



Randy Wipf, CIC
Director - Underwriting/Pricing

MEMORANDUM

DATE: March 15, 2006

TO: ALL AGENTS

RE: **REVISED "INCREASED COST OF CONSTRUCTION" (I.C.C.) FORMS
NO. TWIA 431/RESIDENTIAL AND 432/COMMERCIAL
a.k.a. Law and Ordinance coverage**

Please read and route to interested personnel in your agency!

Currently, T.W.I.A. residential and commercial policies include Form #430 when agents and/or insureds want coverage added for Increased Cost of Construction, a.k.a. Law and Ordinance coverage. New and renewal policies effective on or after 07/15/2006, will utilize Forms #431 (residential) and #432 (commercial), in place of the previous Form 430. The addition of this coverage remains optional. We will not add I.C.C. coverage unless an agent requests that we do so.

Coverage has been broadened on the new forms. Also, in addition to the current 5%, 10%, and 15% options for coverage, we have added a 25% of building coverage limit as a choice. All new losses, which occur after 07/15/2006, will be settled using the coverage provided by the new broadened forms.

T.W.I.A. will convert all renewals effective 07-15-2006 and after, to the new forms with the same level of I.C.C. coverage that existed on the expiring policy. If the new 25% level is desired, then agents should note the change on the renewal notice and send the notice back to us so we can issue the renewal with the desired coverage. If any renewal policy effective on or after July 15, 2006 has been issued with an amount equal to the previous policy and the 25% level is desired, then a request to change to 25% should be sent to T.W.I.A. We'll process the request and bill for the difference in premium.

T.W.I.A.'s web based E-Quote system, which is available for agents to use on new business applications only, will have the new I.C.C. rates and forms on it as of April 15, 2006, for use on business effective on or after July 15, 2006.

The new T.W.I.A. Forms # 431 and 432 may be viewed or printed by going on-line to the T.W.I.A. web site at: www.twia.org and selecting **Downloads** from the menu items on the left-hand side, then scrolling down the page to the appropriate listing for each. Likewise this bulletin can be found for future reference by choosing **news** from the T.W.I.A. home page menu list and searching the **Agent Bulletins** by date.

Increased Cost in Construction Forms TWIA-431 and TWIA-432:

Increased Cost in Construction (ICC) coverage is available for structures to cover the increased cost in construction due to the enforcement of any ordinance or law.

An insured may select one of the following limits of liability for each structure item.

Apply the appropriate rate from the table below to the Final structure premium for each structure, then round to the nearest whole dollar. This calculation is independent of any other calculation, and the result is added to the final premium for each applicable item.

| ICC Limit of Liability* | Rate as % of Structure Premium** (Multiply times final structure premium) |
|--------------------------------------|--|
| 5% of Coverage A limit of liability | 7.0% |
| 10% of Coverage A limit of liability | 11.6% |
| 15% of Coverage A limit of liability | 14.0% |
| 25% of Coverage A limit of liability | 15.7% |

Example:

- Structure limit of liability \$100,000.
- Structure final premium (before any Business Income adjustment) \$800.
- Percent of Coverage A limit of liability selected 25%

Calculation:

Structure limit of liability \$100,000.
*ICC Limit of Liability selected $\times 25\% (= .25)$
ICC Coverage Amount \$ 25,000

Structure final premium \$800.00
**ICC Rate as % of Structure Premium $\times 15.7\% (= .157)$
ICC premium (rounded) \$125.60 = \$126.00