



**TSGA**

# Texas Security General NEWS

December 2007

## Underwriting/Product Notes



*From the President*

*"We wish you a blessed Holiday Season!"*

**Email Link...** Just a reminder that you can access all product and underwriting information for TSGA and Emerald at:

[www.TexasSecurityGeneral.com](http://www.TexasSecurityGeneral.com).

**Renewals** All renewals are handled on a 'direct billed' basis. We will bill the mortgage company directly or bill your insured for the down payment. Policies are also mailed 'directly' to you, the insured and the mortgage company. We hope this saves you time and money thereby allowing you to focus on NEW business! Let TSGA handle your renewals!

**Voyager Indemnity Rate Reduction** We have reduced rates for Voyager homeowner and dwelling fire programs. Also \$2,000 and \$5,000 med pay is now available.

**1st Tier Rate Reduction Including Harris County!** We have reduced rates for Harris County and along the 1<sup>st</sup> tier counties for both x-wind and full-wind rates for both homeowners and dwelling fire business. Values are now available up to \$300,000 coverage A. All counties accepted (except Galveston)! Log onto to ISI and choose Certain Underwriters @ Lloyd's to get your quote today! Call Ranise Maynard at 800-714-6789, ext. 7469 for questions.

**Fair Rental Value Endorsement** For Certain Underwriters @ Lloyd's, just a reminder that this endorsement is available up to 6-8 months with a max value of 10% of the dwelling. Program is available for dwelling forms 1 & 2.

**Vacant Program** For Certain Underwriters @ Lloyd's, the vacant program is for an annual policy term and liability up to \$100,000 is now available.

**Certain Underwriter's "Coastal" HO Program** The Coastal HO program has been eliminated and rolled into the main Certain Underwriters @ Lloyd's facility. We will roll each policy into the main program **effective immediately**. The benefit to you is that your insured will get a better rate at renewal and you now have the ability to quote rates up to \$300,000 as previously mentioned. This change came as a result of our rates not being competitive in this program.

**2008 Desk Top Calendars** will not be available this year. TSGA has decided to redirect its marketing dollars in areas that would help to grow your business and make it easier to do business with TSGA and Emerald. For example, we have invested in the following:

- Updated Website
- Personal Lines WEBINARS conducted EVERY Tuesday at 10am CST
- Availability of COMMERCIAL lines products
- Commercial WEBINARS beginning December 13, 2007 – watch your email for details!
- FREE CE courses planned beginning in January 2008 in over 10 cities.
- Agent Incentive programs

**It is our hope that you will see the value of these enhancements.**

## Commercial Updates

**Agent Incentive Program** For the month of December 2007, a \$25 American Express gift card will be sent for every **new** commercial business binder issued. For every 3<sup>rd</sup> binder, you will receive a \$50 gift card! **See the attached flyer for details.**

**Commercial Webinars** In response to your request, TSGA/Emerald Surplus will be conducting commercial webinars beginning Thursday December 13<sup>th</sup> at 10am. Look for further information on our website and via email.

**Commercial Auto** Call Emerald for your next commercial auto quote to find out how we can help you!

### Phone/Quick Quotes

Log on to [www.TexasSecurityGeneral.com](http://www.TexasSecurityGeneral.com) to get a copy of your phone quote applications under the **commercial tab**. We have conveniently put them in PDF format so that you can type your applications and email them to us. It's our way of continuing the "ease of doing business".

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**TSGA Office Will Be Closed**  
**December 24 & 25 - Christmas Holidays**  
**January 1 - New Years Holiday**

# Emerald Surplus Lines

## Property Valuation

Every property policy Emerald writes will be inspected. One of the things that sometimes becomes an issue is valuation. Our insurance companies require, in most cases, the insured to carry at least 80% of either replacement cost or actual cash value. Many carriers will cancel if the insured does not agree to this. They do not like to get into situations where the co-insurance penalty for under-insured buildings must be invoked.

Replacement cost (RC) is the amount it would take to replace or rebuild your property with material of similar kind and quality without deducting for depreciation. (Note: Depreciation is the decrease in building value since the time it was built or purchased because of age or wear and tear.)

Actual cost value (ACV) is the amount it would take to repair or replace damage to your commercial building after depreciation. For example, if your roof has an expected lifespan of twenty years and is 17 years old, there would be depreciation for the age and condition of the roof.

## Co-Insurance

Many insurers require you to insure your commercial property for at least 80 percent of replacement cost. This is the purpose of the 80% co-insurance clause.

If it would cost \$125,000 to replace your property and it is insured for \$100,000 (80 percent of its replacement value) and a fire causes \$25,000 worth of damage, then your insurance company will pay the full \$25,000.

If however, your property is insured for less than 80 percent of its value the insurance company will only pay part of the loss. For example, it would cost \$125,000 to replace your property and it is insured for \$75,000 and you suffer a \$25,000 loss, the company will only pay 60 percent of your loss. Thus,  $\$25,000 \times .6 = \$15,000$ . You would have to pay the balance of \$10,000. This difference is known as the coinsurance penalty and is figured by the amount you carried divided by what you should have carried multiplied times the loss.

Please keep in mind that even if you meet the 80% co-insurance criteria the most the policy will pay is the policy limit. Therefore it is incumbent upon the insured to understand the 100% replacement cost.

### Office Hours

**Monday - Thursday** 8 a.m. to 5:30 p.m.  
**Friday** 8 a.m. to 4:00 p.m.



EMERALD  
SURPLUS

## Valuations Insurance Policies Use

**1. Replacement Cost** The amount it would take to replace or rebuild your property with material of similar kind and quality.

**2. Actual Cash Value.** The amount it would take to repair or replace damage to your commercial building after depreciation

**3. Agreed Amount.** Used very seldom. This endorsement waives the co-insurance penalty.

## What Valuations Are Not Used

**1. Market Value.** This has no bearing on the replacement cost of building. This is more of a function of the location or the land. Just because you can sell the building for \$1,000,000 does not mean that it would take a \$1,000,000 to replace it.

**2. Land.** We are not insuring land on a commercial property policy therefore the value is not relevant. We sometimes see problems with this when the land is rolled up in the bank loan.

**3. Tax Value.** The appraisal the tax office does is based on market value, not replacement cost. Also, in many instances the square footage is wrong on tax appraisals because they do not account for additions or modernizations.

*If you have a disagreement with the inspection* about the value of the property there are several things you can do:

**1. Double Check** the location and square footages the inspection company used. Maybe they got them wrong.

**2. Commission an Appraisal** supporting your position and send to the insurance company.

**3. Get a Letter from a General Contractor** with an estimate to rebuild the property.

In conclusion, the carrier wants to avoid a nasty claims situation because of the coinsurance penalty. I can assure you, you do not want to get caught between the insured and the company in a co-insurance disagreement which usually means trouble for all involved. The insured is short money and he is going to come to his agent looking for it. This, of course, has the potential for E&O.

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