

**House Insurance Committee Request  
Windpool Survey  
2012**

## Introduction to Wind Pool Survey Report

**Sources:** The information included here comes mainly from responses to a survey of state residual market insurers—wind pools—that write wind-only policies. In some cases, we received little or no information from the survey responses. Where we were able, we supplemented with additional research. Additional sources include:

- State statutes
- Plans of operation
- Manual rules
- Policy forms
- Wind pool websites
- PIPSO 2012 Compendium of Property Insurance Plans
- AON Benfield *Coastal Property Residual Markets Overview*

**Wind Only:** The results of this survey contain information only on wind pools that write wind-only or wind & hail-only policies. Although some of the insurers are FAIR Plans, we included only data from their wind-only policies for most questions. We did not include information from plans that do not write wind-only policies because that information will not provide a meaningful comparison to the Texas Windstorm Insurance Association.

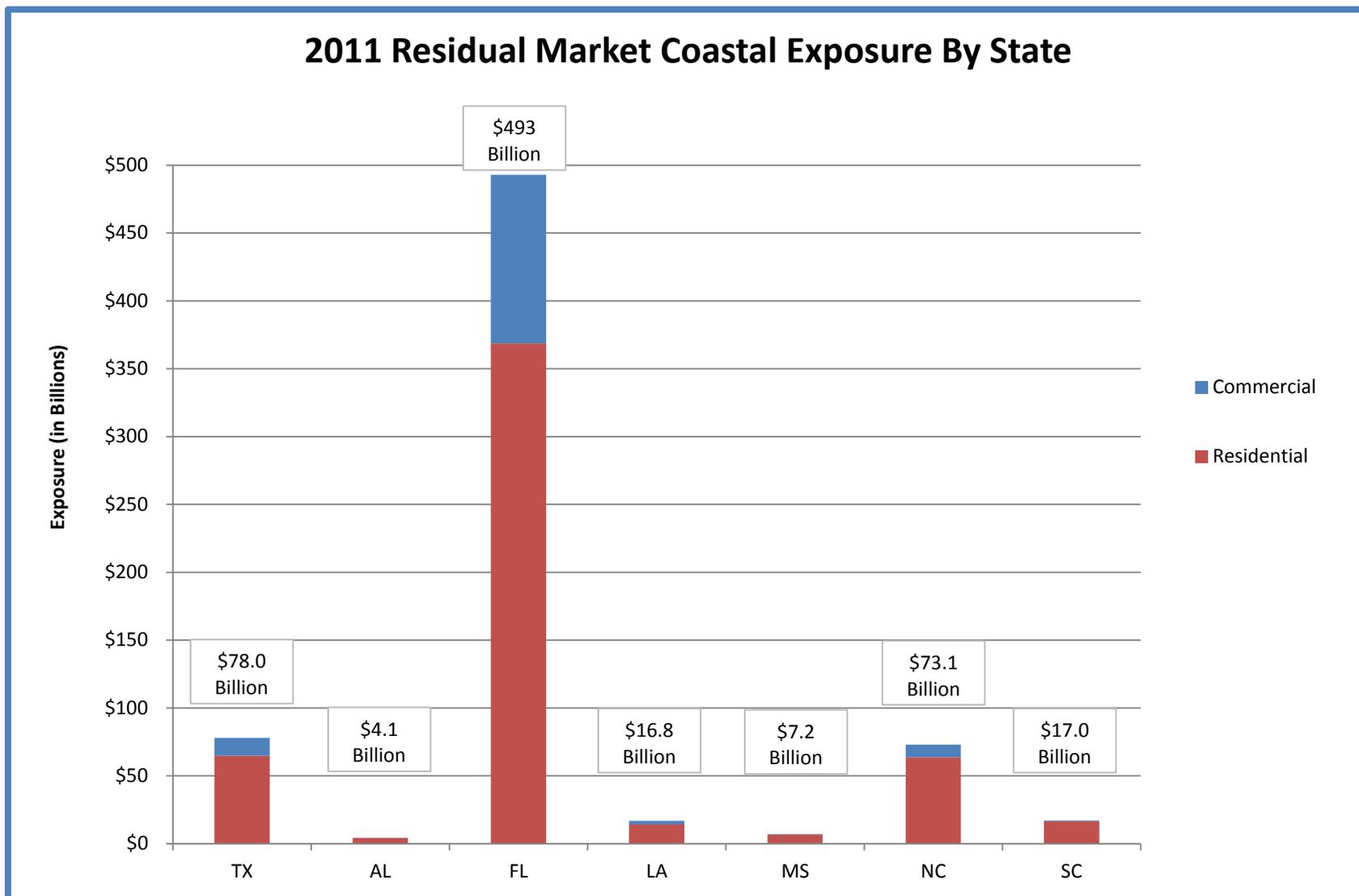
**State Responses:** We surveyed 17 states. We received responses from six wind pool states: Alabama, Florida, Louisiana, Mississippi, North Carolina, and South Carolina. Other states that responded do not write wind-only policies: Connecticut, Delaware, Georgia, Maryland, Massachusetts, Rhode Island, New Jersey, New York, and Virginia. Finally, Maine and New Hampshire do not have residual market plans.

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1. What is the total exposure of the coastal pools in other coastal states as compared to TWIA?



**2.(a).** What are the various elements of coverage that have become available to TWIA policyholders, and when did they become available?

<b>1972</b>	<b>1976</b>	<b>1981</b>	<b>1982</b>	<b>1993</b>	<b>2001</b>	<b>2006</b>	<b>2011</b>	<b>2012</b>
Texas Standard Policy – Wind and Hail issued for residential and commercial risks. Builders risk coverage available by endorsement.	Mobile Home Windstorm and Hail Insurance Policy approved.	Replacement cost coverage became available for personal property.	Replacement cost coverage for dwellings and commercial buildings approved.	TWIA required to provide coverage for wind-driven rain, ALE, and consequential loss if excluded from the companion policy.	Business income coverage and extra expense coverage approved for commercial policies.	Increased cost of construction approved for dwelling and commercial policies.	Mobile Home Policy discontinued. Mobile home insurance provided on the Dwelling policy by endorsement.	Automatic adjusted building cost endorsement approved for dwelling policies.

*For more detailed information, please see next page.*

## 2.(b). What are the various elements of coverage that have become available to TWIA policyholders, and when did they become available?

### Texas Windstorm Insurance Association

The following is a brief summary of the various elements of coverage that have become available to TWIA policyholders and when the various elements of coverage became available.

Note: Coverage written through TWIA is subject to a maximum limit of liability.

### Section I – TWIA Residential and Commercial Policy Coverage History

#### Texas Standard Policy – Windstorm and Hail

**1972 - 1985** – There was one policy, Texas Standard Policy – Windstorm and Hail, for both residential and commercial risks.

**1985** – the Texas Standard Policy – Windstorm and Hail was streamlined by deleting language not applicable to the Texas Catastrophe Property Insurance Association. Coverage remained essentially the same as the coverage provided since 1972. The following is a brief summary of the significant elements of coverage provided by the policy.

Described property is covered for direct loss resulting from the *perils of windstorm and hail*. Described property includes:

- **Buildings** (commercial or residential) – described building.
- **Dwelling extension** – excess insurance on items such as fences, yard fixtures, private garages, servants' houses, and other outbuildings on the premises of the dwelling.

Aggregate of the extension not to exceed 10% of the amount of insurance on the dwelling.

- **Household goods** – personal property usual to a residence.
- **Household goods extension** – up to 10% of the limit for household goods may be used for household goods temporarily removed to any location in U.S., Canada or Mexico or household goods of servants while on premises and of others in the custody of the insured.
- **Stock** – merchandise (finished, in process or unfinished).
- **Furniture, fixtures and/or machinery** – includes improvements and betterments.
- **Contents** – all property covered under stock, furniture, fixtures and/or machinery.
- **Platform clause** – contents on yards immediately adjacent the described building.

The following perils were not covered under the policy.

- **Rain**, whether driven by wind or not, damage to the interior of the building or insured property contained in the building was not covered unless wind or hail first makes an opening in the walls or roof and the insured property or interior of the building is damaged by the rain immediately entering the building through such opening.
- **Loss caused by tidal wave, high water, or overflow**, whether driven by wind or not was not covered.

**Actual cash value coverage.** The policy paid for loss or damage to covered property on an *actual cash value* basis (replacement cost minus depreciation equals actual cash value). Refer to Section II –

TWIA Other Coverage History replacement cost coverage for further description.

A *deductible* was applied separately to a loss for each item of insurance.

- Dwelling or property located in the dwelling. Deductible was \$250 or 1%, whichever was greater.
- Other than dwelling items, deductible was \$500 or 2%, whichever was greater.

### **TWIA Dwelling Policy and TWIA Commercial Policy**

**1999 – to present** two separate policies, TWIA Dwelling Policy and TWIA Commercial Policy.

#### **TWIA Dwelling Policy**

The following is a brief summary of the significant elements of coverage provided by the TWIA Dwelling Policy.

Described property is covered for direct loss resulting from the *perils of windstorm and hail*. Described property includes:

- **Dwelling** – described dwelling.
- **Other structures on the described location** – Total limit of 10% of the amount of insurance on the dwelling. This is not additional insurance and it does not increase the amount of insurance on the dwelling.
- **Personal property** – personal property usual to a residence. Up to 10% of the limit for personal property may be used for personal property while anywhere in the world. This is not additional insurance and it does not increase the amount of insurance for personal property.

- **Property of others** - at the insured's request, up to 10% of the limit for personal property may be used to cover property of others in the custody of the insured and located on the described premises.

The following perils are not covered under the policy.

- **Rain**, whether driven by wind or not, damage to the interior of the building or insured property contained in the building is not covered unless wind or hail first makes an opening in the walls or roof and the insured property or interior of the building is damaged by the rain immediately entering the building through such opening. Refer to indirect loss coverage below for further description.
- **Loss caused by flood, storm surge, tidal wave, high water, or overflow**, whether driven by wind or not was not covered.
- **Mold** – refer to Section II – TWIA Other Coverage History 2003 below for a description.

**Replacement cost coverage.** If at the time of a covered loss the limit of insurance for the dwelling is *80% or more of the full replacement cost of the dwelling*, the policy pays the cost to repair or replacement cost of the damaged building(s), *without deduction for depreciation*.

**Actual cash value coverage.** If at the time of a covered loss the limit of insurance for the dwelling is *less than 80% of the full replacement cost of the dwelling*, the policy pays the cost to repair or replacement cost of the damaged building(s), *less depreciation*.

**Deductible.** A *deductible* is applied separately to a loss for each item of insurance. Deductible options are \$100, \$250 or 1%.

Optional large deductibles are available at 1.5%, 2%, 2.5%, 3%, 4%, or 5%.

### TWIA Commercial Policy

The following is a brief summary of the significant elements of coverage provided by the TWIA Commercial Policy.

Described property is covered for direct physical loss resulting from the *perils of windstorm and hail*. Described property includes:

- **Buildings or other structures** – described building or structure.
- **Business personal property** – business personal property located in or on the building described in the declarations or in the open on the described location. Includes furniture, fixtures, machinery, equipment, stock, or other personal property owned by the insured.
- **Property of others** – personal property of others for which the insured is legally liable, that is sold but not delivered, held in trust or for repairs.
- **Improvements and betterments** – fixtures, alterations, installations, or additions made a part of the building, structure, or condominium.

The following perils are not covered under the policy.

- **Rain**, whether driven by wind or not, damage to the interior of the building or insured property contained in the building is not covered unless wind or hail first makes an opening in the walls or roof and the insured property or interior of the building is damaged by the rain immediately entering the building through such opening.

- **Loss caused by flood, storm surge, tidal wave, high water, or overflow**, whether driven by wind or not was not covered.
- **Mold** – refer to Section II – TWIA Other Coverage History 2003 below for a description.

**Actual cash value coverage.** The policy pays for loss or damage to covered property on an *actual cash value* basis (replacement cost minus depreciation equals actual cash value). Refer to Section II – TWIA Other Coverage History replacement cost coverage for further description.

**Deductible.** A *deductible* is applied separately to a loss for each item of insurance. Deductible options are 1%, 2% or 5%.

## **Section II – TWIA Other Coverage History**

### Indirect Loss Coverage

**1975** – Form 224, Windstorm, Hurricane and Hail Exclusion Agreement Endorsement, applicable to the voluntary market was amended by the State Board of Insurance so that additional living expense and rental value coverage would be provided by the voluntary writer for the peril of windstorm. **1993** – Form 224 was revised to allow for TWIA to provide coverage for indirect losses.

**1993 to present** – coverage for indirect losses associated with a dwelling was added by the 73<sup>rd</sup> Legislature pursuant to HB 1461. A policy written by TWIA that provides coverage for a dwelling must include coverage for wind-driven rain damage, regardless of whether an opening is made by the wind, loss of use (additional living expenses) and consequential losses, if that coverage was excluded from a companion policy in the voluntary market.

TWIA is not required to provide coverage for loss of rents or rental value or additional living expenses when the property is a secondary or a non-primary residence.

### **Replacement Cost Coverage**

**1981** – personal property replacement cost endorsement TCPIA-365 (now TWIA-365) was approved for use. This endorsement amended the Standard Policy, for an additional premium, to provide replacement cost coverage for household goods.

**1999 – to present** - TWIA 164 Replacement Cost Endorsement (without deduction for depreciation) is an optional endorsement for commercial policies that provides replacement cost coverage for commercial buildings insured under the policy.

Prior to the 1999 dwelling and commercial policy rewrite, Form 164, Replacement Cost Endorsement (without deduction for depreciation) was approved for use effective October 1, 1982. This optional endorsement amended the Standard Policy to provide replacement cost coverage for buildings (residential or commercial) insured under the policy.

**1999 – to present** - Actual Cash Value – Roofs (One or Two Family Dwellings) endorsement TWIA 400 – may be attached to the TWIA dwelling policy to provide actual cash value coverage for a roof that is in marginal condition while maintaining replacement cost coverage for the remainder of the dwelling.

### **Business Income Coverage**

**2001** – *Business Income Coverage Endorsement and Extra Expense* endorsement (TWIA 17) was approved by TDI. Provides a maximum

of \$100,000 per building per occurrence for loss of business income due to suspension of operations as a result of a covered event.

Minimum daily limit is \$50 and the maximum daily limit is \$1,000.

Deductible – no coverage applies until 168 hours (7 days) have expired after the loss.

Also, provides an additional \$10,000 in coverage for extra expenses the insured incurs during the period of restoration that they would not have incurred if there had not be a loss.

### **Mold exclusion**

**2003** – a mold exclusion was added to the policy to clarify the policy did not provide coverage for damage resulting from mold, including testing or removal costs. However the exclusion does not apply to mold upon covered property that must be repaired because of sudden and accidental direct damage resulting from wind or hail otherwise covered under the policy.

### **Increased Cost of Construction**

**2006** – TDI approved an Extension of Coverage Increased Cost of Construction endorsement (TWIA 431) for dwelling policies and TWIA 432 for commercial policies. These two endorsements replaced the previously utilized endorsement TWIA 430. The endorsements provide coverage for the increased costs that an insured incurs due to the enforcement of any ordinance or law relating to repair of the damaged or undamaged part of a building damaged by windstorm or hail. Also pays for the increased cost in construction to rebuild to the applicable windstorm code in order to maintain insurance through TWIA. Coverage may be purchased in

an amount equal to 5%, 10%, 15%, or 25% of the building limit of insurance.

### **Automatic Adjusted Building Cost Endorsement**

**2012** – TDI approved an Automatic Adjusted Building Cost Endorsement (TWIA 220) for dwelling policies. The endorsement automatically adjusts the limit of insurance for the dwelling annually by a percentage established by a building cost index that is applied at each renewal.

## **Section III – TWIA Mobile Home Coverage History**

### **Mobile Homes**

**1976 until November 2011** – Special Mobile Home Windstorm and Hail Insurance Policy was approved by SBI. Described property is covered for direct loss resulting from the perils of windstorm and hail. Described property includes:

*Dwelling* on the described location, including structures attached to the dwelling.

*Personal property* owned or used by the named insured or members of their family residing with the named insured while the personal property is on the described location.

Unlike the Standard Policy for insuring dwellings, the Mobile Home Policy does not cover items such as fences, awnings,

carports, porches, greenhouses, or boathouses whether attached or not.

Also, other outbuildings on the premises of the mobile home must be specifically insured on a dwelling policy.

The policy paid for loss or damage to covered property on an actual cash value basis (replacement cost minus depreciation equals actual cash value).

A deductible is applied to each loss.

**November 2011** – TDI approved endorsement TWIA 411, Conversion to TWIA Manufactured Home Policy. This endorsement amends the TWIA Dwelling Policy to provide essentially the same coverage as previously provided under the Special Mobile Home Windstorm and Hail Insurance Policy.

## **Section IV – TWIA Builders Risk Coverage History**

**1972 to present** – builders risk coverage may be provided under either the stated value form TWIA 18 or the actual completed value form TWIA 21. Both forms provide coverage for buildings or structures shown in the declarations while in the course of construction. Both forms provide coverage for materials, equipment, supplies, and temporary structures used in the construction of the building or structure.

**3.(a).** How does the scope of coverage offered under TWIA differ from or exceed coverage written by private carriers in Texas? (Residential)

**Residential/Dwelling**

Company	Dwelling	Contents	Other Structures	Loss of Use		Replacement Cost		Increased Cost of Construction
				ALE**	CA***	Dwelling	Contents	
<b>TWIA</b>	Yes	Yes	Yes*	Available	No	Yes	Available	Available
<b>Allstate</b>	Yes	Yes	Yes	Yes	Yes	Yes	Available	Yes
<b>Farmers</b>	Yes	Yes	Yes	Yes	Yes	Yes	Available	Yes
<b>State Farm</b>	Yes	Yes	Yes	Yes	Yes	Yes	Available	Available
<b>Travelers</b>	Yes	Yes	Yes	Yes	Yes	Yes	Available	Yes
<b>USAA</b>	Yes	Yes	Yes	Yes	Yes	Yes	Available	Yes

\* Not additional insurance – included in dwelling limit of liability

\*\* ALE – Additional Living Expense

\*\*\* CA – Provides limited coverage if a civil authority prohibits use of the residence premises because of direct damage to neighboring premises.

Note: Coverage shown as "available" means it is available for an additional premium by an endorsement or listing it separately on the declarations page.

**3.(b).** How does the scope of coverage offered under TWIA differ from or exceed coverage written by private carriers in Texas? (Commercial)

**Commercial**

Company	Building	Business Personal Property	Other Structures	Extra Expense		Replacement Cost		Increased Cost of Construction
				Business Income	CA**	Building	Business Personal Property	
<b>TWIA</b>	Yes	Yes	Yes*	Available	No	Available	Available	Available
<b>American Fire &amp; Casualty</b>	Yes	Yes	Available	Available	Yes	Available	Available	Available
<b>Chartis Property Casualty Co.</b>	Yes	Yes	Available	Available	Yes	Available	Available	Available
<b>Philadelphia Indemnity</b>	Yes	Yes	Available	Available	Yes	Yes	Yes	Yes
<b>Travelers Lloyds</b>	Yes	Yes	Available	Available	Yes	Available	Available	Available
<b>Zurich American Insurance Co.</b>	Yes	Yes	Available	Available	Yes	Available	Available	Available

\*Limited to boarding, rooming, fraternity, sorority houses, or apartments (8 or less apartments) for fences, drives, walks, outdoor fixtures, garages and other outbuilding used in connection with the building. Included in building limit of liability. Other buildings/structures must be insured separately.

\*\*CA - Provides limited coverage if a civil authority prohibits use of the covered property because of direct damage to neighboring premises.

Forms for use with large risks are exempt from filing (Texas Insurance Code §2301.004) and are not included in this comparison.

Note: Coverage shown as "available" means it is available for an additional premium by an endorsement or listing it separately on the declarations page.

**3.(c).** How do the available coverages offered through TWIA compare with those offered by coastal pools in other states? (Residential)

**Residential/Dwelling**

State	Dwelling	Contents	Other Structures	Loss of Use		Replacement Cost		Increased Cost of Construction
				ALE**	CA***	Dwelling	Contents	
<b>Texas</b>	Yes	Yes	Yes*	Available	No	Yes	Available	Available
<b>Alabama</b>	Yes	Yes	Yes*	Yes	Yes	Broad – Yes Basic – No	Broad – Yes Basic – No	Yes
<b>Florida</b>	Yes	Yes	Yes	Yes	Yes	Yes	Available	Yes
<b>Louisiana</b>	Yes	Yes	Yes	Yes	Yes	Dwg 3 – Yes Dwg 1 – No	Dwg 3 – No Dwg 1 – No	No
<b>Mississippi</b>	Yes	Yes	Yes	No	No	Yes	Yes	No
<b>North Carolina</b>	Yes	Yes	Yes	HO Wind – Yes Dwg – Yes	HO Wind – Yes Dwg - No	HO Wind – Yes Dwg – No	HO Wind – Available Dwg – No	No
<b>South Carolina</b>	Yes	Yes	Yes	Yes	No	Available	No	Available

\* Not additional insurance – included in dwelling limit of liability

\*\* ALE – Additional Living Expense

\*\*\* CA – Provides limited coverage if a civil authority prohibits use of the residence premises because of direct damage to neighboring premises.

Note: Coverage shown as "available" means it is available for an additional premium by an endorsement or listing it separately on the declarations page.

**3.(d).** How do the available coverages offered through TWIA compare with those offered by coastal pools in other states? (Commercial)

**Commercial**

State	Building	Business Personal Property	Other Structures	Extra Expense		Replacement Cost		Increased Cost of Construction
				Business Income	CA**	Building	Business Personal Property	
Texas	Yes	Yes	Yes*	Available	No	Available	Available	Available
Alabama	Yes	Yes	Available	No	No	No	No	No
Florida	Yes	Yes	Available	No	No	Yes	Available	No
Louisiana	Yes	Yes	Available	Available	No	Available	Available	No
Mississippi	Yes	Yes	Available	No	No	Available	Available	No
North Carolina	Yes	Yes	Available	Available	No	Available	Available	No
South Carolina	Yes	Yes	Available	Available	No	No	No	No

\*Limited to boarding, rooming, fraternity, sorority houses, or apartments (8 or less apartments) for fences, drives, walks, outdoor fixtures, garages and other outbuilding used in connection with the building. Included in building limit of liability. Other buildings/structures must be insured separately.

\*\*CA - Provides limited coverage if a civil authority prohibits use of the covered property because of direct damage to neighboring premises.

Note: Coverage shown as "available" means it is available for an additional premium by an endorsement or listing it separately on the declarations page.

## **Residential/Dwelling Insurance Coverage Description**

### **Dwelling**

The dwelling on the described location shown in the policy declarations page, used principally for dwelling purposes, including structures attached to the dwelling. 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. Building equipment and outdoor equipment used for servicing the described location. Maintenance equipment and supplies, floor coverings, window shades, refrigerators and stoves owned by the owner as a landlord, and located on the described location.

### **Personal Property**

Personal property and business personal property owned or used by the insured or family members residing with the insured while it is on the described location.

### **Other Structures**

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.

### **Additional Living Expenses**

Provides coverage for any necessary increase in living expenses incurred by the insured to maintain their normal standard of living if the insured dwelling is damaged by a covered loss making the home uninhabitable.

### **Civil Authority**

Provides limited coverage if a civil authority prohibits use of the residence premises because of direct damage to neighboring premises.

### **Replacement Cost**

Provides coverage for damaged property based on current replacement cost at time of loss.

### **Increased Cost of Construction**

Provides coverage for the increased costs that an insured incurs due to the enforcement of any ordinance or law relating to repair of the damaged or undamaged part of a building damaged by windstorm or hail.

## **Commercial Property Insurance Coverage Description**

### **Building**

The building or structure described in the policy declarations page. Includes completed additions; fixtures, including outdoor fixtures; permanently installed machinery and equipment; and personal property owned by the insured that is used to maintain or service the building or structure or its premises, including fire extinguishing equipment, outdoor fixtures, floor coverings, and appliances used for refrigerating, ventilating, cooking, dishwashing, or laundering.

### **Business Personal Property**

Business personal property located in or on the building described in the policy declarations page or in the open on the described location. Includes furniture, fixtures, machinery, equipment, stock, or other personal property owned by the insured.

### **Other Structures**

Structures other than the primary building may be insured by describing on the policy declarations page and paying an additional premium.

### **Extra Expense**

Provides compensation for certain expenses associated with the operation of a business because of an unforeseen emergency caused by a covered peril.

### **Business Income**

Loss of business income or rental value due to the necessary suspension of the insured's operations due to damage from a covered peril.

### **Civil Authority**

Provides limited coverage for loss of business income or rental value if a civil authority prohibits use of the covered property because of direct damage to neighboring premises.

### **Replacement Cost**

Provides coverage for damaged property based on current replacement cost at time of loss.

### **Increased Cost of Construction**

Provides coverage for the increased costs that an insured incurs due to the enforcement of any ordinance or law relating to repair of the damaged or undamaged part of a building damaged by windstorm or hail.

**4.(a).** What is the policy limit available in other state’s coastal pools, and how does it compare with TWIA?

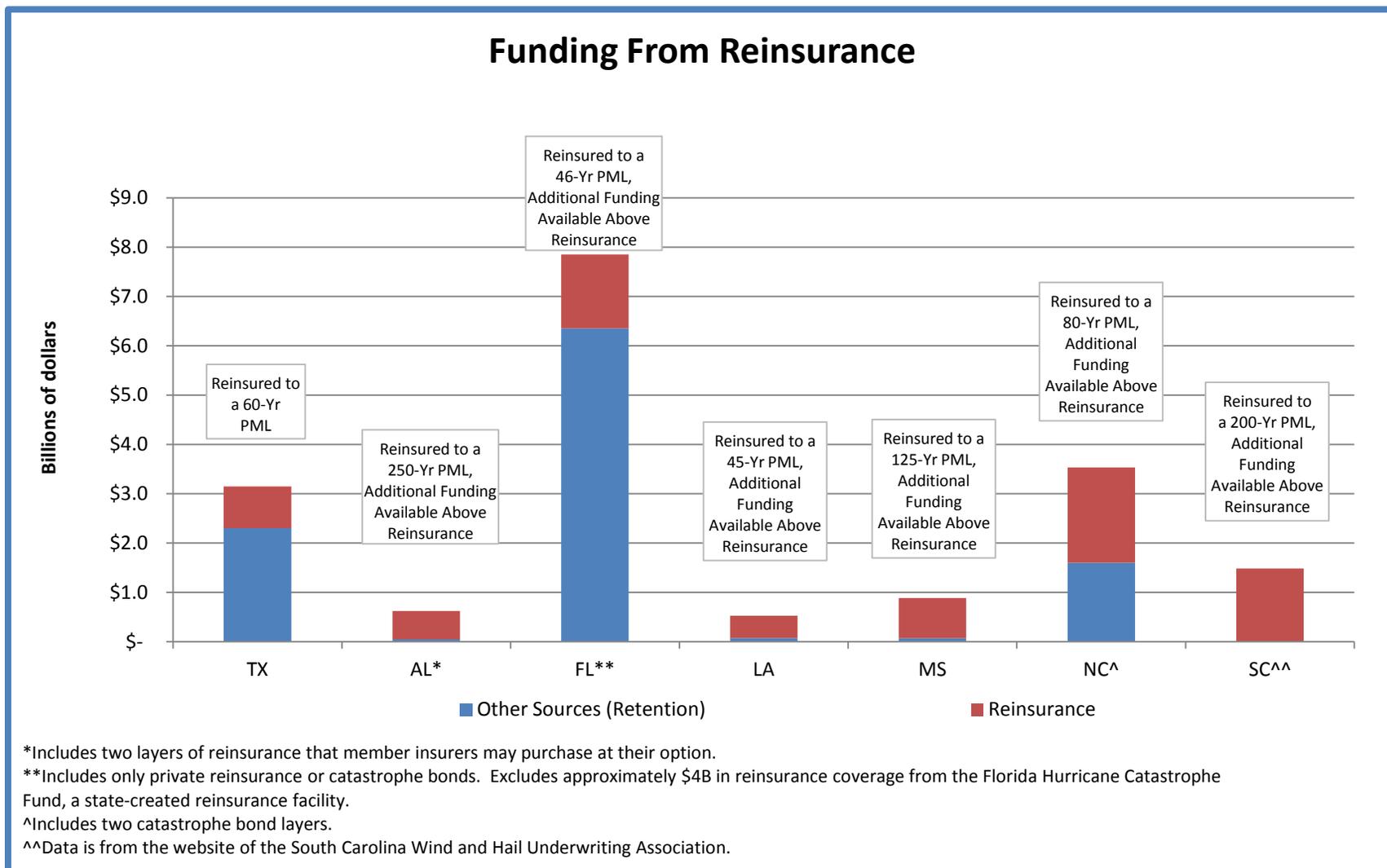


*For more detailed information, please see next page.*

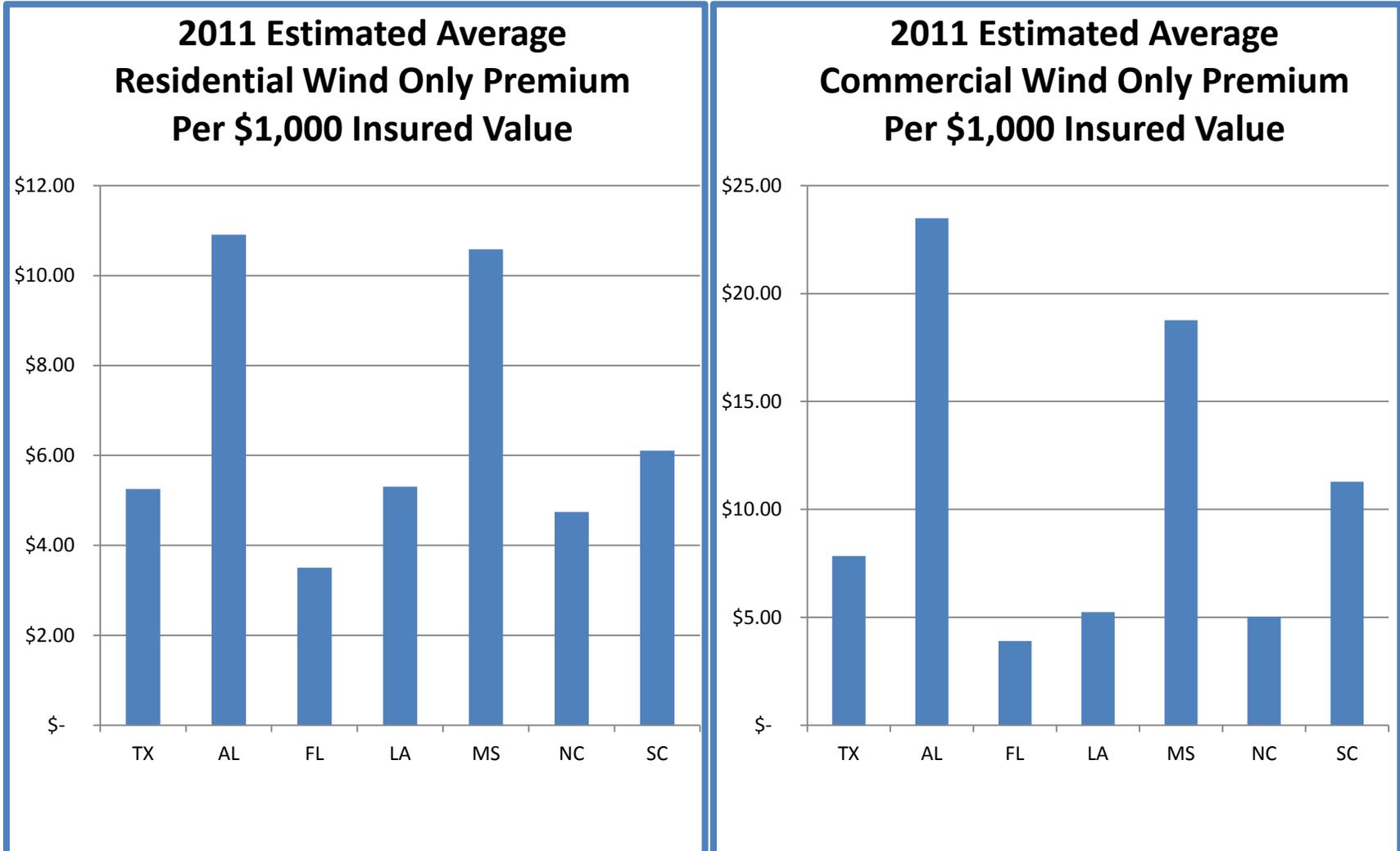
**4.(b).** What is the policy limit available in other state’s coastal pools, and how does it compare with TWIA?

<b>State</b>	<b>Residential</b>	<b>Commercial</b>
<b>Texas</b>	\$1,773,000 dwelling and contents combined  \$374,000 for individually owned personal property located in an apartment, residential condominium, or townhouse unit that is occupied by the owner of that property	\$4,424,000 for each commercial building/structure or public building and the business personal property  \$374,000 for individually owned business personal property located in an apartment, residential condominium, or townhouse unit that is occupied by the owner of that property
<b>Alabama</b>	\$500,000 dwelling and contents combined	\$1,000,000/\$300,000 max per location Building and contents combined
<b>Florida</b>	\$1,000,000 dwelling \$500,000 contents  Unit owners \$1,000,000 unit and contents combined	Commercial residential No maximum  Commercial non-residential \$1,000,000 building and contents combined
<b>Louisiana</b>	\$750,000 dwelling \$150,000 contents	\$5,000,000 building per location \$2,000,000 contents per location
<b>Mississippi</b>	\$1,000,000 dwelling \$250,000 contents	\$1,000,000 building and contents combined
<b>North Carolina</b>	\$750,000 dwelling and contents combined  Content capped at 40% of dwelling coverage	\$3,000,000 building and contents combined  Capped at \$6,000,000 aggregate depending on fire walls
<b>South Carolina</b>	\$1,300,000 dwelling and contents combined	\$2,500,000 building and contents combined

5. To what extent do other states' coastal pools rely on reinsurance? How does this compare with Texas?



6. How do rates in other coastal states' pools compare with TWIA rates?



## 7. Do other states' pools utilize territorial rating?

State	Uses Territory Rating For		Territories Subdivide Counties
	Residential Business	Commercial Business	
Texas	No <sup>1</sup>	No <sup>1</sup>	No
Alabama	Yes	Yes	Yes
Florida	Yes	Yes	Yes
Louisiana	Yes	Yes	Yes
Mississippi	Yes	Yes	Yes
North Carolina	Yes	Yes	Yes
South Carolina	Yes	Yes	Yes

<sup>1</sup> TWIA charges uniform rates in the first tier. However, TWIA has a different rate in the portion of Harris County (Tier 2), where TWIA may write.

8. How do other states handle structures that are non code-compliant? Can the structures be insured, and if so, at a higher rate?

9.(a). How does the building code now in effect for TWIA compare with the code in effect in other states, particularly Florida?

State	Statewide Building Code	Windpool Code	Property Insurable if Non-Compliant?	Surcharge for Non-Compliant	Comparison to Texas Windstorm Building Code
Texas	No	Yes	Yes	15%	---
Alabama	No	Yes	No	N/A	W
Florida	Yes	No	N/A	N/A	S
Louisiana	Yes	No	N/A	N/A	C
Mississippi	No	Yes	No	N/A	C
North Carolina	Yes	No	Yes	No	W
South Carolina	Yes	Yes	No	N/A	C

Key:

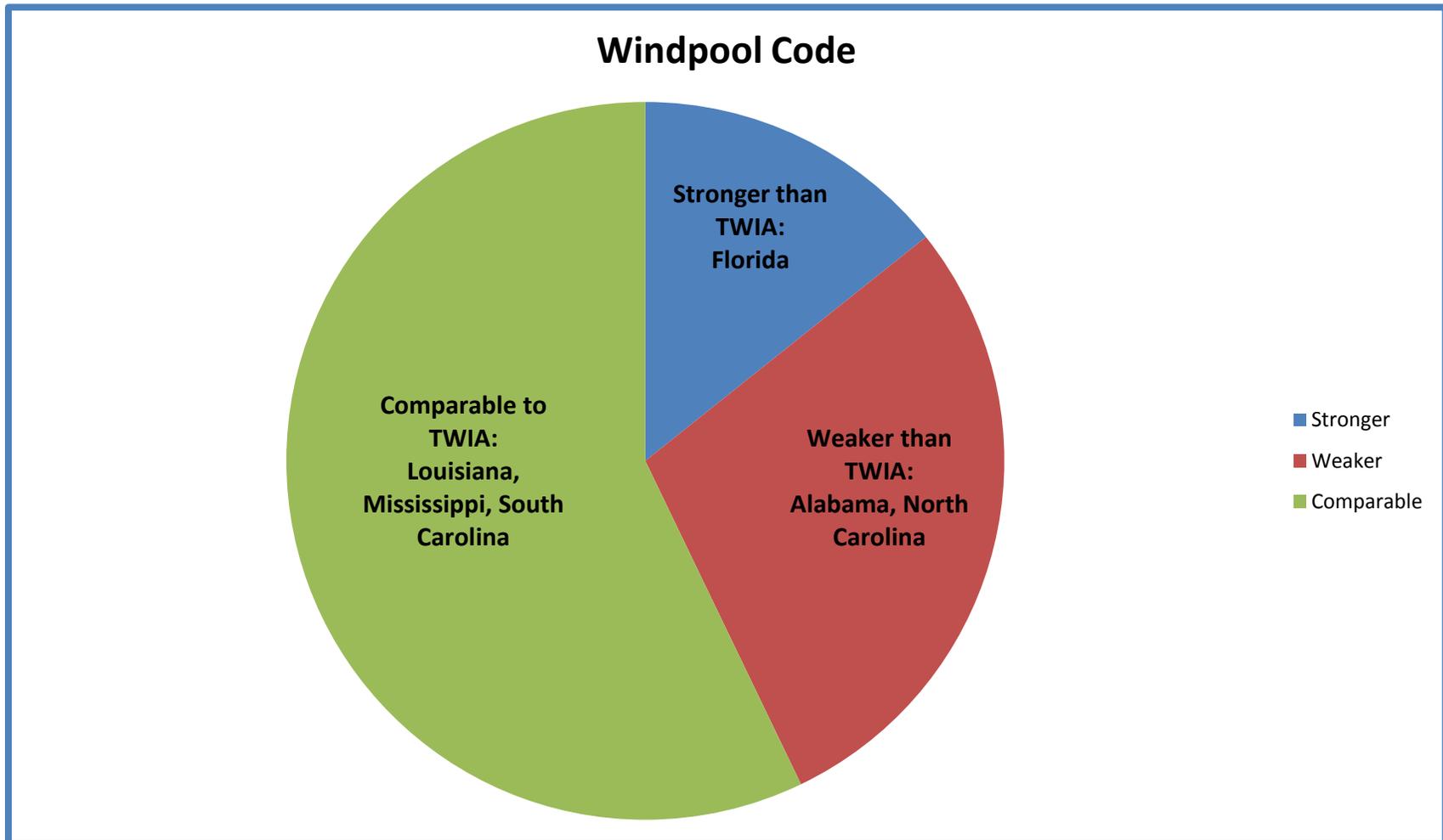
S – Stronger

W – Weaker

C – Comparable

*For more detailed information, please see next page.*

**9.(b).** How does the building code now in effect for TWIA compare with the code in effect in other states, particularly Florida?



*For more detailed information, please see next page.*

**9.(c).** How does the building code now in effect for TWIA compare with the code in effect in other states, particularly Florida?

State	Residential Code	Commercial Code	Comparison Comments Relating to High Wind Requirements
<b>Texas (TDI Building Code)</b>	2006 IRC and Texas Revisions	2006 IBC with Texas Revisions	<ul style="list-style-type: none"> <li>• TDI code for windstorm insurance coverage in coastal counties.</li> <li>• TDI code revisions require windborne debris protection of all exterior openings in the seaward area, regardless if the openings have glazing. IRC only requires protection of glazed openings.</li> <li>• TDI building code is comparable to, or in some cases exceeds, the wind load provisions of other state codes with the exception of the HVHZ areas of the FBC.</li> </ul>
<b>Alabama</b>	2009 IRC	2009 IBC	<ul style="list-style-type: none"> <li>• No statewide mandatory residential code.</li> <li>• No mandatory enforcement except institutional buildings required to meet the IBC.</li> <li>• TDI building code is more stringent.</li> </ul>
<b>Florida</b>	2010 FBC Residential	2010 FBC Building	<ul style="list-style-type: none"> <li>• Requires statewide adoption of codes and product approval system.</li> <li>• The FBC has chapters on HVHZ.</li> <li>• HVHZ requires that roof, walls, and exterior openings be protected from windborne debris.</li> <li>• The HVHZ portions of the FBC are more stringent than the TDI building code.</li> </ul>
<b>Louisiana</b>	2009 IRC	2009 IBC	<ul style="list-style-type: none"> <li>• Requires statewide adoption of codes.</li> <li>• TDI building code comparable to Louisiana wind load provisions.</li> </ul>
<b>Mississippi</b>	2006 IRC	2006 IBC	<ul style="list-style-type: none"> <li>• Six coastal counties require enforcement of the wind and flood provisions. It is optional in the rest of the state to enforce.</li> <li>• TDI building code comparable to wind load provisions in the six coastal counties of Mississippi.</li> </ul>

State	Residential Code	Commercial Code	Comparison Comments Relating to High Wind Requirements
North Carolina	2012 IRC	2012 IBC	<ul style="list-style-type: none"> <li>• Requires statewide adoption of codes.</li> <li>• NC Building Code has amendment that only requires windborne debris protection in the first 1,500 feet from beach.</li> <li>• NC Building Code has prescriptive chapter for high wind areas that does not meet current prescriptive high wind construction standards.</li> <li>• TDI building code is more stringent for windborne debris protection and prescriptive high wind construction standards.</li> </ul>
South Carolina	2006 IRC	2006 IBC	<ul style="list-style-type: none"> <li>• Requires statewide adoption of codes.</li> <li>• TDI building code is comparable to wind load provisions in South Carolina.</li> </ul>

**FBC – Florida Building Code**

**HVHZ – High Velocity Hurricane Zones in Miami-Dade and Broward Counties in Florida**

**IBC – International Building Code**

**IRC – International Residential Code**

**10.** How do other coastal states encourage private writings in coastal areas? Are any of them having success? How do their rates and coverages compare with those available in the Texas private market?

State	Incentives For Voluntary Writers			Minimum Rate Requirement	Success <sup>1</sup>
	Reduced Assessments	Take Out Program	Insurer Tax Credits		
Texas	Yes	No	No	No	No/Little
Alabama	Yes	No	Yes <sup>2</sup>	No	No/Little
Florida	Yes	Yes	No <sup>4</sup>	No	Some <sup>5</sup>
Louisiana	No	Yes	No	Vol. plus 10%	Very
Mississippi	Yes	No	No	No	Too Soon
North Carolina	Yes	Yes	No	Some <sup>3</sup>	No/Little
South Carolina	Yes	No	No	No	No/Little

<sup>1</sup> Except in the case of Texas and Florida, “success” means success as determined by the wind pool.

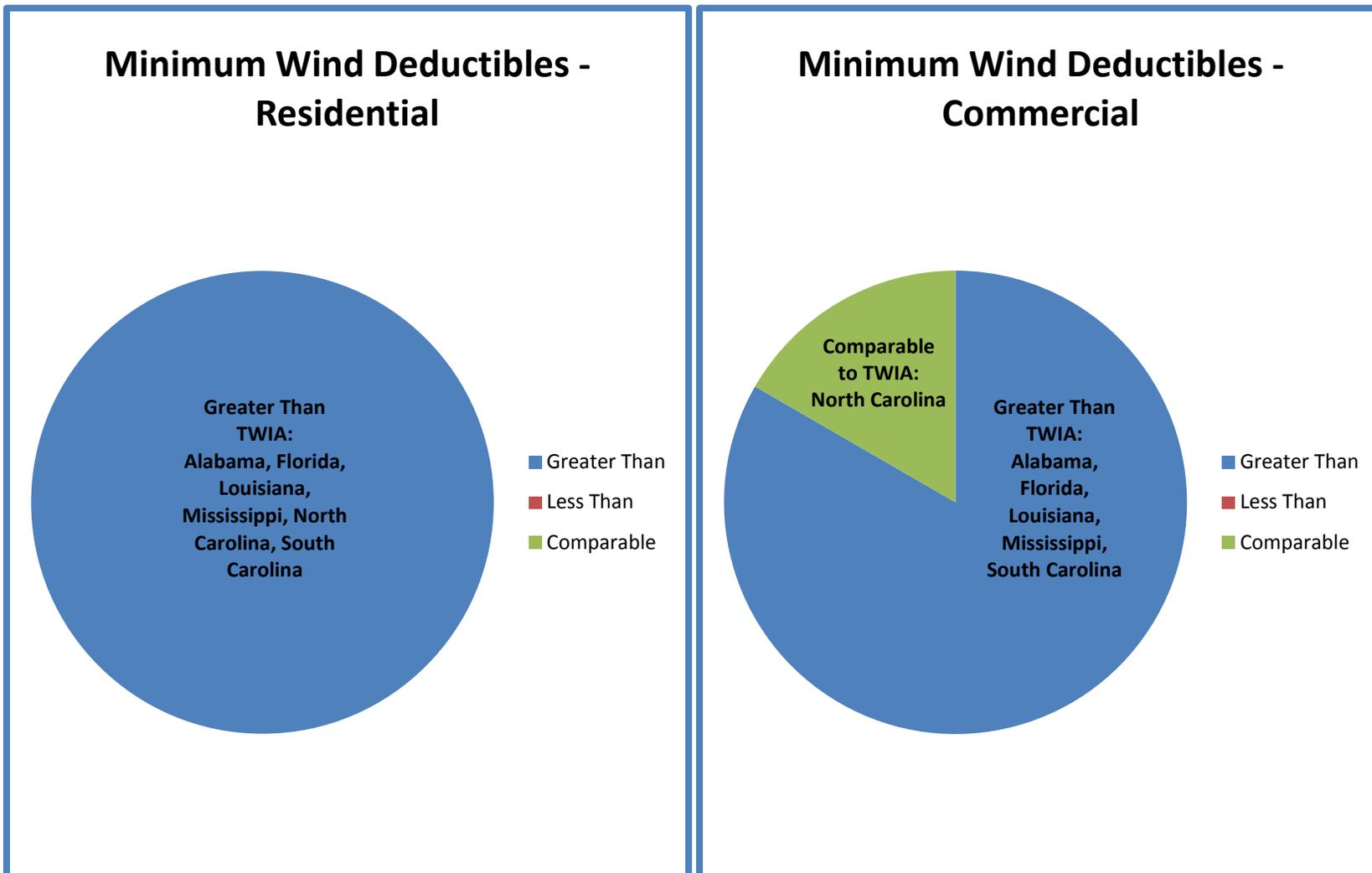
<sup>2</sup> Insurers may receive a credit to their premium taxes for business taken out of the wind pool at a rate of at least 20% below the wind pool rate.

<sup>3</sup> Wind only rates must be 5% above the North Carolina Rating Bureau wind and hail rates.

<sup>4</sup> Insurers that take a certain number of policies or exposures out of Florida Citizens can receive a “take out” bonus from Citizens. In addition, over a period of 3 years insurers can phase in the assessment impact of taking policies out of Citizens.

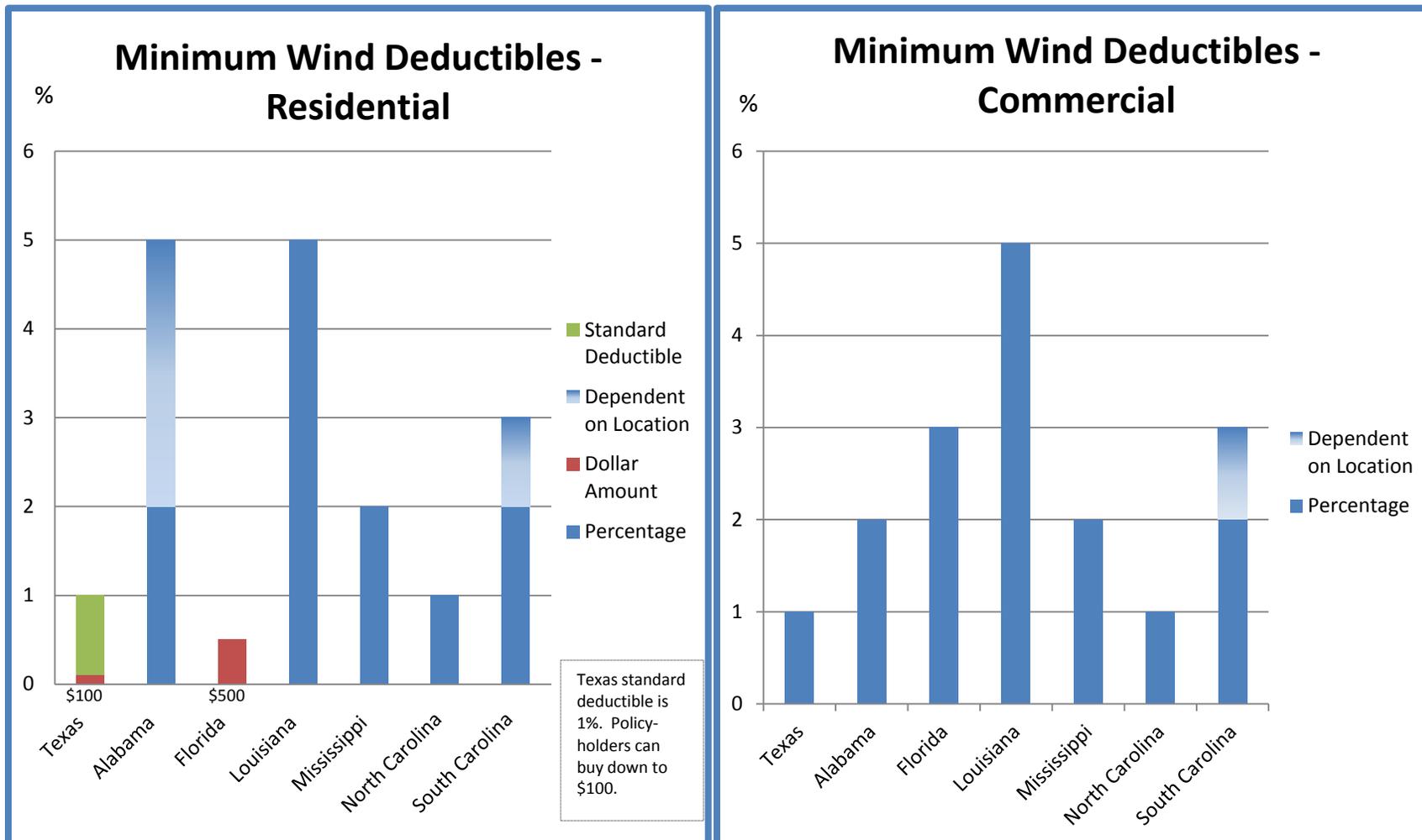
<sup>5</sup> Florida Citizens did not give an opinion on whether the program was successful. However, they did provide information that insurers have taken out \$45 billion (about 10%) in exposures since January 2010.

**11.(a).** How do deductibles in TWIA compare with other coastal state pools?



*For more detailed information, please see next page.*

**11.(b).** How do deductibles in TWIA compare with other coastal state pools?



*For more detailed information, please see next page.*

**11.(c).** How do deductibles in TWIA compare with other coastal state pools?

State	Residential – Wind Deductibles	Commercial – Wind Deductibles
<b>Texas</b>	1% standard - per building and/or limit of contents coverage, subject to a minimum deductible of \$100  \$100 and \$250 are available for additional premium  Optional 1.5%, 2%, 2.5%, 3%, 4%, and 5% deductibles are available	1%, 2%, or 5% per building and/or limit of contents coverage, subject to a minimum deductible of \$1,000
<b>Alabama</b>	2% or 5% depending on location  Optional 10% deductible available	2% or 5% depending on location  Optional 10% deductible available
<b>Florida</b>	Hurricane deductible \$500 minimum 2%, 3%, 4%, 5%, or 10% (minimum of \$500)  Other wind deductible \$500, 2%, 3%, 4%, or 5%	Hurricane deductible – commercial residential 3%, 5%, or 10% (minimum of \$1,000)  Other wind deductible – commercial residential \$1000, 1%, or 3%  Hurricane deductible – commercial non-residential 3% or 5% (minimum of \$1000)  Other wind deductible – commercial non-residential 3% or 5%
<b>Louisiana</b>	Minimum 5% hurricane deductible	Minimum 5% hurricane deductible  Separate deductibles apply to each structure and contents and/or limit of contents coverage. Optional deductibles – up to \$500,000 based on amount of insurance

State	Residential – Wind Deductibles	Commercial – Wind Deductibles
<b>Mississippi</b>	<p>Minimum 2% named storm deductible</p> <p>Other than named storm:  Up to \$500,000 coverage – minimum \$500 deductible  More than \$500,000 coverage – minimum \$1,000 deductible</p> <p>Optional \$500, \$1,000 and \$2,500 deductibles available</p>	<p>Minimum 2% deductible - named storm and other than named storm</p>
<b>North Carolina</b>	<p>Minimum named storm deductible 1%</p> <p>Up to \$100,000 coverage – minimum \$500 deductible</p> <p>\$100,000 to \$250,000 coverage – minimum \$1,000 deductible</p> <p>More than \$250,000 coverage – minimum \$2,500 deductible</p>	<p>Minimum named storm deductible 1% – does not apply to policies less than \$100,000</p> <p>\$100,000 to \$250,000 coverage – minimum \$1,000 deductible</p> <p>More than \$250,000 coverage – minimum \$2,500 deductible</p>
<b>South Carolina</b>	<p>Minimum 2% or 3% deductible depending on location</p> <p>Optional 2%, 3%, 4%, 5%, and 10% deductibles available</p>	<p>Minimum 2% or 3% deductible depending on location</p> <p>Optional 2%, 3%, 4%, 5%, and 10% deductibles available</p>

**12.(a).** What is the structure and governance of each wind pool?

State	Type of Pool, Tax Status <sup>1</sup>	Members or Assessable Insurers <sup>2</sup>	Participation in Proportion to Net Direct Premium <sup>3</sup>	Total Board Members	Industry	Public	Agent	Gov't
<b>Texas</b> TWIA	Association, Tax exempt	All property insurers <sup>4</sup>	Yes	10	4 Appointed	5 Appointed	1 Appointed	-
<b>Alabama</b> Alabama Insurance Underwriting Association	Association, Taxable partnership	All property insurers	Yes	11	9 Elected	2 Appointed	-	-
<b>Florida</b> Citizens Property Insurance Corporation	Unincorporated, non-profit, governmental entity Tax exempt	All property insurers	Yes	8 Appointed	-	-	-	-
<b>Louisiana</b> Louisiana Citizens Property Insurance Corporation	Nonprofit corporation, multiple servicing carrier Tax exempt	All property insurers	Yes	15	3 Appointed	6 Appointed	2 Appointed	4 Listed
<b>Mississippi</b> Mississippi Windstorm Underwriting Association	Association, Taxable partnership	All property insurers	Yes	11	5 Appointed	2 Appointed	3 Appointed	1 Listed
<b>North Carolina</b> North Carolina Insurance Underwriting Association	Association, Tax exempt	All property insurers	Yes <sup>5</sup>	14	7 Elected	3 Appointed	4 Appointed	-
<b>South Carolina</b> South Carolina Wind and Hail Underwriting Association	Association, Taxable partnership	All property insurers <sup>4</sup>	Yes	17	11 Elected	4 Appointed	2 Appointed	-

1. Tax status is based on intentions expressed in statutes and on PIPSO 2012 Compendium of Property Insurance Plans.
2. States describe members or assessable insurers variously as property insurers, property & casualty insurers, or fire & extended coverage insurers. All have exceptions for very small companies. All limit the insurers to those in the relevant lines of business, excluding coverages such as medical malpractice, workers' compensation, flood, and crop insurance.
3. All insurers participate in assessments—as members or assessable insurers—in the proportion that the insurer's direct written premium bears to the aggregate statewide direct written premium for those lines of business.
4. There are limited exclusions. See next chart.
5. Participation is proportional to net direct premium outside of beach and coastal areas. The results are likely similar to other states that use statewide premium but give credit for voluntary writing in coastal areas.

*For more detailed information, please see next chart*

**12.(b).** What is the structure and governance of each wind pool?

State	Type of Pool	Members or Assessable Insurers	Participation	Total Board Members	Industry	Public	Agent	Gov't
Texas TWIA	Association  Tax exempt	All property insurers, except: (1) insurers prevented by law from writing on a statewide basis coverages available through TWIA; (2) certain farm mutual insurance companies; (3) nonaffiliated county mutual fire insurance companies writing exclusively industrial fire insurance policies; (4) certain mutual insurance companies or statewide mutual assessment companies.	Members participate in the proportion that the net direct premiums of that member during the preceding calendar year bears to the aggregate net direct premiums by all members of the association.  Members do not participate in profits.	10	4 Appointed	5 Appointed	1 Appointed	-
				(1) Commissioner appointees, a. 4 industry b. 4 public from first tier counties, one of whom must be an agent c. 1 non-coastal county resident d. 1 non-voting engineer				
Alabama Alabama Insurance Underwriting Association	Un-incorporated nonprofit association  Taxable partnership	All property insurers writing fire and extended coverage on a direct basis.	Members participate in AIUA's writings, net income, losses, and members surplus, as determined by the proportion that the net direct premiums of a member written in the state during the preceding calendar year bears to the aggregate net direct premiums written in the state by all members of the association in the	11	9 Elected	2 Appointed	-	-
				(1) Commissioner appointees, 1 each from: a. Baldwin County; b. Mobile County. (2) 9 insurers, elected by the members including 1 each from: a. Property Casualty Insurers Association of America; b. American Insurance Association; c. National Association of Mutual Insurance Companies.				

State	Type of Pool	Members or Assessable Insurers	Participation	Total Board Members	Industry	Public	Agent	Gov't
Alabama (continued)			preceding calendar year, factored as prescribed by the board.					
Florida Citizens Property Insurance Corporation	Un- incorporated, nonprofit, governmental entity  Tax exempt	All insurers authorized to write one or more subject lines of business in this state are subject to assessment. Also, policyholders who buy subject lines from unauthorized or surplus lines are "assessable insureds" and are subject to assessments.  "Subject Lines of Business" means insurance written by assessable insurers or procured by assessable insureds for all property and casualty lines of business in this state, except workers' compensation, medical malpractice, flood, or crop insurance.	Assessable insurer's share of assessments is in the proportion that the assessable insurer's direct written premium for the subject lines of business bears to the aggregate statewide direct written premium.	8 Appointed	-	-	-	-
2 each appointed by: a. Governor; b. Chief Financial Officer; c. President of the Senate; d. Speaker of the House of Representatives								

State	Type of Pool	Members or Assessable Insurers	Participation	Total Board Members	Industry	Public	Agent	Gov't
Louisiana Louisiana Citizens Property Insurance Corporation	Nonprofit corporation	Assessable insurers are all insurers authorized to write one or more of the following lines of business: fire, allied lines, homeowners' multiperil, the property insurance portion of commercial multiperil policies, and the business interruption insurance portion of commercial multiperil policies or such interruption insurance with respect to commercial properties on a monoline basis.	Assessable insurers participate in assessments in proportion to net direct premium. Assessable insurers do not participate in gains or losses.	15	3 Appointed	6 Appointed	2 Appointed	4 Listed
	Multiple servicing carrier			(1) Commissioner of Department of Insurance <sup>1</sup> (2) State treasurer <sup>1</sup> (3) Chairman of House Committee on Insurance <sup>1</sup> (4) Chairman of Senate Committee on Insurance <sup>1</sup> (5) Governor appointees [9], one each from: a. Louisiana Bankers Association; b. Louisiana Home Builders Association; c. Society of Louisiana Certified Public Accountants; d. Louisiana District Attorneys Association; e. At large appointee; f. At large appointee. g. Property Casualty Insurers Association of America; h. American Insurance Association; i. The largest domestic property insurer in the state. (6) Commissioner appointees, 1 each from: a. Professional Insurance Agents of Louisiana b. Independent Insurance Agents of Louisiana				
Mississippi Mississippi Windstorm Underwriting Association	Independent nonprofit association	Assessable insurers are all insurers writing property insurance on a direct basis.	Assessable insurers participate in assessments in proportion to net direct premium.  Assessable insurers have no rights to the assets or profits.	11	5 Appointed	2 Appointed	3 Appointed	1 Listed
	Taxable partnership			(1) Governor appointees: a. 1 agent b. 1 assessable insurer c. 2 business leader (2) Lieutenant Governor appointees: a. 1 agent b. 1 assessable insurer c. 1 business leader				

<sup>1</sup> Or designee.

State	Type of Pool	Members or Assessable Insurers	Participation	Total Board Members	Industry	Public	Agent	Gov't
(Mississippi continued)				(3) Commissioner appointees: a. 1 agent b. 3 assessable insurers (4) State treasurer				
<b>North Carolina</b> North Carolina Insurance Underwriting Association	Association  Tax exempt	All insurers writing essential property insurance, except: a. town and county mutual insurance associations; b. assessable mutual companies; c. insurers who only write on property exempted from taxation.  "Essential Property Insurance" – Property Insurance in Fire Policy, Extended Coverage Endorsement and Vandalism and Malicious Mischief Endorsement. Does not include Crime Insurance, Additional Extended Coverage, Optional Perils Coverage, Business Income and Extra Expense Coverage, or policies of Windstorm and Hail Insurance Only.	Members participate in proportion to net direct premium outside of beach and coastal areas.  Members do not have a right to any surplus.	14	7 Elected	3 Appointed	4 Appointed	-
				(1) Commissioner appointees: a. 4 agents b. 3 public members (2) 7 insurers, elected by the members				

State	Type of Pool	Members or Assessable Insurers	Participation	Total Board Members	Industry	Public	Agent	Gov't
<b>South Carolina</b> South Carolina Wind and Hail Underwriting Association	Association  Taxable partnership	All insurers writing property insurance, except: a. insurers whose writings are limited to property wholly owned by parent, subsidiary, or allied organizations; b. insurers whose writings are limited to property wholly owned by religious organizations.	Members participate in proportion to net direct premium.  Members participate in writings, expenses, profits, and losses.	17	11 Elected	4 Appointed	2 Appointed	-
				(1) Commissioner appointees: a. 2 agents b. 4 public members (2) 11 insurers, elected by the members				

**13.** Do the wind pools provide coverage for structures over water and on barrier islands?

<b>State</b>	<b>Structures Over Water</b>	<b>Structures on Barrier Islands</b>
<b>Texas</b>	Yes	Yes
<b>Alabama</b>	No	Yes
<b>Florida</b>	No	Yes
<b>Louisiana</b>	Yes <sup>1</sup>	Yes <sup>2</sup>
<b>Mississippi</b>	Yes	Yes
<b>North Carolina</b>	Yes	Yes
<b>South Carolina</b>	No	Yes

<sup>1</sup>Yes, if structure is accessible by land.

<sup>2</sup>Yes, if there is a fire station on the island.

## 14.(a). What are the wind pool policy residential coverage restrictions?

Several states have more than one residential policy available. We chose to summarize the policy with the broadest coverage, although the other policies may provide some different restrictions. The table omits restrictions that do not seem helpful, and condenses others together.

Blank spaces indicate that the policy does not specifically list the item as property not covered. Some items that are covered may have a special—usually low—limit of liability.

“Extra” means the coverage is excluded but is available by endorsement or if specifically listed on declarations page. This does not necessarily indicate an additional charge. Coverage for excluded items may be available in some states by endorsement or specific listing.

### Residential Restriction Summary

Type of Property	TWIA	Alabama	Florida	Louisiana	Mississippi	North Carolina	South Carolina
Accounts, records, books of records, manuscripts	Excludes	Excludes		Excludes	Excludes but manuscripts and bullion extra		Excludes
Money, currency, bullion	Excludes	Excludes		Excludes	Excludes but bullion extra		Excludes
Precious metals				Excludes			Excludes
Securities, deeds, evidence of debt	Excludes	Excludes		Excludes	Excludes		Excludes
Credit or debit cards		Excludes	Excludes	Excludes	Excludes	Excludes	Excludes
Computer data recovery		Excludes	Excludes	Excludes		Excludes	Excludes
Paper data recovery		Excludes	Excludes	Excludes	Excludes		Excludes
Watercraft & hovercraft	Excludes when outdoors	Excludes except row boats or canoes	Excludes when outdoors	Excludes except row boats or canoes	Excludes; also excludes personal property while over or on water	Excludes hovercraft & other watercraft outdoors	Excludes, except row boats and canoes
Aircraft	Excludes	Excludes	Excludes	Excludes		Excludes	Excludes

Type of Property	TWIA	Alabama	Florida	Louisiana	Mississippi	North Carolina	South Carolina
Motor vehicles except unlicensed used for servicing residence or assisting handicapped	Excludes except if listed & indoors	Excludes except listed & indoors	Excludes	Excludes except listed	Extra for service vehicles	Excludes except listed	Extra for service vehicles outdoors
Trailers							Excludes
Contraband							Excludes
Awnings	Extra	Excludes	Excludes	Excludes	Extra		Excludes
Greenhouses	Extra	Excludes			Extra		Excludes
Outdoor statuary, monuments, fountains		Excludes gravemarkers and mausoleums	Excludes				
Bridges & decks			Excludes if detached				Excludes
Pergolas, cabanas, trellises, gazebos		Excludes	Excludes		Extra		Excludes
Signs		Excludes	Excludes	Excludes	Extra		
Walkways, dunewalks, ramps		Excludes	Excludes unless attached				Excludes
Fences					Extra		Excludes
Retaining, breakaway, or property walls	Excludes breakaway walls and contents	Excludes	Excludes		Extra		Excludes property line walls, including seawalls, revetments & retaining walls
Radio & tv antennas, towers, dishes	Extra	Excludes	Excludes	Excludes	Extra		Excludes
Free standing smokestacks & silos			Excludes		Extra		Excludes, except silos
Underground pipes, flues or drains							Excludes
Windmills & wind chargers	Extra, but excludes wind turbines		Excludes		Extra		Excludes

Type of Property	TWIA	Alabama	Florida	Louisiana	Mississippi	North Carolina	South Carolina
Damage to interior by weather conditions (unless opening caused by wind or hail)	Excludes if caused by rain	Excludes	Excludes	Excludes	Excludes	Excludes	Excludes
Exterior paint or waterproofing		Excludes	Excludes			Excludes	Excludes
Lawns, trees, shrubs, plants		Excludes	Excludes		Extra	Excludes, except trees	Excludes
Growing crops	Excludes	Excludes	Excludes		Extra		Excludes
Other structures used as rental property		Excludes	Excludes	Excludes		Excludes	Excludes
Other structures used for business	Excludes	Excludes	Excludes	Excludes		Excludes	Excludes
Structure used for business	Excludes	Excludes		Excludes			Excludes
Structures over water	Extra	Excludes	Excludes		Extra	Extra	Excludes
Property specifically covered by other insurance	Excess to primary coverage		Excludes			Excludes	Excludes

## 14.(b). What are the wind pool policy residential coverage exclusions?

Several states have more than one residential policy available. We chose to summarize the policy with the broadest coverage, although the other policies may provide some different exclusions.

All residential policies exclude war, nuclear hazard and power failure. The table omits exclusions that do not seem helpful, and condenses others together. It does not list many perils that are listed as exclusions, but are not covered perils under the wind-only policy, such as fire, theft, and explosion.

Blank spaces indicate that the policy does not specifically list the item as property not covered. Some items that are covered may have a special—usually low—limit of liability.

“Extra” means the coverage is excluded but is available by endorsement or if specifically listed on declarations page. This does not necessarily indicate an additional charge. Coverage for excluded items may be available in some states by endorsement or specific listing.

### Residential Exclusion Summary

Cause of Loss	TWIA	Alabama	Florida	Louisiana	Mississippi	North Carolina	South Carolina
Surface water, flood, tides, waves	Excludes	Excludes	Excludes	Excludes	Excludes	Excludes	Excludes
Sewer or drain backup		Excludes	Excludes	Excludes	Excludes	Excludes	Excludes
Accidental discharge (leaking plumbing, heating, a/c, fire sprinkler)					Excludes unless caused by wind or hail		Excludes unless caused by wind or hail
Underground water			Excludes	Excludes	Excludes	Excludes	Excludes
Water or steam		Excludes				Excludes	Excludes
Electrical surge	Excludes						
Mechanical breakdown			Excludes				
Mold, fungi, & micro-organisms	Excludes	Excludes	Excludes		Excludes		Excludes
Intentional loss		Excludes	Excludes	Excludes	Excludes		Excludes
Neglect		Excludes	Excludes	Excludes	Excludes	Excludes	Excludes
Existing damage			Excludes				

<b>Cause of Loss</b>	<b>TWIA</b>	<b>Alabama</b>	<b>Florida</b>	<b>Louisiana</b>	<b>Mississippi</b>	<b>North Carolina</b>	<b>South Carolina</b>
Latent defect, wear & tear			Excludes				Excludes
Fixtures close to tide line			Excludes				Excludes
Defective design or construction				Excludes			Excludes
Asbestos	Excludes						
Earth movement		Excludes	Excludes	Excludes	Excludes		Excludes
Government or civil authority action	Excludes	Excludes	Excludes	Excludes unless caused by wind or hail	Excludes	Excludes	Excludes
Ordinance or Law	Excludes		Excludes	Excludes	Excludes	Excludes unless related to wind or hail	Excludes

## 14.(c). What are the wind pool policy commercial coverage restrictions?

Several states have more than one commercial policy available. We chose to summarize the policy with the broadest coverage, although the other policies may provide some different restrictions.

All commercial policies exclude war, nuclear hazard and power failure. The table omits exclusions that do not seem helpful, and condenses others together. It does not list many perils that are listed as exclusions, but are not covered perils under the wind-only policy, such as fire, theft, and explosion.

Blank spaces indicate that the policy does not specifically list the item as property not covered. Some items that are covered may have a special—usually low—limit of liability.

“Extra” means the coverage is excluded but is available by endorsement or if specifically listed on declarations page. This does not necessarily indicate an additional charge. Coverage for excluded items may be available in some states by endorsement or specific listing.

### Commercial Restriction Summary

Type of Property	TWIA	Alabama	Florida	Louisiana	Mississippi	North Carolina	South Carolina
Accounts, records, books of records, manuscripts	Extra	Excludes	Excludes		Excludes but manuscripts extra		
Money, currency	Excludes	Excludes	Excludes	Excludes			Excludes
Securities, deeds, evidence of debt	Excludes	Excludes	Excludes	Excludes	Excludes		Excludes
Bullion	Extra		Excludes		Extra		
Items made of precious metals			Excludes				
Credit & debit cards			Excludes				
Computer data recovery	Excludes (by implication)		Excludes	Excludes			Excludes
Paper data recovery		Extra	Excludes	Excludes			

Type of Property	TWIA	Alabama	Florida	Louisiana	Mississippi	North Carolina	South Carolina
<b>Business personal property</b>		Excludes while airborne or waterborne	Excludes while airborne, waterborne, or in transit	Excludes while airborne or waterborne	Excludes while waterborne	Excludes while airborne or waterborne	Excludes while airborne, waterborne, in transit, or below ground
<b>Watercraft &amp; hovercraft</b>	Extra unless indoors on land	Excludes unless held for sale, processed, manufactured, warehoused; & row boats and canoes on location out of water	Excludes except inventory & row boats and canoes on location out of water	Excludes unless held for sale, processed, manufactured, warehoused; row boats and canoes on location out of water	Covers held for sale	Excludes unless held for sale, processed, manufactured, warehoused; row boats and canoes on location out of water	Excludes vehicles held for sale
<b>Aircraft</b>	Extra	Held for sale, processed, manufactured, or warehoused are covered	Excludes except inventory indoors	Held for sale, processed, manufactured, or warehoused are covered	Covers held for sale		Excludes aircraft held for sale
<b>Automobiles held for sale</b>		Excludes		Excludes		Excludes	Excludes
<b>Motor vehicles</b>	Extra except for lawn & garden, golf carts, ATVs on location, forklifts, and equipment for assisting handicapped	Excludes licensed or used away from location except when manufactured, processed or warehoused	Excludes except indoor small service machinery or equipment, equipment for handicapped	Excludes licensed or used away from location except when manufactured, processed or warehoused	Extra for outdoor service equipment	Excludes licensed or used away from location except when manufactured, processed or warehoused	Excludes vehicles held for sale
<b>Small service machinery or equipment, equipment for handicapped</b>	Excluded unless indoors	Covers unlicensed motor vehicles held for sale, manufactured, processed or warehoused	Excludes motor vehicles; covers unlicensed motor vehicles used indoors	Excludes automobiles held for sale; covers unlicensed motor vehicles held for sale, manufactured, processed or warehoused		Excludes automobiles held for sale; covers unlicensed motor vehicles held for sale, manufactured, processed or warehoused	Excludes vehicles held for sale
<b>Trailers</b>		Excludes except non-owned detached				Extra	
<b>Amusement equipment</b>			Excludes				
<b>Contraband</b>		Excludes	Excludes	Excludes		Excludes	Excludes

Type of Property	TWIA	Alabama	Florida	Louisiana	Mississippi	North Carolina	South Carolina
Animals	Extra	Excludes unless inventory	Excludes unless inventory indoors	Excludes unless inventory indoors		Excludes unless inventory indoors	Excludes unless inventory indoors
Awnings	Extra		Excludes		Excludes		Excludes
Bridges		Excludes	Excludes	Excludes		Excludes	Excludes
Drives & walkways	Extra	Excludes	Excludes	Excludes		Excludes	
Fences	Excess to primary	Excludes	Extra	Excludes	Extra	Excludes	Excludes
Greenhouses	Extra		Extra		Extra		Extra
Pergolas, cabanas, trellises, gazebos			Extra but only if rigid construction		Extra		Excludes
Swimming pools & jacuzzis			Extra				Excludes
Steeple & fountains			Excludes				
Patios		Excludes	Excludes	Excludes		Excludes	
Retaining walls, breakaway walls unless part of building	Excludes breakaway walls	Excludes		Excludes	Extra	Excludes	Excludes
Radio & tv antennas, towers, dishes	Extra	Excludes	Excludes	Excludes	Extra	Excludes	Excludes
Signs		Excludes	Excludes		Extra		
Free standing smokestacks & silos	Smokestacks extra		Excludes		Extra		Excludes
Underground pipes, flues or drains		Excludes	Excludes	Excludes	Excludes	Excludes	Excludes
Windmills & chargers	Extra, but excludes wind turbines		Excludes		Extra		Excludes
Damage by weather conditions to inside of building or contents inside a building	Excludes rain unless damage caused by wind or hail	Excludes unless damage caused by wind or hail	Excludes unless damage caused by wind or hail	Excludes unless damage caused by wind or hail	Excludes unless opening caused by wind or hail	Excludes unless opening caused by wind or hail	Excludes unless opening caused by wind or hail
Exterior paint & waterproofing			Excludes				Excludes
Growing crops & lawns		Excludes	Excludes	Excludes	Extra	Excludes	Excludes
Trees & shrubs		Excludes except inventory	Excludes	Excludes except inventory	Extra	Excludes except inventory	Excludes except inventory indoors

Type of Property	TWIA	Alabama	Florida	Louisiana	Mississippi	North Carolina	South Carolina
Dirt work		Excludes improperly compacted soil		Excludes when below basement or ground		Excludes	Excludes
Foundations		Excludes foundations when below basement or ground	Excludes when below basement or ground	Excludes when below basement or ground			
Structures, machinery, or boilers below ground		Excludes when below basement or ground	Excludes when below basement or ground	Excludes foundations when below basement or ground	Excludes foundations when below basement or ground	Excludes when below basement or ground	Excludes when below basement or ground
Structures over water	Extra	Excludes	Excludes	Excludes			Excludes
Property specifically covered by other insurance	Excess to primary coverage	Excess to primary coverage		Excess to primary coverage	Excess to primary coverage	Excess to primary coverage	Excess to primary coverage

## 14.(d). What are the wind pool policy commercial coverage exclusions?

Some states have more than one commercial policy available. We chose to summarize the policy with the broadest coverage, although the other policies may provide some different exclusions.

All commercial policies exclude losses caused by war, nuclear hazard, ordinance or law, power failure, and government or civil authority action. The table omits exclusions that do not seem helpful, and condenses others together. It does not list many perils that are listed as exclusions, but are not covered perils under the wind-only policy, such as fire, theft, and explosion.

Blank spaces indicate that the policy does not specifically list the item as property not covered. Some items that are covered may have a special—usually low—limit of liability.

“Extra” means the coverage is excluded but is available by endorsement or if specifically listed on declarations page. This does not necessarily indicate an additional charge. Coverage for excluded items may be available in some states by endorsement or specific listing.

**Commercial Exclusion Summary**

Type of Property	TWIA	Alabama	Florida	Louisiana	Mississippi	North Carolina	South Carolina
Surface water, flood, tides, waves	Excludes	Excludes	Excludes	Excludes	Excludes	Excludes	Excludes
Sewer or drain backup		Excludes	Excludes unless caused by wind or hail	Excludes	Excludes	Excludes	Excludes
Accidental discharge (leaking plumbing, heating, a/c, fire sprinkler)		Excludes unless caused by wind or hail		Excludes sprinkler leakage			
Sudden & accidental tearing apart (hot water system, a/c, fire sprinkler)		Excludes unless caused by wind or hail	Excludes unless caused by wind or hail	Excludes unless caused by wind or hail			
Underground water		Excludes	Excludes	Excludes	Excludes	Excludes	Excludes
Fixtures close to tide line			Excludes				Excludes
Steam explosion		Excludes		Excludes			
Electrical surge	Excludes	Excludes	Excludes	Excludes			

Type of Property	TWIA	Alabama	Florida	Louisiana	Mississippi	North Carolina	South Carolina
Mold, fungi, & microorganisms	Excludes, unless on property damaged by wind or hail	Excludes unless result of wind or hail		Excludes		Excludes unless caused by flood	Extra
Asbestos	Excludes						
Business income/ extra expense	Excludes		Excludes				
Dirt work			Excludes				
Mechanical breakdown		Excludes		Excludes			
Foundations			Excludes				
Pollutant discharge			Excludes unless caused by covered peril				Excludes
Consequential losses			Excludes				Excludes
Intentional loss			Excludes	Excludes			Excludes
Neglect after covered event		Excludes	Excludes			Excludes	
Existing damage			Excludes				
Latent defect, wear & tear			Excludes				Excludes
Defective design or construction			Excludes				Excludes
Earth movement		Excludes	Excludes	Excludes	Excludes	Excludes	Excludes
Acts or decisions by person, group or government			Excludes	Excludes		Excludes	Excludes for building

**15.(a).** What surcharges do the wind pools charge?

State	Premium Surcharges to Fund Losses?		Surcharges for Reasons Other than Funding Shortfalls
	Plan policyholders	Statewide policyholders	
Texas	Yes <sup>1</sup>	No	Yes
Alabama	No	No	No
Florida	Yes <sup>2</sup>	Yes <sup>2</sup>	Yes
Louisiana	Yes <sup>2</sup>	Yes <sup>2</sup>	No
Mississippi	Yes <sup>3</sup>	Yes <sup>3</sup>	No
North Carolina	Yes	Yes	No
South Carolina	No	No	No

*For more detailed information, please see next page.*

<sup>1</sup> All coastal property and auto policies, including plan policyholders, to pay 70% of Class 2 public securities.

<sup>2</sup> Louisiana and Florida assess insurers who then surcharge policyholders to recoup the assessments.

<sup>3</sup> Mississippi assesses insurers, then statewide insurers surcharge policyholders, remit the surcharges to MWUA, and MWUA reimburses assessed carriers. Note: see Texas row on next page.

**15.(b).** What surcharges do the wind pools charge?

State	Premium Surcharges to Fund Losses?		Surcharges for Reasons Other than Funding Shortfalls
	Plan policyholders	Statewide policyholders	
Texas	Yes – all coastal property and auto policyholders to repay 70% of Class 2 public securities	No	Yes, for structures that do not comply with the building code
Alabama	No	No	No
Florida	<p>Yes – Deficit financing:</p> <ol style="list-style-type: none"> <li>1. Citizen’s policyholders are first to be surcharged if a deficit occurs. Surcharge for wind pool account may be up to 15% of policyholder premium.</li> <li>3. Statewide policyholder surcharge, after regular assessment surcharge. Surcharge for wind pool account may be up to 10% of policyholder premium, but can be spread over multiple years.</li> </ol> <p><i>Catastrophe Financing/Reinsurance Surcharge</i> This surcharge enables Citizens to purchase reinsurance and bonds to pay claims resulting from a catastrophe. It applies to personal and commercial wind only policies only.</p>	<p>Yes – Deficit financing:</p> <ol style="list-style-type: none"> <li>2. Surcharge for insurers to recoup Regular Assessments, after policyholder surcharge. Surcharge for wind pool account may be up to 6% of policyholder premium. This surcharge includes surplus lines policyholders, but not Citizen’s policyholders.</li> <li>3. Statewide policyholder surcharge, after regular assessment surcharge. Surcharge for wind pool account may be up to 10% of policyholder premium, but can be spread over multiple years.</li> </ol>	<p><i>Florida Insurance Guaranty Association Surcharge</i> To generate revenue to pay outstanding claims by insolvent Florida insurers. It applies currently to all Citizens policy types except the new Commercial NonResidential Multiperil Program.</p> <p><i>Tax Exempt Surcharge</i> Insurers are required to collect a state tax of .0175 cents per premium dollar for each policy they write in Florida. Although Citizens is a tax exempt entity, this surcharge allows the company to maximize financial resources to pay claims. It applies to all Citizens policy types.</p>

<b>(Florida continued)</b>			<i>Seasonal Occupancy Surcharge</i> A seasonal surcharge of 5% is applicable to all dwellings with continuous unoccupancy of three or more consecutive months during any 12 month period.
<b>Louisiana</b>	Yes -- Market equalization charge for regular assessments  Surcharges for emergency assessments to pay debt service on bonds	Yes -- Surcharge for insurers to recoup regular assessments  Surcharges for emergency assessments to pay debt service on bonds	No
<b>Mississippi</b>	Yes -- to recoup regular assessments back to carriers and to pay bonds if issued.	Yes -- to recoup regular assessments back to carriers and to pay bonds if issued.	No
<b>North Carolina</b>	Yes – after \$1 billion in nonrecoupable assessments to insurers, a catastrophe recovery charge to each policyholder, not to exceed 10% of premium	Yes – after \$1 billion in nonrecoupable assessments to insurers, a catastrophe recovery charge to each policyholder, not to exceed 10% of premium	No
<b>South Carolina</b>	No	No	No

**16.(a).** What are the funding mechanisms for the wind pools?

<b>State</b>	<b>Retained Earnings</b>	<b>Assessments</b>	<b>Reinsurance</b>	<b>Bonds</b>
<b>Texas</b>	Yes	Limited <sup>1</sup>	Yes	Yes
<b>Alabama</b>	Yes	Unlimited	Yes	Yes
<b>Florida</b>	Yes	Limited	Yes	Yes
<b>Louisiana</b>	Yes	Limited	Yes	Yes
<b>Mississippi</b>	Yes	Limited	Yes	Yes
<b>North Carolina</b>	Yes	Limited	Yes	Yes
<b>South Carolina</b>	Yes	Unlimited	Yes	No

<sup>1</sup>Assessments pay for 30% of Class 2 bonds, and 100% of Class 3 bonds. Coastal policyholders pay the remaining 70% of Class 2 bonds through premium surcharges.

*For more detailed information, please see next page.*

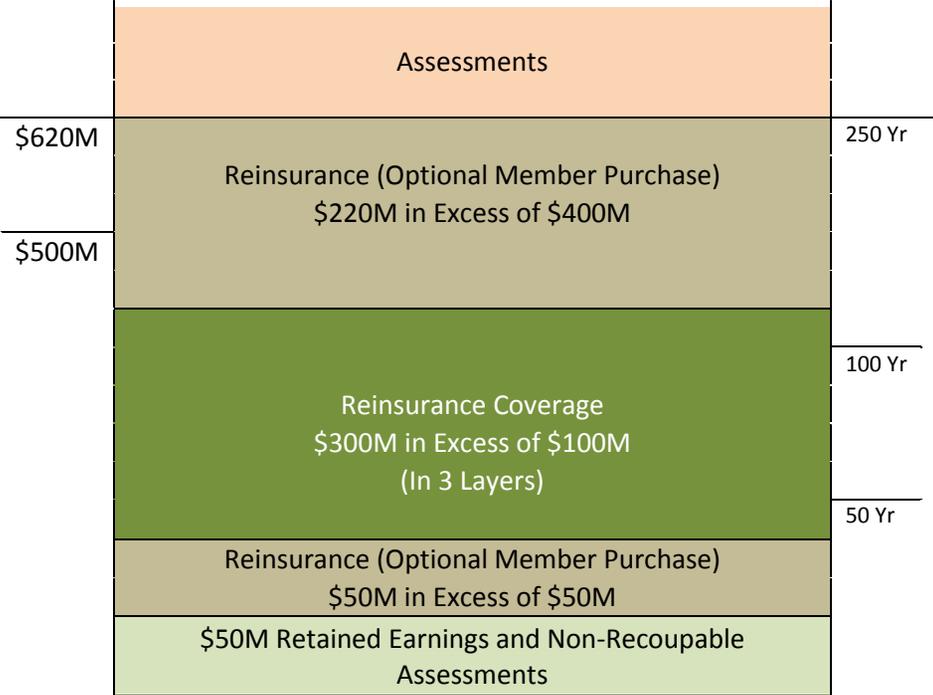
**16.(b).** What are the funding mechanisms for the wind pools?

**2012 WIND POOL FUNDING  
TEXAS**

	Unfunded	
\$3.15B	Reinsurance Coverage \$850M in Excess of \$2.3B	50 Yr
\$2.3B	Class 3 Post-Event Bonds Up to \$500M Authorized (Paid by Insurer Assessments)	
\$1.8B	Class 2 Post-Event Bonds Up to \$1B Authorized (Paid by Premium Surcharges to Coastal Policyholders, Wind Pool Policyholders, and Insurer Assessments)	
\$800M	Class 1 Post-Event Bonds An Additional \$500M in Funding Authorized* (Paid by Wind Pool Policyholders)	
\$800M	Class 1 Pre-Event Bonds \$500M (Paid by Wind Pool Policyholders)	
\$300M	Catastrophe Reserve Trust Fund \$200M Retained Earnings	
	Retained Earnings \$100M	

\*A total of \$1 billion in class 1 bonds are authorized, but the entire \$1 billion may not be marketable. For the purposes of this chart, we assume only \$500 million in class 1 public securities are marketable.

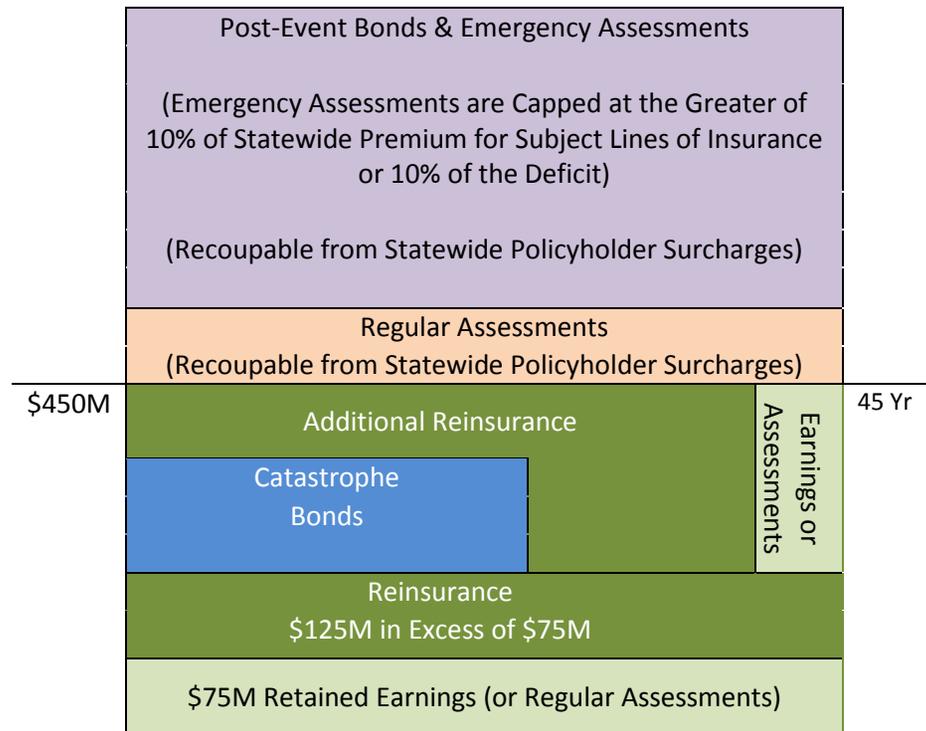
**2012 WIND POOL FUNDING  
ALABAMA**



**2012 WIND POOL FUNDING  
FLORIDA – COASTAL ACCOUNT ONLY**

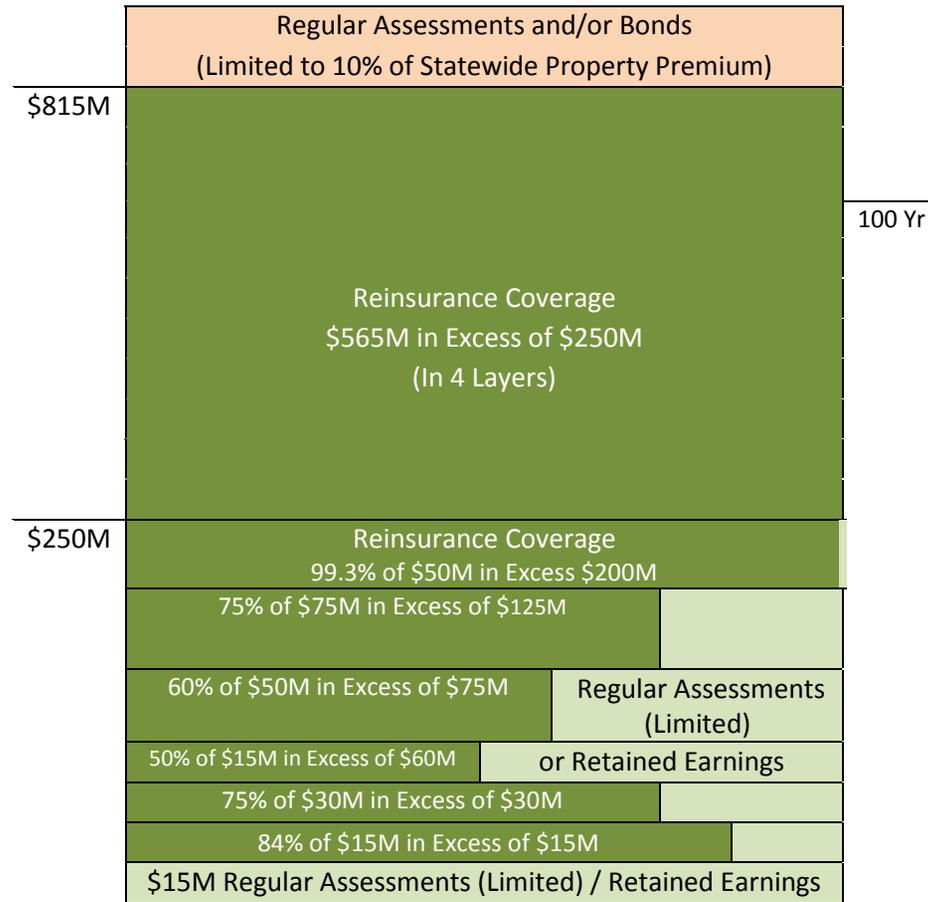
\$14.9B	<p align="center">Emergency Assessments</p> <p align="center">(Up to the Greater of 10% of the Deficit, or 10% of Subject Premium)</p> <p align="center">Recoupable from Statewide Policyholders</p>		100 Yr	
\$9.5B	<p align="center">Regular Assessments \$600M (up to 2% of premium)</p> <p align="center">Recoupable from Statewide Policyholders</p>		50 Yr	
	<p align="center">Add'l Surcharges to Wind Pool Policies \$230M</p>			
	<p align="center">Additional Reinsurance \$500M</p>			\$56M CNR
	<p align="center">Catastrophe Bonds \$750M</p>	<p align="center">Reinsurance \$250M</p>		\$87M CNR
				\$24M CNR
	<p align="center">Surcharges to Wind Pool Policies \$172M</p>			\$19M CNR
\$6.9B	<p align="center">Retained Earnings \$444M</p>	<p align="center">Florida Hurricane Catastrophe Fund Mandatory Coverage 90% of \$4.441B in Excess of \$1.7B</p>	<p align="center">Retained Earnings \$493M Commercial Non-Residential (CNR)</p>	
	<p align="center">Retained Earnings \$1.7B</p>		\$193M CNR	

**2012 WIND POOL FUNDING  
LOUISIANA<sup>1</sup>**

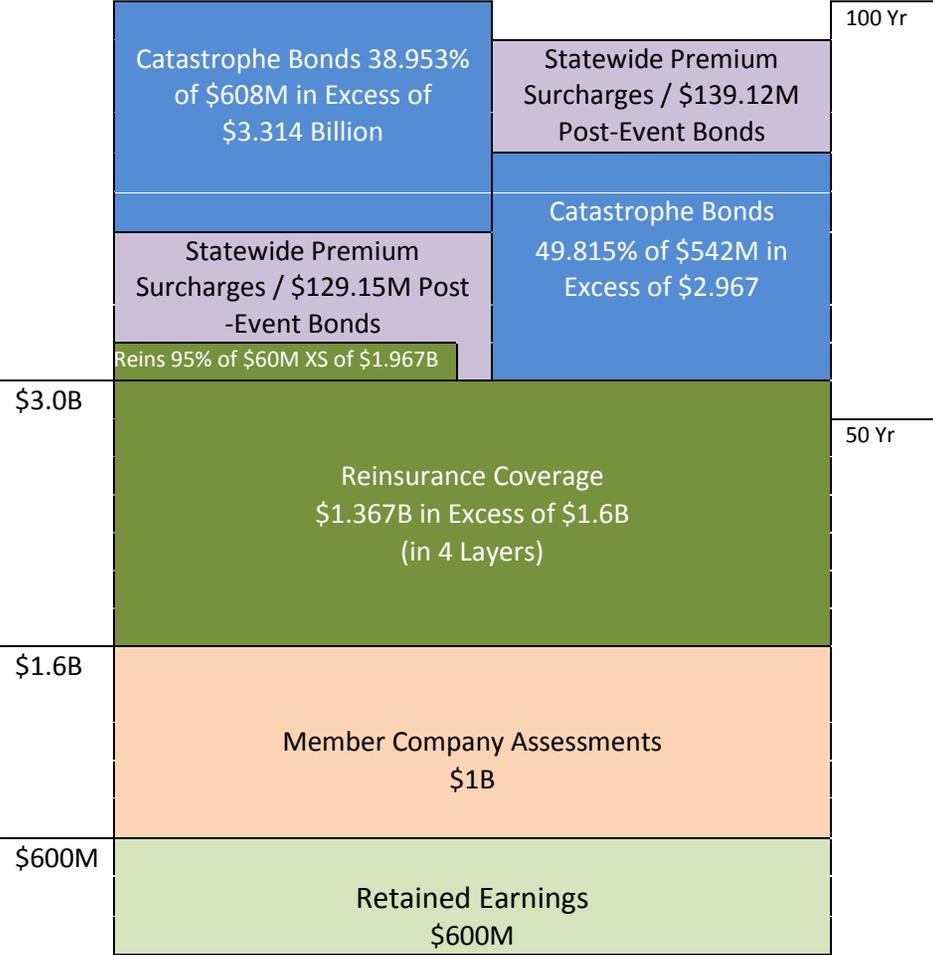


<sup>1</sup>Funding shown is only for the first event. Different reinsurance retentions and limits apply to the second event.

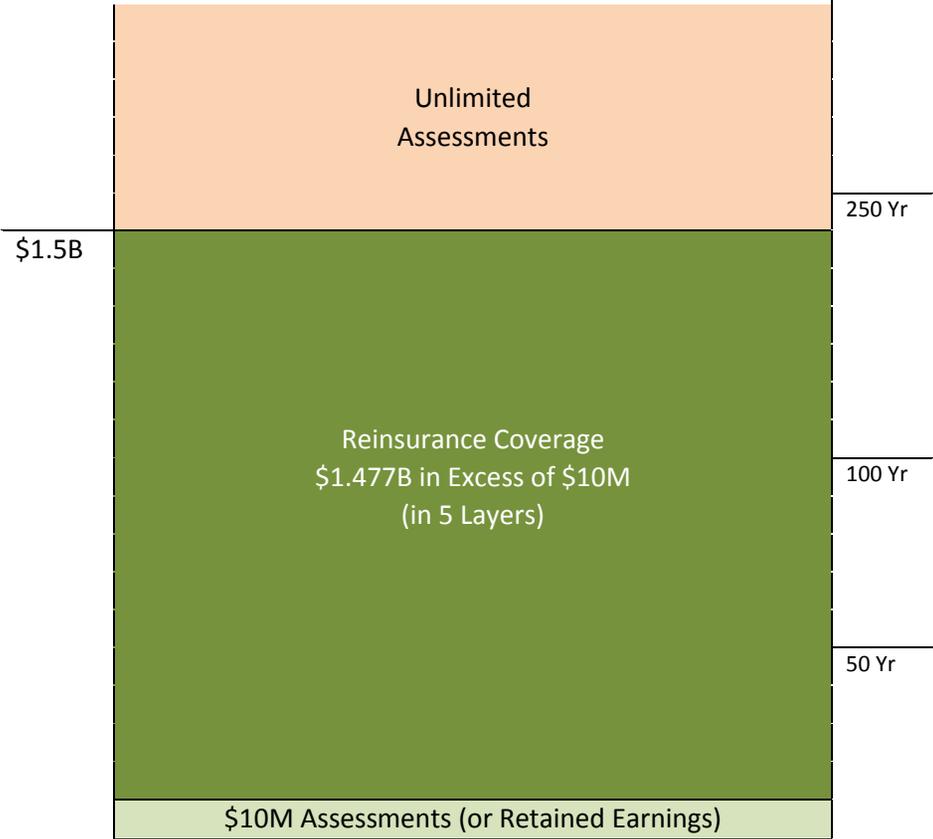
**2012 WIND POOL FUNDING  
MISSISSIPPI**



**2012 WIND POOL FUNDING  
NORTH CAROLINA**



**2012 WIND POOL FUNDING  
SOUTH CAROLINA**



**16.(c).** What are the funding mechanisms for the wind pools?

**Texas**

Use in this order	Layers of Funding	Amount of Funding
5th	Reinsurance	\$850 million after losses of \$2.3 billion
4th	Class 3 Post-Event Debt / Bonds	\$500 million
3rd	Class 2 Post-Event Debt / Bonds	\$1 billion
2nd	Class 1 Pre- and Post-Event Debt / Bonds	\$500 million <sup>1</sup>
1st	Retained Earnings and Catastrophe Reserve Trust Fund	\$300 million

**Alabama**

Use in this order	Layers of Funding	Amount of Funding
7th	Assessments	Unlimited assessments
6th	Reinsurance	5 <sup>th</sup> layer \$220 million after losses of \$400 million*
5th		4 <sup>th</sup> layer \$150 million after losses of \$250 million
4th		3 <sup>rd</sup> layer \$100 million after losses of \$150 million
3rd		2 <sup>nd</sup> layer \$50 million after losses of \$100 million
2nd		1 <sup>st</sup> layer \$50 million after losses of \$50 million*
1st	Retained earnings / Assessments	\$50 million

\*Members may purchase at their option.

<sup>1</sup>Up to \$1 billion of pre- and post-event Class 1 debt may be issued on behalf of TWIA. However, it is expected that only \$500 million of the authorized Class 1 debt will be marketable.

### Florida (coastal account only)

Use in this Order	Layers of funding	Amount of Funding
8 <sup>th</sup>	Emergency Assessments	Up to 10% of the deficit; or 10% of premium. Recoupable from statewide policyholders.
7 <sup>th</sup>	Regular Assessments	\$600 million (2% of premium maximum). Recoupable from statewide policyholders.
6 <sup>th</sup>	Additional Wind Pool Policyholder Surcharges	\$230 million (15% maximum for each account: coastal, personal lines, and commercial lines)
5 <sup>th</sup>	Additional Reinsurance	\$500 million, does not cover commercial non-residential risks
4 <sup>th</sup>	Cat Bonds / Reinsurance	\$750 million / \$250 million, does not cover commercial non-residential risks
3 <sup>rd</sup>	Wind Pool Policyholder Surcharges	\$172 million, does not cover commercial non-residential risks
2 <sup>nd</sup>	Florida Hurricane Catastrophe Fund Coverage	90% of \$4.44 billion in excess of \$1.74 billion, does not cover commercial non-residential risks
1 <sup>st</sup>	Retained Earnings	\$1.74 billion

### Louisiana

Use in this Order	Layers of funding	Amount of Funding
4 <sup>th</sup>	Emergency Assessments	Up to the greater of: (i) 10% of the original deficit; or (ii) 10% of statewide direct premium for subject lines of business.
3 <sup>rd</sup>	Regular Assessments	Up to the greater of: (i) 10% of the original deficit; or (ii) 10% of statewide direct premium for subject lines of business <sup>1</sup>
2 <sup>nd</sup>	Cat. Bonds / Reinsurance	\$375 million <sup>2</sup>
1 <sup>st</sup>	Retained Earnings / Regular Assessments	\$75 million <sup>3</sup>

<sup>1</sup>Insurers may recoup regular assessments from policyholders through a market equalization charge. *See also* LRS 22:2307.

<sup>2</sup>Reinsurance coverage for the first event. The coverage for a second event is \$275 million.

<sup>3</sup>Reinsurance retention for the first event. The retention for a second event is \$50 million.

## Mississippi

Use in this order	Layers of Funding	Amount of Funding
12th	Regular Assessments and/or Bonds	
11th	Reinsurance (100%)	10 <sup>th</sup> layer \$65 million after losses of \$750 million
10th		9 <sup>th</sup> layer \$200 million after losses of \$550 million
9th		8 <sup>th</sup> layer \$200 million after losses of \$350 million
8th		7 <sup>th</sup> layer \$100 million after losses of \$250 million
7th	Reinsurance / Regular Assessments (or Retained Earnings)	6 <sup>th</sup> layer \$49.65 million / \$0.35 million after losses of \$200 million
6th		5 <sup>th</sup> layer \$56.3 million / \$18.7 million after losses of \$125 million
5th		4 <sup>th</sup> layer \$30 million / \$20 million after losses of \$75 million
4th		3 <sup>rd</sup> layer \$7.5 million / \$7.5 million after losses of \$60 million
3rd		2 <sup>nd</sup> layer \$22.5 million / \$7.5 million after losses of \$30 million
2nd		1 <sup>st</sup> layer \$12.6 million / \$2.4 million after losses of \$15 million
1st	Regular Assessments / Retained Earnings	\$15 million

## North Carolina

Use in this order	Layers of Funding	Amount of Funding
7th	Combination of Reinsurance, Catastrophe Bonds, and Post-Event Bonding Authority	Additional Post-event Bonds: \$139.12 million
		Catastrophe Bonds: 38.953% of \$608 million after losses of \$3.314 billion
		Catastrophe Bonds: 49.815% of \$542 million after losses of \$2.967 billion
		Post-event Bonds: \$129.15 million
		Reinsurance: 5th layer 95% of \$60 million after losses of \$2.967 billion
6th	Reinsurance	4 <sup>th</sup> layer \$267 million after losses of \$2.7 billion
5th		3 <sup>rd</sup> layer \$350 million after losses of \$2.35 billion
4th		2 <sup>nd</sup> layer \$375 million after losses of \$1.975 billion
3rd		1 <sup>st</sup> layer \$375 million after losses of \$1.6 billion
2nd	Member Assessments	\$1 billion
1st	Retained Earnings	\$600 million

## South Carolina

Use in this order	Layers of Funding	Amount of Funding
7th	Assessments	Unlimited Member Assessments
6th	Reinsurance	5 <sup>th</sup> layer \$150 million after losses of \$1.337 billion
5th		4 <sup>th</sup> layer \$425 million after losses of \$912 million
4th		3 <sup>rd</sup> layer \$300 million after losses of \$612 million
3rd		2 <sup>nd</sup> layer \$175 million after losses of \$437 million
2nd		1 <sup>st</sup> layer \$427 million after losses of \$10 million
1st	Retained Earnings / Assessments	\$10 million

**17. Does the wind pool cap assessments of members or assessable insurers?**

<b>State</b>	<b>Cap?</b>	<b>Recoupable?*</b>	<b>Details</b>
<b>Texas</b>	Yes	No	Member assessments capped at \$800 million plus interest.
<b>Alabama</b>	No	No	No cap on member assessments. Plan of operations limits first partial assessment to \$2 million per member.
<b>Florida</b>	Yes	Yes	Regular assessments of insurers apply only to the coastal account, and are capped at 2% of premium. Emergency assessments of policyholders are capped at the greater of 10% of the deficit or 10% of policy premium per year.
<b>Louisiana</b>	Yes	Yes	Regular insurer assessments capped at 10% of deficit or 10% of aggregate statewide premium. Emergency assessments of policyholders capped at greater of 10% of deficit or 10% of aggregate statewide premium.
<b>Mississippi</b>	Yes	Yes	Regular assessments capped at greater of 10% of deficit or 10% of aggregate statewide property premium.
<b>North Carolina</b>	Yes	No	Member assessments capped at \$1 billion. Policyholder pays catastrophe reserve charge ≤10% of annual policy premium.
<b>South Carolina</b>	No	No	No cap on member assessments.

\* **“Yes”** indicates assessment is recoupable via policyholder surcharge or direct pass-through.

**“No”** indicates no specific statutory provision; assessments possibly recouped through rate increase.