



TWIA & TFPA  
Property  
Damage  
Evaluation  
Guidelines

V. 10-7-2014

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## Table of Revisions

Revision Date	Revised Section	Comments
10/29/2013	<a href="#">Inspection</a>	Specified requirement for Insured to be present during inspection.
11/04/2013	<a href="#">Disclaimer</a>	Added the Living Document disclaimer.
11/04/2013	<a href="#">Photos</a>	Inserted a note regarding photographing the HVAC drip pan.
11/04/2013	<a href="#">Diagraming and Measurements</a>	Inserted a bullet point regarding correlation of damages using a sketch. Included images for example.
11/04/2013	<a href="#">Roof Loss Cost-Estimating Guidelines</a>	Inserted a note regarding ridge caps and when to appropriately apply waste.
11/04/2013	<a href="#">Additional Roof Loss Evaluation Considerations</a>	Added “or unusable” to this sentence: <i>In the event of a covered loss to the outer surface, TWIA will then pay for a nailable surface due to a defective or unusable underlayment.</i>
11/04/2013	<a href="#">Footfall</a>	Added “or the damage is below the deductible” and “for the footfall damage repair” to this sentence: <i>If there is no damage to the roof, or the damage is below the deductible, and the Field Claims Adjuster damages the roof by footfall then the Insured is reimbursed for the footfall damage repair without taking a deductible.</i>
11/04/2013	<a href="#">Guidelines on Withholding of Recoverable Depreciation</a>	Removed the language regarding the release of recoverable depreciation as it did not pertain to field claims adjusters and changes periodically for specific events.
11/04/2013	<a href="#">Nailable Surface</a>	Included language for spaced decking and wood shingles
3/4/2014	<a href="#">Status Reports</a>	Addition of the Single Point of Contact (SPOC) rule
3/4/2014	<a href="#">Estimating</a>	Replaced the former “Roof Loss Cost - Estimating Guidelines” section with the “Estimating” section, better summarizing the requirements for Field Adjusters to provide estimates
3/4/2014	<a href="#">Like Kind and Quality</a>	Addition of 20-year 3-tab roofing scenario language
3/4/2014	<a href="#">Determination of Cause of Loss</a>	Included requirement of weather reports, specifically AER reports, in all weather-related claims
3/4/2014	<a href="#">General Roof Loss Guidelines</a>	Bullet point added to dictate process when EagleView is not available
3/4/2014	<a href="#">Depreciation</a>	Bullet point added stating repairs should not be depreciated
3/4/2014	<a href="#">Hiring a Contractor</a>	Removed reference to Nexus and Nex-Vex programs
3/4/2014	<a href="#">Personal Property</a>	Rewording of the personal property section to address specific handling instructions, instructions related to theft, vandalism and malicious mischief, vacancy, copper wiring on TDP-1 policy, and lightning claims

3/4/2014	<a href="#">Identification of Building vs. Personal Property</a>	Updated instructions on how Field Adjusters should address personal property and inventory
3/4/2014	<a href="#">Supplements</a>	Added section on how to address claim supplements
3/4/2014	<a href="#">Actual Cash Value Losses</a>	Rewording of the Actual Cash Value section to better reflect all TWIA and TFPA policies
3/4/2014	<a href="#">XactAnalysis Assignment</a>	Addition of XactAnalysis assignment workflow section
3/4/2014	ALL	Updated the justification and formatting of the entire document for uniformity
10/7/2014	<a href="#">Commercial Property Damage Evaluation Guidelines</a>	Added guidelines for Commercial handling



# TWIA & TFPA Damage Evaluation Guidelines

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## Purpose of Document

The guidelines contained in this document were prepared by the Texas Windstorm Insurance Association (TWIA) and the Texas FAIR Plan Association (TFPA) for use by its staff, its contracted independent field adjusting firms and their adjusters, as well as other business partners involved in the evaluation, handling, and servicing of TWIA's & TFPA's claims.

Guidelines described in this document may differ for individual claims depending upon the unique facts and circumstances of each individual claim. This document is intended to serve as a guideline only - the adjuster should apply professional discretion as each claim is unique.

These guidelines were composed to comply with applicable insurance policies, contracts, and the laws, rules and regulations of the State of Texas. In the event of any conflict, applicable laws and regulations will prevail.

## Introduction

TWIA & TFPA expects high levels of customer service, communication, professionalism, and expertise at all times. In addition, a strong sense of urgency and an appreciation of the importance of uniform compliance with policies, laws and regulations from all our employees and business partners are expected during the claim process as we assign, dispatch, investigate, evaluate, and pay claims.

## Disclaimer

This is a living document and thus, it is subject to revision. It is prepared as an aid to staff, contractors and associated firms and cannot be relied upon by the regulated community as representation of the law. Any policy and/or endorsement excerpts, examples, or selections represented in this document may not reflect the official version. In the event of inconsistency or discrepancy, the controlling policy, regulation or law prevails. This document will be revised, as necessary, to reflect any relevant future amendments. *Printed or distributed copies cannot be controlled.* Announcements contained in such printed or electronic material are subject to change without notice, and may not be regarded in the nature of binding obligations on the Associations and/or the State.

<b>Definitions &amp; Acronyms</b>	
ACV	Actual Cash Value, a value figured by subtracting depreciation from the full replacement or repair cost
ALE	Additional Living Expenses, a calculation of expenses in addition to the typical or normal daily living expenses
C&O	Cause & Origin (more recently referred to as O&C, or Origin & Cause)
CE	Claims Examiner
CGI	The internal claims management system used by Texas FAIR Plan Association
DOL	Date of Loss
FNOL	First Notice of Loss, the notification sent in from the insured (or the insured's representative) informing a carrier of a new loss/claim
GC	General Contractor
IA	Independent Adjuster or Field Claims Adjuster
ISO	Insurance Services Office, an online database of claims used to search for prior losses
ITV	Insurance to Value, a percentage of the amount of insurance carried (limit of liability) over the actual replacement cost value of the property
MSB	Marshall & Swift/Boeckh, reconstruction cost estimator used to determine ITV
NI	Named Insured, the person(s) who has financial interest in the covered property
NOTUS	The internal claims management system used by Texas Windstorm Insurance Association
O&P	Overhead & Profit, a percentage added to a repair estimate to account for a General Contractor's expense for overhead and profit
POL	Proof of Loss
PPIF	Personal Property Inventory Form, a detailed list of claimed personal property details including description, serial/model information, date and location purchased, replacement cost and actual cash value
RCC	Replacement Cost Coverage, refers to a policy that provides full replacement cost benefits
RCV	Replacement Cost Value
ROR	Reservation of Rights
SIU	Special Investigations Unit, investigates suspected insurance fraud
TFPA	Texas FAIR Plan Association
TWIA	Texas Windstorm Insurance Association
Xactimate	Estimating software that can calculate the repair cost of reconstruction as well as the replacement cost of personal property items

## General Field Claims Adjuster Guidelines:

### **Initial Contact:**

Initial Contact is expected same day or less than 24 hours from assignment.

### **Temporary or Emergency Repairs**

The need for emergency services, tree removal, and temporary repairs to protect the property from further loss should be addressed at the time of initial contact.

Explain that permanent repairs should not be made before the property is inspected so the Field Claims Adjuster can see the damage and determine if it was caused by a covered peril. Ask the insured to provide accurate records and receipts or other documentation for any temporary repairs.

### **Tree Removal:**

Tree Removal is covered under Extensions of Coverage under TWIA/TFPA policies. Extensions of coverage are not additional insurance and do not increase the limit of liability. If a covered peril has caused a tree to fall and damage covered property, we will pay for the expense for the removal from the described location. If the tree needs to be removed before the Field Claims Adjuster is able to perform the inspection, to mitigate any further damages, ask the Customer to take pictures and keep receipts.

If additional questions or concerns arise, please consult the TWIA/TFPA Claims Examiner assigned to the loss.

## **Inspection**

Inspection is expected to take place within 48 hours of Initial Contact. In order to ensure all damages are addressed during the initial inspection the property must be inspected *with the Insured present*. If the Insured is unable to be present within that time frame, put a comment in your file notes explaining the reasons why you were unable to inspect within the desired time frame

Properly greet and introduce yourself to a customer. Include an explanation of why you are there and what the customer can expect from your visit and inspection.

Be sure to walk entire property with customer. Allow the customer to point out any and all claimed damages.

Close your inspection by sharing the next steps of the claims-handling process. End the inspection by asking the customer "Have I missed anything and have I lived up to your expectations today?"

Dress code should meet business casual standards, and be professional and practical. Denim pants are not permitted. You should wear shoes that provide adequate traction for traversing a multi-pitched roof. Have proper identification available should the customer request confirmation of your identity.

## **Reserve Recommendations**

In cases where the loss is expected to exceed \$10,000 for Residential losses and \$25,000 for Commercial losses, you must call the TWIA/TFPA Claims Examiner within 24 hours of the Inspection to

inform them CE of the need for reserves to be properly set and to receive any additional handling instructions.

## Status, Initial, and Final Reports

### Status Reports

Status reports are expected to be provided to the TWIA/TFPA Claims Examiner every 7 days from the claim assignment until loss is resolved. A phone call will suffice, but be sure to notate the file with items discussed with the Claims Examiner. Inside Desk Claims Examiners are expected to return all contacts within 24 hours. If the Field Claims Adjuster is not contacted within the expected timeframe, their respective team lead/manager should forward communications to that firm's single point of contact at TWIA/TFPA.

### Initial / Final Reports

Initial or Final Reports are expected to be provided within 72 hours of the inspection.

### File Documentation

Written file activity notes should be maintained on all TWIA/TFPA claim files. Activities should be documented in the Field Claims Adjuster's file or log from first receipt of the assignment to final report submission. Any documentation or evidence the Field Claims Adjuster obtains related to the claim should be evaluated, responded to, included in their file, and provided to TWIA/TFPA.

### To Be Included in the Field Claims Adjuster Report (PDFs):

- One copy of your invoice.
- Copy of TWIA/TFPA Fee Schedule Breakdown (if charges not broken down on invoice)
- Activity Log (including T&E log)
- Field Claims Adjuster's General Loss Assessment
- MSB Valuation (RCV & ACV amounts)
- Statement of Loss
- Building/Personal Property Worksheet (estimate/inventory)
- Field Claims Adjuster's Photo Sheets (labeled)
- Documents received from insured, including e-mails, estimates, invoices, receipts, photos, proof of loss(541/542 claims only), Advance Pay Requests.
- Copies of letters/e-mails sent to insured.

## Photos

Clear digital photos are required. Photos should be numbered, identified by the building or item number and room/area, and include a description. Enough photographs should be taken to adequately document the damaged as well as the undamaged portions of the item.

Overview as well as close up photographs should be taken, whether they are determined to be covered or not.

Do not comment on whether or not something is covered by the policy in the photo captions.

**Submit the following photos on all losses:**

- Elevation photos - north, south, east, west elevations of the risk
- Overview of all slopes and test squares
- Close-up photos of most severely damaged shingle(s)
- Damage or lack of damage to soft metals, screens, gutters, etc.
- Shingle and pitch gauge on roof
- Showing evidence of single or multiple layers of roofing
- Interior attic showing type of roof decking
- Interior attic showing any evidence of interior damage or ongoing leaks
  - NOTE: a photo of the HVAC system condensation pan (drip pan) is needed when interior water damage is reported/claimed near the condensation pan.
- Overview of all interior rooms damaged or not, and a close up photo of damaged areas
- Personal Property when applicable
- Roofs of other nearby structures to document damage or no damage

The Estimate should be written in the same order that the photos are taken above.

## Estimating

Adjusters are expected to create their own estimates based on damages observed during the inspection. If you need to consult with a contractor, jointly inspect the loss with an independent contractor assigned by the Inside Desk Claims Examiner. You should never recommend contractors to the insured. If asked, inform the insured that you are not recommending or hiring a contractor—it is the insured's choice and obligation.

There should be a separate estimate per item of insurance involved. Estimates should be clearly marked as to which item they represent (i.e. Item 1 - dwelling, Item 2 – detached garage etc.). Split your items within the Xactimate Claim tree applying proper coverage limits and deductibles to the applicable item number. Estimates should begin with the exterior damages, followed by the interior. The photos should be in the same order as the estimate is written and should be labeled to match the corresponding areas in the estimate. A properly labeled overview photo is required for all rooms, including the attic.

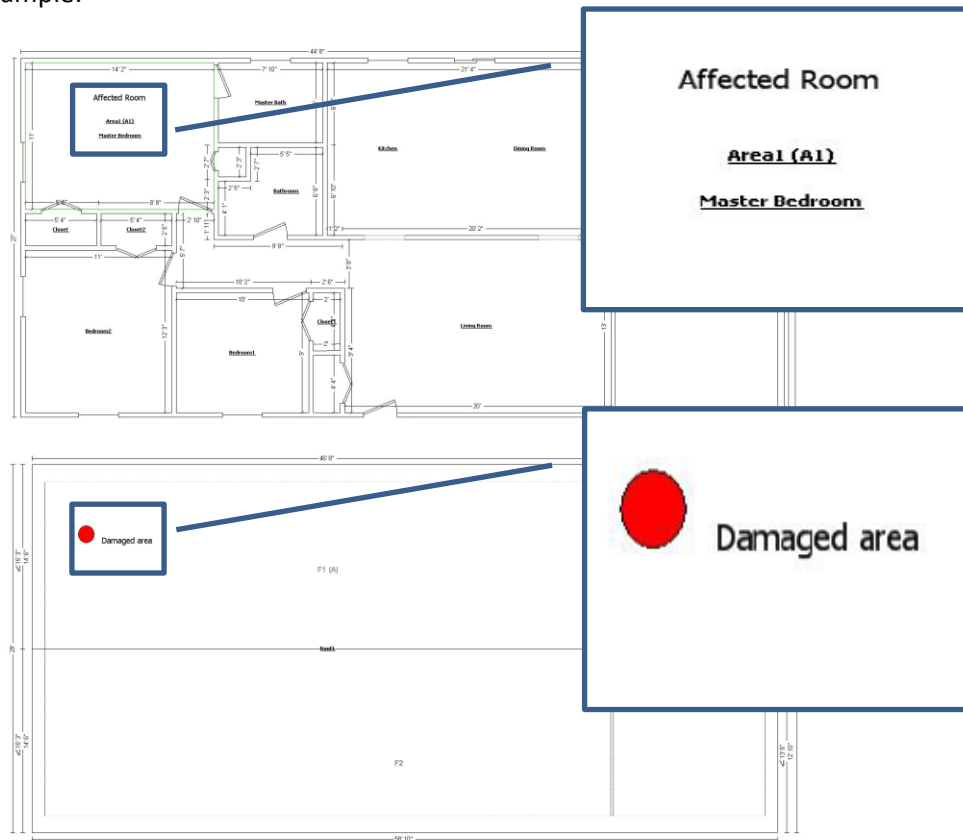
Estimates should reflect the reasonable cost to repair covered damage with materials of like kind and quality at the time and location of the loss and any applicable depreciation. Apply the proper price guide for the area using the date of loss to price point the estimate. Apply the proper tax rate for residential or commercial construction. Consider loss history when you are writing your estimate, making certain you do not allow for damage that has been paid for in prior claims. The Inside Desk Claims Examiner will provide prior claim reports for comparison.

The Field Adjuster should include in their estimate any damage identified during the inspection that is consistent with a named peril. The Field Adjuster should include in their General Loss Report any damage identified during the inspection that is not consistent with a named peril.

Adjusters in the field do not have the authority to discuss what damages are covered or not covered with the Insured; this is the responsibility of the Inside Desk Claims Examiner. The Field Adjuster's responsibility is to make a thorough property damage evaluation and submit their recommendations to the Inside Desk Claims Examiner, who will review applicable policy provisions to determine the disposition of the claim.

## Diagramming and Measurements

- Diagrams with measurements are required on all field adjusted losses.
- The computer generated diagram and measurements for any damaged room or area must be uploaded with the Xactimate estimate.
- Measurements should be rounded up to the nearest inch.
- Note the correlation of any interior damage on the diagram or sketch to the exterior damage.
  - Example:



## Debris Removal:

Disposal should be included in the estimate when appropriate if the local waste collector will not remove the debris from the Insured's curbside. Before allowing for disposal, the Field Claims Adjuster should review which line items already include it.

The "Remove" operation includes putting the materials in a job site receptacle, so using "Remove" would not be a sufficient allowance for debris removal if the local waste company would not take it. If estimating for general demolition using labor hours, it is inappropriate to use the "Remove" operation in Xactimate.

## Like Kind and Quality

All estimates should reflect replacement of damaged materials with the same materials and level of quality. If the damaged material is no longer manufactured, use the closest available materials and quality but in no case use materials of lesser quality.

There is one scenario that TWIA and TFPA allows for an “upgrade” of materials. Due to the limited availability of 20-year 3-tab shingles, TWIA and TFPA allows for their replacement with 25-year 3-tab shingles when a covered loss exists.

### **Matching**

TWIA & TFPA policies do not provide coverage for perfect matching of shingles, siding and other items unless there is a reasonable basis to conclude mismatching will appreciably diminish market value after repairs are completed.

A Field Claims Adjuster should consider whether or not any significant diminution in market value can be avoided by providing for matched shingles, siding, or components for single or multiple slopes, sides, or areas within a line of sight.

### **Natural Breaks**

The Field Claims Adjuster should allow for repairs to adjoining areas if there is no natural break between the damaged and undamaged areas. Adjoining areas are connected rooms or elevations with no natural break to separate the rooms or elevations.

A natural break separating interior rooms could be a wall separating multiple rooms, a soffit wall/ceiling, a doorway, a transition strip, differences in surface material (floor, wall, ceiling), or floor levels (1st story vs. 2nd story). A natural break on the exterior of the home could be a different directional roof slope or elevation.

### **Insured Completed Labor Hours/Repairs**

For the customer’s labor to perform general clean up or temporary repairs, use the LAB LBR selector code in Xactimate. If the scope of a repair job cannot be accurately estimated in Xactimate, use skilled labor hours and add an estimate line item note (F9 note) in Xactimate.

If the customer repairs a damaged item and it is a quality, permanent repair (not a temporary repair,) an estimate should be written in Xactimate for what it would cost to hire a professional contractor to perform the work. In no case would TWIA or TFPA pay a customer more than what it would cost for a contractor to do the same work.

### **Permits**

Permits should be estimated and included in the estimate. Because permit fees vary greatly, any actual permit fees in excess of the estimated fees should be submitted for supplemental and timely payment.

### **Overhead and Profit**

Overhead and profit should be included in an estimate where the customer is likely to require the services of a general contractor to repair the damage. The Field Claims Adjuster must document the reasons for their belief a general contractor will be used. Job Personnel Overhead (or Sub-Contractor O&P) expenses are included in the Labor Overhead portion of each unit price in the Xactware price list.

Factors to consider in making this determination include the nature and extent of the damage, the number of trades needed to make repairs, the degree of coordination or supervision of trades required to make repairs, the opinions of subcontractors, general contractors and other experts about industry standards, and whether a repair estimate lists overhead and profit.

On claims that warrant general overhead and profit, Field Claims Adjusters should include O&P as a separate Xactimate line item at the end of the estimate (10% overhead and 10% profit = cumulative 21%) and apply to all building items and trades, including roofing and fencing, when supervision or coordination of the item or trade is reasonably required by a general contractor. If it is necessary for a general contractor to supervise or coordinate all trades, including roofing and fencing, **explain why in your report to TWIA or TFPA**. When applicable, general overhead and profit is considered part of the repair/replacement cost and is NOT depreciable.

## Sales Tax

Sales tax should be added and separately identified on all estimates, as appropriate. Please consult the Texas Comptroller's website for taxable services and materials:

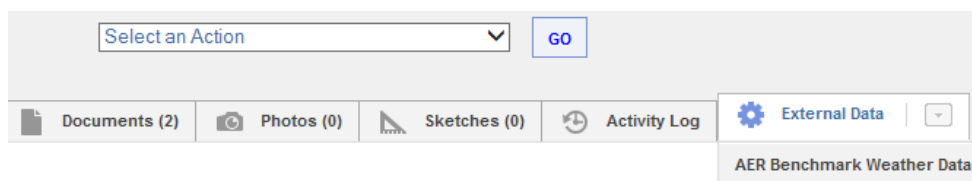
[http://www.window.state.tx.us/taxinfo/sales/faq\\_collect.html](http://www.window.state.tx.us/taxinfo/sales/faq_collect.html)

Examples of taxable items include: materials on repairs; labor on non-residential repairs (excluding property used as a family dwelling such as apartment complexes, nursing homes and retirement homes); personal property repairs; waste removal from real property. Tax should not be added to estimates for tax-exempt entities, such as schools, government or non-profit organizations that have a tax exempt certificate. The Field Claims Adjuster must verify this. Sales tax is not depreciable.

## External Damages

### Determination of Cause of Loss:

- Weather reports
  - TWIA only provides coverage for losses caused by the perils of wind and/or hail. Weather reports can help determine if high winds or hail has affected a particular area or property.
  - If available, use location-specific weather reports to confirm the date of loss and peril(s) involved for all TWIA and TFPA losses where weather is suspected as a cause or contributing factor in the loss.
  - Atmospheric and Environmental Research, Inc. (AER) is the preferred weather history report for both TWIA and TFPA. TWIA and TFPA agreements with AER stipulate that there should be an AER report in every wind and hail claim automatically, typically within 1-2 days of the assignment being generated.



- If an AER report is unavailable, notify the Inside Desk Claims Examiner immediately.
- Copies of applicable weather reports must be included with the Field Claims Adjuster's report.
- Utilization of Experts



- An expert(s) may be needed for claims where the cause of loss or damage may be difficult or inappropriate for the Field Claims Adjuster to evaluate. As soon as the need for an expert is identified, immediately contact the TWIA/TFPA Claims Examiner assigned to the file to discuss the hiring and use of all experts.
- Where a decision is made to utilize experts, you must discuss with the customer the reasons behind the need for an engineer or other expert(s) to assist in the evaluation of their claim.

## Roof Inspector Safety:

- Safety comes first and you should never attempt to access any roof when, in your professional judgment, it would not be safe to do so.
- Ground level visual inspections are not accepted. You should notify the Claims Examiner if you cannot safely access the roof. Appropriate assistance from a roofing or other paid professional may be used to access the roof, but only with prior approval from the Claims Examiner. In all other situations, you are expected to personally complete the roof inspection.
- If the roof is too steep or high for you to perform an on-roof inspection, authorization must be approved from the Claims Examiner and documented in the claim file prior to having a paid professional complete the roof measurement and inspection. You are still expected to complete the roof estimate and all other aspects of the claim.

## General Roof Loss Guidelines:

- Roof inspections are required on all field-adjusted roof claims.
- TWIA & TFPA use EagleView as their aerial imagery/CAD measurements provider. Use roof “CAD” diagrams and measurements to establish roof measurements and as needed for diagrams. You are not required to physically measure the roof when the EagleView report has provided this information.
- When Eagleview is not available, measurements must be taken or verified manually and sketched in Xactimate.
- The Field Claims Adjuster report must include the type(s) of roofing, age of roof, slope pitch, and the number of layers of roofing.
- Replacement materials must be of like kind and quality. Identify and document the type, weight, and style of the roofing material being replaced. Do not rely on the use of a roof gauge to identify shingle type; hail-impact resistant shingles and other more recent types of shingles may not be properly measured by the roof gauge.

## Hail Damaged Roofs

When adjusting claims for hail damage to roofs, evaluate and document evidence of damage or “hail hits”:

- A “hail hit” is defined as functional damage to the roofing material. Specifically, functional damage of roofing material is a reduction in water-shedding capability or expected long-term service life. Composition shingles are functionally damaged when they are fractured by hailstones. The damage is typically immediate and visually noticeable. The fracture may also be noticeable by feeling the top

and bottom surface of a shingle. A fracture from hail is not always apparent in the bottom surface of a shingle.

- 10'x10' test squares for each elevation (North/South/East/West), should be measured, if applicable.
- If it is not feasible to mark off a 10'x10' area due to the size/shape of the slope, mark out a 100 SF area of a different shape that fits in the surface area.
- Since hail damage on a roof can vary from slope to slope depending on the pitch, condition of the roof, protection offered by trees and buildings and the direction of the hail, you should complete test squares on the appropriate number of slopes to evaluate the damage to the entire roof.
- Count and document the number of damaged shingles within the test square.
- Document all test squares with annotated photos and upload with the Xactimate estimate.
- Damage is determined by the number of damaged shingles, not individual tabs on 3-tab shingles.
- Once the amount of hail hits are noted, then consider the age, condition and reparability of the roof or slope.

### **Evaluation of hail damaged roofs:**

- Granular loss alone generally does not constitute damage by hail to composition or flat roofs.
- Composite shingles damaged by hail typically show "bruising".
- Metal roofing damaged by hail typically shows dents.
- Tile roofing damaged by hail typically shows cracks in the damaged area.
- Wood shake roofing typically show splits, splinters, or dents, with appropriate aging for the time of loss.

### **Wind Damaged Roofs**

- Wind damage is evaluated differently than hail damage. Wind damage typically includes tearing, bending, and bruising to shingles. Wind damage to tile roofs can consist of tiles being blown loose from the mortar patty or nails or tiles damaged by flying debris.
- In the absence of other covered damage, lifted/non-sealed tabs alone are not necessarily indications of wind or other damage.
- Tile roofs are generally designed and installed to allow some movement without damage.
- Without visible damage, a report of vibration or chattering will generally not qualify as actual physical damage.
- For claims involving Unsealed Shingles, please note that TWIA Policies cover only damage caused by windstorm or hail. A composition shingle that was properly sealed prior to the storm and then is unsealed by windstorm is covered damage. Properly sealed composition shingles are intended to resist significant wind events. However, some composition shingles may not seal at the time of installation for reasons such as seal strip contamination, installation errors, manufacturing defects and cold weather installation.

### **Roof Loss Cost - Estimating Guidelines:**

- Field Claims Adjusters are expected to prepare computer-generated estimates on all losses, as appropriate. Xactimate has been selected as the current property estimating platform for TWIA & TFPA claims.

- In certain cases, the individual facts of the loss and damages present may require an estimate to be written differently than these guidelines suggest. Throughout this guide, for any exception or deviation, the Field Claims Adjuster is expected to justify such deviations and document them with a line item note (F9) in the Xactimate estimate and to notify the Claims Examiner as appropriate.
- The building estimate should reflect the type of building involved, type of construction, dimensions of the damaged areas, total square footage, replacement cost of the damaged items, and actual cash value of the items when applicable. On all dwelling estimates written on a replacement cost basis, actual cash value should be calculated. The estimate format must display in a room-by-room, line-by-line basis and utilize unit-cost pricing with line-item depreciation, when applicable.
- If an item is not found in the Xactimate price guide, a local price may be used if documented and reasonable. For items that appear to be priced incorrectly based on the quality allowances in Xactimate, have localized price anomalies, or have grade differences, you are encouraged to use time and material estimating for the item and document how the price was created. Such methods may be necessary for unusual or commercial items or while working in areas with access issues. You should add the new line item under the appropriate trade for the item. Include a line item note (F9) in the Xactimate estimate to explain the reason for the deviation. Base service charges are included in the unit pricing.
- Xactimate will attach a local pricelist and you should verify that the correct pricelist is attached based upon the location of the property being estimated.
- The most current price database should be used for the estimate. Be sure to use the price data base for the loss location closest to the loss location from within the loss state.
- It is not TWIA's or TFPA's general practice to accept contractor or public adjuster estimates as the means to determine property damage values as the Field Claims Adjuster has a responsibility to determine the cost of repairs. However, if the Field Claims Adjuster writes an estimate and finds an estimate submitted by a contractor or public adjuster is in line for the same scope of repairs, with prior approval from TWIA, settlement may be made based upon the submitted estimate. The comparison estimate must be clearly labeled and uploaded into the file to document the basis for the settlement.
- Repair vs. Replacement – Always consider roof material “brittleness test.” If a roof was not repairable at the time of loss, it should likely be replaced. If shingles crack or tear, the roof cannot likely be repaired.
- On a repair to a wood, tile or composite shingle roof with damage scattered across the roof the Field Claims Adjuster should use a “per shingle/tile/shake price”, depending on the condition of the roof. “Per square” price should be used if the damage is in concentrated areas.
- When most or all of an entire slope of roofing material is blown off, the tear-off allowance should be reduced or eliminated depending on the circumstances.
- Steep charges should be used on roofs with a slope of 7/12 pitch or greater.
- Multiple story charges should only be used on roofs that are greater than two stories high.
- Steep and/or multiple story charges are calculated on the square footage of the slope(s) involved.
- Actual measurements on roofs are to be used for tear-off.

- For multiple layers, add first layer as roof tear-off allowance and the second layer tear-off on a separate line of the estimate as removal of an additional layer.
- Except for metal roofs, Xactimate line item pricing includes haul off, so no separate allowance for dumpsters should be allotted unless there are unusual circumstances. However, if multiple trades are in the estimate, a dumpster charge may be needed to accommodate repairs.
- When paying to replace roofing use separate line items for the “Remove” and “Replace” operations. The “Remove” line item should allow for the actual square footage with no waste and no rounding to the nearest bundle.
- Additional items to consider are: ridge cap, metal valley, plumbing sleeves, chimney step flashing, skylights, vents, felt, drip edge, pipe jacks, cap sheet (tile), removal and reset of A/C unit, cooler, or antenna attached to the roof, access charge, and debris removal, as appropriate.
  - NOTE: the ridge cap is included in the waste factor for 3-tab shingles on full slope replacements as they are cut from the field shingles used by the installers. When replacing one or more slopes with 3-tab shingles, there should be no separate charge for ridge cap. High profile, wood, tile and metal roofs may have additional charges for ridge cap, when necessary. Any deviation must be approved by TWIA/TFPA.



**Roof Waste Factors:**

- 10% waste factor on gable roof replacements.
- 15% waste factor on hip roof replacements and may be appropriate on more intricately designed roofs with multiple roof lines, valley, or dormers.
- 10% waste factor when replacing one slope.
- Add linear feet when replacing the ridge cap.
- 5% waste factor should be used for a flat roof and rounded up to the next square.
- 20% waste factor for tile repairs on an individual basis to allow for tile breakage during installation.

**Depreciation:**

- Good judgment should be used when determining the appropriate depreciation to apply. Consider all factors, including the quality of the roofing material, its life expectancy, age and overall condition. Do not apply depreciation to labor, roof tear-off, or overhead and profit.
- Depreciation should be calculated and applied on an item-by-item basis using appropriate guidelines and methods, which may include depreciation tables, reasonable life expectancy, overall condition of the roof at time of loss, market value, and other reasonable methods under a broad evidence rule.

- Repairs of covered damage should never be depreciated.

## Evaluation of Losses by Roof Type:

### Flat Roofs

- On built up roofs, unless evidence is presented to the contrary, 3-ply roofing should be used (plus any applicable ballast).
- TWIA & TFPA do not recognize the Vacuum Uplift Test as a valid way to determine if an existing flat roof is damaged by wind since this test is not an industry standard for identifying hail or wind related damage. If asked to consider such test results, TWIA may consider utilizing an expert or engineer to interpret the test and to assist in the property damage determination or review.

### Tile / Slate Roofs

- Tile (including but not limited to concrete or clay) roof losses require detailed inspections by the Field Claims Adjuster.
- Tile roofs can be repaired in many situations when the Field Claims Adjuster can determine the manufacturer, profile, and design of tile roofing. The Field Claims Adjuster should independently verify that a tile is no longer available and document the efforts to identify the tile in the claim log.
- The “per tile” price in Xactimate includes labor to remove and reset tiles around the one that is being replaced.
- When inspecting a tile roof for damage, the Field Claims Adjuster should inspect for missing, cracked, or displaced tiles. There must be a covered cause of loss to pay for the repair.
- Loose tile that has become un-bonded from the mortar patty but has remained in the same place is generally not storm damage.

### Metal Roofs

- Some metal roofing requires detaching and resetting to the nearest edge due to the style and installation method of the roof.

### Wood Roofs

- Where the customer indicates a desire to replace the wood roof with available alternative roofing materials the Field Claims Adjuster must seek direction from the TWIA/TFPA Claims Examiner and their manager before offering any alternative solutions.

## Additional Roof Loss Evaluation Considerations:

### Nailable Surface

On some occasions, a claim is presented by a customer to remove and replace an underlying surface material that is not damaged by a covered cause of loss. TWIA & TFPA do not cover an underlying surface if it is aged or has a defect not attributed to a covered cause of loss unless the outer layer of the roof was damaged by a covered peril. In the event of a covered loss to the outer surface, TWIA will then pay for a nailable surface due to a defective or unusable underlayment.

An example of this would be if there is covered damage to the roof covering (shingles, tile, wood shakes, metal, etc.) and we determine that the roof decking or spaced decking is rotted. In this example, the policy generally would owe to replace the rotten roof decking, or spaced decking (and thus provide a nailable surface to expedite the repair or replacement of the roof).

**Wood Roof as a Decking Material**

In an effort to improve the consistency of our estimates and payments to our customers, TWIA & TFPA are clarifying the way its estimates are written with respect to wood shake/shingle as an underlying layer. **As of 11/7/2011** all roofs that are damaged as a direct result of windstorm or hail with wood shake/shingle as an underlayment are to be written as follows:

1. Removal of the damaged composition shingles due to direct loss from windstorm or hail.
2. Removal of all additional layers of composition shingles, as specified in the code requirement to remove all layers if two or more layers are present.
3. Removal of the wood roof shingles serving as a decking material for the composition shingles, as specified in the code requirement to remove all layers if two or more layers are present.
4. Replacement of the wood roof decking with code compliant 5/8 sheathing as specified in the code.
  - o Depreciation is based on the age, use, quality and condition of the top layer of composition shingles.
5. Replacement of the composition shingle roof including a 15lb felt underlayment, 2 layers of 15lb felt underlayment if pitch is 4/12 or below.
  - o Depreciation based on the age, use, quality and condition of the top layer of composition shingles.

**Based on the above scenario, the estimate should resemble something similar to the example below. Please keep in mind that this is an example only and does not contain all materials that are normally found in a roofing estimate.**

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
1. Remove 3 tab - 20 yr. - composition shingle roofing - incl. felt	30.00 SQ	38.49	1,154.70	(0.00)	1,154.70
2. 3 tab - 20 yr. - composition shingle roofing - incl. felt RFG at 25% dep	34.67 SQ	151.53	5,253.55	(1,313.39)	3,940.16
3. Remove Wood shakes - medium (1/2") hand split	30.00 SQ	43.23	1,296.90	(0.00)	1,296.90
4. Sheathing - plywood - 5/8" CDX Shown as 25% based on age of roof	3,000.00 SF	1.41	4,230.00	(1,057.50)	3,172.50
If you incur additional charges as a result of this repair, please notify our office. Your policy may contain a provision for an Increased Cost of Construction allowance.					
<b>Total: BILL_BRASKY</b>			<b>11,935.15</b>	<b>2,370.89</b>	<b>9,564.26</b>

**Multiple Overlay of Roofing Materials**

TWIA/TFPA allow for the cost to tear off multiple layers of roofing materials and to re-deck the roof if necessary.

## **Footfall**

If the Field Claims Adjuster causes footfall damage to a roof during an inspection:

- Add the number of shingles, shakes, or tiles damaged by footfall plus the number of shingles, shakes, or tiles damaged by a covered peril to the estimate. The total damage is subject to the deductible.
- If there is no damage to the roof or the damage is below the deductible and the Field Claims Adjuster damages the roof by footfall, then the Insured is reimbursed for the footfall damage repair without taking a deductible.

## **Siding/Paint/Stucco**

These claims should be evaluated on the basis of each individual elevation:

- Only the damaged elevations should be repaired or replaced.
- When one elevation of siding is replaced, TWIA does not automatically owe to replace any other elevations in order to match the new siding (see "Matching" topic).

When there is an insulation board or house wrap behind the siding, the insulation may be damaged in the process of repairing the siding. In these cases; the insulation board or house wrap should be included in the estimate.

When diagramming exterior wall damage, the Field Claims Adjuster should include both damaged and undamaged elevations.

## **Pools**

### **Filling**

If an insured's pool is leaking as the result of a covered loss, coverage for the pool and water within may be dependent upon the policy and cause of loss involved. While many pools are covered under the Other Structures section of the policy, the water contained within pools is considered Personal Property (Coverage B).

When estimating to drain a pool to perform covered repairs, the Field Claims Adjuster should separately estimate the cost to re-fill the pool with water and the appropriate chemicals. The cost of the water can be obtained in various ways; from the local water authority, from a pool company or from the Insured's water bill.

The cost of the water and appropriate chemicals should be listed separately as it will be considered for payment under any available Personal Property Coverage.

### **Pool Decking**

The policy must be reviewed to determine if there is coverage for pool decking.

If concrete pool decking is damaged by a covered cause of loss, the repairs should be estimated similarly to sidewalk/driveway repairs. However, the extent of repair to any deck surface material (Cool deck, etc.) must also be evaluated to provide for a uniform appearance.



## Fences

- Fences should be measured to the nearest linear foot.
- Chain link fences can be replaced on a per linear foot basis.
- Wood, aluminum, and vinyl fences can generally be replaced in 8 foot sections (Or the actual length between posts for the fence section).
- Blown down wood, aluminum, or vinyl fencing can often be reset depending on the severity of damage to the panel.
- Fence posts should only be replaced if there is covered damage to the post.
- TWIA only owes for the Insured's interest of a common fence. (i.e. ½ of a "good neighbor" or other shared fence)
- Since the Xactimate price for fence removal includes the cost to place the damaged fence in a job site waste receptacle, a dumpster or pickup truck line item should be added only when the city will not remove fence debris placed for garbage pickup. Typically, one pickup truck load will be sufficient for the removal of 4-5 sections of fence.
- If depreciation applies to the damaged fence, the Field Claims Adjuster should determine if the repair or replacement of the damaged portion of the fence will place the Insured in a better position than before their loss. If betterment is involved, then the fence repair/replacement will need to be depreciated.

## Sheds, Outbuildings, and Other Structures

Determine if the structure qualifies as an Other Structure (Coverage A) or Personal Property (Coverage B):

- The Structure qualifies as an Other Structure (Coverage A) when:
  - It is a permanent part of the realty, has a foundation, or has tie downs or is in some other way affixed to the realty.
  - If it was removed it would deface the property, such as when it has been landscaped around making it impossible to be easily removed.
- The structure qualifies as Personal Property (Coverage B) when:
  - It is manufactured to be easily moved such as pre-fabricated plastic storage units or the shed is placed on skids for easy transport

### Pricing for sheds, other outbuildings, and other structures:

- When the price for a prefabricated structure is available in Xactimate, the Field Claims Adjuster should match the features in the Xactimate Selector Code with the features of the damaged shed.
- If the Insured's structure has more features than the Xactimate structure a "stick built" estimate should be written to reconstruct the structure.
- When appropriate, the Field Claims Adjuster should consider using general demolition rather than using the "remove" operation in Xactimate.



## Retaining Walls

- Claims for damaged retaining walls should be thoroughly investigated as they are typically damaged by perils such as earth movement, wave action or surface water which are not covered by a TWIA/TFPA policy.
- Generally, it is appropriate to hire an expert to perform a professional evaluation of the cause of the damage especially where suspected non-covered causes of loss contributed to or caused the damage in any way.

## Interior Damages

### Interior Diagrams

- The diagrams should include the room measurements, ceiling heights, any relevant offsets, and any cabinets or built-ins.
- Kitchen and bathrooms require detailed diagrams of appliance, fixtures, and cabinets.
- Wall openings larger than 50% of the area should be deducted when estimating the replacement of wall finishes or surfaces.
- The diagram with measurements should be completed for the damaged area(s) and any area where the same damaged product was installed to continuous surfaces such as floors, carpeting, wallpaper or siding.
- If the building or dwelling has multiple stories and a thorough inspection reveals the damage is confined to one story (or level); then only the story damaged would require full measurements and a diagram.

### Drywall

There are many types of drywall, so the Field Claims Adjuster should determine the correct grade and/or makeup of the wall or ceiling surface.

- Generally, drywall installed on ceilings is 5/8" thick, wall surfaces is 1/2" thick.
- Types of drywall include: fire rated drywall, Type-X, and drywall located in moisture prone areas.
- In moisture prone areas, such as a bathroom, the Field Claims Adjuster would use green-board unless the investigation shows it was not present prior to the loss.

The Field Claims Adjuster should estimate the actual drywall material damaged and not round up to the nearest whole sheet of drywall. It may be necessary to allow for some additional repair area as a perfectly square repair without waste is generally unlikely.

It is TWIA/TFPA's general policy to cut out and remove the ceiling/wall surface exposed to water damage rather than sealing and painting. For minor water stains that has already dried, sealing and painting may be appropriate.

## Plaster

Since there are many types of plaster/backer material/lath combinations, the Field Claims Adjuster needs to determine the correct grade and/or makeup of the wall or ceiling surface.

- The most appropriate way to determine which Xactimate selector code to use is to examine the backer material or lath behind the plaster.
- Wood lath is common in homes built before the 1940s. Metal lath is common in homes built after the 1940s. The most common backer material used today is 1/2" gypsum board.
- The Field Claims Adjuster would estimate replacement of like kind and quality. If the Field Claims Adjuster is unable to determine the type of material, 1/2" gypsum board should be used.

When estimating to repair an isolated area of plaster on a wall or ceiling surface, estimate for the actual square footage of repair and include for a thin coat of plaster over the entire surface of the wall or ceiling that is being repaired.

## Wall Coverings

### Paint

- On damaged walls that require repainting, it is usually necessary to repaint adjacent walls for a uniform finish including any of the adjacent walls that continue without a natural break.
- When drywall is replaced, the newly installed drywall should be painted with a sealer and all walls painted with one coat of paint.
- Rooms with large or long walls and those with large amounts of natural light such as a great room that may require more than one coat of paint.
- All openings over 50% of area being repaired or areas not requiring painting (such as behind cabinets) should be deducted when estimating for painting.

When plaster is replaced, all repaired walls or ceilings would also require two coats of paint due to the differing absorption rates of plaster and drywall.

Extra coats should be allowed when walls are custom painted, have an unusual finish, or when there is an appropriate reason.

Content Manipulation may be used when:

- It would be unacceptable to move the contents to the middle of the room and cover with a drop cloth. Rooms with large numbers of items (small figurines) on the walls or with very large items (piano) may require additional content manipulation.

An allowance for extra masking may be appropriate in rooms with chair rails, picture rails, or base and crown molding. Switch/outlet covers and dropping of standard light fixtures are included in the paint price in Xactimate.

### Wall and Ceiling Texture

- The accepted repair technique for popcorn ceiling texture is to scrape and re-texture the entire ceiling. When applying popcorn texture to new drywall, the drywall should first be sealed as a separate operation to allow the popcorn texture to adhere to the new drywall.
- Many of the hand textures used on ceiling surfaces and walls can be spot replaced and the texture blended into the existing texture. It may require repainting of the entire surface area for a uniform finish. The Field Claims Adjuster needs to evaluate each claim for possible repair techniques.

### Wallpaper

- If any portion of wallpaper is damaged, the wallpaper to all adjacent walls must be removed and replaced. Should any of the adjacent walls continue without a natural break into any adjoining room(s), the adjoining room(s)' walls should also have the wallpaper removed and replaced.
- Since waste is included in the wallpaper price in Xactimate; no additional waste should be calculated except in unusual circumstances
- The Wallpaper price in Xactimate does not include prep work to install the new wallpaper when it is installed over surfaces where the old wallpaper was located.

## Flooring

### Carpet

Carpet replacement should be estimated using the drop and fill method as this allows for the most efficient use of a roll of carpet by calculating how much square footage would be needed based on the seams and direction the carpet fills the room.

Field Claims Adjusters must identify the quality of material, the appropriate width for the replacement, and number of seams in a room. The Field Claims Adjuster should not estimate for more seams than are currently used. It is acceptable to allow for content manipulation in order to replace carpeting. Carpet should be replaced to a natural break such as a doorway, flooring material transition, etc.

The grade of the damaged carpet is an important factor in estimating the replacement cost. The different grades/styles of carpet can be found in Xactimate along with images that show specific examples.

When carpet has been exposed to water, the Field Claims Adjuster should assess if the carpet can be salvaged since a wet carpet does not always require replacement. It is acceptable to have carpet cleaned and deodorized if the carpet has not been permanently stained or delaminated.

The Field Claims Adjuster should determine the potential of having the carpet cleaned by a professional carpet cleaning service prior to allowing replacement of the carpet. When the carpet can be saved, an estimate to detach and reset the carpet, to replace the carpet pad as well as an allowance for germicide may be required.

### Wood Floors

Field Claims Adjusters must distinguish hardwood floors from laminate floors due to high variances in price, quality, and repair options depending on type and quality of the flooring. Generally, repairs to damaged hardwood floors can be isolated to the damaged planks. These planks can be removed and replaced and the floor sanded, stained, and refinished to match. It is important to identify the cause of

loss to wood floors since wood flooring can be damaged by non-covered causes such as warping from humidity, surface water, improper installation, etc.

The Field Claims Adjuster should evaluate the level of damage to the hard wood floors as hardwood floors can be sanded and refinished without replacing the actual wood. This is dependent on the extent of damage and the number of time(s) the wood floor has previously been sanded and refinished.

When estimating to sand, stain, and finish hard wood flooring some items that need to be taken into consideration are:

- Refinishing the floor up to a natural break
- Content manipulation as appropriate
- The machinery used to sand, stain, and refinish wood floors may mar baseboards causing them to be damaged, appropriate repairs or replacement should be allowed
- A light post repair cleaning may be necessary

Laminate flooring is more difficult to repair as it cannot be sanded. It may be difficult to match laminate flooring, even if the same brand/type of floor can be obtained, since the new floor will be from a different dye lot resulting in a product color that may not match. If the Insured has any extra materials left over from the original installation it is appropriate to estimate for a repair.

For engineered hardwood flooring, the type and manufacturer of engineered flooring often determines the reparability. Some manufacturers give a warranty of 1 to 3 sandings for the lifetime of the engineered wood. The Field Claims Adjuster may need to research to determine if the engineered flooring can be refinished.

When replacing wood floors, it should be replaced to a natural break (doorway, flooring material transition, etc.). It is generally difficult to stop at doorways unless there is a clear transition. If strip flooring runs under a door, proper estimating may require an estimate to extend into another room.

### **Tile Floors**

Tile floors are resistant to water; therefore, replacement should not be necessary unless the mortar bed is compromised or it is cracked from a covered peril.

If tile must be replaced, the Field Claims Adjuster should research to determine if replacement tiles can be located or manufactured. In addition, the Field Claims Adjuster should ask the Insured:

- If they have any extra materials left over from the original installation.
- The store where the tile was purchased.
- The name and contact information of the company that installed the tile.

If it is possible to repair with matching tiles, it is appropriate to estimate for only the square footage of damaged tile. If repairs are not an option, then replacement should be made to a natural break.

Sometimes claims are made for discolored tile. Tile by its very nature does not stain. If staining due to a covered cause of loss is noted, it may be necessary to have the tile professionally cleaned to determine if truly stained. Discoloration of grout can be cleaned very easily. If the discoloration is a result of a covered loss, tile can be re-grouted without having to replace the tiles.

Hollow sounds under tile are not necessarily an indication of damage.

### **Vinyl Floors**

The drop and fill method should be used for computing the replacement of vinyl flooring sheet goods. These sheet goods come in 6' and 12' wide rolls. Damage due to tears, burns, and stains caused by a covered loss generally requires replacement of the vinyl floors. Vinyl tile can sometimes be repaired if the materials are still available.

### **Multiple Layers of Floor Coverings**

If there are multiple layers of flooring, only the top layer should be considered for like, kind and quality replacement.

- If an Insured has laid carpet over wood plank flooring, the wood floor may be considered abandoned and we would only owe to replace the carpet. If there is material under the carpet that was also damaged it should be considered on a functional basis.
- If the wood plank floor was damaged and required replacement it may be replaced to provide a solid sub-floor and restore the Insured to pre-loss condition, but the abandoned wood floor should not be refinished.
- If an Insured chose to leave an old glue-down carpet in place and laid new carpet over the top of the old carpet, this Insured has abandoned the glue-down carpet as a functional carpet, but has retained this carpet as a functional pad for the new carpet. If there is covered water loss that damages both carpets, TWIA/TFPA may consider the new carpet for replacement and the abandoned carpet that was also water damaged may be considered for removal and replacement with a carpet pad.

## **Electrical**

### **Testing**

There must be some evidence of electrical damage before paying for exploratory testing. If the damage is evident but not physically visible, have the Insured get an electrician to give them an estimate along with the cause of loss.

### **Water Damage to Electrical Fixtures**

If there is evidence that water has passed through an electrical fixture, such as a light or ceiling fan, it is generally most cost effective to remove and replace the light fixture. For high value fixtures, consideration may be given to hiring an electrician to determine if the fixture(s) require replacement.

### **Insurable Interest**

The insurable interest of certain electrical items must be verified with local municipalities/utility companies prior to including them on estimates. The Field Claims Adjuster should verify that the Insured is responsible for that particular electrical item before we pay to repair or replace it.

## **HVAC**

### **Reparability Reports**

For a loss to an A/C unit, the Field Claims Adjuster may consider getting a cause of loss and reparability report. In all cases, the Field Claims Adjuster will need basic information on the HVAC unit such as make, model, age, and SEER rating.

**Reparability**

Replacement of an air handler when a compressor is damaged is not always required. Unless there is a justifiable reason covered under the applicable policy to replace the air handler and the compressor; the policy will only pay for like, kind and quality replacement of one component.

If a contractor states they must replace multiple components in order to guarantee the work, TWIA/TFPA's policy covers only the damaged item, not the added component needed to satisfy a warranty requirement. If the claim is for replacement of an air handler, due to direct damage of a compressor, the Field Claims Adjuster must verify and document the reason(s) for including both components in their estimate.

If repairs require multiple components due to an ordinance or law the Field Claims Adjuster must determine if the policy contains provisions or endorsements which provide coverage for any repair or replacement requirements mandated by any ordinance or law.

If the replacement unit is an upgrade, then the added costs to upgrade must be documented and deducted from the estimate of damages.

**Ductwork**

Prior to replacing ducts on a covered loss, the Field Claims Adjuster should explore all remediation and cleaning options available.

**Remediation****Water**

On claims that have extensive interior water damage, it is recommended that the Field Field Claims Adjuster include water remediation in the estimate if the Insured has not already contacted a water remediation company.

If the Insured has called out a remediation company before the Field Claims Adjuster has had the opportunity to inspect, then the Field Claims Adjuster should write a comparative estimate once the remediation bill is received in order to determine whether the invoice is reasonable. This comparison estimate should be clearly labeled and uploaded with the Xactimate estimate.

It is extremely important for the Field Claims Adjuster to monitor remediation efforts so that fans, dehumidifiers, negative air machines, etc. are used appropriately.

**Mold**

If the property has both covered water damage and non-covered mold growth, the adjuster's estimate should include the cost of ordinary water damage repairs, not the increased cost associated with mold remediation or testing. On a covered loss where mold is present, the Field Claims Adjuster should immediately notify the Insured of the mold and their responsibility to mitigate any further damage.

**Asbestos**

TWIA/TFPA's policies do not cover any loss or damage caused by or resulting from asbestos. We do cover direct physical loss caused by windstorm or hail to covered property containing asbestos materials; however, we do not cover the additional cost or expense to test for, monitor, clean up, remove, contain, treat, abate or assess the effects of asbestos or asbestos-containing materials.

If the property has covered damage to the asbestos-containing materials, the adjuster's estimate should include the cost of ordinary repair or replacement, but not the increased cost associated with asbestos testing, monitoring, containment or abatement.

## Contractors

### Contractor Estimates

If the customer obtains a contractor estimate for repairs, a comparative estimate must be written to determine if the contractor's estimate is reasonable. If the contractor's estimate is reasonable, the estimate total must be included in the Field Claims Adjuster's Xactimate estimate as a line item (Example: a specific line item stating "Estimate from Bob's Roofing - \$1200").

If after completing the comparative estimate the Field Claims Adjuster determines the contractor's estimate is not reasonable, they should estimate the damage as they would normally. In both cases, the contractor's estimate and the comparative estimate must both be included and clearly labeled in the claim file.

### Hiring a Contractor

The selection of a general contractor or any other professional is solely the responsibility of the customer. The Field Claims Adjuster must not select or employ a contractor or expert on behalf of the customer, nor recommend or coerce any customer to utilize the services of a particular contractor. However, the TWIA/TFPA Claims Examiner is authorized to offer preferred repair provider (PRP) services to our customers. Customers are in no way obligated to use these optional services to select a contractor.

## Mobile/Manufactured Homes

The attachment of the TWIA 411 Endorsement converts the HB-3 policy to a Manufactured Home Policy. Please read this endorsement carefully and thoroughly as there are many exclusions for items typically covered under the HB-3 policy. Wind and Hail continue to be the only covered perils.

### Mobile Home Coverage

Only TWIA provides coverage for mobile/manufactured homes. TFPA does not provide mobile/manufactured home coverage at this time.

### Interior

Walls in many mobile homes are constructed of mobile home specific wallboard and not standard drywall. This type of wallboard should be estimated by the sheet not by the actual square footage. Newly constructed mobile homes may be constructed with drywall.

### Re-leveling

Estimates should include the Xactimate price to re-level the mobile home as well as any applicable tie downs and anchors. If the concrete piers are shifted, it is appropriate to use the Xactimate line item that allows for re-setting the concrete piers. The estimate for re-leveling the mobile home should include detaching and resetting skirting, if it is not already blown off.

If the mobile home is a double-wide, the roof ridge and interior must be inspected for splitting. If the roof ridge is split, then the Field Claims Adjuster should estimate for roofing repairs and to bolt the two halves back together. This can be estimated by replacing the ridge board, which would provide for all access, and jacks for each side of the home.

When inspecting the mobile home for wind damage, all windows and doors should be evaluated to determine if the home has shifted.

### **Xactimate Grades for Mobile Homes**

- For mobile homes built in the 1970's and 1980's, standard grade should be used in Xactimate for each line item, unless the material has been upgraded.
- For mobile homes built in the 1990's and beyond, average grade should be used in Xactimate for each line item, unless the material has been upgraded.

### **Personal Property**

Claims that involve personal property are unique. For this reason, the Field Claims Adjuster should keep in constant contact with the Inside Desk Claims Examiner to report any information they obtain regarding personal property. The Field Claims Adjuster must contact the Inside Desk Claims Examiner prior to inspection to receive any special handling instructions regarding the personal property portion of a loss. The Field Claims Adjuster should address the possible damage to personal property with the Insured at the time of initial contact to determine the amount and nature of property being claimed.

**For all losses, unless specifically directed otherwise, the Inside Desk Claims Examiner will handle the estimating of the personal property portion of the claim. Field Claims Adjusters should not include personal property losses in their estimates, nor bill for adjusting the personal property loss. The Field Adjuster should only include the dwelling and other structures damages in their estimates.**

For extensive personal property losses (i.e. fires), TWIA/TFPA may employ the services of a separate contents vendor to expedite the claim and best serve the policyholder.

The Field Claims Adjuster should not provide a Personal Property Inventory Form to the insured unless specifically instructed to. The Inside Desk Claims Examiner will address personal property losses by using a contents vendor to evaluate the loss and will obtain the inventory descriptions directly from the insured. The Insured should be instructed not to dispose of any damaged personal property prior to a planned inspection.

The Field Claims Adjuster is expected to document loss of personal property with adequate, annotated, and clear photos. Photos should include model or serial numbers if available. If it is not possible to take photos, the explanation should be documented in the claim log.

For electronics, the Field Claims Adjuster needs to determine if a certified repair technician should be utilized to determine cause of loss and reparability of an item.

Restoration, cleaning, or repairs for clothing, rugs, jewelry, furniture, collectibles, tools or paintings should be considered by the Field Claims Adjuster prior to making a recommendation for payment on any of these items.

Submission of a completed estimate should not be delayed pending personal property completion. If a partial settlement is made, the claim log shall be documented with any outstanding personal property issues or information relating to the personal property portion of the loss that is forthcoming.



## Special Handling Instructions

If assigned a claim for Theft, Vandalism & Malicious Mischief, or Lightning it is imperative that the Field Claims Adjuster communicates with the Inside Desk Claims Examiner to receive special instructions. The Inside Desk Claims Examiner must be contacted prior to inspecting the loss.

### *Theft and Vandalism & Malicious Mischief*

The Field Claims Adjuster should not provide a Personal Property Inventory Form to the insured, as all contents losses will be assessed by the Inside Desk Claims Examiner. However, upon initial contact prior to the inspection, the Field Claims Adjuster should ask the insured to compile all supporting documentation they may have regarding the loss. Supporting documentation that needs to be photographed can be in the form of receipts, boxes, owner's manuals, invoices, remote controls, or any documentation that could prove ownership.

The Field Claims Adjuster is required to photograph every room in the home to document damage or the lack thereof. For loss by theft, the Field Claims Adjuster should also photograph areas from which the items were taken (i.e. empty TV stand showing the wires and cables, open china cabinet where silver was kept, etc.). It is important to use critical thinking when taking these photos. Does the item that is being claimed fit in this area? Are there any imprints or dust marks showing where the item was? If there are any inconsistencies, the Inside Desk Adjuster should be contacted as soon as possible to discuss.

For a loss by vandalism, the Field Claims Adjuster should photograph any damaged personal property showing as much detail as possible. There should be close up photos of model or serial numbers and any supporting documentation the insured may have. For damaged electronics or appliances, the Field Claims Adjuster needs to determine if a certified repair technician should be utilized to determine/confirm cause of loss and reparability of an item.

The Field Claims Adjuster will need to provide detailed photographs showing the method of entry. If the door or window has already been replaced, there should be a photo of the repair receipt. Just as any other claim, elevations, fences, attics, and other structures need to be addressed regardless of damage. If the insured took photos of the damage prior to the repair, please request copies from the insured, or photograph them and submit with the estimate.

A police report needs to be ordered by the Field Claims Adjuster within 24 hours of receiving the claim. The police report should be forwarded to the Inside Desk Claims Examiner upon receipt. Submission of a completed estimate, however, should not be delayed pending the police report.

A roof inspection is not necessary on a theft or vandalism claim unless it is relevant to the method of entry or was damaged in some way from the loss. Therefore, an Eagleview report does not need to be ordered on these claims.

Recorded statements are taken by the Inside Desk Claims Examiners or our Special Investigations Unit, not the Field Claims Adjuster.

### *Vacancy*

The Field Claims Adjuster should inspect additional elements if the dwelling appears to be vacant. It is important to note if the electricity is on, and if not, how long it has been off. It is imperative to photograph every room in the home to allow the Inside Desk Claims Examiner to see what contents are still in the home (i.e. appliances, cleaning supplies, etc.). If the home is for sale, information on how long

it has been up for sale, and how long it has been empty of contents should be requested from the insured.

**Copper Wiring on a TDP-1 Policy**

In a Vandalism and Malicious Mischief claim including the theft of previously installed copper wiring on a Texas Dwelling Policy, the estimate written by the Field Claims Adjuster should include the pricing of copper wiring as it is considered damage to the building caused by burglars.

**Lightning**

Aside from the required inspection of elevations, other structures, and interior rooms of the home, when there is a loss by lightning, the Field Claims Adjuster should check all major appliances and electronics in the home. Even if an insured states that only their tree was damaged, the Field Claims Adjuster should confirm that TVs, HVAC system, microwaves, stereos, indoor and outdoor lights, etc., are in working order.

The Field Claims Adjuster should photograph any damaged personal property showing as much detail as possible. There should be close up photos of model or serial numbers and any supporting documentation the insured may have. For damaged electronics or appliances, the Field Claims Adjuster needs to determine if a certified repair technician should be utilized to determine cause of loss and reparability of an item.

If the home or a tree was struck by lightning, it is imperative to show detailed photos of the damaged area. Trees will usually have a unique pattern confirming lightning. If the tree has fallen, include the cost of removal of the tree. Refer to the policy when considering coverage for replacing trees as there may be coverage limitations. Inside the home, circuit breakers and outlets throughout the home should be checked for burn marks.

If there is no evidence of lighting, the Field Claims Adjuster needs to contact the Inside Desk Claims Examiner immediately. If assistance is needed in investigating the cause of loss, the Inside Desk Claims Examiner may employ an expert.

**Identification of Building versus Personal Property**

The following lists are intended to help determine which items are normally considered art of the Building and which are normally considered Personal Property.

**BUILDING ITEMS**

Furnaces	Wall mirror permanently installed
Elevator equipment	Fire sprinkler system
Garbage disposal units	Pumps, related machinery
Built-in ranges and stoves	Radiators
Lighting fixtures	Venetian blinds
Central air conditioners	Carpet permanently installed
Built-in dish washer	Hot water heaters (including solar)
Built-in microwave ovens	Plumbing fixtures

Cabinets	Permanently installed bookcases, etc.
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**PERSONAL PROPERTY ITEMS**

Air conditioner units (not central)	Portable dishwashers
Food freezers (unless built-in)	Refrigerators (unless built-in)
Rugs & Carpet not permanently installed	Clothes washers and dryers
Portable microwave ovens, barbeque grills, similar items	Outdoor equipment/furniture (check the policy for details)residence premises

If instructed to fill out the Personal Property Inventory Form (PPIF), it should be completely filled out for claims with personal property involved. The PPIF must account for each item with specific details and quantity of the item. There should not be bulk categories (e.g. two bags of clothes, one box of miscellaneous items, etc.) as such lump sum categories are highly subjective. The PPIF must be itemized, reflecting a description of items along with the age, verified replacement cost, and actual cash value of the item(s). Age, make, model and serial numbers must be provided on all major appliances.

The will be responsible for verifying prices and discuss depreciation, when applicable, with the Insured. It is not TWIA/TFPA's practice to accept the Insured's or their representative's prices as the only means to determine settlement value. Personal Property items should not be listed in the Field Claims Adjuster's Xactimate estimate.

TWIA/TFPA's PPIF captures most of the information needed to conclude a Personal Property loss. In the interest of consistency, TWIA prefers that Personal Property losses be handled with the approved PPIF. If an Insured or their representative submits a form with the same information as the PPIF the Field Claims Adjuster may consider using the submitted form rather than require that all information be transcribed onto the TWIA/TFPA's form.

## Supplements

When supplements are presented to Field Claims Adjusters, the Field Claims Adjuster should immediately contact the Inside Desk Claims Examiner to determine the best course of action. Supplements may require closed files to be reopened. Do not reopen a claim file without the direction of the Inside Desk Claims Examiner.

The adjuster should follow up with the insured to determine the reason for reopen/supplement and to request and obtain any estimates, receipts, reports, and information that the insured has in support of his/her claim. Examine these items and make recommendations to TWIA or TFPA.

## Salvage

All salvageable items must be noted and any buy-back clearly documented.

## Subrogation

All subrogation issues with Building or Personal Property items must be noted in the claim log with the subrogation explanation and rationale clearly documented. Claims Management should be immediately contacted on claims where a cause and origin expert would assist in determining subrogation.

## Replacement Cost & Actual Cash Value Losses

### Replacement Cost Coverage (RCC)

TWIA/TFPA requires valuations on all items of real property for which coverage is shown on the loss notice. Field Claims Adjusters should start their evaluation process using the MSB Replacement Cost Calculators on the TWIA web-site in order to determine the Building Value amount for RCC purposes.

If a customer or their representative questions the replacement cost evaluation process, additional methods must be considered, including the following:

- Replacement (reconstruction) cost estimates generated by other software providers.
- An insurance reconstruction cost valuation prepared by qualified appraisers which is specifically formulated to establish insurance replacement cost rather than market value
- Reconstruction cost estimates prepared by licensed general contractors, architects or engineers which include a contract price for reconstruction cost and an itemized list of home, building or structure features
- A property inspection report dated within the past 12 months ordered by another property insurance company that includes a detailed reconstruction cost estimate

### Actual Cash Value Losses

Many policies have a coinsurance provision that requires the property to be insured to at least a specified percentage of the replacement cost value of the property insured at the time of the loss. The coinsurance percentage is typically shown on the TWIA Claim Acknowledgement and Assignment or the TFPA policy endorsement. The application of any co-insurance provision must be approved by TWIA/TFPA management before it will be applied.

## Recoverable and Non-Recoverable Depreciation

### Items Subject to Depreciation

- If an item is normally subject to both repair and replacement during the life of the structure, then the item would be subject to depreciation based upon the remaining useful life, use, wear, condition and/or obsolescence of the depreciable item. Examples include, but are not limited to, water heaters, floor coverings, interior and exterior wall finishes, and roofing materials.
- If an item is not normally repaired and/or replaced during the life of the structure, then it would not be subject to depreciation based upon remaining useful life, but would be subject to depreciation based on the use, wear, condition and/or obsolescence of the depreciable item. Examples include, but are not limited to; framing, sheathing, drywall, plaster, siding, subflooring, plumbing, electrical, certain windows or doors, etc.

Depreciation must be documented when applied. Lump-sum depreciation is not accepted; it must be on an item-by-item basis based on these depreciation guidelines. The evaluation of damages should be conducted at the time of initial inspection. Generally, no more than 75% depreciation should be applied to items with remaining useful life. If it is found that more than 50% depreciation is needed, first consult with the Claims Examiner for approval.

Depreciation should not be applied to labor only items such as tear out, debris removal, tree removal, or remove and reset, etc.

**Guidelines on Withholding of Recoverable Depreciation**

Unless there are hidden damages, or the cost to perform the repairs at a higher cost is justified causing a supplement; the amount paid at release of the holdback will generally be the lesser of:

- The actual amount paid to perform the covered repairs; less the applicable deductible and the ACV payment
- The amount of the recoverable depreciation held back

If there are hidden covered damages discovered after the initial payment, those damages could also be subject to recoverable depreciation. The Field Claims Adjuster should always consider and evaluate situations where the actual repair cost is justifiably higher than the initial repair estimate.

**Guidelines for use of Non-Recoverable Depreciation**

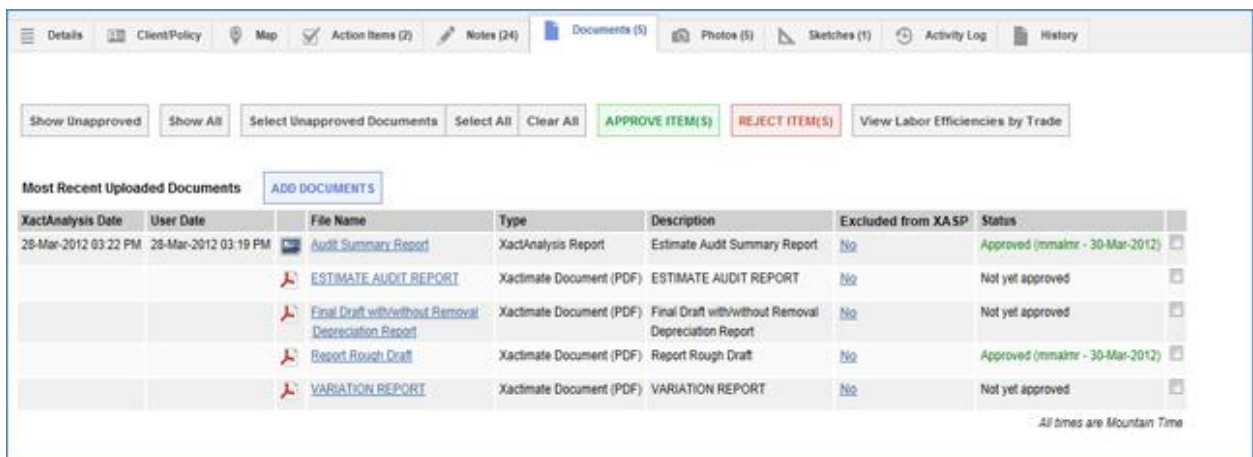
Should you have any questions regarding the evaluation and calculation of recoverable or non-recoverable depreciation, contact your Supervisor or Manager.

**XactAnalysis How-to**

The following contains excerpts from XactAnalysis “Help” documents. The screen shots in this document are generic, and your company’s interface may vary.

**Add a document**

1. Click Add Documents. The Upload Documents dialog box appears.
2. Click Select Files. Select files to upload.
3. Type a file description in the Description field.
4. Click Complete Upload. The documents appear in the Documents tab.



**Note:** Once uploaded, documents are permanent and cannot be deleted or edited.

Upload New Document

**UPLOAD DOCUMENTS**

SELECT FILES

File Name: Flooring.pdf Description   Exclude from XASP

File Name: Taxes.docx Description   Exclude from XASP

File Name: Report.pdf Description   Exclude from XASP

Uploaded files must be less than 5MB.

Supported file types: Word (.doc, .docx, .docm), Excel (.xls, .xlsx), PDF (.pdf), compressed (.zip), text (.txt), HTML (.htm, .html), web archive (.mht), message (.msg), sound (.wav, .mp3, .wma), and image (.jpg, .jpeg, .png, .gif, .tif, .tiff, .bmp)

Date uploaded: 22-May-2013

Documents are permanent and cannot be deleted or edited. Are you sure you want to upload these documents?

COMPLETE UPLOAD cancel

## Request EagleView Roofing Measurement

Send a request to EagleView for roofing measurements for selected assignments in Advanced Search Results. EagleView is a third party company which analyzes aerial images for each roof and returns a Sketch back to the adjuster/contractor in Xactimate. For this option to appear, you must have an account with EagleView, the Request Eagle View Roofing Measurements user right, and a dataset you have rights to must be set up by XactAnalysis to use the EagleView export. This option is not available for read-only users.

To send a request to EagleView for roofing measurements:

1. Check the boxes of the assignments for which you want to request EagleView Roofing Measurements.
2. Select Request EagleView Roofing Measurement from the Select an Action drop-down menu, and click Go.
3. A confirmation window appears. Click OK.
4. The assignments are exported to EagleView. A notification window appears. Click OK.

## QA Approve

Update the QA Approval status of selected assignments in Advanced Search Results to QA Approved. This option is not available for read-only users.

**XACTANALYSIS**

**UPDATE STATUS TO QA APPROVED**

Claim #: 216546545

Updated by: Alex Valdez

Date Updated: 15-Oct-2012

New Status:  QA Approved  
 QA Rejected

Comment/Note:

Email To:  (optional)

Send to multiple addresses by separating with a comma or semicolon.

Send email to assignee  
 Send email to Desk Adjuster  
 Email Project Manager  
 Include Note text in email

Send to XactNet Address:  (optional)

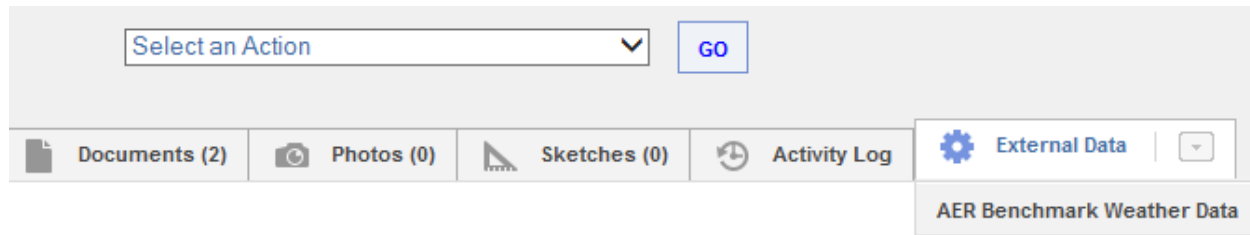
Send to multiple addresses by separating with a semicolon (commas will not work).

To update this status:

1. Check the boxes of the assignments you want to update to QA Approved.
2. Select QA Approve from the Select an Action drop-down menu and click Go.
3. The Update Status to QA Approved window appears (see Figure 15). Fill out the form and click Update Status. The page refreshes, and the assignment's approval status is updated.

## External Data

When reports are ordered from outside XactAnalysis, the information from those reports appears in this tab. To view a report from outside XactAnalysis, click the External Data tab and select one of the options.



### Order AER Hail DOL Reports

You can order a Hail Date of Loss report through Atmospheric and Environmental Research (AER) for one or more selected assignments. When complete, the report appears in the External Data tab in Assignment Detail. The report displays data for any hail occurrences near the claim location on the date of loss, the day before the date of loss, and the day after.

To order a Hail Date of Loss report, check the boxes of the assignments for which you want to order a report, select Order AER Hail DOL Reports from the Select an Action drop-down menu, and click Go.

### Order Hail History Reports

You can order a Hail History report through Atmospheric and Environmental Research (AER) for one or more selected assignments. When complete, the report appears in the External Data tab in Assignment Detail. The report displays data for any hail occurrences near the claim location on the date of loss. It also displays data for the last three hail occurrences prior to the date of loss, the next three hail occurrences after the date of loss, and the most severe hail occurrence.

To order a Hail History report, check the boxes of the assignments for which you want to order a report, select Order Hail History Reports from the Select an Action drop-down menu, and click Go.

### Order Lightning Strike Reports

You can order a Lightning Strike report through Atmospheric and Environmental Research (AER) for one or more selected assignments. When complete, the report appears in the External Data tab in Assignment Detail. The report displays data for all lightning strike occurrences near the claim location on the date of loss. It also displays the distances of the 20 closest lightning strikes from the claim location.

To order a Lightning Strike report, check the boxes of the assignments for which you want to order a report, select Order Lightning Strike Reports from the Select an Action drop-down menu, and click Go.

## XactAnalysis Assignment Workflow

1. A claim is reported to a carrier.
2. The carrier creates an assignment in XactAnalysis.
3. The claim is assigned to the Firm's queue
4. The firm assigns the claim to an assignee (sent to their XactNet address).
5. The assignee (adjuster/contractor) completes the claim in Xactimate and sends it back to XactAnalysis.
6. Estimate data is added to reports.
7. The estimate is reviewed in XactAnalysis



**QA Approval:**

QA Approve the claim from the details tab on an individual claim basis.

When a firm "QA Approves" the estimate in the details tab, all documents that are not marked as "rejected" are sent to the carrier.

If no estimate is in XactAnalysis, QA Approve the file on the details tab and this will send the status report and any other documents in the file to carrier.

# Commercial Property Damage Evaluation Guidelines

## **Introduction**

The guidelines contained in this document were prepared by the Texas Windstorm Insurance Association (TWIA) for use by its staff, its contracted independent field adjusting firms and their adjusters, as well as other business partners involved in the evaluation, handling, and servicing of TWIA's claims.

Guidelines described in this document may differ for individual claims depending upon the unique facts and circumstances of each claim. This document is intended to serve as a guideline only; the adjuster should apply professional discretion as each claim is unique. These guidelines were composed to comply with applicable insurance policies, contracts, laws, rules and regulations of the State of Texas. In the event of any conflict, applicable laws and regulations will prevail.

If you have any questions or comments regarding the content of these guidelines, please contact your TWIA Claims Examiner to discuss.

## **Roles and Responsibilities**

### **Claims Manager**

The responsible TWIA manager will review and triage incoming commercial claims prior to the assignment of the examiner based on the complexity of the claim. They will then oversee the handling and review the progress of the claim as it is in progress. They serve as an in-house resource for as well as make other assets available to the examiner as the need arises.

### **Claims Examiner**

When TWIA receives a first notice of loss (FNOL) on a commercial claim, TWIA examiners review the policy and risk information prior to the assignment of the claim. Examiners will also review any available information such as aerial photography, prior claims, underwriting files, and descriptions of damage to make an initial determination of the type and number of experts that may be needed during the evaluation of the claim.

As additional information is gathered, TWIA examiners and independent field adjusters work together to determine what additional resources are required in the evaluation of the claim.

**Independent Field Adjusters**

It is the role of the independent field adjuster to gather evidence, document the windstorm or hail damage being claimed, as well as damages observed but not claimed. Independent adjusters are responsible for coordinating inspections with the Insured’s representatives and the experts engaged by TWIA. The adjuster will also be responsible for the updating of the XactAnalysis claim file with status and final reports as well as any reports received from any experts.

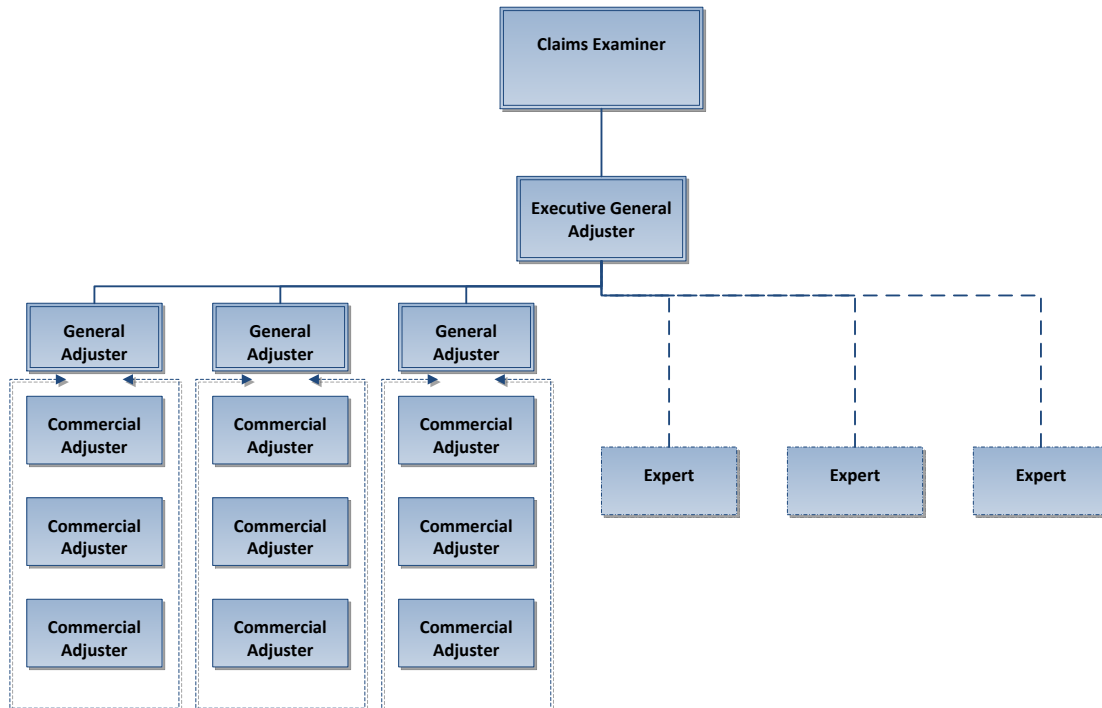
One or more of the following types of independent field adjusters will be assigned to a commercial claim:

**Executive General Adjuster (EGA)**

The EGA is the executive adjuster on the claim. The EGA works with the policyholder’s representative, the insurance agent, experts and other stakeholders to ensure that all concerns are addressed.

In instances of claims with a large number of items, it is expected the EGA will use a team approach to evaluating the claim. A team approach is one in which the EGA will identify and secure a sufficient number of resources to complete a thorough investigation of the insured’s claim within as few days as possible. The EGA must contact the TWIA Claims Examiner to get approval for the number of adjusters and resources being utilized to evaluate a claim. It is the responsibility of the EGA to identify and coordinate adjusters as well as experts utilized on a claim to inspect, photograph, document, estimate and report on damages.

*Example of a team approach model*



## **General Adjuster (GA)**

General Adjusters are, usually, assigned to handle medium-to-small commercial claims with medium-to-low anticipated complexity. General Adjusters are also assigned to report to EGAs on large complex commercial claims with multiple scheduled items and/or locations. General Adjusters may also coordinate the inspection efforts of CAs at the request of an EGA.

## **Commercial Adjuster (CA)**

Commercial Adjusters are primarily assigned to work at the direction of an EGA or GA to photograph and inspect properties with a large number of buildings or a large number of residential units, such as apartment buildings, condominium buildings, and townhouses under the team approach to ensure claims are resolved within the statutory timeframes of 60 days under HB 3.

## **Engineers**

Licensed independent engineers are commonly used to address questions about causation of damages on commercial claims. If an inspection or conversation with the insured reveals the use of an engineer is warranted, please contact the TWIA examiner to obtain approval.

## **Building Consultants**

On complicated or unusual repairs, a building consultant should be engaged on the claim. The building consultant will provide an evaluation of damages to the adjuster that may include, but not limited to, cost of labor and materials, bids, and estimates. It will be the job of the adjuster to coordinate these resources with any other experts and personnel involved in the claim, such as coordinating inspection times, sharing of expert reports, etc.

## **Independent Contractors**

It may also be necessary for the adjuster to coordinate with independent contractors to secure bids to determine the actual cost of repair. In these cases, the adjuster acts in a similar fashion as they do with Building Consultants, coordinating inspections and documents between the association and the policyholder.

## **Authority of the Policyholder's Representative**

Many commercial policies are for organizations that have many partners, managers, employees, property managers, and/or board members. It is important to make sure we identify the person with proper authority to make decisions on the behalf of the insured organization.

- When you make initial contact with a person claiming to represent the policyholder, you must specifically identify the person's name, title, and contact information. Consider obtaining a business card and include it in your report.
- If you are dealing with anyone other than the individual named as the policyholder, ask that person if they have the authority to make final decisions regarding the claim and be sure to state his/her response in your report.

- You might find that the policyholder wants you to deal with different individuals for different properties or different aspects of the claim.
- For consistency and whenever possible, attempt to work with a single person with proper authority over all areas of the claim.
- If you must deal with more than one person in order to provide the best service to our customer, be sure to gather all the needed information for each of them and relay it to TWIA in your report.
- Secure written documentation confirming who the contact person representing the insured is.
- If the contact person is a Public Adjuster, gather a copy of the applicable license and contract and forward to TWIA as soon as possible.
- If the contact person is an attorney, whether or not they claim to have been hired to represent the policyholder, contact the assigned TWIA examiner before proceeding.
- If you think there might be any question later regarding an individual's authority to represent the policyholder, contact the assigned examiner and discuss the situation prior to proceeding.

## **Commercial Policies Insured by TWIA**

TWIA assigns commercial policies to one of the following categories. There are some aspects of commercial claim handling which are universal to the types of claims being presented, in addition to the guidelines previously established in the residential property evaluation guidelines some additional considerations are:

- Confirm the insured's authorized representative
- Confirm the buildings affected by the claim with the insured
- Confirm with TWIA the number of resources needed to complete the evaluation of the claim
- Photograph all of the insured location, including damaged and undamaged areas
- Secure any repair estimates, bids, maintenance logs, repair records, or other pertinent documentation.

## **Governmental Entities**

The typical types of governmental entities insured by TWIA are county, city, port authority, housing authority, school district, municipal utility district, or other political subdivision of the State of Texas. These claims must be handled by an EGA, with a team approach. Guidelines for evaluating these types of claims are listed below:

- Confirm the insured's authorized representative in writing
- The EGA should confirm the buildings affected by the claim with the insured in writing
- Confirm with TWIA the number of resources needed to complete the evaluation of the claim
- Secure competitive bids from Independent contractors

## Essential Services

Essential Services are items covered by a TWIA policy such as hospitals, police stations, fire stations, schools, daycares and assisted living facilities. Claims for these types of policies will receive the highest priority. Every effort should be made to resolve these claims as quickly as possible. An EGA using a team approach and building consultants must be utilized on these claims. A report should be submitted for review every ten days until the claim is resolved.

## Condominiums, Townhouses, and Apartment Buildings

The exterior and interior of every insured condominium, townhouse, and apartment building must be inspected for damage. Condominiums, Townhouses and Apartment building claims will be handled by an EGA, with a team approach.

Claims involving condominium associations, including the sub-group townhouse associations, are complicated by the existence of two types of property within the association – “common elements” and “units.” The common elements are further subdivided into “regular common elements” and “limited common elements.” The ownership, right to use, responsibility to insure, and responsibility to maintain each of these types changes from type to type. Before TWIA can determine what portions of the loss might be covered under the association’s policy and what portions of the loss might be covered under the unit owner’s policy, it must be determined who insures what. That determination is spelled out in the legal documents that formed the condominium association. These are often called the “Conditions, Covenants, and Restrictions (CCRs),” the “By-Laws,” or the “Condo Docs.”

- You must request the condominium documents from the policyholder representative during your initial contact. It usually takes time to assemble and copy the large packet of documents, get started on the process early.
  - a. However, since the documentation is the same for all unit owner claims within a condo association with multiple units, TWIA is developing a repository of the condo documents for the properties it insures. You should check with the assigned examiner to see if TWIA already has the needed documents before asking the insured. Confirm that it is the latest version or that all amendments have been included.
- It is not always clear where in the condo docs the “Insurance” section is found. It is often confused with the section dealing with “Maintenance,” so it is best to get the whole document, not just some of the pages.
- Although the document needed is often called the “By-laws,” there is a separate document related to the incorporation of the Association titled “By-Laws.” TWIA does not need the corporate By-Laws.
- The “By-Laws” are a large formal document officially recorded with the State and they are usually dozens of pages in length. If the association representative provides you with a document that is only a few pages long, it is unlikely to be the correct and necessary document.

- The documents written during the formation of the association are sometimes changed or amended in following years. Be sure to ask for the original document and any amendments.
- If you are handling the HOA's claim, you might get calls from the TWIA adjusters handling the unit owner claims asking if you have already obtained the necessary documents. If you have already obtained the condominium documents and forwarded them to TWIA, it is not necessary for the other adjusters to obtain a copy.
- Endorsement 282 (including both the 282-1 and 282-2 versions) makes all elements of the property insured under the association's master policy. TWIA does not need to separate common and limited common elements from the unit elements so there is no need to review the condo docs.
- If the HOA policy includes a 282 endorsement, you do not have to gather the condo docs.

### **Churches and Historical Buildings**

EGAs are, usually, assigned to churches and historical buildings due to the complexity of the inspections for damages to buildings (and other scheduled structures), business personal property, and business income loss. An EGA may engage the team approach to address causation, building codes, inventory valuation, salvage, etc.

### **Large Commercial**

Manufacturing centers, large warehouses, shopping centers and office buildings make up most of TWIA's large commercial claims. A GA or an EGA may be assigned to a Large Commercial claim based on the size, complexity, and type of damage being claimed.

### **Small Commercial**

TWIA's small commercial claims, usually, consist of damage to small-to-medium buildings and claims on policies with business personal property only. Most small commercial claims are assigned to GAs. Depending on the loss, Xactimate estimates may be acceptable on these claims.

## **Investigation and Reporting**

HB-3 timelines for resolution are the same between the commercial and residential policies. As a result, many of the same guidelines found in the residential section are applicable to commercial claims. These include:

- Contact within 24 hours of assignment
- First visit/inspection to the loss location within 48 hours of assignment
- Initial/Preliminary inspection report within 72 hours of initial visit/inspection
- Status updates on a weekly basis

Due to the complexity and nature of many commercial claims and properties, there are additional considerations with respect on how to approach and conduct the investigation.

**Reserve Recommendations**

The initial/preliminary inspection should provide a measurable outline of all damages, which should allow the claims adjuster to project a reserve for the claim within 3-6 days of assignment.

- Losses up to \$25,000 can be reported on the “Initial Inspection Report” or “Loss Report.”
- Losses over \$25,000 should be reported on the full “Narrative Report,” still within three days of the initial/preliminary inspection.

Loss reserves should capture a dollar reserve for the following categories and be rounded to the nearest one hundred dollars.

The following examples illustrate how loss and expense reserves are calculated and documented when projecting reserves.

Loss Reserves/Claim Indemnity

Building – Item #4	\$10,000.00
Business Personal Property– Item #5	\$1,000.00
Business Income Loss	\$0.00
<u>Extra Expenses</u>	<u>\$0.00</u>
Total Loss Reserves	\$11,000.00

Claim Expenses

Independent Adjuster	\$800.00
O & C Investigation/Engineer	\$2,500.00
<u>Building Consultants</u>	<u>\$1,500.00</u>
Total Expense Reserves	\$4,800.00

A general disclaimer on establishing a recommended reserve should be posted with the “Initial Inspection Report” or “Narrative Report.” What follows is an example of this general disclaimer.

Important Disclaimer

*The sole purpose of this report is intended only to assist the insurance carrier with establishing reserve(s) recommendations. The dollar amounts referenced within this report are not intended to establish settlement value, but merely to reflect the possible exposure based on our initial inspection of the property in question. Once our formal inspection and valuation of the loss has been completed, the referenced reserve recommendations may need to be adjusted. These reserve recommendations, and any future adjustments, do not take into consideration coverage(s), coverage limitations, or any other coverage analysis, nor should the mere recommendation of these reserves be construed as an acceptance of coverage or an indication that a payment for that amount would be appropriate or is being recommended.*

**Coinsurance**

Condition 7 of the TWIA policy addresses the subject of coinsurance.



“If a coinsurance percentage is shown in the Declarations, the following condition applies: We will not pay the full amount of any loss if the actual cash value of covered property at the time of loss times the coinsurance percentage shown for it in the Declarations is greater than the limit of liability for the property.”

Coinsurance should be addressed at the time of the initial inspection by conducting a detailed, accurate Insurance-to-Value Report (ITV) using a valid assessment methodology including, but not limited to, reconstruction estimate, ITV programs or appraisal documents. A coinsurance penalty may affect the case reserves established for the loss.

- The coinsurance percentage is shown on the First Notice of Loss (FNOL) provided to the adjuster. In many instances, this coinsurance percentage is 80% of the ACV; however, this percentage is variable.
- The MSB ITV report should be completed and uploaded with the initial report.
- An accurate replacement cost value with properly applied depreciation should derive an actual cash value of the property in question.
- The TWIA policy details steps used to calculate the coinsurance provision, along with examples.

If you believe the coinsurance provision need to be applied, notify the Claims Examiner as soon as possible. Do not apply the coinsurance provision to an estimate without first contacting the Claims Examiner. Claims management will make the final determination as to whether the Coinsurance provision is applied to the loss settlement.

### Core Samples

Core samples may be required on low slope roofing to determine the multiple roof membranes, possible recovery boards, insulation and fastening method of the roof system. The field adjuster should not take core samples on low slope roofing.

The location of a core sample should be determined by an engineer or roofing consultant. In most cases, one core sample will be taken at the low point and another will be taken at the high point of a ridge or cricket. The appropriate expert can determine the type of roof system with the core sample and coordinate with a roofing consultant on replacement or reparability.

In a case of possible subrogation or storage of the sample core, the engineer must keep control of and invoice for the storing and security of the core sample. Prior to coring a roof, consider the effects of destructive testing to any roof system or manufacturer warranties and alert any other interested parties.

- Document questioning of the insured to determine the manufacturer and warranty in the “General Loss Report.”
- If a warranty is in place, a “Certified Roofing Contractor” should be contacted to complete the sample core and complete repairs after the core is taken

- The engineer and building consultant can assist in the location of the core sample and how many core samples are required
- The General Adjuster should contact TWIA prior to any roof cores taking place
- The General Adjuster should secure a quote on the cost of taking and repairing the core sample area

### **Roof-Top Mounted Equipment**

When inspecting the risk location, it is important to look at heating, ventilation, air conditioning, and refrigeration equipment, including ductwork, A/C mounting curbs, skids, uni-struts, and strapping details securing equipment to the roof. (See ASRAE Journal, volume 48, #3, March 2006). The independent adjuster should photo document these components.

When inspecting a risk with multiple mechanical units located on a roof-top, a mechanical building consultant may be required to scope, document, and estimate the cost of repair. Contact your Claims Examiner for further direction.

### **Aerial Images**

Location specific aerial images, both, pre and post event, should be reviewed as part of the evaluation process.

EagleView Roof Reports are automatically requested and available for policies with single location. When a policy includes multiple locations and/or multiple buildings per location, individual reports must be requested from and coordinated with EagleView.

1. Email a request to EagleView ([customerservice@eagleview.com](mailto:customerservice@eagleview.com)) requesting roof reports for each building at a specific location.
2. An EagleView Customer Service Representative will send an overview of the buildings at the requested address, labeling them as Buildings 1, 2, 3, etc.
3. Respond to the Customer Service Representative by indicating which of TWIA's scheduled items correspond to each of their numbered buildings. For example, Building 1 is TWIA Item 001, Building 2 is TWIA Item 003, Building 3 is not insured by TWIA, etc.
4. EagleView will then generate the requested roof reports labeling with the TWIA Item numbers indicated.

### **Claims with a Large Number of Insured Items**

Some of TWIA's Commercial Policies include dozens or hundreds of Insured Items and locations. Following are recommendations for working with these types of claims:

#### ***Narrowing the Scope of Inspection***

Because commercial policies often insure multiple structures, it is imperative to acknowledge and address the possibility of damage to all of those insured items. Your report package must discuss each location, each building, each room, and any BPP in those rooms. If the insured identifies buildings or structures for which no claim is being

made and provides a written statement stating the same, those buildings or structures and the contents within them do not need to be inspected.

- To insure that everyone is clear which buildings or contents are not being claimed, the insured must give you a written statement declining your offer to inspect them.
- The signed statement must be from a person properly authorized to make such a decision on behalf of the insured.
- A copy of the original signed statement must be included in your report.

#### *Confirm Coverage Afforded Under the Policy*

Since TWIA policies renew yearly, the insured's can add and remove items from coverage on a regular basis. Confirm with the insured that the item listed is the item being presented for claims. If need be, confirm with TWIA Underwriting or the insured's agent which items were included or excluded from the policy.

#### *Use Team Approach*

An EGA will employ a team of adjuster, general adjusters, engineers and estimating experts to evaluate claims with 5 or more items/areas of inspection. The EGA will be the point of contact for both TWIA and the insured, and will coordinate all inspections, appointments, and request for information.

### **Uploading Large Reports**

All estimates and reports should be uploaded in PDF form to XactAnalysis, through which they will be submitted to TWIA. If you have any questions, please contact the claims examiner assigned to the claim.

Claims with dozens or hundreds of Insured Items can get too numerous and/or voluminous to upload through XactAnalysis. Work with the TWIA Claims Examiner to create a plan for submission of items required to document the claim. Suggestions include breaking items into smaller batches (Items 1-10, Items 11-20, etc.), or using an FTP or Cloud site to upload the required information. Consider uploading both live and PDF copies of spreadsheets, so that the examiner can edit the live spreadsheet to process RCC claims and perform other tasks at a later date.

### **Emergency Services**

If it is determined that emergency services, such as water mitigation, board-up, tarping, or generators, are advisable, immediately consult with the claim examiner to coordinate these resources. It's important for the insured to understand that such services do not increase the limit of liability.

## **Evaluating the Loss**

The adjuster should consider all available options for completing an estimate in accordance with best practices. In most cases, an Xactimate estimate is not the preferred estimating tool. The adjuster should consider the size of loss, complexity, time needed and resources available to complete an estimate. There are several types of acceptable estimates for commercial claims, these are:

- Xactimate estimates
  - Should be used on small to medium complexity claims
  - Primarily on residential components
  - Should not be considered as the first available option on claims with anticipated losses exceeding \$100,000
  - Xactimate estimates of repair should conform to Xactimate best practices. Pay careful attention to what is included in each line item cost. For instance, the line items for removal of exterior siding, usually, do not include the disposal cost of that debris; however, the line item for the removal of asphalt shingles does include disposal cost.
  - Xactimate pricing is an estimate and guideline. Situations may arise where the pricing is not in line with the actual expected cost. Work with the claims examiner and the insured should changes to the Xactimate price list become necessary.
- Building Consultant estimates
  - Should be used on medium to complex losses
  - Can be used as part of the competitive bid process
  - The building consultant should be the expert in determining the appropriate form of estimation used for the type of claim presented
- Time and Materials
  - To be used on complex losses
  - Should be completed by a building consultant or independent contractor
- Competitive Bids
  - Should be used on complex losses and losses involving more than 1 location
  - Can use the insured contractors or independent contractors identified by the EGA, TWIA or building consultant
  - Efforts should be made to ensure the receipt of competitive bids prior to the 60 day HB 3 timeframe

### **Other loss evaluation guidelines:**

- Split items within the estimate by applying the proper line of coverage (with appropriate limits and deductibles) to line items to which they apply.
- Properly label the items within the estimate. For example, it would be more accurate and descriptive to label the item as "Item 1 – Fire Station #3," instead of "Commercial."
- The estimate should follow a similar structure as the photo report and general loss report. Begin with overview photos followed by roof photos, exterior photos, interior

- photos, and contents photos. Following this same pattern in the loss report and the estimate will make the file easier to review and understand.
- Interior sketches should line up with exterior sketches with correlated areas of damage clearly outlined.
  - The inspection cost for securing a WPI-8 wind certificate by statute cannot be paid for by TWIA. This cost is the responsibility of the insured. However, if the windstorm engineer is required to design a plan for meeting wind code or I.B.C. – 2006 code requirements, the plan cost may be covered on an incurred basis only. Contact your Claims Examiner for further direction.
  - If the adjuster identifies risk factors such as, but not limited to, building code violations, safety issues, or other underwriting concerns, they should prepare an underwriting risk report to alert TWIA to these potential problems.

Consult with the Claims Examiner, who may find it necessary to instruct the adjuster to work with other experts and partners on the claim to deliver the best estimate for the repairs of the covered damages.

### Material and Labor Sales Tax on Repair Estimates

The TWIA guidelines on including sales tax on repair cost estimates comes from the Real Property Repair and Remodeling tax publication from the Texas Comptroller of Public Accounts, which can be found on the Comptroller’s web site at [http://www.window.state.tx.us/taxinfo/taxpubs/tx94\\_116.html](http://www.window.state.tx.us/taxinfo/taxpubs/tx94_116.html). The topics that are most applicable to TWIA’s Commercial policyholders are:

- Residential vs. Nonresidential Repair and Remodeling
- Tax exempt Organizations
- Natural Disasters

#### *Residential vs Nonresidential Repair and Remodeling*

“Labor to repair, remodel, or restore residential real property is not taxable. Residential real property means family dwellings, including apartment complexes, nursing homes, condominiums, and retirement homes. It does not include hotels or residential properties rented for periods of less than 30 days. The property does not have to be the residence of the owner.

On the other hand, the total amount charged for remodeling, repairing, or restoring nonresidential real property is taxable. Examples of nonresidential real property are hospitals, office buildings, refineries, warehouses, parking garages, retail shops, restaurants, manufacturing facilities, and other commercial establishments.”

### *Tax-exempt Organizations*

“You don't need to charge tax when you do a job for a governmental agency - federal, State of Texas, or Texas local government. Some nonprofit organizations also are exempt from tax but must give you an exemption certificate. Other nonprofit organizations must pay sales tax. If an organization has a letter from the Comptroller of Public Accounts exempting it from sales tax, and the real property improvement relates to the exempt purpose of the organization, certain exemptions are available.”

### *Governmental Entities*

Section 151.309 of the Texas Tax Code defines the governmental entities that are exempt from sales tax. The definition that most specifically applies to TWIA Insureds is “(5) a county, city, special district, or other political subdivisions of this state.” TWIA Policyholders that are political subdivisions of the State of Texas are counties, cities, school districts, housing authorities, port authorities, municipal utility districts, etc.

### *Non-profit Organizations*

As mentioned above, a non-profit organization must have an exemption certificate from the Comptroller's office to be exempt from sales tax. Independent adjusters should obtain a copy of the certificate from the insured organization. A copy of the certificate can also be obtained through the Texas Tax-Exempt Entity Search:

[http://window.state.tx.us/taxinfo/exempt/exempt\\_search.html](http://window.state.tx.us/taxinfo/exempt/exempt_search.html).

### *Natural Disasters*

“The labor to repair nonresidential property damaged in an area declared a natural disaster by the President of the United States or the Governor of Texas is not taxable. (Materials are still taxable.) The property must have been damaged by the condition that caused the area to be declared a natural disaster. The contract or billing must separately state the amount charged for labor from the amount charged for the incorporated materials.”

### *Sale Tax Rate*

In Texas, the sales tax rate is a maximum of 8.25%. It is based on the state sales tax of 6.25% and up to 2% of taxes from counties, cities, special purpose districts and transit authorities. To determine the rate of tax that should be applied to a property at a given address, use the Comptroller's Tax Rate Locator at

<https://mycpa.cpa.state.tx.us/atj/addresslookup.jsp>. It is important to note that a policyholder may have different tax rate for different insured properties, depending on the rates at the individual addresses.

## **Commercial HB-3 Policy**

TWIA policies are named-peril coverage for windstorm and hail only, with exclusions.

There are significant differences between the TWIA Dwelling and Commercial policies and significant differences between standard ISO® commercial policies and the TWIA Commercial policy. It is required any Commercial Adjusters know the TWIA Commercial policy and endorsements, to have access to them in the field, and to refer to them often. Copies of the Commercial Policy and Endorsements can be found at <http://www.twia.org>.

See below for a summary of highlights from the TWIA Commercial policy

## Coverage A

- TWIA policies cover the perils of **windstorm and hail** only. Some residential policies have coverage for indirect loss by endorsement (i.e. Consequential Loss, ALE and Wind-Driven Rain). However, commercial policies do not have this optional endorsement.
- The TWIA Commercial policy covers buildings or structures, meaning everything which is legally part of the buildings or structures described in the Declarations. However, the TWIA Commercial policy does not cover machinery which is not used solely in the service of the building.
- The TWIA Commercial policy also covers, under Coverage A, personal property that is owned by the insured, used for the service of, and located on the described location. The personal property items listed below are NOT covered if the insured is only a tenant or occupant of the building.
  - Fire extinguishing equipment;
  - Maintenance equipment and supplies;
  - Floor coverings;
  - Window shades;
  - Furnishings of corridors and stairs; and
  - Appliances used for refrigerating, ventilating, cooking, dishwashing or laundry.
- The TWIA commercial policy covers materials and supplies located on or next to the described location used to construct, alter or repair the covered building or other structures on the described location, up to a limit of 10% of liability on coverage A. This is not additional insurance and does not increase the Coverage A (Building) limit of liability.
- At the insured's option, 10% of the limit of liability applying to boarding, rooming, fraternity or sorority houses or apartment buildings (containing 8 or less separate apartments) may be extended as excess insurance to the items listed below. This extension does not apply to structures over or partially over water, is not additional insurance, and does not increase the limit of liability.
  - Fences
  - Drives
  - Walks
  - Outdoor Fixtures
  - Garages, Employee's Quarters and other outbuildings used in connection with any such building.

- When replacement cost applies to the building, these items are ALL estimated at replacement cost, except for carpeting, cloth awnings, window or wall air conditioning units, which are always ACV under a Commercial Policy. Non-recoverable depreciation should be applied on material only.

**Coverage B**

The TWIA policy covers business personal property located in or on the building, or in the open on the location, or in a vehicle or railroad car located within 100 feet of the described building, consisting of the following (unless otherwise specified in the Declarations):

- Furniture and fixtures;
- Machinery and Equipment;
- Stock, meaning merchandise held in storage or for sale, raw materials, and goods in process or finished, including supplies used in their packing or shipping;
- All other personal property owned by the insured;
- Personal property of others for which the insured is legally liable;
- Personal property of an insured’s officers, partners or employees, if not otherwise insured. (Loss or damage to the covered property will be adjusted and made payable to the insured.)
- Labor, materials or services furnished or arranged by the insured on personal property of others;
- The insured’s interest as tenant in improvements and betterments.
- The insured’s interest as unit owner in improvements and betterments made to a condominium. However, TWIA’s commercial policy does not cover property in or on the described location which is defined in the condominium’s declarations or by-laws as a common element.

*Property not covered*

Whereas the TWIA Dwelling Policy addresses Property Not Covered under one heading of, “We do not cover,” the TWIA Commercial Policy has two designations -- 1) Unless specifically described in the Declarations, we do not cover, and 2) We do not cover. The following chart highlights the distinctions between the two policies. Note that under the Commercial policy items fall under one of the two categories.

<b>Residential</b>	<b>Commercial</b>
1. Animals	1a. Same
2. Money, currency or bullion. 3. Securities, deeds or evidences of debt. 4. Records, books of records or manuscripts.	1j. Manuscripts, bullion, records and books of records (except for their physical value in blank); 2a. <b>Accounts</b> , currency, deeds, or other evidences of debt, money or securities.
5. Motor or engine propelled vehicles or machines designed for movement on land, including attached machinery or equipment. However, we do cover such vehicles, while located in a fully enclosed building, which are not subject to motor vehicle registration and are: a. Devices and equipment for assisting the handicapped. b. Power mowers and other lawn and garden equipment not	1b. Same with addition of 1b(5) <b>Forklifts</b>



Residential	Commercial
exceeding 18 horsepower. c. Golf carts. d. Vehicles or machines used for recreational purposes while located on the described location.	
6. Aircraft, meaning any device used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo.	1c. Same
7. Watercraft, including outboard motors and furnishings or equipment. However, we do cover watercraft, including outboard motors and furnishings or equipment while located on land in a fully enclosed building on the described location.	1d. Same
8. Unless described in the Declarations: a. Cloth awnings b. Greenhouses and their contents	1h. Greenhouses and cloth awnings
8. Unless described in the Declarations: c. Metal screen enclosures and their contents.	1i. Same
8. Unless described in the Declarations: d. Buildings or structures located wholly or partially over water and their contents.	1e. Wharves, docks, piers, boathouses, bulkheads or other structures located over or partially over water and the property in or on it.
8. Unless described in the Declarations: e. Radio or television towers. f. Outside satellite dishes, masts and antennas, including lead-in wiring. g. Windmills and wind chargers.	1f. Radio or television towers, antennas and satellite signal receiving equipment, windmills, wind chargers, <b>and outside erected signs.</b>
9. Wind turbines.	2b. Same
10. Breakaway walls, or personal property contained within a breakaway wall enclosure. Breakaway wall means a wall that is not a part of the structural support of the building and is intended through its design and construction to collapse under specific lateral loading forces, without causing damage to the elevated portion of the building or supporting foundation systems.	2c. Same with addition of <b>business</b> personal property.
11. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due from the other insurance.	2d. Same
NOT IN DWELLING POLICY	1g. Metal smokestacks, except when securely fastened to walls of a masonry building.
NOT IN DWELLING POLICY	1k. Customers goods in laundries, cleaning, or pressing establishments.

It is also important to note; signs attached to the outside of the building are covered. Free-standing signs must be scheduled for coverage. Always check the Assignment sheet to verify whether an item is specifically scheduled.

## **Common Endorsements**

Below is a brief description of some of the most common TWIA Commercial Endorsements. This overview is not a detailed analysis of the endorsements. Independent adjusters are required to understand the Commercial Policy and Endorsements. Please contact the TWIA Claims Examiner with any questions you may have.

### **Endorsement 164 – Replacement Cost Endorsement**

Endorsement 164 applies replacement cost coverage to the items specified.

Regardless of this endorsement, there is no replacement cost coverage for:

- a. Stock, (raw, in process or finished) or merchandise, including materials and supplies in connection therewith;
- b. Property of others;
- c. Personal property usual to a residence;
- d. Books of account, manuscripts, drawings, card index systems and other records (including film, tape, disc, drum, cell and other magnetic recording or storage media);
- e. Paintings, etchings, pictures, tapestries, statuary, marbles, bronzes, antique furniture, rare books, antique silver, porcelains, rare glassware and bric-a-brac or other articles of art, rarity or antiquity;
- f. Outdoor equipment, except equipment used in the service of the building; or
- g. Carpeting, cloth awnings, window or wall air conditioning units.

However, if TWIA insures a church, school or hospital under this policy, replacement cost will apply to the items a-f listed above.

Policyholders have 545 days from the date of claim settlement to recover any applicable depreciation.

If there are questions or concerns regarding what items may or may not be applicable, contact the assigned claims examiner.

### **Endorsement 282 (1) or (2) – Condominium Property Form**

The 282 endorsement is for the condo association only.

The endorsement amends the covered property to include fixtures, installations or additions of the building within the unfinished interior of the individual condominium units initially installed. The endorsement may also include coverage for those items installed by or at the expense of the unit owner.

### **Endorsement 17 – Business Income Form**

Provides a “daily limit” or “pro rata amount” if the insured sustains a covered loss causing loss of “business income” and/or “rental value.” This coverage is applicable during the period of restoration. The endorsement also provides coverage for “extra expense” that an insured incurs during the period of restoration that they would not have incurred had there been no direct physical loss or damage to the property.

The Maximum Limit of Liability is \$100,000 per building per occurrence.

Daily Limit per Working Day per Building is \$50.00 per day minimum and \$1,000.00 per day maximum.

Number of Working Days Covered is 60 days minimum and 365 days maximum.

The Daily Limit and Number of Working Days Covered will have been determined by the insured and their agent and submitted to TWIA with application for approval. The available coverage will be reflected on the declarations page.

The maximum amount that will be paid for “extra expense” coverage is \$10,000 occurring within 365 consecutive days after the date of direct physical loss due.

#### *Endorsement 17 waiting period*

Endorsement 17 covers the loss of business income differently than the way it is covered under the more usual ISO-type policies written by other carriers, such as the “CP,” “BP,” or “BO” series of forms. One of the differences is the way that the “deductible” is handled.

- Rather than apply a dollar amount as a deductible, Endorsement 17 states the coverage does not start until 168 hours after the loss.
- This week-long waiting period starts at the moment physical damage occurs that creates the loss of business income.
- If a second covered loss occurs before the business is repaired, a waiting period is not applied to the second loss.
- To account for the waiting period, your report can simply calculate the business income loss from the date seven days after the loss until the date the building was repaired to the point it could resume normal operations. There is no need to calculate the entire business interruption from the date of loss and then subtract the value of the first seven days.

#### **Endorsement 432 – Increased Cost of Construction**

Endorsement 432 provides coverage for the increased costs that are incurred by an insured due to the enforcement of any ordinance or law. This endorsement is applicable to claims where a code upgrade is necessary to complete a covered repair. This is paid as incurred and it should be noted on the estimate as such.

The total limit of liability for each building item designated is shown on the actual endorsement. This is additional insurance and does not reduce the limit of liability on the policy. Some of the most common increased cost of construction items seen at TWIA are as follows:

#### *Use of Composition Shingle Roofing on Low-Sloped Roofs*

Composition shingle roofing may be used on slopes that are 2/12 and above. However, if the slope is from 2/12 up to 4/12, a double layer of felt paper must first be installed. Slopes of less than 2/12 pitch require a modified bitumen or another approved material.

#### *Roof-Top Mounted Equipment*

Roof-mounted equipment may require a wind engineer to inspect and design site-specific requirements for mounting the equipment to the roof. Based on the property location within one of the fourteen counties and the three wind zones along the Texas coast line, a design plan may be required by a certified wind engineer design with a proper fastening method (ASCE7-2005) of tying equipment to the roof-top.

**Endorsement 26 – Church Form**

Endorsement 26 provides coverage for a church building and business personal property (BPP) as one line of coverage, with one deductible. When gathering information to generate an ITV report on the building, be sure to gather information on the BPP, as well, to be able to perform insured-to-value calculations.

**Endorsement 176 – School Form**

The School Form, much like the Church Form, combines building and business personal property into one line of coverage with one deductible. The School Form excludes coverage for books that are owned by the state, unless those books are specifically insured by this policy for a separate amount.

**Endorsement 18 -- Builder’s Risk Stated Value Form**

Endorsement 18 covers the building stated in the declarations page while it is in the course of construction up to the stated limit. It also covers property intended to become a permanent part of the building if located in the building or within 100 feet of the building premises.

Also covered under this endorsement are materials, equipment, supplies and temporary structures to be used in the construction of the building.

**Endorsement 21 -- Builder’s Risk Actual Completed Value Form**

Similar to Endorsement 18, Endorsement 21 covers the building stated in the declarations page while it is in the course of construction. However, the coverage liability will not exceed the actual value placed of the building or structure. The amount of insurance applicable to the building, while in the course of construction, will change from time to time as the value put into the structure changes.

As in Endorsement 18, it also covers property intended to become a permanent part of the building if located in the building or within 100 feet of the building premises as well as materials, equipment, supplies and temporary structures to be used in the construction of the building.