be sent to you. Lastly, the T.W.I.A. E-Quote system has been updated to reflect the new rates for policies effective January 1, 2005 or later and we encourage you to use this FREE on-line service to derive your quotations and update previous quotations you may have made.

Important Note: Renewal notices previously sent for renewal dates of January 1 or later using the previous commercial rates are being resent to reflect the new rates effective January 1, 2005. Renewal notices are not binding or guaranteed by T.W.I.A., but meant to be a preliminary indication of forms and rates at the time notice is mailed. Forms and rates are subject to change prior to policy issuance. Renewal coverage will not be bound without a copy of the renewal notice and a check for the full net premium.

2005 Maximum Limits

- Effective 1/1/2005 Texas Windstorm Insurance Association (T.W.I.A.) maximum limits of liability will be as follows:

Coverage	Current limits / 2004	Revised Limits / 2005
Dwellings and Individually owned Townhouses and Corporeal Movable Property	\$406,000	\$435,000
Individually owned Corporeal moveable property in Apartments, Condominiums, or Townhouses	\$146,000	\$156,000
Commercial Buildings and Corporeal Moveable Property	\$1,681,000	\$1,756,000
Governmental Buildings and Corporeal Moveable Property	\$2,192,000	\$2,192,000

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

**COMMERCIAL BUILDING AND BUSINESS PERSONAL PROPERTY
ANNUAL EXTENDED COVERAGE RATES (per \$100)**

TABLE*	COINSURANCE	BUILDING Rate Table A	BUSINESS PERSONAL PROPERTY Rate Table C
1 Frame (F)	50%	--	--
	80%	.888	.711
	100%	.879	.702
2 Brick (M)	50%	--	--
	80%	.926	.755
	100%	.716	.575
3	50%	--	--
	80%	.755	.603
	100%	.638	.497
(HC)	50%	1.099	--
	80%	.680	.541
	100%	.650	.531
4 (WR)	50%	.439	--
	80%	.276	.217
	100%	.257	.212
(SWR)	50%	.547	--
	80%	.336	.270
	100%	.325	.264
5 Brick **	50%	--	--
	80%	.634	.315
	100%	--	--
5A Frame **	50%	--	--
	80%	.762	.384
	100%	--	--
5B Brick Veneer **	50%	--	--
	80%	.634	.315
	100%	--	--
7	50%	--	--
	80%	2.157	1.715
	100%	1.854	1.481
8	50%	--	--
	80%	2.570	2.060
	100%	2.157	1.725
9	50%	--	--
	80%	3.078	2.464
	100%	2.523	2.022
10	50%	--	--
	80%	3.694	2.956
	100%	3.078	2.464
11	50%	--	--
	80%	4.794	3.846
	100%	4.057	3.244
12	50%	--	--
	80%	7.039	5.622
	100%	5.919	4.734
13	50%	--	--
	80%	9.592	7.675
	100%	8.078	6.465
14	50%	--	--
	80%	19.033	15.230
	100%	15.981	12.782

* REFER TO THE SPECIAL INDEX & GENERAL INDEX OF THE T.W.I.A. MANUAL

** FOR ACV BUILDERS RISK FORM 21 (DWELLINGS) USE THE 80% COINSURANCE RATE

Effective (1-1-2005)

**TOWNHOUSE ASSOCIATION BUILDINGS (3 OR MORE UNITS) AND CONDOMINIUM BUILDINGS
ANNUAL EXTENDED COVERAGE RATES (per \$100)**

TABLE*	COINSURANCE	BUILDING Rate Table B
	50%	--
1	80%	.529
Frame (F)	100%	.521
	50%	--
2	80%	.556
Brick (M)	100%	.422
	50%	--
3	80%	.447
	100%	.374
	50%	.650
	80%	.409
(HC)	100%	.389
	50%	.257
4	80%	.162
(WR)	100%	.157
	50%	.325
	80%	.205
(SWR)	100%	.197

*REFER TO THE SPECIAL INDEX & GENERAL INDEX OF THE T.W.I.A. MANUAL.

**MODIFIED EXTENDED COVERAGE RATES (per \$100)
FOR MISCELLANEOUS FARM PROPERTY AND BARN AND OUTBUILDINGS
TERRITORY 1**

Rates for Miscellaneous Farm Property (Commercial Standard Deductible applies)

<u>Table</u>	<u>Coinsurance</u>	<u>Rate</u>
15	.80	.990
21	.80	1.944
22	.80	2.665
23	.80	3.861
24	.80	7.670

Rates for Barns and Outbuildings (Commercial Standard Deductible applies)

Frame	1.924
Brick Veneer	1.652
Brick	1.380

**MODIFIED EXTENDED COVERAGE RATES (per \$100)
FOR MISCELLANEOUS FARM PROPERTY AND BARN AND OUTBUILDINGS
TERRITORIES 8, 9, AND 10**

Rates for Miscellaneous Farm Property (Commercial Standard Deductible applies)

<u>Table</u>	<u>Coinsurance</u>	<u>Rate</u>
15	.80	1.094
21	.80	2.147
22	.80	2.939
23	.80	4.267
24	.80	8.473

Rates for Barns and Outbuildings (Commercial Standard Deductible applies)

Frame	2.124
Brick Veneer	1.825
Brick	1.524

**PERSONAL PROPERTY IN AN APARTMENT, CONDOMINIUM or TOWNHOUSE
WITH COMMERCIAL STANDARD DEDUCTIBLE AND
INDIRECT LOSS COVERAGE**

Frame, Secondary Condominium with:

- \$140,000 Amount of Insurance
- Commercial Standard Deductible \$700 Deductible / 8% Credit (Pages 21-22)
- Form TWIA-310 Without Wind Driven Rain Indirect Loss Coverage 91% (Page 21)
- 50% Apartment Contents Credit* (Page 21)
- Form TWIA-365 Replacement Cost for Personal Property (Page 22)
- 80% Coinsurance

*Note: For personal property in all classes of apartments except those subject to Table 4, WR or SWR, use 50% of the building rate. For personal property in apartments subject to Table 4, WR or SWR, use the appropriate contents rate.

50% Apartment Contents Credit

.888	Annual Extended Coverage <u>Building</u> Rate (Page 18)
<u>x .50%</u>	Apartment Contents Credit
.4440	.444 Truncated Revised Extended Coverage Rate

Form TWIA – 310	Indirect Loss Coverage (91%)
.444	Revised Extended Coverage Rate
<u>x .91</u>	Indirect Loss adjustment factor
.4040	.404 Truncated Indirect Loss Rate

Indirect Loss Rate:

\$ 140,000	Amount of Insurance
<u>x .404</u>	Final Extended Coverage Rate
\$ 565.600	Adjusted Premium

Form TWIA - 365 Replacement Cost for Personal Property

\$ 565.600	Adjusted Premium
<u>x .15</u>	Form TWIA- 365 adjustment factor
\$ 84.840	Charge for Form TWIA-365

Commercial Standard Deductible

.404	Indirect Loss Rate
<u>x .08</u>	Commercial Standard Deductible Percentage Credit
.03232	Commercial Standard Deductible Credit (carried 5 decimal places)

.404	Indirect Loss Rate
<u>- .03232</u>	Commercial Standard Deductible Credit (carried 5 decimal places)
.3717	.371 Truncated Final Rate

Adjusted EC Coverage Premium

\$ 140,000	Insurance Amount
<u>x .371</u>	Final Rate
\$ 519.400	Adjusted Premium

Total:

\$ 519.400	Adjusted Premium
<u>+ 84.840</u>	Charge for Form TWIA-365
\$ 604.240	\$ 604.00 Total Premium

**COMMERCIAL BUILDINGS & BUSINESS PERSONAL PROPERTY WITH
COMMERCIAL STANDARD DEDUCTIBLE**

Frame Building & Business personal property with:

- \$1,225,000 Amount of Insurance on building
- Commercial Standard Deductible \$6,330 / 20% Credit (Pages 21-22)
- \$41,000 on Business Personal property
- 90% Wind & Hail percentage of the Extended Coverage rate (page 21)
- 80% Coinsurance

Building:

.888	Annual Extended Coverage Building Rate (Page 18)
<u>x .90</u>	Apply a factor of 90% (which represents the Wind & Hail portion of the Extended Coverage rate)
.7992	.799 Truncated Wind & Hail Rate

Commercial Standard Deductible

.799	Wind & Hail Rate
<u>x .20</u>	Commercial Standard Deductible Percentage Credit
.15980	Commercial Standard Deductible Credit (carried 5 decimal places)

.799	Wind & Hail Rate
<u>- .15980</u>	Commercial Standard Deductible Credit (carried 5 decimal places)
.63920	.639 Truncated Final Rate

\$1,225,000	Amount of Insurance
<u>x .639</u>	Final Rate
\$7,827.750	\$7,828 Adjusted Premium

Business Personal Property

.711	Annual EC Business Personal Property Rate (Page 18)
<u>x .90</u>	Apply a factor of 90% (which represents the Wind & Hail portion of the Extended Coverage rate)
.63990	.639 Truncated Wind & Hail Rate

Commercial Standard Deductible

.639	Wind & Hail Rate
<u>x .20</u>	Commercial Standard Deductible Percentage Credit
.12780	Commercial Standard Deductible Credit (carried 5 decimal places)

.639	Wind & Hail Rate
<u>- .12780</u>	Commercial Standard Deductible Credit (carried 5 decimal places)
.51120	.511 Truncated Final Rate

\$ 41,000	Insurance amount
<u>x .511</u>	Final Rate
\$ 209.510	\$210.00 Adjusted Premium

Total

\$ 7,828.00	Premium for Building
<u>+ 210.00</u>	Premium for Business personal property
\$ 8,038.00	Total Combined Premium

COMMERCIAL STRUCTURE / WAIVING COINSURANCE

Frame class building with:

- \$1,660,000 Amount of Insurance / Replacement value of \$3,003,437.
- Commercial Standard Deductible \$8,300 / 20% Credit (Pages 21-22)
- Waived Coinsurance
- 90% Wind & Hail percentage of the Extended Coverage rate (page 21)
- Replacement Cost Coverage Form TWIA- 164
- First Loss Scale Formula (Page 26)
- Form TWIA-430 at 15% Increase Cost in Construction (Page 22)

To determine first loss scale percentage:

\$ 1,660,000	Amount of Insurance
÷ 3,003,437	100% Replacement Value
<u>.5527</u>	Percentage of Total Value being insured (truncated to 4 decimal places)

Since 55.27% is not shown on first loss scale* you must interpolate between percentages for 55% & 56%. (Page 45)

.86200	Percentage for 56% of total value
<u>- .86000</u>	Percentage for 55% of total value
.00200	Difference between percentages
.00200	Difference between percentages
x .27	Percentage portion exceeding smaller of two percentage.
<u>.00054</u>	Adjusted Percentage Portion
.00054	Adjusted Percentage Portion
<u>+ .86000</u>	Percentage for 55% of total value (Smaller of two values used)
.86054	First Loss Scale Percentage of total premium

Commercial Standard Deductible

.879	Annual Extended Coverage Building Rate (100% Coinsurance rate) (Page 18)
<u>x .90</u>	Apply a factor of 90% (which represents the Wind & Hail portion of the Extended Coverage rate)
.7911	.791 Truncated Wind & Hail Rate
.791	Wind & Hail Rate
<u>x .22</u>	Commercial Standard Deductible Percentage Credit
.17402	Commercial Standard Deductible Credit (carried 5 decimal places)
.791	Wind & Hail Rate
<u>- .17402</u>	Commercial Standard Deductible Credit (carried 5 decimal places)
.61698	.616 Truncated Final Rate
\$3,003,437	100% Replacement Value
<u>x .616</u>	Final Rate
\$18,501.172	Premium based on the 100% Replacement Value
\$18,501.172	Premium based on the 100% Replacement Value
<u>x 86.054%</u>	Percentage of Total Value Premium to be charged
\$ 15,920.998	\$15,921 Premium

Form TWIA-430 Increase Cost in Construction

\$ 1,660,000 x .05= \$830 Rate is per \$100 of Insurance (Page 22)

Total Premium:

\$ 15,921	Premium
<u>+ 830</u>	Charge of Form 430
\$ 16,751	Total Premium

**ACTUAL CASH VALUE BUILDERS RISK FORM TWIA-21
WITH COMMERCIAL STANDARD DEDUCTIBLE**

Frame Commercial Building with:

- Estimated Completed Cost \$450,000
- Commercial Standard Deductible \$2250 / 15% Credit (page 21-22)
- Builders Risk Form TWIA-21 (page 16)
- 90% Wind & Hail percentage of the Extended Coverage rate (page 21)

2.523	Annual Extended Coverage Building Rate / 100% coinsurance rate (Page 18)
<u>x .90</u>	Apply a factor of 90% (which represents the Wind & Hail portion of the Extended Coverage rate)
2.27070	2.270 Truncated Wind & Hail Rate

Commercial Standard Deductible

2.270	Wind & Hail Rate
<u>.15</u>	Commercial Standard Deductible Percentage Credit
.34050	Commercial Standard Deductible Credit (carried 5 decimal places)

2.270	Wind & Hail Rate
<u>-.34050</u>	Commercial Standard Deductible Credit (carried 5 decimal places)
1.92950	1.929 Truncated Final Rate

Form #21 Adjustment

\$450,000	Estimated Completed Value
<u>x .50</u>	Form #21 Adjustment factor
\$225,000	Adjusted Value

Adjusted Extended Coverage Premium

\$ 225,000	Adjusted Value
<u>x 1.929</u>	Final Rate
\$ 4,340.250	\$ 4,340.00 Annual Premium (x pro rata factor for short term calculation)

**BUILDERS RISK FORM TWIA-18
WITH COMMERCIAL STANDARD DEDUCTIBLE**

Frame Commercial Building with:

- Amount of Insurance \$455,000
- Commercial Standard Deductible \$2275 / 15% Credit (page 21-22)
- Builders Risk form TWIA-18 (page 16)
- 80% Coinsurance
- 90% Wind & Hail percentage of the Extended Coverage rate (page 21)

3.078	Annual Extended Coverage Building Rate / 80% coinsurance (Page 18)
<u>x .90</u>	Apply a factor of 90% (which represents the Wind & Hail portion of the Extended Coverage rate)
2.77020	2.770 Truncated Wind & Hail Rate

Commercial Standard Deductible

2.770	Wind & Hail Rate
<u>x .15</u>	Commercial Standard Deductible Percentage Credit
.4155	Commercial Standard Deductible Credit (carried 5 decimal places)

2.770	Wind & Hail Rate
<u>- .4155</u>	Commercial Standard Deductible Credit (carried 5 decimal places)
2.3545	2.354 Truncated Final Rate

Adjusted EC Coverage Premium

\$ 455,000	Amount of Insurance
<u>x 2.354</u>	Final Rate
\$ 10,710.700	\$ 10,711 Annual Premium (x pro rata factor for short term calculation)

**FARM & RANCH DWELLING BUILDING AND PERSONAL PROPERTY (TERRITORY 1)
 MODIFIED EXTENDED COVERAGE PREMIUMS
 (Rates for 1% Deductible) (\$100 Minimum)**

AMOUNT OF INSURANCE	DWELLING CHART 1A 80% COINSURANCE REQUIRED			PERSONAL PROPERTY CHART 1B		
	FRAME	BV	BRICK	FRAME	BV	BRICK
1,000	16	16	13	16	16	14
1,500	20	16	13	16	16	14
2,000	24	20	17	16	16	14
2,500	27	24	20	16	16	14
3,000	31	28	24	16	16	14
3,500	35	28	24	16	16	14
4,000	39	32	27	16	16	14
5,000	43	36	30	16	16	14
6,000	47	40	34	16	16	14
7,000	51	44	37	20	16	14
7,500	55	48	40	20	16	14
8,000	59	48	40	20	16	14
9,000	67	56	47	24	21	17
10,000	75	64	54	28	21	17
11,000	79	69	57	28	25	21
12,000	86	77	64	31	25	21
13,000	94	81	67	8	29	24
14,000	102	89	74	35	33	27
15,000	110	93	77	39	33	27
16,000	118	101	84	39	37	31
17,000	126	105	88	43	37	31
18,000	130	113	94	47	41	34
19,000	137	117	98	47	41	34
20,000	145	125	104	51	45	38
21,000	153	133	111	55	45	38
22,000	161	137	115	55	49	41
23,000	169	145	121	59	49	41
24,000	177	149	125	63	53	44
25,000	185	157	131	63	57	48
26,000	189	161	135	67	57	48
27,000	196	169	141	71	62	51
28,000	204	173	145	71	62	51
29,000	212	181	152	75	66	55
30,000	220	189	158	79	66	55
35,000	255	218	182	90	78	65
40,000	291	250	209	102	90	75
45,000	330	282	236	114	98	82
50,000	365	314	263	130	111	92
55,000	401	343	286	141	123	103
60,000	440	375	313	153	131	109
65,000	475	407	340	165	144	120
70,000	511	439	367	181	156	130
75,000	550	467	391	193	168	140
80,000	585	500	418	204	176	147
85,000	621	532	445	216	189	157
90,000	656	564	472	232	201	168
95,000	695	592	495	244	209	174
100,000	730	625	522	255	221	185
Each Add'l 1,000	7.30	6.25	5.22	2.55	2.21	1.85

**** TO OBTAIN PREMIUMS OTHER THAN 1% DEDUCTIBLE, REFER TO DEDUCTIBLE ADJUSTMENT PERCENTAGE SCHEDULE**

**FARM & RANCH DWELLING BUILDING AND PERSONAL PROPERTY (TERRITORIES 8, 9, AND 10)
 MODIFIED EXTENDED COVERAGE PREMIUMS
 (Rates for 1% Deductible) (\$100 Minimum)**

AMOUNT OF INSURANCE	DWELLING CHART 1A			PERSONAL PROPERTY CHART 1B		
	FRAME	BV	BRICK	FRAME	BV	BRICK
	80% COINSURANCE REQUIRED					
1000	17	18	15	17	18	15
1500	22	18	15	17	18	15
2000	26	22	19	17	18	15
2500	30	27	22	17	18	15
3000	35	31	26	17	18	15
3500	39	31	26	17	18	15
4000	43	36	30	17	18	15
5000	48	40	33	17	18	15
6000	52	45	37	17	18	15
7000	56	49	41	22	18	15
7500	61	53	45	22	18	15
8000	65	53	45	22	18	15
9000	74	62	52	26	23	19
10000	82	71	60	30	23	19
11000	87	76	63	30	27	23
12000	95	85	71	35	27	23
13000	104	89	74	35	32	26
14000	113	98	82	39	36	30
15000	121	102	86	43	36	30
16000	130	111	93	43	41	34
17000	139	116	97	48	41	34
18000	143	125	104	52	45	38
19000	152	129	108	52	45	38
20000	160	138	115	56	50	42
21000	169	147	123	61	50	42
22000	178	151	127	61	54	45
23000	186	160	134	65	54	45
24000	195	165	138	69	59	49
25000	204	174	145	69	63	53
26000	208	178	149	74	63	53
27000	217	187	156	78	68	57
28000	225	191	160	78	68	57
29000	234	200	167	82	73	60
30000	243	209	175	87	73	60
35000	282	240	201	100	86	72
40000	321	276	231	113	100	83
45000	364	312	261	126	109	91
50000	403	347	290	143	122	102
55000	442	378	316	156	136	113
60000	486	414	346	169	145	121
65000	525	450	376	182	159	132
70000	564	485	406	200	172	144
75000	607	516	432	213	186	155
80000	646	552	462	226	195	163
85000	685	588	491	239	208	174
90000	724	623	521	256	222	185
95000	767	655	547	269	231	193
100000	806	690	577	282	245	204
Each Add'l 1,000	8.06	6.90	5.77	2.82	2.45	2.04

**** TO OBTAIN PREMIUMS OTHER THAN 1% DEDUCTIBLE, REFER TO DEDUCTIBLE ADJUSTMENT PERCENTAGE SCHEDULE**