



**Independent  
Insurance**  
Agents of Texas

## **IIAT TWIA Legislative Oversight Committee Testimony**

Good Morning, my name is Lee Loftis and I represent the Independent Insurance Agents of Texas and its 1,900 member agencies employing 17,000 insurance professionals.

Independent agents provide a vital service to their customers, whether it is consulting with clients about coverage options, assisting the customer with insurance company underwriting questions or most importantly, in claims advocacy. After Hurricanes Dolly and Ike, many of our members worked every day for months helping their clients file claims and move through the process of getting their lives back together.

Consumers who choose to purchase their coverage from independent insurance agents understand the added value their agents bring and are not merely purchasing coverage at the lowest price. Five of the top ten agencies writing coverage with TWIA are IIAT members. IIAT has had a member serving on the TWIA board for over 20 years.

I would like to comment on the processes of working with TWIA and the challenges it presents to consumers and agents. TWIA has made significant improvements in its operations over the past few years, however it is still far from achieving the kind of efficient operation that consumers and agents enjoy in the private market. TWIA's application procedures, billing system and communications with customers and agents are antiquated and cumbersome, requiring much more time than those of a private



insurer.

IIAT has provided the committee an example labeled "Windstorm Processes Comparison" which was completed in 2009 and updated in 2010 after the passage of HB 4409, showing the additional steps necessary to write coverage with TWIA vs an independent agency company.

Changes that are needed include a true direct bill system that allows payment options for customers, the ability to bind coverage with electronic funds transfer and the renewal of policies online. While these are all being worked on at this time, they are not yet in place. TWIA has a very low administrative expense ratio of approximately 22%, or about 8% lower than the average of 30% for the private marketplace. Part of this low ratio may be due to the fact that much of the work of getting a policy written or renewed, is done by the consumer and their agent.

It has been reported that private insurers pay between 7-10% commission on homeowners policies while TWIA pays 16%. The percentages quoted may be correct for some agents, however we have provided examples of independent agency commission statements showing that independent insurance agents, on average, get paid 15% for policies that they place with their standard carriers.

Another good comparison would be the National Flood Insurance Program which is a federal insurance program that writes flood coverage. NFIP also pays 16% to agents for writing and servicing flood policies and it has automated many of the billing, underwriting and policy issuing processes we would like TWIA to implement.



Finally, IIAT has worked with the Texas Department of Insurance and TWIA in the past on ideas to encourage the standard market to write more Tier 1 business. We urge the Commissioner to explore new incentives to encourage the voluntary writings.

Competition between voluntary insurers is the best way to hold down costs for consumers living on the coast. I assure you that if all things were comparable, independent agents would much rather place a clients coverage with a standard company than with TWIA.

Thank you for the time and I am happy to answer any questions you might have.



## Windstorm Processes Comparison

Process	Voluntary Market	TWIA	Time
Submit for Quote	Submit Acord application to underwriter via email or website	Enter as a quote on 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.)	Depends on # of items being quoted; if new and MSB required- time frame on this varies due to amount of research required to provide accurate information for MSB calculator program. Note that if RC determined is different from what agent originally used, (more than coinsurance requirement) quote must be revised as necessary.
Approval of Quote	Underwriter does or does not agree to write windstorm coverage	n/a	
Bind Coverage	Email request to underwriter to bind with any signed forms they require (example- signed Acord app or TRIA)	Convert to an application via website. Answer additional questions on each and every item. Application is sent to you by email. Application must be printed, signed, dated, and check for net premium must be attached or coverage will not be bound. If new application, an MSB calculator must be calculated and submitted with application. Application must be sent via certified mail to avoid lapse in coverage. An employee must deliver envelopes to the post office and have certified receipts stamped/acknowledged and bring back certified receipt so the CSR can put in their file.	Converting to application can take an average of 20 minutes. Requiring check to go with application and any other information (example- photos for builders risks), actual mailing of application is delayed.
Confirm Policy Bound	Underwriter emails policy number, binder or policy	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)	Additional time used by CSR for follow-up.
Open Binder Issues	n/a	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. Agent has only 60 days to work out these issues or coverage is cancelled- agent will most likely have to call TWIA, request binder extension. If more than one extension needed, TWIA supervisor has to approve.	Agent can deal with these issues for many months. More time used by CSR to follow up with various other entities that are involved, i.e. insured, producer, engineer, TDI windstorm unit. Follow up/research can be daily or weekly until issues are resolved.
		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.	Again, more time spent by CSR and possibly producer to research, follow up with appropriate parties, and get issues resolved. CSR can deal with this daily or weekly in order to get issues resolved in required time frame imposed by TWIA.
		Based on certain rules and guidelines of TWIA, certain risks may be required to have two applications- for example, apartment complexes with buildings that have 3 or less units required to write on a separate residential policy.	CSR has to enter 2 quotes, convert 2 applications, request 2 checks, mail 2 applications certified mail, set up 2 policies, and follow up on both.

**Windstorm Processes Comparison**

**NEW BUSINESS**

Process	Voluntary Market	Approximate Time (in minutes)	TWIA	Approximate Time (in minutes)
Submit for Quote	Submit Accord application to underwriter via email or website	5 - 30	Enter as 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 TWIA 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	n/a	
Acceptance of Quote	Customer accepts quote and requests a binder. No money is collected on direct bill policies.	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
Quotation 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
Wind 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 Accord 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 the gross premium must be deposited. An agency check for the net premium must be requested from the agency accounting department and attached to the application. 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
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 TWI 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. 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



**Windstorm Policies Comparison**

			<p>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.</p>	0 - 60
<p>Policy receipt, preparation for delivery, and delivery</p>	<p>The policy is received via email or website, downloaded, checked for accuracy, prepared for mail or delivery, and mailed or delivered.</p>	15	<p>The policy is received via mail, checked for accuracy, prepared for mail or delivery, and mailed or delivered to the customer. Approximately one out of every 10 policies received is not accurate according to the application and must be corrected by endorsement prior to delivery.</p>	15 - 45

**TOTAL TIME**

**45 - 75**

**Total time prior to 2009 Changes**

**115 - 320**

**Additional time due to 2009 Changes**

**20 - 85**

**Total time after 2009 Changes**

**135 - 405**

**Windstorm Processes Comparison**

**RENEWAL BUSINESS**

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 never match the new amount on the voluntary policy so the agent has to re-quote with new values.	
Quote renewal			Enter as a quote on TWIA website.	10
Acceptance of Quote			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.	15-30
Declaration 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 declaration in the customer file.	5-10
File of 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
8-11 Coverage			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 the gross premium must be deposited. An agency check for the net premium must be requested from the agency accounting department and attached to the application. 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
Confirm Policy Bound			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
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 one out of every 10 policies received is not accurate according to the application and must be corrected by endorsement prior to delivery.	15-45

**TOTAL TIME**

15

Total time prior to 2009 Changes

105 - 175

Additional time after 2009 Changes

20 - 85

Total time after 2009 Changes

135 - 260

Texas Windstorm Insurance Association  
 Distribution of Policies by Agency  
 Agencies With Over 1,000 Policies  
 Policies In-Force as of 10/31/2010



Agency	Policies In-Force
USAA Insurance Agency Inc	10,245
Galveston Insurance Associates	2,857
Coleman Hall & Heinze Insurance	2,487
Glass Sorenson & McDavid Inc	2,308
Frank Joseph Pritchard	2,230
Town & Country Galveston Insurance Agency	2,208
Swantner & Gordon Insurance Agency LLP	1,905
Carlisle Insurance Agency Inc	1,676
Lancaster & Bay Insurance Agency	1,559
Sapp Insurance Services	1,545
Stephanie Waterman	1,454
Vicki L Melass	1,419
Brent Clayburn Walters	1,333
Laura Harris Agency Inc	1,314
Azbell-Ryan Inc	1,266
The O'Donohoe Agency LLC	1,265
TWFG Insurance Services	1,232
Brenda Joann Bailey	1,230
Jeffery S Bensen	1,220
Jesse Garcia	1,213
Charles Mayfield	1,199
Henry S Hershberger	1,190
Maxim Insurance Services Inc	1,181
McKenzie & Shell Inc	1,146
Barhorst Insurance Group LTD	1,146
Morrison Insurance Group PC	1,137
Moore Insurance Agency	1,127
Joe Cook & Associates Inc	1,085
Joshua David Crow	1,077
SMI Agency	1,067
Truman Bryant	1,047
Frederick J Gintert	1,038
Insurance Counselors Inc	1,014

Highlighted – IIAT member agencies

# Agent Commission Schedule Personal Lines

Effective date: January 1, 2010

Auto (1)	New	Renewal
<b>Preferred and Standard</b>		
0 to 349 Private Passenger Auto Policies in Force		
6 month term policy	17%	10%
12 month term policy	15%	10%
>= 350 Private Passenger Auto Policies in Force	15%	15%
>= 350 All Personal Lines (2) Policies in Force	15%	12%
<b>Non-Standard</b>	10%	10%

Motorcycle	New	Renewal
Motorcycle	17%	10%

Property	New	Renewal
Homeowners/Condominiums	15%	15%
Renters	15%	15%
Dwelling Fire	15%	15%

Specialty Lines	New	Renewal
Motorhomes, Travel Trailers, Classic Cars, Antique Autos	Same as Auto rates	
Watercraft	15%	15%
Watercraft with inception date prior to 01/01/10	NA	20%
Umbrella	15%	15%

(1) Your commission is determined annually based on your prior year-end policies in force (PIF), notify you of your new commission rate on the following years February commission statement.

(2) Includes all Personal Lines Insurance policies.

You will receive notice of any commission rate changes that take place after the effective date of this document in accordance with applicable state law requirements.

This commission schedule supersedes all prior Personal Lines commission schedules for this state.

# Schedule of Commissions and Authorized Business Personal Lines - Property

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This Schedule of Commissions and Authorized Business ("Schedule") is incorporated into and made a part of the Agency Agreement dated \_\_\_\_\_ by and between:

**Name of Agency:**

**Address:**

(the "Agent" or "Agency")  
and each company named below (individually and collectively referred to as the "Company".)

Subject to the terms and conditions of the Agency Agreement and the authority granted by the Company, the Agent is authorized to produce for the Company in the Territory specified below the following classes of insurance and coverage forms for the lines of insurance business specified below ("Authorized Business") and to receive commissions on net written premiums at the percentage rate(s) specified below for new and renewal business.

**Territory:** Texas

<u>Lines and Classes of Business (and Coverage Forms)</u>	<u>Commission Rate New Business - %</u>	<u>Commission Rate Renewal Business - %</u>
Homeowners - (HO-A, HO-B, HO-C, HO-3)	15	15
Homeowners - (HO-BT, HOB-CON, HOC-CON)	15	15
Fire - (TDP-1, TDP-2, TDP-3)	15	15
Earthquake	10	10
Umbrella	10	10

This Schedule supersedes all prior Schedules of Commissions and Authorized Business for the classes of insurance and coverage forms for the lines of insurance business specified in this Schedule, whether oral or written, between the Company and the Agent and is applicable to new policies with effective dates on or after \_\_\_\_\_ and to renewal policies with effective dates on or after \_\_\_\_\_

This Schedule is effective \_\_\_\_\_ (the "Effective Date").  
**Company:**

**Agent:**

By \_\_\_\_\_  
Signature

By \_\_\_\_\_  
Signature

Printed Name \_\_\_\_\_

Printed Name \_\_\_\_\_

Chief Marketing Officer \_\_\_\_\_  
Title

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

**SCHEDULE OF PERSONAL LINES COMMISSIONS  
TEXAS  
October 21, 2007**

	<u>New</u>	<u>Renewal</u>
I. Automobile		
A. <del>Quantum Auto Products</del>		
1. Quantum Auto Products		
Adult	15.0%	15.0%
Youthful Operator (5)	10.0%	10.0%
2. Travelers Auto Products		
Adult (Base)	N/A	15.0%
Youthful Operator (5)	10.0%	10.0%
B. <del>Travelers Specialty Auto</del>		
Adult	N/A	12.0%
Youthful Operator (5)	N/A	10.0%
C. All other Companies, including Travelers Specialty Auto		
Adult (Base)	N/A	15.0%
Youthful Operator (5)	N/A	10.0%
Non-Standard Policies	N/A	10.0%
II. Homeowners Policies	<u>New</u>	<u>Renewal</u>
A. <del>All Homeowners forms</del>	<del>15.0%</del>	<del>15.0%</del>
B. <del>Valuable Items Supplemental Endorsement</del> , all Homeowners forms	N/A	15.0%
C. Valuable Items Supplemental Endorsement	15.0%	15.0%
D. Personal Liability Supplemental Endorsement	10.0%	10.0%
III. Homesaver Policy (Dwelling Fire)		
	15.0%	15.0%
IV. Marine		
<del>Boats: All rating territories</del>		
A. Boats: All rating territories	20.0%	20.0%
B. Yacht: Southeast Inland	20.0%	20.0%
C. Yacht: Navigational territories of Full Atlantic, South Atlantic, Gulf and Atlantic & Gulf where the summer mooring location is in the state of Florida, Alabama, Mississippi, Louisiana, or Texas.	15.0%	15.0%
D. Personal Articles Policy	15.0%	15.0%
E. Excess Flood	5.0%	5.0%
V. Personal Liability (PLUS) Policy		
<del>Personal Liability (PLUS) Policy</del>	10.0%	10.0%