

Texas Windstorm Insurance Association

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P.O. Box 99090, Austin, Texas 78709-9090

512-899-4900 / Fax 512-899-4950

T.W.I.A. DWELLING POLICY WINDSTORM AND HAIL

THIS POLICY JACKET WITH THE COMMON DECLARATIONS PAGE, COVERAGE PARTS, AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETES THIS POLICY.

THIS POLICY DOES NOT PROVIDE FLOOD OR WAVE WASH COVERAGE. CONSULT YOUR AGENT FOR AVAILABILITY OF FLOOD COVERAGE.

IMPORTANT NOTICE

To obtain information or make a complaint:

You may call Texas Windstorm Insurance Association's toll-free telephone number for information or to make a complaint at

1-800-788-8247

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at

1-800-252-3439

You may write the Texas Department of Insurance

P.O. Box 149104
Austin, TX 78714-9104
FAX # (512) 475-1771
Web: <http://www.tdi.state.us>
E-mail: ConsumerProtection@tdi.state.tx.us

To obtain price and policy form comparisons and other information relating to residential property insurance and personal automobile insurance, you may visit the Texas Department of Insurance/Office of Public Insurance Counsel website:

www.helpinsure.com

PREMIUM OR CLAIM DISPUTES:

Should you have a dispute concerning your premium or about a claim you should contact the agent or the company first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY:

This notice is for information only and does not become a part or condition of the attached document.

OMBUDSMAN FOR POLICYHOLDERS:

The Texas Department of Insurance has established the Coastal Outreach and Assistance Services Team (COAST) Program to assist consumers with understanding the TWIA claim process. To obtain assistance from the COAST Program, please refer to the COAST Program website at www.tdi.texas.gov/Consumer/COAST; email ConsumerProtection@tdi.state.tx.us; call toll-free 1-855-352-6278; or write to COAST Program – MC 111-1A, Texas Department of Insurance, P.O. Box 149104, Austin, TX 78714-9104.

AVISO IMPORTANTE

Para obtener informacion o para someter una queja:

Usted pueda llamar al numero de telefono gratis de Texas Windstorm Insurance Association para informacion o para someter una queja al

1-800-788-8247

Pueda comunicarse con el Departamento de Seguros de Texas para obtener informacion acerca de companias, coberturas, derechos o quejas al

1-800-252-3439

Pueda escribir al Departamento de Seguros de Texas

P.O. Box 149104
Austin, TX 78714-9104
FAX # (512) 475-1771
Web: <http://www.tdi.state.us>
E-mail: ConsumerProtection@tdi.state.tx.us

Para obtener formas de comparación de precios y póliza y otra información acerca del seguro de propiedad residencial y del seguro de automóvil, visite el sitio web del Departamento de Seguros de Texas y la Oficina del Asesor Público de Seguros:

www.helpinsure.com

DISPUTAS SOBRE PRIMAS O RECLAMOS:

Si tiene una disputa concerniente a su prima o a un reclamo, debe comunicarse con el agente o la compania primero. Si no se resuelve la disputa, pueda entonces comunicarse con el departamento (TDI).

UNA ESTE AVISO A SU POLIZA:

Este aviso es solo para proposito de informacion y no se convierte en parte o condicion del documento adjunto.

DEFENSOR DEL PUEBLO PARA LOS ASEGURADOS:

El Departamento de Seguros de Texas ha establecido el Programa de Alcance Comunitario y Servicios de Asistencia para el Área Costera (Coastal Outreach and Assistance Services Team (COAST) Program, por su nombre y siglas en inglés) para ayudar a los consumidores a entender el proceso de las reclamaciones de TWIA. Para obtener ayuda del Programa COAST, visite el sitio Web del Programa COAST en www.tdi.texas.gov/Consumer/COAST; por medio de correo electrónico a ConsumerProtection@tdi.state.tx.us; o llame gratis al 1-855-352-6278; o escriba al Programa COAST – MC 111-1A, Texas Department of Insurance, P.O. Box 149104, Austin, TX 78714-9104.

TEXAS WINDSTORM INSURANCE ASSOCIATION

IMPORTANT NOTICE REGARDING RESOLUTION OF DISPUTES

YOUR ACCESS TO JUDICIAL REVIEW OF OUR DECISIONS UNDER THIS POLICY IS LIMITED BY STATUTE. DISPUTES UNDER THIS POLICY MUST BE RESOLVED THROUGH DISPUTE RESOLUTION PROCEDURES STIPULATED IN THE POLICY CONDITIONS AND THE TEXAS WINDSTORM INSURANCE ASSOCIATION ACT, CHAPTER 2210, TEXAS INSURANCE CODE.

DISPUTES REGARDING ACCEPTED CLAIMS:

If we accept coverage for the claim in full or part, and you dispute the amount of loss, you must demand appraisal no later than the 60th day after the date you receive notice of our decision regarding your claim, or request a 30-day extension not later than the 75th day after you receive notice of our decision regarding your claim. Otherwise, you waive the right to contest our determination of the amount of loss that we will pay.

An appraisal decision is binding on you and us as to the amount of loss we will pay for a fully accepted claim or the accepted portion of a partially accepted claim. You may file a lawsuit not later than two years after the date of the appraisal decision to vacate an appraisal decision and begin a new appraisal process. Otherwise, you may not bring a lawsuit against us with reference to a claim for which we have accepted coverage in full.

The processes, deadlines, and binding effect of appraisal are further described in policy Condition 11.

DISPUTES REGARDING DENIED CLAIMS:

If we deny coverage for the claim in full or part, and you dispute that determination, you must provide us with notice, not later than two years after the date on which you receive notice of our decision regarding your claim, that you intend to bring a lawsuit concerning denial of the claim. Otherwise, you waive the right to contest our denial of the claim, and you are barred from bringing a lawsuit concerning denial of coverage.

We must request alternative dispute resolution (including mediation) not later than the 60th day after we receive your notice of intent to bring a lawsuit. Alternative dispute resolution must be completed not later than the 60th day after we request alternative dispute resolution, unless the period is extended by mutual agreement or by a rule of the commissioner of insurance. If alternative dispute resolution is not completed or you are not satisfied after alternative dispute resolution, you may bring a lawsuit in a district court not later than two years after the date on which you receive notice of our decision regarding your claim. The only issues you may raise in a lawsuit against us are (1) whether our denial of coverage was proper, and (2) the amount of damages permitted under the Texas Windstorm Insurance Association Act, Section 2210.576(b), Texas Insurance Code.

The requirements for notice of intent to bring a lawsuit, alternative dispute resolution, and filing a lawsuit against us are described in policy Condition 12.

OMBUDSMAN FOR POLICYHOLDERS:

The Texas Department of Insurance has established the Coastal Outreach and Assistance Services Team (COAST) Program to assist consumers with understanding the TWIA claim process. To obtain assistance from the COAST Program, please refer to the COAST Program website at www.tdi.texas.gov/Consumer/COAST; email ConsumerProtection@tdi.state.tx.us; call toll-free 1-855-352-6278; or write to COAST Program – MC 111-1A, Texas Department of Insurance, P.O. Box 149104, Austin, TX 78714-9104.

**TEXAS WINDSTORM INSURANCE ASSOCIATION
DWELLING POLICY - WINDSTORM AND HAIL**

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Texas Windstorm Insurance Association - Dwelling Policy

Windstorm and Hail

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy, the words “we”, “us”, and “our” refer to the Texas Windstorm Insurance Association. “You” and “your” refer to the named insured shown in the Declarations.

AGREEMENT

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

DEFINITIONS

In this policy:

“Business” includes trade, profession or occupation.

COVERAGES

COVERED PROPERTY

This insurance applies to the described location and coverages for which a limit of liability is shown in the Declarations.

COVERAGE A (Dwelling)

We cover:

1. The dwelling on the described location shown in the Declarations, used principally for dwelling purposes, including structures attached to the dwelling.
2. Materials and supplies located on or next to the described location used to construct, alter or repair the dwelling or other structures on the described location. The total limit of liability for this item is 10% of the Coverage A (Dwelling) limit of liability. This is not additional insurance

and does not increase the Coverage A (Dwelling) limit of liability.

3. If not otherwise covered in this policy, building equipment and outdoor equipment used for the service of and located on the described location.
4. Maintenance equipment and supplies, floor coverings, window shades, refrigerators and stoves that you own as a landlord, located on the described location.
5. Other structures on the described location, set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a fence, utility line or similar connection.

The total limit of liability for other structures is 10% of the Coverage A (Dwelling) limit of liability. This is not additional insurance and does not increase the Coverage A (Dwelling) limit of liability. We do not cover other structures used for business purposes.

6. Other structures specifically described in the Declarations. We do not cover other structures used for business purposes.

COVERAGE B (Personal Property)

We cover:

Personal property and business personal property owned or used by you or members of your family residing with you while it is on the described location. At your request, we will cover personal property owned by a guest or residence employee while the property is on the described location.

You may use up to 10% of the Coverage B (Personal Property) limit of liability for loss by windstorm or hail to personal property covered under Coverage B (Personal Property) while anywhere in the world. This coverage does not apply to business personal property or property of guests or residence employees. This is not additional insurance and does not increase the Coverage B (Personal Property) limit of liability.

At your request, you may use up to 10% of the Coverage B (Personal Property) limit of liability for loss by windstorm or hail to property of others while in your custody and located on the described

location. This is not additional insurance and does not increase the Coverage B (Personal Property) limit of liability.

PROPERTY NOT COVERED

We do not cover:

1. Animals.
2. Money, currency or bullion.
3. Securities, deeds, or evidences of debt.
4. Records, books of records or manuscripts.
5. Motor or engine propelled vehicles or machines designed for movement on land, including attached machinery or equipment. However, we do cover such vehicles, while located in a fully enclosed building, which are not subject to motor vehicle registration and are:
 - a. Devices and equipment for assisting the handicapped.
 - b. Power mowers and other lawn and garden equipment not exceeding 18 horsepower.
 - c. Golf carts.
 - d. Vehicles or machines used for recreational purposes while located on the described location.
6. Aircraft, meaning any device used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo.
7. Watercraft, including outboard motors and furnishings or equipment. However, we do cover watercraft, including outboard motors and furnishings or equipment, while located on land in a fully enclosed building on the described location.
8. Unless specifically described in the Declarations:
 - a. Cloth awnings.
 - b. Greenhouses and their contents.
 - c. Buildings or structures located wholly or partially over water and their contents.
 - d. Radio and television towers.

- e. Outside satellite dishes, masts and antennas, including lead-in wiring.
 - f. Windmills and wind chargers.
9. Wind turbines.
 10. Breakaway walls, or personal property contained within a breakaway wall enclosure. Breakaway wall means a wall that is not a part of the structural support of the building and is intended through its design and construction to collapse under specific lateral loading forces, without causing damage to the elevated portion of the building or supporting foundation systems.
 11. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due from the other insurance.

EXTENSIONS OF COVERAGE

1. Debris Removal.

We will pay your expense for the removal from the described location of:

 - a. Debris of covered property if windstorm or hail causes the loss.
 - b. A tree that has damaged covered property if windstorm or hail causes the tree to fall.

This does not increase the limit of liability that applies to the damaged property.

When insurance under another policy applies to the damaged property, we will pay only a proportion of debris removal expense, determined by dividing the limit of liability that applies to the damaged property on this policy by the total limit of liability that applies to the damaged property under both policies, and applying the resulting percentage to the debris removal expense.
2. Reasonable Repairs.

If windstorm or hail causes the loss, we will pay the reasonable cost you incur for necessary

repairs made solely to protect covered property from further damage. This coverage does not increase the limit of liability that applies to the property being repaired.

3. Improvements, Alterations and Additions.
 - a. If you are a tenant of the described location, the Coverage B (Personal Property) limit of liability applies to a loss caused by windstorm or hail to improvements, alterations and additions, made or acquired at your expense, to that part of the described location used only by you.
 - b. If you are a condominium owner at the described location, the Coverage B (Personal Property) limit of liability applies to a loss caused by windstorm or hail to alterations, fixtures, installations and additions which are part of the building and contained within the unfinished interior surfaces of the perimeter walls, floors and ceilings of the condominium unit, and the exterior surfaces of balconies and terraces of the condominium unit. Coverage B (Personal Property) does not include property in or on the condominium unit which is defined in the condominium's declarations or by-laws as a common element.

This is not additional insurance and does not increase the Coverage B (Personal Property) limit of liability.

4. Property Removed.

We will pay for expense and damage incurred in the removal of covered property from the described location endangered by windstorm or hail. This coverage exists on a pro-rata basis for 30 days at each location to which such property is removed for preservation. This is not additional insurance and does not increase the Coverage B (Personal Property) limit of liability.

PERILS INSURED AGAINST

We cover direct physical loss to the covered property caused by windstorm or hail unless the loss is excluded in the Exclusions.

EXCLUSIONS

The following exclusions apply to loss to covered property:

1. Flood.

We do not cover under any and all circumstances loss or damage caused by or resulting from flood, surface water, waves, storm surge, tides, tidal water, tidal waves, tsunami, seiche, overflow of streams or other bodies of water, or spray from any of these, all whether driven by wind or not.
2. Governmental Action.

We do not cover loss caused by the destruction of property by order of governmental authority.
3. War.

We do not cover loss resulting directly or indirectly from war. This includes undeclared war, civil war, insurrection, rebellion, revolution, warlike act by military personnel, destruction or seizure or use for military purpose, and any consequence of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.
4. Nuclear Hazard.

We do not cover loss resulting directly or indirectly from nuclear reaction, radiation or radioactive contamination, all whether controlled or uncontrolled or however caused.
5. Power Failure.

We do not cover loss resulting directly or indirectly from power failure, unless such failure results from direct physical damage to power, heating or cooling equipment located on the described location caused by windstorm or hail.
6. Rain.

We do not cover loss or damage caused by or resulting from rain, whether driven by wind or not, unless direct force of wind or hail makes an opening in a roof or wall and rain enters through this opening and causes the damage.

7. Electricity.

We do not cover loss to electrical devices or wiring caused by electricity resulting from artificial causes.

8. Ordinance or Law.

We do not cover loss or damage caused directly or indirectly by the enforcement of any ordinance or law:

- a. Regulating the construction or repair of any property; or
- b. Requiring the demolition of any property, including the cost of removing its debris.

9. Mold, Fungi, or Other Microorganisms.

We do not cover loss or damage caused by or resulting from fungi or mold and other microorganisms, except as provided in 9.b.

- a. "Fungi or mold and other microorganisms" when used in the policy or in this exclusion means the presence, growth, proliferation, spread or any activity of fungi or mold and other microorganisms.

This exclusion also applies to the cost:

- (1) To remove fungi or mold and other microorganisms from covered property covered under this Texas Windstorm Insurance Association policy.
- (2) To tear out and replace any part of the building or other covered property as needed to gain access to the fungi or mold and other microorganisms; and
- (3) Of testing of air or property to confirm the absence, presence or level of fungi or mold and other microorganisms;
- b. This exclusion applies unless the fungi or mold and other microorganisms are located upon the portion of covered property which must be repaired or replaced because of sudden and accidental direct physical damage resulting from wind or hail which would otherwise be covered under this policy. For purposes of this exclusion, sudden and accidental shall include a loss event that is hidden or concealed for a period of time until it is detectable. A hidden loss must be reported to us no later

than 30 days after the date it was detected or should have been detected.

- c. However, the exception to the exclusion described in "b." above does not include:

- (1) the cost to treat, contain, remove or dispose of the fungi or mold and other microorganisms beyond that which is required to repair or replace the covered property physically damaged by water;
- (2) the cost of any testing of air or property to confirm the absence, presence or level of fungi, mold and other microorganisms whether performed prior to, during or after the removal, repair, restoration or replacement;
- (3) the cost of any decontamination of the covered property covered under this Texas Windstorm Insurance Association policy;
- (4) any increase in loss under this Texas Windstorm Insurance Association policy related to loss of use, debris removal, additional living expense, or diminution in value resulting from c. (1), (2), and (3).

10. Asbestos.

We do not cover any loss or damage caused by or resulting from asbestos. We do cover direct physical loss caused by windstorm or hail to covered property containing asbestos materials; however, we do not cover the additional cost or expense to test for, monitor, clean up, remove, contain, treat, abate or assess the effects of asbestos or asbestos-containing materials.

DEDUCTIBLE

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 amount, up to the applicable limit of liability, after any deduction required by the Coinsurance Condition.

CONDITIONS

1. Policy Period. This policy applies only to loss which occurs during the policy period shown in the Declarations.
2. Insurable Interest and Limit of Liability. Even if more than one person has an insurable interest in the property covered, we will not be liable in any loss:
 - a. For an amount greater than the interest of a person insured under this policy; or
 - b. For more than the applicable limit of liability.
3. Fraudulent Misrepresentation.
 - a. This policy is void as to an insured, if the insured has fraudulently misrepresented in proof of loss or death a fact material to the question of our liability under the policy, and the insured's misrepresentation misled and caused us to waive or lose a valid defense to the policy.
 - b. This policy is void as to an insured, if the insured has fraudulently misrepresented in the application for the policy any fact material to the risk, and the insured's misrepresentation contributed to the contingency or event on which the policy became due and payable.
4. Duties After Loss.
 - a. Your Duties After Loss.
 - (1) In case of a loss to covered property caused by windstorm or hail, you must file a claim with us not later than one year after the date on which the damage to property that is the basis of the claim occurs. The commissioner of insurance, on a showing of good cause by a person insured by us, may extend the one-year period to file a claim for a period not to exceed 180 days. You may also submit with your claim any bids, estimates, reports, photographs, invoices, bills, receipts, inventories, comments, documents, records and other information.
 - (2) You must provide us with the information we request under Condition 4.b.(1).
 - (3) You must protect the property from further damage.
 - (4) You must make reasonable, necessary and temporary repairs to protect the property.
 - (5) You must keep an accurate record of repair expenses. 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).
 - (6) You must provide us access to the damaged property as often as we reasonably require.
 - b. Our Duties After Loss.
 - (1) Not later than the 30th day after the date the claim is filed, we may request in writing information that is necessary to determine whether to accept or reject the claim.
 - (2) Not later than the 60th day after the date we receive a claim or the 60th day after the date we receive information requested under Condition 4.b.(1), whichever is later, we shall provide you, in writing, notice of the amount of the loss we will pay, if any, and notice that:
 - (i) we have accepted coverage for the claim in full;
 - (ii) we have accepted coverage for the claim in part and have denied coverage for the claim in part; or
 - (iii) we have denied coverage for the claim in full.
 - (3) We must, on request, provide you reasonable access to all information relevant to the determination by us concerning the claim. You may copy the information at your own cost or may request that we provide a copy of all or part of the information to you.

We may charge you the actual cost incurred by us in providing a copy of the information requested, excluding any amount for labor involved in making any information or copy of information available to you.

5. Loss Payment.

- a. If we notify you under Condition 4.b.(2) that we will pay your claim, or part of your claim, we must make payment not later than the 10th day after we notify you.
- b. If payment of your claim or part of your claim requires the performance of an act by you, we must make payment not later than the 10th day after the date the act is performed.

6. Loss Settlement. Covered property losses are settled as follows:

- a. We will use any guidelines published by the commissioner of insurance under Insurance Code Sec. 2210.578(f) to evaluate and settle claims involving the extent to which a loss to insured property was incurred as a result of wind, waves, tidal surges, or rising waters not caused by waves or surges.
- b. Our liability and payment for covered losses to personal property, carpeting, outdoor antennas, awnings, fences, and structures other than buildings will not exceed the smallest of the following:
 - (1) The actual cash value of the damaged property at the time of loss, determined with proper deduction for depreciation;
 - (2) The cost to repair or replace the damaged property with material of like kind and quality; or
 - (3) The specified limit of liability of the policy.
- c. Our liability and payment for covered losses to dwelling and other building(s) under Coverage A (Dwelling) will be subject to the following:

(1) If, at the time of loss, the Coverage A (Dwelling) limit of liability is:

- (a) 80% or more of the full replacement cost of the dwelling, or
- (b) Equal to the maximum amount of insurance otherwise available through us.

We will pay the repair or replacement cost of the damaged building(s), without deduction for depreciation.

(2) If, at the time of loss, the Coverage A (Dwelling) limit of liability is:

- (a) Less than 80% of the full replacement cost of the dwelling, and
- (b) Less than the maximum amount of insurance available through us,

We will pay no more than the replacement cost of the damaged building(s) at the time of loss, less depreciation.

(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.

(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:

- (a) The limit of liability under this policy applicable to the damaged or destroyed building(s);

(b) The cost to repair or replace that part of the building(s) damaged, with material of like kind and quality and for the same use and occupancy on the same premises; or

(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).

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 60th 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).

7. Coinsurance.

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.

Instead, we will determine the most we will pay using the following steps:

- (1) Multiply the actual cash value of covered property at the time of loss by the coinsurance percentage;
- (2) Divide the limit of insurance of the property by the figure determined in step (1);
- (3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in step (2); and

(4) Subtract the deductible from the figure determined in step (3).

We will pay the amount determined in step (4) or the limit of insurance, whichever is less. For the 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.

Example No. 2 (adequate insurance)

When:

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

The coinsurance percentage for it is 80%

The limit of liability is \$100,000

The deductible is \$1,000

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) $\$100,000 \div \$100,000 = 1.00$

Step (3) $\$25,000 \times 1.00 = \$25,000$

Step (4) $\$25,000 - \$1,000 = \$24,000$

We will pay \$24,000 of the loss. No penalty applies.

8. Mortgage Clause (Without Contribution).

- a. The word "mortgagee" includes trustee.
- b. We will pay for any covered loss or damage to buildings or structures to the mortgagee shown in the Declarations as interests appear.
- c. The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the building or structure.
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this policy, the mortgagee has the right to receive loss payment if the mortgagee:
 - (1) At our request, pays any premiums due under this policy, if you have failed to do so.
 - (2) submits to us any information we requested from you under Condition

4.b.(1) promptly after receiving notice from us of your failure to do so.

- (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgagee.

All of the terms of this policy will then apply directly to the mortgagee. Failure of the mortgagee to comply with d.(1), d.(2) or d.(3) above shall void this policy as to the interest of the mortgagee.

- e. If we pay the mortgagee for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:
 - (1) The mortgagee's rights under the mortgage will be transferred to us to the extent of the amount we pay.
 - (2) The mortgagee's right to recover the full amount of the mortgagee's claim will not be impaired.

At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

- f. If this policy is canceled, we will give the mortgagee specifically named in the Declarations written notice of cancellation.

If we cancel the policy, we will give the mortgagee the same number of days' notice of cancellation we give you.

If you cancel the policy, we will give the mortgagee notice of cancellation to be effective on the date stated in the notice. The effective date of cancellation cannot be before the 10th day after we mail notice.

We will not give notice of cancellation to any successor or assignee of the mortgagee named in this policy.

- g. If the property described under Coverage A (Dwelling) is foreclosed upon under the deed of trust, the mortgagee may cancel

this policy of insurance and will be entitled to any unearned premiums from this policy.

The mortgagee must credit any unearned premium against any deficiency owed by the borrower and return any unearned premium not so credited to the borrower.

9. Other Insurance.

- a. If property covered by this policy is also covered by other insurance, we will pay only the proportion of a loss caused by windstorm or hail under this policy that the limit of liability applying under this policy bears to the total amount of insurance covering the property.
- b. If glass or an item of personal property is insured specifically under any other policy, then this policy applies as excess insurance over the specific insurance.
- c. If a loss covered by this policy is also covered by other insurance in the name of a condominium association, the insurance provided in this policy will be excess over the amount collectible under the other insurance.

10. Limited Judicial Remedies.

Your access to judicial review of our decisions under this policy is limited by statute.

- a. You may not bring a private lawsuit against us, our agent or representative under Chapters 541 (concerning unfair methods of competition and unfair or deceptive acts or practices) or 542 (concerning processing and settlement of claims), Texas Insurance Code. Subchapter L-1, Chapter 2210, Texas Insurance Code provides the exclusive remedies for claims against us, our agent or our representative.
- b. You may not bring a class action suit against us.
- c. We and our agents or representatives may not be held liable for damages under Chapter 17, Texas Business and Commerce Code (concerning deceptive trade

practices), or under any provisions of any law providing for additional damages, punitive damages, or a penalty, except as otherwise specified by the Texas Windstorm Insurance Association Act, Chapter 2210, Texas Insurance Code.

- d. You may not bring a lawsuit against us with reference to a claim for which we have accepted coverage in full, except as provided by Condition 11.
- e. You may not bring a lawsuit against us with reference to the amount of loss we will pay for a claim in full or in part, except as provided by Condition 11.
- f. You may not bring a lawsuit against us with reference to a claim for which we have denied coverage in full or in part, except as provided by Condition 12.

11. Disputes Concerning the Amount of Loss - Exclusive Remedy.

- a. If you dispute the amount we will pay for a claim, your exclusive remedy under this policy is appraisal.
- b. If you choose to demand appraisal, you must do so no later than the 60th day after the date you receive notice from us that we accept coverage for a claim in full or in part as provided by Condition 4.b.(2).
- c. You may request in writing that the 60-day period to demand appraisal be extended:
 - (1) not later than the 75th day after the date you receive written notice from us that we accept coverage for a claim in full or in part; and
 - (2) we may grant an additional 30-day period in which you may demand appraisal, on a showing of good cause.
- d. You may request from us a detailed summary of the manner in which we determined the amount of the loss we will pay.

- e. If you do not demand appraisal before the 61st day after we notify you that we accept coverage for a claim in full or in part, or before the 31st day after we grant an extension for good cause, you waive your right to contest our determination of the amount of loss we will pay for that claim.
- f. Appraisal Process.
 - (1) If you demand appraisal of the amount we will pay for a claim, you and we will each select a competent and independent appraiser. You shall notify us of your appraiser's identity. We shall notify you of our appraiser's identity within 10 days after we receive notice of your appraiser's identity. The two appraisers will choose a competent and independent umpire. If they cannot agree upon an umpire within 15 days, the commissioner of insurance shall select an umpire from a roster of qualified umpires maintained by the Texas Department of Insurance.
 - (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:
 - (i) The actual cash value of the damaged property at the time of loss, determined with proper deduction for depreciation; and
 - (ii) The cost to repair or replace the damaged property with material of like kind and quality.
 - (3) If you or we request that they do so, the appraisers will also determine:
 - (i) the full replacement cost of the building at the time of loss for purposes of the Loss Settlement Condition; and
 - (ii) the value of the covered property at the time of loss for purposes of the Coinsurance Condition.
- (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.
- (5) If you or we request that they do so, the appraisers will also determine the amount of loss for any extensions of coverage for which we have accepted coverage in full or in part.
- (6) If the appraisers fail to agree, they will submit their differences to the umpire. An itemized decision agreed to by any two of these three and filed with us will determine the amount of the loss.
- (7) You and we are responsible in equal shares for paying the costs incurred or charged in connection with the appraisal, including expenses of the appraisers and umpire. If we pay more than our share of the costs of appraisal, our liability and payment for covered losses shall be reduced by the amount we pay in excess of our share.
- g. The appraisal decision is binding upon you and us and is not otherwise reviewable or appealable, unless:
 - (1) the appraisal decision was obtained by corruption, fraud, or other undue means;
 - (2) your or our rights were prejudiced by:
 - (i) evident partiality by an appraisal umpire;
 - (ii) corruption by an appraiser or umpire; or
 - (iii) misconduct or willful misbehavior of an appraiser or umpire; or

- (3) an appraiser or umpire:
 - (i) exceeded the appraiser's or umpire's powers;
 - (ii) refused to postpone the appraisal after a showing of sufficient cause for the postponement;
 - (iii) refused to consider evidence material to the claim; or
 - (iv) conducted the appraisal in a manner that substantially prejudiced your or our rights.

h. If you or we believe the appraisal decision is appealable as a result of any reason listed in Condition 11.g., you or we may file a lawsuit to vacate the appraisal decision in a district court in the county in which the loss that is the subject of the appraisal occurred. A lawsuit under this paragraph must be filed not later than two years after the date of an appraisal decision. If the court vacates the appraisal decision, you and we must begin the appraisal process again.

12. Disputes Concerning Denied Coverage –Exclusive Remedy.

- a. If you dispute our decision to deny coverage for a claim in full or in part, prior to bringing a lawsuit against us, you must provide notice to us of your intent to bring a lawsuit. You may use a form supplied by us.
- b. If you do not provide notice of intent to bring a lawsuit against us within two years after the date you receive notice from us that we denied a claim in full or in part as provided by Condition 4.b.(2), you waive your right to contest our partial or full denial of coverage and you are barred from bringing a lawsuit against us concerning the denial of that claim.
- c. As a prerequisite for filing a lawsuit against us, we may require you to submit the dispute to alternative dispute resolution by mediation or moderated settlement

conference, as provided by Chapter 154, Texas Civil Practice and Remedies Code. If we require an alternative dispute resolution:

- (1) we must request the alternative dispute resolution in writing not later than the 60th day after the date we receive your notice of intent to bring a lawsuit against us; and
- (2) except as provided by Condition 12.c.(3), the alternative dispute resolution must be completed not later than the 60th day after the date we request the alternative dispute resolution in writing.
- (3) The 60-day period for completion of the alternative dispute resolution can be extended by:
 - (i) your and our mutual consent; or
 - (ii) rule adopted by the commissioner of insurance.

d. Mediation.

- (1) If we request alternative dispute resolution by mediation and you and we are unable to agree on a mediator, the commissioner of insurance shall select a mediator from a roster of qualified mediators maintained by the Texas Department of Insurance.
- (2) If we request alternative dispute resolution by mediation, you and we will be equally responsible for the expenses of mediation.

e. Lawsuit Against Us.

- (1) You may bring a lawsuit against us concerning the denial of a claim only if you have notified us of your intent to bring a lawsuit as required by Condition 12.a.

- (2) As provided by Condition 12.c., we have 60 days from the receipt of your notice of intent to bring a lawsuit against us to request that you submit your dispute with us to alternative dispute resolution. You may not bring a lawsuit against us prior to the expiration of that 60-day period, unless we waive our right to request alternative dispute resolution of that claim dispute in writing.
- (3) If we request alternative dispute resolution as provided by 12.c., you may bring a lawsuit against us if:
- (i) the alternative dispute resolution was not completed within 60 days from the date we made the request, and no extension was granted under Condition 12.c.(3);
 - (ii) the alternative dispute resolution was not completed prior to the expiration of an authorized extension of the 60-day period, as provided by Condition 12.c.; or
 - (iii) you are not satisfied after completion of the alternative dispute resolution.
- (4) You must bring any lawsuit against us concerning the denial of a claim not later than two years after the date on which you receive written notification from us that we have denied a claim in full or in part as provided by Condition 4.b.(2).
- (5) You must bring any lawsuit against us concerning the denial of a claim in a district court in the county in which the loss that is the subject of the coverage denial occurred.
- (6) If you bring a lawsuit against us concerning the denial of a claim prior to providing notice as required under Condition 12.a., the court shall abate the lawsuit until you provide the notice to us and, if requested by us, the dispute has been submitted to alternative dispute resolution.
- (7) Limitation on Scope of Lawsuit. You may only bring a lawsuit against us concerning the denial of a claim to determine:
- (i) whether our denial of coverage was proper; and
 - (ii) the amount of damage to which you are entitled to recover, if any.
- (8) Limitation on Damages Concerning Denied Coverage.
- (i) You may recover only:
 - (A) the covered loss payable under the terms of this policy, less any amount already paid by us for any portion of a covered loss;
 - (B) prejudgment interest, at the rate provided in Subchapter B, Chapter 304, Texas Finance Code, from the first day after the date specified by Condition 5., by which we were or would have been required to pay an accepted claim in full or in part; and
 - (C) court costs and reasonable and necessary attorney's fees.
 - (ii) Nothing in the Texas Windstorm Insurance Association Act, Chapter 2210, Texas Insurance Code, including the limitation on damages described by Condition 12.e.(8)(i), may be construed to limit the consequential damages, or amount of consequential damages, that you may recover

under common law in a lawsuit against us.

(iii) You may recover damages in an amount not to exceed two times the damages associated with a covered loss payable under the terms of the policy and any consequential damages recoverable under common law, if you show by clear and convincing evidence that we mishandled your claim to your detriment by intentionally:

- (A) failing to meet the deadlines or timelines established in the Texas Windstorm Insurance Association Act under Subchapter L-1, Chapter 2210, Texas Insurance Code, without good cause, including the applicable deadline established for payment of an accepted claim or the accepted portion of a claim;
- (B) disregarding applicable guidelines published by the commissioner of insurance under Section 2210.578(f), Texas Insurance Code;
- (C) failing to provide written notice that we have accepted or rejected a claim as provided for under Condition 4.b.(2);
- (D) rejecting a claim without conducting a reasonable investigation with respect to the claim; or
- (E) denying coverage for a claim in full or in part, if our liability has become reasonably clear as a result of our investigation with respect to the portion of the claim that was denied.

For purposes of Condition 12.e.(8)(iii), "intentionally" means actual awareness of the facts surrounding the act or practice listed under Condition 12.e.(8)(iii), coupled with the specific intent that you suffer harm or damages as a result of the act or practice. Specific intent may be inferred from objective manifestations that we acted intentionally or from facts that show that we acted with flagrant disregard of the duty to avoid the acts or practices listed under Condition 12.e.(8)(iii).

- 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, 11 and 12 by periods not to exceed 120 days in the aggregate with reference to claims filed during a particular catastrophe year.
- 14. Appeals Other Than Claims Disputes. A person insured under this policy, or their representative, who is aggrieved by an act, ruling or decision by us, may appeal to the commissioner of insurance not later than the 30th day after the date of that act, ruling or decision. This policy condition does not apply to a person who is required to resolve a dispute under Conditions 11 or 12 or a binding arbitration endorsement to this policy.
- 15. Subrogation (Transfer of Rights of Recovery Against Others to Us). If any person or organization to or for whom we make payment under this policy has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing, prior to a loss to your covered property.
- 16. Abandonment of Property. There can be no abandonment of property to us.
- 17. Liberalization. If the commissioner of insurance adopts a revision which would broaden or extend the coverage under this policy without

additional premium within 45 days prior to or during the policy period, the broadened or extended coverage will immediately apply to this policy.

18. Waiver or Change of Policy Provisions. This policy contains all the agreements between you and us concerning the insurance afforded. You are authorized to make changes in the terms of this policy with our consent; however, this policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy. Your agent is not our authorized representative.

19. Cancellation.

- a. You may cancel this policy at any time by notifying us in writing of the date cancellation is to take effect. We will send you any refund due when the policy is returned to us. The refund will be pro rata, subject to a policy minimum retained premium in an amount equal to 90 days or \$100 whichever is applicable. Payment of the minimum retained premium shall not create or extend coverage beyond the cancellation date that you requested. The minimum retained premium is fully earned on the effective date of the policy and you shall owe to us any unpaid balance of the minimum retained premium.
- b. We may cancel this policy by mailing or delivering to you notice in writing of the date cancellation takes effect. The effective date of cancellation cannot be before the 14th day after we mail or deliver the notice. Our notice of cancellation will state the reason for cancellation and will state that if

the refund is not included with the notice, it will be returned on demand. The refund will be pro rata.

20. Assignment. Your rights and duties under this policy may not be transferred without our prior written consent except as follows:

- 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.
- 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:
 - (1) The new owner may not change any of the terms of this policy without our prior written consent, and
 - (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.

21. Residential Community Property. This policy, subject to all other terms and conditions, when covering residential community property, as defined by state law, shall remain in full force and effect as to the interest of each spouse covered, irrespective of divorce or change of ownership between the spouses until the expiration of the policy or until canceled in accordance with the terms and conditions of this policy.

In Witness Whereof, this Association has executed and attested these presents; but this policy shall not be valid unless countersigned by an authorized representative of this Association.

Secretary, Board of Directors

Chairman, Board of Directors