Meeting of Board of Directors
Texas Windstorm Insurance Association
Teleconference
December 12, 2017
Omni Hotel
900 North Shoreline Blvd.
Corpus Christi, TX 78401
9:00 a.m.

Interested parties can listen to the meeting live by going to www.twia.org.
Go to "About Us/Board Meetings" and click on the audio link.

1. Call to Order – Reminder of the Anti-Trust Statement – *Josh Fields* — *5 minutes*

2. Introductions – *Josh Fields* — *5 minutes*

3. Consideration and Action to:
   Approve the Minutes from Prior Board of Directors' Meetings – *Josh Fields** — *5 minutes*

4. Public Comment — *15 minutes*

5. TWIA Operational Highlights – *John Polak* — *5 minutes*

6. Financial — *20 minutes*
   Consideration and Possible Action on the Following Financial Topics:
   A. Report of the Secretary/Treasurer – *Debbie King**
      1. Income Statement
      2. Management Discussion and Analysis
   B. Financial Statement Review by Staff – *Jerry Fadden*
      1. Income Statement and Expense Statement
      2. Balance Sheet
      3. Cash & Short-Term Investments
      4. Cash Flow Statement
      5. Historical Data
   C. Review of Hurricane Harvey Impact on Funding Structure

7. Internal Audit – *Bruce Zaret - Weaver* — *10 minutes*
   Consideration and Possible Action on the Following Audit Topics:
   A. Internal Audit Status Report

8. Actuarial – *Jerry Fadden* — *20 minutes*
   Consideration and Possible Action on the Following Actuarial Topics:
   A. Reserve Adequacy
   B. Policy Count/Exposures
   C. Statutory Limits of Liability – Update
   D. Review of Hurricane Harvey Ultimate Loss Estimate
   E. Approval of Qualified Actuary*

9. Underwriting – *Denise Larzalere* *10 minutes*
   A. Operational Review Update

10. Claims *20 minutes*
    Consideration and Possible Action on the Following Claims Topics:
    A. Claims Operations – Overview – *Dave Williams*
    B. Claims Litigation – *David Durden*

11. TWIA Operations *30 minutes*
    Consideration and Possible Action on the Following Operations Topics:
    A. IT Systems Update – *John Polak*
    B. Depopulation – *John Polak*
    C. TDI Examinations – *John Polak*
    D. TWIA Expert Panel – *Dave Williams*
    E. Communications Update – *Jennifer Armstrong*
    F. Review and Approval of 2018 Budget – *John Polak**

Lunch break, 11:00 *30 minutes*

12. Closed Session **(Board Only)** *60 minutes*
    A. Personnel Issues
    B. Legal Advice

13. Consideration of Issues Related to Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors* *5 minutes*

14. Committees – *Josh Fields* *5 minutes*

15. Future Meetings – *John Polak* *5 minutes*
    - February 6, 2018 – Marriott South – Austin
    - May 8, 2018 – Hyatt Regency – Austin
    - July 31, 2018 – Tremont House – Galveston

16. Adjourn

Estimated Total Length of Meeting 4 hours 15 minutes

*Indicates item on which General Manager believes the Board of Directors may take action.

1. Anti-Trust Statement

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.

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512-899-4900 / Fax 512-899-4950

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.

3. Approve the Minutes

Minutes of the Texas Windstorm Insurance Association

Board of Directors Meeting

Tremont House

2300 Ships Mechanic Row

Galveston, Texas 77550

August 1, 2017

1. Call to Order: Mr. Fields called the meeting to order at 9:00 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.

The following Board members were present, representing:

1.	Joshua Fields (Chairman)	First Tier Coastal Representative
2.	Chandra Franklin Womack	First Tier Coastal Representative
3.	Georgia Neblett	First Tier Coastal Representative
4.	Mike Gerik	Industry Representative
5.	Debbie King (Secretary/Treasurer)	Industry Representative
6.	R. Scott Kesner (via teleconference)	Non-Seacoast Territory Representative
7.	Tony Schrader	Non-Seacoast Territory Representative
8.	Bryan Shofner (Vice Chairman)	Non-Seacoast Territory Representative

Absent: Blair Crossan

The following TWIA staff, counsel, and agents were present:

1.	John Polak, General Manager	TWIA
2.	Pete Gise, Chief Financial Officer	TWIA
3.	Jerry Fadden, Chief Financial Officer	TWIA
5.	Dave Williams, VP Claims	TWIA
6.	David Durden, VP Legal	TWIA
7.	Denise Larzalere, VP Underwriting	TWIA
8.	Jennifer Armstrong, VP Communications and Legislative Affairs	TWIA
9.	Amy Berg-Ferguson, Executive Assistant	TWIA
10.	Mike Perkins, Association Counsel	Sneed, Vine & Perry, PC

The following were also present:

Jack Brown	Agent
Dalton Smith	Bank of America/Merrill Lynch
Clark Thomson	Calhoun, Thomson + Matza
Verle Petri	Chubb
Henry Freudenburg	CWIC
Matt Debrood	Daily News
Rep. Wayne Faircloth	District 23 Representative
Sen. Larry Taylor	District 11 Representative
George Taylor	F. B. Taylor
Gary Kaufman	GIA

Jackie Cole	Guest
Catherine Cooksley	Guest
Rose Daniels	Guest
Veronda Durden	Guest
Joan Polak	Guest
Harvey Rice	Guest
Marilyn Schrader	Guest
Tad Delk	Guy Carpenter
Tyler Thomas	Guy Carpenter
Gigi Heffernan	Heffernan Insurance Agency
Fred Strauss	Holborn
Jay Thompson	ICT/AFACT
Matt Stillwell	ICT
Jill Douglas	IIAT
Terrilyn Tarlton	Mayor Pro Tem of Galveston
Victor Pierson	Moody National Bank
Jonna Kay Hamilton	Nationwide
Andrea Sunseri	Realtor
Lesley Bruemmer	Rep. Faircloth's Office
Cari Christman	Sen. Taylor's Office
Jackie King	Sen. Taylor's Office
Marti Luparello	Texas Farm Bureau Insurance
Marianne Baker	TDI
David Muckerheide	TDI
Letitia Brown	Tee & Associates
Jessica Davidson	TWIA
Jennifer Konalski	Velocity Risk
Bruce Zaret	Weaver
Brant Chandler	Wellington
Jerry Mohn	WGIPOA

2. Introductions: Mr. Fields welcomed special guests Rep. Wayne Faircloth, Sen. Larry Taylor and Henry Freudenberg. Meeting attendees introduced themselves.

3. Approval of Minutes: The minutes from the May 10, 2017 meeting in Austin, Texas were reviewed. Mrs. Neblett moved to approve the minutes as presented. Mr. Shofner seconded the motion. The motion passed.

4. Public Comment: Public comment was provided by Rep. Wayne Faircloth, Terrilyn Tarlton, Sen. Larry Taylor, Jay Thompson, Jerry Moon, Jackie Cole and Catherine Cooksley.

5. TWIA Operational Highlights: Mr. Polak reported that operating expenses are below the target and TWIA is one of the lowest cost plans in the country. The contribution to the CRTF is up to $94.3 million. Enterprise projects remain on target.

6. Financial:
   A. Report of the Secretary/Treasurer: Mrs. King reviewed the Treasurer's Report. Ms. Neblett moved to approve the report. Mr. Gerik seconded the motion. The motion passed unanimously.
   B. Financial Statement Review by Staff: Mr. Fadden reported that TWIA's results as of June 30, 2017 show net income of $119.4 million. Direct written premiums were $217.8 million and the net underwriting gain was $134.6 million for the six months ended June 2017. Year to date June 2017 written premiums show a decrease of 14% from June 2016 due to continued policy and exposure decline as well as the depopulation of 11,221 policies on June 1, 2017. Direct premiums earned decreased to $223.1 million compared to $248.5 million in the same period last year. The change is reflective of lower written premiums for the last quarter of 2016 and first half of 2017.

      The Quota Share Reinsurance Agreements were effective December 1, 2016 with four participating carriers. As of June 2017, ceded earned premiums for the program were $8.6 million inception to date.

      Participating insurers assumed 11,211 policies on June 1, 2017 and resulted in a decrease of approximately $9.1 million in direct written premiums. All policy changes and policies with renewal effective dates from June 1 to July 31, 2017 will continue to be administered by TWIA through the expiration of the policy on TWIA forms.

      Through June 30, 2017, direct loss and loss adjustment expense incurred was $26.4 million, compared to $37.8 million as of June 30, 2016. Storm activity for 2016 and 2017 was relatively modest overall. The ultimate losses and loss adjustment expenses for Ike are $2.6 billion and $327.5 million for Dolly as of June 2017. The Dolly ultimate reflects a $2.5 million decrease from December 2016 during 2017.

      Operating expenses remain consistent at $12.8 million in 2016 as well as 2017. The commission expense and premium taxes decrease from the prior year is attributable to the decrease in direct written premiums for 2017. Gross investment income is higher due to higher rates in the marketplace during 2017 versus 2016. Interest expense is $18.3 million for 2017 and $19.3 million for 2016.
   C. Financial Forecast: The current forecast of the income statement, including the favorable results from lower spring storms than planned, indicates a net gain from operations of approximately $120 million at the end of 2017 which would be paid to the CRTF in 2018. In 2018, the net gain from operations is projected to be approximately $60.1 million, a reduction from 2017 as a result of continued reduction in policies in force.
   D. Investment of Trust Fund Balances (Sec. 2210.4521): SB 900 added a requirement as follows regarding the Catastrophe Reserve Trust Fund (CRTF):

Sec. 2210.4521. INVESTMENT OF TRUST FUND BALANCES

(a) The comptroller shall invest in accordance with the investment standard described by Section 404.024(j), Government Code, the portion of the trust fund balance that exceeds the amount of the sufficient balance determined under Subjection (b). The comptroller's investment of that portion of the balance is not subject to any other limitation or other requirement provided by Section 404.024, Government Code.

(b) At least once each 12-month period, the board of directors shall determine a balance for the trust fund that the board considers to be sufficient to meet the cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a). After determining that sufficient balance, the board shall provide notice of the sufficient balance to the comptroller.

TWIA Board of directors reviewed this provision as required in 2016 at the August Board of Directors meeting.

This statutory provision requires the comptroller to invest excess CRTF funds in a less restrictive manner using a "prudent investor" standard and it requires the board to provide an annual notification to the comptroller regarding the excess funds/sufficient balance amount in the CRTF. The CRTF balance is approximately $739 million as of June 30, 2017. The CRTF is utilized for funding losses and expenses in excess of current year premiums and other revenue. Since there is a reasonable possibility that all the funds in the CRTF may be required to be utilized in the event of a catastrophic event, TWIA staff believes that all the funds in the CRTF are necessary to meet the potential cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a). Thus, there are no excess funds in the CRTF at this time to be invested by the comptroller under the prudent investor standard set forth in Chapter 424 of the Government Code. Mrs. 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 Catastrophic 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(a) 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. Mrs. Franklin-Womack seconded the motion. The motion passed.

E. 2017 Storm Season Funding, Including Post Event Bond Issuance: Mr. Fadden said as directed by the TWIA Board of Directors at its March 21 and May 10, 2017 meetings, TWIA staff and Guy Carpenter, its reinsurance broker, completed the placement of a second season reinsurance cover in the amount of $400 million that would address the potential gap in 2018 funding that would result if the CRTF were partially or wholly depleted as a result of 2017 losses. The total cost of the 2017 reinsurance program is $105.3 million.

The program consists of a combination of $1.0 billion in traditional reinsurance and $1.1 billion in catastrophe bonds. The program included the issuance of $400 million in Series 2017-1 Catastrophe Bonds to replace the catastrophe bonds issued in 2014.

F. Selection of Auditors/Accountants for 2017 and Authorization of Non-Audit Services: Each year the Association retains an accounting firm to conduct an audit of the Association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2013, Calhoun, Thomson + Matza (CTM) was selected to continue in their role as the Association's independent auditor. Statutory and GASB engagement letters from CTM for use in connection with the audit of the Association's 2017 financial statements were included with the meeting materials. Counsel has reviewed the letters and reports they are the same as last year with no changes in terms or fee amounts. Staff recommends to the TWIA Board of Directors that the engagements be approved and the letters executed. Staff also requests authority to use CTM as needed over the coming year for help with tax related non-audit services.

Mrs. Neblett asked if the accounting firm would take on more duties in relation to the sunset review. Mr. Polak said he didn't think they would take on any additional tasks. Weaver has been contracted and it is possible they will see additional work in relation to the sunset review. Mrs. Neblett 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 CTM to provide permitted tax related non-audit services during the coming year as needed. Mr. Shofner seconded the motion. The motion passed.

7. Internal Audit:
   A. Internal Audit Status & Update: Mr. Zaret said initial documentation occurred from April through June addressing entity-level controls using the Committee of Sponsoring Organizations (COSO) Integrated Framework, significant financial statement processes using flowcharts, narratives and risk matrices and certain information technology and application controls. Claims process internal audit is scheduled for August/September and the information security audit is scheduled for November/December.

8. Actuarial:
   A. Reserve Adequacy: Mr. Fadden reported that TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of June 30, 2017. The analysis indicates an increase in 2017 due to the inclusion of the second quarter's experience, although significantly below projections. Prior years' experience shows a slight decrease due to favorable loss development.

   The ultimate estimates for Hurricane Dolly and Ike remain unchanged at $327.5 million and $2.6 billion, respectively. TWIA continues to monitor new and

existing litigation activity to ensure all outstanding obligations are properly reserved. Estimation of ultimate liabilities for these claims is unusually difficult and is subject to significantly greater than normal variation and uncertainty.

As of June 30, 2017, TWIA carried $54.2 million in total loss and loss adjustment reserves. In the opinion of the Association's credentialed staff actuary and Mr. Fadden, 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 deviation, reserves continue to make a reasonable provision for unpaid loss and loss adjustment expenses.

B. Policy Count/Exposures: Mr. Fadden said there has been a decline in policy counts and exposures. It is generally consistent across the TWIA-erviced counties.

C. Annual Rate Filing: Mr. Fadden provided an overview of the current rate indications, which reflect a rate inadequacy of 30% for residential and 28% for commercial. Section 2210.355(b) of the Texas Insurance Code requires the consideration of a reasonable margin for profit and contingencies in the adoption of rates. TWIA relies on the provision for contribution to the CRTF to satisfy this requirement. The overall rate indications are highly dependent on the amount selected for this element. TWIA has included a 20% provision since 2008, when the CRTF was used in its entirety to pay claims associated with Hurricanes Dolly and Ike. Previously, TWIA had included a 15% provision for the CRTF contribution. TWIA issues $500 million in pre-event Class 1 public securities in 2014. The projected 2018 debt service on these securities is approximately $34.4 million or 7.65% of prospective earned premiums. Because amounts paid as principal and interest on the securities reduces amounts ultimately transferred to the CRTF as a result of operations, the provision for contributions to the CRTF has been reduced to 12.3% to account for the repayment of the Class 1 securities.

Given approximately $450 million of earned premium, each one percent added to the Association's rates equates to a projected $4.5 million available to be transferred to the CRTF annually, if not used to pay claims and expenses.

TWIA has increased its rates 5% each year from 2011 through 2016. The cumulative effect of these previous increases was approximately 34% for both residential and commercial policies. For an average TWIA policy with a premium of $1500, this would represent an increase of approximately $380, due solely to rate changes. At the summer 2016 meeting in Galveston the TWIA Board of Directors decided to not increase rates for 2017. Adjustments in insured limits, deductibles and other coverage features may result in premium increases or decreases separate from the rate change.

Mr. Gerik moved to increase residential and commercial property rates by 5% for 2018. Mr. Schrader seconded the motion. Mr. Shofner thanks those who offered public comment. He said attendees have heard that TWIA has enough funding to

cover a 1 in 125-year storm. Then he's also heard that it only has enough to cover a 1 in 20-year storm. Mr. Polak confirmed that for the 2017 storm season TWIA has enough funding to cover a $4.9 billion event, or series of events, which is the equivalent of a 1 in 125-year storm.

Mr. Gerik said with Hurricane Ike and the losses it produced, companies use models but in his experience models aren't always a reliable guide. Mr. Kesner said looking at the funding structure in 2017, the way he understands it, there is enough in the CRTF and Class 1 bonds to cover a majorstorm. Exposures are down and he knows the weather can't always be predicted, but financially, TWIA is in good shape. He isn't sure the 5% increase is needed. Mrs. Neblett said the board is driven to this by the legislative mandate that the rate be filed by August 15. She agreed with Mr. Kesner that an increase isn't necessary. An increase can be filed at any time and she would like to defer the decision until later in the year. Mr. Gerik said the Association needs to move towards rate adequacy. The Actuarial and Underwriting Committee recommended a 5% increase by unanimous vote. Mr. Fields commented that the 5% increase isn't going to satisfy everyone but it is in keeping with the conservative nature of the rate increases the board has taken in the past. Mr. Perkins conducted a roll call vote.

Mr. Schrader – Yes
Mr. Shofner – Yes
Mrs. Franklin-Womack – No
Mrs. Neblett – No
Mr. Kesner – No
Mr. Gerik – Yes
Mrs. King – Yes
Mr. Fields – Yes

The motion passed.

D. Statutory Limits of Liability: Mr. Fadden reported that TWIA staff included a spreadsheet in the meeting materials showing the detailed calculations to revise the limits of liability used by TWIA as of January 1, 2018. As prescribed by Texas Insurance Code Section 2210.502(a), the liability limits are to be adjusted for inflation based on changes in the Boeckh Index.

To compute the proper changes, the TWIA book of business has been profiled by construction type as of June 30, 2017 for each of the categories needing adjustment as follows:

- Dwellings and individually owned townhouses will increase 0.9% or $16,000.
- Contents of an apartment, condominium or townhouse will increase 1.6% or $6,000.
- Commercial structures and associated contents will increase 1.1% or $50,000.

The limit of liability for governmental buildings and corporeal moveable property shall be indexed and adjusted as provided for commercial structures and associated contents, per Texas Insurance Code Section 2210.502(d). Mr. Fields said he didn't think there was any need to change the statutory limits. Mr. Perkins said the way the statutory structure is envisioned; the board is obligated to take the data and present it to the TDI Commissioner as a filing. The Commissioner will then determine if the coverage limits are changed. This is more of an administrative act. Mr. Gerik moved to file the statutory limits inflation adjustment indications with the Commissioner as required by statute. Mrs. Neblett seconded the motion. The motion passed.

9. Underwriting:
   A. Operational Review Update: Mrs. Larzalere reported that underwriting continues to have consistent turnaround time on all transactions. The goal is to issue 90% of new business submissions, endorsements, renewals and cancellations within 10 days. Over 95% are processed within 10 days. Quality assurance results on underwriting decisions also continues to exceed established goals. Telephone service response time continues to be within the meeting and exceeding categories as well. Service calibration occurs monthly with the external call center and over 200 calls have been scored internally to help develop a baseline for new goals. Underwriting is operating below budget, largely due to minimal overtime, reduced headcount and managing the inspection budget.

   Mrs. Larzalere provided an update on the TWIA Certificate of Compliance status. Through June 30, 2017, TWIA has received 1,139 applications (WPI-3). At this time, 1,061 WPI-8-C's have been issued at an average turnaround time of three days. Reroofing is the number one reason for the certificates with the month of May seeing the highest volume. The first quarterly Confirmation of Application review was sent to engineers. Seven engineers responded. Two identified errors; one was a duplicate entry on a property address and the other had an incorrect license number. Both have been corrected. The second quarter Confirmation of Application review will be sent by the end of July. Underwriting is working with IT to establish next steps on improving automation and a better search ability for agents and engineers to see status of both WPI-8's and 8-C's.

   The Commercial and Manufactured Homes Policy Center project is on track for implementation in December 2017. Agency Compliance Audits were performed on 21 agents (210 properties) to verify compliance with the declination of coverage and flood insurance requirements. Agents provided the required declinations on all but two policies. Those two will not be renewed without the required information. One out of 210 policies required proof of flood coverage and the agent supplied information. All 21 agents have an active property and casualty insurance license.

   Mr. Gerik asked where staff was on implementing direct billing. He said he thinks it is a disservice to policyholders and agents that TWIA does not have a direct billing system as they go hand in hand with premium financing. TWIA should be able to provide an installment payment option, even if it involves

charging a fee. Mr. Shofner agreed. Mr. Polak said he didn't disagree but only 10,000 policyholders use premium financing companies out of a total population of 260,000. Mr. Gerik asked rhetorically how many people pay their homeowners policies in full. Mr. Gerik said that most are paying a monthly installment through their mortgage company or directly to the insurance company. The Agent Advisory Group has discussed this item. There are some restrictions on the ability to take direct payment and installments. Mr. Perkins said that prior to implementing any such changes the plan of operation may need to be amended. Mr. Polak said TWIA is moving as fast as it can with all the variables.

10. Claims:

A. Claims Operations: Mr. Williams reported that new claim volume was 39% lower than projected. Total cycle time from first notice of loss to payment is 9.4 days. Mrs. Neblett asked for an update on the expert panel. Mr. Williams said the last time the TWIA Board of Directors met, staff was charged with coming back with updated price estimates to implement the panel recommendations on June 1. Staff met with the panel and vendors that will be engaged to review. In 2016, the cost estimate range was $3.1 million to $3.7 million. After the discovery sessions, the range is now $3.1 million to $4.9 million. Depending on who is used to gather property characteristics data, it could yield almost $900,000 in cost savings. Staff is hoping to have contracts in place by September 1st which will hopefully yield results by June 1. Mrs. Neblett asked how much has been spent to date and what does TWIA have to show for those expenditures. Mr. Polak said between $1.5 million to $1.6 million has been spent to date. Mr. Fields asked if NOAA was conducting a similar investigation and if the expert panel is working for other consortiums. Mr. Williams said yes but staff can't get any information from FEMA. Mrs. Neblett stated if the expert panel implementation can be delayed until the FEMA and NOAA projects have been implemented, she would like to write a letter to the insurance commissioner to hold off until the FEMA proposal is reviewed. Mrs. Neblett asked legal counsel to draft a letter to TDI that outlines the anticipated cost, what has been spent, concerns that are felt and familiarize them with the NOAA plan so they are aware of the dilemma and copy coastal legislative representatives.

B. Claims Litigation: Mr. Durden reported there were eight new HB3 suits for the quarter. One pre HB3 suit and four HB3 suits were settled. Three HB3 suits and two pre-HB3 suits were closed. For second quarter, 89 suits were in inventory and 32 claims with LORs were in inventory.

11. TWIA Operations:

a. IT System Update: Mr. Polak reported the IT department continues to stay on track with respect to all roadmap and departmental projects. The budget is well under control and the expenses for both Associations are below projections. The staff continues to be focused on delivering on all commitments. The TWIA depopulation project was successfully deployed on June 3, 2017. The TWIA Policy Center (PC – Commercial) is progressing well and is on schedule. Additionally, the production support team continues to deliver on a three-week cadence providing quick turnaround on enhancements and defect fixes. The TFPA program, comprised of five projects, is on track. These include the Policy

Center, Billing Center, Claim Center, Portals and Enterprise Data Warehouse projects. From a budget perspective, the cost containment efforts are in place and lower expense run rate is expected to be maintained.

b. Depopulation: Mr. Polak reported that at the time the four participating carriers selected the policies they wished to assume, the TWIA portfolio totaled 251,400 policies. Of the total policies in force, approximately 14.4% of the policyholders or 36,190 policyholders had requested that their information not be shared with third parties. Excluding these policies, information with respect to the remaining 215,210 policies was posted to the website for participating carriers to review for assumption. The participating carriers selected 102,171 discrete policies (or 47.5% of the posted policies) for assumption (with some overlap among the carriers' selections). Once the policies were selected for assumption, the agent of record had the option to elect to "opt-in" or "opt-out" for each of their respective clients. Of the 102,171 policies selected by participating carriers, only 18,047 polices remained after agent opt-out selections (and some attrition). Following this communication of offers to selected policyholders, 6,843 policyholders elected to opt-out of the program, leaving 11,204 policies at May 31, 2017 to be transferred. The final number of transferred polices represented 11% of the initial carrier offers.
c. TWIA Expert Panel: This item was reviewed earlier in the meeting.
d. Communications Update: Ms. Armstrong reported no major legislation passed during the 85th Legislative Session affecting TWIA or TFPA. Special session began July 18, 2017 and staff are monitoring legislation which may impact the Associations. TWIA staff acted as a resource at Senate Business and Commerce and House Insurance Committee hearings for TWIA and TFPA related legislation in April. Staff continued holding bi-weekly meetings with Rep. Todd Hunter through Q2 2017 to discuss various Association matters. TWIA staff presented on the 2017 Annual Report and CAT Plan for the Q2 TDI presentation. Staff held a quarterly TWIA board meeting materials review with various legislative staff in July. The Communications and Legislative Affairs department received 22 legislative inquiries in Q2 2017 and four regulator inquiries from TDI.

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: As there was no closed session, there were no items to consider.

14. Committees: There was nothing to discuss.

15. Future meetings:
    - December 12, 2017 – Omni Hotel, Corpus Christi

16. Adjourn: The meeting adjourned at 11:28 a.m.

Prepared by: Amy Koehl
Executive Assistant

Approved by: Joshua Fields
TWIA Chairman

Approved by: Bryan Shofner
TWIA Vice Chairman

5. TWIA Operational Highlights

2017 Enterprise Scorecard

Reporting as of September 30, 2017

	YTD	Trend	Goal	Δ	Performance
Operating Expenses	5.4%		5.5%	-0.1%	
Contribution to CRTF	$0.0 M		$52.7 M	-$52.7 M	
Enterprise Projects	85%		90%	-5%	
Policy Administration	95%		90%	5%	
Claims Handling	98%		90%	8%	
Disputed Claims	0.2%		2.0%	-1.8%	
Litigated Claims	0.03%		0.50%	-0.47%	
Complaints	35		45	-10	

Reference Data

Policies In-Force	231,567
Exposures In-Force	$66.4 billion
Written Premiums YTD	$341.3 million
Claims Received YTD	74,720
Losses Incurred YTD	$1.2 billion

Hurricane Harvey

TWIA's response to Hurricane Harvey

72,141
Hurricane Harvey claims received
as of October 31, 2017

$702 Million
paid in Hurricane Harvey claims
as of October 31, 2017

August 22, 2017
TWIA activated CAT Plan

August 25, 2017
Hurricane Harvey made Landfall

August 29, 2017
TWIA arrives in the Coastal Bend

September 1, 2017
TWIA receives **40,000** claims

- TWIA established Mobile Claims Centers in Corpus Christi and Rockport, 4 days after Harvey landfall; a third was established in Port Aransas 11 days after landfall.
- TWIA staff have attended 15 coastal outreach events, to assist policyholders one on one with their claims.
- Of the 72,141 claims, we received 41 TDI claims complaints: a 0.057% ratio.

In their first three weeks, the mobile claims centers served more than

10,000
TWIA policyholders

Additional Staff Resources

resources as of August 25, 2017

1,230	291	23	18	26	220
independent adjusters	claim examiners	quality analysts	support personnel	re-inspectors	call center resources

Claims

data as of October 31, 2017

The average claims cycle time is
30.1 days
from First Notice of Loss to payment.

- 83% of claims closed, of those 50% closed with payment
- 100% of claimants have been contacted by TWIA
- 97% inspected (of claims requiring an inspection)

	Rockport	Port Aransas	Corpus Christi
Claims Filed	6,191	3,738	20,302
Claims Closed	4,951	3,075	19,527
Amount Paid	$314 M	$154 M	$109 M

Funding

$96.3 M Available cash utilized to pay Harvey loss and loss adjustment expenses
- TWIA will begin accumulating funds from 2018 operations in January.

$743.2 M Funds available, and received, from the Catastrophe Reserve Trust Fund
- The CRTF will be rebuilt with contributions from future operations.

$260 M Amount withdrawn from Class 1 Pre-Event Bonds issued in 2014
- Approximately $230 M of the proceeds will remain available for future catastrophic events.

6. Financial
6A. Report of the Secretary/Treasurer
6A1. Income Statement

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Income Statement
for the nine months ended September 30,
(000's omitted)

2016		2017
$ 395,557	**Direct Premiums Written**	$ 341,295
	Premiums Earned:	
$ 373,073	Direct Premiums Earned	$ 343,338
(83,196)	Ceded Reinsurance Premiums	(63,793)
0	Ceded Reinsurance Premiums - Depopulation	(8,599)
289,876	Net Premiums Earned	270,946
	Deductions:	
35,484	Direct Losses and LAE Incurred	43,212
0	Direct Losses and LAE Incurred - Harvey	1,132,000
0	Direct Losses and LAE Incurred - Ike & Dolly	(2,757)
0	Ceded Losses and LAE Incurred - Depopulation	(1,401)
19,399	Operating Expenses	18,620
63,292	Commission Expense	54,596
(3,493)	Ceding commissions / brokerage	(2,126)
0	Ceding commissions / brokerage - Depopulation	(2,064)
7,693	Premium / Maintenance Tax	6,717
122,376	Total Deductions	1,246,798
167,501	**Net Underwriting Gain or (Loss)**	(975,852)
	Other Income or (Expense):	
2,216	Gross Investment Income	5,129
0	CRTF Funds Received	370,700
(28,470)	Interest Expense on Class 1 Bonds	(26,803)
(258)	Debt Issuance & Other Investment Expenses	(145)
66	Other Income (Expense)	32
(26,445)	Total Other Income or (Expense)	348,913
$ 141,055	**Net Income (Loss)**	$ (626,939)
	Surplus (Deficit) Account:	
$ 0	Beginning Surplus (Deficit)	$ 0
141,055	Net Income (Loss)	(626,939)
(32,741)	Principal Funded on Class 1 Bonds (net)	(36,314)
1,989	Change in nonadmitted assets - Other	(5,194)
(110,302)	Statutory Fund Cost	0
$ -	Ending Surplus (Deficit)	$ (668,447)

6A2. Management Discussion and Analysis

Texas Windstorm Insurance Association
Management Discussion and Analysis
September 30, 2017

TWIA's results as of September 30, 2017 show a net loss of $626.9 million. Direct written premiums were $341.3 million and the net underwriting loss was $975.9 million for the nine months ended September 2017.

Direct Written Premium: Year to date September 2017 written premiums show a decrease of 14% from September 2016, due to continued policy and exposure decline as well as the depopulation of approximately 11,000 policies on June 1, 2017.

Direct Premiums Earned: Direct premiums earned decreased to $343.3 million compared to $373.1 million in the same period last year. The change is reflective of lower written premiums for the last quarter of 2016 and 2017.

Assumption Reinsurance Depopulation: The Quota Share Reinsurance Agreements were effective December 1, 2016 with four participating carriers. As of June 2017, ceded earned premiums for the program were $8.6 million inception to date.

Participating insurers assumed approximately 11,000 policies on June 1, 2017 and resulted in a decrease of approximately $9.1 million in direct written premiums. All policy changes and policies with renewal effective dates from June 1 to July 31, 2017, will continue to be administered by TWIA through the expiration of the policy on TWIA forms.

Loss and Loss Adjustment Expense Incurred: Through September 30, 2017 non-catastrophe direct loss and loss adjustment expense incurred was $43.2 million, compared to $35.5 million as of September 30, 2016. 2016 and 2017 non-catastrophe storm activity was relatively modest overall.

The ultimate losses and loss adjustment expenses for Hurricane Ike are $2.6 billion and $327.2 million for Hurricane Dolly as of September 2017. The Hurricane Dolly ultimate reflects a $2.8 million decrease from December 2016 during 2017.

The ultimate losses and loss adjustment expenses for Hurricane Harvey are $1.13 billion.

Operating Expenses: Operating expenses decreased slightly from $19.4 million in 2016 to $18.6 million in 2017.

Commission Expense and Premium Taxes: Decrease from prior year is attributable to the decrease in direct written premiums for 2017.

Other Income (Expense): Gross investment income is higher due to higher rates in the marketplace during 2017 versus 2016. Interest expense is $26.8 million for 2017 and $28.5 million for 2016.

The first of two Catastrophe Reserve Trust Fund disbursements was received in September 2017 in the amount of $370.7 million. The second disbursement, in the amount of $372.5 million, was received in October 2017.

6B. Financial Statement Review by Staff
6B1. Income Statement and Expense Statement

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Income Statement (000's omitted)
for the nine months ended September 30,

	Actuals - 2017	Budget - 2017	Variance - 2017	Actuals - 2016
Premiums Written:				
Direct	$ 341,295	$ 367,294	$ (25,998)	$ 395,557
Ceded	(95,689)	(123,658)	27,969	(124,795)
Ceded - Depopulation	(8,599)	(11,794)	3,194	0
Net	237,007	231,842	5,165	270,763
Premiums Earned:				
Direct	$ 343,338	$ 356,831	$ (13,493)	$ 373,073
Ceded	(63,793)	(82,440)	18,647	(83,196)
Ceded - Depopulation	(8,599)	(11,794)	3,194	0
Net	270,946	262,597	8,348	289,876
Deductions:				
Direct Losses and LAE Incurred	43,212	75,346	(32,134)	35,484
Direct Losses and LAE Incurred - Harvey	1,132,000	0	1,132,000	0
Direct Losses and LAE Incurred - Ike & Dolly	(2,757)	0	(2,757)	0
Ceded Losses and LAE Incurred - Depopulation	(1,401)	(3,875)	2,474	0
Operating Expenses	18,620	19,739	(1,119)	19,399
Commission Expense	54,596	58,767	(4,171)	63,292
Ceding commissions / brokerage	(2,126)	(3,402)	1,275	(3,493)
Ceding commissions / brokerage - Depopulation	(2,064)	(2,830)	767	0
Premium / Maintenance Tax	6,717	7,236	(519)	7,693
Total Deductions	1,246,798	150,982	1,095,816	122,376
Net Underwriting Gain or (Loss)	(975,852)	111,616	(1,087,468)	167,501
Other Income or (Expense):				
Gross Investment Income	5,129	2,175	2,954	2,216
CRTF Funds Received	370,700	0	370,700	0
Interest Expense on Debt	(26,803)	(26,803)	0	(28,470)
Debt Issuance & Other Investment Expenses	(145)	(155)	10	(258)
Other Income (Expense)	32	0	32	66
Total Other Income or (Expense)	348,913	(24,783)	373,696	(26,445)
Net Income (Loss)	$ (626,939)	$ 86,833	$ (713,772)	$ 141,055
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	0	0	0	0
Net Income (Loss)	(626,939)	86,833	(713,772)	141,055
Principal Funded on Class 1 Bonds (net)	(36,314)	(34,578)	(1,736)	(32,741)
Change in nonadmitted assets - Other	(5,194)	439	(5,633)	1,989
Statutory Fund Cost	0	(52,693)	52,693	(110,302)
Ending Surplus (Deficit)	$ (668,447)	$ -	$ (668,447)	$ -
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	12.6%	21.1%	-8.5%	9.5%
Hurricane Harvey	329.7%	0.0%	329.7%	0.0%
Hurricanes Ike & Dolly	-0.8%	0.0%	-0.8%	0.0%
Loss & LAE Ratio	341.5%	21.1%	320.4%	9.5%
UW Expense Ratio:				
Acquisition	18.0%	18.0%	0.0%	17.9%
Non Acquisition	5.4%	5.5%	-0.1%	5.2%
UW Expense Ratio	23.4%	23.5%	-0.1%	23.1%
Combined Ratio	364.9%	44.6%	320.3%	32.7%
Net:				
Loss & LAE Ratio:				
Non Hurricane	15.4%	27.2%	-11.8%	12.2%
Hurricane Harvey	417.8%	0.0%	417.8%	0.0%
Hurricanes Ike & Dolly	-1.0%	0.0%	-1.0%	0.0%
Loss & LAE Ratio	432.2%	27.2%	405.0%	12.2%

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Expense Report (000's omitted)
for the nine months ended September 30,

Description	Actuals - 2017	Budget - 2017	Variance - 2017	Actuals - 2016
Personnel Expenses				
Salaries & Wages - Permanent	8,273	8,272	1	8,031
Contractor & Temporary Help	9,617	1,530	8,087	3,075
Payroll Taxes	627	666	(39)	616
Employee Benefits	2,603	2,677	(74)	2,572
Recruiting, Training & Other	250	258	(8)	234
Subtotal	21,370	13,402	7,968	14,527
Professional & Consulting Services				
Legal	357	585	(228)	652
Accounting & Auditing	224	196	28	121
Information Technology	50	430	(380)	2,067
Actuarial Services	22	21	1	25
Omsbudsman Program	113	128	(15)	116
Surveys & Inspections	1,577	1,626	(49)	1,583
Disaster Recovery Services	50	62	(12)	134
Other Services	7,855	1,758	6,097	1,773
Subtotal	10,248	4,807	5,442	6,472
Hardware/Software Purchases & Licensing	2,435	2,507	(72)	2,175
Rental & Maintenance - Office/Equipment	923	983	(60)	956
Travel Expenses	218	238	(20)	185
Postage, Telephone and Express	790	781	9	752
Capital Management Expenses	145	155	(10)	258
Depreciation	2,029	2,067	(38)	2,053
Other Operating Expenses	757	782	(25)	832
Total Operating Expenses	38,914	25,721	13,193	28,212
Capitalization of Fixed Assets	0	(200)	200	0
Allocation To ULAE	(19,804)	(5,077)	(14,727)	(8,555)
Allocation To Investing & Other Expense	(145)	(155)	10	(258)
Net Operating Expense - UW Operations	18,620	19,739	(1,119)	19,399

6B2. Balance Sheet

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Balance Sheet (000's omitted)

	September-17	December-16
Admitted Assets		
Cash and short term investments:		
Unrestricted	$ 492,701	$ 493,888
Restricted - Funds Held at TTSTC	518,597	535,802
Restricted - Funds Held at TTSTC (Non Admitted)	(95,474)	(59,160)
Total cash and short term investments	915,824	970,530
Premiums receivable & other	1,744	2,178
Amounts recoverable from reinsurers	15	-
Total admitted assets	**$ 917,583**	**$ 972,708**
Liabilities, Surplus and other funds		
Liabilities:		
Loss and Loss adjustment expenses	$ 876,933	$ 53,459
Underwriting expenses payable	19,896	10,281
Unearned premiums, net of ceded unearned premiums	203,787	237,726
Ceded reinsurance funds payable	44,243	29,316
Principal Outstanding on Class 1 Pre Event Bonds	414,600	458,400
Interest Payable on Class 1 Pre Event Bonds	8,551	18,252
Other payables	18,020	18,260
Statutory fund payable	-	147,015
Total liabilities	**1,586,029**	**972,708**
Surplus and others funds		
Unassigned surplus	(668,447)	-
Total liabilities, surplus and other funds	**$ 917,583**	**$ 972,708**
Balance in CRTF	**$ 372,289**	**$ 587,860**
Balance in CRTF including Statutory fund payable	**$ 372,289**	**$ 734,875**

6B3. Cash & Short Term Investments

Texas Windstorm Insurance Association
Unrestricted Cash and Short Term Investments ($ in 000's)
September 30, 2017

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Blended Rate of Interest Bearing Investments	Investment Duration of Interest Bearing Investments (in months)	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?
						< 40%	**Superior or Strong**	**> 10%**	**> $25B**	**> .2% of N.A. Reg Capital**
Balances as of 9/30/17:										
Bank of America	27,755	0	27,755	0.00%	-	6%	Superior	12.6%	$148	No
BlackRock Liquidity Funds	0	176,948	176,948	0.51%	0.0	36%	N/A	N/A	N/A	N/A
Citibank	5	90,911	90,916	0.80%	0.7	18%	Superior	12.6%	$128	No
JP Morgan Chase	98,745	40,399	139,143	1.06%	2.8	28%	Superior	14.1%	$182	No
Wells Fargo	0	57,939	57,939	0.96%	2.5	12%	Superior	11.2%	$133	No
Total of all financial institutions	**126,505**	**366,196**	**492,701**	**0.71%**	**1.8**	**100%**				
Balances as of 12/31/16:										
Bank of America	28,522	120,104	148,627	0.85%	2.8	30%	Superior	12.7%	$150	No
BlackRock Liquidity Funds	0	26,096	26,096	0.19%	0.0	5%	N/A	N/A	N/A	N/A
Citibank	2	91,329	91,331	0.49%	0.7	18%	Superior	12.6%	$126	No
JP Morgan Chase	1,784	125,671	127,455	0.68%	2.6	26%	Superior	13.9%	$178	No
Wells Fargo	0	100,379	100,379	0.57%	3.4	20%	Superior	10.8%	$127	No
Total of all financial institutions	**30,309**	**463,580**	**493,888**	**0.63%**	**2.6**	**100%**				

Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of March 31th. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

6B4. Cash Flow Statement

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statement of Cash Flows (000's omitted)
for the nine months ended September 30,

	Actuals - 2017	Budget - 2017	Variance - 2017
Cash flows from operating activities:			
Premiums collected, net of reinsurance	$ 246,743	$ 265,984	$ (19,241)
Losses and loss adjustment expense paid	(347,609)	(83,724)	(263,884)
Underwriting expenses paid	(65,283)	(78,895)	13,611
CRTF funds received	370,700	0	370,700
Other	(37,417)	(34,578)	(2,839)
Net cash provided by operating activities	167,134	68,787	98,348
Cash flows from nonoperating activities:			
Statutory fund paid	(147,015)	(142,259)	(4,756)
Other	0	0	0
Net cash provided by nonoperating activities	(147,015)	(142,259)	(4,756)
Cash flows from investing activities:			
Sales and maturities of investments	0	0	0
Net investment income	(31,025)	(34,484)	3,459
Net cash provided by investing activities	(31,025)	(34,484)	3,459
Cash flows from financing activities:			
Borrowed funds	0	0	0
Borrowed funds repaid	(43,800)	(43,800)	0
Net cash provided by financing activities	(43,800)	(43,800)	0
Net increase (decrease) in cash and short-term investments	(54,706)	(151,756)	97,050
Cash and short-term investments, Beginning	970,530	952,157	18,373
Cash and short-term investments, Ending	$ 915,824	$ 800,401	$ 115,423

6B5. Historical Data

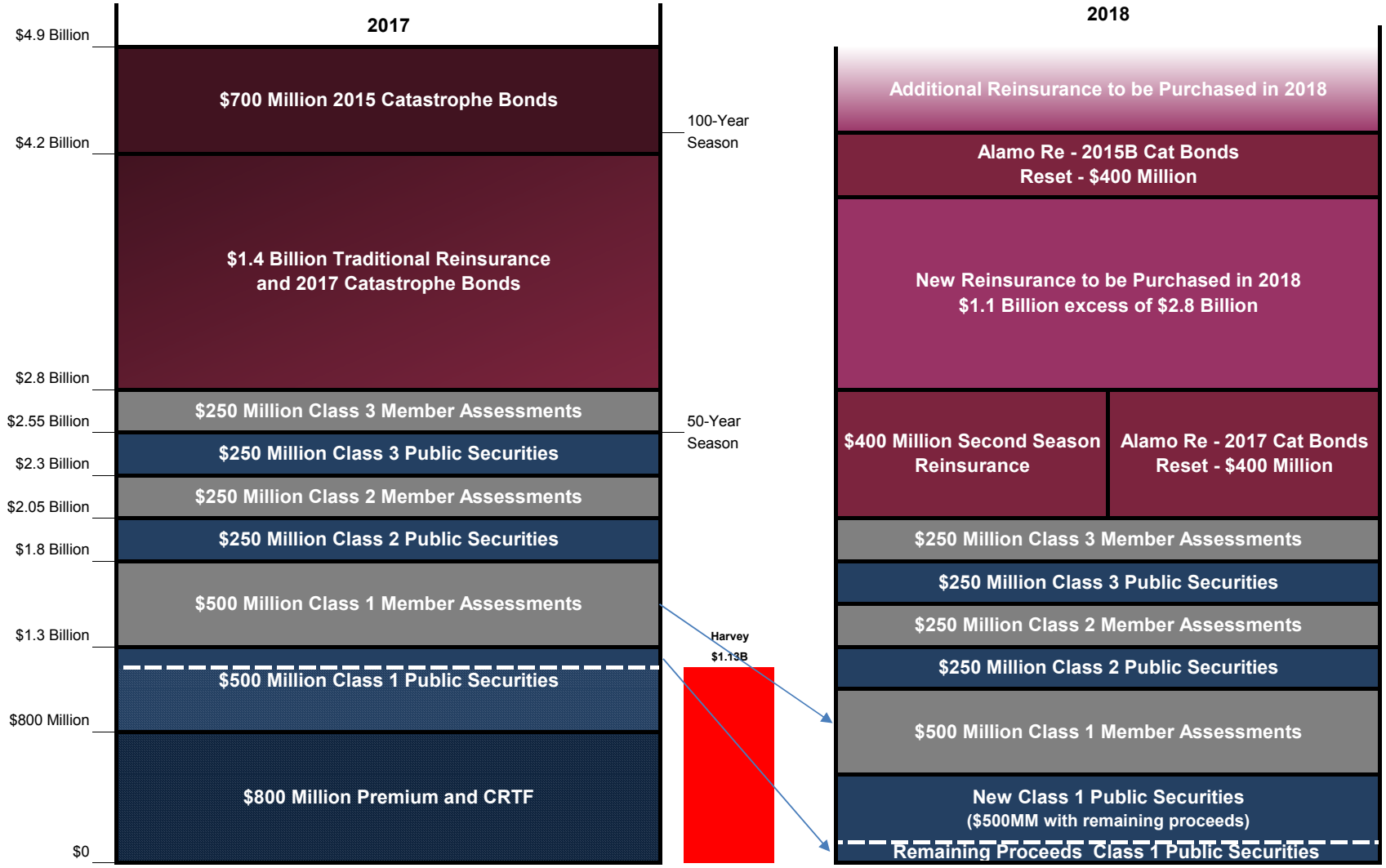
TEXAS WINDSTORM INSURANCE ASSOCIATION
HISTORICAL DATA
1971 - 2017
($ with 000's omitted)

	GROSS						NET				
YEAR	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES RESID	RATE CHANGES COMML	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	CRTF BALANCE END OF PERIOD
1971	$ 278,710	13,415			$ 2,393	$ 92	$ 868	$ 92	$ 385	$ 391	
1972	739,983	33,577			4,138	214	3,468	214	849	2,405	
1973	1,017,048	45,743			4,286	1,427	4,288	1,427	1,099	1,763	
1974	1,064,772	45,901			4,512	452	4,378	452	1,106	2,819	
1975	1,169,763	46,365			6,036	592	5,263	592	1,417	3,254	
1976	1,387,252	48,747			8,130	231	6,953	231	1,878	4,844	
1977	1,616,220	51,382			9,922	203	9,080	203	2,258	6,619	
1978	1,633,521	48,820			10,523	296	10,249	296	2,329	7,624	
1979	1,816,410	46,128			11,045	2,370	11,039	2,370	2,178	6,490	
1980	1,936,388	43,613			9,675	14,217	10,245	14,217	2,079	(6,051)	
1981	2,105,244	42,495			9,137	2,715	9,313	2,715	2,097	4,501	
1982	2,285,594	51,034			8,641	982	9,106	982	2,095	6,029	
1983	2,165,231	44,894			6,900	157,112	7,585	157,112	1,937	(151,463)	
1984	3,178,079	51,311			9,450	1,294	7,989	1,294	2,493	4,202	
1985	4,061,660	57,181			18,232	1,510	3,534	1,510	3,638	(1,614)	
1986	4,510,378	60,028			20,987	1,202	5,229	1,202	3,997	30	
1987	4,401,486	57,976			20,532	2,555	4,931	2,555	4,091	(1,715)	
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	3,975	100,524	190,631	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	66,377,905	231,567	-	-	341,295	1,172,456	270,946	1,171,055	75,743	(975,852)	372,289
TOTAL					**5,739,364**	**5,211,555**	**3,885,801**	**3,713,110**	**1,232,061**	**(1,059,371)**	

*2017 data through 9/30/17.

6C. Review of Hurricane Harvey Impact on Funding Structure

Texas Windstorm Insurance Association
Actual 2017 Funding Structure
Projected 2018 Structure after Hurricane Harvey
Reinsurance on Aggregate Basis



Notes: Storm frequencies based on an average of AIR and RMS modeled losses using TWIA exposures as of 12/31/16, adjusted for projected depopulation.
2018 as shown based on Hurricane Harvey ultimate loss estimate of $1.13 billion as of October 18, 2017. The actual ultimate costs of Hurricane Harvey may differ substantially from the indicated $1.132B

7. Internal Audit
7A. Internal Audit Status Update

MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: December 12, 2017

SUBJECT: Status of Internal Audit Activities

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

- **Model Audit rule:**
  - The status of the Model Audit Rule test of design phase follows:
    - *Entity-level documentation* using the Committee of Sponsoring Organizations (COSO) integrated Framework is complete.
    - Of the 17 *business processes*, documentation for 13 processes are complete and in review by process owners. Four (4) processes are in the final completion phase.
    - *Information Technology* General Computer Controls are complete and ready for review by process owners.
  - Targeting to receive feedback from process owners by year-end or early January to confirm accuracy of the processes.
  - A summary report outlining specific areas evaluated and observations from the Model Audit Rule documentation will be included by the next Board meeting materials.

- **Audit Schedule (see three year audit plan attached):**
  - *Claims Processing Audit:* Fieldwork is completed and the workpapers are in review.
  - *Information Security Audit:* Moved from December 2017 to January/February 2018.

- **ELT meetings:** Attended Executive Leadership Team and Operations meetings.

Texas Windstorm Insurance Association
Three-Year Audit Plan (2017-2019)

2017

Process Area	Risk Rating
Model Audit Rule (documentation)	N/A
Information Security	High
Claims Processing	High

2018

Process Area	Risk Rating
Model Audit Rule (light)	N/A
Application Development	Moderate
Underwriting & Agency	High
Actuarial (Pricing and Reserving)	Moderate
Legal, Compliance, & Depopulation	High
Communications	Moderate
Cash Management (Investments)	Low

2019

Process Area	Risk Rating
Model Audit Rule (light)	N/A
Database and Application Administration	High
Information Technology Services	Moderate
Human Resources Administration	Low
Accounts Payable and Expense Processing	Moderate
Payroll	Low
Accounts Receivable *Including Agent Commissions*	Low
Facilities and Services	Low

8. Actuarial
8A. Reserve Adequacy

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

REVIEW DATE: October 8, 2017

TO: Jerry Fadden, Chief Financial Officer

FROM: Xiuyu Li, Actuary

RE: Reserve Adequacy as of September 30, 2017

TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of September 30, 2017.

The analysis indicates no significant change in ultimate loss and expense in prior years. The ultimate estimate for Hurricane Ike is unchanged from the prior quarter. TWIA continues to monitor new and existing litigation activity to ensure all outstanding obligations are properly reserved. There remains a material risk of adverse development due to the extreme variability associated with outstanding litigation. The ultimate paid loss and expense for Hurricane Dolly was 327,243,282, all Dolly claims had been closed.

The ultimate estimate for Harvey was outlined in Statement of Harvey Ultimate Estimate.

As of September 30, 2017, TWIA carried $876,932,779 in total loss and loss adjustment reserves. 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.

The complete actuarial analysis is available on request.

XL

8B. Policy Count/Exposures

Texas Windstorm Insurance Association
Statistical Report
As of September 30, 2017

County	Policies In-Force 9/30/16	9/30/17	PIF Growth Actual	Percentage	Exposure In-Force 9/30/16	9/30/17	Exposure Growth Actual	Percentage	YTD Written Premium 9/30/16	9/30/17	Premium Growth Actual	Percentage
Aransas	7,062	6,432	-630	-8.90	$2,365,194,497	$2,157,749,399	-$207,445,098	-8.80	$13,601,488	$12,076,012	-$1,525,476	-11.20
Brazoria	47,520	40,029	-7,491	-15.80	$14,020,583,028	$11,661,827,255	-$2,358,755,773	-16.80	$67,302,312	$55,308,199	-$11,994,113	-17.80
Calhoun	4,125	3,897	-228	-5.50	$1,056,090,225	$1,006,646,777	-$49,443,448	-4.70	$6,537,019	$5,978,338	-$558,681	-8.50
Cameron	18,559	15,721	-2,838	-15.30	$4,753,713,807	$3,967,558,510	-$786,155,297	-16.50	$25,896,160	$20,414,175	-$5,481,985	-21.20
Chambers	5,931	5,078	-853	-14.40	$1,922,559,529	$1,649,719,358	-$272,840,171	-14.20	$8,839,802	$7,516,214	-$1,323,588	-15.00
Galveston	71,105	65,151	-5,954	-8.40	$23,204,124,397	$21,146,814,972	-$2,057,309,425	-8.90	$124,284,217	$111,924,250	-$12,359,967	-9.90
Harris	3,832	3,666	-166	-4.30	$1,139,811,204	$1,081,640,067	-$58,171,137	-5.10	$4,375,378	$3,985,993	-$389,385	-8.90
Jefferson	35,512	31,459	-4,053	-11.40	$8,468,641,997	$7,362,389,127	-$1,106,252,870	-13.10	$47,645,674	$40,160,276	-$7,485,398	-15.70
Kenedy	20	19	-1	-5.00	$7,226,341	$6,909,341	-$317,000	-4.40	$48,325	$44,539	-$3,786	-7.80
Kleberg	1,255	1,080	-175	-13.90	$296,106,253	$256,905,444	-$39,200,809	-13.20	$1,847,481	$1,601,294	-$246,187	-13.30
Matagorda	5,362	5,103	-259	-4.80	$1,331,112,432	$1,260,534,300	-$70,578,132	-5.30	$7,501,273	$6,871,074	-$630,199	-8.40
Nueces	50,361	45,376	-4,985	-9.90	$14,075,301,571	$12,510,401,882	-$1,564,899,689	-11.10	$73,817,631	$63,550,522	-$10,267,109	-13.90
Refugio	427	395	-32	-7.50	$107,692,796	$93,381,932	-$14,310,864	-13.30	$709,178	$599,239	-$109,939	-15.50
San Patricio	8,549	7,693	-856	-10.00	$2,360,995,686	$2,107,532,303	-$253,463,383	-10.70	$12,336,701	$10,622,454	-$1,714,247	-13.90
Willacy	550	468	-82	-14.90	$125,329,533	$107,894,494	-$17,435,039	-13.90	$814,796	$672,255	-$142,541	-17.50
Total	260,170	231,567	-28,603	-10.99	75,234,483,296	66,377,905,161	-$8,856,578,135	-11.77	395,557,435	341,324,834	-$54,232,601	-13.71

Texas Windstorm Insurance Association
Quarterly Liability Report
As of September 30, 2017

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Aransas										
Commercial	136	415	321	839	957,538	2,349,096	282,972,335	6,055,905	389	878
Manufactured Home	27	95	27	95	30,188	115,365	5,397,506	0	111	111
Residential	1,790	5,003	1,890	5,268	3,633,124	9,609,800	1,869,146,358	154,997,042	5,931	6,251
Total	1,953	5,513	2,238	6,202	4,620,850	12,074,261	2,157,516,199	161,052,947	6,431	7,240
Brazoria										
Commercial	379	1,152	587	1,851	1,792,572	6,173,505	695,978,730	19,625,800	1,159	1,923
Manufactured Home	54	148	54	148	75,314	210,537	9,885,196	0	160	160
Residential	11,266	32,276	11,595	33,199	17,941,342	48,924,157	10,955,963,329	1,412,613,950	38,710	39,787
SUM:	11,699	33,576	12,236	35,198	19,809,228	55,308,199	11,661,827,255	1,432,239,750	40,029	41,870
Calhoun										
Commercial	84	231	172	386	445,820	1,082,913	129,024,153	1,190,605	241	441
Manufactured Home	25	59	25	59	24,784	77,377	3,675,090	0	69	69
Residential	1,170	3,033	1,272	3,345	1,891,321	4,818,048	873,947,534	72,988,491	3,587	3,940
SUM:	1,279	3,323	1,469	3,790	2,361,925	5,978,338	1,006,646,777	74,179,096	3,897	4,450
Cameron										
Commercial	302	853	560	1,618	1,947,778	7,255,621	1,164,306,081	8,095,685	803	1,626
Manufactured Home	29	55	29	55	29,542	55,568	2,292,127	0	56	56
Residential	4,259	12,695	4,397	13,002	4,640,031	13,102,986	2,800,960,302	318,403,060	14,862	15,230
SUM:	4,590	13,603	4,986	14,675	6,617,351	20,414,175	3,967,558,510	326,498,745	15,721	16,912

Texas Windstorm Insurance Association
Quarterly Liability Report
As of September 30, 2017

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Chambers										
Commercial	63	135	91	186	260,071	566,071	72,801,474	1,281,550	136	212
Manufactured Home	47	83	47	83	29,755	53,381	2,784,930	0	89	89
Residential	1,473	4,112	1,548	4,295	2,615,783	6,896,762	1,574,132,954	204,353,871	4,853	5,067
SUM:	1,583	4,330	1,686	4,564	2,905,609	7,516,214	1,649,719,358	205,635,421	5,078	5,368
Galveston										
Commercial	781	2,121	1,208	3,839	6,112,570	21,040,940	2,519,744,636	68,864,440	2,243	4,236
Manufactured Home	61	164	62	166	71,316	212,806	10,380,099	0	184	186
Residential	18,941	52,086	19,563	53,838	33,776,743	90,670,504	18,616,690,237	2,125,742,490	62,724	64,877
SUM:	19,783	54,371	20,833	57,843	39,960,629	111,924,250	21,146,814,972	2,194,606,930	65,151	69,299
Harris										
Commercial	27	83	49	138	204,702	553,436	64,372,865	1,761,115	90	149
Manufactured Home	3	5	3	5	3,670	4,670	186,800	0	5	5
Residential	1,128	2,909	1,154	3,008	1,328,293	3,427,887	1,017,080,402	128,180,177	3,571	3,676
SUM:	1,158	2,997	1,206	3,151	1,536,665	3,985,993	1,081,640,067	129,941,292	3,666	3,830
Jefferson										
Commercial	340	929	549	1,439	1,591,383	4,339,922	474,743,619	17,336,485	951	1,499
Manufactured Home	11	30	11	30	16,596	51,258	2,214,133	0	35	35
Residential	9,221	25,870	9,473	26,529	13,360,894	35,769,096	6,885,431,375	862,226,927	30,473	31,234
SUM:	9,572	26,829	10,033	27,998	14,968,873	40,160,276	7,362,389,127	879,563,412	31,459	32,768

Texas Windstorm Insurance Association
Quarterly Liability Report
As of September 30, 2017

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Kenedy										
Commercial	0	1	0	5	0	11,848	694,441	0	1	5
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	8	16	10	26	9,833	32,691	6,214,900	35,000	18	32
SUM:	8	17	10	31	9,833	44,539	6,909,341	35,000	19	37
Kleberg										
Commercial	20	63	32	97	356,615	480,038	49,005,061	760,800	59	94
Manufactured Home	1	2	1	2	2,100	4,200	168,000	0	2	2
Residential	322	873	343	922	427,630	1,117,056	207,732,383	21,219,160	1,019	1,072
SUM:	343	938	376	1,021	786,345	1,601,294	256,905,444	21,979,960	1,080	1,168
Matagorda										
Commercial	80	210	118	374	326,597	1,031,331	109,744,906	2,446,230	233	408
Manufactured Home	8	16	8	17	11,470	20,852	1,232,097	0	21	22
Residential	1,528	4,080	1,580	4,265	2,159,458	5,818,891	1,149,557,297	117,719,616	4,849	5,056
SUM:	1,616	4,306	1,706	4,656	2,497,525	6,871,074	1,260,534,300	120,165,846	5,103	5,486
Nueces										
Commercial	816	2,388	1,313	3,866	3,996,852	11,955,171	1,677,520,867	51,060,920	2,337	4,124
Manufactured Home	9	20	9	20	8,866	18,875	801,900	0	20	20
Residential	12,808	36,506	13,258	37,890	19,180,675	51,576,476	10,832,079,115	1,209,516,419	43,019	44,477
SUM:	13,633	38,914	14,580	41,776	23,186,393	63,550,522	12,510,401,882	1,260,577,339	45,376	48,621

Texas Windstorm Insurance Association
Quarterly Liability Report
As of September 30, 2017

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Refugio										
Commercial	13	34	19	53	43,702	126,140	10,813,909	225,000	35	53
Manufactured Home	3	10	4	13	4,675	16,282	815,253	0	12	15
Residential	113	305	122	329	187,538	458,568	81,985,970	8,065,744	349	378
SUM:	129	349	145	395	235,915	600,990	93,615,132	8,290,744	396	446
San Patricio										
Commercial	113	327	154	504	454,120	1,326,128	163,864,633	3,338,140	338	638
Manufactured Home	7	27	7	27	9,945	43,474	2,081,973	0	33	33
Residential	2,110	6,217	2,227	6,542	3,303,857	9,252,852	1,941,585,697	223,879,328	7,322	7,698
SUM:	2,230	6,571	2,388	7,073	3,767,922	10,622,454	2,107,532,303	227,217,468	7,693	8,369
Willacy										
Commercial	11	29	16	47	63,931	137,546	18,025,285	128,550	34	65
Manufactured Home	0	4	0	4	0	5,550	222,000	0	4	4
Residential	151	383	163	405	225,754	529,159	89,647,209	7,070,739	430	452
SUM:	162	416	179	456	289,685	672,255	107,894,494	7,199,289	468	521
Total All Counties										
Commercial	3,165	8,971	5,189	15,242	18,554,251	58,429,706	7,433,612,995	182,171,225	9,049	16,351
Manufactured Home	285	718	287	724	318,221	890,195	42,137,104	0	801	807
Residential	66,288	186,364	68,595	192,863	104,682,276	282,004,933	58,902,155,062	6,867,012,013	221,717	229,227
SUM:	69,738	196,053	74,071	208,829	123,554,748	341,324,834	66,377,905,161	7,049,183,238	231,567	246,385

8C. Statutory Limits of Liability – Update

From: Brian Ryder
To: Xiuyu Li; Jerry Fadden
Cc: David Durden
Subject: TWIA Limits of Liability Filing
Date: Tuesday, October 17, 2017 10:33:03 AM
Attachments: Order 2017-5253.pdf

CAUTION: This email originated from outside of the organization. Do not reply with sensitive information or click links or open attachments unless you recognize the sender and know the content is safe.

Jerry and Xiuyu,

I want to let you know that yesterday Commissioner Sullivan issued order #2017-5253 denying TWIA's request to increase its maximum liability limits. I have attached a copy of the order for your records.

Brian

Brian Ryder, FCAS, MAAA
Senior Actuary & Team Lead, Data Services Team
Regulatory Policy Division - Property and Casualty Actuarial Office
(512) 676-6709
brian.ryder@tdi.texas.gov

Texas Department of Insurance
333 Guadalupe Street | Austin, Texas 78701
(800) 578-4677 | tdi.texas.gov | @TexasTDI

No. 2017- 5253

Official Order

of the

Texas Commissioner of Insurance

Date: OCT 16 2017

Subject Considered:

Action on Proposed Adjustments to the Maximum Liability Limits Under Windstorm and Hail Insurance Policies Issued by the Texas Windstorm Insurance Association Docket No. 2802

The commissioner of insurance considers the Texas Windstorm Insurance Association's (TWIA) proposal concerning adjustments to the maximum liability limits under TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2018, based on changes in the BOECKH Index, as required by Insurance Code §2210.502. TDI held a public hearing on the proposed adjustments on September 25, 2017.

Consideration has been given to TWIA's filing, the TDI staff analysis, all testimony presented at the hearing, and all other comments submitted in connection with the proposal. Further consideration has been given to the historical record and decisions by previous commissioners, to the extent relevant and appropriate. The commissioner adopts the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. All statutory prerequisites have been met for the commissioner to consider and render an order on the TWIA proposal.

2. A staff analysis by TDI finds that the historical increases since 2004 in the TWIA policy maximum liability limits significantly exceeds the historical increases in the BOECKH index, as shown below:

   (a) TWIA requests an increase of 0.9 percent, from $1,773,000 to $1,789,000, for a dwelling, including an individually owned townhouse unit, and the corporeal movable property located in or about the dwelling, and as

an extension of coverage, away from those premises, as provided under the policy. Had the historical increases tracked the BOECKH index since 2004, the maximum liability limit in 2017 would be $607,000.

(b) TWIA requests an increase of 1.7 percent, from $374,000 to $380,000, for individually owned corporeal movable property located in an apartment unit, residential condominium unit, or townhouse unit that is occupied by the owner of that property, and as an extension of coverage, away from those premises, as provided under the policy. Had the historical increases tracked the BOECKH index since 2004, that maximum liability limit in 2017 would be $219, 000.

(c) TWIA requests an increase of 1.1 percent, from $4,424,000 to $4,474,000, for a commercial building and the corporeal movable property located in that structure, and as an extension of coverage, away from those premises, as provided under the policy. Had the historical increases tracked the BOECKH index since 2004, the maximum liability limit in 2017 would be $2,675,000.

CONCLUSIONS OF LAW

1. The commissioner has jurisdiction over this matter under Insurance Code §2210.504.

2. TWIA's board of directors complied with all statutory prerequisites to proposing inflation adjustments to the maximum liability limits for its windstorm and hail insurance policies

Based on the above, the TWIA proposal to increase its current maximum limits of liability is denied for TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2018.

Kent C. Sullivan
Commissioner of Insurance

8D. Review of Hurricane Harvey Ultimate Loss Estimate

Texas Windstorm Insurance Association

Xiuyu Li, ACAS, MAAA
Actuary

MEMORANDUM

DATE: October 18, 2017

TO: Jerry Fadden

RE: Estimate of Ultimate Losses for Hurricane Harvey

As of 10/8/2017, ultimate losses and expense related to Hurricane Harvey were estimated to be $1.132 billion. Following table outlines the details:

Estimated Ultimate Loss from Hurricane Harvey	
Case Incurred Losses and Allocated Loss Adjustment Expenses	$711,863,723
Incurred But Not Reported Loss &ALAE, Development on Reported Loss &ALAE	320,175,033
Estimated Ultimate Unallocated Loss Adjustment Expenses	$100,000,000
Estimated Ultimate Loss &LAE from Hurricane Harvey	$1,132,038,756
Selected Ultimate Loss &LAE from Hurricane Harvey	$1,132,000,000

The estimate of ultimate liabilities for Hurricane Harvey is unusually difficult due to its unique nature and is subject to significantly greater than normal variation and uncertainty. The actual ultimate costs of Harvey may differ substantially from the indicated $1.132B due to variability arising from the assumptions we made on over 36,000 open claims and the unreported claims as of Oct 8. Potential litigations, demand surge and re-open claims are also significant factors that can contribute to the variability. $1.132B is, however, our best estimate of the expected cost of Harvey based on all the information known as of October 9, 2017.

Due to the nature of Hurricane Harvey and the high volume of claims reported to TWIA within short period of time, the Hurricane claim close/settlement patterns were substantially different from Non-Hurricane claim settlement patterns. As a result of this, traditional triangle development methods are not as reliable for Hurricane Harvey. To avoid the limits of traditional triangle development method, TWIA actuarial staff developed loss and expense for open claims based on individual claim profile.

XL

8E. Approval of Qualified Actuary

TEXAS FAIR PLAN ASSOCIATION

Jerry Fadden
Chief Financial Officer

To: John Polak

From: Jerry Fadden

Date: November 28, 2017

Re: Texas Windstorm Insurance Association Qualified Actuary Appointment

---

Pursuant to the NAIC Statements of Actuarial Opinion on Property and Casualty Loss Reserves, the Qualified Actuary must be appointed by the Board of Directors, or its equivalent, or by a committee of the Board, by December 31 of the calendar year for which the opinion is rendered.

Upon initial appointment (or "retention"), the Company shall notify the domiciliary commissioner within five business days of the appointment with the following information:

a. Name and title (and, in the case of a consulting actuary, the name of the firm).

b. Manner of appointment of the Appointed Actuary (e.g., who made the appointment and when).

c. A statement that the person meets the requirements of a qualified actuary.

Xuiyu Li meets the requirements of a qualified actuary under NAIC and TDI rules and regulations. Paragraph 1A of the NAIC SAO Instructions sets out the requirements for an actuary to be qualified to sign Statements of Opinion (SAO's).

"Qualified Actuary" is a person who meets the basic education, experience and continuing education requirements of the Specific Qualifications Standard for Statements of Actuarial Opinion, NAIC property and Casualty Annual Statement, as set forth in the Qualifications Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, promulgated by the American Academy of Actuaries, and is either:

(i) A member in good standing of the Casualty Actuarial Society, or

(ii) A member in good standing of the American Academy of Actuaries who has been approved as qualified for signing casualty loss reserve opinions by the Casualty Practice Council of the American Academy of Actuaries.

A brief profile outlining her professional credentials and experience follows. In addition, please find correspondence from the Casualty Actuarial Society confirming her qualifications to serve as our appointed actuary.

I am hereby recommending that Xiuyu Li be appointed Qualified Actuary for the Texas Windstorm Insurance Association.

Jerry Fadden

Xiuyu Li
Professional Background

Xiuyu Li received a Master's Degree in Statistics/Actuarial Science from the University of Texas. She has over 12 years' PC insurance experience including five years of advanced rate making experience with Travelers and five years of pricing/reserving experience with TWIA. Xiuyu Li also has Master's Degree in Electronic Engineering and very strong programing skills in SQL, and SAS.

Xiuyu Li became an ACAS in 2014, she has passed first 7 of 9 CAS exams, met continuing education requirements and qualification standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, promulgated by the American Academy of Actuaries. She has been a member in good standing of the Casualty Actuarial Society and American Academy of Actuaries since she started her actuarial career.

Erin Lewis
Representative, Actuaries' Resource Center

Expertise. Insight. Solutions.

November 15, 2017

To Whom It May Concern:

This letter is verification that Ms. Xiuyu Li has been a member of the Casualty Actuarial Society (CAS) since 2008, currently holds an Associateship (ACAS), and that her membership is current and in good standing.

Ms. Li has earned credit for exam 7 through the updated transition rules and meets the qualifications to be an appointed actuary.

If you need any additional information, please feel free to contact me directly at (703) 276-3100, ext. 746

Sincerely,

Erin Lewis
Actuaries' Resource Center Representative

Casualty Actuarial Society 4350 North Fairfax Drive, Suite 250, Arlington, VA 22203
elewis@casact.org Phone (703) 276-3100 ext. 746 FAX# (703) 276-3108
www.casact.org

9. Underwriting
9A. Operational Review Update

MEMORANDUM

DATE: November 17, 2017

TO: John Polak, General Manager

FROM: Denise Larzalere, Vice-President-Underwriting

RE: Update on Underwriting Operational Highlights

3Q2017 Highlights

I. Service Results:
   a. Underwriting continues to have consistent turnaround time on all transactions. Our goal is to issue 90% of New Business submissions, endorsements, renewals, and cancellations within 10 days, we are beating that with over 95% processed within 10 days.
   b. Quality Assurance Results on underwriting decisions continues to be exceeding established goals.
   c. Telephone service response time continues to be in the meeting and exceeding categories. Service observation (listening to phone calls and scoring them) is now standard procedure and in 2018, the underwriters will have a quality score included as part of performance evaluations.
   d. Underwriting is operating below budget. Largely due to reduced headcount and managing the inspection budget.
   e. For the first 30 days post Harvey, underwriting had 85% of the department assisting with claim activities.

II. Underwriting Activities of Note:
   a. TWIA Certificate of Compliance (WPI-8-c's) status:
      i. through October 31, 2017 we have received 2,739 applications (WPI-3);
      ii. 2,387 WPI-8-C's have been issued ;
      iii. average turnaround time is three days;
      iv. reroof is the number one reason (71% of certificates)
      v. the month of October has been the highest volume month (807 applications)

vi. A Confirmation of Application review was completed for WPI-8-C applications received in the 2nd and 3rd quarter and letters were sent to 119 engineers (58 in Q2 and 61 in Q3) who had submitted applications in this time-period. A total of 16 engineers responded. Three identified errors; all were transposition errors when the license numbers were entered online and have been corrected.

vii. We are working with IT to establish next steps on improving automation and a better search ability for agents and engineers to see status of both WPI-8's and 8-c's.

b. Commercial and Manufactured Homes Policy Center project on track for implementation early 2018. Training will be a mix between online webinars and in person training.

III. Agency Compliance Audits:

a. Audits were performed on 20 agents (200 properties) to verify compliance with the declination of coverage and flood insurance requirements.

i. Agents provided the required declinations on all of the policies reviewed.

ii. 3 of the 200 policies reviewed required proof of flood coverage. The agents supplied information for all three, however the amount of coverage in two instances was less than the 90% requirement. Both have responded to advise the flood coverage amount would be increased to comply.

b. All 20 agents have an active property and casualty insurance license.

10. Claims
10A. Claims Operations

TWIA Claims Operations 2017

Harvey Claims Storm Report	TWIA				
	082517 Harvey				
	TWIA Total	Commercial	Residential	Mobile Home	No Policy & Unverified
New Claims	73,161	2,584	65,253	330	4,994
Closed Claims	68,600	2,176	61,134	318	4,972
Open Inventory	4,561	408	4,119	12	22
% Closed	93.8%	84.2%	93.7%	96.4%	99.6%
Closed With Payment	41,820	1,254	40,324	242	-
% Closed With Payment	57.2%	48.5%	61.8%	73.3%	-
Closed Without Payment	26,780	922	20,810	76	4,972
% Closed Without Payment	36.6%	35.7%	31.9%	23.0%	99.6%
Open With Payment	3,576	276	3,292	8	-
% Open With Payment	4.9%	10.7%	5.0%	2.4%	-
Open Without Payment	985	132	827	4	22
% Open Without Payment	1.3%	5.1%	1.3%	1.2%	0.4%
Paid Indemnity	$ 834,632,213	$ 199,840,735	$ 631,223,472	$ 3,568,007	$ -
Paid Expense	$ 88,859,073	$ 8,138,517	$ 80,277,469	$ 443,087	$ -
Average Paid	$ 18,403	$ 130,700	$ 14,487	$ 14,272	-
Avg # Days - FNOL to Inspect	9.2	10.0	9.1	9.5	
Avg # Days - Inspect to TWIA	7.0	12.1	6.8	6.8	-
Avg # Days - TWIA to Payment	19.4	21.3	19.3	24.6	-
Avg # Days - FNOL to Payment	32.8	42.1	32.4	40.6	-
TDI Claims Complaints	65	0	65	0	0
# TDI Complaints as a % of All Claims	0.089%	-	0.100%	-	-

(1) Data current as of: 11/26/2017

(2) Data from daily claims system extracts

(3) Does not include IBNR

(4) Dates of Loss for Harvey: 08/25 - 09/01/2017

TWIA Harvey Claim Counts by County

County	Nueces	Galveston	Jefferson	Aransas	San Patricio	Brazoria	Calhoun	Chambers	Matagorda	Harris	Refugio	Kleberg	Cameron	Unverified or NPIF	TWIA TOTAL
August Total	10,642	4,835	2,543	5,339	4,143	1,521	1,184	418	224	252	287	8	14	2,198	33,608
September Tota	12,745	5,267	6,375	1,590	2,344	2,122	1,193	503	563	284	112	18	8	2,545	35,669
October Total	893	530	653	85	136	239	102	47	55	25	11	6	7	191	2,980
11/1	19	9	11	3	3	4	3		2					7	61
11/2	20	9	15	1		10	2	1						2	60
11/3	14	12	12	1	6	2	3			1			1	4	56
11/4	3	1	2			1								2	9
11/5	1	1													2
11/6	32	16	16	2	9	9	2	1	1					4	92
11/7	23	14	14	4	5	4	1							7	72
11/8	16	16	17	1	2	2	2	3							59
11/9	9	7	13	3		5	2	1		1				3	44
11/10	12	8	4	2	3	4			2					5	40
11/11	1			2		1		1		1					6
11/12	1	1	1	1											4
11/13	16	13	10	2	2	5	6		1	1	1			7	64
11/14	12	9	10	1	2	6	6	2		2				4	54
11/15	19	7	4	1		2	1		2	1				2	39
11/16	18	6	8		2	2		1	4	1					42
11/17	16	10	9	2	3	4				2				4	50
11/18	1		2								1				4
11/19				1	1										2
11/20	25	6	8	2	4	5		1		1				2	54
11/21	11	12	11	3	2	1	2	1	3					4	50
11/22	5	7	4			2	2							2	22
11/23	1				1		1								3
11/24	2	3	4			2								1	12
11/25															0
11/26	2		1												3
TWIA TOTAL	**Nueces**	**Galveston**	**Jefferson**	**Aransas**	**San Patricio**	**Brazoria**	**Calhoun**	**Chambers**	**Matagorda**	**Harris**	**Refugio**	**Kleberg**	**Cameron**	**Unverified or NPIF**	**TOTAL**
	24,559	**10,799**	**9,747**	**7,046**	**6,668**	**3,953**	**2,512**	**980**	**857**	**572**	**412**	**32**	**30**	**4,994**	**73,161**

TWIA Closed Harvey Claims	Count	%
1. Closed with payment - Full Acceptance[1]	31,843	47%
2. Closed with payment - Partial Acceptance[2]	6,392	9%
3. Closed without payment - Depopulation[3]	1,456	2%
4. Closed without payment - Under Deductible[4]	14,824	22%
5. Closed without payment - Coverage Excluded[5]	3,099	5%
6. Closed without payment - No Policy in Force[6]	3,167	5%
7. Closed without payment - Opened in Error[7]	5,132	8%
8. Closed without payment - Not Pursued[8]	2,366	3%
9. Closed - Pending Reason Code[9]	0	0%
10. Total Closed[10]	**68,279**	**100%**

Row Data Descriptions:

1. Closed with payment - Full Acceptance: Claim as presented by policyholder is fully accepted by TWIA, subject to policy

2. Closed with payment - Partial Acceptance: Claim as presented by policyholder is partially accepted & partially denied by TWIA, subject to policy provisions, conditions and deductible.

3. Closed without payment - Depopulation: Claims submitted for a policy with a depopulation carrier. No TWIA policy in force.

4. Closed without payment - Under Deductible: Only includes fully or partially accepted claims for covered repair/replacement costs of damaged property where covered loss amount is below policy deductible.

5. Closed without payment - Coverage Excluded: Claim as submitted is not covered due to application of one or more policy exclusions. This represents a full denial of the claim.

6. Closed without payment - No Policy In Force: Claimant does not have an in-force policy with TWIA for the date of loss.

7. Close without payment - Opened in Error: Claim was opened by mistake by TWIA, Policyholder, or Agent. Typically involves a duplicate filed claim.

8. Closed without payment - Not Pursued: Before coverage determination is made, claimant advises TWIA they do not want to pursue their claim further.

9. Closed - Pending Reason Code: Closing reason code not selected. These will be assigned codes by 9/29/17 or sooner.

10. Total Closed: Sum of all closed TWIA hurricane Harvey claims.

Hurricane Harvey Disputed Claims

Hurricane Harvey Disputed Claims						
Dispute Frequency			Type of Dispute			
Total Claims	Disputed Claims	% of Disputed Claims	Appraisals	Notice of Intent	Mediation	Suits
73,161	378	0.52%	348	25	0	5

- "Dispute Frequency" tracks number of HB3 claims and the number and percentage of all HB3 claims where the policyholder is disputing the claim disposition for any reason.
- A single disputed claim may have more than one "type of dispute."

Hurricane Harvey Disputed Claims with Appraisal Invoked					
Total	Open/Pending	Appraisal Complete	Appraisal Process Stopped		
HB3 Appraisals	Appraisal In Process	Appraisal Award	Settled with Supplement	Withdrawn	Ineligible
348	268	0	37	42	1
	77%	0%	23%		

2017 TWIA Claims Operations (thru Sept.)

TWIA Claims - 2017 Results (through September)					
Key Cycle Times (In days)	**Industry Average, TX**	**TWIA**	**TWIA Plan**	**Variance to Plan**	**% Variance to Plan**
FNOL to Inspect Property	4.6	5.9	<3	2.9	97%
Inspect Property to Receipt by TWIA	2.9	4.7	<8	-3.3	-41%
Receipt by TWIA to Payment	N/A	7.9	<5	2.9	58%
Total Cycle Time FNOL to Payment	N/A	18.5	<16	2.5	16%
TDI Complaint Ratio					
2016	0.14% - 12 complaints from 8,393 new claims				
2017	0.02% - 14 complaints from 74,720 new claims				

Year	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Actual Volume	1,233	1,232	1,054	451	534	364	289	235	465	614	535	723	679	687	796	433	33,997	36,256
Actuarial Projected	2,366	2,458	492	512	515	501	444	437	437	550	557	574	1,679	2,167	1,115	729	547	466
Median Staffing	509	509	509	509	509	509	509	509	509	554	554	554	554	554	554	554	554	554
Open Inventory	947	959	675	567	562	443	389	335	470	517	394	646	539	520	464	376	32,978	45,679

2017 New Claim Volume

- Projected new claim volume was 8,384
- New claim volume was 74,720 or 66,336 (791%%) higher than projected

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	74,720

TWIA Hurricane Events	
Hurricane	TWIA Claims
Rita - 2005	11,583
Dolly - 2008	8,374
Ike - 2008	93,046
Harvey 2017	73,060

2017 Disputed HB3 Claims (thru Sept.)

2017 Disputed Claims						
Dispute Frequency			Type of Dispute			
Total Claims	Disputed Claims	% of Disputed Claims	Appraisals	Notice of Intent	Mediation	Suits
69,806	118	0.17%	73	30	0	22

- "Dispute Frequency" tracks number of HB3 claims and the number and percentage of all HB3 claims where the policyholder is disputing the claim disposition for any reason.
- A single disputed claim may have more than one "type of dispute."

2017 Disputed Claims With Appraisal Invoked					
Total	Open/Pending	Appraisal Complete	Appraisal Process Stopped		
HB3 Appraisals	Appraisal In Process	Appraisal Award	Settled with Supplement	Withdrawn	Ineligible
73	44	9	8	8	4
	60%	12%	27%		

All Disputed HB3 Claims (thru Sept.)

Disputed Claims Tracker						
Dispute Frequency			HB3 Disputed Claims			
Total Claims	Disputed Claims	% of Disputed Claims	Appraisals	Notice of Intent	Mediation	Suits
112,017	560	0.50%	367	216	56	117

- "Dispute Frequency" tracks number of HB3 claims and the number and percentage of all HB3 claims where the policyholder is disputing the claim disposition for any reason.
- A single disputed claim may have more than one "type of dispute."

Disputed Claims With Appraisal Invoked					
Total	Open/Pending	Appraisal Complete	Appraisal Process Stopped		
HB3 Appraisals	Appraisal In Process	Appraisal Award	Settled with Supplement	Withdrawn	Ineligible
367	45	90	110	70	52
	12%	25%	63%		

10B. Claims Litigation

TEXAS WINDSTORM INSURANCE ASSOCIATION

TWIA Litigation Tracking Activity

Litigation Quarter Summary

Third Quarter 2017

3rd Quarter 2017	Summary of TWIA Claims in Suit						
		New		Settled		Closed	
		Pre-HB3	HB3	Pre-HB3	HB3	Pre-HB3	HB3
	July	0	3	0	0	0	0
	Aug	0	0	0	0	0	0
	Sept	0	2	0	0	0	0
		0	**5**	**0**	**0**	**0**	**0**

3rd Quarter 2017	Summary of TWIA Claims with LORs						
		New		Settled		Closed	
		Pre-HB3	HB3	Pre-HB3	HB3	Pre-HB3	HB3
	July	0	4	0	0	0	0
	Aug	0	3	0	0	0	0
	Sept	0	26	0	0	0	0
		0	**33**	**0**	**0**	**0**	**0**

TEXAS WINDSTORM INSURANCE ASSOCIATION

TWIA Claims Litigation

September 2017

Sep-17	TWIA Claims in Suit				
	Category	Beginning Inventory	New	Closed	Ending Inventory
	Pre-HB3	20	0	0	20
	HB3	72	2	0	74
	TOTAL	92	2	0	94

Sep-17	TWIA Claims with LORs					
	Category	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
	Pre-HB3	0	0	0	0	0
	HB3	39	26	0	(2)	63
	TOTAL	39	26	0	(2)	63

Sep-17	TWIA Claims with Suits/LORs: Detail of Ending Inventory											
	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
		Suits		LORs			Suits		LORs			
		Res	Comm	Res	Comm	Total	Res	Comm	Res	Comm.	Total	
	Pre-HB3	8	12	0	0	20	0	0	0	0	0	20
	HB3	62	10	54	9	135	1	1	0	0	2	137
	TOTAL	70	22	54	9	155	1	1	0	0	2	157

TEXAS WINDSTORM INSURANCE ASSOCIATION

Sep-17

TWIA Active Pre-HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm and County

Firm	Brazoria	Cameron	Chambers	Galveston	Jefferson	Nueces	Willacy	Total
Buzbee			3	8				11
Daly & Black						1		1
Hodge Law Firm				1				1
Jose Luis Flores							1	1
Mostyn				1	1			2
Speights						2		2
Starnes					1			1
Weller Green Toups	1							1
TOTAL	1	0	3	10	2	3	1	20

TEXAS WINDSTORM
INSURANCE ASSOCIATION

Sep-17

TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm and County

Firm	Aransas	Brazoria	Cameron	Chambers	Galveston	Harris	Jefferson	Kemah	Kendall	Lee	Medina	Nueces	Refugio	Rockport	San Patricio	Titus	Travis	Total
Abreo & Carter										1								1
Allan, Nava & Glander		1																1
Ann Skaro															1			1
Barton					1													1
Beam					1													1
Bradford Condit												1						1
Brasher Law Firm							1											1
Cook & Anderson Law Firm, PLLC												2						2
Daly & Black		17			3	2												22
Efron & Efron	1																	1
Frank M Mason														1				1
Gamble & Russell PC											1							1
Gauthier Houghtaling								1										1
Goldberg Law Office					1													1
Gruber Hail Johansen Shank													1					1
Hodge Law Firm					2													2
Ignacio G. Martinez, P.C.			9															9
John Saenz & Associates, PC			1															1
Ketterman			3		1							3						7
Lamba & Associates PC						1												1
Lane Law Firm		1	1				1											3
Langley & Banack												2						2
Law Firm of Alton C. Todd					1													1
Law Office of Reynaldo Cisneros			2															2
Law Offices of Loree & Lipscomb												1						1
Lindsay, Lindsay & Parsons							4											4
LMDNM	1	1																2
Lopez Scott							1											1
Martin & Drought												1						1
McClenny Moseley & Assoc		1			4							1						6
Meade Bauer																	1	1
Mendez Law Firm			6															6
Monk Law Firm							1											1
Moore		1	9									1						11
Morris & Bermudez	1																	1
Moss Law Office												1						1
Mostyn					1							2						3
Phipps			1															1
Rebecca McCauley Bell																1		1
Renick Law Firm							1											1
Robert Green & Assoc, PC		1			1													2
Saucier & Smaistrla			2															2
Scott Law Offices							2											2
Snider Law Firm							1											1
Speights				1	1													2
Swanson Law Firm						1												1
The Collins Law Firm	1											1						2
The Robinowitz Law Firm		1																1
Voss Law Firm							4								2			6
The West Law Firm												1						1
Thornhill & Burdette												1						1
Timothy Fisher									1									1
Vincente Gonzalez			2															2
Williams Kherkher Hart Boundas, L					1							1						2
Wilson					1													1
Blank													1					1
TOTAL	4	24	36	1	19	4	16	1	1	1	1	19	2	1	3	1	1	135

11. TWIA Operations
11A. IT Systems Updates

TEXAS WINDSTORM INSURANCE ASSOCIATION

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: December 11, 2017

TO: John Polak, General Manager

FROM: Camron Malik, CIO / VP IT

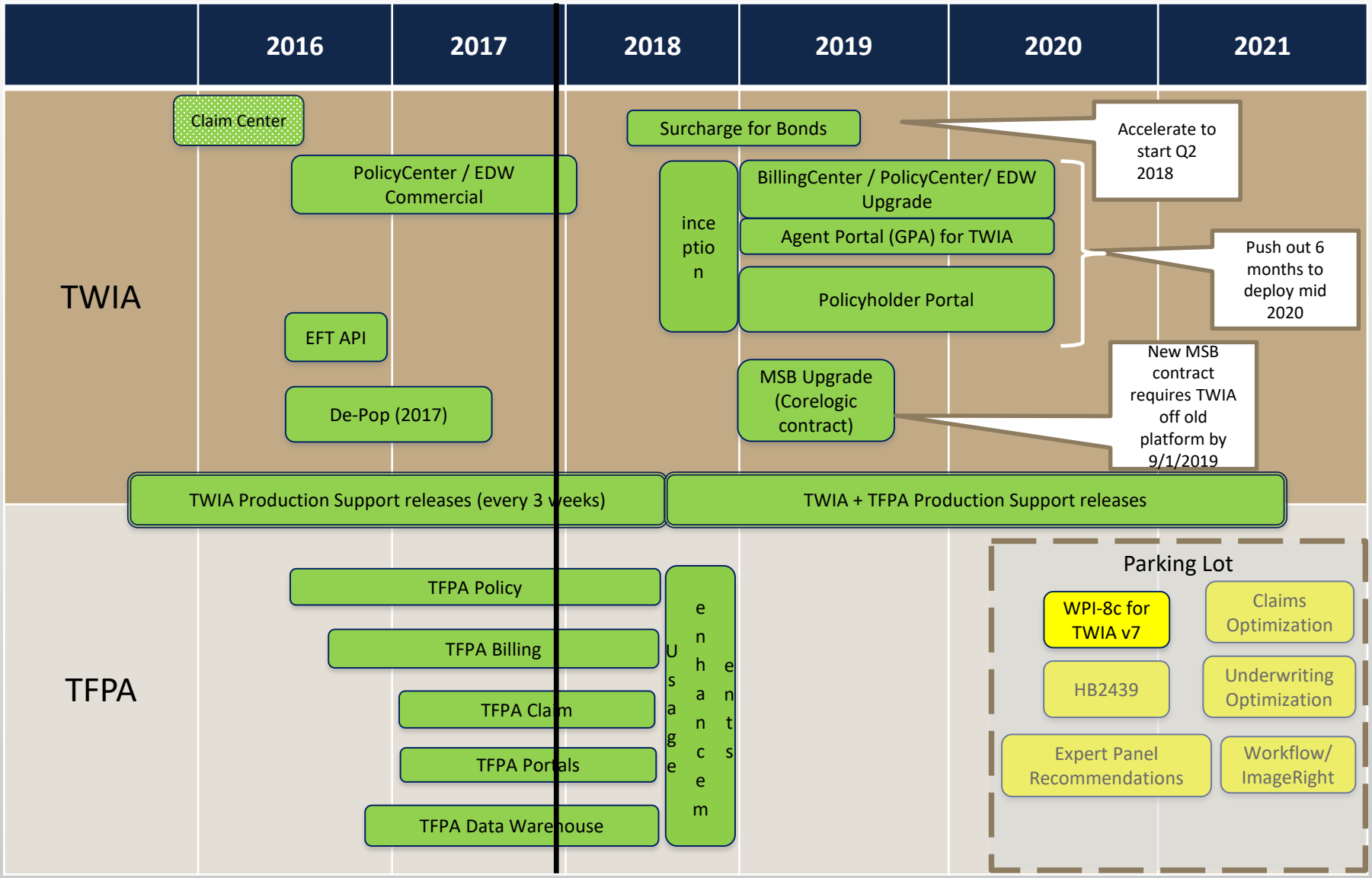
RE: Information Technology status

The IT department continues to stay on track with respect to all roadmap and departmental projects. The budget is well under control and the expenses for both Associations are below projections. The staff continues to monitor and mitigate risks and side effects of hurricane Harvey, and is working to meet all commitments.

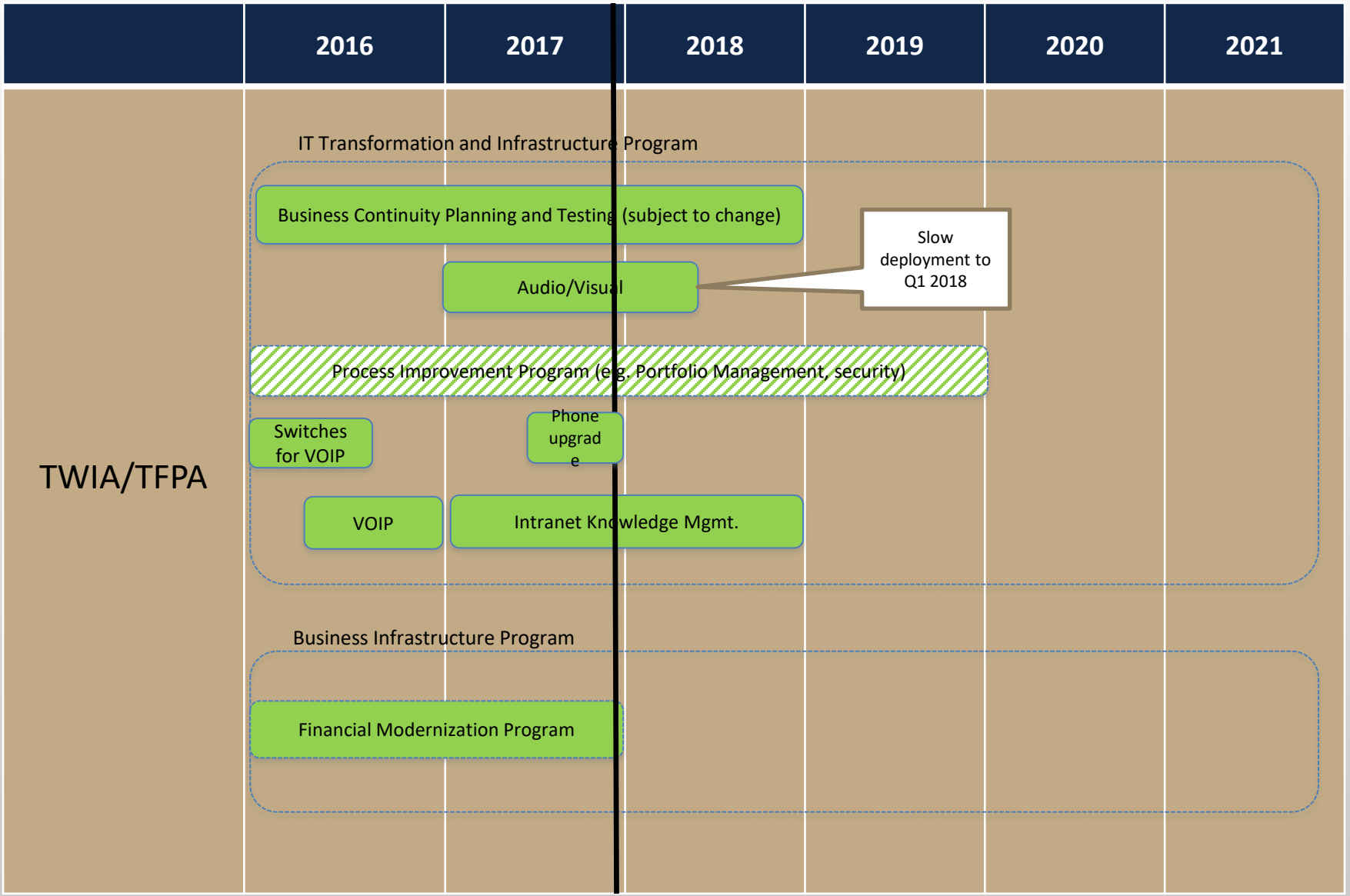
The TWIA Policy Center (PC - Commercial) achieved a major milestone with Development Complete and is on schedule for a January deployment. Additionally, the Production Support team continues to deliver on a 3-week cadence providing quick turnaround on enhancements and defect fixes. The Operations and Infrastructure team has provided excellent service in response to hurricane Harvey and continues to do so.

The TFPA program, comprised of 5 core projects, is on track. These include the Policy Center, Billing Center, Claim Center, Portals and Enterprise Data Warehouse projects. From a budget perspective our cost containment efforts are in place and I expect that we will maintain the lower expense run rate. Another planned parallel project to handle policy migration from the legacy system to the new platform has been initiated and is underway.

IT Roadmap Projects



IT Infrastructure Projects



11B. Depopulation

There is no exhibit for this topic

11C. TDI Examinations

There is no exhibit for this topic

11D. TWIA Expert Panel

There is no exhibit for this topic

11E. Communications Update

MEMORANDUM

DATE: November 21, 2017

TO: John Polak, General Manager

FROM: Jennifer Armstrong, Vice President, Communications & Legislative Affairs

RE: Communications & Legislative Affairs Operational Highlights

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I. Legislative & Regulatory Affairs

a) Maintained close contact with Coastal Bend legislators following Hurricane Harvey, providing claims and operational updates, responding to constituent inquiries, and taking part in their sponsored coastal outreach events.

b) Met with Rep. Greg Bonnen and Sen. Lois Kolkhorst in November to discuss TWIA's hurricane response and answer questions related to our claim handling operations.

c) Testified about TWIA's Hurricane Harvey response in front of the Appropriations subcommittee on Disaster Impact and Recovery in Corpus Christi on November 8.

d) Acted as primary point of contact for TDI related to Hurricane Harvey inquiries, coordinating resources to respond to regulatory requests timely and efficiently.

e) Met with TDI staff in September and October and the new Commissioner in October to discuss TWIA's catastrophe response and the efficacy of claims communications and necessary changes to meet external stakeholder needs.

f) Provided frequent updates to TDI and the Legislature on TWIA's catastrophe response, claim activity, and operations in the days leading up to and following Hurricane Harvey.

g) Received 109 legislative inquiries and 140 regulatory inquiries from TDI, OPIC, ICT, and TAPIA from July 1 through October 31, 2017.

II. Coastal & External Outreach

a) Provided agents, policyholders, and other external stakeholders with frequent communications through a variety of channels about TWIA's activities prior to and following Hurricane Harvey.

- Utilized agent bulletins to make agents aware of claim filing and status procedures, updates about our mobile claims centers and the transition to claims support centers, and information and resources that could be shared with their clients (our policyholders) about the claims process.

- Used social media (Twitter and Facebook) to communicate similar information to policyholders and our other followers about the claims process, our participation in outreach events, and disaster recovery information and updates related to ancillary entities such as FEMA, the Red Cross, TDI, and local and city governments.
- Leveraged social media to communicate directly and timely with over 82 policyholders about questions and concerns related to their claims or the claims process.

b) Restructured TWIA.org to help agents and policyholders more easily file their claims and get claim status updates, and added a dedicated Guides on the Claims Process webpage to make multiple graphics and documents available with information on various aspects of the claims process (all 10 documents are enclosed with this update).

c) Deployed to the coast in the immediate days and month following Hurricane Harvey to provide on-the-ground support for our mobile claims centers in Rockport, Port Aransas and Corpus Christi and meet with local, City, and State officials related to policyholder needs.

d) TWIA continued our participation in coastal outreach events in July and August as part of our hurricane preparedness campaign, and following Hurricane Harvey, we participated in 15 coastal outreach events for policyholders affected by the storm. All 19 events are listed below:

Date	Outreach Event
July 8	Brazoria County Hurricane Preparedness Expo
Aug. 2	Galveston County and Brazoria County Emergency Management Meeting
Aug. 3	Brownsville Office of Emergency Management Meeting
Aug. 8	Sand n' Sea Operations Meeting
Sept. 5	Port Aransas Townhall
Sept. 7	Regional Post-Hurricane Townhall with Rep. J.M. Lozano and Chairman Hunter
Sept. 19	Policyholder Q&A with Chairman Hunter in Port Aransas
Sept. 20	Rockport Chamber Networking Event
Sept. 22	Northern Brazoria County Disaster Survivor Assistance Informational Session
Sept. 28	Rockport-Fulton Chamber's Business After Hours Mixer
Sept. 29	Port Aransas Townhall
Oct. 5	Port Aransas Q&A
Oct. 10	College of the Mainland Assistance Fair
Oct. 11	Rockport-Fulton Chamber's Recover Rally
Oct. 18	Bayside Townhall
Oct. 22	Galveston Telephone Town Hall
Oct. 23	Rockport Recovery Fair
Nov. 1	Friendswood Chamber of Commerce Luncheon
Nov. 14	Corpus Christi Chamber's Coastal Bend Delegation forum

h) Contacted churches and chambers of commerce in the areas hardest hit by Hurricane Harvey to provide information to share with their congregants/members about our mobile claims centers and what to expect and how to navigate the claims process.

III. Media Relations

a) Disseminated several (five) media alerts to key contacts in the areas hardest hit by Hurricane Harvey to provide updates about TWIA's activities and useful information for readers/viewers on the claims process.

b) Took part in multiple interviews with KRIS 6 News out of Corpus Christi to provide information about our mobile claims centers in the area and helpful claim filing and process information.

c) Responded to 55 media inquiries related to Hurricane Harvey.

d) As of October 31, there are 1,136 media mentions pertaining to TWIA and Hurricane Harvey. Of those mentions:

- 17% are positive in sentiment
- 82% are neutral in sentiment
- 1% are negative in sentiment

IV. Agent Advisory Group (AAG) Updates

a) Canceled the Q3 AAG meeting scheduled for September 5 due to Hurricane Harvey.

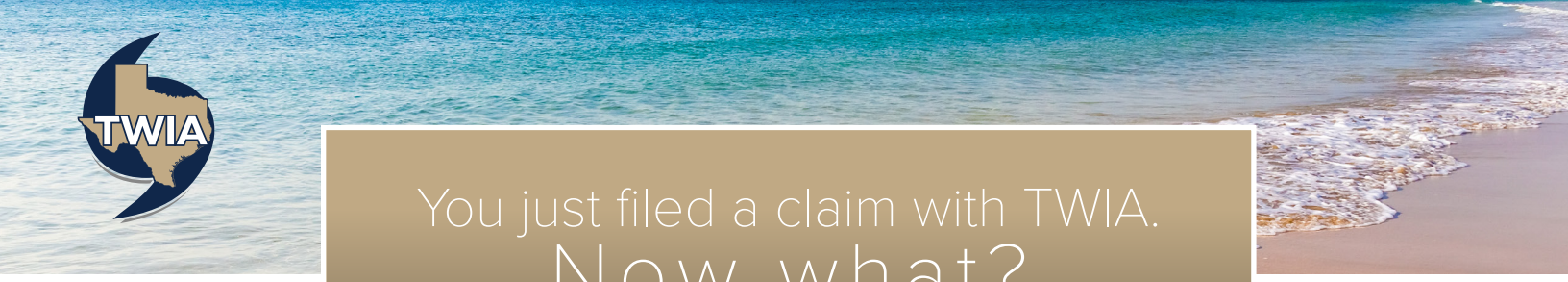
b) Convening the Q4 AAG meeting in early December to discuss TWIA's Hurricane Harvey response, the status of the 2017-2018 Assumption Reinsurance Depopulation program, and underwriting and Expert Panel updates.

V. Policy Center Commercial Implementation Change Management

a) Developed a change management strategy in July to provide guidance for agent and internal training and communications deliverables for the Policy Center Commercial implementation project.

b) Provided agents with a survey in August to collect feedback about their experience with Policy Center Residential and training and communication needs to help with a successful transition to Policy Center Commercial; received 267 completed surveys

c) Began agent communications in October about the implementation of Policy Center for commercial and manufactured home policies; additional communications will provide agents with the system and process changes they can expect and the training and resources that will be available to them to support their adoption of the new system.



You just filed a claim with TWIA. Now what?

WEEK 1 +

What TWIA does:

Your claim is assigned a number and field adjuster (FA). The FA assigned to your claim will call you directly to set up an inspection. On average, it takes a week for the adjuster to call and come out to inspect your property. This may be the first time you hear from TWIA after filing your claim.

? Claims are prioritized based on their severity.

What you should do:

Make temporary repairs to prevent further damage to your property while the claims process takes place. Be sure to take photographs before and after doing repairs, and save all receipts.

⚠ Do **NOT** make **permanent** repairs to your property before speaking with the TWIA desk examiner assigned to your claim.

Contact contractors and service providers to secure estimates for permanent repairs to your property. Please submit these estimates to TWIA, so they may be considered when determining an appropriate claims payment.

WEEK 2 +

What TWIA does:

Most, but not all claims involve an on-site inspection by an FA. If the FA comes to inspect your property, it is recommended for you to be present during the inspection so that you may allow the adjuster to fully inspect the property – both its interior and exterior. Your FA's role is to accurately assess the damage sustained and report this information to the TWIA desk examiner.

For information on the status of your claim your desk examiner will be able to help you more. Contact TWIA directly:

- Call us at 800-788-8247
- Go Online to https://www.twia.org/ClaimsCenter/

Once the inspection is complete, the FA creates a report on your property's damage and submits it to the TWIA desk examiner assigned to your claim. This will typically take three to seven days.

Claims with the most damage and properties that are uninhabitable are given priority over those with less severe damage.

⚠ During times of high new claim volume, and depending on your claim's severity, this could add a week to processing time.

What you should do:

Submit any supporting documents to TWIA through our online Claims Center or by emailing them to claims@twia.org (include your claims number in the subject line).

Supporting documents may include:

- Photos of the damage
- Receipts for temporary repairs or ongoing Additional Living Expenses
- Estimates for the cost of permanent repairs

? Additional Living Expenses (ALE):

Policyholders with ALE coverage who are unable to inhabit the residence due to a covered loss may be reimbursed for the additional necessary and reasonable costs to maintain a normal standard of living.

WEEK 3 +

What TWIA does:

The TWIA desk examiner assigned to your claim reviews the FA's report and any additional supporting documents. This step can take five to seven days.

After reviewing the report, TWIA contacts you to discuss payment on your claim. A check will be mailed separately from the letter that explains the basis for your claim payment. This is your Notice of Claim Acceptance or Notice of Partial Claim Acceptance letter(s). In many cases, your claim may be closed at the time of payment. However, that does not mean we are no longer here to help.

? You may receieve a check that has your mortgage company listed as a payee. Talk to your mortgage company to find out the best way to get this claim payment processed.

What you should do:

Our determination of your claim payment was based on an estimate of the costs to repair your property. The best way to determine the amount payable for your claim is to have a qualified contractor who is willing to do the work submit their bid for the same repairs reflected in our estimate. If you are not able to have the work performed for the amount we estimated, we ask you to contact us as soon as possible so we can assist you in determining the best way to reach an agreement on the amount payable for your claim. If you discover additional damages while making repairs and wish to present them for consideration, please contact us as soon as possible and provide any information you would like for us to consider. We will evaluate this information and determine if additional amount can be paid.

TWIA Claims Support Centers are Open

Our support staff can help policyholders with claim status updates and claim/loss adjustment questions. We are not able to process new claims or issue emergency payment checks.

Corpus Christi Location

As of Thursday, September 28, 2017 our **Claims Support Center** opened in Corpus Christi.
Find us at:

5262 S Staples St, Suite 115
Corpus Christi, TX 78411

Hours:
Monday-Friday 8am-6pm &
Saturday & Sunday 8am-5pm

Rockport Location

As of Monday, October 2, 2017 our **Claims Support Center** opened in Rockport.
Find us at:

GSM Insurors
1102 East Laurel Street
Rockport, Texas 78382

Hours:
Monday-Friday 8am-6pm &
Saturday 8am-5pm

Port Aransas Location

As of Monday, October 2, 2017 our **Claims Support Center** opened in Port Aransas.
Find us at:

Port Aransas Community Center
408 N. Alister St.
Port Aransas, TX 78373

Hours:
Monday-Friday 8am-6pm &
Saturday 8am-5pm

Still need to file a claim?

Call us anytime at 800-788-8247, option 1
or visit Claims Center at:
www.TWIA.org/ClaimsCenter

TWIA Claims Support Centers

We are Staying in Coastal Bend as Community Recovers

Our Mobile Claims Centers have served more than 10,000 TWIA policyholders since they opened at the end of August. As policyholder needs shift from emergency relief payments and claim filing to existing claims support, we have transitioned our temporary Mobile Claims Center operations into more permanent Claims Support Centers.

The Claims Support Centers' main focus is providing policyholders with guidance on existing claims and the windstorm certification requirements for completing repairs or replacement of damaged property. While the Claims Support Centers do not issue checks onsite for claim advance payments, they will ensure any claims checks are issued and mailed to the policyholder.

(Click to view larger image)

Corpus Christi Claims Support Center
5262 South Staples Street, Suite 115
Corpus Christi, TX 78411
Hours: Monday-Friday 8am-6pm, Saturday-Sunday 8am-5pm.

Port Aransas Claims Support Center
Port Aransas Community Center
408 North Alister Street
Port Aransas, TX 78373
Hours: Monday-Friday 8am-6pm and Saturday 8am-5pm

Rockport Claims Support Center - Moving soon!
GSM Insurors
1102 East Laurel Street
Rockport, TX 78382
Hours: Monday-Friday 8am-6pm and Saturday 8am-5pm

Policyholders can work with TWIA to resolve their claims at one of the Claims Support Centers, by logging into Claims Center at TWIA.org/ClaimsCenter, or by calling 1-800-788-8247, Option 1.

Temporary Repairs

An Important Step in Recovery

After filing a claim, make temporary repairs to protect your property from further damage.

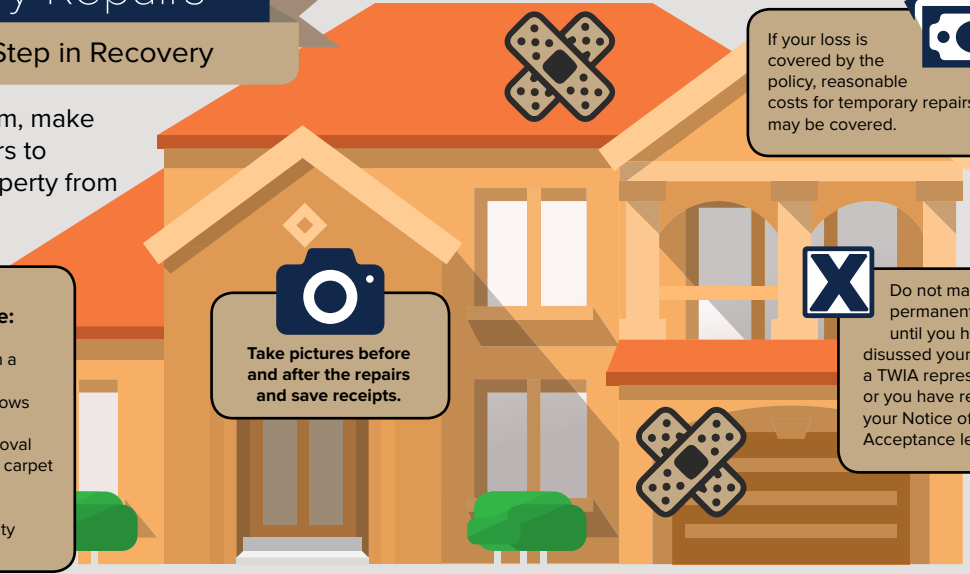
Temporary repairs include:

- Tree removal from a covered structure
- Boarding up windows and doors
- Interior water removal
- Removal of soiled carpet and sheetrock
- Roof tarping
- Restoration of utility services

Take pictures before and after the repairs and save receipts.

If your loss is covered by the policy, reasonable costs for temporary repairs may be covered.

Do not make any permanent repairs until you have disussed your claim with a TWIA representitive, or you have received your Notice of Claims Acceptance letter.



Get the Facts: TWIA and Mold

After a natural disaster, such as hurricanes and flooding, excess moisture may contribute to the growth of mold in homes. As we recover from Hurricane Harvey, we want to ensure our Policyholders are prepared in the event of mold. TWIA provides windstorm and hail insurance. This coverage does not extend to damage due to mold, fungi, or other microorganisms. If an item is damaged by wind or hail, and as a result of that damage mold begins to grow, TWIA may cover part of the mold-related loss.

☑ What TWIA will pay for:

TWIA will provide limited coverage to repair or replace an item that has mold, if this mold is a result of damage due to wind or hail.
Ex: Your home has drywall damage caused by wind-driven rain, and this drywall is now a habitat for mold. Though TWIA will not specifically treat the mold it may replace or repair the drywall because its damage arises from a peril, specific risk or cause of loss, covered by TWIA.

☒ What TWIA will not pay for:

In general, TWIA does not provide coverage for mold. This includes:

- Cost to treat or remove mold which exceeds the cost to repair or replace covered property damaged by wind and hail
- The cost to test for mold
- The cost to decontaminate your property
- Additional living expenses (ALE) resulting from the treatment of mold

Ex: Your home has drywall affected by mold, but this mold does not arise from damage due to a peril covered by TWIA. In this example, TWIA will not cover the mitigation, treatment, repair, or removal of the item.

What you can do to limit your mold risk:

Controlling moisture in your home is the most critical factor for preventing mold. Follow some of these tips to help prevent the growth of mold, fungi, or other microorganisms in your home.

- Clean up and dry out your home quickly, within 24 to 48 hours
  - › Mold can start forming in as soon as three days
  - › Stop any leaks and dry the affected areas immediately
    - ◆ Take pictures before and after all temporary repairs
- Remove any standing water
- Use fans and dehumidifiers to remove excess moisture
  - › Position the fans to blow outward to prevent further spread of mold inside the home
- Remove all porous items that cannot be thoroughly cleaned and dried in 48 hours
  - › Mold can grow on or fill in the empty spaces and crevices of porous materials, making it difficult or impossible to remove completely.
  - › Take pictures of any items before they are removed
  - › Example of porous materials include:
    - ◆ carpeting and carpet padding
    - ◆ upholstery
    - ◆ drywall
    - ◆ clothing and shoes
- Scrub mold off hard surfaces with detergent and water, and dry completely

Why is my mortgage company on my check?

Why is my mortgage company on my check?

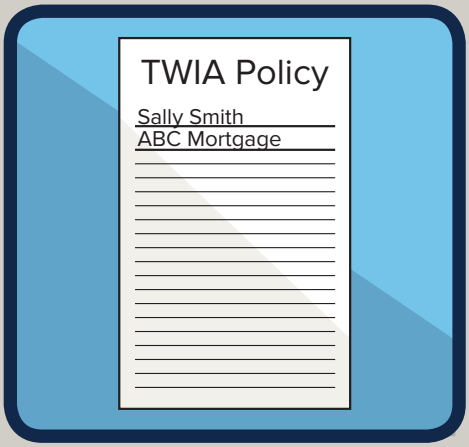
Mortgage companies generally require homeowners to carry property insurance and be included as a named insured on the insurance policy because of their financial interest in your property. As a named insured, the mortgage company is also included as a payee on your claim payment for your home.

How should I proceed?

Every mortgage company follows different guidelines on how to process these checks. Contact your company right away to find out how to endorse and process your claim payment check.

What if the mortgage company named on the check is incorrect?

If you are no longer working with the mortgage company listed on the check, this information will need to be changed on your policy to reflect your current company before a new check can be issued. To update this change on your policy please reach out to your agent, contact our claims department, or email correct mortgage documents directly to stoppay@TWIA.org.



1 Both policyholder and mortgagee have a financial interest in the property.

2 The check you receive may have both the name of the policyholder and the mortgage company.

3 Contact your mortgage company to find out how to endorse and process your claim payment check.

I just got a check, but the amount is not enough to pay for covered repairs.

What should I do?

The check isn't enough to pay for covered repairs

Submit to TWIA your contractor repair estimates (in line item format) for review

You may receive an additional check to pay for repairs

Just because we gave you a check and closed your claim doesn't mean your claim is done. All you have to do is submit your new/additional contractor estimate/documentation for us to review. Request line item estimates so TWIA can quickly compare and identify any discrepancies between the initial estimate and the actual repair costs. We will always consider any additional information that could support additional payments. Submit additional information to us through claims@twia.org or Claims Center at www.twia.org/claimscenter. Any additional payments are subject to policy terms and conditions.

Cash your check. The first check you receive may not be the last, but don't wait to cash the check you received. TWIA provides supplemental payments, which is a standard process with property insurance.

How TWIA Estimates Repair Costs

Our goal is to help you, the policyholder, begin restoring your home or business as quickly as possible. Your initial claim payment is intended to help you start this process and may not cover the total cost of repairs, especially in the aftermath of a hurricane when repair costs can significantly increase. When determining your initial claim payment amount, TWIA considers field adjuster reports and estimates for repair work as well as estimates you submit to TWIA.

If the total cost of your repairs exceeds or is expected to exceed your initial claim payment, you may be eligible for supplemental payments.

Step 1

Performs Onsite Inspection

The field adjuster performs an onsite inspection to review damage and take detailed measurements of the property. It is helpful if the policyholder is present at the time of inspection so they may allow the field adjuster to inspect both the exterior and interior of the property and answer any questions that he/she may have.

Step 2

Creates Estimate

The field adjuster uses generally accepted industry software to estimate repair costs. A detailed diagram of the building is sketched within the software program, often with the combination of aerial imagery and onsite measurements.

The company that produces the estimating software conducts market research to determine repair cost prices in your area. These prices are updated monthly and it is possible they will not reflect the rapidly increasing price for labor and material in the aftermath of a hurricane.

Step 3

Submits Report to TWIA

The field adjuster creates a report and estimate for your claim and submits it to TWIA.

The TWIA desk examiner assigned to your claim reviews the field adjuster's report, estimate, and any additional supporting documents. They determine your initial claim payment based on this information and issue your claim payment check.

If you are not able to have repair work performed for the amount on your claim payment check, contact TWIA and submit new/additional contractor estimates/documentation as soon as possible so we can determine the amount payable for your claim. (Remember: you are responsible for the deductible portion of your loss.)

Additional Information

Please note: Your TWIA policy covers what was in place at the time of loss for building materials of a similar kind and quality. It is your decision whether you want to upgrade materials or not. However, TWIA can not cover any upgrade costs unless:

1. the local codes or ordinances require the upgrade to meet local requirements, and TWIA is required to cover the cost or
2. you had purchased an increased cost of compliance endorsement to your policy.

This is the usual process. Every claim is unique and adjusted on its own merits.

What the policyholder should do to help ensure accurate estimates:

1. Gather contractor estimates for the cost of repairs. Request line item estimates so TWIA can quickly compare and identify any discrepancies between the initial estimate and the actual repair costs.
2. Submit these estimates and documentation of the damage to TWIA through our online Claims Center or by emailing them to claims@twia.org.

Windstorm Certification Requirements

Ensure your property remains eligible for TWIA coverage by obtaining any needed Certificates of Compliance, also known as WPI-8s or WPI-8-Cs. These certify that your property meets the windstorm building code requirements for your area. The Texas Department of Insurance (TDI) oversees the Windstorm Certification Program and certifies ongoing improvements (WPI-8). Starting in 2017, TWIA certifies completed improvements (WPI-8-C).
TWIA is required to confirm a property has a Certificate of Compliance (WPI-8 or WPI-8-C) before providing coverage.

To find out if your repairs qualify for a free WPI-8 inspection, call TDI before work begins at (800)248-6032.
TDI can only inspect work while it is in progress.

- Call TDI at (800)248-6032 or email them at windstorm@tdi.texas.gov.
- A TDI-employeed inspector can inspect your property at no charge.
- Not all repairs require an inspection. Consult TDI's website tdi.texas.gov/wind/ or call them at (800)248-6032 to determine if you need an inspection or not.

If repairs are completed, contact a Texas-licensed engineer to apply for a WPI-8-C
A property owner may hire a Texas-licensed engineer to certify completed improvements to the property.

- If the engineer confirms the improvements comply with the local building code requirements, they submit a form to TWIA attesting to this at www.twia.org/wpi-3-form/.
- TWIA issues the Certificate of Compliance (WPI-8-C) for the property if all required information is on the form.
- Contact TWIA's Agent Services at (800)231-5360 for more information or additional help.

For TWIA policies that have incurred a loss during Hurricane Harvey, TWIA will do everything possible to work with you and make reasonable accommodations to provide continuous coverage while the structure is undergoing repairs. However, without a WPI-8 or WPI-8-C, the structure may be considered ineligible for coverage with TWIA.

Claims Dispute Resolution

Claims Filing Process

- Policyholders have one year from the date the property was damaged to file a TWIA claim.
- After receiving all the requested information from the policyholder, TWIA has 60 days to investigate and notify the policyholder if it will accept or reject the claim.
- TWIA has 10 days to pay a claim after it has accepted coverage for a claim and the policyholder has provided all the requested materials.

TWIA's Claims Decisions

TWIA makes one of three claims decisions:

- TWIA accepts coverage for the claim in full
- TWIA accepts partial coverage for the claim
- TWIA denies coverage for the claim in full

If the policyholder disputes the amount of loss TWIA accepts for a claim, either partially or fully, the policyholder must work with TWIA to resolve any disputes or request appraisal.

Disputes Regarding Accepted Claims *Claims Appraisal*	Disputes Regarding Denied Claims *Alternative Dispute Resolution/Intent to File a Lawsuit*
CONDITIONS	
• Appraisal is the means for resolving any dispute over the accepted portion of a covered loss. Policyholder can only request appraisal on those items of damage for which coverage was accepted. • The policyholder must request appraisal within 60 days (120 days for Hurricane Harvey claims) from the date they received notice from TWIA of claim acceptance. The deadline may be extended 30 more days, if requested within 15 days after the initial deadline. • If the policyholder does not meet the deadline, they waive the right to contest the accepted portion of the claim.	• If the policyholder disputes TWIA's decision to partially or fully deny coverage for a claim, they must provide notification they intend to bring suit against TWIA. • The policyholder has two years after receipt of a claim decision to notify TWIA of a coverage dispute. • If a policyholder misses the two year deadline, they waive the right to contest TWIA's denial of the claim, and are barred from bringing a lawsuit concerning denial of coverage.
PROCESS	
• The policyholder and TWIA each select an individual appraiser to determine the amount of loss. If the appraisers cannot agree on the amount of the loss, an independent umpire will be selected by the appraisers. An agreement by any two of these three participants will determine the amount of the loss. • The appraisal decision is final and binding. • All costs and expenses for appraisal are shared equally by TWIA and the policyholder, including costs for both appraisers and the umpire. •A policyholder may challenge an appraisal decision by filing a lawsuit no later than two years from the date of the appraisal decision to vacate the appraisal decision and begin a new appraisal process. Lawsuit criteria is outlined in theTexas Windstorm Insurance Association Act, Section 2210.574 (g), Texas Insurance Code.	• As a prerequisite to filing suit, TWIA has the option of requiring the policyholder to submit the dispute to Alternative Dispute Resolution (ADR). Mediation is the primary form of dispute resolution utilized by TWIA. • ADR must be completed no later than 60 days after TWIA requests ADR, unless the period is extended by mutal agreement of by rule of the commissioner of insurance. • If ADR is not completed or if a policyholder is not satisfied after the ADR, they may bring a lawsuit in a district court no later than two years after the date the policyholder received TWIA's decision regarding the claim. • Lawsuit criteria is outlined in the Texas Windstorm Insurance Association Act, Section 2210.576 (b), Texas Insurance Code. • All costs and expenses of mediation are shared equally by both parties.

For questions about the Claims Dispute Resolution Process, call (800) 788-8247, option 1 or email claims@twia.org

TWIA Claims Center for Policyholders
Registering and Logging In

WHAT IS CLAIMS CENTER?

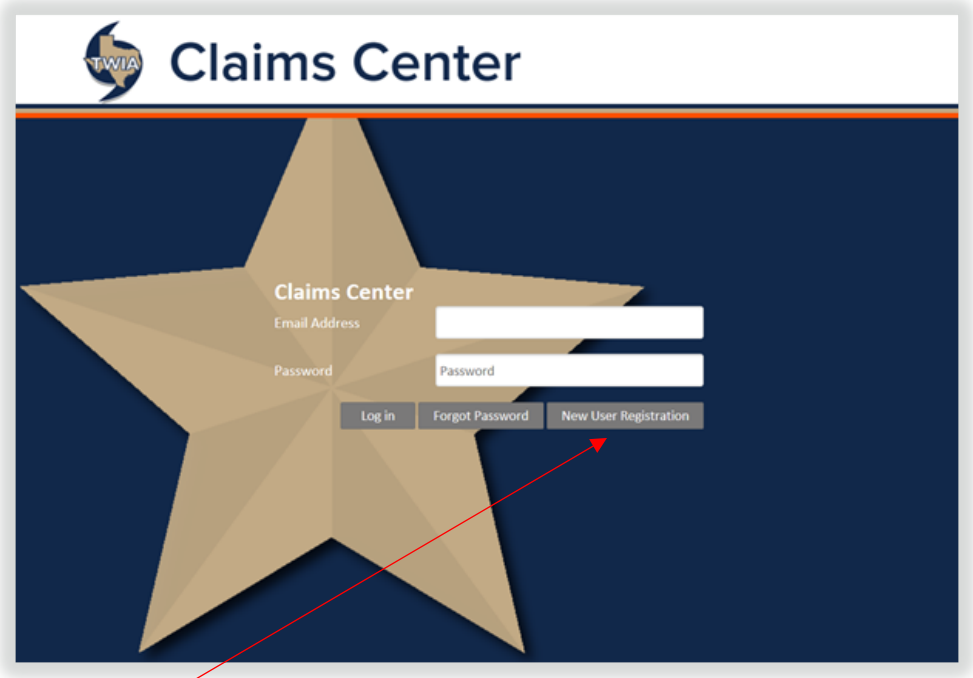
The TWIA Claims Center for policyholders (Policy.TWIA.org) lets you:

- File a claim online
- Check on the status of your claim
- Upload supporting photos and documents
- Review documents related to your claim
- Communicate directly with TWIA about your claim
- View policyholder resources

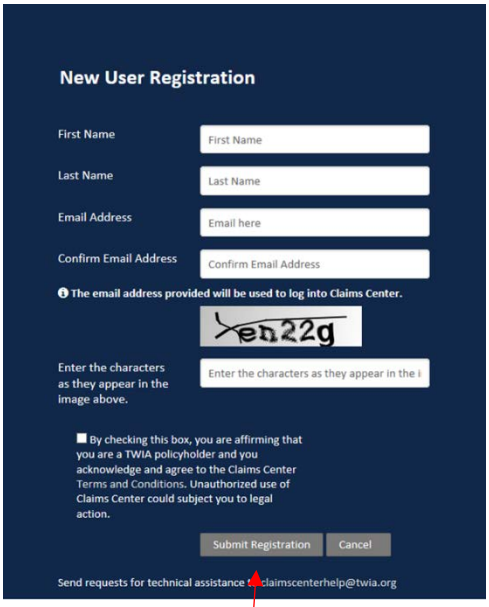
HOW TO REGISTER AS A NEW USER

1. Visit Policy.TWIA.org

You may also access the TWIA Claims Center by visiting TWIA.org/ClaimsCenter and clicking on *Get Started*.



2. Click *New User Registration*

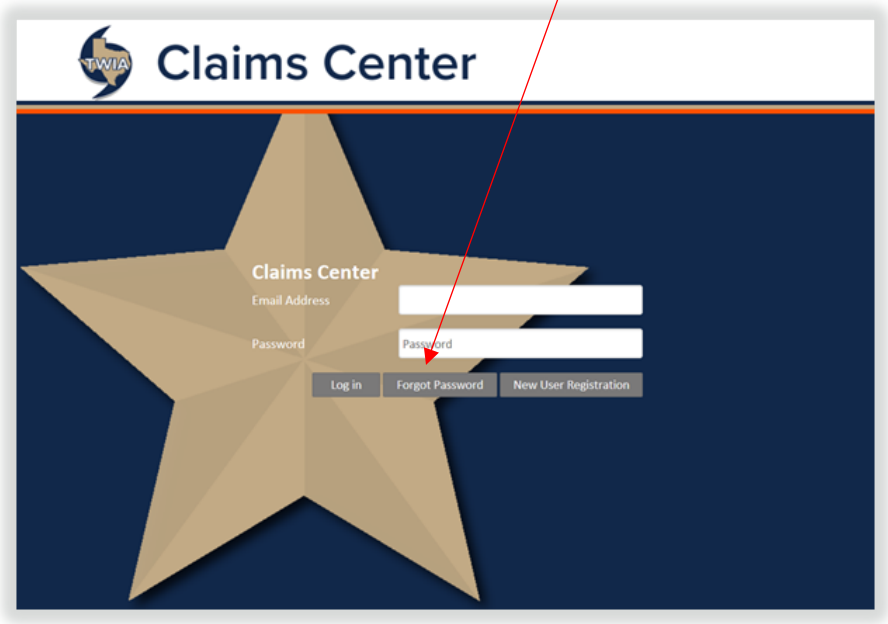


3. Register
Fill out the New User Registration form and select *Submit Registration*

4. Log In to Claims Center
You will receive an email with a temporary password. Return to Policy.TWIA.org and enter your email address and temporary password to log in.

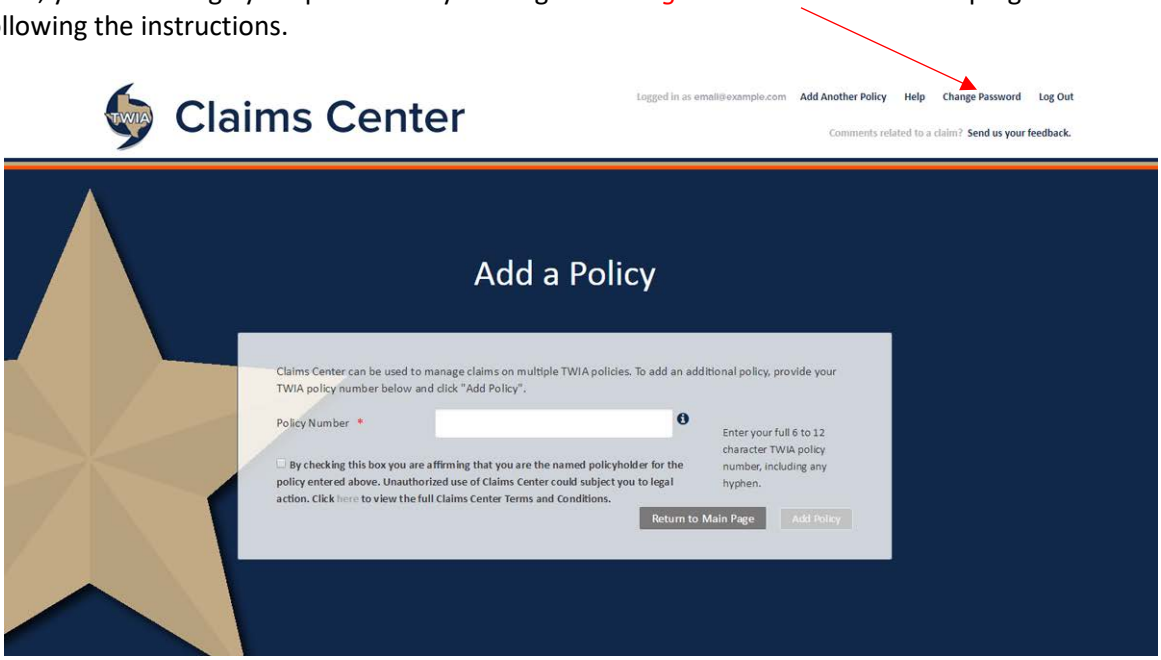
If you do not receive an email with your temporary password:

1. Check your Spam folder
    - Note: If using a .edu email address, you may have additional Spam filtering through your school
2. If an email with your temporary password is not in your Spam folder, make TWIADoNotReply@TWIA.org a trusted contact. Then, visit Policy.TWIA.org and select the *Forgot Password* button and follow the instructions to have a new password sent to your inbox.



5. Change your Password

Once logged in, you can change your password by clicking the *Change Password* link in the top right hand corner of the page and following the instructions.



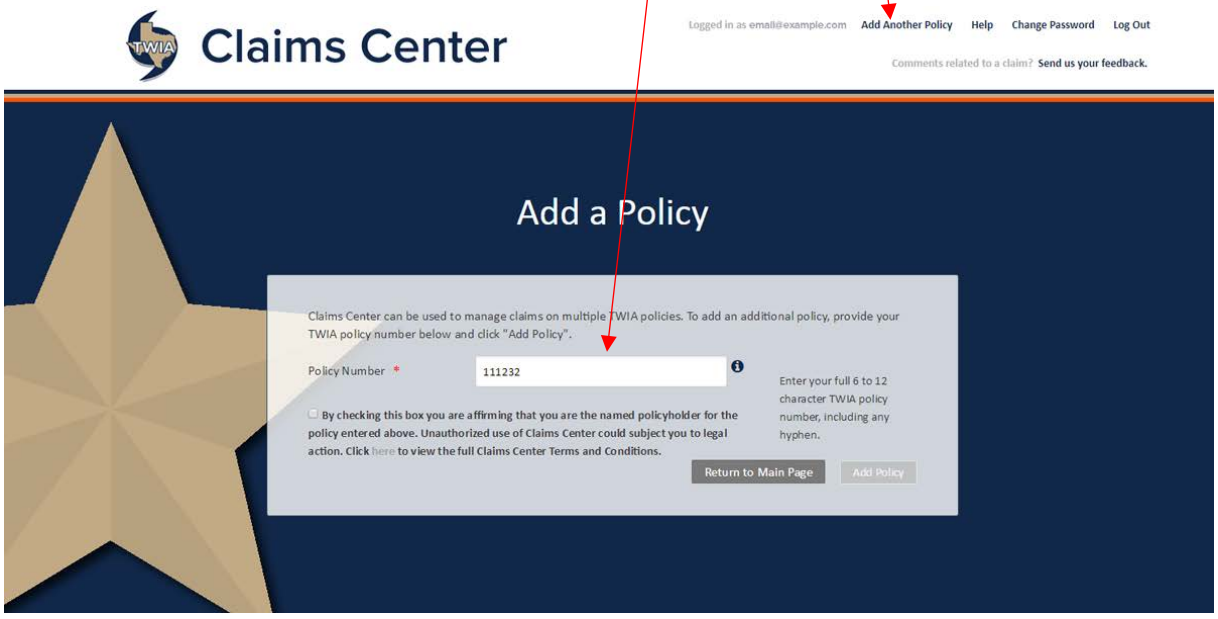
HOW TO VIEW A CLAIM ON YOUR NEW ACCOUNT

Your Claims Center account does not automatically add your TWIA policy information – you will need to manually enter it. Once your TWIA policy is added to your Claims Center account, you can see and manage your TWIA claim. To add a policy:

1. Log in to Claims Center at Policy.TWIA.org

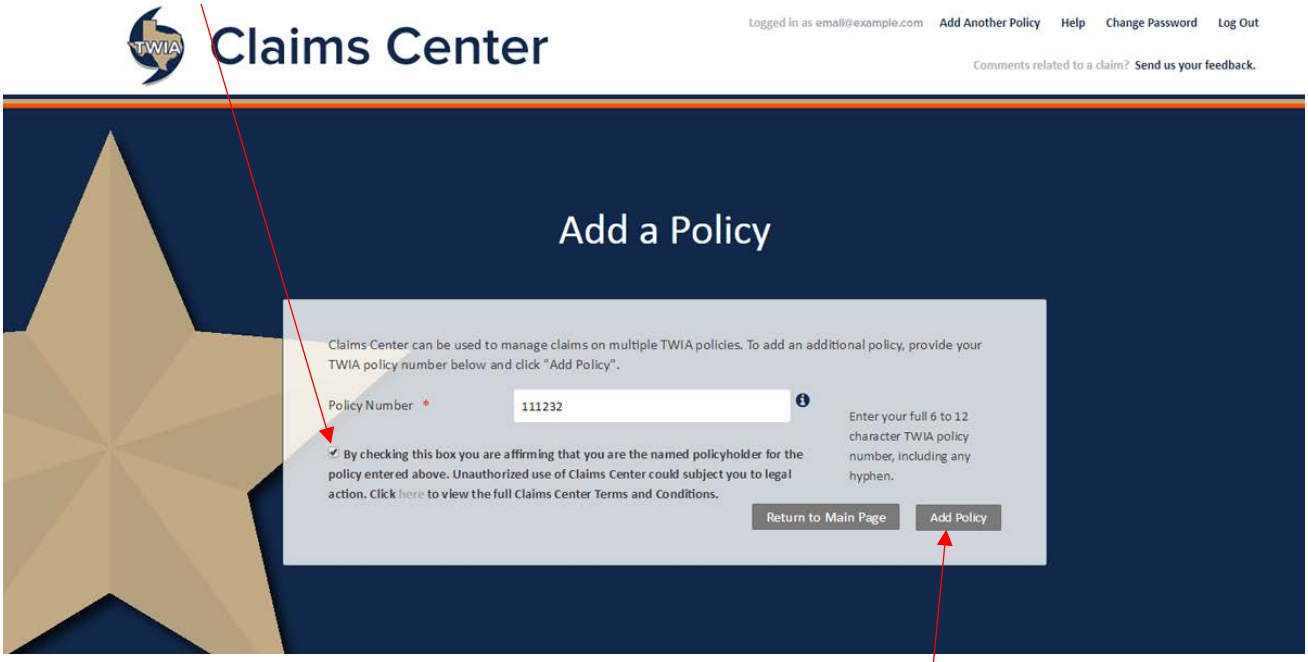
2. Enter your Policy Number

If you do not land on the Add a Policy page after logging in, click on the *Add Another Policy* link in the top right hand corner of the page and enter your policy number in the *Policy Number* field.



**Note: For residential policies, omit the hyphen and two digits at the end of your policy number.

3. Check the *Terms and Conditions* box

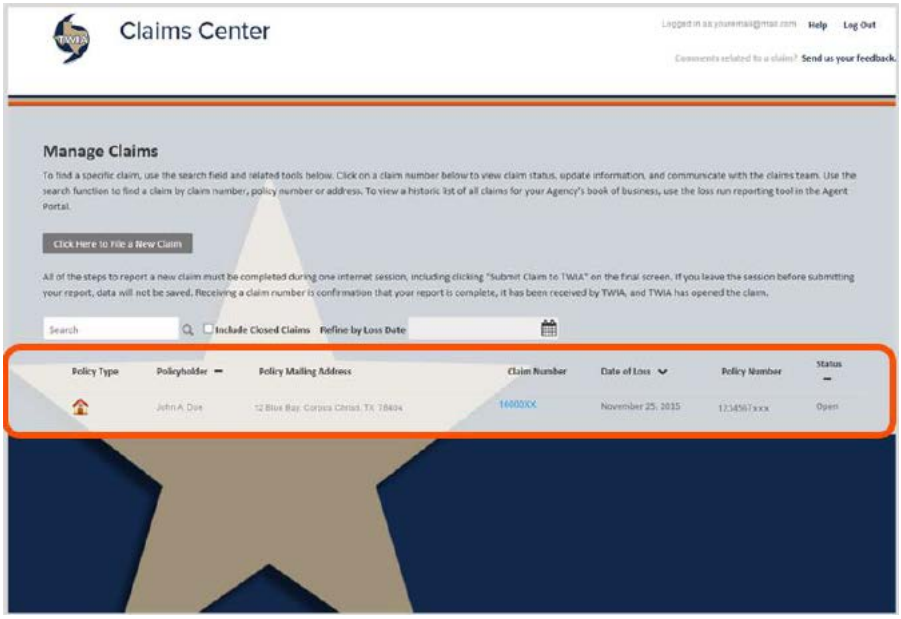


After checking the *Terms and Conditions* box, you should be able to click the *Add Policy* button.

**Note: The Add a Policy page is most compatible with desktop computers, laptop computers, tablets turned horizontally, and mobile devices turned horizontally.

4. View and Manage your Claim

At the bottom of the Manage My Claims page is a listing of any claims that were previously filed with TWIA. If you do not have any claims associated with your TWIA policy, the area in the red border below will remain blank.



**Note: If you filed a claim with TWIA and are still unable to see it in Claims Center after following these steps, email ClaimsCenterHelp@TWIA.org for additional assistance.

After adding your TWIA policy information to your Claims Center account, you can:

- View information on previously created claims
- Enter new claims
- Search for past claims

ADDITIONAL ASSISTANCE

If you need assistance, email ClaimsCenterHelp@TWIA.org. Please include:

- Your name
- Your address
- Your TWIA policy or claim number

It is also helpful to include:

- If you need to file a new claim
- What internet browser you're using
- Any error messages you saw on screen

11F. Review and Approval of 2018 Budget

MEMORANDUM

DATE: November 27, 2017

TO: John Polak, General Manager

FROM: Jerry Fadden, Chief Financial Officer

RE: **TWIA 2018 Budget Summary**

The attached budget represents the culmination of the TWIA 2017 Planning Process. This document is intended to provide detailed assumptions and input underlying the 2018 Financial Budget.

Revenue Planning Key Assumptions & Results

- Rate change of 5% effective January 1, 2018
- Projected policy in force is expected to decline from 227 thousand at December 31, 2017 to 209 thousand through December 31, 2018. Approximately 2,800 policies are expected to be depopulated after the policyholder opt out period ends and another 15,200 policies are planned to decrease attritionally.
- Direct exposures are expected to decrease from $64.8B at December 31, 2017 to $60.1 billion as of December 31, 2018.
- Direct written premium is expected to be $406 million for 2018 which is a 4% decline from 2017.
- Direct earned premium is expected to be $411 million for 2018 which is a 9% decline from 2017.

Loss & LAE Key Assumptions & Results

- The direct loss & lae ratio assumed for 2018 is 17.2%.
- The 10 year average loss & lae ratio, excluding hurricanes, from 2008 to 2017 is approximately 14.1%. The 2018 ratio was selected higher to give more weight to the results of recent years which had higher storms in the 1st and 2nd quarters.

Reinsurance

- Wind/hail exposure purchases
    - Reinsurance is expected to be placed in both the traditional and catastrophe bond markets for the 2018 storm season.
    - The 2018 reinsurance premiums ceded have been projected to increase $30 million over the 2017 forecast due to a lower attachment point. The 2nd year coverage protection purchased in 2017 will be expensed in 2018 as the coverage was triggered by the depletion of the CRTF. Ceding Commission / brokerage is projected at $3.9 million and is consistent with the ceded written premium from the traditional program
- Depopulation reinsurance – Round 2
    - TWIA will be entering into a reinsurance agreement with the depopulation carriers effective December 1, 2017 on an earned premium basis.
    - The treaty is expected to be in place until the underlying policies are novated on June 1, 2018.

- The premiums will be held by TWIA net of ceded losses and loss adjustment expenses (lae) paid as well as a 24% ceding commission. These funds will be remitted to the depopulation carriers in June of 2018 with monthly true-ups subsequently for losses and lae to be paid and ceded after June 1, 2018.

Acquisition Expenses

- Commission expense is projected at 16% and is consistent with the rate for 2017.
- Premium tax expense is projected at 1.97% consistent with 2017.

Operating Expenses

- These expenses are built using both a bottom up approach and a top down approach. Each department head is responsible for building their budget from the bottom up and reviewed with executive management. Executive management provided guidance regarding certain assumptions to be used, such as base compensation changes, inflation etc.
- As done in the 2017 Budget incremental Claim departmental costs associated with spring storms have been estimated as part of the 2018 budget.
- Key operational expense analysis is as follows:
  - Personnel Costs – $53.9 million – below the 2017 forecast of $62.3 million.
    - The 2018 budget reflects $34.5M in costs associated with contractors and temporary help to continue the Hurricane Harvey claims response.
    - The Association continues to try to effectively and economically balance the need of permanent staff versus the utilization of contractors and temporary help.
  - Professional Services - $11.1 million – below the 2017 Forecast of $13.6 million and above the 2017 Budget of $5.8M.
    - The difference from the 2017 forecast is due primarily to lower claims professional services utilized in the Hurricane Harvey response.
    - Increase of approximately $4.5 million over the 2017 budget in Other Services for the implementation of the "Expert Panel" (slab claim settlement guidelines).
  - Hardware & Software Purchases & Licensing - $3.2 million – very close to the 2017 budgeted and forecasted amounts.
  - Rental & Maintenance - $1.3 million – very close to the 2017 budgeted and forecasted amounts.
  - Travel Expenses - $0.4 million – up slightly from the 2017 budgeted and forecast amounts due to continued expense associated with the catastrophe deployment as well as additional outreach.
  - Postage & Telephone - $1.0 million – very close to the 2017 budgeted amount.
  - Capital Management Expenses - $0.2 million – this is based on small maintenance costs associated with the 2014 Pre Event Class 1 Bond Issuance and potential work associated with the 2018 funding structure.
  - Depreciation - $.9 million - primarily consists of amortization of costs associated with the Policy Center implementation, which will be fully amortized in May 2018. Under statutory accounting rules, these costs are required to be amortized over a 3 year period.
  - Other Operating Expenses - $1.1 million – very close to the 2017 budgeted and forecasted amounts.

Other

- Gross investment income is projected higher in 2018 than 2017 due to higher yields in the marketplace.
- Interest and principal payments are expected to be approximately $80 million in 2018.

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Income Statement (000's omitted)

	for the twelve months ended December 31,			
	Forecast - 2017	**Budget - 2017**	**Variance - 2017**	**Budget - 2018**
Premiums Written:				
Direct	$ 423,091	$ 456,359	$ (33,268)	$ 405,876
Ceded	(95,039)	(123,658)	28,619	(139,385)
Ceded - Depopulation	(9,125)	(14,215)	5,090	(3,086)
Net	318,927	318,487	441	263,405
Premiums Earned:				
Direct	$ 449,936	$ 472,463	$ (22,527)	$ 411,341
Ceded	(95,039)	(123,658)	28,619	(139,385)
Ceded - Depopulation	(9,125)	(14,215)	5,090	(3,086)
Net	345,772	334,590	11,182	268,870
Deductions:				
Losses and LAE Incurred	45,786	81,127	(35,341)	70,595
Losses and LAE Incurred - Harvey	1,132,000	0	1,132,000	0
Ceded Losses and LAE Incurred - Depopulation	(1,476)	(3,984)	2,507	(873)
Operating Expenses	26,653	25,683	969	30,998
Commission Expense	67,665	73,018	(5,353)	64,939
Ceding commissions / brokerage	(1,146)	(3,402)	2,255	(3,869)
Ceding commissions / brokerage - Depopulation	(2,190)	(3,412)	1,222	(741)
Premium / Maintenance Tax	8,326	8,990	(664)	7,996
Total Deductions	1,275,618	178,022	1,097,596	169,046
Net Underwriting Gain or (Loss)	(929,845)	156,569	(1,086,414)	99,824
Other Income or (Expense):				
Gross Investment Income & Other	6,773	2,895	3,878	5,630
CRTF Funds Received	744,501	0	744,501	0
Interest Expense on Debt	(35,354)	(35,354)	0	(32,303)
Debt Issuance & Other Investment Expenses	(186)	(193)	7	(196)
Total Other Income or (Expense)	715,734	(32,652)	748,386	(26,869)
Net Income (Loss)	$ (214,112)	$ 123,916	$ (338,028)	$ 72,955
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	0	0	(0)	(161,469)
Net Income (Loss)	(214,112)	123,916	(338,028)	72,955
Principal Funded on Class 1 Bonds (net)	59,160	(46,476)	105,636	0
Change in nonadmitted assets - Other	(6,517)	2,720	(9,237)	10,110
Statutory Fund Cost	(0)	(80,161)	80,160	0
Ending Surplus (Deficit)	$ (161,469)	$ 0	$ (161,469)	$ (78,404)
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio	261.8%	17.2%	244.6%	17.2%
UW Expense Ratio:				
Acquisition	18.0%	18.0%	0.0%	18.0%
Non Acquisition	5.9%	5.4%	0.5%	7.5%
UW Expense Ratio	23.9%	23.4%	0.5%	25.5%
Direct Combined Ratio	285.7%	40.6%	245.1%	42.7%
Net Combined Ratio	370.4%	54.2%	316.2%	63.3%

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Expense Report (000's omitted)

	for the twelve months ended December 31,			
	Forecast - 2017	**Budget - 2017**	**Variance - 2017**	**Budget - 2018**
Personnel Expenses				
Salaries & Wages - Permanent	11,209	11,026	183	11,978
Contractor & Temporary Help	46,276	1,745	44,531	36,655
Payroll Taxes	838	857	(19)	938
Employee Benefits	3,697	3,597	100	3,873
Recruiting, Training & Other	299	334	(35)	469
Subtotal	62,319	17,559	44,760	53,914
Professional & Consulting Services				
Legal	502	758	(256)	584
Accounting & Auditing	305	252	52	274
Information Technology	156	541	(386)	1,096
Actuarial Services	22	21	1	29
Ombudsman Program	113	128	(15)	114
Surveys & Inspections	1,977	2,026	(49)	2,028
Disaster Recovery Services	71	74	(3)	105
Other Services	10,411	1,993	8,418	6,893
Subtotal	13,556	5,794	7,762	11,125
Hardware/Software Purchases & Licensing	3,199	3,205	(5)	3,237
Rental & Maintenance - Office/Equipment	1,298	1,308	(10)	1,338
Travel Expenses	328	330	(1)	394
Postage, Telephone and Express	1,272	1,030	241	1,006
Capital Management Expenses	186	193	(7)	196
Depreciation	2,706	2,761	(54)	902
Other Operating Expenses	1,090	1,089	1	1,100
Total Operating Expenses	85,954	33,269	52,685	73,211
Capitalization of Fixed Assets	0	(200)	200	(50)
Reimbursement of Depopulation Servicing Expenses	(510)	(870)	360	(374)
Allocation To ULAE	(58,606)	(6,323)	(52,283)	(41,593)
Allocation To Investing	(186)	(193)	7	(196)
Net Operating Expense - UW Operations	26,653	25,683	969	30,998

15. Future Meetings
February 6, 2018 – Marriott South – Austin
May 8, 2018 – Hyatt Regency – Austin
July 31, 2018 – Tremont House – Galveston