

Approval Process Regulations for TWIA Insurability

As a consequence of the destruction caused by Hurricane Rita along the Texas coast and other recent catastrophes, many insurance companies will likely significantly reduce or eliminate their exposure to windstorm losses along the Texas seacoast by no longer writing residential property policies or by no longer providing windstorm and hail coverage under a residential property policy. Therefore, these policyholders may be unable to obtain windstorm coverage other than through the Texas Windstorm Insurance Association (TWIA). Many of these consumers may be ineligible for coverage through the TWIA because a WPI-8 Windstorm Insurance Inspection Certificate (WPI-8) has not been issued with respect to the subject property and, in many cases, such a certificate cannot be obtained. Article 21.49 §6A(a) of the Insurance Code provides that property to be considered insurable property by the TWIA must be inspected or approved by the Commissioner for compliance with the TWIA plan of operation. Additionally, the TWIA plan of operation in 28 TAC §5.4001 (d)(2)(D) provides that the TWIA board may issue a TWIA policy on certain types of risks without an inspection and requires the TWIA board to submit a set of regulations for such risks to the Commissioner for approval. These regulations, which are submitted in accordance with the plan of operation, set forth the conditions for approval of property, as provided in Article 21.49 §6A(a), for insurability through the TWIA without an inspection.

If each of the following conditions is satisfied, property otherwise required to have a WPI-8 shall be subject to the approval process in lieu of the inspection process for determination of insurability with the TWIA and such property shall be insurable without a WPI-8.

1. The property must be of a type eligible for a TWIA residential policy.
2. Within twelve months prior to the date of application for coverage with the TWIA, the applicant or property to be insured must have been insured on an annual basis under a residential property policy that included windstorm and hail coverage that was underwritten by an eligible surplus lines insurer or an authorized insurer, not including the TWIA, and
 - a) the insurer that underwrote the applicant's policy or the policy on the residential property to be insured discontinues providing windstorm and hail coverage under the applicant's policy or under the policy insuring the property, or
 - b) the insurer that underwrote the applicant's policy or the policy on the residential property to be insured discontinues providing residential property policies in all or a portion of the designated catastrophe area.
3. The property must meet all other TWIA underwriting standards and rules regarding its insurability.

All policies on structures that qualify under these regulations for a waiver of the WPI-8 requirement will be issued at the applicable TWIA base rate plus a surcharge and will not be eligible for credits for building code compliance. The amount of the surcharge is pending approval by the Commissioner.

Consistent with the current requirements for TWIA insurability of structures qualifying for coverage through the inspection process, any subsequent additions, alterations, re-roofs, or other repairs to a structure that is insured with the TWIA through the approval process must also comply with required windstorm building code specifications for continued coverage from the TWIA. Therefore, these subsequent additions, alterations, re-roofs, or other repairs must qualify for a WPI-8 for the structure to continue to qualify for coverage for windstorm and hail from the TWIA.

No applicant or property shall be eligible for coverage with TWIA under these regulations and the approval process after December 31, 2007. However, TWIA residential policies issued pursuant to these regulations and the approval process shall remain eligible for renewal if the property continues to satisfy TWIA underwriting and eligibility criteria other than the requirement to have a WPI-8, subject to continued loss of building code credits, if applicable, and imposition of the WPI-8 waiver surcharge.

Texas Windstorm Insurance Association Manual Rule F relating to “Insurable Property” does not apply to the WPI-8 Waiver Regulations contained in this document.