



MEMORANDUM

TO: Property & Casualty Filings Intake, Texas Department of Insurance
FROM: Cindy Watkins, Manager, Legal & Compliance
RE: Revised TWIA Rating Rules

In accordance with Title 28 Texas Administrative Code 5.4911, TWIA is submitting revisions to the TWIA Rating Rules for approval.

Reason for Change

TWIA has amended the Rating Rules as part of its effort to implement provisions of House Bill 3208 passed during the 88th Texas legislative session. Specifically, House Bill 3208 amended Subsections 2210.204(d) and (e) of the Texas Insurance Code and added Subsections 2210.204(d-1), (d-2), and (d-3). Section 2210.204 requires TWIA to retain the entire annual premium on a policy cancelled by the policyholder unless the policy was cancelled due to one of the reasons enumerated in Subsection 2210.204(d). Accordingly, TWIA has amended the Rating Rules to align with this new statutory requirement.

Comparison of Existing and Revised Declarations Pages

Pursuant to Title 28 Texas Administrative Code 5.9321(c)(7) please find below a side-by-side comparison of the existing portions of the TWIA Rating Rules and the proposed revised language.

Item	Existing Rating Rules Text	New Rating Rules Revised Text
1	<p>Minimum Earned Premium</p> <p>For policies effective on or after November 27, 2011, the minimum earned premium per policy shall be equal to the greater of 90 days of the annual policy term or \$100.00. The minimum earned premium shall be fully earned on the effective date of the policy.</p> <p>Exceptions:</p> <p>The unearned premium in excess of \$100.00 shall be refunded on a pro rata basis in the event of cancellation of the policy due to any of the following:</p> <p>1. A change of ownership in property, including sale of the insured property;</p>	<p>Minimum Earned Premium</p> <p>For policies effective on or after 9/1/23, when a policy is cancelled by the policyholder, TWIA retains the entire annual premium, unless the policy was cancelled for one of the following reasons:</p> <ul style="list-style-type: none">• The purchase of similar coverage in the private market• The death of the policyholder• The total loss of the property• The sale of the insured property <p>The coverage will end at the date of cancellation</p>

	<p>2. Foreclosure of the insured property; 3. The replacement of the Association policy with other similar coverage in the voluntary market; 4. The removal of the item(s) insured under a TWIA policy due to total loss of the item(s), including demolition of the item(s); 5. The death of the policyholder; or 6. Completion of construction on a builder's risk policy.</p> <p>Note: The minimum earned premium does not apply to policies cancelled by TWIA.</p> <p>Important Notice on Premium Financed Policies: If the policy is cancelled, the refund will go to the premium financier company. Our systems will automatically calculate the 90-day minimum earned premium and then refund the premium on a pro-rata basis once the 90-day premium is satisfied. If the cancellation is prior to the first 90 days, the system will automatically calculate the cancellation using the 90-day minimum premium. The policyholder will not owe TWIA the premium difference. Payment of the balance due for the 90-day minimum retained premium will not create or extend coverage beyond the policy's effective cancellation date resulting from the premium financier's request to cancel coverage.</p>	<p>even when a policy canceled by a policyholder does not allow a refund.</p>
<p>2</p>	<p>Pro-Rata Premium Calculation</p> <p>For policy coverage with less than an annual term due to cancellation or endorsement, a pro-rata factor will be applied to the annual premium. The pro-rata factor is calculated as the number of days of coverage divided by 365, rounded to four decimal places.</p>	<p>Pro-Rata Premium Calculation</p> <p>For policy coverage with less than an annual term due to cancellation or endorsement, a pro-rata factor will be applied to the annual premium if applicable. The pro-rata factor is calculated as the number of days of coverage divided by 365, rounded to four decimal places.</p>