



MEMORANDUM

DATE: September 7, 2021

TO: Property & Casualty Filings Intake, Texas Department of Insurance

FROM: Cindy Watkins, Manager, Legal & Compliance

RE: New TWIA "Endorsement No. (TWIA) 419 Other Structures on the Described Location Increased Limits"

Introduction

In accordance with Title 28 Texas Administrative Code 5.4911, Texas Windstorm Insurance Association ("TWIA") is submitting the new "Endorsement No. (TWIA) 419 Other Structures on the Described Location Increased Limits" for Commissioner approval. TWIA created this endorsement in an effort to mitigate potential drawbacks of the current framework used to cover appurtenant structures.

Current Framework for Covering Other Structures

TWIA currently offers coverage against windstorm and hail losses for appurtenant structures in the "Covered Property, Coverage A (Dwelling)" section in the TWIA Dwelling Policy (Provision 5). The policy limits the liability for other structures to 10% of the Coverage A (Dwelling) limit of liability and specifies that this is not additional insurance, nor does it increase the Coverage A (Dwelling) limit of liability. Due to the underlying framework of TWIA's current policy administration system, which is based on commercial lines, policyholders have the capability of scheduling other structures in addition to their primary dwelling on their residential policy. Related limitations on coverage are spelled out in the "Property Not Covered" section of the TWIA Dwelling Policy. This current framework has several potential drawbacks, including the risk of a policyholder being underinsured in the event of a total loss and difficulty in specifically valuing each "other structure" when the structures are scheduled.

Proposed Framework for Covering Other Structures

In order to mitigate these issues, TWIA is proposing a new, optional, endorsement for additional premium to provide separate and additional coverage for other structures as an alternative to the current policy provision. When the optional endorsement is selected by an agent at application, the endorsement will enable the agent to select an additional amount of coverage for other structures in the aggregate, in increments of ten percentage points, up to fifty percent of the total limit for Coverage A. The rate for the



proposed endorsement has been filed separately. As is the case today, if policyholders would like to secure a specific amount of coverage for another structure, they may still do so by writing the structure on its own policy. Please note, Provision 5 will remain in place when the optional endorsement is not selected.

Benefits of Proposed Structure

TWIA believes providing this option will expand agents' and policyholders' ability to customize coverage to better fit their individual insurance needs. In addition, the endorsement brings visibility to this coverage for other structures that may mitigate potential confusion and frustration that arises when policyholders under the current framework encounter a large loss.

TWIA Implementation

TWIA has identified 2,317 current policyholders who currently have other structures scheduled on their policy and will be affected by the new procedure if the proposed endorsement and rate are approved. TWIA will contact the agent of each affected policyholder to explain the new process for insuring other structures and determine the best method for the policyholder to retain their current coverage or tailor their coverage as permitted with the new endorsement.

Attached please find a clean copy of the newly created endorsement.