

Mr. Mark Ray  
Borden Insurance Agency  
P.O. Box 1066  
Corpus Christi, Texas 78403

# Is TWIA a ..... Market of Last Resort?

## It Is for Agents.

Independent agents report a deteriorating voluntary market for windstorm insurance on the coast and increasing complexity in doing business with the Texas Windstorm Insurance Association. The two combined make TWIA truly a market of last resort for agents.

### TWIA COSTS INCREASING

From information collection to application to renewal, no standard market comes close to the demands on agents' time and personnel. Antiquated, manual procedures combined with customer confusion about coverage and cost issues make TWIA the most labor-intensive carrier provider agents deal with.

IIAT studied the workflow of agents from Brownsville to Beaumont and found that compared to the time to complete applications for standard markets...

#### Renewal Processes

**8x**  
MORE TIME



#### New Business Applications

**2x**  
MORE TIME



And, in recent years, agents have been asked to do even more, including: verifying flood coverage and eligibility; maintaining evidence of declinations; explaining new rules for claims handling, surcharging non-compliant properties and new minimum earned premiums.

TWIA might be growing, but it's not the fault of agents. For agents, TWIA will always be a market of last resort.



**Independent Insurance Agents of Texas**

Lee Loftis, GOVERNMENTAL AFFAIRS DIRECTOR  
512.493.2418 | lloftis@iiat.org

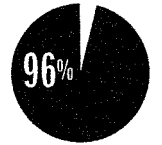
### VOLUNTARY MARKET DISAPPEARING

Agents reporting...

NO standard markets writing new residential insurance with wind coverage:



NO standard markets writing new commercial insurance with wind coverage:



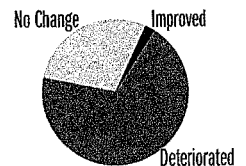
NO standard wind market for residential renewals:



NO standard wind market for commercial renewals:



Agents report that in the last year, Standard Markets for Wind and Hail in Tier 1 have:



Improved .....1.9%

Deteriorated ....69.4%

No Change.....28.7%



## The Truth about the Texas Windstorm Marketplace

### IIAT Windstorm Market Survey 2012

IIAT surveyed 496 Tier 1 and Tier 2 agency members to determine the real status of the Texas coastal windstorm marketplace. To date, there have been 110 replies and below is a recap of the condition of independent insurance agents coastal marketplace:

#### Standard Market

- 1) 82.7% of IIAT respondents did not have a standard market writing new Personal lines business with wind in Tier 1
- 2) 96.4% of IIAT respondents did not have a standard market writing new Commercial lines business with wind in Tier 1
- 3) 72.7% of IIAT respondents did not have a standard market renewing Personal lines business with wind in Tier 1.
- 4) 90.2% of IIAT respondents did not have a standard market renewing Commercial lines business with wind in Tier 1.

#### Surplus Lines Market

- 1) 64.2% of IIAT respondents did not have access to a surplus lines market writing new Personal lines business with wind in Tier 1
- 2) 78.0% of IIAT respondents did not have access to a surplus lines market writing new Commercial lines business with wind in Tier 1
- 3) 66.4% of IIAT respondents did not have access to a surplus lines market renewing Personal lines business with wind in Tier 1
- 4) 79.1% of IIAT respondents did not have access to a surplus lines market renewing Commercial lines business with wind in Tier 1

Do not be fooled. The windstorm marketplace in Texas is deteriorating. Our agents place business in TWIA because they do not have other options for their customers. When asked to assess the condition of the standard marketplace over the last year, here are the results:

- 1) Improved – 1.9%
- 2) Deteriorated – 69.4%
- 3) Remained Same – 28.7%

Coastal Texans deserve better! IIAT looks forward to working with the legislature to find solutions to the issues of coastal insurance in Texas.

**NEW BUSINESS**

**Windstorm Processes Comparison**

<b>Process</b>	<b>Voluntary Market</b>	<b>Approximate Time</b> (in minutes)	<b>TWIA</b>	<b>Approximate Time</b> (in minutes)
Submit for Quote	Input information into comparative rater to determine best option for customer. Submit ACORD application to underwriter via email or website	20 - 30	Enter a quote on TWIA website. CSR must know Rules and Guidelines example #1- rate tables, etc. for specific items, i.e. fences, certain outbuildings, etc., example #2. must know to choose 1% deductible, etc.) This process involves two processes unique to TWIA: (1) searching the TD1 website for records of WPI-8 forms which are certifications for new construction or alterations or repairs since 1988 (15 minutes), and (2) completing the Marshall-Swift cost estimator (10 minutes).	25 - 45
Approval of Quote	Underwriter does or does not agree to write windstorm coverage		n/a	
Acceptance of Quote	Customer accepts quote and requests a binder. No money is collected on direct bill policies. (Some carriers require the agent to collect a down payment)	5 - 10	Customer accepts quote and requests coverage. Producer or CSR must collect full premium or down payment if customer requests financing. If the policy is financed, the CSR prepares a premium finance agreement for the insured's signature. The customer signs the application and finance agreement.	10 - 20
Declination by admitted carrier	n/a	0	Contact standard market(s) to attempt to obtain quote including windstorm. (There is a time delay on response from underwriter - can take 24 hours to a few days.) File a copy of the declination in the customer file.	5 - 10
Flood Insurance	n/a	0	Run flood zone determination. Evaluate flood zone to determine whether flood insurance is required in order to bind. Document customer file if not. If flood is required and flood coverage is in effect, document the customer file. If flood insurance is required and no flood insurance is in effect, flood insurance must be quoted, offered and ordered.	10 - 60
Minimum Earned Premium and Premium Financing	n/a	0	Verify that the customer doesn't owe premium to TWIA.	5 - 15
Bind Coverage	Email request to underwriter to bind with any signed forms they require (example- signed Acord app or TRIA)	10	Convert to an application via website. Answer additional questions on each item. Application sent by email from TWIA. Application must be printed, signed, and dated. The customer's check for their full premium is included with the application. If the premium is for both the HO and the TWIA policies, agency must deposit and funds must be dispersed separately. If new application, the MSB calculator and WPI-8 forms must be submitted with application. Application must be sent via certified mail to obtain the desired effective date or avoid lapse in coverage on a renewal. An employee must deliver the application in an envelope to the post office and have certified receipts stamped/acknowledged and bring back certified receipt for attachment to the customer's file.	60 - 75

**Windstorm Processes Comparison**

Confirm Policy Bound	Underwriter emails policy number, binder or policy. CSR prepares and transmits binders and an invoice if not direct bill.	10	Agency procedures are that the CSR checks the TWIA website in 5-7 days to see if policy has been bound. (if the agent does not check this, will then wait for policy to arrive OR memo requiring additional information this can be 7-14 days)	5 - 15
Open Binder Issues	n/a		Approximately one out of every 5 applications is returned to the agency for additional information. WPI's required by TWIA. If TWIA cannot find, address is not exact, building description is different, etc. agent gets a memo and has to research, may involve agent contact with TDI windstorm unit, engineer, insured. Insured may have to hire new engineer, pay additional costs, have bldg. roof, etc. re-inspected. Agent has to explain reasons to insured, assist insured with this process which often requires multiple calls with insured. Agent has only 60 days to work out these issues or coverage is canceled- agent will most likely have to call TWIA, request binder extension. If more than one extension needed, TWIA supervisor has to approve.	0 - 60
			Approximately one out of every 20 applications: ISO construction verification required: TWIA will order an ISO inspection if one is not on file or is older than 1999. If the new inspection lowers construction rating, an endorsement is issued, rating adjusted, additional premium charged. Agent has to explain this to the insured, collect AP within 60 days, mail \$\$ in to TWIA via certified mail to verify date received. Also, issues may arise if ISO file reflects slight difference in address- CSR will have to contact ISO and work out this issue.	0 - 60
		15	The policy is received via mail, checked for accuracy, prepared for mail or delivery, and mailed or delivered to the customer. Approximately two out of every 10 policies received is not accurate according to the application and must be corrected by endorsement prior to delivery.	15 - 45
Policy receipt, preparation for delivery, and delivery	The policy is received via email or website, downloaded, checked for accuracy, prepared for mail or delivery, and mailed or delivered. Corrections are made via email.			

**65 - 80**

**Total time including 2011 Changes**

**135 - 400**

**TOTAL TIME**

**RENEWAL BUSINESS**

Windstorm Processes Comparison

Process	Voluntary Market	Approximate Time (in minutes)	TWIA	Approximate Time (in minutes)
Renewal in the voluntary market	Automatic renewal: Policy and bill are mailed to the customer by the company. The agency checks the renewal policy and processes it in the agency management system.	15		
Renewal in TWIA			TWIA sends renewal notice with renewal premium based on expiring values to agent. The values seldom match the new amount on the voluntary policy so the agent has to re-quote with new values. A new MSB calculation is done so that the coverage limit of the TWIA policy is in line with homeowners policy. Agent must review to determine if any changes or renovations have occurred that would require new WPI-8	
Quote renewal			Enter as a quote on TWIA website.	
Acceptance of Quote	Review of renewal policy and request changes, if any.	5	CSR or producer sends renewal letter to customer with quote and requests premium payment in advance. Customer accepts quote and requests coverage. Producer or CSR must collect full premium or down payment if customer requests financing. If the policy is financed, the CSR prepares a premium finance agreement for the insured's signature. The customer signs the application and finance agreement. One out of every 2 don't pay based on the first notice so process must be repeated for a 2nd request.	10 15 - 30
Declination by admitted carrier	n/a	0	Contact standard market(s) to attempt to obtain quote including windstorm. (There is a time delay on response from underwriter - can take 24 hours to a few days.) File a copy of the declination in the customer file.	5 - 10
Flood Insurance	n/a	0	Run flood zone determination. Evaluate flood zone to determine whether flood insurance is required in order to bind. Document customer file if not. If flood is required and flood coverage is in effect, document the customer file. If flood insurance is required and no flood insurance is in effect, flood insurance must be quoted, offered and ordered.	10 - 60
Minimum Earned Premium and Premium Financing	n/a	0	Verify that the customer doesn't owe premium to TWIA.	5 - 15

**Windstorm Processes Comparison**

Wind Coverage			Application sent by email from TW/A. If changes on renewal, must convert change to application. Application must be printed, signed, and dated. The customer's check or agency check for the gross premium must be attached to application. Application must be sent via certified mail to obtain the desired effective date or avoid lapse in coverage on a renewal. An employee must deliver the application in an envelope to the post office and have certified receipts stamped/acknowledged and bring back certified receipt for attachment to the customer's file.	60 - 75
Confirm Policy Bound			The CSR checks the TW/A website in 5-7 days to see if policy has been bound. (If the agent does not check this, will then wait for policy to arrive OR memo requiring additional information- this can be 7-14 days)	5 - 15
Policy receipt, preparation for delivery, and delivery			The policy is received via mail, checked for accuracy, prepared for mail or delivery, and mailed or delivered to the customer. Approximately two out of every 10 policies received is not accurate according to the changes requested. The incorrect policy is held in agency until corrected policy is received and then delivered to insured.	15 - 45

**20 Total time including 2011 changes**

**155 - 290**

**TOTAL TIME**