

**Meeting of the Board of Directors
Texas Windstorm Insurance Association
Teleconference/Web Conference**

December 10, 2024

Omni Hotel

900 North Shoreline Blvd.

Corpus Christi, TX 78401

9:00 a.m.



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Interested parties can listen to the meeting live by going to www.twia.org.
Go to “About Us/Board Meetings” and access the video conferencing website with
instructions available on www.twia.org.

Interested parties may attend the meeting and offer public comment in
person at the Omni Hotel or virtually via Zoom Webinar.

***Indicates item on which General Manager believes the TWIA Board of Directors is likely to take action.
However, the board may take action on any item that appears on this agenda.**

1. Call to Order 5 minutes
 - A. Welcoming Remarks – *Karen Guard/David Durden*
 - B. Anti-Trust Statement and Conflict of Interest Disclosure – *Counsel*
 - C. Meeting Format Information – *Kristina Donley*

2. Introduction of New Board Member – *Karen Guard/David Durden* 5 minutes

3. TWIA Board Officer Elections – *Karen Guard/David Durden* – **Action/Vote Likely*** 10 minutes

4. Approve the Minutes from Prior Board of Directors Meetings 5 minutes
– *Karen Guard/David Durden* – **Action/Vote Likely***

5. Public Comment 30 minutes

6. TWIA Operational Dashboard – *David Durden* 10 minutes

7. Financial – *Stuart Harbour* 20 minutes
 - A. Report of the Secretary/Treasurer – *Karen Guard* – **Action/Vote Likely***
 1. Income Statement
 2. Management Discussion and Analysis
 - B. Financial Statement Review by Staff
 - C. Review and Approval of 2025 Budget – *Stuart Harbour* – **Action/Vote Likely***

8. Actuarial – *Jim Murphy* 30 minutes
 - A. Policy Count/Exposures
 - B. Reserve Adequacy
 - C. Status of Filings
 - D. 2025 Storm Season Funding – **Action/Vote Likely***

9. Internal Audit – *Dan Graves – Weaver* 20 minutes
 - A. Internal Audit Status Report
 - B. Catastrophe Plan Audit
 - C. Internal Audit Risk Assessment and 2025 Proposed Audit Plan
– **Action/Vote Likely***

10. Underwriting Operational Review Update – *Michael Ledwik* *20 minutes*
11. Claims *20 minutes*
- A. Claims Operations – *Dave Williams*
 - B. Claims Litigation – *Jessica Crass*
12. TWIA Operations *20 minutes*
- A. IT Systems Update – *Michael Eleftheriades*
 - B. Cyber Security – *Michael Eleftheriades*
 - C. Communications and Legislative Update – *David Durden*
 - D. Performance Evaluation of General Manager – **Action/Vote Likely***
13. Closed Session (**Board Only**) *60 minutes*
- A. Personnel Issues
 - B. Legal Advice
14. Consideration of Issues Related to Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors – **Action/Vote Likely*** *5 minutes*
15. Committees – *David Durden* *5 minutes*
16. Future Meetings – *David Durden* *5 minutes*
- February 25, 2025 – Moody Gardens Hotel – Galveston
 - May 6, 2025 – Marriott South – Austin
 - August 5, 2025 – Tremont House – Galveston
17. Adjourn

1. Call to Order



ANTI-TRUST COMPLIANCE STATEMENT

The Board of Directors of TWIA is committed to strict compliance with federal and state anti-trust laws. The anti-trust laws are designed to promote free and open competition and to penalize any activities that unreasonably lessen business rivalry. Members of the Board of Directors of TWIA may freely discuss and agree upon agenda items relating to their responsibilities as Directors including such topics as coordinating efforts regarding state or federal legislation, discussion of TWIA policy on legislative issues and methods of legislative lobbying including grass-roots lobbying, public relations, testimony before legislative committees and meetings with state and federal legislators and regulators.

Because TWIA meetings bring together competitors, any unauthorized discussion of topics prohibited by the anti-trust laws such as agreements between competitors on prices and rates, agreements to boycott third parties or agreements to divide markets or even individual insureds could lead to an inference that such an illegal agreement among participants to the discussion was in fact reached. Accordingly, the following guidelines apply to any meeting or other activity conducted under the auspices of TWIA:

- Someone on the TWIA staff shall be present at all times during meetings of the TWIA Board of Directors or other official activities such as meetings of various TWIA committees unless such meetings are for the purpose of discussing personnel matters;
- At any such meetings or official activities, there shall be no discussion of voluntary market rates, prices, discounts or other terms and conditions of sale without the General Manager or the General Counsel being present;
- There shall be no discussion of the areas in which TWIA Board members and their respective member companies will compete for the products and services that they will offer; and
- There shall be no discussion of any agreement or understanding to boycott a third party or to deal with a third party only on certain terms.

Texas Windstorm Insurance Association

TWIA Anti-Trust Compliance Statement

Without the prior authorization of TWIA's General Manager or its General Counsel, there shall be no discussion of agreements to deal exclusively with certain parties, requirements that purchasers of particular products or services must purchase other products or services, standard-setting, certification, statistical reporting, or codes of ethics and other self-regulatory activities.

- Only TWIA staff shall keep minutes of TWIA meetings and will immediately terminate any discussion that may violate these guidelines.
- At TWIA meetings, TWIA company representatives should adhere to the written agenda and outside of TWIA meetings should scrupulously avoid discussion of any topic that might violate these guidelines.

Severe civil and criminal penalties, including fines and imprisonment, can result from violations of the anti-trust laws. Whenever in doubt about how to apply these guidelines, the directors, members, officers and guests of TWIA should consult its General Manager and General Counsel and proceed in a conservative manner in order to avoid any actual, or apparent, violation of antitrust guidelines.

Texas Windstorm Insurance Association

4801 Southwest Parkway, Building 1, Suite 200 Austin, Texas 78735 • P.O. Box 99090, Austin, Texas 78709-9090
512-899-4900 / Fax 512-899-4950

4. Approve the Minutes

**Minutes of the Texas Windstorm Insurance Association
Board of Directors Meeting
Teleconference/Web Conference**

Tremont House
2300 Ships Mechanic Row
Galveston, TX

August 6, 2024

The Following Board Members were Present:

- | | |
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| 1. Chandra Franklin Womack (Chair) | First Tier Coastal Representative |
| 2. Georgia Neblett (Vice Chair) | First Tier Coastal Representative |
| 3. Peggy Gonzalez | First Tier Coastal Representative |
| 4. Esther Grossman | Industry Representative |
| 5. Mike Gerik | Industry Representative |
| 6. Karen Guard (Secretary/Treasurer) | Industry Representative |
| 7. Tony Schrader | Non-Seacoast Territory Representative |
| 8. Tim Garrett | Non-Seacoast Territory Representative |
| 9. Mary Keller | Non-Seacoast Territory Representative |

The Following TWIA Staff, Counsel, and Agents were Present:

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| 1. David Durden, General Manager | TWIA |
| 2. Stuart Harbour, CFO | TWIA |
| 3. Dave Williams, VP Claims | TWIA |
| 4. Jessica Crass, VP Legal | TWIA |
| 5. Michael Ledwik, VP Underwriting | TWIA |
| 6. Michelle Friesenhahn, VP People and Business Operations | TWIA |
| 7. Jim Murphy, Chief Actuary | TWIA |
| 8. Amy Koehl, Senior Project Administrator | TWIA |
| 9. Kristina Donley, Training, QA and Agency Audit Manager | TWIA |
| 10. Camron Malik, Chief Information Officer | TWIA |
| 11. Michael Eleftheriades, Director of Software Development (Interim CIO) | TWIA |
| 12. Jessica Davidson, Project Administrator | TWIA |
| 13. Mike Perkins, Association Counsel | Perkins Law Group PLLC |

The Following Guests Were Present:

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| 1. Debbie King | AmTrust |
| 2. Dan Graves | Weaver |

The Following In Person Attendees Were Present:

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| 1. Anne O'Ryan | AAA Texas |
| 2. Dan Schwietz | Aon |

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| 3. Scot Kilbbe | APCIA |
| 4. Jeff Sjostrom | Aransas County Partnership |
| 5. John Rutherford | Build Galveston |
| 6. Tyler Nobert | Build Galveston |
| 7. Clark Thomson | Calhoun, Thomson + Matza |
| 8. Theresa Elliot | Casa Del Mar Beachfront Suites |
| 9. Roland Barrera | City of Corpus Christi |
| 10. Ryan Skorbarczyk | City of Corpus Christi |
| 11. Marie Robb | City of Galveston |
| 12. Sally Bakko | City of Galveston |
| 13. Miguel Rendon | Corpus Christi Regional Transit Authority |
| 14. George Taylor | F.B. Taylor Insurance |
| 15. Luke Bohlman | Farmers Insurance |
| 16. Kathy Kendrick | Galveston Association of Realtors |
| 17. Mark Kelson | Galveston Independent School District |
| 18. Gina Spagnola | Galveston Regional Chamber of Commerce |
| 19. Keith Gray | GEDP |
| 20. Clarissa Woodward | GTX Realty |
| 21. Amy Grambury | Guest |
| 22. Ashley Geters | Guest |
| 23. Benjamin Herndon | Guest |
| 24. Cathie Harrison | Guest |
| 25. Catrina Wilson | Guest |
| 26. Crystal Weaver | Guest |
| 27. Elizabeth Day | Guest |
| 28. Ernest Johnson | Guest |
| 29. Gail Ayers | Guest |
| 30. Gaylyn DeVine | Guest |
| 31. James Macklin | Guest |
| 32. Janice Brussard | Guest |
| 33. Jeff Kaler | Guest |
| 34. Jose Espinoza | Guest |
| 35. Judi Hoggatt | Guest |
| 36. Kathy Harrison | Guest |
| 37. Larry Robinson | Guest |
| 38. Lissa Evans | Guest |
| 39. Lynda Harvey | Guest |
| 40. Mae Moldenhauek | Guest |
| 41. Marilyn Swanson | Guest |
| 42. Marsha Lutz | Guest |
| 43. Michael Niebahr | Guest |
| 44. Orlando Sims | Guest |

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| 45. Paul Wendt | Guest |
| 46. Scott Gordon | Guest |
| 47. Solomon Ortiz | Guest |
| 48. Stacy Fenner | Guest |
| 49. Sylvia Horne | Guest |
| 50. Theresa Hall | Guest |
| 51. Theresa Havel | Guest |
| 52. Tina Kirbie | Guest |
| 53. Veronda Durden | Guest |
| 54. Victor Pierson | Guest |
| 55. Henry Freudenburg | Henry Freudenburg Insurance Agency |
| 56. Alex Montieth | Insurance Junction |
| 57. Terrilyn Tarlton Shannon | Insurance Junction |
| 58. Zach Gaves | Keepsake Custom Homes |
| 59. Joe Casazza | Keller Williams |
| 60. Donna Brown | Lovelock Cottage |
| 61. James Clark | Mosquito Café |
| 62. Joel Romo | Nueces County |
| 63. Sharon O'Connor | O'Connor Group Insurance Agency |
| 64. David Bolduc | OPIC |
| 65. Trace Finley | Port of Corpus Christi |
| 66. Susan McClere | Realtor |
| 67. Angie Flores | Rep. Hunter's Office |
| 68. Jesse Rubio | Sand N' Sea Pearl Real Estate |
| 69. Ruben O'Bell | Sen. LaMantia's Office |
| 70. Ryan Carson | Sen. Middleton's Office |
| 71. Maggie Albrecht | State of Texas |
| 72. Cory Johnson | Tamko Building Partners |
| 73. Beaman Floyd | TCAIS |
| 74. David Hartman | TCS Holdings |
| 75. David Muckerheide | TDI |
| 76. Drew Beglau | TDI |
| 77. Kenisha Schuster | TDI |
| 78. Marianne Baker | TDI |
| 79. Rep. Cody Vasut | Texas State Representative |
| 80. Rep. Terri Leo Wilson | Texas State Representative |
| 81. Rep. Todd Hunter | Texas State Representative |
| 82. Sen. Mayes Middleton | Texas State Senator |
| 83. Sen. Morgan LaMantia | Texas State Senator |
| 84. Myrian Orea | The Daily News |
| 85. Don Nurdin | Top Gear Apparel |
| 86. Al Arreola | United Corpus Christi Chamber of Commerce |

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| 87. Alan Wilson | United Corpus Christi Chamber of Commerce |
| 88. Christine Bryon | Vision Galveston |
| 89. Jerry Mohr | WGIPOA |

The Association's Webinar Tool Attendance Report Indicates the Following Attendees Were Online:

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| 1. Cristina Benton | 50. Alan Korenek |
| 2. Shirley Bowler | 51. Andressa Leslie |
| 3. Ryan Brannan | 52. Brie Little |
| 4. Donna Brown | 53. Dorothy Loney |
| 5. Crystal Burke | 54. James Macklin |
| 6. Brandon Campos | 55. Kevin L. Matula |
| 7. William Cannon | 56. Darrell McClanahan |
| 8. Kippy Caraway | 57. Suzanne McClere |
| 9. Summer Carter | 58. Travis McDavid |
| 10. Ashley Cermeno | 59. Sandra McDermott |
| 11. Larry Cernosek | 60. Sharon McKinney |
| 12. James Conroy | 61. Kathy McMullen |
| 13. Robert Corbin | 62. Tanya Megale |
| 14. Susan Cummings | 63. Addy Messerly |
| 15. Lou Cusano | 64. Tommy Molina |
| 16. Mai Dang | 65. Ken Moore |
| 17. Leanora Davis | 66. B. Mora |
| 18. Michelle Davis | 67. Mike Mulligan |
| 19. Jennifer Dean | 68. Ruth Muturi |
| 20. Alex Donkervoet | 69. Michael Niebuhr |
| 21. Mary Dunbaugh | 70. Alessia Noboa |
| 22. TaShonda Edwards | 71. Tracie Pape |
| 23. Nicole Elliott | 72. Daniel Paschal |
| 24. Debbie Ervin | 73. Darryl Pool |
| 25. Brian Falk | 74. John Preston |
| 26. Blake Fall | 75. Diana Rangel |
| 27. Angela Fang | 76. Carie Roach |
| 28. Tracy Florence | 77. Chris Roath |
| 29. David Futterleib | 78. Amarisa Rodriguez |
| 30. Mike Gillaspia | 79. Katie Sabo |
| 31. BK Gugaria | 80. Briton Scales |
| 32. Lisa Halili | 81. Mareia Schreiber |
| 33. John Hall | 82. Karen Scott |
| 34. Barbara Hankins | 83. Theresa Servellon |
| 35. Kevin Hayes | 84. Colleen Sherlock |
| 36. Jordan He | 85. Robert Simons |
| 37. Jeanine Heffernan | 86. Tuesday Sloan |
| 38. Andrew Herrell | 87. Marian Sparks |

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| 39. Rachal Hisler | 88. Anna Stafford |
| 40. Marilyn Holle | 89. Hang Ta |
| 41. Elizabeth Howland | 90. Aaron Taylor |
| 42. Shelina Jamani | 91. Staci Taylor |
| 43. Rosa Jaramillo | 92. Roger Tobar |
| 44. Don Johnson | 93. Ron Walenta |
| 45. Tammy Jones | 94. Edith Watson |
| 46. Mary Jordan | 95. Stephanie Whitsell |
| 47. Debbie King | 96. Marsha Wilson Rappaport |
| 48. Terri Kizer | 97. Stacy Zaelit |
| 49. Max Kloberdanz | 98. Peggy Zahler |

1. Call to Order: Ms. Franklin Womack called the meeting to order at 9:01 a.m. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Mr. Perkins presented the required conflict-of-interest disclosures on behalf of each board member. Ms. Donley reviewed the housekeeping items.
2. Approval of Minutes: The minutes from the May 7, 2024 meeting were reviewed. Ms. Neblett moved to approve the minutes as presented. Mr. Garrett seconded the motion. The motion passed unanimously.
3. Public Comment: Verbal public comment was provided by Rep. Terri Leo Wilson, Sen. Mayes Middleton, Sen. Morgan LaMantia, Rep. Cody Vasut, Rep. Todd Hunter, Beaman Floyd, Orlando Sims, Joel Romo, Alan Wilson, James Maklin, Paul Wendt, Elizabeth Day, Ryan Skrobarczyk, Sally Bakko, Gina Spagnola, Theresa Havel, Al Arreola, Solomon Ortiz, Roland Barrera, Sharon O'Connor, Terrilyn Tarlton Shannon, Henry Freudenberg, Miguel Rendon, Jerry Mohn, Theresa Elliott, Alex Montieth, Zach Graves, Marie Robb, Lissa Evans, Kathy Harrison, Clarissa Woodward, Rachal Hisler, Ron Walenta and Ken Moore.
4. Annual TWIA Rate Filing:
 - A. Review of TWIA Staff Rate Adequacy Analysis and Actuarial & Underwriting Committee Recommendations: Debbie King, Chair of the TWIA Actuarial and Underwriting Committee, reviewed the outcome of their last meeting. All six members were present, including two new members. The committee was trying to determine the need for a rate increase and concluded that it is needed due to growth and reinsurance costs. Growth has gone up 25% and reinsurance costs have gone up exponentially. There has been one rate increase in the last six years. The committee voted 5-1 to take the rate increase.
 - B. Required 2024 Annual Rate Filing: Ms. Neblett said funding issues will not be solved with a rate increase as it does not fix the problems TWIA faces. It will take the legislature to fix the issues. Ms. Grossman asked if the increase doesn't pass, what is the consequence to TWIA. Ms. King said PML will most

likely go up due to the growth. Reinsurance costs will go up. Mr. Murphy said a rate increase will not make TWIA adequate, but it is a first step. A 10% increase yields about \$75 million a year. The more funds in the Catastrophe Reserve Trust Fund, the less is spent on reinsurance, the less likely TWIA has to issue bonds. But it doesn't solve the funding problems. Mr. Murphy said these small incremental steps add up over time. Ms. Grossman moved that the board adopt the recommendation of the TWIA Actuarial and Underwriting Committee for a 10% rate increase filing with the commissioner for residential and commercial policies. Ms. Keller seconded the motion. Ms. Grossman said the rates have been inadequate for the last 5 years and the board is mandated to establish the 1 in 100 PML. She is looking at this from the standpoint of solutions. There has been no meaningful progress to address rates since Hurricane Harvey. She challenged coastal legislators to come up with more creative solutions.

A roll call vote was taken.

Georgia Neblett - No
 Peggy Gonzalez – No
 Tim Garrett – Yes
 Tony Schrader – Yes
 Mary Keller – Yes
 Esther Grossman – Yes
 Mike Gerik – Yes
 Karen Guard – Yes
 Chandra Franklin Womack – No

The motion passed.

5. TWIA Operational Dashboard: Mr. Durden reported that policy and exposure growth is up. The current employee headcount is 274.
6. Financial:
 - A. Report of the Secretary/Treasurer: Ms. Guard reviewed the Treasurer's Report. Ms. Grossman moved to approve the report. Mr. Neblett seconded the motion. The motion passed unanimously.
 - B. Financial Statement Review by Staff: Mr. Harbour reported that direct written premiums for the second quarter were \$358.4 million. Direct earned premiums were \$336.4 million.

The 2024-2025 reinsurance program incepted June 1, 2024. Coverage for the 2024 hurricane season consists of \$2.1 billion of collateralized catastrophe bonds and \$1.950 billion of traditional reinsurance. Gross ceded premiums associated with the \$4.050 billion in coverage totaled \$389.9 million compared to a budgeted estimate of \$298.0 million. This total reflects an overall rate-on-line (ROL) of 9.6% compared to the 9.1% ROL for the 2023 program. The net

cost of the reinsurance program after ceding commission was \$379.4 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

There was no round seven depopulation program in 2023/2024 because no carriers registered to participate.

Direct losses and LAE for the quarter was \$189.5 million. Loss and LAE ratio was 56.3%. The ultimate loss and loss adjustment expense estimate for Hurricane Harvey was reduced by \$5 million in December 2023 to \$1.655 billion.

Operating expenses for the quarter were \$18.5 million. The operating expense ratio for the quarter was 5.5%. Notable expense items under budget include personnel expenses (\$1.4 million), professional and consulting services (\$236,000) and other expenses including rental, travel and postage (\$275,000). Notable expense items over budget include software and hardware (\$52,000).

Commission expenses for the quarter were \$57.3 million. Premium taxes were \$6.2 million.

Operating account balances have been reduced to maximize amounts invested in Money Market Mutual Funds, which provide a higher rate of interest earnings. Yields on the Association's investments in Money Market Mutual Funds have increased as the Federal Reserve raised interest rates to combat the high levels of inflation.

- C. Investment of Trust Fund Balances (Texas Insurance Code Sec. 2210.4521): Ms. Neblett moved that based on Association staff analysis and recommendation, the TWIA Board of Directors hereby determines that at this time the entire balance of the Catastrophe Reserve Trust Fund is required to be kept available to meet the cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(2) of the Texas Insurance Code. Thus, staff is directed to notify the Texas Comptroller's Office that the fund balance does not exceed the sufficient balance as defined in statute. Mr. Garrett seconded the motion. The motion passed unanimously.
- D. Selection of Auditors/Accountants for 2024 and Authorization of Non-Audit Services: Each year, the Association retains an accounting firm to conduct an independent audit of the Association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2021, Calhoun, Thomson + Matza (CTM) was selected to continue in their role as the Association's independent auditor. Staff recommends the TWIA Board of Directors engage CTM for the upcoming audits and use them as needed over the coming year for assistance with certain tax-related items and for non-audit services associated with the issuance of catastrophe bonds. Mr. Garrett

moved that the TWIA Board of Directors, acting as the audit committee, authorizes and directs that the firm of Calhoun, Thomson + Matza be engaged to conduct the upcoming annual audits of the Association's financial statements on the terms set forth in the statutory and GASB engagement letters included in the board book. The staff of the Association is further authorized to engage Calhoun, Thomson + Matza to provide permitted tax-related non-audit services and certain non-audit services in connection with the issuance of catastrophe bonds during the coming year as needed. Ms. Grossman seconded the motion. The motion passed unanimously.

7. Actuarial:

- A. Policy Counts/Exposures: Policy counts are up 11% year over year and exposures are up 22.4%.
- B. Reserve Adequacy: TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of June 30, 2024.

After reviewing recently settled and remaining outstanding claims, the ultimate estimate for Hurricane Harvey remains at \$1.66 billion. The actual ultimate costs of Hurricane Harvey may still differ from the selected ultimate estimate due to variability in the outcome of disputed claims.

As of June 30, 2024, TWIA carried \$145.2 million in total gross loss and loss adjustment expense reserves. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Harvey and all other outstanding claims.

In the opinion of the chief actuary, the Association's reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations to the Association under the terms of its contracts and agreements.

- C. Aon Contract – Notice of Termination: At its August 8, 2023 meeting, the TWIA Board of Directors asked staff to revisit annually the current contract with Aon to provide catastrophe modeling services in conjunction with the determination of the 100-year probable maximum loss and as part of the ratemaking process.

The Aon Statement of Work (SOW), under which they provide catastrophe modeling services provides for an automatic renewal on January 1 of each year unless either party notifies the other on or before December 1 of the preceding year.

In 2023, TWIA contacted the four modeling firms with catastrophe models currently in use to research the costs of licensing the individual models

directly. Based on preliminary conversations, licensing fees would be in excess of Aon's current annual fee.

Aon has continued to provide all contracted services to TWIA in 2024 and has been responsive to all questions and requests by staff.

Staff concludes that the level and cost of services provided by Aon continue to be appropriate. Based on this, staff recommends no change to the current Aon engagement at this time. Another RFP process will take place in 2026, five years after the initial RFP. The board agreed they wanted to continue using Aon's services.

- D. Statutory Maximum Limits of Liability: Section 2210.502(a) of the Texas Insurance Code states that the Texas Windstorm Insurance Association shall propose to the commissioner inflation adjustments to its maximum liability limits at a rate that reflects any change in the BOECKH index. TWIA actuarial staff has completed its review of Texas Windstorm Insurance Association adjustments to its maximum liability limits. Ms. Neblett moved to accept the limits as presented. Ms. Grossman seconded the motion. The motion passed unanimously.
8. Internal Audit & Status and Update: Mr. Graves reported the current internal audit activities include legal and compliance, legislative and external affairs, financial close and reporting, emergency planning – catastrophe plan, customer experience, executive management and operational planning and reporting. Upcoming audits include strategic communications, cash management and risk assessment.
9. Underwriting Operational Review Update: Mr. Ledwik reported 99.97% of underwriting transactions were issued within 10 days of receiving the application and payment. Of those transactions, 98% were straight through processed by the system and 2% were referred by the system to underwriting for additional information, review and approval prior to issuance.

A standard sample of agencies, 20, were selected for review in the second quarter of 2024 to verify compliance with the Texas Windstorm Insurance Association declination of coverage and flood insurance requirements. Of those agencies, 75% were compliant with both the declination and flood provisions and 25% had open action items to provide the auditor with the declination and flood documentation to complete the audit. All agents selected have an active property and casualty insurance license.

10. Claims:
- A. Claims Operations: First notice of loss to property inspection is averaging 2.9 days. Total cycle time of first notice of loss to payment for daily claims is 9.2 days and 9.0 days in a catastrophe. The historical claim volume for 2024 is 8,378.

- B. Claims Litigation: Ms. Crass reported that four new TWIA claims in suit were received during the second quarter and 1 was closed. For the second quarter, 69 new TWIA claims with letters of representation were received and 73 were closed.

11. TWIA Operations:

- A. IT Systems Update: The cloud program is moving forward and is currently in “green” status. The program comprises projects implementing policy, billing, claims, portals, integration, enterprise data warehouse and infrastructure. All of which are doing well. The system integrator and TWIA continue to work well together and the project teams are focused on achieving the goals for the program.

Staff has reviewed the ITS Agent Time Study and followed up on all items with the agents. The affected departments and IT worked to identify and prioritize the work. The business teams are now working to nail down requirements and development will commence as they become available.

The chatbot project for claims deployed the chat (web based) and SMS (text) bots. The voice bot will be deployed in the next few weeks, once associated support work in ClaimsCenter is completed.

The surcharge for bonds project user acceptance testing phase has begun. This effort will continue in just in time mode where work is slowly progressed until it is required, when it is finalized at the time of need.

The IT budget is controlled and currently \$488,000 below projections.

Mr. Durden announced that Mr. Malik will be retiring. He introduced Michael Eleftheriades as the interim Chief Information Officer.

- B. ITS Recommendations Update: Mr. Malik reviewed the ITS time study recommendations. The recommendations were split into two batches based on priority, effort, risk and agent impact with delivery planned for 2024 and 2025. Business and IT will coordinate on a precise delivery schedule once the requirements analysis is complete. Actual development will also commence once the requirements analysis is complete.
- C. Receive and Act on Recommendations from Legislative and External Affairs Committee Regarding Recommendations to Legislature and Biennial Report to Legislature: Mr. Gerik reviewed the contents of the Biennial Report to the 89th Texas Legislature. The draft report included seven recommendations based on the committee’s deliberations. The committee met two times to complete their work. Ms. Franklin Womack thanked the committee for their hard work. Mr. Garrett moved to approve the report as presented. Ms. Neblett seconded the motion. The motion passed unanimously.

D. Communications and Legislative Affairs Update: Mr. Durden provided an update on legislative statutory reports, legislative hearings and implementation.

12. Closed Session: There was no closed session.

13. Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, if any, of the Board of Directors: There was nothing to consider.

14. Committees: The committees have completed their work for the year.

15. Future Meetings:

- December 10, 2024 – Omni Hotel – Corpus Christi, TX
- February 25, 2025 – Moody Gardens Hotel – Galveston, TX

16. Adjourn: The meeting adjourned at 1:03 pm.

Prepared by: Amy Koehl
Senior Project Administrator

Approved by: Chandra Franklin Womack
TWIA Chair

Approved by: Georgia Neblett
TWIA Vice Chair

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| 4. Eric Casas | 15. Anne O'Ryan |
| 5. James Conroy | 16. Dan Paschal |
| 6. Angela Fang | 17. Elisabeth Ret |
| 7. Josephine Freitag | 18. Carie Roach |
| 8. Ninad Gokhale | 19. Kenisha Schuster |
| 9. Jordan He | 20. Aaron Taylor |
| 10. Elizabeth Howland | 21. Ron Walenta |
| 11. Andrew Hurt | |

1. Call to Order: David Durden called the meeting to order at 1:04 pm. He welcomed new TWIA board member Greg Smith. Board members were reminded of the anti-trust statement by counsel and the required conflict of interest disclosures were made. Kristina Donley went over the housekeeping details for the meeting.
2. Public Comment: There was no written or verbal public comment.
3. Review of 2025 TWIA Budget: Mr. Harbour reviewed several key assumptions including no change in rates for 2025, the number of policies in force is projected to increase from the forecast of 271,964 policies at year end to 284,975 at year end 2025, losses and loss adjustment expenses attributable to hurricanes are not included, and commissions are budgeted at \$124.7 million using the current rate of 16.0% for new and renewal policies. Merit increases are budgeted at 3.5%. The \$500 million line of credit is assumed to be renewed on June 1, 2025 with the same late December cancellation date, inception fees and commitment fees at 42.5 basis points.

The proposed headcount for 2025 is 364 with 265 as full-time employees and 99 contractors. An increase in employee benefits resulted from slightly higher contracted rates for medical insurance (3%) and a budgeted increase in participants. A slight increase in pension expense is attributable to lower interest rates used to value liabilities and annual expense. The increase in all other employee benefits expenses is primarily due to the anticipated increase in the number of enrolled employees.

Ms. Grossman said since it is expected the Catastrophe Reserve Trust Fund (CRTF) will be depleted, how is that reflected in the budget. Mr. Harbour said at this point, staff anticipates removing the funds from the CRTF. There isn't a requirement for a balance in the CRTF but it would be helpful to pay losses and give a higher attachment for reinsurance. The income has gotten smaller over time as reinsurance costs have risen.

Mr. Garrett asked when the last time reinsurance was used. Mr. Harbour said it was last used for Hurricane Ike. When it hit, \$1.5 billion was pulled out of reinsurance. Mr. Garrett said TWIA gets a lot of criticism about the reinsurance program, especially when 62% of premiums are going to reinsurance. He followed up by asking what the least amount of reinsurance the Association could get by with and still be under the guidelines. Mr. Durden said there is discretion that goes into determining the number but the statute says the Association needs to purchase 1 in 100 PML. The board sets the

PML and that determines the minimum. Mr. Murphy said the Association has a little over \$2 billion in CAT Bonds for the 2024 program. About \$200 million is rolling off. More is being added than what is falling off due to policy growth.

Ms. Grossman asked Mr. Durden if he expected the reinsurance market to be hard again or a little softer. Mr. Durden said he doesn't expect significant change from this year to next year. Reinsurers have made changes in the last few years and they are trying to hold the line. TWIA's broker will be working hard on this.

Ms. Grossman asked about agent commissions, specifically if they would be part of the budget concerning expenses. Mr. Durden said they were in the budget. She followed up by asking if there was anything other than 16% based on other carriers and how they handle agency commission rates. Mr. Durden said the board contemplated this issue at the December 2023 meeting and there was no plan to revisit at the December 2024 meeting.

Board members commended Mr. Harbour and his staff for the excellent budget presentation.

4. TWIA Board Member Training: Anna Stafford and Jessica Crass presented the TWIA board member training for new member Greg Smith.
5. Adjourn: The meeting was adjourned at 4:15 am.

Prepared by: Amy Koehl
Senior Project Administrator

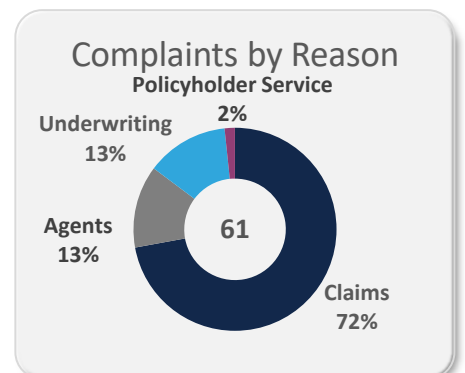
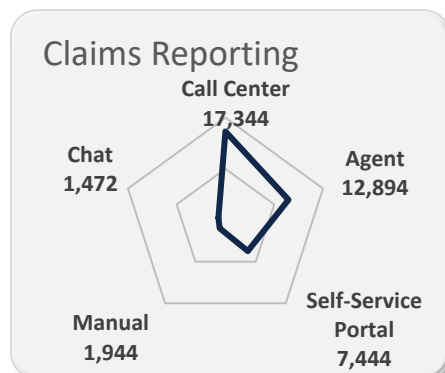
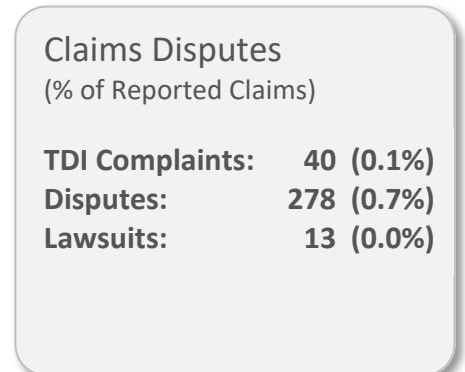
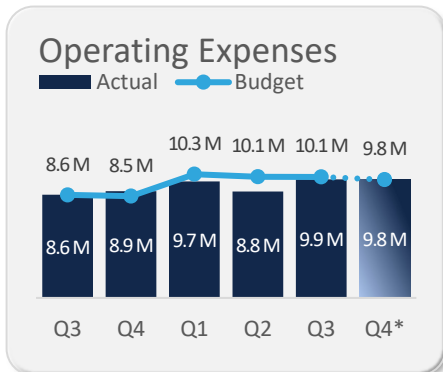
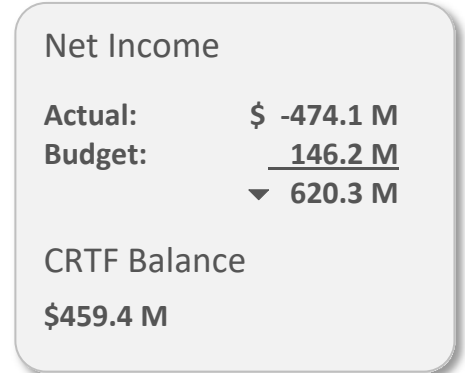
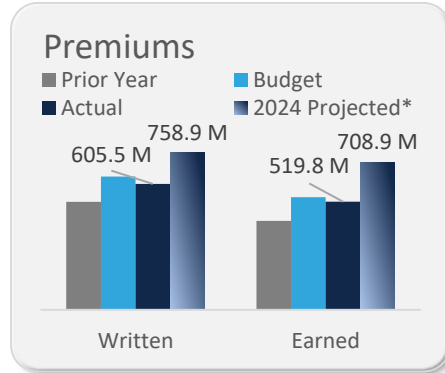
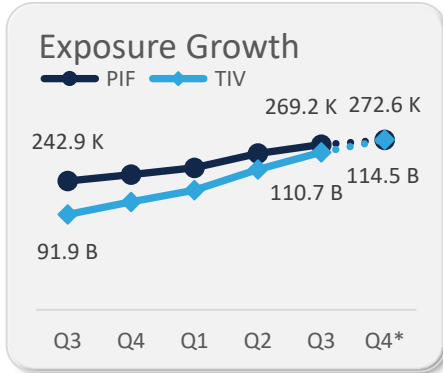
Approved by: David Durden
TWIA General Manager

6. TWIA Operational Dashboard



Operational Dashboard

Reporting as of September 30, 2024



Exposure Growth, Operating Expenses, and Headcount as of Reporting Date
All other amounts are Year to Date

CY 2023 Gross Premium to Surplus Ratio 1.49: 1



Enterprise Projects

Status Update as of September 30, 2024



| Enterprise Projects | Initiative Type | 2023 | | | | 2024 | | | | 2025 | | | |
|---|-----------------------|------|----|----|----|------|----|----|----|------|----|----|----|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| ● Legislative Implementation Program (LIP88) | Mandatory | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | | |
| <i>LIP88 - SB 2232 - Agent Requirements/Standards</i> | Mandatory | | ■ | ■ | ■ | ■ | ■ | ■ | | | | | |
| <i>LIP88 - HB 998 - TFPA Property Owners Assoc (Condos)</i> | Mandatory | | ■ | ■ | ■ | ■ | ■ | ■ | | | | | |
| ● Association Surcharge - Ph 1 Technical (On Hold) | Mandatory | ■ | ■ | ■ | ■ | | | | | | | | |
| ● Association Surcharge - Ph 2 Business (On Hold) | Mandatory | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | | |
| ● Guidewire Cloud Migration (PC9) | Discretionary Planned | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | |
| ● Audit Tracking (Legal & Compliance) | High Priority | | | | | ■ | ■ | ■ | | | | | |



Enterprise Projects

Reporting Definitions



Initiative Types

Mandatory - Driven by Legislature, Regulations, Rules, or Governor or Commissioner Order

Required - Required for continuity of operations or contractual commitments

High Priority - Recommended or required by Board of Directors, Security, or Audit stakeholders

Discretionary Planned - Elective efforts with a degree of advanced planning, e.g., strategic plan

Discretionary Unplanned - Elective efforts without advanced planning

Project Status / Health

| Indicator | Definition | Characteristics | Recommended Action |
|----------------|---|---|--|
| ● On Track | A green indicator represents a healthy status (scope, budget, and schedule) | Expenses are within planned budget Project is on schedule Project is appropriately resourced Quality is meeting expectations Stakeholders are satisfied | Monitor data to ensure project is on track |
| ● At Risk | An amber indicator indicates the project is moving, but with risks that may become issues; Management should mitigate, resolve or control them to avoid project failure | Considerable overspending of more than 5% A delay in schedule Lack of resources | Monitor and control them to avoid falling into the red zone If budgetary, conduct cost analysis to remediate or implement project change control process If resource issues, consider prioritization |
| ● Needs Action | A red indicator represents problems that exist and need to be analyzed, requiring evaluation and action to enable project success | Overspending by more than 10% Delay in schedule Quality issues Resource shortage Unsatisfied stakeholders | Management should analyze and find the reasons for the red status; take action to find a resolution |

Project health report represents scope and schedule

Sources referenced: PMO Study Circle/Project Management Institute (PMI)

7. Financial

7A. Report of the Secretary/Treasurer

7A1. Income Statement

Statutory Income Statement – Treasurer’s Report (In 000s)



| | For the nine months ended September 30, | | | |
|----|--|---------------------|-------------------|----|
| | Actuals - 2024 | Actuals - 2023 | | |
| 1 | | | 2 | |
| 2 | | | 3 | |
| 3 | | | 4 | |
| 4 | Premiums Written: | | 5 | |
| 5 | Direct | \$ 605,525 | \$ 519,439 | 6 |
| 6 | Ceded | (389,883) | (214,356) | 7 |
| 7 | Ceded - Depopulation | <u>0</u> | <u>0</u> | 8 |
| 8 | Net | <u>215,643</u> | <u>305,083</u> | 9 |
| 9 | | | | 10 |
| 10 | Premiums Earned: | | | 11 |
| 11 | Direct | \$ 519,813 | \$ 427,815 | 12 |
| 12 | Ceded | (259,922) | (142,904) | 13 |
| 13 | Ceded - Depopulation | <u>0</u> | <u>0</u> | 14 |
| 14 | Net | <u>259,892</u> | <u>284,911</u> | 15 |
| 15 | | | | 16 |
| 16 | Deductions: | | | 17 |
| 17 | Direct Losses and LAE Incurred | 172,291 | 87,476 | 18 |
| 18 | Direct Losses and LAE Incurred - Harvey | 0 | 0 | 19 |
| 19 | Direct Losses and LAE Incurred - Ike & Dolly | 0 | (57) | 20 |
| 20 | Direct Losses and LAE Incurred - Beryl | 455,000 | 0 | 21 |
| 21 | Ceded Losses and LAE Incurred | 0 | (0) | 22 |
| 22 | Operating Expenses | 28,378 | 25,399 | 23 |
| 23 | Commission Expense | 96,765 | 83,034 | 24 |
| 24 | Ceding commissions / brokerage | (10,503) | (9,596) | 25 |
| 25 | Ceding commissions / brokerage - Depopulation | 0 | 0 | 26 |
| 26 | Premium / Maintenance Tax | <u>10,526</u> | <u>9,477</u> | 27 |
| 27 | Total Deductions | <u>752,458</u> | <u>195,732</u> | 28 |
| 28 | | | | 29 |
| 29 | Net Underwriting Gain or (Loss) | <u>(492,567)</u> | <u>89,179</u> | 30 |
| 30 | | | | 31 |
| 31 | Other Income or (Expense): | | | 32 |
| 32 | Gross Investment Income | 19,761 | 15,307 | 33 |
| 33 | Debt Issuance/Maintenance Fees & Other Investment Expenses | (30) | (83) | 34 |
| 34 | Line of Credit Fees | (1,240) | (1,335) | 35 |
| 35 | Interest Expense on Class 1 Bonds | 0 | 0 | 36 |
| 36 | Interest Expense on Short Term Debt | 0 | 0 | 37 |
| 37 | Premium Charge offs/Write offs | 0 | (126) | 38 |
| 38 | Miscellaneous Income (Expense) | <u>0</u> | <u>6</u> | 39 |
| 39 | Total Other Income or (Expense) | <u>18,491</u> | <u>13,770</u> | 40 |
| 40 | | | | 41 |
| 41 | Net Income (Loss) | <u>\$ (474,075)</u> | <u>\$ 102,949</u> | 42 |
| 42 | | | | 43 |
| 43 | Surplus (Deficit) Account: | | | 44 |
| 44 | Beginning Surplus (Deficit) | 45,853 | 38,643 | 45 |
| 45 | Net Income (Loss) | (474,075) | 102,949 | 46 |
| 46 | Change in Provision for Reinsurance | 0 | 0 | 47 |
| 47 | Change in nonadmitted assets | 3,595 | 1,522 | 48 |
| 48 | Change in Unrecognized Pension Expense | 0 | 0 | 49 |
| 49 | Statutory Fund Cost | <u>(0)</u> | <u>(117,184)</u> | 50 |
| 50 | Ending Surplus (Deficit) | <u>\$ (424,627)</u> | <u>\$ 25,930</u> | 51 |
| 51 | | | | |

7A2. Management Discussion and Analysis

Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results
For the Nine Months Ended September 30, 2024

Written and Earned Premiums

| Actual vs Budget | Sep-2024 YTD Actual | Sep-2024 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|-------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Direct Written Premiums | \$ 605.5 M | \$ 640.6 M | (\$ 35.1 M) | (5.5%) |
| Direct Earned Premiums | \$ 519.8 M | \$ 541.3 M | (\$ 21.5 M) | (4.0%) |
| Policies In-Force | 269,152 | 260,231 | 8,921 | 3.4% |

| Current Yr vs Prior Yr Actual | Sep-2024 YTD Actual | Sep-2023 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|--------------------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Direct Written Premiums | \$ 605.5 M | \$ 519.4 M | \$ 86.1 M | 16.6% |
| Direct Earned Premiums | \$ 519.8 M | \$ 427.8 M | \$ 92.0 M | 21.5% |
| Policies In-Force | 269,152 | 242,888 | 26,264 | 10.8% |

Reinsurance Costs

- The 2024-2025 reinsurance program inceptioned on June 1, 2024. Coverage for the 2024 hurricane season consists of \$2.1 billion of collateralized catastrophe bonds and \$1.950 billion of traditional reinsurance. Gross ceded premiums associated with the \$4.050 billion in coverage totaled \$389.9 million compared to a budgeted estimate of \$298.0 million. This total reflects an overall rate-on-line (ROL) of 9.6% compared to the 9.1% ROL for the 2023 program. The net cost of the reinsurance program after ceding commission was \$379.4 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

Depopulation Program

- There was no round 7 depopulation program in 2023/2024 as no carriers registered to participate.

Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results
For the Nine Months Ended September 30, 2024
(cont'd)

Loss and Loss Adjustment Expense Incurred

| Actual vs Budget | Sep-2024 YTD Actual | Sep-2024 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|--------------------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Direct Losses Incurred | \$ 521.9 M | \$ 63.5 M | \$ 458.3 M | 721.3% |
| Direct LAE Incurred | \$ 105.4 M | \$ 18.1 M | \$ 87.4 M | 483.6% |
| Total Direct Losses & LAE | \$ 627.3 M | \$ 81.6 M | \$ 545.7 M | 668.6% |
| Loss & LAE Ratio | 120.7% | 15.1% | | 105.6% |

| Current Yr vs Prior Yr Actual | Sep-2024 YTD Actual | Sep-2023 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|--------------------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Direct Losses Incurred | \$ 521.9 M | \$ 74.8 M | \$ 447.1 M | 598.0% |
| Direct LAE Incurred | \$ 105.4 M | \$ 12.7 M | \$ 92.8 M | 733.3% |
| Total Direct Losses & LAE | \$ 627.3 M | \$ 87.4 M | \$ 539.9 M | 617.6% |
| Loss & LAE Ratio | 120.7% | 20.4% | | 100.2% |

- The ultimate loss and loss adjustment expense estimate for Hurricane Beryl is \$455 million as of September 30, 2024.
- The ultimate loss and loss adjustment expense estimate for Hurricane Harvey was reduced by \$5 million in December 2023 to \$1.655 billion

Operating Expenses

| Actual vs Budget | Sep-2024 YTD Actual | Sep-2024 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|-------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Operating Expenses | \$ 28.4 M | \$ 30.4 M | (\$ 2.0 M) | (6.7%) |
| Operating Expense Ratio | 5.5% | 5.6% | | (0.2%) |

| Current Yr vs Prior Yr Actual | Sep-2024 YTD Actual | Sep-2023 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|--------------------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Operating Expenses | \$ 28.4 M | \$ 25.4 M | \$ 3.0 M | 11.7% |
| Operating Expense Ratio | 5.5% | 5.9% | | (0.5%) |

- Net operating expenses shown above and on the statutory income statement exclude claims related expenses which are recorded in losses and loss adjustment expense. Expenses under budget include Personnel Expenses (\$2.2 million) and Other Expenses including rental, travel, and postage (\$160,000). Expenses over budget include Professional & Consulting Services (\$170,000) and Software & Hardware (\$140,000).

Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results
For the Nine Months Ended September 30, 2024
(cont'd)

Commission Expense and Premium Taxes

| Actual vs Budget | Sep-2024 YTD Actual | Sep-2024 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|-------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Commission Expense | \$ 96.8 M | \$ 102.5 M | (\$ 5.7 M) | (5.6%) |
| Premium Taxes | \$ 10.5 M | \$ 11.7 M | (\$ 1.2 M) | (10.0%) |

| Current Yr vs Prior Yr Actual | Sep-2024 YTD Actual | Sep-2023 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|--------------------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Commission Expense | \$ 96.8 M | \$ 83.0 M | \$ 13.7 M | 16.5% |
| Premium Taxes | \$ 10.5 M | \$ 9.5 M | \$ 1.0 M | 11.1% |

Other Income (Expense)

- Operating account balances have been reduced to maximize amounts invested in Money Market Mutual Funds which provide a higher rate of interest earnings. Yields on the Association's investments in Money Market Mutual Funds have increased as the Federal Reserve raised interest rates to combat the high levels of inflation.

| Actual vs Budget | Sep-2024 YTD Actual | Sep-2024 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|-------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Gross Investment Income | \$ 19.8 M | \$ 17.9 M | \$ 1.9 M | 10.6% |

| Current Yr vs Prior Yr Actual | Sep-2024 YTD Actual | Sep-2023 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|--------------------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Gross Investment Income | \$ 19.8 M | \$ 15.3 M | \$ 4.5 M | 29.1% |

Net Income (Loss)

| Actual vs Budget | Sep-2024 YTD Actual | Sep-2024 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|-------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Net Income (Loss) | (\$ 474.1 M) | \$ 146.2 M | (\$ 620.3 M) | (424.2%) |

| Current Yr vs Prior Yr Actual | Sep-2024 YTD Actual | Sep-2023 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|--------------------------------------|------------------------|------------------------|-----------------------|-------------------------|
| Net Income (Loss) | (\$ 474.1 M) | \$ 102.9 M | (\$ 577.0 M) | (560.5%) |

Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results
 For the Nine Months Ended September 30, 2024
 (cont'd)

Surplus (Deficit)

| Current Period vs. Prior Year End Actual | Sep-2024 YTD Actual | Dec-23 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|------------------------|----------------------|-----------------------|-------------------------|
| Surplus (Deficit) | (\$ 424.6 M) | \$ 45.9 M | (\$ 470.5 M) | (1,026.1%) |

- The Association's beginning 2024 surplus of \$45.9 million was reduced to a deficit of \$424.6 million as of September 30, 2024 due primarily to the year-to-date net loss of \$474.1 million.

7B. Financial Statement Review by Staff



TEXAS WINDSTORM
INSURANCE ASSOCIATION

QUARTERLY
FINANCIAL
STATEMENTS
AND
SCHEDULES

September 2024

Statutory Income Statement (In 000s)



| | For the period Sep-2024 Year to Date | | | |
|--|--------------------------------------|-------------------|---------------------|-------------------|
| | Actuals - 2024 | Budget - 2024 | Variance - 2024 | Actuals - 2023 |
| Premiums Written: | | | | |
| Direct | \$ 605,525 | \$ 640,613 | \$ (35,088) | \$ 519,439 |
| Ceded | (389,883) | (298,000) | (91,883) | (214,356) |
| Ceded - Depopulation | 0 | 0 | 0 | 0 |
| Net | <u>215,643</u> | <u>342,613</u> | <u>(126,970)</u> | <u>305,083</u> |
| Premiums Earned: | | | | |
| Direct | \$ 519,813 | \$ 541,338 | \$ (21,525) | \$ 427,815 |
| Ceded | (259,922) | (198,667) | (61,255) | (142,904) |
| Ceded - Depopulation | 0 | 0 | 0 | 0 |
| Net | <u>259,892</u> | <u>342,671</u> | <u>(82,780)</u> | <u>284,911</u> |
| Deductions: | | | | |
| Direct Losses and LAE Incurred | 172,291 | 81,610 | 90,681 | 87,476 |
| Direct Losses and LAE Incurred - Harvey | 0 | 0 | 0 | 0 |
| Direct Losses and LAE Incurred - Ike & Dolly | 0 | 0 | 0 | (57) |
| Direct Losses and LAE Incurred - Beryl | 455,000 | 0 | 455,000 | 0 |
| Ceded Losses and LAE Incurred | 0 | 0 | 0 | (0) |
| Operating Expenses | 28,378 | 30,407 | (2,029) | 25,399 |
| Commission Expense | 96,765 | 102,498 | (5,733) | 83,034 |
| Ceding commissions / brokerage | (10,503) | (13,340) | 2,837 | (9,596) |
| Ceding commissions / brokerage - Depopulation | 0 | 0 | 0 | 0 |
| Premium / Maintenance Tax | 10,526 | 11,691 | (1,165) | 9,477 |
| Total Deductions | <u>752,458</u> | <u>212,866</u> | <u>539,592</u> | <u>195,732</u> |
| Net Underwriting Gain or (Loss) | <u>(492,567)</u> | <u>129,805</u> | <u>(622,372)</u> | <u>89,179</u> |
| Other Income or (Expense): | | | | |
| Gross Investment Income | 19,761 | 17,871 | 1,890 | 15,307 |
| Debt Issuance/Maintenance Fees & Other Investment Expenses | (30) | (117) | 87 | (83) |
| Line of Credit Fees | (1,240) | (1,335) | 94 | (1,335) |
| Premium Charge offs/Write offs | 0 | 0 | 0 | (126) |
| Billing Fees | 0 | 0 | 0 | 0 |
| Miscellaneous Income (Expense) | 0 | 0 | 0 | 6 |
| Total Other Income or (Expense) | <u>18,491</u> | <u>16,420</u> | <u>2,072</u> | <u>13,770</u> |
| Net Income (Loss) | <u>\$ (474,075)</u> | <u>\$ 146,225</u> | <u>\$ (620,300)</u> | <u>\$ 102,949</u> |

Surplus (Deficit) and Key Operating Ratios

(In 000s)



| | For the period Sep-2024 Year to Date | | | | |
|----|--|------------------|---------------------|------------------|----|
| | Actuals - 2024 | Budget - 2024 | Variance - 2024 | Actuals - 2023 | |
| 1 | | | | | 1 |
| 2 | | | | | 2 |
| 3 | | | | | 3 |
| 4 | Surplus (Deficit) Account: | | | | 4 |
| 5 | \$ 45,853 | \$ 45,853 | 0 | \$ 38,643 | 5 |
| 6 | (474,075) | 146,225 | (620,300) | 102,949 | 6 |
| 7 | 0 | 0 | 0 | 0 | 7 |
| 8 | 3,595 | 932 | 2,663 | 1,522 | 8 |
| 9 | 0 | 0 | 0 | 0 | 9 |
| 10 | (0) | (148,424) | 148,424 | (117,184) | 10 |
| 11 | <u>\$ (424,627)</u> | <u>\$ 44,585</u> | <u>\$ (469,213)</u> | <u>\$ 25,930</u> | 11 |
| 12 | | | | | 12 |
| 13 | Key Operating Ratios: | | | | 13 |
| 14 | Direct: | | | | 14 |
| 15 | Loss & LAE Ratio: | | | | 15 |
| 16 | 33.1% | 15.1% | 18.1% | 20.4% | 16 |
| 17 | 0.0% | 0.0% | 0.0% | 0.0% | 17 |
| 17 | 0.0% | 0.0% | 0.0% | 0.0% | 17 |
| 18 | 87.5% | 0.0% | 87.5% | 0.0% | 18 |
| 19 | <u>120.7%</u> | <u>15.1%</u> | <u>105.6%</u> | <u>20.4%</u> | 19 |
| 20 | UW Expense Ratio: | | | | 20 |
| 21 | 17.7% | 17.8% | (0.1%) | 17.8% | 21 |
| 22 | 5.5% | 5.6% | (0.2%) | 5.9% | 22 |
| 23 | <u>23.2%</u> | <u>23.4%</u> | <u>(0.3%)</u> | <u>23.7%</u> | 23 |
| 24 | | | | | 24 |
| 25 | <u>143.9%</u> | <u>38.5%</u> | <u>105.3%</u> | <u>44.2%</u> | 25 |
| 26 | | | | | 26 |
| 27 | Net: | | | | 27 |
| 28 | Loss & LAE Ratio: | | | | 28 |
| 29 | 66.3% | 23.8% | 42.5% | 30.7% | 29 |
| 30 | 0.0% | 0.0% | 0.0% | 0.0% | 30 |
| 30 | 0.0% | 0.0% | 0.0% | 0.0% | 30 |
| 31 | 175.1% | 0.0% | 175.1% | 0.0% | 31 |
| 32 | <u>241.4%</u> | <u>23.8%</u> | <u>217.6%</u> | <u>30.7%</u> | 32 |
| 33 | UW Expense Ratio: | | | | 33 |
| 34 | 33.0% | 25.6% | 7.4% | 24.8% | 34 |
| 35 | 10.9% | 8.9% | 2.0% | 8.9% | 35 |
| 36 | <u>43.9%</u> | <u>34.5%</u> | <u>9.4%</u> | <u>33.7%</u> | 36 |
| 37 | | | | | 37 |
| 38 | <u>285.3%</u> | <u>58.3%</u> | <u>227.0%</u> | <u>64.4%</u> | 38 |
| 39 | | | | | 39 |
| 40 | Note: Beginning budgeted surplus adjusted to actual for comparative purposes. | | | | 40 |

Statutory Expense Statement (In 000s)



| | | For the nine months ended September 30, | | | |
|--|-------------------------|---|--------------------------|-------------------------|--|
| Description | Actuals - 2024 | Budget - 2024 | Variance - 2024 | Actuals - 2023 | |
| Personnel Expenses | | | | | |
| Salaries & Wages - Permanent | \$ 11,264 | \$ 12,640 | \$ (1,376) | \$ 10,445 | |
| Contractor & Temporary Help | 21,846 | 3,056 | 18,790 | 3,836 | |
| Payroll Taxes | 833 | 929 | (96) | 776 | |
| Employee Benefits | 3,250 | 3,650 | (400) | 3,336 | |
| Recruiting, Training & Other | 148 | 340 | (192) | 103 | |
| Subtotal | <u>\$ 37,342</u> | <u>\$ 20,616</u> | <u>\$ 16,726</u> | <u>\$ 18,497</u> | |
| Professional & Consulting Services | | | | | |
| Legal | \$ 366 | \$ 367 | \$ (2) | \$ 426 | |
| Accounting & Auditing | 189 | 192 | (2) | 207 | |
| Information Technology | 3,877 | 4,259 | (382) | 1,378 | |
| Actuarial Services | 72 | 69 | 3 | 68 | |
| Ombudsman Program | 112 | 130 | (18) | 93 | |
| Surveys & Inspections | 1,054 | 1,021 | 34 | 1,030 | |
| Disaster Recovery Services | 4 | 8 | (3) | 7 | |
| Other Services (1) | 6,761 | 4,127 | 2,635 | 4,163 | |
| Subtotal | <u>\$ 12,436</u> | <u>\$ 10,172</u> | <u>\$ 2,264</u> | <u>\$ 7,373</u> | |
| Hardware/Software Purchases & Licensing | 3,257 | 3,037 | 220 | 2,449 | |
| Rental & Maintenance - Office/Equipment | 703 | 785 | (82) | 705 | |
| Travel Expenses | 132 | 147 | (14) | 106 | |
| Postage, Telephone and Express | 1,272 | 1,099 | 173 | 1,051 | |
| Capital Management Expenses | 0 | 0 | 0 | 0 | |
| Depreciation & Amortization | 2,324 | 2,324 | (0) | 2,336 | |
| Other Operating Expenses | 1,294 | 1,208 | 86 | 1,199 | |
| Total Operating Expenses | <u>\$ 58,761</u> | <u>\$ 39,388</u> | <u>\$ 19,373</u> | <u>\$ 33,715</u> | |
| Capitalization of Fixed Assets | 0 | 0 | 0 | 0 | |
| Reimbursement of Depop Servicing Expense | (0) | 0 | (0) | (3) | |
| Allocation To ULAE | (30,343) | (8,909) | (21,434) | (8,230) | |
| Allocation To Investing & Other Expense | (40) | (72) | 32 | (83) | |
| Net Operating Expense - UW Operations | <u>\$ 28,378</u> | <u>\$ 30,407</u> | <u>\$ (2,029)</u> | <u>\$ 25,399</u> | |

(1) Summary Details for Other Services:

| VENDOR | Amount | Department |
|-------------------------------------|------------------------|---------------------|
| EagleView Technologies Inc | \$ 1,584 | Claims |
| Accenture LLP | 1,551 | Expert Panel |
| Xactware Solutions Inc | 849 | Claims |
| Clear Point Claims LLC | 456 | Underwriting |
| AON Re Inc | 450 | Actuary |
| LYNX Services LLC | 384 | Claims |
| Marshall & Swift/Boeckh | 321 | Underwriting |
| Risk Management Solutions Inc | 261 | Expert Panel |
| ISO Services Inc | 209 | Claims |
| LexisNexis Risk Solutions FL Inc | 153 | Underwriting/Legal |
| Floatbot, Inc | 82 | Claims |
| Veracity Research Company | 81 | Claims |
| *Other Outside Services below \$50K | 380 | Various Departments |
| Total Other Services | <u>\$ 6,761</u> | |

Statutory Balance Sheet

(In 000s)



| | Sep-2024 | Dec-2023 | |
|--|--------------------------|--------------------------|----|
| 1 | | | 1 |
| 2 Admitted Assets | | | 2 |
| 3 Cash and short term investments: | | | 3 |
| 4 Unrestricted | \$ 283,205 | \$ 647,820 | 4 |
| 5 Restricted - Funds Held at TTSTC | 0 | 0 | 5 |
| 6 Restricted - Funds Held at TTSTC (Non Admitted) | 0 | 0 | 6 |
| 7 Total cash and short term investments | <u>283,205</u> | <u>647,820</u> | 7 |
| 8 Premiums receivable & other | 69,417 | 46,833 | 8 |
| 9 Assessment receivable | 0 | 0 | 9 |
| 10 Amounts recoverable from reinsurers | 0 | 0 | 10 |
| 11 Total admitted assets | <u><u>\$ 352,621</u></u> | <u><u>\$ 694,653</u></u> | 11 |
| 12 | | | 12 |
| 13 Liabilities, Surplus and other funds | | | 13 |
| 14 Liabilities: | | | 14 |
| 15 Loss and Loss adjustment expenses | 255,212 | 44,784 | 15 |
| 16 Underwriting expenses payable | 22,845 | 14,582 | 16 |
| 17 Unearned premiums, net of ceded unearned premiums | 296,776 | 341,024 | 17 |
| 18 Ceded reinsurance premiums payable | 180,146 | 77,739 | 18 |
| 19 Principal Outstanding on Class 1 Pre Event Bonds | 0 | 0 | 19 |
| 20 Interest Payable on Class 1 Pre Event Bonds | 0 | 0 | 20 |
| 21 Provision for reinsurance | 0 | 0 | 21 |
| 22 Other payables | 22,270 | 14,670 | 22 |
| 23 Statutory fund payable | 0 | 156,000 | 23 |
| 24 Total liabilities | <u>777,249</u> | <u>648,800</u> | 24 |
| 25 | | | 25 |
| 26 Surplus and others funds | | | 26 |
| 27 Unassigned surplus (deficit) | (424,627) | 45,853 | 27 |
| 28 Total liabilities, surplus and other funds | <u><u>\$ 352,621</u></u> | <u><u>\$ 694,653</u></u> | 28 |
| 29 | | | 29 |
| 30 | | | 30 |
| 31 Balance in CRTF | <u><u>\$ 459,415</u></u> | <u><u>\$ 283,006</u></u> | 31 |
| 32 | | | 32 |
| 33 Balance in CRTF including Statutory fund payable | <u><u>\$ 459,415</u></u> | <u><u>\$ 439,006</u></u> | 33 |
| 34 | | | 34 |

Statement of Cash Flows

(In 000s)



| | For the period Sep-2024 Year to Date | | |
|--|--------------------------------------|---------------|-----------------|
| | Actuals - 2024 | Budget - 2024 | Variance - 2024 |
| Cash flows from operating activities: | | | |
| Premiums collected, net of reinsurance | \$ 304,176 | \$ 414,433 | \$ (110,257) |
| Losses and loss adjustment expense paid (1) (2) | (416,864) | (84,926) | (331,938) |
| Underwriting expenses paid | (114,875) | (124,913) | 10,038 |
| Member assessment received | 0 | 0 | 0 |
| Other | (1,102) | 0 | (1,102) |
| Net cash provided by operating activities | (228,665) | 204,593 | (433,258) |
| Cash flows from nonoperating activities: | | | |
| Statutory fund received/(paid) | (156,000) | (160,242) | 4,242 |
| Other | 0 | 0 | 0 |
| Net cash provided by nonoperating activities | (156,000) | (160,242) | 4,242 |
| Cash flows from investing activities: | | | |
| Sales and maturities of investments | 0 | 0 | 0 |
| Net investment income | 21,280 | 17,799 | 3,481 |
| Net cash provided by investing activities | 21,280 | 17,799 | 3,481 |
| Cash flows from financing activities: | | | |
| Borrowed funds | 0 | 0 | 0 |
| Borrowed funds repaid | 0 | 0 | 0 |
| Debt and credit agreement fees | (1,230) | (1,380) | 149 |
| Net cash provided by financing activities | (1,230) | (1,380) | 149 |
| Net increase (decrease) in cash and short-term investments | (364,615) | 60,771 | (425,386) |
| Cash and short-term investments, Beginning | 647,820 | 647,820 | 0 |
| Cash and short-term investments, Ending | \$ 283,205 | \$ 708,591 | \$ (425,386) |
| (1) Beryl Loss/LAE payments | \$ 297,765 | 0 | \$ 297,765 |
| (2) Harvey Loss/LAE payments | \$ 269 | \$ 7,470 | (7,201) |
| Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes. | | | |

Cash and Short-Term Investments (In 000s)



| Unrestricted Cash and Short Term Investments (\$ in 000s) | | | | | | | | | | | | | |
|--|----------------------|-------------------|--------------------------|--|--------------------------------------|----------------------|-------------------------------------|-------------------------|--------------------------|-------------------------|---|-------|---------|
| September 30, 2024 | | | | | | | | | | | | | |
| Bank | Non Interest Bearing | Interest Bearing | Total Amount of Deposits | Average Daily Bank Balance for the Quarter | Investment Income during the Quarter | Average Annual Yield | Total Deposit % of TWIA's Portfolio | N.A. Bank Credit Rating | N.A Tier 1 Capital Ratio | N.A. Regulatory Capital | Are funds in excess of the N.A. Regulatory Capital? | | |
| | | | | | | | | | | | Superior or Strong | > 10% | > \$25B |
| Balances as of 09/30/2024: | | | | | | | | | | | | | |
| Bank of America, Operating | \$ 162 | \$ 38,575 | \$ 38,737 | \$ 39,615 | \$ 373 | 3.8% | 14% | Superior | 13.5% | \$190 | No | | |
| Citibank | 194 | 0 | 194 | 0 | 0 | 0.0% | 0% | Superior | 14.4% | \$151 | No | | |
| JP Morgan Chase | 0 | 17,324 | 17,324 | 112,359 | 941 | 3.3% | 6% | Superior | 16.4% | \$277 | No | | |
| Citibank IMMA | 0 | 118 | 118 | 117 | 0 | 1.7% | 0% | N/A | N/A | N/A | N/A | | |
| JP Morgan U.S. Treasury Plus Money Market Fund (1) | 0 | 21,383 | 21,383 | 55,898 | 726 | 5.2% | 8% | N/A | N/A | N/A | N/A | | |
| Chase Goldman Sachs (1) | 0 | 22,462 | 22,462 | 56,974 | 736 | 5.2% | 8% | N/A | N/A | N/A | N/A | | |
| BOA Morgan Stanley (2) | 0 | 49,333 | 49,333 | 49,113 | 629 | 5.1% | 17% | N/A | N/A | N/A | N/A | | |
| BOA Dreyfus Treasury (2) | 0 | 48,641 | 48,641 | 72,101 | 932 | 5.2% | 17% | N/A | N/A | N/A | N/A | | |
| Fidelity Treasury (2) | 0 | 85,013 | 85,013 | 84,628 | 1,100 | 5.2% | 30% | N/A | N/A | N/A | N/A | | |
| Total of all financial institutions | \$ 356 | \$ 282,848 | \$ 283,205 | \$ 470,805 | \$ 5,437 | 4.6% | 100% | | | | | | |
| Balances as of 06/30/2024: | | | | | | | | | | | | | |
| Bank of America, Operating | \$ 162 | \$ 25,664 | \$ 25,826 | \$ 32,452 | \$ 306 | 3.8% | 5% | Superior | 13.5% | \$189 | No | | |
| Citibank | 195 | 0 | 195 | 0 | 0 | 0.0% | 0% | Superior | 14.2% | \$151 | No | | |
| JP Morgan Chase | 0 | 33,450 | 33,451 | 48,452 | 376 | 3.1% | 6% | Superior | 16.0% | \$268 | No | | |
| Citibank IMMA | 0 | 117 | 117 | 117 | 1 | 1.7% | 0% | N/A | N/A | N/A | N/A | | |
| JP Morgan U.S. Treasury Plus Money Market Fund (1) | 0 | 115,255 | 115,255 | 111,580 | 1,438 | 5.2% | 22% | N/A | N/A | N/A | N/A | | |
| Chase Goldman Sachs (1) | 0 | 116,325 | 116,325 | 109,479 | 1,409 | 5.1% | 22% | N/A | N/A | N/A | N/A | | |
| BOA Morgan Stanley (2) | 0 | 48,700 | 48,700 | 48,486 | 622 | 5.1% | 9% | N/A | N/A | N/A | N/A | | |
| BOA Dreyfus Treasury (2) | 0 | 97,453 | 97,453 | 115,834 | 1,495 | 5.2% | 19% | N/A | N/A | N/A | N/A | | |
| Fidelity Treasury (2) | 0 | 83,906 | 83,906 | 61,370 | 799 | 5.2% | 16% | N/A | N/A | N/A | N/A | | |
| Total of all financial institutions | \$ 357 | \$ 520,870 | \$ 521,227 | \$ 527,770 | \$ 6,445 | 4.9% | 100% | | | | | | |
| (1) The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury. | | | | | | | | | | | | | |
| (2) The Fund invests in U.S. Treasury bills, notes, trust receipts and direct obligations of the U.S. Treasury. | | | | | | | | | | | | | |
| Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of June 30, 2024. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results. | | | | | | | | | | | | | |



Historical Data (In 000s)

| 1971 - 2024 | | | | | | | | | | | |
|------------------------|--|-----------------|-------------------|------------|---------------------|------------------------|--------------------|------------------------|--------------------------------------|-----------------------------|-------------------------------|
| (\$ with 000s omitted) | | | | | | | | | | | |
| YEAR | GROSS | | | | | | NET | | | | CRTF BALANCE END OF PERIOD |
| | LIABILITY IN FORCE END OF PERIOD | POLICY COUNT | RATE CHANGES | | WRITTEN PREMIUMS | LOSS & LAE INCURRED | EARNED PREMIUMS | LOSS & LAE INCURRED | UNDERWRITING EXPENSES INCURRED | UNDERWRITING GAIN (LOSS) | |
| | | | RESIDENTIAL | COMMERCIAL | | | | | | | |
| 1971-1987 | \$ 35,367,740 | \$ 788,610 | | | \$ 164,538 | \$ 187,465 | \$ 113,518 | \$ 187,465 | \$ 35,926 | \$ (109,874) | |
| 1988 | 4,266,615 | 56,773 | -5.4% | -15.0% | 19,061 | 2,509 | 3,551 | 2,509 | 4,066 | (3,024) | |
| 1989 | 4,236,600 | 55,401 | - | - | 18,066 | 14,176 | 5,330 | 14,176 | 4,037 | (12,883) | |
| 1990 | 4,248,611 | 56,155 | 3.1% | -2.1% | 18,244 | 1,590 | 16,761 | 1,590 | 4,171 | 11,000 | |
| 1991 | 4,346,209 | 54,145 | 25.0% | -2.0% | 20,504 | 1,783 | 7,167 | 1,783 | 4,343 | 1,042 | |
| 1992 | 5,155,790 | 55,471 | -20% (I)/-75% (B) | -22.9% | 11,495 | 1,321 | 4,014 | 1,321 | 4,220 | (1,527) | |
| 1993 | 6,500,165 | 56,921 | 30.0% | - | 19,377 | 4,778 | 123,515 | 4,778 | 5,161 | 113,576 | |
| 1994 | 7,645,176 | 63,348 | - | - | 26,545 | 1,572 | 25,692 | 1,572 | 6,982 | 17,138 | 124,847 |
| 1995 | 8,828,140 | 69,807 | 25.0% | - | 32,419 | 4,033 | 29,016 | 4,033 | 8,119 | 16,864 | 151,284 |
| 1996 | 10,001,843 | 72,977 | - | - | 40,359 | 1,484 | 37,153 | 1,484 | 10,627 | 25,042 | 179,020 |
| 1997 | 10,907,937 | 75,361 | - | - | 42,463 | 4,133 | 41,045 | 4,133 | 11,038 | 25,874 | 216,896 |
| 1998 | 11,633,935 | 77,261 | 0.2% | -3.0% | 44,411 | 27,235 | 28,256 | 27,235 | 12,181 | (11,160) | 238,221 |
| 1999 | 11,972,502 | 75,947 | -9.4% | - | 44,581 | 11,320 | 28,702 | 11,320 | 11,524 | 5,858 | 250,403 |
| 2000 | 12,052,604 | 73,815 | 8.7% | 9.0% | 48,012 | 7,937 | 28,470 | 7,937 | 11,681 | 8,852 | 268,563 |
| 2001 | 13,249,407 | 77,022 | 18.5% | 4.0% | 54,631 | 8,011 | 31,112 | 8,011 | 12,936 | 10,165 | 280,063 |
| 2002 | 16,003,048 | 85,668 | - | 5.0% | 72,968 | 32,359 | 44,516 | 32,359 | 16,584 | (4,427) | 303,185 |
| 2003 | 18,824,457 | 96,420 | - | 10.0% | 87,987 | 24,955 | 51,702 | 24,955 | 19,682 | 7,065 | 305,599 |
| 2004 | 20,796,656 | 103,503 | 9.6% | 10.0% | 102,384 | 6,115 | 52,230 | 6,115 | 21,911 | 24,204 | 308,729 |
| 2005 | 23,263,934 | 109,693 | - | 10.0% | 113,928 | 178,370 | 65,438 | 178,370 | 25,277 | (138,209) | 311,508 |
| 2006 | 38,313,022 | 143,999 | 3.1% | 13.4% | 196,833 | 5,188 | 85,467 | 5,188 | 37,138 | 43,141 | 361,823 |
| 2007 | 58,641,546 | 216,008 | 4.2% | 3.7% | 315,139 | 17,985 | 135,843 | 17,985 | 51,768 | 66,090 | 388,542 |
| 2008 | 58,585,060 | 215,537 | 8.2% | 5.4% | 331,049 | 2,587,123 | (138,560) | 1,117,123 | 53,759 | (1,309,442) | - |
| 2009 | 61,700,891 | 230,545 | 12.3% | 15.6% | 382,342 | (486,314) | 389,600 | (183,974) | 87,899 | 485,675 | - |
| 2010 | 67,452,357 | 242,664 | - | - | 385,550 | 555,025 | 351,730 | 252,685 | 85,598 | 13,447 | 76,334 |
| 2011 | 71,083,333 | 255,945 | 5.0% | 5.0% | 403,748 | 202,539 | 321,781 | 202,539 | 81,665 | 37,577 | 146,650 |
| 2012 | 74,186,949 | 266,726 | 5.0% | 5.0% | 443,480 | 401,873 | 321,122 | 401,873 | 93,583 | (174,334) | 178,902 |
| 2013 | 76,921,369 | 270,814 | 5.0% | 5.0% | 472,739 | 30,975 | 295,130 | 30,975 | 100,524 | 163,631 | 186,184 |
| 2014 | 78,763,302 | 275,626 | 5.0% | 5.0% | 494,036 | (13,994) | 367,555 | (13,994) | 109,189 | 272,360 | 216,813 |
| 2015 | 78,551,742 | 272,219 | 5.0% | 5.0% | 503,824 | 178,886 | 377,594 | 178,886 | 114,973 | 83,736 | 487,170 |
| 2016 | 73,393,573 | 254,346 | 5.0% | 5.0% | 487,354 | 38,669 | 370,404 | 38,625 | 109,756 | 222,023 | 587,860 |
| 2017 | 65,023,810 | 231,567 | - | - | 423,074 | 1,476,861 | 347,354 | 1,475,302 | 97,878 | (1,225,826) | 1,220 |
| 2018 | 58,041,760 | 202,208 | 5.0% | 5.0% | 395,552 | 175,718 | 301,515 | 175,998 | 96,399 | 29,118 | 5,986 |
| 2019 | 55,189,815 | 189,203 | - | - | 372,017 | 113,513 | 287,477 | 113,398 | 92,415 | 81,664 | 122,496 |
| 2020 | 55,009,638 | 184,890 | - | - | 369,600 | 118,669 | 261,574 | 118,470 | 90,594 | 52,510 | 179,174 |
| 2021 | 59,543,596 | 193,002 | - | - | 395,113 | 19,026 | 276,372 | 19,048 | 95,623 | 161,701 | 182,712 |
| 2022 | 75,698,532 | 222,480 | 5.0% | 5.0% | 518,299 | 51,213 | 311,395 | 51,248 | 120,093 | 140,054 | 190,004 |
| 2023 | 95,677,314 | 247,531 | 0.0% | 0.0% | 653,043 | 91,367 | 371,366 | 91,373 | 140,022 | 139,972 | 283,006 |
| 2024 | 110,717,250 | 269,152 | 0.0% | 0.0% | 605,525 | 627,291 | 259,892 | 627,291 | 125,167 | (492,567) | 459,415 |
| TOTAL* | | | | | 9,130,292 | 6,712,757 | 6,031,800 | 5,241,183 | 2,014,508 | (1,223,892) | |

*2024 data through 09/30/2024.

7C. Review and Approval of 2025 Budget

Texas Windstorm Insurance Association



2025 Budget Summary to
Board of Directors
December 10, 2024

2024 Forecasted Income Statement w/ Reconciliation to Workshop

(In 000s)

| | A | | | B | | | C | | | D | | | E | | |
|--|--|---------------|---------------|-----------------|---------------|---------------|-----------------|---------------|---------------|-----------------|---------------|---------------|-----------------|---------------|---------------|
| | For the twelve months ended December 31, | | | | | | | | | Budget Workshop | | | CHANGE | | |
| | FINAL | | | Budget FY2024 | | | November 13 | | | Forecast FY2024 | | | | | |
| | Forecast FY2024 | Budget FY2024 | Variance 2024 | Forecast FY2024 | Budget FY2024 | Variance 2024 | Forecast FY2024 | Budget FY2024 | Variance 2024 | Forecast FY2024 | Budget FY2024 | Variance 2024 | Forecast FY2024 | Budget FY2024 | Variance 2024 |
| Premiums Written: | | | | | | | | | | | | | | | |
| 1 Direct | \$ 753,482 | \$ 815,861 | \$ (62,379) | \$ 753,482 | \$ 815,861 | \$ (62,379) | \$ 753,482 | \$ 815,861 | \$ (62,379) | \$ 753,482 | \$ 815,861 | \$ (62,379) | \$ 753,482 | \$ 815,861 | \$ (62,379) |
| Premiums Earned: | | | | | | | | | | | | | | | |
| 2 Direct | \$ 707,794 | \$ 743,860 | \$ (36,066) | \$ 707,794 | \$ 743,860 | \$ (36,066) | \$ 707,794 | \$ 743,860 | \$ (36,066) | \$ 707,794 | \$ 743,860 | \$ (36,066) | \$ 707,794 | \$ 743,860 | \$ (36,066) |
| 3 Ceded | (397,069) | (298,000) | (99,069) | (397,069) | (298,000) | (99,069) | (397,069) | (298,000) | (99,069) | (397,069) | (298,000) | (99,069) | (397,069) | (298,000) | (99,069) |
| 4 Net | 310,725 | 445,860 | (135,135) | 310,725 | 445,860 | (135,135) | 310,725 | 445,860 | (135,135) | 310,725 | 445,860 | (135,135) | 310,725 | 445,860 | (135,135) |
| Deductions: | | | | | | | | | | | | | | | |
| 6 Losses and LAE Incurred | 662,663 | 97,803 | 564,860 | 662,663 | 97,803 | 564,860 | 662,663 | 97,803 | 564,860 | 662,663 | 97,803 | 564,860 | 662,663 | 97,803 | 564,860 |
| 7 Operating Expenses | 38,228 | 40,243 | (2,015) | 38,147 | 40,243 | (2,015) | 38,147 | 40,243 | (2,015) | 38,147 | 40,243 | (2,015) | 38,147 | 40,243 | (2,015) |
| 8 Commission Expense | 120,465 | 130,538 | (10,072) | 120,465 | 130,538 | (10,072) | 120,465 | 130,538 | (10,072) | 120,465 | 130,538 | (10,072) | 120,465 | 130,538 | (10,072) |
| 9 Ceding commissions / brokerage | (10,503) | (13,340) | 2,837 | (10,503) | (13,340) | 2,837 | (10,503) | (13,340) | 2,837 | (10,503) | (13,340) | 2,837 | (10,503) | (13,340) | 2,837 |
| 10 Premium / Maintenance Tax | 13,382 | 14,889 | (1,508) | 13,382 | 14,889 | (1,508) | 13,382 | 14,889 | (1,508) | 13,382 | 14,889 | (1,508) | 13,382 | 14,889 | (1,508) |
| 11 Total Deductions | 824,235 | 270,133 | 554,102 | 824,154 | 270,133 | 554,102 | 824,154 | 270,133 | 554,102 | 824,154 | 270,133 | 554,102 | 824,154 | 270,133 | 554,102 |
| 12 Net Underwriting Gain or (Loss) | (513,510) | 175,727 | (689,237) | (513,429) | 175,727 | (689,237) | (513,429) | 175,727 | (689,237) | (513,429) | 175,727 | (689,237) | (513,429) | 175,727 | (689,237) |
| Other Income or (Expense): | | | | | | | | | | | | | | | |
| 14 Gross Investment Income | 22,360 | 24,237 | (1,876) | 22,361 | 24,237 | (1,876) | 22,361 | 24,237 | (1,876) | 22,361 | 24,237 | (1,876) | 22,361 | 24,237 | (1,876) |
| 15 Line of Credit Fees and Other Investment Expenses | (1,913) | (2,065) | 152 | (1,913) | (2,065) | 152 | (1,913) | (2,065) | 152 | (1,913) | (2,065) | 152 | (1,913) | (2,065) | 152 |
| 16 Interest Expense on Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 Premium Charge Offs/Write Offs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 Other Income (Expense) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 19 Total Other Income or (Expense) | 20,448 | 22,172 | (1,724) | 20,448 | 22,172 | (1,724) | 20,448 | 22,172 | (1,724) | 20,448 | 22,172 | (1,724) | 20,448 | 22,172 | (1,724) |
| 20 Net Income (Loss) | \$ (493,062) | \$ 197,899 | \$ (690,961) | \$ (492,981) | \$ 197,899 | \$ (690,961) | \$ (492,981) | \$ 197,899 | \$ (690,961) | \$ (492,981) | \$ 197,899 | \$ (690,961) | \$ (492,981) | \$ 197,899 | \$ (690,961) |
| 21 | | | | | | | | | | | | | | | |
| 22 | | | | | | | | | | | | | | | |
| 23 | | | | | | | | | | | | | | | |

Discussion Notes

- Slight change in Operating Expense to agree with Personnel cost allocation adjusted in UW Department

2024 Forecasted Surplus & Key Ratios w/ Reconciliation to Workshop

(In 000s)

| | | A | B | C | D | E |
|----|-------------------------------------|--|-------------------|---------------------|--------------------------------|----------------|
| | | For the twelve months ended December 31, | | | Budget Workshop November 13 | |
| | | FINAL | | | Forecast FY2024 | CHANGE |
| | | Forecast FY2024 | Budget FY2024 | Variance 2024 | | |
| 1 | Surplus (Deficit) Account: | | | | | |
| 2 | Beginning Surplus (Deficit) | \$ 45,853 | \$ 42,057 | \$ 3,796 | \$ 45,853 | (0) |
| 3 | Net Income (Loss) | (493,062) | 197,899 | (690,961) | (492,981) | (81) |
| 4 | Change in Provision for Reinsurance | 0 | 0 | 0 | 0 | 0 |
| 5 | Change in Non-Admitted Assets | 4,524 | 3,349 | 1,175 | 4,524 | 0 |
| 6 | Statutory Fund Cost | (0) | (197,899) | 197,899 | (0) | 0 |
| 7 | Ending Surplus (Deficit) | \$ (442,685) | \$ 45,406 | \$ (488,091) | \$ (442,604) | \$ (81) |
| 8 | | | | | | |
| 9 | Key Operating Ratios: | | | | | |
| 10 | Direct: | | | | | |
| 11 | Loss & LAE Ratio | 93.6% | 13.1% | 80.5% | 93.6% | 0.0% |
| 12 | UW Expense Ratio: | | | | | |
| 13 | Acquisition | 17.8% | 17.8% | (0.1%) | 17.8% | 0.0% |
| 14 | Non Acquisition | 5.4% | 5.4% | (0.0%) | 5.4% | 0.0% |
| 15 | UW Expense Ratio | 23.2% | 23.2% | (0.1%) | 23.2% | 0.0% |
| 16 | Direct Combined Ratio | 116.8% | 36.4% | 80.4% | 116.8% | 0.0% |
| 17 | | | | | | |
| 18 | Ending Balance in CRTF | \$ 466,175 | \$ 461,329 | \$ 4,846 | \$ 466,175 | \$ - |

Note: Forecast reflects January to July 2024 actuals, August to December forecasts.

2024 Updated Forecast w/ Reconciliation to Workshop – Expense Summary

(000's)

| | A | | | B | | | C | | | D | | | E | | |
|--|--|------------------|-------------------|------------------|---------------|---------------|------------------|---------------|---------------|-----------------|---------------|---------------|-----------------|---------------|---------------|
| | For the twelve months ended December 31, | | | | | | | | | Budget Workshop | | | CHANGE | | |
| | FINAL | | | | | | | | | November 13 | | | | | |
| | Forecast FY2024 | Budget FY2024 | Variance 2024 | Forecast FY2024 | Budget FY2024 | Variance 2024 | Forecast FY2024 | Budget FY2024 | Variance 2024 | Forecast FY2024 | Budget FY2024 | Variance 2024 | Forecast FY2024 | Budget FY2024 | Variance 2024 |
| 1 Personnel Expenses | \$ 54,196 | \$ 27,358 | \$ 26,838 | \$ 54,112 | | | \$ 54,112 | | | | | | 85 | | |
| 2 Professional & Consulting Services | 12,670 | 13,103 | (433) | 12,670 | | | 12,670 | | | | | | 0 | | |
| 3 Hardware/Software Purchases & Licensing | 4,150 | 4,047 | 103 | 4,150 | | | 4,150 | | | | | | 0 | | |
| 4 Rental & Maintenance - Office/Equipment | 1,032 | 1,060 | (28) | 1,032 | | | 1,032 | | | | | | 0 | | |
| 5 Travel Expenses | 196 | 203 | (7) | 196 | | | 196 | | | | | | 0 | | |
| 6 Postage, Telephone and Express | 1,654 | 1,420 | 234 | 1,654 | | | 1,654 | | | | | | 0 | | |
| 7 Capital Management Expenses | 0 | 0 | 0 | 0 | | | 0 | | | | | | 0 | | |
| 8 Depreciation | 3,096 | 3,096 | (0) | 3,096 | | | 3,096 | | | | | | 0 | | |
| 9 Other Operating Expenses | 1,901 | 1,657 | 244 | 1,901 | | | 1,901 | | | | | | 0 | | |
| 10 Gross Operating Expenses | 78,894 | 51,943 | 26,951 | 78,810 | | | 78,810 | | | | | | 85 | | |
| 11 Less: Adjustments/Allocations | | | | | | | | | | | | | | | |
| 12 Capitalization of Fixed Assets | 0 | 0 | 0 | 0 | | | 0 | | | | | | 0 | | |
| 13 Reimbursement of Depopulation Servicing Expense | (0) | 0 | (0) | (0) | | | (0) | | | | | | 0 | | |
| 14 Allocation To ULAE | (40,598) | (11,604) | (28,994) | (40,594) | | | (40,594) | | | | | | (4) | | |
| 15 Allocation To Investing | (68) | (96) | 28 | (68) | | | (68) | | | | | | 0 | | |
| 16 Total Adjustments/Allocations | (40,666) | (11,700) | (28,966) | (40,662) | | | (40,662) | | | | | | (4) | | |
| 17 | | | | | | | | | | | | | | | |
| 18 Net Operating Expense | \$ 38,228 | \$ 40,243 | \$ (2,015) | \$ 38,147 | | | \$ 38,147 | | | | | | 81 | | |

Personnel Expenses

The increase of \$85K in personnel expenses represents the updated workforce allocations between associations.

2025 Budget - Income Statement w/ Reconciliation to Workshop

(In 000's)

| | A | B | C | |
|--|------------------------|---|------------|-----------|
| | FINAL Budget FY2025 | Budget Workshop November 13 Budget FY2025 | CHANGE | |
| Premiums Written: | | | | |
| 1 Direct | \$ 779,482 | \$ 779,482 | 0 | 1 |
| Premiums Earned: | | | | |
| 2 Direct | \$ 779,233 | \$ 779,233 | 0 | 2 |
| 3 Ceded | (485,000) | (485,000) | 0 | 3 |
| 4 Net | 294,233 | 294,233 | 0 | 4 |
| Deductions: | | | | |
| 5 Losses and LAE Incurred | 98,401 | 98,401 | 0 | 5 |
| 6 Operating Expenses | 40,270 | 40,611 | (341) | 6 |
| 7 Commission Expense | 124,717 | 124,717 | 0 | 7 |
| 8 Ceding commissions / brokerage | (12,125) | (12,125) | 0 | 8 |
| 9 Premium / Maintenance Tax | 14,226 | 14,226 | 0 | 9 |
| 10 Total Deductions | 265,489 | 265,830 | (341) | 10 |
| Net Underwriting Gain or (Loss) | 28,744 | 28,403 | 341 | 11 |
| Other Income or (Expense): | | | | |
| 12 Gross Investment Income | 18,323 | 18,321 | 2 | 12 |
| 13 Line of Credit Fees and Other Investment Expenses | (2,018) | (2,018) | 0 | 13 |
| 14 Interest Expense on Debt | 0 | 0 | 0 | 14 |
| 15 Premium Charge Offs/Write Offs | 0 | 0 | 0 | 15 |
| 16 Other Income (Expense) | 0 | 0 | 0 | 16 |
| 17 Total Other Income or (Expense) | 16,305 | 16,303 | 2 | 17 |
| Net Income (Loss) | \$ 45,049 | \$ 44,706 | 343 | 18 |
| | | | | 19 |

The decrease in the 2025 Operating Expenses is due to the change in workforce allocations and true up of Unallocated Loss Adjustment Expense (ULAE) rates.

2025 Budget – Surplus and Key Ratios with Reconciliation to Workshop

(In 000's)

| | A | B | C |
|--|------------------------|---|----------------|
| | FINAL Budget FY2025 | Budget Workshop November 13 Budget FY2025 | CHANGE |
| 1 Surplus (Deficit) Account: | | | |
| 2 Beginning Surplus (Deficit) | \$ (442,685) | \$ (442,604) | \$ (81) |
| 3 Net Income (Loss) | 45,049 | 44,706 | 343 |
| 4 Change in Provision for Reinsurance | 0 | - | 0 |
| 5 Change in Non-Admitted Assets | 3,349 | 3,349 | (0) |
| 6 Statutory Fund Cost | 422,951 | 423,294 | (343) |
| 7 Ending Surplus (Deficit) | \$ 28,663 | \$ 28,745 | \$ (81) |
| 8 | | | |
| 9 Key Operating Ratios: | | | |
| 10 Direct: | | | |
| 11 Loss & LAE Ratio | 12.6% | 12.6% | 0.0% |
| 12 UW Expense Ratio: | | | |
| 13 Acquisition | 17.8% | 17.8% | 0.0% |
| 14 Non Acquisition | 5.2% | 5.2% | (0.0%) |
| 15 UW Expense Ratio | 23.0% | 23.0% | (0.0%) |
| 16 Direct Combined Ratio | 35.6% | 35.7% | (0.0%) |
| 17 | | | |
| 18 Ending Balance in CRTF | \$ 10,032 | \$ 10,032 | \$ - |

Beginning Surplus
 The increase in beginning deficit is a carry forward from the 2024 revised forecast.

2025 Budget – Expense Summary with Reconciliation to Workshop

(In 000's)

| | | A | B | C | |
|----|---|------------------------|---|--------------|----|
| | | FINAL Budget FY2025 | Budget Workshop November 13 Budget FY2025 | CHANGE | |
| 1 | Personnel Expenses | 56,123 | 55,883 | 240 | 1 |
| 2 | Professional & Consulting Services | 10,043 | 10,043 | 0 | 2 |
| 3 | Hardware/Software Purchases & Licensing | 6,654 | 6,654 | 0 | 3 |
| 4 | Rental & Maintenance - Office/Equipment | 1,093 | 1,093 | 0 | 4 |
| 5 | Travel Expenses | 288 | 288 | 0 | 5 |
| 6 | Postage, Telephone and Express | 1,550 | 1,550 | 0 | 6 |
| 7 | Capital Management Expenses | 0 | 0 | 0 | 7 |
| 8 | Depreciation | 3,086 | 3,086 | 0 | 8 |
| 9 | Other Operating Expenses | 2,221 | 2,221 | 0 | 9 |
| 10 | Gross Operating Expenses | 81,059 | 80,819 | 240 | 10 |
| 11 | Less: Adjustments/Allocations | | | | 11 |
| 12 | Capitalization of Fixed Assets | 0 | 0 | 0 | 12 |
| 13 | Reimbursement of Depopulation Servicing Expense | 0 | 0 | 0 | 13 |
| 14 | Allocation To ULAE | (40,740) | (40,159) | (581) | 14 |
| 15 | Allocation To Investing | (49) | (49) | 0 | 15 |
| 16 | Total Adjustments/Allocations | (40,789) | (40,208) | (581) | 16 |
| 17 | | | | | 17 |
| 18 | Net Operating Expense | 40,270 | 40,611 | (341) | 18 |

The change in the 2025 Personnel Expenses Budget is due to the adjustment in the workforce allocation percentage.

The increase in allocation to ULAE is due to minor correction of ULAE rates.

Final TWIA 2025 Operating Expenses Budget

(In 000's)

| | A | B | C | D | E |
|--|--|-----------------|-----------------|-----------------|-----------------|
| | For the twelve months ended December 31, | | | | |
| | Forecast FY2024 | Budget FY2024 | Variance 2024 | | Budget FY2025 |
| 1 Personnel Expenses | | 54,196 | 27,358 | 26,838 | 56,123 |
| 2 Professional & Consulting Services | | 12,670 | 13,103 | (433) | 10,043 |
| 3 Hardware/Software Purchases & Licensing | | 4,150 | 4,047 | 103 | 6,654 |
| 4 Rental & Maintenance - Office/Equipment | | 1,032 | 1,060 | (28) | 1,093 |
| 5 Travel Expenses | | 196 | 203 | (7) | 288 |
| 6 Postage, Telephone and Express | | 1,654 | 1,420 | 234 | 1,550 |
| 7 Capital Management Expenses | | 0 | 0 | 0 | 0 |
| 8 Depreciation | | 3,096 | 3,096 | (0) | 3,086 |
| 9 Other Operating Expenses | | 1,901 | 1,657 | 244 | 2,221 |
| 10 Gross Operating Expenses | | 78,894 | 51,943 | 26,951 | 81,059 |
| 11 Less: Adjustments/Allocations | | | | | |
| 12 Capitalization of Fixed Assets | | 0 | 0 | 0 | 0 |
| 13 Reimbursement of Depopulation Servicing Expense | | (0) | 0 | (0) | 0 |
| 14 Allocation To ULAE | | (40,598) | (11,604) | (28,994) | (40,740) |
| 15 Allocation To Investing | | (68) | (96) | 28 | (49) |
| 16 Total Adjustments/Allocations | | (40,666) | (11,700) | (28,966) | (40,789) |
| 17 | | | | | |
| 18 Net Operating Expense | | 38,228 | 40,243 | (2,015) | 40,270 |

Final TWIA 2025 Income Statement Budget

(In 000's)

| | | A | B | C | D | |
|----|---|--|---------------|---------------|---------------|----|
| | | For the twelve months ended December 31, | | | | |
| | | Forecast FY2024 | Budget FY2024 | Variance 2024 | Budget FY2025 | |
| 1 | Premiums Written: | | | | | |
| | Direct | \$ 753,482 | \$ 815,861 | \$ (62,379) | \$ 779,482 | 1 |
| 2 | Premiums Earned: | | | | | |
| | Direct | \$ 707,794 | \$ 743,860 | \$ (36,066) | \$ 779,233 | 2 |
| 3 | Ceded | (397,069) | (298,000) | (99,069) | (485,000) | 3 |
| 4 | Net | 310,725 | 445,860 | (135,135) | 294,233 | 4 |
| 5 | | | | | | |
| 6 | Deductions: | | | | | |
| | Losses and LAE Incurred | 662,663 | 97,803 | 564,860 | 98,401 | 5 |
| 7 | Operating Expenses | 38,228 | 40,243 | (2,015) | 40,270 | 6 |
| 8 | Commission Expense | 120,465 | 130,538 | (10,072) | 124,717 | 7 |
| 9 | Ceding commissions / brokerage | (10,503) | (13,340) | 2,837 | (12,125) | 8 |
| 10 | Premium / Maintenance Tax | 13,382 | 14,889 | (1,508) | 14,226 | 9 |
| 11 | Total Deductions | 824,235 | 270,133 | 554,102 | 265,489 | 10 |
| 12 | | | | | | |
| 13 | Net Underwriting Gain or (Loss) | (513,510) | 175,727 | (689,237) | 28,744 | 11 |
| 14 | Other Income or (Expense): | | | | | |
| | Gross Investment Income | 22,360 | 24,237 | (1,876) | 18,323 | 12 |
| 15 | Line of Credit Fees and Other Investment Expenses | (1,913) | (2,065) | 152 | (2,018) | 13 |
| 16 | Interest Expense on Debt | 0 | 0 | 0 | 0 | 14 |
| 17 | Premium Charge Offs/Write Offs | 0 | 0 | 0 | 0 | 15 |
| 18 | Other Income (Expense) | 0 | 0 | 0 | 0 | 16 |
| 19 | Total Other Income or (Expense) | 20,448 | 22,172 | (1,724) | 16,305 | 17 |
| 20 | | | | | | |
| 21 | Net Income (Loss) | \$ (493,062) | \$ 197,899 | \$ (690,961) | \$ 45,049 | 18 |
| 22 | | | | | | |
| 23 | | | | | | |

Final TWIA 2025 Budget – Surplus & Key Ratios

(In 000's)

| | | A | B | C | D | |
|----|-------------------------------------|--|-----------------|--------------------|-----------------|----|
| | | For the twelve months ended December 31, | | | | |
| | | Forecast FY2024 | Budget FY2024 | Variance 2024 | Budget FY2025 | |
| 1 | Surplus (Deficit) Account: | | | | | 1 |
| 2 | Beginning Surplus (Deficit) | 45,853 | 42,057 | 3,796 | (442,685) | 2 |
| 3 | Net Income (Loss) | (493,062) | 197,899 | (690,961) | 45,049 | 3 |
| 4 | Change in Provision for Reinsurance | 0 | 0 | 0 | 0 | 4 |
| 5 | Change in Non-Admitted Assets | 4,524 | 3,349 | 1,175 | 3,349 | 5 |
| 6 | Statutory Fund Cost | (0) | (197,899) | 197,899 | 422,951 | 6 |
| 7 | Ending Surplus (Deficit) | (\$442,685) | \$45,406 | (\$488,091) | \$28,663 | 7 |
| 8 | | | | | | 8 |
| 9 | Key Operating Ratios: | | | | | 9 |
| 10 | Direct: | | | | | 10 |
| 11 | Loss & LAE Ratio | 93.6% | 13.1% | 80.5% | 12.6% | 11 |
| 12 | UW Expense Ratio: | | | | | 12 |
| 13 | Acquisition | 17.8% | 17.8% | (0.1%) | 17.8% | 13 |
| 14 | Non Acquisition | 5.4% | 5.4% | (0.0%) | 5.2% | 14 |
| 15 | UW Expense Ratio | 23.2% | 23.2% | (0.1%) | 23.0% | 15 |
| 16 | Direct Combined Ratio | 116.8% | 36.4% | 80.4% | 35.6% | 16 |
| 17 | | | | | | 17 |
| 18 | Ending Balance in CRTF | 466,175 | 461,329 | 4,846 | 10,032 | 18 |

ANY
QUESTIONS



8. Actuarial

8A. Policy Count and Exposures

Texas Windstorm Insurance Association
Statistical Report
As of September 30, 2024



| County | Policies In-Force | | PIF Growth | | Exposure In-Force | | Exposure Growth | | YTD Written Premium | | Premium Growth | |
|--------------|-------------------|----------------|---------------|---------------|-----------------------|------------------------|-------------------------|---------------|---------------------|--------------------|---------------------|---------------|
| | 9/30/23 | 9/30/24 | Actual | Percentage | 9/30/23 | 9/30/24 | Actual | Percentage | 9/30/23 | 9/30/24 | Actual | Percentage |
| Aransas | 7,590 | 8,549 | 959 | 12.60% | 3,257,267,300 | 3,956,556,900 | \$699,289,600 | 21.50% | 21,119,455 | 24,893,443 | \$3,773,988 | 17.90% |
| Brazoria | 43,694 | 50,988 | 7,294 | 16.70% | 16,030,386,700 | 20,687,483,900 | \$4,657,097,200 | 29.10% | 84,225,717 | 105,030,841 | \$20,805,124 | 24.70% |
| Calhoun | 4,455 | 4,687 | 232 | 5.20% | 1,408,839,400 | 1,630,378,700 | \$221,539,300 | 15.70% | 8,972,172 | 10,289,822 | \$1,317,650 | 14.70% |
| Cameron | 10,694 | 11,532 | 838 | 7.80% | 4,329,607,700 | 4,944,422,000 | \$614,814,300 | 14.20% | 25,613,507 | 27,589,419 | \$1,975,912 | 7.70% |
| Chambers | 6,398 | 7,727 | 1,329 | 20.80% | 2,653,303,400 | 3,508,983,200 | \$855,679,800 | 32.20% | 13,165,340 | 17,317,431 | \$4,152,091 | 31.50% |
| Galveston | 76,688 | 83,022 | 6,334 | 8.30% | 31,724,575,200 | 37,349,382,900 | \$5,624,807,700 | 17.70% | 176,841,747 | 200,683,091 | \$23,841,344 | 13.50% |
| Harris | 4,262 | 4,510 | 248 | 5.80% | 1,714,052,000 | 1,930,679,900 | \$216,627,900 | 12.60% | 7,077,412 | 7,829,706 | \$752,294 | 10.60% |
| Jefferson | 30,277 | 32,985 | 2,708 | 8.90% | 9,260,880,700 | 11,028,242,400 | \$1,767,361,700 | 19.10% | 57,077,185 | 66,718,428 | \$9,641,243 | 16.90% |
| Kenedy | 35 | 35 | 0 | 0.00% | 6,955,300 | 8,794,800 | \$1,839,500 | 26.40% | 48,906 | 64,448 | \$15,542 | 31.80% |
| Kleberg | 903 | 1,056 | 153 | 16.90% | 291,802,200 | 359,621,100 | \$67,818,900 | 23.20% | 2,287,385 | 2,454,553 | \$167,168 | 7.30% |
| Matagorda | 5,275 | 5,679 | 404 | 7.70% | 1,642,680,900 | 1,923,016,300 | \$280,335,400 | 17.10% | 9,568,251 | 11,058,149 | \$1,489,898 | 15.60% |
| Nueces | 43,734 | 48,403 | 4,669 | 10.70% | 16,618,202,600 | 19,765,574,400 | \$3,147,371,800 | 18.90% | 95,942,636 | 110,789,731 | \$14,847,095 | 15.50% |
| Refugio | 427 | 463 | 36 | 8.40% | 127,413,700 | 148,767,500 | \$21,353,800 | 16.80% | 894,852 | 986,932 | \$92,080 | 10.30% |
| San Patricio | 8,078 | 9,106 | 1,028 | 12.70% | 2,715,291,600 | 3,326,838,000 | \$611,546,400 | 22.50% | 15,723,233 | 18,778,136 | \$3,054,903 | 19.40% |
| Willacy | 378 | 410 | 32 | 8.50% | 126,426,300 | 148,508,400 | \$22,082,100 | 17.50% | 903,464 | 1,041,255 | \$137,791 | 15.30% |
| Total | 242,888 | 269,152 | 26,264 | 10.80% | 91,907,685,000 | 110,717,250,400 | \$18,809,565,400 | 20.50% | 519,461,262 | 605,525,385 | \$86,064,123 | 16.60% |

Texas Windstorm Insurance Association
Quarterly Liability Report
As of September 30, 2024



| Class of Business | Policies Written | | Risks Written | | Premium Written | | Liability at End of Quarter | | In-Force at End of Quarter | |
|-------------------|------------------|---------------|---------------|---------------|-------------------|--------------------|-----------------------------|----------------------|----------------------------|---------------|
| | During Qtr | YTD | During Qtr | YTD | During Qtr | YTD | Direct | Indirect | Policies | Risks |
| Aransas | | | | | | | | | | |
| Commercial | 166 | 408 | 390 | 999 | 1,998,560 | 5,647,944 | 578,407,700 | 16,050,095 | 461 | 1,124 |
| Manufactured Home | 77 | 207 | 77 | 207 | 148,793 | 382,937 | 16,075,000 | 0 | 220 | 220 |
| Residential | 2,951 | 6,759 | 2,951 | 6,759 | 8,456,686 | 18,862,562 | 3,362,074,200 | 300,685,580 | 7,868 | 7,868 |
| Total | 3,194 | 7,374 | 3,418 | 7,965 | 10,604,039 | 24,893,443 | 3,956,556,900 | 316,735,675 | 8,549 | 9,212 |
| Brazoria | | | | | | | | | | |
| Commercial | 316 | 727 | 500 | 1,279 | 2,749,309 | 7,699,786 | 855,892,400 | 25,336,310 | 852 | 1,535 |
| Manufactured Home | 129 | 372 | 129 | 372 | 224,221 | 706,466 | 30,770,600 | 0 | 409 | 409 |
| Residential | 18,000 | 41,959 | 18,000 | 41,959 | 43,344,716 | 96,624,589 | 19,800,820,900 | 2,755,101,020 | 49,727 | 49,727 |
| SUM: | 18,445 | 43,058 | 18,629 | 43,610 | 46,318,246 | 105,030,841 | 20,687,483,900 | 2,780,437,330 | 50,988 | 51,671 |
| Calhoun | | | | | | | | | | |
| Commercial | 78 | 182 | 154 | 384 | 578,305 | 1,813,679 | 187,217,600 | 4,965,270 | 220 | 482 |
| Manufactured Home | 25 | 63 | 25 | 63 | 45,204 | 107,955 | 5,480,800 | 0 | 78 | 78 |
| Residential | 1,584 | 3,727 | 1,584 | 3,727 | 3,656,648 | 8,368,188 | 1,437,680,300 | 128,364,340 | 4,389 | 4,389 |
| SUM: | 1,687 | 3,972 | 1,763 | 4,174 | 4,280,157 | 10,289,822 | 1,630,378,700 | 133,329,610 | 4,687 | 4,949 |
| Cameron | | | | | | | | | | |
| Commercial | 286 | 766 | 597 | 1,950 | 3,946,372 | 13,244,742 | 2,020,085,300 | 22,801,735 | 852 | 2,297 |
| Manufactured Home | 34 | 82 | 34 | 82 | 41,999 | 113,041 | 4,793,600 | 0 | 89 | 89 |
| Residential | 3,492 | 8,490 | 3,492 | 8,490 | 6,015,358 | 14,231,636 | 2,919,543,100 | 271,310,480 | 10,591 | 10,591 |
| SUM: | 3,812 | 9,338 | 4,123 | 10,522 | 10,003,729 | 27,589,419 | 4,944,422,000 | 294,112,215 | 11,532 | 12,977 |

Texas Windstorm Insurance Association
Quarterly Liability Report
As of September 30, 2024



| Class of Business | Policies Written | | Risks Written | | Premium Written | | Liability at End of Quarter | | In-Force at End of Quarter | |
|-------------------|------------------|--------|---------------|--------|-----------------|-------------|-----------------------------|---------------|----------------------------|--------|
| | During Qtr | YTD | During Qtr | YTD | During Qtr | YTD | Direct | Indirect | Policies | Risks |
| Chambers | | | | | | | | | | |
| Commercial | 53 | 104 | 72 | 154 | 101,785 | 1,394,968 | 118,200,700 | 2,846,835 | 127 | 199 |
| Manufactured Home | 32 | 78 | 32 | 78 | 61,547 | 144,356 | 7,066,400 | 0 | 93 | 93 |
| Residential | 2,737 | 6,344 | 2,737 | 6,344 | 7,068,496 | 15,778,107 | 3,383,716,100 | 480,704,180 | 7,507 | 7,507 |
| SUM: | 2,822 | 6,526 | 2,841 | 6,576 | 7,231,828 | 17,317,431 | 3,508,983,200 | 483,551,015 | 7,727 | 7,799 |
| Galveston | | | | | | | | | | |
| Commercial | 762 | 1,897 | 1,355 | 3,543 | 10,475,133 | 29,730,653 | 3,597,626,300 | 82,065,025 | 2,196 | 4,368 |
| Manufactured Home | 86 | 238 | 86 | 238 | 150,495 | 415,376 | 18,965,300 | 0 | 278 | 278 |
| Residential | 26,204 | 67,268 | 26,204 | 67,268 | 68,730,986 | 170,537,062 | 33,732,791,300 | 4,099,338,580 | 80,548 | 80,548 |
| SUM: | 27,052 | 69,403 | 27,645 | 71,049 | 79,356,614 | 200,683,091 | 37,349,382,900 | 4,181,403,605 | 83,022 | 85,194 |
| Harris | | | | | | | | | | |
| Commercial | 33 | 92 | 83 | 268 | 769,442 | 1,819,482 | 212,958,000 | 6,089,180 | 93 | 265 |
| Manufactured Home | 4 | 6 | 4 | 6 | 6,472 | 9,564 | 425,000 | 0 | 7 | 7 |
| Residential | 1,366 | 3,669 | 1,366 | 3,669 | 2,290,710 | 6,000,660 | 1,717,296,900 | 235,511,260 | 4,410 | 4,410 |
| SUM: | 1,403 | 3,767 | 1,453 | 3,943 | 3,066,624 | 7,829,706 | 1,930,679,900 | 241,600,440 | 4,510 | 4,682 |
| Jefferson | | | | | | | | | | |
| Commercial | 385 | 805 | 737 | 1,497 | 4,245,150 | 9,255,118 | 1,083,418,000 | 31,334,459 | 904 | 1,862 |
| Manufactured Home | 29 | 97 | 29 | 97 | 49,417 | 177,016 | 7,440,400 | 0 | 101 | 101 |
| Residential | 11,637 | 27,647 | 11,637 | 27,647 | 25,572,303 | 57,286,294 | 9,937,384,000 | 1,328,636,760 | 31,980 | 31,980 |
| SUM: | 12,051 | 28,549 | 12,403 | 29,241 | 29,866,870 | 66,718,428 | 11,028,242,400 | 1,359,971,219 | 32,985 | 33,943 |

Texas Windstorm Insurance Association
Quarterly Liability Report
As of September 30, 2024



| Class of Business | Policies Written | | Risks Written | | Premium Written | | Liability at End of Quarter | | In-Force at End of Quarter | |
|-------------------|------------------|--------|---------------|--------|-----------------|-------------|-----------------------------|---------------|----------------------------|--------|
| | During Qtr | YTD | During Qtr | YTD | During Qtr | YTD | Direct | Indirect | Policies | Risks |
| Kenedy | | | | | | | | | | |
| Commercial | 1 | 1 | 1 | 1 | 1,178 | 1,178 | 100,000 | 0 | 1 | 1 |
| Manufactured Home | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Residential | 19 | 34 | 19 | 34 | 42,280 | 63,270 | 8,694,800 | 46,000 | 34 | 34 |
| SUM: | 20 | 35 | 20 | 35 | 43,458 | 64,448 | 8,794,800 | 46,000 | 35 | 35 |
| Kleberg | | | | | | | | | | |
| Commercial | 18 | 54 | 23 | 85 | 27,670 | 865,260 | 64,771,600 | 810,120 | 57 | 85 |
| Manufactured Home | 1 | 4 | 1 | 4 | 3,013 | 9,550 | 364,500 | 0 | 4 | 4 |
| Residential | 335 | 867 | 335 | 867 | 675,181 | 1,579,743 | 294,485,000 | 32,218,240 | 995 | 995 |
| SUM: | 354 | 925 | 359 | 956 | 705,864 | 2,454,553 | 359,621,100 | 33,028,360 | 1,056 | 1,084 |
| Matagorda | | | | | | | | | | |
| Commercial | 65 | 158 | 97 | 350 | 483,587 | 1,456,610 | 152,350,000 | 5,488,160 | 190 | 397 |
| Manufactured Home | 16 | 51 | 16 | 51 | 36,247 | 116,342 | 5,040,600 | 0 | 58 | 58 |
| Residential | 1,768 | 4,602 | 1,768 | 4,602 | 3,799,840 | 9,485,197 | 1,765,625,700 | 190,478,060 | 5,431 | 5,431 |
| SUM: | 1,849 | 4,811 | 1,881 | 5,003 | 4,319,674 | 11,058,149 | 1,923,016,300 | 195,966,220 | 5,679 | 5,886 |
| Nueces | | | | | | | | | | |
| Commercial | 765 | 2,016 | 1,495 | 4,359 | 8,663,263 | 27,567,089 | 3,819,294,600 | 94,789,575 | 2,371 | 5,317 |
| Manufactured Home | 31 | 67 | 31 | 67 | 47,668 | 132,270 | 5,396,400 | 0 | 77 | 77 |
| Residential | 14,952 | 39,008 | 14,952 | 39,008 | 33,311,781 | 83,090,372 | 15,940,883,400 | 1,825,028,900 | 45,955 | 45,955 |
| SUM: | 15,748 | 41,091 | 16,478 | 43,434 | 42,022,712 | 110,789,731 | 19,765,574,400 | 1,919,818,475 | 48,403 | 51,349 |

Texas Windstorm Insurance Association

Quarterly Liability Report

As of September 30, 2024



| Class of Business | Policies Written | | Risks Written | | Premium Written | | Liability at End of Quarter | | In-Force at End of Quarter | |
|---------------------------|------------------|---------|---------------|---------|-----------------|-------------|-----------------------------|----------------|----------------------------|---------|
| | During Qtr | YTD | During Qtr | YTD | During Qtr | YTD | Direct | Indirect | Policies | Risks |
| Refugio | | | | | | | | | | |
| Commercial | 18 | 27 | 33 | 46 | 176,623 | 198,543 | 21,021,000 | 247,800 | 30 | 57 |
| Manufactured Home | 4 | 29 | 4 | 29 | 7,074 | 58,828 | 2,468,700 | 0 | 31 | 31 |
| Residential | 138 | 363 | 138 | 363 | 310,612 | 729,561 | 125,277,800 | 12,982,320 | 402 | 402 |
| SUM: | 160 | 419 | 175 | 438 | 494,309 | 986,932 | 148,767,500 | 13,230,120 | 463 | 490 |
| San Patricio | | | | | | | | | | |
| Commercial | 119 | 269 | 180 | 510 | 770,853 | 2,289,986 | 245,642,000 | 6,610,750 | 303 | 624 |
| Manufactured Home | 24 | 64 | 24 | 64 | 43,800 | 119,224 | 5,518,800 | 0 | 71 | 71 |
| Residential | 3,225 | 7,547 | 3,225 | 7,547 | 7,528,508 | 16,368,926 | 3,075,677,200 | 388,586,900 | 8,732 | 8,732 |
| SUM: | 3,368 | 7,880 | 3,429 | 8,121 | 8,343,161 | 18,778,136 | 3,326,838,000 | 395,197,650 | 9,106 | 9,427 |
| Willacy | | | | | | | | | | |
| Commercial | 12 | 25 | 17 | 50 | 94,488 | 250,315 | 26,434,000 | 99,900 | 30 | 70 |
| Manufactured Home | 3 | 10 | 3 | 10 | 7,865 | 19,443 | 742,100 | 0 | 10 | 10 |
| Residential | 133 | 319 | 133 | 319 | 361,132 | 771,497 | 121,332,300 | 8,371,860 | 370 | 370 |
| SUM: | 148 | 354 | 153 | 379 | 463,485 | 1,041,255 | 148,508,400 | 8,471,760 | 410 | 450 |
| Total All Counties | | | | | | | | | | |
| Commercial | 3,077 | 7,531 | 5,734 | 15,475 | 35,081,718 | 103,235,353 | 12,983,419,200 | 299,535,214 | 8,687 | 18,683 |
| Manufactured Home | 495 | 1,368 | 495 | 1,368 | 873,815 | 2,512,368 | 110,548,200 | 0 | 1,526 | 1,526 |
| Residential | 88,541 | 218,603 | 88,541 | 218,603 | 211,165,237 | 499,777,664 | 97,623,283,000 | 12,057,364,480 | 258,939 | 258,939 |
| SUM: | 92,113 | 227,502 | 94,770 | 235,446 | 247,120,770 | 605,525,385 | 110,717,250,400 | 12,356,899,694 | 269,152 | 279,148 |

8B. Reserve Adequacy



MEMORANDUM

DATE: November 20, 2024

TO: David Durden
General Manager

FROM: James C. Murphy, FCAS, MAAA
Chief Actuary, Vice President – Enterprise Analytics

RE: TWIA Reserve Adequacy as of September 30, 2024

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of September 30, 2024.

As of September 30, 2024, TWIA carried \$255.8 million in total gross loss and loss adjustment expense reserves. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Harvey, Hurricane Beryl, and all other outstanding claims.

Based on this review, the initial quarterly estimate of ultimate gross loss & expense associated with Hurricane Beryl is set at \$455 million. TWIA actuarial staff will continue to monitor the development of claims associated with this event and update the ultimate estimate as necessary going forward. The selected ultimate gross loss & expense estimate for Hurricane Harvey remains at \$1.655 billion.

In my opinion, the Association's reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles, and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements. While there remains a material risk of adverse development, reserves continue to make a reasonable provision for unpaid loss and loss adjustment expenses.

JM

8C. Status of Filings



MEMORANDUM

DATE: November 20, 2024

TO: David Durden
General Manager

FROM: James C. Murphy, FCAS, MAAA
Chief Actuary | Vice President, Enterprise Analytics

RE: Status of Filings

The TWIA Board of Directors directed staff to make two filings at its August 6, 2024 meeting.

TWIA made its annual rate filing for a 10% increase in TWIA rates as directed by the Board. The Insurance Commissioner issued an order on October 14, 2024 disapproving the rate change, finding that the “fair” and “just” requirements of Insurance Code § 560.002 were not met.

TWIA also filed for changes to its maximum statutory limits as directed. The Commissioner issued an order approving changes to the maximum limits for manufactured homes and disapproving changes to all other limits. Following are the maximum statutory limits approved for 2025:

| | Current 2024 | Approved 2025 | % Change |
|---|-----------------|------------------|-------------|
| Dwellings and individually owned townhouses | \$1,773,000 | \$1,773,000 | 0% |
| Manufactured Home | \$115,800 | \$116,700 | 0.8% |
| Contents of an apartment, condominium, or townhouse | \$374,000 | \$374,000 | 0% |
| Commercial structures and associated contents | \$4,424,000 | \$4,424,000 | 0% |

JM

8D. 2025 Storm Season Funding



MEMORANDUM

DATE: November 20, 2024

TO: David Durden
General Manager

FROM: James C. Murphy, FCAS, MAAA
Chief Actuary, Vice President – Enterprise Analytics

RE: Preliminary Discussion on TWIA Funding for the 2025 Hurricane Season

The TWIA Board of Directors asked to include 2025 hurricane season funding on the agenda for its December 2024 meeting.

For reference, the 2024 hurricane season reinsurance program became effective June 1, 2024, and provides protection for aggregate losses between \$2.45 billion and \$6.5 billion, utilizing a combination of traditional reinsurance and catastrophe bonds. The total adjusted cost for the program was \$397 million. A funding chart showing total funding for the 2024 hurricane season is attached.

Given the continued growth in TWIA exposures and the depletion of the Catastrophe Reserve Trust Fund as a result of Hurricane Beryl, staff projects that significant additional reinsurance may be necessary for 2025. Staff will work with our catastrophe modeling vendor, Aon, to run the catastrophe models using exposures as of November 30, 2024 to allow the Board of Directors to make its determination of the 100-year probable maximum loss (PML) early next year. TWIA's reinsurance broker, Gallagher Re, will also be present at the December meeting to provide additional information on the reinsurance market and answer any questions.

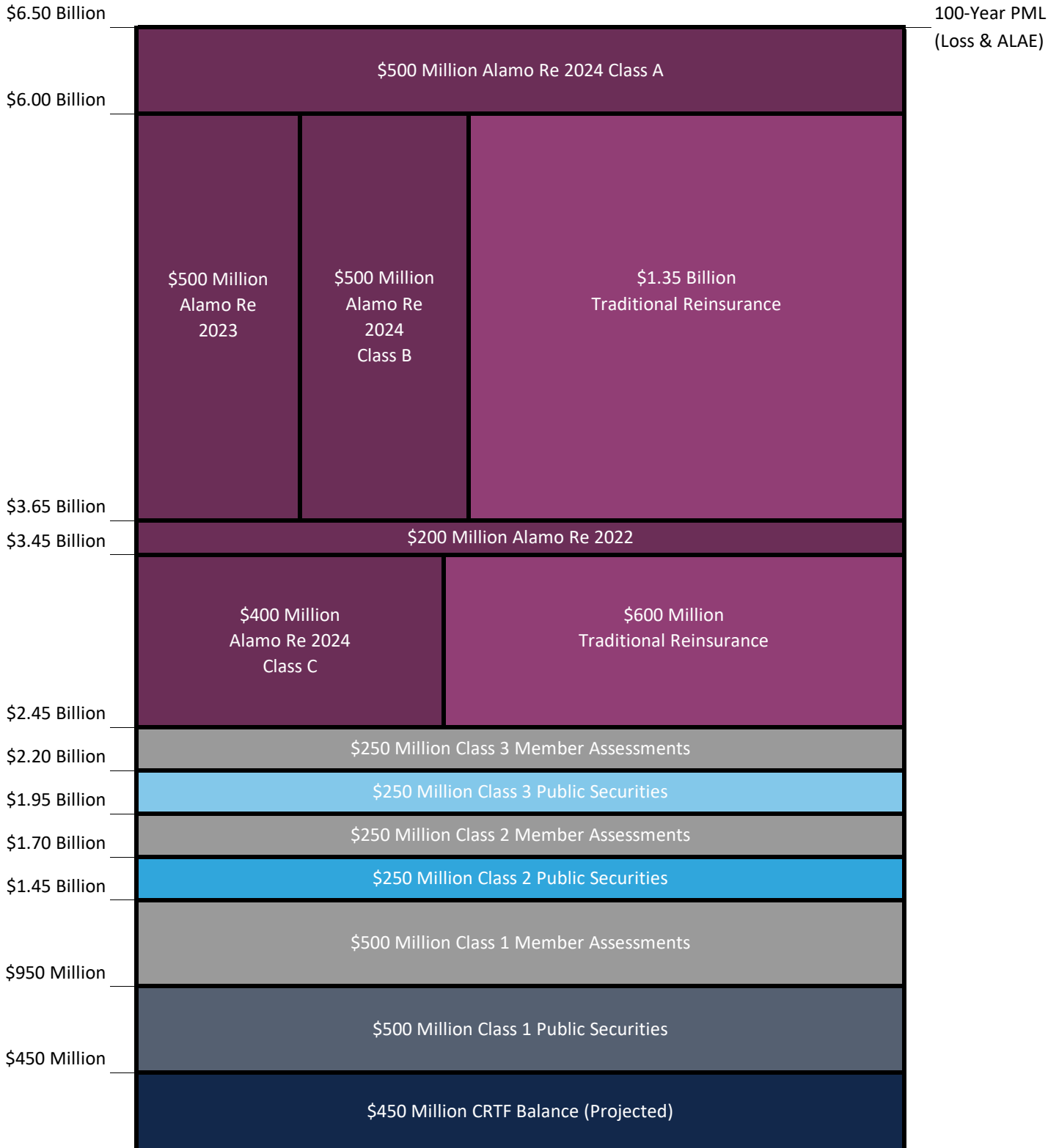
JM

Texas Windstorm Insurance Association

2024 Funding

\$6.5 Billion in Total Funding

Reinsurance Effective 6/1/24 - 5/31/25



9. Internal Audit

9A. Internal Audit Status Report

MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association
FROM: Dan Graves, Weaver - Internal Audit
DATE: December 10, 2024
SUBJECT: Status of Internal Audit Activities

The following is our internal audit update representing current and planned activities:

➤ **Current Activities:**

| Activity Description | Status |
|--|--|
| Emergency Planning - Catastrophe Plan | Complete |
| Customer Experience | Fieldwork Complete - Reporting in progress |
| Strategic Communications | Fieldwork Complete - Reporting in progress |
| Cash Management | Fieldwork Complete - Reporting in progress |
| Executive Management, Operational Planning and Reporting | Moved to FY26 |
| Risk Assessment Update | Complete |

➤ **Upcoming Audits and Activities:**

| Activity Description | Timing |
|--------------------------------------|---------|
| Executive Management | Q1 2025 |
| Follow-Up Quarterly Discussion | Q1 2025 |
| Claims Processing | Q2 2025 |
| HR Administration & Talent Retention | Q2 2025 |

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

Texas Windstorm Insurance Association Internal Audit Plan – Lookback (2023-2024) and Prospective (2025-2027)

| Process Area | Last Report Date | 2024 Inherent Risk Rating | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|------------------|---------------------------|------|------|------|------|------|
| Funding Sources and Reinsurance | Nov. 2023 | High | ✓ | | | x | |
| Information Security | Apr. 2022 | High | | | x | | |
| Emergency Planning | May 2024 | High | | ✓ | | | x |
| Customer Experience | N/A | High | | x | | | x |
| Underwriting and Policy Services | Nov. 2023 | High | ✓ | | | x | |
| Claims Processing | Dec. 2022 | High | | | x | | |
| Actuarial (Pricing and Reserving) | Sept. 2023 | High | ✓ | | | x | |
| Legislative and External Affairs | Mar. 2024 | High | | ✓ | | | |
| Information Technology Services | Apr. 2022 | High | | | x | | |
| Database and Application Administration | Apr. 2024 | High | | ✓ | | x | |
| Application Development | Apr. 2024 | High | | ✓ | | x | |
| Human Resources Administration and Talent Retention | Dec. 2022 | Moderate | | | x | | |
| Strategic Communications | Mar. 2021 | Moderate | | x | | | x |
| Executive Management, Management Planning and Reporting | May 2021 | Moderate | | | x | | |
| Legal & Compliance | Mar. 2024 | Moderate | | ✓ | | | x |
| Financial Close and Reporting | May 2024 | Moderate | | ✓ | | | |
| Accounts Payable and Expense Processing | Aug. 2023 | Moderate | ✓ | | | | x |
| Cash Management | Aug. 2021 | Moderate | | x | L | L | L |
| Payroll | Dec. 2022 | Low | | | | | |
| Accounts Receivable | Oct. 2023 | Low | ✓ | | | | |
| Facilities and Services | May 2023 | Low | ✓ | | | | |
| Depopulation | Oct. 2023 | Low | ✓ | | | | |
| Premium and Maintenance Taxes | Jul. 2021 | Low | | | | | |

L - limited annual procedures

9B. Catastrophe Plan Audit



Texas Windstorm Insurance Association

Advisory Audit over the Catastrophe
Incident Response Plan (CAT Plan)

Results Presentation

December 10, 2024

Agenda

- ▶ Engagement Overview
- ▶ Areas for Improvement & Recommendations
- ▶ Questions

Engagement Overview

The Catastrophe (CAT) Incident Response Plan (the Plan) outlines TWIA's and TFPA's activities for preparing and responding to catastrophe events, including planning, mitigation, deployment procedures, and continuous improvement initiatives. Our scope included:

Objective A

Evaluate whether the CAT Plan meets requirements of Section 2210.455 of the Texas Insurance Code and other statutory guidelines



Objective B

Evaluate the Plan's procedures to ensure compliance with department service level agreements (SLAs) and responsibilities



Objective C

Ensure the CAT Plan is routinely updated and tested to an appropriate level commensurate with the size and nature of the Association

Procedures Performed



Collected documentation, performed interviews and walkthroughs, and facilitated collaboration sessions with key personnel



Identified and evaluated current CAT Plan, service level agreements, and other supporting documentation



Developed recommendations to further strengthen the procedures surrounding the CAT Plan

5 Areas for Improvement

| Theme | Plan Understanding and Communication | Quality Control and Feedback | Execution of Department-SLAs | Stakeholder Buy-in | Redundancy and Succession |
|---------|---|--|--|---|--|
| Summary | <p>CAT Plan communication and training provided to stakeholders could be enhanced to increase awareness and understanding</p> | <p>There is currently no formalized method of receiving and tracking feedback to be incorporated into the Plan</p> | <p>There are challenges with scalability, execution and quality control of inter-department agreements</p> | <p>Active engagement with, and understanding of, the CAT Plan is inconsistent at the executive-level and minimal at the board-level</p> | <p>There is no formal succession planning and talent retention strategy for key individuals responsible for the CAT Plan</p> |

Plan Understanding and Communication



| Current State Observations | Recommendations |
|---|--|
| <ul style="list-style-type: none">• Difficulty ensuring stakeholder awareness beyond annual acknowledgment of CAT Plan• Inconsistent communication of CAT Plan exceptions to key stakeholders during events• Challenges disseminating CAT Plan information to stakeholders• Uncertainty in roles and responsibilities during catastrophe events• Difficulty maintaining updated CAT Plan contact lists, whereby manual updates can lead to outdated information and unreliable communication channels• Limited direct communication with policyholders, uncertainty whether agents communicate essential information | <ul style="list-style-type: none">• Virtual Training: Provide quarterly virtual training with simulations and comprehension testing• Roles and responsibilities: Consistently communicate unique roles and responsibilities to key stakeholders and ensure understanding by obtaining employee acknowledgment• Feedback: Establish formal channels for communication and receiving training effectiveness feedback• CAT Plan Resources: If needed, increase resource capacity by engaging a catastrophe subject-matter expert to assist with training and Plan evaluation |

Quality Control and Feedback

| Current State Observations | Recommendations |
|---|---|
| <ul style="list-style-type: none">• Limited and informal feedback is being provided on emergency communication strategies and where CAT plan execution can be improved• Currently there are no structured methods for assessing and evaluating communication effectiveness, updating contact lists and ensuring accuracy, and training outcomes• Challenges gathering feedback and measuring impact of communication and training efforts• Difficulty identifying erroneous stakeholder contact data due to turnover of coastal stakeholders | <ul style="list-style-type: none">• Refine Feedback Protocol: Develop structured evaluation processes, for example post-event surveys or focus groups• Evaluate Training Sessions: Establish formal evaluation methods linked to annual performance ratings• Automate Contact List Maintenance: Use LogicGate or other application to ensure updates are reliable, which will also save time by reducing manual effort |

Execution of Department-SLAs

| Current State Observations | Recommendations |
|--|--|
| <ul style="list-style-type: none">• Department-SLA specifications are in place, though compliance with SLA's are occasionally inconsistent• The Association has faced challenges in onboarding field employees during a CAT event due to inconsistencies in the execution of processes and system limitations, which caused delays in getting team members integrated and impacting productivity | <ul style="list-style-type: none">• Include extra efforts to ensure SLAs among essential department are understood and complied with consistently• Develop consistent and repeatable IT onboarding processes and procedures to support for large-scale CAT events |

Stakeholder Buy-in

| Current State Observations | Recommendations |
|---|---|
| <ul style="list-style-type: none">• Minimal executive and Board/ Governing Committee understanding as to the criticality of the CAT plan, which may increase uncertainty in roles and responsibilities during catastrophes• Minimal awareness of CAT Plan procedures increases risk of ineffective execution when an event occurs• There are no well-defined training and evaluation protocols for the Board/ Governing Committee | <ul style="list-style-type: none">• Executive Education and Training: Implement mandatory sessions emphasizing executive roles during crises with hands-on exercises• Regular Communication: Establish structured updates on the CAT Plan to ensure stakeholder understanding• Association Involvement: Encourage participation in CAT Plan training for more effective preparation with executives setting the example• Highlight Success Stories: Showcase past successes of CAT Plan execution to build confidence and buy-in from stakeholders |

Redundancy and Succession

| Current State Observations | Recommendations |
|--|--|
| <ul style="list-style-type: none">• There is reliance on a few key individuals for primary CAT Plan functions and there is absence of backup roles, which increases risk of ineffective Plan execution in their absence• Limited formal succession practices and plans, which increases susceptibility to talent risks and the chances the Association will not have the appropriate trained resources to respond to a catastrophe | <ul style="list-style-type: none">• Develop Redundancy Plans: Identify critical roles and create redundancy plans through cross-training or appointing backups• Formalize Succession Planning: Implement structured processes to identify potential successors of key roles |



Questions?

9C. Internal Audit Risk Assessment and 2025 Proposed Audit Plan



Texas Windstorm Insurance Association Risk Assessment and Internal Audit Plan Update

December 10, 2024



Risk Assessment Process

- ✓ **Purpose:** The accompanying risk assessment has been completed for the purpose of developing an internal audit plan. This risk assessment, therefore, is not an enterprise-wide risk assessment, which may consider other risk characteristics.
- ✓ Risk Assessments:
 - Are required by professional internal audit standards
 - Allow internal auditors to focus resources on the areas of greatest risk
 - Result in a comprehensive internal audit plan that identifies the specific areas of focus over a period of time
 - The frequency of internal audits performed is based on the over risk assessed, risk trends and other qualitative factors

Risk Assessment Update Process



- Review results of prior risk assessments as benchmark criteria
 - Receive feedback from the Executive Leadership Team
 - Review financial risks, process documentation, and strategic initiatives
 - Consider industry best practices
-
- Evaluate inherent risk of probability and impact
 - Consider current and anticipated business changes
 - For key operating areas, evaluate financial/transaction significance and risk trends
 - Consider the current control environment: staffing, policies, culture, anticipated changes in the environment
 - Assess the degree of legal/regulatory compliance requirements
-
- Summarize risk ratings by business process area
 - Develop internal audit plans for 2025, 2026 and 2027 to monitor and mitigate process risks

Risk Assessment Definitions

Risks were evaluated based on inherent versus residual risk

Inherent Risk: The natural risk (exposure) in the significant activities of the organization ***without consideration of internal controls*** or other actions that mitigate risk.



Vs.



*The Inherent Risk Assessment was used in developing the proposed areas of the internal audit plan. The plan is subject to review and approval of the Board.



Financial Stability Risks –

- The risk the Association will fail to adequately forecast and plan to achieve necessary cash flow, manage liquidity, receive adequate funding and accurately report financial results.



Operations Risks –

- The risk that internal operations do not adequately identify and provide for the needs of the Association's policyholders.
- The risk the Association's daily processes are not effectively designed to prevent and detect errors or adequately process claim volumes.
- The risk that the diverse nature of the Association's operations, processes, and/or underlying mechanics mitigate the economies of scale to efficiently execute transactions and processes.



Legal and Compliance Risks –

- The risk that legislative and political activities and decisions will have an adverse impact on the Association and inhibit its ability to achieve strategic objectives, or that regulatory changes impair operations and the ability to conduct business.



Reputational Risks –

- The risk of an event generating poor public opinion and/or reduced employee commitment. Considers policyholder relations, agent relations, internal and external communications, data privacy, headline risk, etc.



Fraud Risks –

- The risk of the occurrence of illegal acts characterized by deceit, concealment, or violation of trust. Risks associated with dollar volume, non-conformance with ethical standards, and complexity of operations making detection more difficult.



Information Technology Risks –

- The risk the Association's IT strategy is not aligned with the business model to embrace and rely on technology. Also includes the risk the Association is highly dependent on technology to execute strategic operations and that IT infrastructure and systems are not consistently available and reliable.

Risk Assessment Results

| 2024 Risk Assessment Summary | | | | | | | | | | | |
|--|--|----------------------|------|-------------------|-------------|--------|---------------------|------------|--------------------|--------------|-------|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud |
| Funding Sources and Reinsurance | <ul style="list-style-type: none"> • Funding Sources • Execution of Agreements • Billing and Recoverables • Risk Transfer • Reinsurer Credit Risk Monitoring • Buying and Placement • CAT Bond Market Funding | High | High | ↔ | High | High | X | X | X | X | X |
| Information Security | <ul style="list-style-type: none"> • Mobile Security • Logical Access (Database, OS, Application) • Physical Access • Cybersecurity and Cybersecurity Insurance | High | High | ↔ | High | High | | X | X | X | X |

Risk Assessment Results

| 2024 Risk Assessment Summary | | | | | | | | | | | |
|------------------------------|--|----------------------|------|-------------------|-------------|--------|---------------------|------------|--------------------|--------------|-------|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud |
| Emergency Planning | <ul style="list-style-type: none"> • Continuity of Operations Plans (COOP) • CAT (Operations) and Business Continuity Planning (TWIA and Claimants) • Disaster Recovery Planning (COOPs extension to IT) • Safety Planning | High | High | ↔ | High | High | X | X | | X | X |
| Customer Experience | <ul style="list-style-type: none"> • Customer Experience • Policy Services • Communications • Claims • Agent Services | High | High | ↔ | High | High | | X | X | X | X |

Risk Assessment Results



| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|---|---|----------------------|------|-------------------|-------------|--------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Underwriting and Policy Services | <ul style="list-style-type: none"> • Application & Quoting Process • Policy Issuance Process (includes Billing) • Agent Registration • Policy Eligibility Determination Process • Fraud Reporting Process • Inspection Process • Agent Commissions • Association Mergers • Risk Evaluation and Pricing Process • QA/Audit Process • Policyholder/Agent Complaint Process • Appeal Process • Voluntary Market Contraction | High | High | ↔ | High | High | X | X | X | X | X | X |

Risk Assessment Results

| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|--|---|----------------------|------|-------------------|-------------|--------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Claims Processing | <ul style="list-style-type: none"> • Intake/FNOL Process • Triage/Assign Claim • Investigate Claim • Evaluate Claim • Resolve Claim • Recover Damages • Compliance (Legislative & TDI Regulations) • Litigation/Disputed Claims • Quality Assurance • Vendor Management | High | High | ↔ | High | High | X | X | X | X | X | X |
| Actuarial (Pricing and Reserving) | <ul style="list-style-type: none"> • Case Reserving • Data Capture and Accuracy • IBNR Estimation • Premium Rate Changes • Reporting and Analytics • Rate Adequacy | High | High | ↔ | High | High | X | X | X | X | X | X |

Risk Assessment Results

| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|---|---|----------------------|------|-------------------|-------------|--------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Legislative & External Affairs | <ul style="list-style-type: none"> • Media Relations • Legislative Affairs • Implementation of Legislative Changes • Development of Legislative Recommendations • Board Meeting Communications and Postings • Board Meeting Updates • Annual Reporting • Agent Advisory Group Coordination • Agent Commission Study • TDI | High | High | ↔ | High | High | | X | X | X | | |
| Information Technology Services | <ul style="list-style-type: none"> • Network Operations (including Monitoring, Tools) • Help Desk • Change Management • Hardware Management • IT Vendor Management • Cloud Management • Disaster Recovery Planning (IT) • Microsoft 365 Management | Moderate | High | ↑ | High | High | | X | X | X | X | X |

Risk Assessment Results

| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|--|---|----------------------|------|-------------------|-------------|--------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Database and Application Administration | <ul style="list-style-type: none"> • Database Administration • Application Management • Systems Administration • Report Administration • Software Licensing and Usage • Telephone Systems | Moderate | High | ↑ | High | High | | X | | X | X | X |
| Application Development | <ul style="list-style-type: none"> • System Development Life Cycle • Project Management Office / Life Cycle | Moderate | High | ↑ | High | High | | X | | X | X | X |

Risk Assessment Results

| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|--|--|----------------------|----------|-------------------|-------------|----------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Human Resources Administration and Talent Retention | <ul style="list-style-type: none"> • Recruiting/Selection • Benefits Management • Compensation Management • Onboard/Offboarding • Termination Process • Complaints, Grievances, and Disputes (Employment) • Privacy and Employee Compliance • Retention • Succession Planning | High | Moderate | ↓ | Moderate | Moderate | X | X | X | X | | |
| Strategic Communications | <ul style="list-style-type: none"> • Agent/Policyholder Communications • Internal Communications and Coordination • Branding (Reputation Management) • Organizational Change Management • Digital Media • Community Outreach • Website Design and Updates • Website Maintenance and Security | High | Moderate | ↓ | Moderate | Moderate | | X | X | X | | X |

Risk Assessment Results



| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|--|--|----------------------|----------|-------------------|-------------|----------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Executive Management, Management Planning and Reporting | <ul style="list-style-type: none"> Operational Planning and Reporting Board Reporting Strategic Planning and Execution Succession Planning | High | Moderate | ↓ | Moderate | Moderate | | X | | X | | |

Risk Assessment Results

| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|-------------------------------|--|----------------------|----------|-------------------|-------------|----------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Legal & Compliance | <ul style="list-style-type: none"> • Complaint Process (Administrative Code) • Contracts Management Process (New or Renewal) • Conflict Disclosures / Ethics Process • 3rd Party (Vendor, Policy Holder) Fraud Reporting Process • Records Retention Process • Public Information / Open Records • E-discovery • Association Policy Management • Filings (Policy Forms & Endorsements, TDI, non-financial statement) • Sanctions Checking Process-FCPA/OFAC Compliance • Vendor Management Process (Including Due Diligence) • Legislative Changes • Claims and Non-Claims Litigation • Plan of Operation | Moderate | Moderate | ↔ | Moderate | Moderate | | X | X | X | | |

Risk Assessment Results

| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|--|---|----------------------|----------|-------------------|-------------|----------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Financial Close and Reporting | <ul style="list-style-type: none"> • Period End Closing Process • Expense Allocation • Statutory Financial Statement Preparation • GASB Compliance • TDI / Statutory Data Calls • General Ledger Recording and Maintenance • Account Reconciliations • Fixed Assets • Escheatment/Unclaimed Property • Public Securities • Revenue Recognition | Moderate | Moderate | ↔ | Moderate | Moderate | X | | X | X | X | X |
| Accounts Payable and Expense Processing | <ul style="list-style-type: none"> • Vendor Management (Set-up & Payments) • Accounts Payable Processing (Invoice Routing and Approval) • Check Disbursements • Expense Coding • Employee Expense Reimbursement • Company Credit Card Processing | Moderate | Moderate | ↔ | Moderate | Moderate | X | X | | X | X | X |

Risk Assessment Results

| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|------------------------------|--|----------------------|----------|-------------------|-------------|----------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Cash Management | <ul style="list-style-type: none"> • Banking General • Lockbox • Credit Cards • Wire Transfers • Void Stop Payments • Positive Pay • Cash Forecasting • Bank Account Reconciliation • Cash and Cash Equivalent Investments Management • Funding Stack Execution • Lines of Credit | Low | Moderate | ↑ | Moderate | Moderate | X | X | X | X | X | X |
| Payroll | <ul style="list-style-type: none"> • Timekeeping and Approval • Payroll Adjustments (Manual) • Payroll Process and Disbursement • Payroll Taxes • Compliance Reporting • Distributions & Voluntary Deductions | Moderate | Low | ↓ | Low | Moderate | X | X | X | X | X | X |

Risk Assessment Results

| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|--------------------------------|--|----------------------|------|-------------------|-------------|----------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Accounts Receivable | <ul style="list-style-type: none"> • Billing • Collections and Deposits • Customer Account Maintenance • Past Due A/R, Non-admitted and write-offs • Refunds • System Reconciliation | Moderate | Low | ↓ | Low | Moderate | X | X | | X | X | X |
| Facilities and Services | <ul style="list-style-type: none"> • Building Access & Physical Security • Mail and Routing • Facilities Maintenance • Events/Training Management • Premises Insurance (COVID) | Low | Low | ↔ | Low | Low | | X | | | | |

Risk Assessment Results



| 2024 Risk Assessment Summary | | | | | | | | | | | | |
|--------------------------------------|---|----------------------|------|-------------------|-------------|--------|---------------------|------------|--------------------|--------------|-------|----|
| Risk Area | Process Activities | Inherent Risk Rating | | Direction of Risk | Probability | Impact | Risk Category | | | | | |
| | | 2023 | 2024 | | | | Financial Stability | Operations | Legal & Compliance | Reputational | Fraud | IT |
| Depopulation | <ul style="list-style-type: none"> • Voluntary Depopulation • Assumption Reinsurance • Journal Entries to Remove Underwriting Activity | Low | Low | ↔ | Low | Low | X | X | | X | | |
| Premium and Maintenance Taxes | <ul style="list-style-type: none"> • Premium Taxes • Premium Tax Preparation and Compliance • Maintenance Tax | Low | Low | ↔ | Low | Low | X | | X | | | |

Audit Plan 2025-2027

- The proposed **audit plan has been** developed using results of the Risk Assessment and considered:
 - Risk trend
 - Results of past audits
 - Changes in the control environment
 - New software applications
 - Other qualitative factors



Proposed Three Year Audit Plan



| Process Area | Last Report Date | 2024 Inherent Risk Rating | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|------------------|---------------------------|------|------|------|------|------|
| Funding Sources and Reinsurance | Nov. 2023 | High | x | | | x | |
| Information Security | Apr. 2022 | High | | | x | | |
| Emergency Planning | May 2024 | High | | x | | | x |
| Customer Experience | N/A | High | | x | | | x |
| Underwriting and Policy Services | Nov. 2023 | High | x | | | x | |
| Claims Processing | Dec. 2022 | High | | | x | | |
| Actuarial (Pricing and Reserving) | Sept. 2023 | High | x | | | x | |
| Legislative and External Affairs | Mar. 2024 | High | | x | | | |
| Information Technology Services | Apr. 2022 | High | | | x | | |
| Database and Application Administration | Apr. 2024 | High | | x | | x | |
| Application Development | Apr. 2024 | High | | x | | x | |
| Human Resources Administration and Talent Retention | Dec. 2022 | Moderate | | | x | | |
| Strategic Communications | Mar. 2021 | Moderate | | x | | | x |
| Executive Management, Management Planning and Reporting | May 2021 | Moderate | | | x | | |
| Legal & Compliance | Mar. 2024 | Moderate | | x | | | x |
| Financial Close and Reporting | May 2024 | Moderate | | x | | | |
| Accounts Payable and Expense Processing | Aug. 2023 | Moderate | x | | | | x |
| Cash Management | Aug. 2021 | Moderate | | x | L | L | L |
| Payroll | Dec. 2022 | Low | | | | | |
| Accounts Receivable | Oct. 2023 | Low | x | | | | |
| Facilities and Services | May 2023 | Low | x | | | | |
| Depopulation | Oct. 2023 | Low | x | | | | |
| Premium and Maintenance Taxes | Jul. 2021 | Low | | | | | |

L - limited annual procedures

Discussion



10. Underwriting Operational Review Update



MEMORANDUM

DATE: November 15, 2024

TO: David Durden, General Manager

FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

Third Quarter 2024 Results

| TWIA Underwriting Metrics | Quarterly Summary | | | | | | YTD | | |
|---------------------------|-------------------|--------|--------|---------|---------|---------|--------|-----------|------|
| | Jul-24 | Aug-24 | Sep-24 | Q1 2024 | Q2 2024 | Q3 2024 | 2024 | 2024 Goal | ▲ |
| Transaction Issuance | 99.89% | 99.95% | 99.97% | 99.93% | 99.97% | 99.94% | 99.95% | 90% | 9.95 |
| Internal Underwriting QA | 98.28% | 99.66% | 99.39% | 99.34% | 98.74% | 99.11% | 99.06% | 95% | 4.06 |
| Phone Service Level | 63.80% | 84.87% | 85.48% | 91.25% | 81.26% | 78.05% | 83.52% | 80% | 3.52 |
| Internal Telephone QA | 96.90% | 95.00% | 98.13% | 95.58% | 96.07% | 96.68% | 96.11% | 95% | 0.87 |

I. Overview:

- 99.94% of transactions were issued within 10 days of receiving the application and payment
 - a. 98% of the transactions were straight through processed by the system
 - b. 2% of the transactions were referred by the system to Underwriting for additional information, review, and approval prior to issuance
- Out of 124,950 calls for the quarter, 78.05% of the calls were answered under 20 seconds

II. Agency Compliance Audits:

A standard sample of agencies (10) were selected in the third quarter of 2024 to verify compliance with the Texas Windstorm Insurance Association (TWIA) declination of coverage and flood insurance requirements.

- 100% were compliant with declination provisions.
- 1 agent has an open action item to get the flood provisions to the audit team.
- All agents selected have active property and casualty insurance licenses.

11. Claims

11A. Claims Operations

TWIA Claims Operations 2024

| TWIA Claims - 2024 Q3 Results (thru September) | | | | | |
|--|--|------|-----------|------------------|--------------------|
| Key Cycle Times (In days) | Industry Average, TX | TWIA | TWIA Plan | Variance to Plan | % Variance to Plan |
| FNOL to Inspect Property | 5.9 | 3.8 | <3 | 0.8 | 27% |
| Inspect Property to Receipt by TWIA | 3.7 | 2.1 | <8 | -5.9 | -74% |
| Total Cycle Time FNOL to Payment - Daily | N/A | 10.3 | <12 | -1.7 | -11% |
| Total Cycle Time FNOL to Payment - Cat | N/A | 14.4 | <12 | 2.4 | 15% |
| TDI Complaint Ratio | | | | | |
| 2023 | 0.25% - 22 complaints from 8,867 new claims | | | | |
| 2024 | 0.10% - 40 complaints from 41,098 new claims | | | | |

| Year | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Actual Volume | 608 | 773 | 585 | 502 | 440 | 446 | 832 | 684 | 1,734 | 1,612 | 2,060 | 1,456 | 27,571 | 3,766 | 1,432 |
| Actuarial Projected | 475 | 681 | 681 | 688 | 333 | 333 | 809 | 569 | 574 | 2,092 | 2,112 | 591 | 596 | 872 | 880 |
| Staffing Plan | 572 | 572 | 572 | 572 | 572 | 572 | 703 | 703 | 703 | 703 | 703 | 703 | 703 | 703 | 703 |
| Open Inventory | 4,116 | 4,007 | 3,843 | 3,711 | 3,531 | 3,449 | 3,799 | 3,940 | 5,131 | 5,889 | 7,259 | 7,645 | 7,645 | 33,335 | 31,854 |

| Historical TWIA Claim Volume | |
|------------------------------|--------|
| Year | Claims |
| 2005 | 12,783 |
| 2006 | 1,862 |
| 2007 | 4,195 |
| 2008 | 99,813 |
| 2009 | 4,812 |
| 2010 | 4,801 |
| 2011 | 10,608 |
| 2012 | 8,601 |
| 2013 | 10,541 |
| 2014 | 2,843 |
| 2015 | 18,889 |
| 2016 | 8,393 |
| 2017 | 80,257 |
| 2018 | 7,242 |
| 2019 | 6,704 |
| 2020 | 14,432 |
| 2021 | 12,535 |
| 2022 | 5,066 |
| 2023 | 8,867 |
| 2024 | 41,098 |

TWIA - Claim Severity by Accident Year and LOB

Reported Claims by LOB

| Year | Residential | | Commercial | | GRAND TOTAL | |
|------|-------------|--------|------------|--------|-------------|--------|
| | Claims | % Δ | Claims | % Δ | Claims | % Δ |
| 2020 | 14,465 | - | 377 | - | 14,842 | - |
| 2021 | 12,269 | -15.2% | 286 | -24.1% | 12,555 | -15.4% |
| 2022 | 4,413 | -64.0% | 60 | -79.0% | 4,473 | -64.4% |
| 2023 | 9,376 | 112.5% | 173 | 188.3% | 9,549 | 113.5% |
| 2024 | 38,935 | - | 862 | - | 39,797 | - |

Paid Amounts by LOB

| Year | Residential | | Commercial | | GRAND TOTAL | |
|------|---------------|--------|--------------|--------|---------------|--------|
| | Incurred | % Δ | Incurred | % Δ | Incurred | % Δ |
| 2020 | \$56,604,379 | - | \$7,219,263 | - | \$63,823,642 | - |
| 2021 | \$57,972,304 | 2.4% | \$8,162,442 | 13.1% | \$66,134,747 | 3.6% |
| 2022 | \$27,283,035 | -52.9% | \$1,447,225 | -82.3% | \$28,730,260 | -56.6% |
| 2023 | \$68,846,176 | 152.3% | \$5,888,893 | 306.9% | \$74,735,068 | 160.1% |
| 2024 | \$308,560,314 | - | \$19,745,258 | - | \$328,305,572 | - |

Paid Claim Severity by LOB

| Year | Residential | | Commercial | | GRAND TOTAL | |
|------|-------------|-------|------------|--------|-------------|-------|
| | Severity | % Δ | Severity | % Δ | Severity | % Δ |
| 2020 | \$3,913 | - | \$19,149 | - | \$4,300 | - |
| 2021 | \$4,725 | 20.7% | \$28,540 | 49.0% | \$5,268 | 22.5% |
| 2022 | \$6,182 | 30.8% | \$24,120 | -15.5% | \$6,423 | 21.9% |
| 2023 | \$7,343 | 18.8% | \$34,040 | 41.1% | \$7,826 | 21.9% |
| 2024 | \$7,925 | - | \$22,906 | - | \$8,250 | - |

*Paid amounts exclude loss adjustment expenses and IBNR reserves

| TWIA - 2024 Claims | | | | |
|---------------------------|--------------------------------------|--|-----------------------------------|-------------------------------------|
| Total Claims | Claims With No Supplemental Payments | % Claims With No Supplemental Payments | Claims With Supplemental Payments | % Claims With Supplemental Payments |
| 41,905 | 39,292 | 93.8% | 2,613 | 6.2% |

| TWIA - 2024 Disputed Claims | | | | | |
|------------------------------------|-----------------|----------------------|-----------------|------------------|-------|
| Dispute Frequency | | | Type of Dispute | | |
| Total Claims | Disputed Claims | % of Disputed Claims | Appraisals | Notice of Intent | Suits |
| 41,905 | 367 | 0.88% | 239 | 143 | 5 |

| TWIA - 2024 Disputed Claims With Appraisal Invoked | | | | |
|---|--------------|--------------------|---------------------------|--------------|
| Total | Open/Pending | Appraisal Complete | Appraisal Process Stopped | |
| Appraisals | Active | Awarded | Withdrawn | Ineligible** |
| 239 | 214 | 10 | 10 | 5 |
| | 90% | 4% | 6% | |

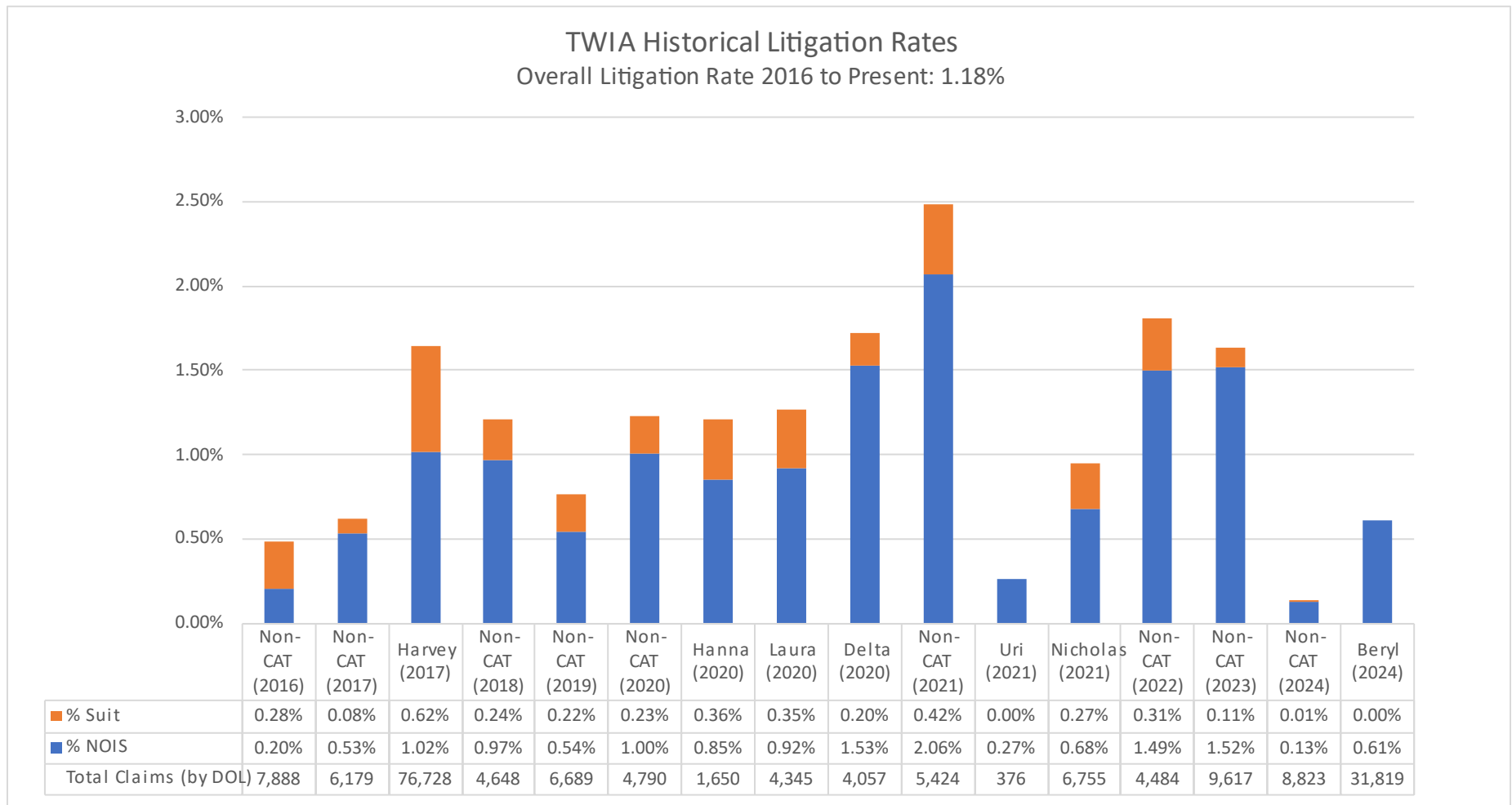
| TWIA - 2024 Claims With Notice of Intent or Lawsuit Served | | | | |
|---|----------------------------|----------------------------|-------------------|-------------------|
| Total Nol / Suit | Notices of Intent Received | Notices of Intent Resolved | Lawsuits Received | Lawsuits Resolved |
| 148 | 143 | 14 | 5 | 0 |

A single disputed claim may have more than one “type of dispute.”

11B. Claims Litigation



TWIA Litigation Summary



NOIS: Notice of Intent to Sue



TWIA Litigation Tracking Activity

Litigation Quarter Summary Third Quarter 2024

| 3rd Quarter 2024 | Summary of TWIA Claims in Suit | | | |
|------------------|--------------------------------|-----|---------|--------|
| | | New | Settled | Closed |
| | July | 4 | 3 | 1 |
| | August | 2 | 2 | 0 |
| | September | 3 | 0 | 5 |
| | 9 | 5 | 6 | |

| 3rd Quarter 2024 | Summary of TWIA Claims with LORs | | | |
|------------------|----------------------------------|-----|---------|--------|
| | | New | Settled | Closed |
| | July | 45 | 1 | 11 |
| | August | 100 | 2 | 15 |
| | September | 86 | 16 | 21 |
| | 231 | 19 | 47 | |



TWIA Claims Litigation September 2024

| Sep-24 | TWIA Claims in Suit | | | |
|--------|---------------------|-----|--------|------------------|
| | Beginning Inventory | New | Closed | Ending Inventory |
| | 81 | 3 | 5 | 79 |

| Sep-24 | TWIA Claims with LORs | | | | |
|--------|-----------------------|-----|--------|-------------------|------------------|
| | Beginning Inventory | New | Closed | Converted to Suit | Ending Inventory |
| | 396 | 86 | 21 | 2 | 459 |

| Sep-24 | TWIA Claims with Suits/LORs: Detail of Ending Inventory | | | | |
|--------|---|------------|-------------|------------|-------|
| | Suits | | LORS | | Total |
| | Residential | Commercial | Residential | Commercial | |
| | 58 | 21 | 442 | 17 | 538 |

12. TWIA Operations

12A. IT Systems Update



MEMORANDUM

DATE: November 21, 2024

TO: David Durden, General Manager

FROM: Michael Eleftheriades, Interim CIO / VP IT

RE: TWIA Information Technology Status

The following are key Projects that the Information Technology group is involved in:

Cloud Migration Update

- Project is on-going
- Preparing for entrance into User Acceptance Testing for core Insurance Suite Components (Billing Center, Policy Center, and Claims Center) in December
- Entrance for Portals into Stabilization will follow in December. Portal User Acceptance to start in January.
- After the October project milestone assessment, the planned go live date updated to Q2 2025 (April 25).
 - Major decision points rested on a change by Guidewire version policy change, an Enterprise Data Warehouse technical issue, and a refinement of the estimate for Portal completion.

Claims Chatbots (Chat, SMS, Voice)

- Chat and SMS Deployed May 20th – was in use for Beryl
- Soft Launch of Voice deployed September 12th.

Multi-factor Authentication (MFA) Status.

- Released in August



Systems are functioning well with monthly releases limited to business-critical items selected and curated by the respective departments.

The IT budget is controlled and currently \$273K below projections.

12B. Cyber Security

This item will be covered in closed session.

12C. Communications and Legislative Update



MEMORANDUM

DATE: November 20, 2024
TO: David Durden, General Manager
FROM: Anna Stafford, Senior Manager, Legislative & External Affairs
RE: Legislative Affairs & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) Changes to Coastal Delegation: The General Election was held November 5. The following are newly elected members of the coastal delegation for next year's 89th Session of the Texas Legislature:

- Senate District 27 (Nueces County to Cameron County): Adam Hinojosa was elected over incumbent Sen. Morgan LaMantia.
- House District 29 (Brazoria County): Jeffrey Barry was elected to the seat of retiring Rep. Ed Thompson.
- House District 30 (including Matagorda County): A.J. Louderback was elected to the seat of retiring Rep. Geanie Morrison.
- House District 34 (Nueces County): Denise Villalobos was elected to the seat of retiring Rep. Abel Herrero.

b) Legislative Hearings:

- The House Committee on State Affairs held a hearing on August 16 on TWIA funding and state agency oversight of TWIA. TWIA staff testified at the hearing, along with the Insurance Commissioner and the Office of Public Insurance Counsel (OPIC). Several other stakeholders also testified.
- The House State Affairs Committee held a hearing on September 17 on property insurance costs. While TWIA was not the main topic of the hearing, Corpus Christi attorney Charles Zahn, Jr. testified briefly on his development of a legislative proposal to change TWIA's catastrophe funding structure.
- TWIA staff attended but did not testify at an interim hearing on property insurance costs held by the Senate Business & Commerce Committee on October 1.



- c) Legislative Meetings: From August through November, Association staff held 11 meetings with legislative offices. Topics discussed include:
- Introduction to TWIA issues
 - TWIA's annual rate filing
 - Reinsurance modeling
 - Catastrophe funding structure and potential legislative changes
- d) Biennial Report: TWIA's Biennial Report to the Legislature, as approved by the Board at the August meeting, was transmitted to the Legislature and other statutory recipients on August 15.
- e) Legislative Implementation: TWIA has completed implementation of all changes mandated by legislation enacted in the 2023 legislative session. The following activities continue:
- Agent requirements authorized by Senate Bill 2232 will be completed and shared with agents by the end of 2024 and deployed in early 2025.
 - Staff is completing implementation activities related to FAIR Plan property owners' association policies as required by House Bill 998 and is prepared to issue policies if TDI designates an area adjacent to TWIA's coverage area as underserved by the private market for these plans.
- f) Bill Filing: Bill filing for next year's legislative session opened on November 12. To date, no bills directly addressing TWIA have been filed. Association staff will provide updates on bills potentially affecting the Association as the legislative session progresses.
- g) Storm Updates to Stakeholders: The Association provided regular email updates to legislators, TDI, and coastal stakeholders on Hurricane Beryl claims throughout the third quarter. Email updates on policy moratoriums due to the presence of other hurricanes in the Gulf of Mexico were also provided to these stakeholders.
- h) Stakeholder Inquiries: From July 1 to September 30, we received and responded to three inquiries from industry stakeholders on public policy issues, one question from an agent on Hurricane Beryl claims, and 33 legislative and TDI inquiries about various TWIA issues, including:
- Catastrophe funding, reinsurance costs, and catastrophe modeling
 - TWIA's rate filing process and policyholder premium data
 - Hurricane Beryl claims
 - TWIA's coverage area, eligibility requirements, and policy count data
 - Litigation costs from previous storms
- i) Operational Updates: We continue to provide regular email updates to the Board, the Texas Department of Insurance (TDI), legislative staff, and coastal elected officials and stakeholders about TWIA's operational activities.



II. Agent Advisory Group (AAG)

- a) The third quarter AAG meeting was moved to August 14 due to Hurricane Beryl's impact on the Texas coast.
 - At the meeting, TWIA staff updated the AAG on the Board's approval of the Association's Biennial Report to the Texas Legislature, the implementation status of changes from the 88th legislative session, the Board's annual rate filing decision at the August 6 meeting, and Hurricane Beryl claim data.
- b) The AAG held its fourth quarter meeting on October 16.
 - The primary topic for the meeting was draft agent requirements to be implemented under Senate Bill 2232. The AAG supported the requirements as drafted and discussed additional standards that could be considered.
 - The AAG also approved updates to the AAG Charter and received information on Hurricane Beryl claims and the Insurance Commissioner's disapproval of TWIA's annual rate filing.

12D. Performance Evaluation of General Manager

This item will be covered in closed session.

16. Future Meetings

February 25, 2025 – Moody Gardens Hotel
Galveston

May 6, 2025 – Marriott South
Austin

August 5, 2025 – Tremont House
Galveston