



Randy Wipf, CIC
Vice President – Underwriting / Agent Services

MEMORANDUM

DATE: October 13, 2009

TO: All Agents

RE: **180-Day Minimum Retained Premium on TWIA Dwelling, Commercial, and Mobile Home Policies (Except Builder's Risk Policies)**

On or after November 1, 2009, all TWIA policies will have a minimum retained premium equal to the greater of 180 days of the annual policy term or \$100. (fully earned on the effective date of the policy). For the following exceptions a \$100 minimum retained premium applies to the policyholder:

1. Replacement of the Association policy with similar coverage in the voluntary market;
2. Change in majority interest, including sale of the property to an unrelated party;
3. Foreclosure of the property insured in the Association policy;
4. Death of the policyholder;
5. Total loss of the property insured, including demolition; or
6. Builder's risk policies

The minimum retained premium does not apply to policies cancelled by the Association.

IMPORTANT NOTICE ON PREMIUM FINANCED POLICIES: Policies canceled by a premium financier will be refunded to the premium financier on a pro rata basis, subject to a \$100 minimum retained premium; however, the policyholder will owe the Association the unpaid balance of the 180-day minimum retained premium resulting from the cancellation and will not be eligible for new coverage until the balance is paid. Payment of the balance due for the 180-day minimum retained premium will not create or extend coverage beyond the policy's effective cancellation date resulting from the premium financier's request to cancel coverage. Additionally, on future policies for that insured, the Association will no longer make a pro-rata refund to any premium financier based on a \$100 minimum retained premium. Consequently premium financiers are subject to the 180-day minimum retained premium provision for insureds that have had a prior premium financed policy canceled within 180 days of the policy's inception. Premium financiers can contact the Association to determine if an insured had a prior TWIA policy financed where there is an unpaid balance due the Association.

All TWIA policy forms (edition date 11/01/2009) have been changed to reflect the new minimum retained premium.

WE'VE ATTACHED A NOTICE, WHICH WE SUGGEST THAT AGENTS GIVE THEIR CLIENTS, TO HELP EXPLAIN THE NEW MINIMUM RETAINED PREMIUM PROVISIONS.

IMPORTANT NOTICE

IF YOU CANCEL YOUR POLICY BEFORE 180 DAYS, YOU COULD SURRENDER A SIGNIFICANT PORTION OF YOUR PREMIUM

Your TWIA windstorm policy is subject to a minimum retained premium equal to the greater of 180 days of the annual policy term or \$100, unless one of the 6 exceptions listed below applies. If you cancel your policy within 180 days of the effective date of the policy, TWIA will keep the remaining portion of the premium necessary to cover 180 days of the policy period and no coverage will be provided beyond the date of your cancellation. Any portion of the premium in excess of \$100 and beyond the minimum retained premium of 180 days will be refunded to you on a pro rata basis.

If you finance your policy through a premium finance company and you cancel your policy within 180 days of the effective date of the policy, you will owe TWIA any unpaid balance of the 180-day minimum retained premium resulting from your cancellation. You will not be eligible for windstorm coverage through the Association until any balance due has been paid. Payment of the unpaid balance does not provide coverage for any damage that may have occurred between the date of cancellation and the payment of the balance.

Exceptions to the 180-day minimum retained premium rule (subject to a \$100 minimum premium): Your windstorm policy is not subject to a 180-day minimum retained premium under the following circumstances:

1. Replacement of the Association policy with similar coverage in the voluntary market;
2. Change in majority interest, including sale of the property to an unrelated party;
3. Foreclosure of the property insured in the Association policy;
4. Death of the policyholder;
5. Total loss of the property insured, including demolition; or
6. Builder's risk policies

If any of the above exceptions occur, a \$100 minimum retained premium still applies. Any portion in excess of the earned premium beyond the minimum retained premium of \$100 will be refunded to you on a pro rata basis.

PLEASE READ YOUR POLICY

This notice is not a substitute for actual policy language and is only meant to remind the policyholder of the policy's cancellation provisions. Read the policy's cancellation provisions and/or contact your agent for guidance before deciding to cancel coverage.

Texas Windstorm Insurance Association

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