

PREPARING FOR THE 2010 HURRICANE SEASON

As the 2010 hurricane season draws near, those residing along the gulf coast should be reviewing their emergency evacuation plans, restocking emergency supplies, and reviewing their windstorm insurance policy. During such a review, members should be aware of several significant changes recently made to the Texas Windstorm Insurance Association (TWIA), the primary source of windstorm coverage for members located in those counties bordering the gulf.

This newsletter was created by Victor O. Schinnerer & Company (VOSCO) to help make sure that your windstorm insurance is up-to-date with all of the TWIA's changes. To obtain more detailed information, please see "Windstorm Coverage 2010" at www.PublicEntities.com. If you have any questions about your current windstorm coverage, please contact our office and we will be glad to assist you. Schinnerer's new contact info can be found on page 4.

RECENT CHANGES

Highlights of House Bill 4409—New Eligibility Requirements

Several legislative changes took place in 2009 that impact windstorm coverage. HB 4409, which was enacted by the 81st Texas Legislature, changed a number of items regarding TWIA's governing statute including, but not limited to, eligibility requirements. Applicants must now comply with the following eligibility requirements to have their new application or renewal application accepted and approved by TWIA. Failure to comply with these new eligibility requirements may result in a claim being denied.

- **Declinations:** Effective 9/10/09, applicants must have been declined by at least one standard market. Declinations from surplus lines carriers do not satisfy this requirement. This responsibility is that of VOSCO and will be handled by your underwriter.
- **Flood Insurance:** Effective 9/1/09, flood coverage will be required if the property is located in any designated National Flood Insurance Program (NFIP) flood zones V, VE, or V1-30, and has been constructed, altered, remodeled, or enlarged since 9/1/09. Limits must be the lesser of 90% of the TWIA insured value or the maximum limit available from NFIP. It will be the insured's responsibility to identify and disclose this information. Flood zones can be determined by visiting www.FloodSmart.gov. VOSCO's windstorm underwriters can assist you with the placement of flood coverage.

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Policy Changes

Changes to windstorm coverage relating to retained premiums and limits also took place in late 2009 and early 2010.

- Effective 11/1/09, a minimum premium was implemented. The minimum premium is equal to 180 days coverage or \$100, whichever is greater (exceptions may apply).
- Effective 1/1/10, limits were increased to \$4,424,000 for commercial or governmental buildings and \$1,773,000 for dwelling or residential properties.

IMPORTANT REMINDERS

While it's important to stay up-to-date on changes as they become effective, insureds must also remember those items that have not changed but are still vital in the process to determine adequate wind coverage for properties.

It's important to understand what is and is not covered by a windstorm insurance policy.

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What Is Covered by Your TWIA Policy

- Direct physical loss to covered property caused by windstorm or hail only.

Some Examples of Items Not Covered by Your TWIA Policy

- Flood;
- Rain (wind-driven or not)—unless wind first creates an opening in a building;
- Power failure; and
- Unscheduled items—for example, antennas, satellite receiving equipment, and outside signage.

For more information on items not covered, refer to the “Property Not Covered” and “Exclusion” sections of your current policy. See also “Windstorm Coverage 2010” at www.PublicEntities.com.

The determination of a property’s value is critical (1) to ensuring that coverage is appropriately priced and (2) in the event of a claim, ensuring that an insured is not penalized for under reporting values.

Property Valuations

- Since 2008, TWIA has required that Marshall & Swift/Boeckh Replacement Cost Calculations be conducted to establish minimum required values for your property. It is crucial that VOSCO has accurate information about the property for the year built, square footage, construction type, occupancy, and descriptions for each of your insured locations.
- TWIA and the Texas Municipal League Intergovernmental Risk Pool (TML-IRP) property values will not always match. Reviewing the “No Wind Schedule” provided with your proposal can help identify unscheduled items or gaps in coverage.
- It is recommended that limits of insurance purchased from TWIA reflect a current full replacement cost in accordance with the TWIA definitions and rules.
- Because of TWIA windstorm policy provisions, it is important that windstorm insurance values are discussed directly with your VOSCO underwriter.

Other important factors to remember in deciding on what level of windstorm coverage to purchase include your coinsurance option, your deductible level, wind certifications, and optional coverages to enhance the base coverage.

Meeting Coinsurance Requirements

- You have the option of choosing an 80% or 100% coinsurance option. At the time of a loss, the limit of insurance you purchase must be at least equal to the actual replacement value of your property times the coinsurance option chosen.
- A penalty will be assessed at the time of loss if coinsurance requirements have not been met. The penalty is a percentage in direct relation to the amount the property was undervalued.

Deductibles

- Deductibles are a percentage applied separately to each scheduled building and contents item, per occurrence.
- Deductible options for TWIA include 1%, 2%, and 5% and are subject to a \$1,000 minimum for commercial policies and \$100 minimum for residential policies.
- The percentage deductible selected is calculated as a percentage of the total insurance limit for any particular item (not as a percentage of the loss).

WPI 8 Wind Certification

- Certifications are required on items rated as buildings that were constructed after January 1, 1988.
- Certifications are required when there have been major repairs or reconstruction (including additions) to the building.
- The Texas Department of Insurance may offer free inspections to qualifying properties if scheduled prior to construction. For more information regarding this service, go to www.tdi.state.tx.us.

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Optional Coverages Available for an Additional Premium

- **Business Income/Extra Expense Coverage:** This coverage pays up to \$1,000 per day (\$100,000 maximum) for loss of income due to a covered loss. A maximum of \$10,000 of extra expense will be included when business income coverage is selected. This pays for additional expense incurred to avoid or minimize the suspension of operations.
- **Increased Cost of Construction:** This coverage pays the increased costs incurred when it is required to rebuild or repair a property in accordance with applicable building codes or ordinances.

REPORTING CLAIMS

To ensure the timely and proper handling of claims, it is important that the claim be reported as soon as possible. Claims should initially be filed with the TML-IRP claims department, which will then coordinate with VOSCO for appropriate TWIA notification.

All windstorm claims should first be reported to TML-IRP at:

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

Your VOSCO underwriter will provide assistance with TWIA claim questions or disputes. Please use the contact information found on page 4 of this newsletter.

TWIA is implementing **new** web applications so that policyholders can view information online for their existing claims. Policyholders can now access contact information for their agent and adjuster, view detailed information for existing claims, and manage their own temporary claim contact information. Visit www.twia.org/policyholders.aspx to learn more.

For additional information on claims, please see "Windstorm Coverage 2010" at www.PublicEntities.com.

ADDITIONAL CONSIDERATIONS

Beyond the considerations listed on the first few pages of this newsletter, the following considerations are also important. Answering these questions ahead of time can go a long way toward easing trouble later.

- Review your windstorm property location schedule carefully when you receive your proposal. Is everything scheduled that needs to be? Are there scheduled items covered that you could absorb the cost of repair if they are damaged or destroyed? Are values adequate to avoid coinsurance penalties?
- Carefully consider all deductible options to select the option that best fits your needs.
- Communication towers, signs, lights, and playground equipment are not covered unless specifically scheduled on your policy (even if attached to a covered building). Are there similar items that you need scheduled on your policy?
- Contact your VOSCO underwriter if you have any questions you'd like to discuss.

Insurance is the last thing you want to worry about in the face of a disaster. As insurance requirements, location schedules, and valuations of your property are continuously changing, it's important to review all of these items at each renewal. Review your evacuation plans, restock your supplies, and contact your VOSCO underwriter to keep your windstorm coverage up-to-date and accurate.

SCHINNERER'S NEW CONTACT INFORMATION

Victor O. Schinnerer's Houston Office has moved! We are now located at: **1000 Main, Suite 2850, Houston, TX 77002**

You can contact our underwriters as follows:

- Michael McClanahan, Assistant Vice President
ph: (713) 652-5431; email: Michael.J.McClanahan@Schinnerer.com
- Belinda Wallace, Team Leader, Account Executive
ph: (713) 652-5405; email: Belinda.G.Wallace@Schinnerer.com
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- Lisa Hammond, Account Executive
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- Heena Patel, Senior Account Executive
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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 acknowledgement by Schinnerer that a given situation may be covered under a particular policy. © 2010, Victor O. Schinnerer & Company, Inc.



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