

Texas Windstorm Insurance Association  
 Law & Ordinance Coverage  
 Development of Rates

Residential and Commercial: No Coverage Included in Base Policy

(1) Optional Extra L&O Coverage as % of Coverage <u>A Limit</u> (a)	(2) Indicated Increase in Base Coverage A <u>Rates</u> (b)	(3) Additional Charge For Optional L&O Coverage as % of <u>Coverage A Premium</u> (c)
0%	0.0%	N/A
5%	0.0%	7.0%
10%	0.0%	11.6%
15%	0.0%	14.0%
25%	0.0%	15.7%

Notes: (a) Exhibit 2, Column (3)  
 (b) Exhibit 2, Column (5)  
 (c) Exhibit 2, Column (6)

Texas Windstorm Insurance Association  
 Law & Ordinance Coverage  
 Development of Rates

Indicated TWIA Premium Charges -- With No Coverage Included as Mandatory Minimum

(1)	(2)	(3)	(4)	(5)	(6)
	Total L&O Coverage				
	For Any Size Policy				
For \$100,000 Coverage A Policy	Mandatory L&O Coverage Limit Included in Base Policy	Optional Extra L&O Coverage as % of Coverage A Limit	Charge for Coverage as Percent of Coverage A Premium		
(a)		(b)	Total (c)	Mandatory Portion (d)	Optional Portion (4)-(5)
\$5,000	\$0	5%	7.0%	0.0%	7.0%
\$10,000	\$0	10%	11.6%	0.0%	11.6%
\$15,000	\$0	15%	14.0%	0.0%	14.0%
\$25,000	\$0	25%	15.7%	0.0%	15.7%

Notes: (a) Exhibit 3, Column (7)  
 (b) [(1) - (2)] / \$100,000  
 (c) Exhibit 3, Column (13)  
 (d) No mandatory coverage, so no charge

Texas Windstorm Insurance Association  
Law & Ordinance Coverage  
Development of Rates

Implied Percent Change to Coverage Limit Ratios from Texas Personal Lines Manual  
Based on \$100,000 Average Policy Size (Coverage A Limit)

(1) Total L&O Coverage	(2) L&O Coverage Layer			(4) Width (3)-(2)	(5) Incremental Charge for Layer (a)	(6) Ratio of Layer Charge to Width (b)
	Bottom	Top				
\$5,000	\$0 to	\$5,000		\$5,000	N/A	N/A
\$15,000	\$5,000 to	\$15,000		\$10,000	6.5%	6.5%
\$20,000	\$15,000 to	\$20,000		\$5,000	1.0%	2.0%
\$30,000	\$20,000 to	\$30,000		\$10,000	1.0%	1.0%

Selected Percent Charge to Coverage Limit Ratios for TWIA's Proposed Coverage  
Based on \$100,000 Average Policy Size (Coverage A Limit)

(7) Total L&O Coverage	(8) L&O Coverage Layer			(10) Width (9)-(8)	(11) Ratio of Layer Charge to Width (c)	(12) Incremental Charge for Layer (d)	(13) Cumulative Charge for Coverage (e)
	Bottom	Top					
\$5,000	\$0 to	\$5,000		\$5,000	14.0%	7.0%	7.0%
\$10,000	\$5,000 to	\$10,000		\$5,000	8.7%	4.6%	11.6%
\$15,000	\$10,000 to	\$15,000		\$5,000	4.3%	2.3%	14.0%
\$20,000	\$15,000 to	\$20,000		\$5,000	2.0%	1.1%	15.0%
\$25,000	\$20,000 to	\$25,000		\$5,000	1.3%	0.7%	15.7%
\$30,000	\$25,000 to	\$30,000		\$5,000	0.7%	0.4%	16.1%

Notes: (a) Exhibit 4, Column (7)

(b) (5) / (4) \* 10,000

(c) \$0-\$5,000 Layer: Selected based on fit with other layers.

Other Layers: Selected based on corresponding layer entry in Column (6) and consideration that the ratio should decrease at a decreasing rate for higher layers.

(d) (10) \* (11) / 10,000 \* [1 + Incremental Charge for first \$5,000 layer]

(e) Cumulative sum of (12)

Texas Windstorm Insurance Association  
Law & Ordinance Coverage  
Development of Rates

Current Texas Personal Lines Manual Rates  
For All Size Policies

(1) Mandatory L&O Coverage Limit Included in Base Policy <u>(a)</u>	(2) Optional Extra L&O Coverage as % of Coverage A Limit <u>(a)</u>	(3) Additional Charge For Optional L&O Coverage as % of Coverage A Premium <u>(a)</u>
\$5,000	0%	N/A
\$5,000	10%	6.5%
\$5,000	15%	7.5%
\$5,000	25%	8.5%

Current Texas Personal Lines Manual Rates  
Example for a \$100,000 Coverage A Policy

(4) Mandatory L&O Coverage Limit Included in Base Policy <u>(a)</u>	(5) Optional Extra L&O Coverage For a \$100,000 Coverage A Policy <u>(b)</u>	(6) Combined L&O Coverage For a \$100,000 Coverage A Policy <u>(4)+(5)</u>	(7) Charge for Combined L&O Coverage as Percent of Coverage A Premium <u>Incremental</u> <u>(c)</u>	(8) Charge for Combined L&O Coverage as Percent of Coverage A Premium <u>Cumulative</u>
\$5,000	\$0	\$5,000	N/A	N/A
\$5,000	\$10,000	\$15,000	6.5%	N/A
\$5,000	\$15,000	\$20,000	7.5%	N/A
\$5,000	\$25,000	\$30,000	8.5%	N/A

Notes: (a) Texas Personal Lines Manual  
 (b) (2) \* \$100,000  
 (c) Column (3). Current TPLM charge for the mandatory \$5,000 layer is included in the base TLPM rates.