



[Policyholder Name]  
[Address Line 1]  
[Address Line 2]  
[City] [State], [ZIP]

## Notice of New TWIA Policy Contract January 2020

Policy Number: [Policy Number]

### Why am I receiving this notice?

TWIA is required to notify policyholders of any “material changes” made to the TWIA policy contract. This notice fulfills that requirement. The policy changes will be reflected in the new TWIA policies effective on or after January 1, 2020. Many of the changes are a result of recent revisions to the Texas Insurance Code by the Texas Legislature.

### What are the policy changes?

The changes included in the new TWIA policy include updated coverages, terms, and conditions. For your convenience, we have summarized major changes here. More detailed explanations are in the enclosed Notice of Contract Changes.

#### **Major Change 1. A group of changes that affect TWIA policies with replacement cost coverage.**

##### **Background: What is replacement cost coverage?**

For policies with replacement cost coverage, claims payments are calculated using the property’s replacement cost value rather than its actual cash value. Replacement cost value is the amount of money needed to replace the property with a similar, new product (i.e. depreciation is not deducted). Actual cash value is the amount of money needed to repair or replace the damaged property at its current market value (i.e. depreciation is deducted). If your policy provides actual cash value coverage you may not receive enough money to cover the full cost of replacing your property after a loss event.

By law, TWIA policies are required to be insured at 80% or more of the replacement cost value of the property to qualify for replacement cost coverage. If a property is not insured to its replacement cost value, any claim for a covered loss is processed at actual cash value.

##### **Changes Affecting Replacement Cost Coverage:**

- **Replacement Cost Endorsement Forms Automatically Added:** TWIA’s new policy contract is an actual cash value policy with a replacement cost endorsement automatically added for property insured to

80% or more of its replacement cost value. The replacement cost value endorsements associated with the new policy contract are TWIA-802 (residential policies) and TWIA-164 (commercial policies). If these endorsements are not included on your TWIA residential or commercial policy, your claim will be processed at actual cash value rather than replacement cost value.

- **Time of Replacement Cost Estimation:** On policies with an effective date before January 1, 2020, the type of loss settlement—replacement cost value vs. actual cash value—is determined at the time a claim is made. With the revised policies, the type of loss settlement will be determined at the time a policy is issued. This will help policyholders, like you, know if their property is adequately insured.
- **Replacement Cost Coverage Claims Timeline:** Policyholders with replacement cost coverage will have 545 days to complete and provide proof of repairs on a claim. This allows for additional time to complete the claim process and preserve the right to request appraisal. Appraisal is the formal process for disputing the amount that TWIA paid on the accepted part of a claim.
- **Proof of Deductible Payment:** TWIA may require policyholders to submit proof they paid the deductible applicable to their claim before any withheld recoverable depreciation is paid. Recoverable depreciation is the difference between a property's replacement cost value and its actual cash value. TWIA claims are paid in two parts: first the actual cash value and then the recoverable depreciation after repairs are completed.
- **Penalty Removed for Policies Without Replacement Cost Coverage:** Policies with an effective date before January 1, 2020 that are not insured to their replacement cost value can be charged a monetary penalty during the claim process. TWIA has removed this penalty from its new policy contract.

**Major Change 2. Extensions of claim deadlines.** In the event of a catastrophic weather event, the Commissioner of Insurance may extend claim deadlines an unlimited number of days.

**Major Change 3. Rules for policy transference.** To more closely align with standard industry practices, the new TWIA policy contract does not allow for coverage to automatically transfer to a third party except in cases where TWIA provides consent. In the event of a policyholder's death, the policy will automatically transfer to either the spouse if they were residing in the same household at time of death, or to the legal representative of the descendant's estate.

### **When will I see these changes in my policy?**

When you renew your TWIA insurance, the new policy will have an effective date on or after January 1, 2020 and will therefore reflect the changes described in this notice.

### **What else should I know?**

Although it includes TWIA policy language, this notice is not a policy contract. When your renewal policy is issued, the coverages, terms, and conditions contained in that document will supersede those described in this notice.

Should you have any questions or concerns about these changes, please contact your insurance agent or call TWIA at (800) 788-8247.

## Notice of Contract Changes TWIA Dwelling Policy Revisions

We are making some changes to your contract coverage and conditions as part of policy revisions that affect all residential policies with an effective date of January 1, 2020 or after. These changes are outlined below and identified in the column labeled "Change." If after reviewing these changes and explanations, you have any questions, please contact us at (800) 788-8247.

Coverage descriptions are necessarily brief and focus only on significant changes to wording. For exact terms and conditions, please refer to your policy. In the event of inconsistencies between this notice or your policy, your policy provisions will apply:

Policy Section	Change	Comments
<p><b>Cover Page</b></p>	<p><u>Flood Insurance: You may also need to consider the purchase of flood insurance. Your insurance policy does not include coverage for damage resulting from a flood even if hurricane winds and rain caused the flood to occur. Without separate flood insurance coverage, you may have uncovered losses caused by a flood. Please discuss the need to purchase separate flood insurance coverage with your insurance agent or insurance company, or visit <a href="http://www.floodsmart.gov">www.floodsmart.gov</a>. THIS POLICY DOES NOT PROVIDE FLOOD OR WAVE WASH COVERAGE. CONSULT YOUR AGENT FOR AVAILABILITY OF FLOOD COVERAGE.</u></p>	<p>We added language to clarify that TWIA's Dwelling Policy does not provide coverage for flood damage.</p>
<p><b>Where you can get information or make a complaint</b></p>	<p><u>If you have a question or a problem with a claim or your premium, contact your insurance company first. You can also get information or file a complaint with the Texas Department of Insurance.</u></p> <p><b><u>Texas Windstorm Insurance Association</u></b>  <u>To get information or file a complaint with your insurance company:</u>  <b><u>Call: TWIA at 1-800-788-8247</u></b>  <b><u>Toll-free: 1-800-788-8247</u></b>  <u>Email: <a href="mailto:Compliance@twia.org">Compliance@twia.org</a></u>  <u>Mail: Attn: Compliance Department</u>  <u>P.O. Box 99090</u>  <u>Austin, TX 78709-9090</u></p> <p><b><u>The Texas Department of Insurance</u></b>  <u>To get help with an insurance question, learn about your rights, or file a complaint with the state:</u>  <u>Call: 1-800-252-3439</u>  <u>Online: <a href="http://www.tdi.texas.gov">www.tdi.texas.gov</a></u>  <u>Email: <a href="mailto:ConsumerProtection@tdi.texas.gov">ConsumerProtection@tdi.texas.gov</a></u>  <u>Mail: MC 111-1A, P.O. Box 149091, Austin, TX 78714-9091</u></p> <p><b><u>To compare policies and prices</u></b>  <u>Visit <a href="http://HelpInsure.com">HelpInsure.com</a> to compare prices and coverages on home and auto insurance policies. The website is a</u></p>	<p>We replaced the notice of toll-free telephone numbers and procedures for obtaining information and filing complaints.</p>

**Notice of Contract Changes  
TWIA Dwelling Policy Revisions**

	<p><u>service of the Texas Department of Insurance and the Office of Public Insurance Counsel.</u></p> <p style="text-align: center;"><b><u>Donde puede obtener información o presentar una queja</u></b></p> <p><u>Si tiene una pregunta o un problema con una reclamación o con su prima de seguro, comuníquese primero con su compañía de seguros. Usted también puede obtener información o presentar una queja ante el Departamento de Seguros de Texas (Texas Department of Insurance, por su nombre en inglés).</u></p> <p><b><u>Texas Windstorm Insurance Association</u></b>  <u>Para obtener información o para presentar una queja ante su compañía de seguros:</u>  <b><u>Llame a: TWIA al 1-800-788-8247</u></b>  <b><u>Teléfono gratuito: 1-800-788-8247</u></b>  <u>Correo electrónico: <a href="mailto:Compliance@twia.org">Compliance@twia.org</a></u>  <u>Dirección postal:</u>  <u>Attn: Compliance Department</u>  <u>P.O. Box 99090</u>  <u>Austin, TX 78709-9090</u></p> <p><b><u>El Departamento de Seguros de Texas</u></b>  <u>Para obtener ayuda con una pregunta relacionada con los seguros, para conocer sus derechos o para presentar una queja ante el estado:</u>  <u>Llame: 1-800-252-3439</u>  <u>En línea: <a href="http://www.tdi.texas.gov">www.tdi.texas.gov</a></u>  <u>Correo electrónico:</u>  <u><a href="mailto:ConsumerProtection@tdi.texas.gov">ConsumerProtection@tdi.texas.gov</a></u>  <u>Dirección postal: MC 111-1A, P.O. Box 149091,</u>  <u>Austin, TX 78714-9091</u></p> <p><b><u>Para comparar pólizas y precios</u></b>  <u>Visite <a href="http://HelpInsure.com">HelpInsure.com</a> para comparar precios y coberturas en pólizas de seguro para el hogar y automóvil. El sitio web es un servicio del Departamento de Seguros de Texas y de la Oficina del Asesor Público de Seguros (Office of Public Insurance Counsel, por su nombre en inglés).</u></p>	
<p><b>INSURANCE WEBSITE NOTICE</b></p>	<p><b><u>To compare policies and prices</u></b>  <u>Visit <a href="http://HelpInsure.com">HelpInsure.com</a> to compare prices and coverages on home and auto insurance policies. The website is a service of the Texas Department of Insurance and the Office of Public Insurance Counsel.</u></p> <p style="text-align: center;"><b><u>AVISO DEL SITIO WEB DE SEGUROS</u></b></p> <p><b><u>Para comparar pólizas y precios</u></b>  <u>Visite <a href="http://HelpInsure.com">HelpInsure.com</a> para comparar precios y coberturas en pólizas de seguro para el hogar y</u></p>	<p>We added the Insurance Website Notice.</p>

**Notice of Contract Changes  
TWIA Dwelling Policy Revisions**

	<u>automóvil. El sitio web es un servicio del Departamento de Seguros de Texas y de la Oficina del Asesor Público de Seguros (Office of Public Insurance Counsel, por su nombre en inglés).</u>	
<b>IMPORTANT NOTICE REGARDING RESOLUTION DISPUTES</b>	<u>You may demand appraisal of “replacement cost” without regard to whether all repairs related to the claim are complete. You must demand appraisal no later than the 30th day after the date you receive notice of our decision regarding your request for replacement cost coverage.</u>	We added a notice related to disputes regarding accepted claims.
<b>IMPORTANT NOTICE REGARDING PAYMENT OF INSURANCE DEDUCTIBLES</b>	<u>Texas law requires a person insured under a property insurance policy to pay any deductible applicable to a claim made under the policy. It is a violation of Texas law for a seller of goods or services who reasonably expects to be paid wholly or partly from the proceeds of a property insurance claim to knowingly allow the insured person to fail to pay, or assist the insured person’s failure to pay, the applicable insurance deductible.</u>	We added a notice regarding payment of insurance deductibles.
<b>DEFINITIONS</b>	<p><u>“Actual cash value” means the reasonable and necessary amount that you are likely to incur to repair or replace the damaged part of covered property, at the time of loss or damage, with material of like kind and quality and for the same use, subject to a deduction for deterioration and depreciation. “Actual cash value” applies to valuation of damage regardless of whether the property has sustained partial loss or total loss. The “actual cash value” of lost or damaged property may be significantly less than its replacement cost. We will not pay to repair or replace undamaged property due to mismatch of color, discontinued, outdated or obsolete material.</u></p> <p><u>“Cost to repair or replace” means the reasonable and necessary amount that you are likely to incur to repair or replace the damaged part of covered property, at the time of loss or damage, with material of like kind and quality and for the same use, without a deduction for deterioration and depreciation. We will not pay to repair or replace undamaged property due to mismatch of color, discontinued, outdated or obsolete material.</u></p>	<p>We added the “Actual Cash Value” definition to the policy.</p> <p>We added the “Cost to repair or replace” definition to the policy.</p>
<b>DEDUCTIBLE</b>	We will not pay for loss or damage to any item in any one occurrence until the amount of loss or damage exceeds the Deductible amount shown in the Declarations for that item. We will then pay the amount of loss or damage for that item in excess of the Deductible	We removed reference to a deduction required by the Coinsurance Condition.

## Notice of Contract Changes TWIA Dwelling Policy Revisions

	<p>amount, up to the applicable limit of liability, <del>after any deduction required by the Coinsurance Condition.</del></p>	
<p><b>CONDITIONS</b></p>	<p>4. Duties After Loss.</p> <p>a. Your Duties After Loss.</p> <p>(5) You must keep an accurate record of repair expenses <u>and proof of payment of any applicable Deductible.</u> <del>Upon completion of repairs or replacement, you may submit records, including invoices, bills, statements, and receipts to us for a claim under replacement cost coverage, Condition 6.c.(4).</del></p>	<p>We added a duty to keep proof of payment of your deductible.</p> <p>We removed reference to replacement cost coverage in the TWIA Dwelling Policy.</p> <p>Replacement cost coverage is now available through the Replacement Cost Endorsement No. (TWIA) 802 – Replacement Cost Coverage A (Dwelling).</p>
<p><b>CONDITIONS</b></p>	<p>6. Loss Settlement. Covered property losses are settled as follows:</p> <p>b. Our liability and payment for covered losses <del>to personal property, carpeting, outdoor antennas, awnings, fences, and structures other than buildings</del> will not exceed the smallest of the following:</p> <p>(1) The “actual cash value” of the damaged property <del>at the time of loss, determined with proper deduction for depreciation;</del></p> <p>(2) The “cost to repair or replace” the damaged property <del>with material of like kind and quality;</del> or</p> <p>(3) The specified limit of liability of the policy.</p> <p><del>c. Our liability and payment for covered losses to dwelling and other building(s) under Coverage A (Dwelling) will be subject to the following:</del></p> <p><del>(1) If, at the time of loss, the Coverage A (Dwelling) limit of liability is:</del></p> <p><del>(a) 80% or more of the full replacement</del></p>	<p>We removed reference to replacement cost coverage in the TWIA Dwelling Policy.</p> <p>Replacement cost coverage is now available through the Replacement Cost Endorsement No. (TWIA) 802 – Replacement Cost Coverage A (Dwelling).</p>

## Notice of Contract Changes TWIA Dwelling Policy Revisions

	<p>cost of the dwelling, or</p> <p><del>(b) Equal to the maximum amount of insurance otherwise available through us,</del></p> <p><del>we will pay the repair or replacement cost of the damaged building(s), without deduction for depreciation.</del></p> <p><del>(2) If, at the time of loss, the Coverage A (Dwelling) limit of liability is:</del></p> <p><del>(a) Less than 80% of the full replacement cost of the dwelling, and</del></p> <p><del>(b) Less than the maximum amount of insurance available through us,</del></p> <p><del>we will pay no more than the replacement cost of the damaged building(s) at the time of loss, less depreciation.</del></p> <p><del>(3) In determining the amount of insurance required to equal 80% of the full replacement cost of the dwelling, we do not include the value of excavations, underground pipes, underground wiring and foundations which are below the surface of the ground.</del></p> <p><del>(4) We will pay only the actual cash value of the damaged building(s) until repair or replacement is completed. Repair or replacement must be completed within 545 days of the date we notify you of the amount we will pay under Condition 4.b.(2). Upon completion and documentation of repairs or replacement, we will pay the additional amount claimed under replacement cost coverage, but our payment will not exceed the smallest of the following:</del></p> <p><del>(a) The limit of liability under this policy applicable to the damaged or destroyed building(s);</del></p> <p><del>(b) The cost to repair or replace that part of the building(s) damaged, with</del></p>	
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## Notice of Contract Changes

### TWIA Dwelling Policy Revisions

	<p style="text-align: center;">material of like kind and quality and for the same use and occupancy on the same premises; or</p> <p style="text-align: center;"><del>(c) The amount actually and necessarily spent to repair or replace the damaged building(s), as documented by records, including invoices, bills, statements, and receipts, submitted to us under Condition 4.a.(5).</del></p> <p style="text-align: center;"><del>d. If you dispute the additional amount we will pay for the repair or replacement of the damaged building(s) under Condition 6.c.(4), you may request that this amount be determined by appraisal under Condition 11. You must demand an appraisal not later than the 60<sup>th</sup> day after the date you submit records, including invoices, bills, statements, and receipts, to us under Condition 4.a.(5) for the repair or replacement of the damaged building(s).</del></p>	
<p><b>CONDITIONS</b></p>	<p><del>7. Coinsurance.</del></p> <p style="text-align: center;"><del>a. If a coinsurance percentage is shown in the Declarations, we will not pay the full amount of any loss if the actual cash value of covered property at the time of loss times the coinsurance percentage shown for it in the Declarations is greater than the limit of insurance for the property.</del></p> <p style="text-align: center;"><del>Instead, we will determine the most we will pay using the following steps:</del></p> <p style="text-align: center;"><del>(1) Multiply the actual cash value of covered property at the time of loss by the coinsurance percentage;</del></p> <p style="text-align: center;"><del>(2) Divide the limit of insurance of the property by the figure determined in step (1);</del></p> <p style="text-align: center;"><del>(3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in step (2); and</del></p> <p style="text-align: center;"><del>(4) Subtract the deductible from the figure determined in step (3).</del></p> <p style="text-align: center;"><del>We will pay the amount determined in step (4) or the limit of insurance, whichever is less. For the</del></p>	<p>We removed the Coinsurance provisions from the TWIA Dwelling Policy.</p>



## Notice of Contract Changes TWIA Dwelling Policy Revisions

~~remainder, you will either have to rely on other insurance or absorb the loss yourself.~~

~~In applying this coinsurance clause we will disregard the value of foundations of buildings which are below the surface of the lowest basement floor or, where there is no basement, which are below the surface of the ground. We will not consider the cost of removal of debris in the determination of actual cash value when applying the coinsurance clause.~~

~~We will not require a special inventory or appraisal of undamaged property if your total claim for loss is:~~

~~(1) Less than \$10,000 and~~

~~(2) Less than 5% of the limit of insurance on the described property.~~

~~This provision does not waive any of the requirements of the coinsurance clause.~~

~~b. This coinsurance clause does not apply to the dwelling or personal property if the limit of liability is equal to or greater than the total amount of fire insurance in effect at the time of the loss.~~

### Coinsurance Examples

#### Example No. 1 (Underinsurance):

When:

The actual cash value of the property is \$125,000

The coinsurance percentage for it is 80%

The limit of liability is \$80,000

The deductible is \$800

The amount of loss is \$25,000

Step (1)  $\$125,000 \times 80\% = \$100,000$

(the minimum amount of insurance to meet your coinsurance requirement)

Step (2)  $\$80,000 \div \$100,000 = .80$

Step (3)  $\$25,000 \times .80 = \$20,000$

Step (4)  $\$20,000 - \$800 = \$19,200$

We will pay no more than \$19,200. The remaining \$5,800 is not covered.

## Notice of Contract Changes TWIA Dwelling Policy Revisions

	<p>Example No. 2 (adequate insurance)</p> <p>When:</p> <p>The actual cash value of the property is \$125,000</p> <p>The coinsurance percentage for it is 80%</p> <p>The limit of liability is \$100,000</p> <p>The deductible is \$1,000</p> <p>The amount of loss is \$25,000</p> <p>Step (1) <math>\\$125,000 \times 80\% = \\$100,000</math></p> <p>(the minimum amount of insurance to meet your coinsurance requirement)</p> <p>Step (2) <math>\\$100,000 \div \\$100,000 = 1.00</math></p> <p>Step (3) <math>\\$25,000 \times 1.00 = \\$25,000</math></p> <p>Step (4) <math>\\$25,000 - \\$1,000 = \\$24,000</math></p> <p>We will pay \$24,000 of the loss. No penalty applies.</p>	
<p><b>CONDITIONS</b></p>	<p>10. Limited Judicial Remedies.</p> <p>f. Appraisal Process.</p> <p>(2) The two appraisers will then determine the amount of loss, stating separately for the portion of the claim for which we have accepted coverage in full or in part:</p> <ul style="list-style-type: none"> <li>i. The “actual cash value” of the damaged property at the time of loss, determined with proper deduction for depreciation; and</li> <li>ii. The “cost to repair or replace” the damaged property with material of like kind and quality.</li> </ul> <p>(3) If you or we request that they do so, the appraisers will also determine:</p> <ul style="list-style-type: none"> <li>iii. the full replacement cost of the building at the time of loss for purposes of the Loss Settlement Condition; and</li> <li>iv. the value of the covered</li> </ul>	<p>We revised the Appraisal Process Condition.</p>

## Notice of Contract Changes TWIA Dwelling Policy Revisions

	<p style="text-align: center;"><del>property at the time of loss for purposes of the Coinsurance Condition.</del></p> <p><del>(4) If you or we request that they do so, the appraisers will also determine the amount that you necessarily spent to repair or replace the damaged property.</del></p>	
<b>CONDITIONS</b>	<p>13. Commissioner Extension of Deadlines. The commissioner of insurance, on a showing of good cause, may by rule extend any deadline established under policy Condition 4, 5, <u>6</u>, 11 and 12, including endorsements, and set the number of days by which the deadline is extended <del>by periods not to exceed 120 days in the aggregate with reference to claims filed during a particular catastrophe year.</del></p>	We revised the Condition allowing the Commissioner to extend deadlines.
<b>CONDITIONS</b>	<p>20. <u>Assignment of your rights and duties under this policy will not be valid unless we give our consent.</u> <del>may not be transferred without our prior written consent except as follows:</del></p> <p><del>a. If you die, your rights and duties will be transferred to your legal representative subject to our right to verify your legal representative's authority to act in your behalf.</del></p> <p><del>b. If you sell the real property insured by this policy, you may assign your rights and duties under this policy to the new owner. However:</del></p> <p style="padding-left: 40px;"><del>(1) The new owner may not change any of the terms of this policy without our prior written consent, and</del></p> <p style="padding-left: 40px;"><del>(2) You, the new owner, or your agent shown in the Declarations must notify us in writing of the change in ownership within 30 days after the real estate closing.</del></p>	We revised the Assignment Condition.
<b>CONDITIONS</b>	<p><u>21. Death. If you die, we insure:</u></p> <p>a. <u>Your spouse, if a resident of the same household at the time of death; or</u></p> <p>b. <u>The legal representative of the decedent's estate only with respect to the described location.</u></p> <p><u>Coverage will be provided until the end of the policy period in which you die.</u></p>	We added the Death Condition.