Policy Conditions/Insurance
To Value (ITV) Agent Webinar

Presented by TWIA Underwriting
Purpose of Today’s Webinar

Legislative Changes
- Actual Cash Value (ACV) vs. Replacement Cost Value (RCV)
- Understanding the Basics

Policy Condition Changes
- Effective January 1, 2020

Agent Impacts
- Form Changes

Policyholder Impacts
- Clearer Value Upfront

RCT Express/MSB Pre-Fill Reminder
LEGISLATIVE CHANGES
Why is This Change Happening?

Current law says the type of loss settlement — replacement cost value (RCV) vs. actual cash value (ACV) — is determined at the time a claim is made.

New law says the type of loss settlement, RCV or ACV, is determined at the time a policy is issued.
RCV and ACV

**Replacement Cost Value (RCV)**
- What you would pay to repair or replace an item

**Actual Cash Value (ACV)**
- What you would pay to repair or replace an item minus depreciation.
- $\text{RCV} - \text{depreciation} = \text{ACV}$

**Policyholder**
- May not understand these concepts or the coverage they have purchased

Both are generally offered
- Some factors may make RCV unavailable
Have a Seat and Let’s Talk RCV vs. ACV

Couch Scenario:
New couch purchased for $2,000.00 last year
A hurricane occurred that damaged the couch

ACV Coverage is RCV – Depreciation = ACV
$2100.00 (RCV) - $400.00 (Depreciation) = $1700.00 ACV

RCV Coverage: Cost to replace the couch
$2100.00
Look Up! Now Let’s Look at a Roof Claim.

<table>
<thead>
<tr>
<th>ACV Coverage is RCV – Depreciation = ACV</th>
<th>RCV Coverage: Cost to replace the roof</th>
</tr>
</thead>
<tbody>
<tr>
<td>$11,500.00 (RCV) - $1288.00 (Depreciation) = $10,212.00 ACV</td>
<td>Additional $1288.00 RCC was paid once roof was replaced because RCV was on the roof.</td>
</tr>
</tbody>
</table>

### Roof Scenario:
- **Roof cost $11,500.00**
- A hurricane occurred that damaged the roof
But Wait... Don’t Houses Appreciate?

- Houses, as a whole, have the potential to appreciate in value.
- However, that is a different kind of value.
- That is the market value of the home and the land.
We Are Discussing

How much would it cost you to rebuild your home, including:

- Roof
- Windows
- Siding
- Doors
What Happens Today?

Policyholder has a claim

Policy says Claims will
• Run a new valuation

If coverage amount is within 80% of the replacement value, policy pays replacement cost on claim.

If coverage amount is less than 80% of the replacement value, policy pays actual cash value on claim.

At time of claim, valuation is 100K.

If policy coverage amount is 80K or more, the policy will pay RCV.

If policy coverage amount is less than 80K, the policy will pay ACV.
Why Does this Create Concern for the Policyholder?

- Too many variables to know what value will be used at the time of a claim
- Policyholder may not understand the type of coverage they may have on their policy
- Valuations are occurring during a stressful time and can drastically change the claim payment, causing additional stress
What Happens On or After January 1, 2020?

All residential TWIA policies will automatically be ACV at the beginning of the application.

Throughout application process:
- If coverage amount is within 80% of the replacement value, policy is a replacement cost policy.

If coverage amount is less than 80% of the replacement value, policy is an actual cash value policy.

Agents can always adjust coverage amounts as desired.
Policies Effective Before and After 1/1/2020

- Replacement Cost Coverage is still determined at the time of a loss.
- Replacement Cost Coverage is determined at the time of issuance.

January 1, 2020
AGENT IMPACTS
Residential Endorsement Changes/Additions

Forms Being Eliminated
- TWIA 400
- Actual Cash Value Roof Endorsement

Forms Being Added
- 802-Entire Structure RCC
- 804-Entire Structure RCC with the ACV Roof
Three Coverage Options for Residential Policies with Effective Dates After 1/1/2020

1. ACV coverage entire structure (when less than 80% of value)

2. RCV on structure and ACV on roof- 804 endorsement

3. RCV on entire structure- 802 endorsement
Policy Form Changes

- Dwelling Windstorm Policy
- Commercial Windstorm Policy
- TWIA 164-Replacement Cost Endorsement-Commercial
- TWIA 165-Replacement Cost Endorsement-Excluding Roof Coverings
- TWIA 365-Replacement Cost Endorsement-Personal
Policy Center Changes

• New Validation Error During Application:

• If an application has ACV coverage, and the ACV roof box is checked, an error will occur.

• This will happen because selecting the ACV Roof box is unnecessary when the policy is already calculated as ACV.
POLICYHOLDER IMPACTS
Policyholder Impacts

Dwelling Policy Verbiage

Clarity on coverage at policy issuance versus at the time of a loss
Important Notice About Your Policy Coverage

This letter is intended to provide you with information to better understand your TWIA policy coverage. It is not intended to replace the insurance policy, endorsements, or guidance from your agent.

This policy only provides Actual Cash Value for one or more, Coverage A (Dwelling) items. At this time your TWIA policy only provides Actual Cash Value coverage for one or more, Coverage A (Dwelling) items.

As your property ages the value decreases, which is called depreciation. This depreciated value is the Actual Cash Value of the property. This means your policy may not cover the full cost of replacing your property. It will only cover the value of the property at the time of a loss event.

What Is Available: Replacement Cost Value Coverage

The cost to replace the property with something brand new is called the Replacement Cost Value. Replacement Cost Value coverage may be available to you and would cover the full cost of repair, up to your coverage limit.

To qualify for this coverage, your property must be insured to value (ITV) at a rate of 80% or more of the full replacement cost. The Replacement Cost Value estimate is an estimate based on information provided by your agent and obtained from independent sources.

In the example below, we compare a claim with both coverage types to demonstrate the difference in the resulting claim payments. For example, we will consider a covered event requiring the replacement of a roof that has depreciated in value by 50%. The example also assumes the roof is replaced.

<table>
<thead>
<tr>
<th>Claim Comparison by Coverage Type</th>
<th>Actual Cash Value</th>
<th>Replacement Cost Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost to Replace Roof</td>
<td>$11,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Non-Recoverable Deprecation</td>
<td>N/A</td>
<td>$7,500</td>
</tr>
<tr>
<td>Roofline</td>
<td>$3,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>Policy would pay</td>
<td>$6,500</td>
<td>$11,000</td>
</tr>
</tbody>
</table>

As the example demonstrates, with Actual Cash Value coverage, your policy benefits may not cover the full cost of your repairs in the event of a loss. We recommend you review your coverage amounts with your agent regularly to be sure you have the coverage amounts you need.

For more information please visit www.twia.org, discuss it with your agent, or call us at (800) 781-8247.

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6780009211_9_00_0001_l.7973178: Issued
MSB PREFILL REMINDER
RCT Express/MSB Prefill
Internal ITV Training

• Blocking Issues with 1/1/2020 date will go into ITV Team queue (by Jason)
  • Adding 1/1/2020 ED to those transactions
  • Will rerun transactions once we have green light on documents from TDI
  • Then address other transactions as needed that remain in queue

• Updates to ACV Roof Activities to remove TWIA 400

• New Activity for RVU to use when adding 804

• New prerenewal direction ACV Roof to ensure not on 802
Thank You!

- TWIA Training Center-recorded webinar
- New Renewal Process-recorded webinar on the TWIA Training Center
- Survey coming from Go To Webinar

Questions? Email agentservices@twia.org