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TWIA Policyholders May Be Required to Buy Flood Insurance

AUSTIN, TX — According to the Independent Insurance Agents of Texas, rules just published by the Texas Department of Insurance in response to new legislation passed in 2009 will require some property owners in coastal counties to buy flood insurance equal to at least 90 percent of the property's value, or the maximum available from the National Flood Insurance Program (NFIP). The maximum coverage available for dwellings in NFIP is \$250,000. The requirements apply only to property that is "constructed, altered, remodeled or enlarged" after Sept. 1, 2009. The requirements specifically do not apply to property being repaired, such as property rebuilt after Hurricanes Ike and Dolly. The new rules apply to property owners seeking wind coverage in the Texas Windstorm Insurance Association (TWIA) whose property is located in what is termed a "V" Zone, including NFIP rating zones V, VE and V1-V30. Properties so designated are usually close to the water and considered at high risk of flooding with possible damage by wave action (surge). Most independent insurance agents can advise property owners of their property flood hazard, or consumers can go online to www.floodsmart.gov to determine their flood zone. The new requirements go into effect immediately, though TWIA may have to develop procedures to monitor the requirements.

As a result of legislation that overhauled TWIA's funding, consumers and their agents will now have to demonstrate that an insurance company writing business in coastal counties has declined to write or renew their windstorm insurance before they are eligible for insurance in TWIA. Independent agents who represent multiple insurance companies should be able to obtain that declination for TWIA insureds renewing coverage this year. Another new requirement affects the cancellation of insurance. If a TWIA property insured cancels coverage, or fails to pay premium due resulting in cancellation of coverage, the law requires TWIA to keep a portion of the premium equal to 180 days of coverage. If this premium is not paid, the insured will not be eligible for future coverage in TWIA, until the debt is cleared. A lapse in coverage in TWIA could also result in a property owner having to obtain a building code compliance certificate in order to obtain insurance again.

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About IIAT

The Independent Insurance Agents of Texas (IIAT) is the nation's largest state association of Trusted Choice® agencies. IIAT represents approximately 1,800 agencies and more than 15,000 agents and insurance professionals. Trusted Choice® independent agents represent multiple insurance companies. Since they are not employees of any single insurance company, they are advocates for insurance consumers helping them comparison shop for cost-effective and customized coverage. IIAT is also affiliated with the Independent Insurance Agents & Brokers of America and works with legislative, regulatory and judicial bodies in Texas on behalf of independent insurance agents across the state. More information on IIAT can be found online at iiat.org.

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