



MEMORANDUM

DATE: August 6, 2021
TO: Property & Casualty Filings Intake, Texas Department of Insurance
FROM: Cindy Watkins, Manager, Legal & Compliance
RE: New TWIA Rating Rules

In accordance with TDI's December 1, 2017 elimination of manual rule filings, Texas Windstorm Insurance Association (TWIA) is submitting its TWIA Rating Rules (Rating Rules) for review. While the document itself is new, the information contained within the Rating Rules are the portions of the previously filed and approved TWIA Rules Manual (Exhibit E) that were categorized as manual rules. The balance of the information from the TWIA Rules Manual (Exhibit E) not included in the new Rating Rules document will be filed separately as the TWIA Instructions and Guidelines Manual (TWIA-132933697). Several sections have also been added to reflect the creation of new endorsements that will be implemented as a part of an upgraded policy administration system TWIA is currently working to deploy next year. These new endorsements are being submitted to TDI for review and approval as separate filings (TWIA-132821850, TWIA-132821929, TWIA-132821975, and TWIA-132822110).

Below please find a description of the changes made to create the new TWIA Rating Rules document. Please note, the page numbers in the below table refer to the number listed in the page counter of the PDF reader for the redlined version of the new TWIA Rating Rules document.

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| Entire Document | <p>The entire document has been branded, reformatted, and placed on the TWIA company template to include the TWIA logo to increase consistency across TWIA documentation.</p> <p>Sections have been renumbered as appropriate to reflect the changes made throughout the entire document.</p> <p>Section headings have been reformatted from all capital letters to only capitalizing the first word of</p> |



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| | <p>each letter to increase consistency across TWIA documentation.</p> <p>The effective date has been updated to reflect the proposed effective date corresponding to TWIA’s proposed 2022 rates.</p> |
| <p>Table of Contents (p. 2-5)</p> | <p>The table of contents has been updated to reflect the changes made throughout the entire document.</p> |
| <p>General Rules: Scope (p. 6)</p> | <p>This section has been revised to read “The rules and rates contained in this Manual shall govern the writing of the windstorm and hail insurance policies issued by Texas Windstorm Insurance Association (Association)” in order to reflect the separation of the TWIA Manual Rules (Exhibit E) into the TWIA Instructions and Guidelines Manual and the new TWIA Rating Rules Manual.</p> |
| <p>General Rules: Eligibility (p. 7)</p> | <p>This section has been removed from the TWIA Rating Rules Manual as all currently applicable eligibility rules are contained within the TWIA Instructions and Guidelines Manual.</p> |
| <p>General Rules: Definitions (p. 7-9)</p> | <p>This section has been removed from the TWIA Rating Rules Manual and added to the TWIA Instructions and Guidelines Manual pursuant to TDI’s December 1, 2017 elimination of manual rule filings.</p> |
| <p>General Rules: Determination of Territory (Catastrophe Areas) (p. 9-10)</p> | <p>This section wording has been revised to match the information contained on TWIA’s website (https://www.twia.org/about-us/overview/) to increase consistency across TWIA</p> |



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| | documentation. The substance remains the same. |
| General Rules: Insurable Property (p. 11-13) | This section has been removed from the TWIA Rating Rules Manual as all currently applicable insurable property rules are contained within the TWIA Instructions and Guidelines Manual. |
| General Rules: Policy Term (p. 13-14) | <p>The text “EXCEPTION: Builders Risk Policies may be written for a broken term at pro-rata of the annual premium subject to the minimum earned premium Rule I-M” has been removed to reflect TWIA’s current business processes.</p> <p>The remainder of this section will stay in the Rating Rules and be added to the TWIA Instructions and Guidelines Manual as it is relevant to both documents.</p> <p>The word “are” was added to improve readability.</p> |
| General Rules: Coinsurance (p. 14-16) | <p>“Rule I-C” in item 1(b) has been replaced with “the TWIA Instructions and Guidelines Manual” to reflect the removal of the “Definitions” section from the TWIA Rating Rules Manual and its addition to the TWIA Instructions and Guidelines Manual.</p> <p>Periods have been added to the end of items 2(b)(1), 2(b)(2), 2(b)(4), and 2(b)(5) to increase consistency throughout the document.</p> <p>The “First Loss Scale Formula” chart will be removed from the TWIA Instructions and</p> |



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| | <p>Guidelines Manual and remain in the Rating Rules pursuant to TDI’s December 1, 2017 elimination of manual rule filings.</p> |
| <p>General Rules: New or Increased Coverage and Renewal Applications (p. 17-19)</p> | <p>This section has been removed from the TWIA Rating Rules Manual as all currently applicable rules regarding new or increased coverage and renewal applications are contained within the TWIA Instructions and Guidelines Manual.</p> |
| <p>General Rules: Deductibles (p. 19-22)</p> | <p>Pursuant to TDI’s December 1, 2017 elimination of manual rule filings, the following changes have been made:</p> <p><u>Dwellings</u></p> <ul style="list-style-type: none"> • The “Dwellings” section has been replaced with the “Dwelling and Farm & Ranch Deductible section” from the TWIA Instructions and Guidelines Manual and moved to the “Dwelling and Farm & Ranch Dwelling Rating” section of the TWIA Rating Rules Manual. • The deductible tables have been removed from the TWIA Instructions and Guidelines Manual and added to the TWIA Rating Rules Manual. • All applicable references have been updated to reflect the aforementioned changes. <p><u>Commercial Risks and Public Buildings</u></p> <ul style="list-style-type: none"> • The “Commercial Risks and Public Buildings” section has been replaced with the “Deductibles” section from the TWIA Instructions and Guidelines Manual and |



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| | <p>moved to the “Commercial Rating” section of the TWIA Rating Rules Manual.</p> <ul style="list-style-type: none"> • The corresponding deductible tables have been removed from the TWIA Instructions and Guidelines Manual and will remain only in the TWIA Rating Rules Manual. • All applicable references have been updated to reflect the aforementioned changes. |
| <p>General Rules: Maximum Limits of Liability (p. 25-26)</p> | <p>This section has been removed from the TWIA Rating Rules Manual as all currently applicable information regarding the maximum limits of liability is contained within the TWIA Instructions and Guidelines Manual.</p> |
| <p>General Rules: Cancellations and Minimum Retained Premium (p. 26-27)</p> | <p>This section has been removed from the TWIA Rating Rules Manual as all currently applicable information regarding cancellations and minimum retained premium is contained within the TWIA Instructions and Guidelines Manual.</p> |
| <p>General Rules: Rules from Texas General Basis Schedules (p. 27)</p> | <p>This section has been removed as it is obsolete.</p> |
| <p>General Rules: Premium (p. 22)</p> | <p>The “Interpolation of Premium” section was moved from the now-deleted Appendix C (p. 122-123) to the “General Rules” section to improve the organization of the new TWIA Rating Rules Manual.</p> <p>The interpolation example was removed as all interpolation calculations are done automatically by TWIA’s systems, making this portion of the “Interpolation of Premium” section obsolete.</p> |



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| General Rules: Mixed Construction (p. 22) | The “Mixed Construction” section was moved from the now-deleted Appendix D (p. 142) to the “General Rules” section to improve the organization of the new TWIA Rating Rules Manual. |
| General Rules: Buildings of Three or More Types of Construction, With No One Type Comprising More Than 50% of the Building (p. 23) | The “Buildings of Three or More Types of Construction, With No One Type Comprising More Than 50% of the Building” section was moved from the now-deleted Appendix C (p. 117) to the “General Rules” section to improve the organization of the new TWIA Rating Rules Manual. |
| Policy Forms and Endorsements (p. 27-42 & 56-57) | <p>With the exception of information related to rates for endorsements with a specific rating structure, this entire section was removed as all currently applicable information regarding policy forms and endorsements is contained within the TWIA Instructions and Guidelines Manual.</p> <p>All information regarding the application of rates related to specific endorsements has been removed from the TWIA Instructions and Guidelines Manual and added to the TWIA Rating Rules Manual.</p> |
| Rating Rules (p. 43-47) | The “Mandatory Building Code Credits” section has been moved to the “Dwelling and Farm & Ranch Dwelling Insurance” (p. 66-76) section to improve the organization of the new TWIA Rating Rules Manual. The table listing the credits has been removed from the TWIA Instructions and Guidelines Manual, added to the TWIA Rating Rules Manual, and updated to reflect the |



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| | <p>adoption of the 2018 editions of the International Residential Code and the International Building Code in Title 28 TAC §5.4012.</p> <p>The “Mandatory Roof Covering Credits” section has been moved to the “Dwelling and Farm & Ranch Dwelling Insurance” (p. 66-76) section to improve the organization of the new TWIA Rating Rules Manual. The table listing the credits has been removed from the TWIA Instructions and Guidelines Manual as it is already located in the TWIA Rating Rules Manual.</p> <p>The remainder of this section has been deleted as the most recently updated version of the rate-related information included in this section is now located in the “Commercial Insurance” (p. 61-65) and “Dwelling and Farm & Ranch Dwelling Insurance” (p. 66-76) sections of the TWIA Rating Rules Manual.</p> |
| Rate Tables (p. 50-56) | <p>This entire section has been replaced with the most recently updated versions of the currently applicable rate tables previously approved by the Texas Department of Insurance. These tables have been updated to include TWIA’s proposed 2022 rates, (TWIA-132926163 and TWIA-132926159).</p> |
| Manufactured Housing (Mobile Homes) (p. 57-60) | <p>The section title has been changed to “Manufactured Homes” to increase consistency across TWIA documentation.</p> |



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| | The entire section has been moved to follow the “Policy Forms and Endorsements” section and precede the “Commercial Insurance” section. |
| Manufactured Housing (Mobile Homes): Eligibility (p. 58) | This entire section has been removed from the TWIA Rating Rules Manual as all currently applicable information regarding mobile home eligibility is contained within the TWIA Instructions and Guidelines Manual. |
| Manufactured Housing (Mobile Homes): Additions to Mobile Homes (p. 58-59) | This entire section has been removed from the TWIA Rating Rules Manual as all currently applicable information regarding additions to mobile homes is contained within the TWIA Instructions and Guidelines Manual. |
| Manufactured Housing (Mobile Homes): Limit of Liability (p. 59) | This entire section has been removed from the TWIA Rating Rules Manual as all currently applicable information regarding limits of liability for mobile homes is contained within the TWIA Instructions and Guidelines Manual. |
| Manufactured Housing (Mobile Homes): Policy Forms and Endorsements (p. 59) | This entire section has been removed from the TWIA Rating Rules Manual as all currently applicable information regarding policy forms and endorsements is contained within the TWIA Instructions and Guidelines Manual. |
| Manufactured Housing (Mobile Homes): Rates (p. 59-60) | This section has been moved to the “Rate Tables” section (p. 93) of the Rating Rules manual. |
| Commercial Insurance (p. 61-65) | This entire section is new to the TWIA Rating Rules Manual after previously being included in the TWIA Instructions and Guidelines Manual. The following changes have been made pursuant |



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| | <p>to TDI’s December 1, 2017 elimination of manual rule filings:</p> <ul style="list-style-type: none"> • The “Deductibles” section has been revised as described in the <i>General Rules: Deductibles</i> section of this memorandum. • The “Apartment Contents Credit”, “Public Housing Credit”, and “Excess Area Surcharge” sections have been removed from the TWIA Instructions and Guidelines Manual and added to the TWIA Rating Rules Manual. • The portions of the “Builder’s Risk Coverage” section from the TWIA Instructions and Guidelines Manual referencing rates have been removed from the TWIA Instructions and Guidelines Manual and added to the TWIA Rating Rules Manual. • The “Commercial Premium Calculation Information” section has been removed from the TWIA Instructions and Guidelines Manual and added to the TWIA Rating Rules Manual. • Step #8 has been corrected in the “Commercial Rating Steps” section to reflect current business processes. • Step #11 has been removed from the “Commercial Rating Steps” section to more accurately reflect current business process, as a pro rata factor from 0 to 1 is applied regardless of the length of the policy term. |
| <p>Dwelling and Farm & Ranch Insurance (p. 66-76)</p> | <p>This entire section is new to the TWIA Rating Rules Manual after previously being included in the TWIA Instructions and Guidelines Manual. The following changes have been made pursuant to TDI’s December 1, 2017 elimination of manual rule filings:</p> |



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| | <ul style="list-style-type: none">• The “Dwelling Premium”, “Residential Personal Property Located in a Commercially Rated Building”, “Rating Territories”, and “Boathouse, Decks, Docks, and Piers” sections have been removed from the TWIA Instructions and Guidelines Manual and added to the TWIA Rating Rules Manual.• The “Indirect Loss Endorsement and Percentage” table and the section describing the application of the factors in the table have been removed from the TWIA Instructions and Guidelines Manual and added to the TWIA Rating Rules Manual.• A new indirect loss table has been created to reflect the creation of the new TWIA 311, 321, and 331 endorsements, which are being submitted to TDI for review and approval as separate filings. The existing table will be removed once the existing TWIA 310, 320, and 330 endorsements are no longer in use.• Explanations have been added to both indirect loss tables to explain when each table should be used.• The “Building Code Credits” section has been revised as described in the <i>Rating Rules</i> section of this memorandum.• The “Mandatory Roof Covering Credits” section has been revised as described in the <i>Rating Rules</i> section of this memorandum.• The “WPI-8 Waiver Program” section has been added to the TWIA Rating Rules Manual and will also remain in the TWIA Instructions and Guidelines Manual as it is relevant to both. The exact surcharge amount and example will be listed in the Rating Rules and the Instructions and Guidelines will reference their location. |



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| | <ul style="list-style-type: none"> • The “Certification and Eligibility Exception (TIC 2210.259)” section has been added to the TWIA Rating Rules Manual. The exact premium amount will be listed in the Rating Rules and the Instructions and Guidelines will reference its location. • The “Deductibles” section has been revised as described in the <i>General Rules: Deductibles</i> section of this memorandum. The deductible options will be listed in the TWIA Rating Rules Manual while the more detailed descriptions of each deductible option will remain in the TWIA Instructions and Guidelines Manual. • The “Dwelling Premium Calculation Information” section has been removed from the TWIA Instructions and Guidelines Manual and added to the TWIA Rating Rules Manual. |
| Superior Construction (p. 77-78) | <p>This entire section is new to the TWIA Rating Rules after previously being included in the TWIA Instructions and Guidelines Manual. The “Insurance Service Office BGII” list and the “Windstorm Symbol Matrix” have been removed from the TWIA Instructions and Guidelines Manual and added to the TWIA Rating Rules Manual pursuant to TDI’s December 1, 2017 elimination of manual rule filings.</p> |
| Rating Classifications (p. 79) | <p>The “Rating Classifications” table was moved from the now-deleted Appendix D (p. 142) to its own section to improve the organization of the new TWIA Rating Rules Manual.</p> |
| Rate Tables (p. 81-95) | <p>The previous “Rate Tables” (p. 50-56) section has been replaced with the most recently updated</p> |



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| | <p>versions of the currently applicable rate tables previously approved by the Texas Department of Insurance.</p> <p>“Rate Chart No. 3 – Scheduled Miscellaneous Farm & Ranch Property” was moved from the now deleted Appendix D (p. 148-149) to the “Rate Tables” section to improve the organization of the new TWIA Rating Rules Manual. The “Extended Coverage” column has been updated to refer to the appropriate rate tables.</p> |
| <p>Appendices (p. 96-149)</p> | <p>References to Form 4, Form 5, and Form 6 have been deleted throughout the appendices as they refer to forms from the obsolete Texas General Personal Lines and Commercial Property Manuals of Texas.</p> |
| <p>Appendix A-1 (p. 96-98)</p> | <p>“...Hurricane...” has been removed from the Appendix A-1 title to increase consistency across TWIA documentation.</p> <p>The font style has been changed from Arial to Calibri, consistent with TWIA’s style guidelines.</p> <p>Minor formatting revisions have been made to improve readability.</p> |
| <p>Appendix A-2 (p. 99-104)</p> | <p>“...Hurricane...” has been removed from the Appendix A-2 title to increase consistency across TWIA documentation.</p> <p>The “Notes and Definitions” sections have been reformatted from a scanned image to text. This</p> |



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| | <p>section has also been reformatted to one column instead of two columns.</p> |
| <p>Appendix A-3 (p. 105-113)</p> | <p>“...hurricane...” has been removed throughout Appendix A-3 to increase consistency across TWIA documentation.</p> <p>The word “AND” has been corrected in the appendix title.</p> <p>The greenhouse rate amount has been replaced by the number 20 as the greenhouse rate has been entered as Rate Table 20 in TWIA’s internal rating system.</p> |
| <p>Appendix B (p. 114)</p> | <p>Appendix B has been removed from the TWIA Rating Rules Manual and added to the TWIA Instructions and Guidelines Manual pursuant to TDI’s December 1, 2017 elimination of manual rule filings.</p> |
| <p>Appendix C (p. 115-141)</p> | <p>The table of contents has been removed to improve the readability of the document as a table of contents for the entire document already exists.</p> <p>The “Buildings of Three or More Types of Construction, With No One Type Comprising More Than 50% of the Building” section has been moved to the “General Rules” section TWIA Rating Rules Manual.</p> <p>The “Interpolation of Premium” section has been moved to the “General Rules” section of the TWIA Rating Rules Manual.</p> |



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| | <p>The “Construction” section has been removed from the TWIA Rating Rules manual and added to the TWIA Instructions and Guidelines Manual pursuant to TDI’s December 1, 2017 elimination of manual rule filings.</p> <p>The entire appendix – with the exception of the “Buildings of Three or More Types of Construction, With No One Type Comprising More Than 50% of the Building”, “Interpolation of Premium”, and “Construction” sections – is obsolete and has been deleted from the manual as it was originally from the Texas General Basis Schedules and not specific to TWIA.</p> |
| Appendix D (p. 142-149) | <p>The rate tables from this section have been replaced with the most recently updated versions of the currently applicable rated tables previously approved by the Texas Department of Insurance in the “Rate Tables” section (p. 80-95) of the TWIA Rating Rules Manual.</p> <p>The “Rating Classifications” table was moved to its own section (p. 79) to improve the organization of the new TWIA Rating Rules Manual.</p> <p>“Rate Chart No. 3 – Scheduled Miscellaneous Farm & Ranch Property” was moved to the “Rate Tables” (p. 94) section to improve the organization of the new TWIA Rating Rules Manual.</p> |



Please find attached to this memorandum a copy of Commissioner’s Order No. 12-0028 approving the previously filed Exhibit E, the previously approved version of Exhibit E, a redline of the Rating Rules comparing the recent revisions with previously filed and approved Exhibit E, and a clean copy of the Rating Rules.