

## PREPARING FOR THE 2011 HURRICANE SEASON

### HURRICANE SEASON: JUNE 1<sup>ST</sup> TO NOVEMBER 30<sup>TH</sup>

These are dates that those living along the Texas gulf coast have become all too aware of in the past few years. To prepare for this year’s season, you should carefully review your windstorm policy schedule and terms and conditions to be sure you understand your coverage and receive maximum reimbursement in the event of a loss.

This newsletter is provided by Victor O. Schinnerer & Company (VOSCO) to guide you in making sure your windstorm coverage is up-to-date with Texas Windstorm Insurance Association (TWIA) requirements. VOSCO offers brokered insurance services to the Texas Municipal League Intergovernmental Risk Pool’s (TMLIRP) members to access coverage outside the scope of the Pool’s program. To obtain more detailed information, or if you have questions regarding your current windstorm coverage, please contact your VOSCO underwriter for assistance. VOSCO’s contact information can be found on the back page of this newsletter. You can also visit the TWIA website at [www.twia.org](http://www.twia.org).

### SECURING ADEQUATE COVERAGE

#### Property Values

Property values have become the “hot” topic in the past year and it is important your scheduled values be adequate. TWIA uses the Marshall & Swift/Boeckh (MSB) program to determine replacement cost valuations for buildings and certain other structures. The MSB program takes into account the following:

- Occupancy
- Construction
- Square footage
- Exterior walls
- HVAC

As compared to other property valuations, TWIA’s MSB program also includes assumptions for:

- Floor finish
- Wall finish
- Ceiling finish
- Fire protection
- Plumbing
- Electrical

In addition to the structure itself, TWIA includes attached machinery and equipment within the building value, but only if they are used in “running” the building.

Note, however, that the TWIA definition of “building” does not include items that, while attached to the covered building, are not part of the building itself. The definition also excludes miscellaneous items that are at the same location as a covered building but not attached. For example, the following items MUST be specifically scheduled to be covered:

- Communications towers
- Antennas
- Fences
- Flagpoles
- Outside signage

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#### Coinsurance

Accurate valuation is essential to meet TWIA coinsurance requirements. TWIA will not pay the full amount of any loss if the full value of covered property at the time of loss multiplied by the coinsurance percentage shown in the declarations is greater than the limit of liability shown on the policy. When an MSB calculation is done (or at any other time), TWIA will give you the opportunity to increase the value of your property to meet the coinsurance requirement. Coinsurance options available are 80% and 100%. It is advantageous to carry the 80% coinsurance option, but insure your properties to full replacement value. The consequences of not increasing values prior to a loss are:

- Elimination of TWIA Form 164—Replacement Cost Coverage; and
- Application of actual cash value (ACV) as the valuation basis.

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There is a significant difference in loss payment between these valuation methods. If inadequate values are discovered at the time of loss, a coinsurance penalty will apply, reducing the amount of your loss payment.

## Property Schedules

Windstorm property schedules are provided with all renewal proposals. Each location on the schedule should be carefully reviewed to ensure that coverage is in place to pay for damages in the event of a loss.

Coverage for newly purchased, acquired, or constructed buildings is not automatic, nor can coverage be “backdated.” Notify your VOSCO underwriter when any item is acquired that you wish to add to your TWIA policy.

Questions to ask when reviewing the schedule:

- Are all desired properties covered for windstorm damage?
- Are property values adequate to meet the policy coinsurance requirement?
- Is all identifying information correct? (Inaccurate information could impact your claim.)
  - physical address
  - occupancy of the building
  - date of construction
  - square footage of the building
  - type of construction

## Additional Coverages

TWIA offers optional coverages by endorsement for an additional cost. These coverages, described below, offer additional remedies should a loss occur. Contact your VOSCO underwriter for additional details about these optional coverages.

**Increased Cost of Construction (TWIA Form 432):** covers increased costs to meet current building codes and ordinances when repairing or rebuilding due to a covered loss. Increased Cost of Construction may be applied to individual buildings. Limits available as a percentage of Coverage A (building) limit of liability are:

- 5%
- 10%
- 15%
- 25%

**Business Income/Extra Expense (TWIA Form 17):** is for loss of income due to a covered loss (loss of rents of a community building, convention center, etc). This coverage includes \$10,000 of extra expense coverage for temporary relocation while repairs are being made. Business Income/Extra Expense may be applied to individual buildings. There is a waiting period (deductible) of 168 hours (7 days) after the loss before coverage applies. Limits available are:

- \$50 minimum to \$1,000 maximum per day;
- Number of days covered must be between 60 and 365 days (in 30-day increments); and
- Maximum amount of coverage of \$100,000.

## Important Exclusions Under the TWIA Policy

The TWIA policy is a “named perils” form, meaning it is limited to loss caused by windstorm and hail. (You will need to review your policy form for a complete listing of exclusions.) It does not cover other perils such as:

- Flood; and
- Rain, whether driven by the wind or not, unless wind or hail first makes an opening in the walls or roof of the described building.

## Building Code Certificate of Compliance

A certificate of compliance, known as a WPI-8, issued by the Texas Department of Insurance (TDI) certifies that a structure has been erected, altered, or repaired according to building construction requirements for windstorm coverage through TWIA. A registered engineer is required to make the inspection and certify repairs. TDI may offer free inspections to qualifying properties if scheduled prior to construction. For a complete list of TDI-approved engineers or for additional information, contact TDI at (800) 248-6032 or visit their website at [www.tdi.state.tx.us](http://www.tdi.state.tx.us).

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WPI-8s are required when:

- A building was constructed after January 1, 1988.
- When major repairs, roof repairs, or additions have been made to the building.

## **TWIA Rates, Limits, Deductibles, and Minimum Premiums**

- TWIA implemented a 5% rate increase effective January 1, 2011.
- The maximum limit available per location (building and contents combined) is \$4,424,000.
- Deductibles apply to each scheduled item for each occurrence and may be subject to a minimum deductible.
- A minimum earned premium of 180 days coverage, but not less than \$100, applies.

## **Flood Insurance**

- TWIA requires that flood coverage be in place on properties located in the National Flood Insurance Program (NFIP) designated Flood Zones V, VE, or V1-30 that have been constructed, altered, remodeled, or enlarged on or after September 1, 2009.
- This requirement applies to both new and renewal policies.
- This requirement does not extend to structures being "repaired." "Repair" is defined as any reconstruction or restoration of an existing structure that is deteriorated or damaged.
- It is the insured's responsibility to identify and disclose to VOSCO any properties located in these zones.

Non-compliance with these requirements could seriously impact windstorm claims when they are filed. VOSCO windstorm underwriters can assist in the placement of flood coverage. Fidelity National Indemnity Insurance Company is VOSCO's issuing carrier for the NFIP. For additional information, contact your VOSCO underwriter or visit the NFIP website at [www.fema.gov](http://www.fema.gov).

- Maximum limits available per building are \$500,000; minimum limits are \$20,000. Content limits are up to a maximum of \$500,000.
- Deductibles range from a minimum of \$1,000 to a maximum of \$25,000.
- Loss valuation is based on actual cash value.
- Full payment, comprehensive worksheets, elevation certificates, and photos of the building dated within 90 days are required to place coverage.
- There is a 30-day waiting period from the date the application is received (including payment) by Fidelity until the effective date of the policy.

TMLIRP also offers flood coverage. The Pool's coverage is in excess of the amount available from NFIP for locations:

- In Special Flood Hazard Area "A" zones; or
- On a barrier island or on any land mass on the Gulf of Mexico side of the Intracoastal Waterway, regardless of flood zone.

Coverage is excluded in "V" zones unless you specifically request coverage and pay an additional contribution. If purchased, the Pool's coverage is in excess of the amount available from NFIP.

## **What to Do in the Event of a Loss**

Report claims promptly. Protect property to prevent further damage. Take pictures or video, if possible, of all property in its original damaged state. Keep receipts for costs of temporary repairs. Windstorm claims should be reported to TMLIRP at:

- (800) 537-6655;
- (512) 970-0682 after hours/weekends; or
- (512) 431-1028 after hours/weekends.

Once a storm has entered the Gulf of Mexico, TWIA will not accept any new business or increase values on existing locations. At no time does VOSCO have binding authority. Now is the time to make sure the coverage that you need is in place. Contact your VOSCO underwriter to keep your policy up-to-date and your property adequately covered.

## SCHINNERER'S CONTACT INFORMATION

We are located at:

**1000 Main, Suite 2850, Houston, TX 77002**

You can contact our windstorm underwriters as follows:

- Michael McClanahan, Assistant Vice President  
ph: (713) 652-5431; email: [Michael.J.McClanahan@Schinnerer.com](mailto:Michael.J.McClanahan@Schinnerer.com)
- Belinda Wallace, Team Leader, Account Executive  
ph: (713) 652-5405; email: [Belinda.G.Wallace@Schinnerer.com](mailto:Belinda.G.Wallace@Schinnerer.com)
- Tonya McPherson, Account Executive  
ph: (713) 652-5447; email: [Tonya.M.McPherson@Schinnerer.com](mailto:Tonya.M.McPherson@Schinnerer.com)
- Heena Patel, Senior Account Executive  
ph: (713) 652-5424; email: [Heena.A.Patel@Schinnerer.com](mailto:Heena.A.Patel@Schinnerer.com)

If you have any questions or need changes made to your windstorm policy, please contact your VOSCO underwriter. We appreciate your business and look forward to serving your future needs.

*This newsletter is for illustrative purposes only and is not a contract. It is intended to provide a general overview of the policy described. Nothing contained herein should be construed as an acknowledgment by Schinnerer that a given situation may be covered under a particular policy. © 2011, Victor O. Schinnerer & Company, Inc.*



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