TEXAS WINDSTORM INSURANCE ASSOCIATION

Legislative & External Affairs Committee Meeting Materials

September 1, 2026

TEXAS WINDSTORM INSURANCE ASSOCIATION

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Executive Summary

Biennial Report to Legislature

Texas Insurance Code Section 2210.0025 requires the Texas Windstorm Insurance Association (TWIA) Board of Directors to submit to the Commissioner of Insurance, the Senate Committee on Business and Commerce, the House Committee on Insurance, and the Sunset Advisory Commission "a written report relating to the operations of the association during the preceding biennium." The report is due on or before December 31 in the year prior to a legislative session and "must include:

1) any proposed changes in the laws relating to regulation of the association and a statement of the reasons for the changes; and
2) any information regarding association operations or procedures that is requested by the department to be addressed in the report."

Materials Overview

The Board of Directors has directed the Legislative and External Affairs Committee (the "LEA Committee") to develop potential legislative recommendations for inclusion in the 2026 Biennial Report for the Board's consideration.

This document includes two prior legislative recommendations from the 2024 Biennial Report[1] that were not filed by the 89th Legislature, Regular Session (2025), and new topics for the LEA Committee's consideration, submitted by Board members and Association staff.

Additional information requested by the LEA Committee at its June 22 meeting has been added to this document, along with two new topics submitted by Board members.

The LEA Committee will present its final recommendations to the Board for approval, and the completed Biennial Report will be submitted to the Legislature later this year as required by statute.

[1] Available on TWIA.org (https://www.twia.org/wp-content/uploads/2024-TWIA-Biennial-Report-to-89th-Legislature_Final.pdf)

Topics for Consideration

Item #	Source	Topic	Description
Items 1 and 2 are legislative recommendations from the 2024 Biennial Report that were not filed by the 89th Legislature, Regular Session (2025).			
1	2024 Biennial Report	**Multidistrict Litigation**	Eliminate or make optional TIC Section 2210.575(e) requiring actions against the Association be presided over by a judge appointed by the judicial panel on multidistrict litigation.
2	2024 Biennial Report	**FORTIFIED Home Construction**	Consider the feasibility and possible public funding of FORTIFIED home construction and other mitigation programs.
Items 3-6 are topics submitted by TWIA staff or Board members that were considered by the LEA Committee at their June 22 meeting.			
3	Proposed by Staff	**House Bill 3689 Refinement**	Proposed modifications related to state financing arrangements and the statewide policy surcharges used to repay them.
4	Proposed by Board Member	**Depopulation Program**	Modify aspects of TWIA's Assumption Reinsurance Depopulation Program to encourage participation and the transfer of policies to the private market.
5	Proposed by Board Member	**Secondary Home Coverage**	Modify the property types eligible for TWIA coverage to require residential policies to be owner-occupied homesteads.
6	Proposed by Board Member	**Tort Reform**	Consider legislative changes similar to measures passed by the Florida Legislature to address litigation issues impacting insurance costs.
Items 7 and 8 are new topics submitted following the June 22 LEA Committee meeting.			
7	Proposed by Board Member	**E&S Lines Tax**	Consider imposing a tax on excess and surplus lines insurers to help fund TWIA's Catastrophe Reserve Trust Fund to pay storm losses.
8	Proposed by Board Member	**Minimum Required Funding Change**	Require TWIA to secure funding for a 1:100 Probable Maximum Loss (PML), and assess member companies annually for the cost of reinsurance purchased above a 1:50 PML.

2024 Biennial Report Recommendations

The 2024 Biennial Report to the 89th Texas Legislature included the following legislative recommendations, which were not filed during the legislative session. These recommendations have been updated to include more recent information related to the topics.

The legislative recommendation summaries as they appeared in the 2024 Biennial Report are included in *Appendix A*. TWIA's drafted bill language for these recommendations is in *Appendix B*.

1 Multidistrict Litigation

Subject: Texas Insurance Code (TIC) Section 2210.575(e) requires all suits concerning denied claims to be presided over by a judge appointed by the judicial panel on multidistrict litigation (MDL). However, the statute does not provide a procedure for securing that appointment, and the existing rules on multidistrict litigation (Government Code Section 74.161 et seq.) do not contemplate appointing presiding judges in individual cases. Until recently, no litigant had ever requested an appointment by the MDL panel in the 14-plus years the law has been in effect.

- In *TWIA v. Pruski*, the plaintiff raised this issue in his appeal of a judgment against him. The Corpus Christi Court of Appeals agreed and ruled that all judgments entered without an MDL-appointed judge are void.
- The Texas Supreme Court released its opinion in 2024, reversing the Court of Appeals and agreeing with TWIA that the lack of an MDL-appointed judge does not void a judgment.
- Since then, TWIA has sought to have an MDL-appointed judge in every case. While the first appointment took almost two years, the timeline for appointments has shortened significantly to approximately two weeks, with the MDL Panel consistently appointing the judge who has already been assigned to the cases.
- To date, TWIA has sought appointments in approximately 20 cases, while only one plaintiff's attorney has requested an appointment for a case.

Possible Solution: Legislation to eliminate the provision requiring an MDL-appointed judge or make the appointment optional to prevent collateral attacks on settled judgments.

- Eliminating the statute would not prevent TWIA or plaintiffs from requesting an appointment through the Multi-District Litigation Panel designated pursuant to Section 74.161 of the Texas Government Code.
- Modifying or eliminating the statute will benefit TWIA policyholders, their legal representatives, and the Association by removing uncertainty and reducing litigation costs related to this dispute resolution requirement.

2 FORTIFIED Home Construction

Subject: While compliance with the windstorm building code is required for properties to be eligible for TWIA coverage, the Association does not specifically have any programs associated with FORTIFIED Home construction.

- According to the Insurance Institute for Business & Home Safety's (IBHS) website, "FORTIFIED is a voluntary, beyond-code construction and re-roofing method that strengthens the parts of homes and buildings most vulnerable to winds and wind-driven rain. FORTIFIED is [also] a nationally recognized building method based on more than 20 years of scientific research and real-world testing by IBHS."
- More resilient construction can improve the availability and affordability of insurance coverage, reduce community damage and emergency management and disaster recovery resource costs, and lower insurance losses after a catastrophic event.
- Several states, including the coastal states of Alabama, Louisiana, Mississippi, and North and South Carolina, have encouraged FORTIFIED home construction for both new and existing homes through a combination of public grants and policy endorsements covering property upgrades to the FORTIFIED standards.

Possible Solution: Consider legislation providing funding support from TWIA revenues, the Catastrophe Reserve Trust Fund (CRTF), the State of Texas, or other sources for FORTIFIED home construction.

- Alternatively, consider expanding the scope of this recommendation to include TWIA incentives or public funding support for all types of wind mitigation efforts, such as retrofitting existing construction with upgraded opening protections, roof attachments, and other certified improvements.
- In the absence of the use of public funding, the Association could be authorized to make funding available for a mitigation program, approved by the Texas Department of Insurance (TDI), from TWIA revenue or the CRTF, in either a flat amount or a percentage of the available funds.

Additional Information: The Committee requested information about the impact of FORTIFIED Home Construction on TWIA premium rates and discounts other insurers in Texas offer to property owners who build to the FORTIFIED standards.

- **Premium Rates Impact:** Staff met with TDI's Chief Engineer and an IBHS representative to discuss how FORTIFIED standards compare with the windstorm building code requirements for TWIA eligibility.
    - Both explained that the FORTIFIED standards meet and exceed the windstorm building code requirements because specific building materials and methods must be used. This includes sealing the roof deck and using ring-shank nails, enhanced edge metal, and impact-resistant shingles.
    - IBHS also requires contractors installing roofs to complete a certification program for the

roof to qualify for the FORTIFIED designation, and a FORTIFIED evaluator to inspect the roof to verify it complies with the FORTIFIED standards.

- To the extent that FORTIFIED properties insured by TWIA generate fewer windstorm claims, reduced loss experience could support lower premium rates for those properties. However, further analysis would be needed to determine the magnitude of any rate impact, and implementation would not require a statutory change.

- **Texas Insurer Discounts for FORTIFIED:** Research conducted by staff indicates there are insurers in Texas that offer discounts for properties with improvements or repairs that mitigate loss or damage from wind and hail events (e.g., Class 4 impact-resistant roofs, opening protection, secondary water barriers). These discounts and credits are not exclusive to FORTIFIED homes.
  - Going into the 90th Texas legislative session, there is increased interest in promoting and funding wind mitigation efforts and the FORTIFIED standards.
    - In July of this year, Governor Abbott announced a proposed $400 million roof-fortification program modeled on Alabama's Strengthen Alabama Homes initiative, including grants for homeowners and a framework for insurance-premium reductions tied to FORTIFIED construction.
      - Governor Abbott has also formally directed TDI to take action to reduce property insurance costs, including by requiring insurers to use a home's FORTIFIED roof status as part of their rate setting considerations.
  - Additionally, Rep. Tom Oliverson (Harris County) plans to refile legislation next session to create a grant program for property owners to build to the FORTIFIED standards and to require property insurers in Texas to offer an optional FORTIFIED roof endorsement.

New Topics

3 House Bill 3689 Refinement – Staff Topic

Subject: House Bill 3689, passed by the 89th Texas Legislature, made significant changes to TWIA's catastrophic funding structure. As the Association works with TDI, the Comptroller's Office, and the Texas Treasury Safekeeping Trust Company to implement the bill, the group has identified some statutory provisions that should be modified.

- There is a statutory limit of three years for the repayment of the state financing arrangement through statewide policy surcharges, but the administrative lead time needed to begin the repayment process may not allow for a full three years of surcharge collection.
- If catastrophic losses only exceed the state financing arrangement layer by a minimal amount, the statute still requires the full statewide surcharge repayment process.
- TWIA staff may identify other potential issues following the finalization of TDI rules and any procedures adopted by TDI and the Comptroller's Office, and/or the Association's experience using the funding structure following a catastrophic loss event.

Possible Solution: Propose one or both of the following modifications to address the statutory issues identified by TWIA staff. These proposals may need to be aligned with or developed in tandem with TDI, the Comptroller's Office, and the Texas Treasury Safekeeping Trust Company.

- Extend the term of the state financing arrangement to include a period, not to exceed one year, prior to the initiation of the collection of statewide policy surcharges.
- Provide an alternate repayment mechanism (e.g., TWIA premium revenue) for the state financing arrangements less than a specified amount (or at the TDI Commissioner's discretion).
- TWIA staff may identify other potential solutions to the above-identified or new issues that arise.

4 Depopulation Program – Board Member Topic

Proposal: Modify the structure of TWIA's Assumption Reinsurance Depopulation Program ("Assumption Program") to encourage carrier and agent participation and, under certain parameters, require policyholders to accept offers made through the program or seek coverage in the private insurance market. Proposed changes to the program include:

- **Authorize take-out bonuses paid by TWIA:** Authorize TWIA to pay a bonus, per risk removed, to participating carriers and make it subject to multi-year renewal requirements (e.g., a 3-year required policy renewal and a prorated clawback if canceled early, even if the policyholder moves on their own).
    - *Examples:* $100 for barrier island risks, $75 for the first 5 miles inland, $50 for 5-10 miles

inland, and $25 for 10 miles and above. Or, $100 for Galveston County, $50 for Brazoria and Nueces, etc. The bonus would likely be more easily managed through an Administrative Rule or delegated to the Board, so it could be adjusted more regularly in response to our aggregations.

- **Adopt a premium comparability ("20% Rule") for policyholder eligibility:** Change the current provisions that allow the policyholder to accept the offer. A policyholder becomes ineligible for TWIA renewal if a private (or approved surplus lines) insurer offers comparable coverage at a premium no more than 20% higher than TWIA's premium. The policyholder is given notice and a short window to choose. Non-response leads to policy assumption. If the policyholder declines, they are ineligible for TWIA coverage for 3 years. If the policyholder doesn't want to go with the take-out insurer, the window allows them to return to the market and find another private insurer they prefer.

- **Strengthen agent protections:** To protect agents, require the take-out insurer to pay the producing agent the greater of the insurer's or TWIA's commission for the first year.

- **Expand participation to approved surplus lines insurers:** Expand the program to allow surplus lines insurers that are approved by TDI to take out non-primary residence and commercial lines risks (with the same 20% premium and approval rules).

- **Consider other states' depopulation programs:** Specifically, evaluate the factors that led to a significant reduction in policies for Florida's residual market insurer, Citizens Property Insurance Corporation.

Background Information: TWIA's Assumption Program has been dormant since 2023 due to a lack of carrier interest. Prior to 2023, participation from carriers, agents, and policyholders had steadily declined since the first program round in 2016. In 2022, two carriers who had participated in TWIA's Assumption Program (Weston and Maison) were placed into receivership, requiring the Association to rewrite more than 12,000 policies previously taken out of TWIA.

Assumption Reinsurance Depopulation Program									
Program Year	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Participating Carriers	4	3	2	2	1	1	0	0	0
Policies Selected by Carrier	102,171	109,356	75,039	64,380	32,318	31,959	0	0	0
Agent-Approved Offers	18,047	3,091	3,552	1,866	210	79	0	0	0
Policies Assumed	11,164	1,634	2,093	1,009	125	57	0	0	0

- The Assumption Program seeks to provide TWIA policyholders with alternative wind and hail insurance options in the private market. TWIA provides policy data to participating companies, which then make offers to assume TWIA policies. Participation in the program by insurers, agents, and policyholders is entirely voluntary.

- Due to the decrease in program interest from carriers, agents, and policyholders, TWIA's 2022 Biennial Report[2] recommended authorizing the Association to activate and deactivate the Assumption Program as necessary according to market fluctuations.
- Other states have state-authorized depopulation programs designed to facilitate the transfer of policies to the private market. Notably, Florida's residual market reached a peak policy count of 1.42 million in 2023, which has since been significantly reduced due to a combination of legislative reforms and its successful depopulation program.

Additional Information: The Committee requested information comparing TWIA's and Florida Citizens' depopulation programs.

Category	TWIA	Florida Citizens
Frequency	TWIA's program occurs once annually. It has been dormant since 2023 due to a lack of carrier interest.	Citizens' program occurs multiple times a year (roughly every two months). Program cycle dates may be modified, particularly around hurricane season.
Participating Carrier Requirements	Carriers must provide detailed company, rating agency, and financial information; the forms, rates, and rating rules they will use; comparable coverage information; and execute an NDA and Participation Agreement with TWIA to access policy data.	Florida's Office of Insurance Regulation requires detailed CAT modeling/reinsurance information, quarterly financial projections, and policy coverage and servicing information before approving carriers to participate.
Agent Agreements	Carriers must appoint the agent of record for a policy per their standard process or via a limited service agreement; Carriers must honor the agents' terms of service and TWIA commission rates for up to 3 years.	Carriers must establish a full or limited-service agreement with the agent of record for a policy; Carriers do not have to mirror Citizens' agent commission rates.
Policyholder Offers	**Step 1:** Agent of Record must approve an offer before it is sent to the policyholder. **Step 2:** Policyholder receives notice of offer(s) and has 60 days to opt out or take no action to be moved to the new carrier.	**Step 1:** Citizens sends a depopulation packet with offers to the agent and policyholder about 50 days prior to assumption. **Step 2:** Policyholders can work with their agent or contact Citizens to make their offer choice or stay with Citizens, if eligible.
Eligibility Requirements	Carriers must continue to offer policyholders rates and coverage comparable to TWIA's for three renewals; however, carrier offers do not make policyholders ineligible for TWIA.	Policyholders who receive offers no more than 20% higher than their Citizens renewal premium are ineligible to remain with Citizens.
Carrier Takeout Bonuses	Not addressed in statute or rule.	Florida statute *authorizes* the Citizens Board to pay "takeout bonuses" of up to $100 per policy, but Citizens does not currently offer bonuses.

[2] Available on TWIA.org (https://www.twia.org/wp-content/uploads/2022-Biennial-Report-to-88th-Legislature-1.pdf)

Category	TWIA	Florida Citizens
Surplus Lines Participation	Texas Administrative Code excludes eligible surplus lines insurers from the definition of an "Insurer" authorized to participate in TWIA's depopulation programs.	Legislation passed in 2026 allows surplus lines insurers to make offers on commercial policies through Florida's depopulation program.

5 Secondary Home Coverage – Board Member Topic

Proposal: Modify Chapter 2210 regarding the property types eligible for TWIA coverage to require residential policies to be owner-occupied homesteads.

- The goal of eliminating coverage for secondary homes is to reduce TWIA's exposures and probable maximum loss.

Background Information: As of March 31, 2026, nearly 20% of the residential policies TWIA insures are secondary home properties, amounting to $19 billion of the Association's total exposures.

Residential Policy Type	Policies in Force (PIF)	Percent PIF	Avg. Building Limits
Primary	220,240	79%	$384,710
Secondary	53,620	19%	$307,572
Other[3]	4,487	2%	$89,146
Total	**278,347**		**$336,271**

- Nearly 60% of the secondary home properties that TWIA insures are located in Galveston and Nueces Counties.

[3] Other includes non-dwelling buildings and fixtures such as detached garages, sheds, swimming pools, etc.

Secondary Homes by County		
County	**PIF**	**Avg. Building Limits**
Galveston	18,178	$355,870
Nueces	12,661	$307,006
Brazoria	5,245	$288,084
Jefferson	3,974	$191,495
Cameron	3,964	$204,087
Aransas	3,378	$363,529
Calhoun	1,606	$331,258
Matagorda	1,580	$274,051
San Patricio	1,543	$277,382
Chambers	480	$297,917
Harris	432	$298,611
Kleberg	256	$265,625
Willacy	187	$310,160
Refugio	110	$263,636
Kenedy	26	$269,231
Total	53,620	$307,572

Additional Information: The Committee requested information on the differences in costs and coverage options for primary and secondary residences that TWIA insures and asked staff to have the Association's catastrophe modeler, Aon, rerun catastrophe models, excluding secondary home policies, to determine the impact on TWIA's probable maximum loss (PML) and reinsurance costs.

- **Cost and Coverage Differences:** There are no differences in the way primary and secondary home policies are priced by the Association. Secondary home policies are not eligible for Additional Living Expense coverage. This coverage can be purchased for primary home policies for an additional approximately 5% of the premium.
- **Catastrophe Modeling Information:** Aon reran the catastrophe models using the Association's exposures as of 11/30/2025 and the same weights and other assumptions determined by the TWIA Board to meet the 1-50-Year PML for the 2026 storm season funding.
    - The revised PML with secondary home policies excluded would be $3.395 B, which is a 21% reduction in funding need from the $4.305 B determined by the Board for this year's storm season.
    - Staff's estimate, based on the actual reinsurance costs for 2026, would be a net reinsurance expense reduction from $197 M to approximately $135-140 M, a savings of around $60 M or 30%.

6 Tort Reform – Board Member Topic

Proposal: Consider legislative changes similar to measures passed by the Florida Legislature to address litigation issues impacting insurance costs.

- The Florida Legislature passed major reforms in 2022 and 2023 designed to decrease litigation costs and curb fraudulent claim practices in the insurance industry, specifically by eliminating one-way attorney fees, banning assignment of benefits, and modifying bad-faith standards.
- The litigation reforms, as well as other law changes that focused on adding reinsurance capacity to the Florida market and made modifications to the structure of Florida's Citizens Property Insurance Corporation, have improved Florida's property insurance market.

Background Information: The Texas Legislature has passed a number of insurance litigation and tort reform measures over the past two decades to address litigation abuses and their impact on insurance costs.

- House Bill 3 (2011) was passed by the Legislature following Hurricane Ike in response to a large volume of lawsuits filed against TWIA. The bill provided a number of significant reforms to reduce TWIA claim litigation and provided specific judicial remedies for claim disputes, including:
    - Requiring policyholders to file a claim not later than one year from the date the damage occurs,
    - Requiring appraisal for disputes about the amount of a loss, and allowing Alternative Dispute Resolution (ADR) for denied losses,
    - Limiting lawsuits to claims for which TWIA denies the claim in part or in full,
    - Reducing the time in which policyholders could file a lawsuit to two years after TWIA's claim denial and requiring that they notify TWIA of their intent to sue 60 days prior to the filing, and
    - No longer making TWIA subject to Texas Insurance Code Chapters 541 (Unfair Settlement Practices) and 542 (Prompt Payment of Claims Act), and Business Commerce Code Chapter 17 (Deceptive Trade Practices Act).
- The Legislature has also passed more recent bills to address litigation involving weather-related claims that mirror some House Bill 3 changes. These include House Bill 1774 (2017), focused on lawsuit reforms, and Senate Bill 458 (2025), mandating appraisal as an option for dispute resolution. While these bills do not apply to TWIA, they do apply to Texas FAIR Plan claims and insurance carriers statewide.

Additional Information: Staff have provided a comparison of legislative reforms for TWIA and Florida designed to decrease litigation abuse and improve insurance costs.

Reform	Florida Law (SB 2-A (2022) / HB 837 (2023))	TWIA (HB 3 (2011), et al)
Attorney Fees	**Complete Elimination.** Abolished one-way attorney fees for property insurance. Each party generally pays its own fees.	Actions brought against the Association may result in **payment of court costs and reasonable and necessary attorney fees**.
Assignment of Benefits (AOB)	**Banned.** Contractors and third parties are completely prohibited from taking over a policyholder's claim rights.	**Unenforceable.** Courts strictly uphold anti-assignment clauses in property policies. Third-party AOB arrangements are invalid.
Pre-Suit Notice Window	**10-Business-Day Notice.** Policyholders must file a formal pre-suit notice of intent to litigate.	**60-Day written notice** required, and policyholders must submit the dispute to alternative dispute resolution (ADR) within 60 days of TWIA's request.
Filing Deadlines	**1 Year to** report or file wind/hurricane property claims and **2 years** to file a lawsuit from the exact date of loss.	**1 Year** from the date of loss to file a claim. Suits must be filed within **2 years** of denial, subject to a 60-day pre-suit notice.
Bad-Faith Threshold	**Higher Burden.** Establishes stricter limits; routine claim errors or technicalities do not qualify as systemic bad faith.	**Higher Burden.** TWIA is exempt from the Deceptive Trade Practices Act and standard bad-faith insurance codes. Plaintiffs must show by clear and convincing evidence a specific intent to harm the policyholder by wrongful denial of the claim.
Prompt Payment Penalties	**Standard Interest.** Insurers face statutory calculation interest under strict timelines for closing or paying files.	TWIA claims must be paid within 10 days of acceptance of the claim. There is a **no-interest penalty** for supplemental or appraisal payments.
Suing Individual Adjusters	**Allowed.** Adjusters can still be named personally in active bad-faith or claim-handling lawsuits.	**Barred by statute.**
Reinsurance Capacity	**Florida Optional Reinsurance Assistance Program.** Created to allow insurers to purchase reinsurance at "reasonable" rates.	TWIA's **reinsurance funding requirements** are outlined in statute**.**
Insurer Regulation	**OIR market conduct exams.** Required for authorized insurers after hurricanes under certain conditions related to P&C claims.	TWIA must submit to **state and TDI audits/exams related to storm events**.
Flood Insurance	**Adds mandatory flood insurance notice** to dec pages and revised the notice to encourage the purchase of flood insurance.	Texas insurers **must provide conspicuous notice** that a policy excludes flood coverage and encourage its purchase. Properties located in V flood zones must attest to having flood insurance for TWIA eligibility.

7 E&S Lines Tax – Board Member Topic

Proposal: Consider imposing a tax, similar to Mississippi, on surplus lines (E&S) insurers to help fund TWIA's Catastrophe Reserve Trust Fund to pay storm losses.

- The Board member who proposed this topic noted that E&S insurers are currently not subject to TWIA assessments used to fund Association storm losses, despite their participation in the Texas insurance market. Imposing a tax is intended to create a more equitable participation structure.

Background Information: Since 2011, Mississippi has required E&S lines insurers to pay a fee based on their gross premiums and policies, which helps fund the operations of the Mississippi Windstorm Underwriting Association (MWUA).

- The 3% MWUA Nonadmitted Policy Fee applies to most surplus lines risks except residential flood risks, not written through the National Flood Insurance Program, and residential earthquake risks.
- The 3% fee is due quarterly but can be paid in full at the discretion of the company.
- In 2025, Mississippi law capped the amount that the MWUA receives from the 3% fee at $12 M, with any additional funds collected being disbursed to funds for emergency service providers, such as the Mississippi First Responders Health and Safety Trust Fund, FIRE Grant Fund, and the County Volunteer Fire Department Fund.

8 Minimum Required Funding Change – Board Member Topic

Proposal: Require TWIA to secure funding for a 1:100 Probable Maximum Loss (PML), and assess member companies annually for the cost of reinsurance purchased above a 1:50 PML.

Background Information: House Bill 3689, passed in the 2025 legislative session, reduced TWIA's minimum required funding level from a storm season with a 1-in-100-year PML to a 1-in-50-year PML.

- For the 2026 hurricane season, TWIA secured $4.3 B based on the Board's determination of the 1-in-50-year PML, an approximately 31% reduction in funding from the prior year when the Association was required to have total funding that met or exceeded the 1-in-100-year PML.
- Current law allows the Board to purchase funding in excess of the new 1-in-50-year PML and assess the cost of that excess reinsurance to Association member companies.
    - Staff estimates that, for the Association's 2026 funding structure, purchasing sufficient excess reinsurance to meet the 100-year PML would have required an additional $2.8 billion in reinsurance coverage, resulting in an estimated assessment of $100-$150 million on member insurers.

Appendix A: 2024 Legislative Recommendations Summaries

1 Multidistrict Litigation

Subject: TIC Section 2210.575(e) requires all suits concerning denied claims to be presided over by a judge appointed by the Judicial Panel on multidistrict litigation (MDL). However, the statute does not provide a procedure for securing that appointment, and the existing rules on multidistrict litigation (Government Code Section 74.161 et seq.) do not contemplate appointing presiding judges in individual cases. As a result, no litigant has ever requested an appointment by the MDL panel in the 12-plus years the law has been in effect.

- Plaintiff Stephen Pruski raised this issue in his appeal of a judgment against him. The Corpus Christi Court of Appeals agreed and ruled that all judgments entered without an MDL-appointed judge are void.
- The Texas Supreme Court recently released its opinion reversing the Court of Appeals and agreeing with TWIA that the lack of an MDL-appointed judge does not void a judgment.

Possible Solution: Eliminate the provision requiring an MDL-appointed judge or make the appointment optional to prevent collateral attacks on settled judgments.

- Eliminating or modifying the requirement would reduce future litigation costs and simplify ongoing litigation.
- Clarifying the procedural rules relating to litigation will benefit TWIA policyholders, their legal representatives, and the Association by eliminating uncertainty around this dispute resolution requirement.
- Alternatively, the Legislature could explore the option of assigning these matters to jurists who are board-certified in insurance law.

2 FORTIFIED Home Construction

Subject: TWIA does not have any programs associated with FORTIFIED home construction.

- FORTIFIED is a nationally recognized building method that goes beyond building codes to strengthen residential and commercial buildings against specific natural hazards such as high winds and hurricanes. FORTIFIED standards are based on more than 20 years of scientific research and real-world testing by the Insurance Institute for Business & Home Safety (IBHS).
- More resilient construction can improve the availability and affordability of insurance coverage,

leading to less community damage, reduced costs of emergency management and disaster recovery resources, and lower insurance losses after a catastrophic event.

- Other coastal states, notably Alabama and North Carolina, have encouraged FORTIFIED home construction for both new and existing homes through a combination of public grants and policy endorsements covering upgrades to the FORTIFIED home construction standards.

Possible Solution: Consider providing funding support from the State of Texas, the CRTF, or other sources for FORTIFIED home construction.

- Alternatively, consider expanding the scope of this recommendation to include TWIA incentives or public funding support for all types of wind mitigation efforts, such as retrofitting existing construction with upgraded opening protections, roof attachments, and other certified improvements.
- In the absence of a request for public funding, implementing this possible solution would not require a legislative change.

Appendix B: 2024 Legislative Recommendations Bill Language

1 Multidistrict Litigation Language

A BILL TO BE ENTITLED

AN ACT

relating to the process for multidistrict litigation for Texas Windstorm Insurance Association.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 2210.575, Insurance Code, is amended to read as follows:

Sec. 2210.575. DISPUTES CONCERNING DENIED COVERAGE. (e) If the claimant is not satisfied after completion of alternative dispute resolution, or if alternative dispute resolution is not completed before the expiration of the 60-day period described by Subsection (d) or any extension under that subsection, the claimant may bring an action against the association in a district court in the county in which the loss that is the subject of the coverage denial occurred. An action brought under this subsection ~~shall~~ may be presided over by a judge appointed by the judicial panel on multidistrict litigation designated under Section 74.161, Government Code. A judge appointed under this section must be an active judge, as defined by Section 74.041, Government Code, who

is a resident of the county in which the loss that is the basis of the disputed denied coverage occurred or of a first tier coastal county or a second tier coastal county adjacent to the county in which that loss occurred

SECTION 2. This Act takes effect September 1, 2025.

2 FORTIFIED Home Construction Bill Language

A BILL TO BE ENTITLED

AN ACT

relating to a mitigation and preparedness program and a fortified homes program administered by the Texas Windstorm Insurance Association.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter J, Chapter 2210, Insurance Code, is amended by adding Section 2210.456 to read as follows:

Sec. 2210.456. FORTIFIED HOMES PROGRAM. (a) Subject to a plan approved by the commissioner, the association may administer a fortified homes program.

(b) Each year, the association may fund the fortified homes program using money from the catastrophe reserve trust fund not to exceed $500,000 annually.

(c) The fortified homes program must be designed to:

(1) improve preparedness for windstorm and hail catastrophes; and

(2) reduce potential losses in the event of such a catastrophe.

(d) Money may not be used under this section if the commissioner determines that an expenditure from the trust fund would:

(1) jeopardize the actuarial soundness of the association; or

(2) materially impair the ability of the association to serve the state purposes for which the association was established.

SECTION 2. This Act takes effect September 1, 2025.

A BILL TO BE ENTITLED

AN ACT

relating to the duration of the state funded financing arrangements and period of repayment for funding excess losses and operating expenses of the Texas Windstorm Insurance Association; and authorizing alternative methods of repayment in lieu of state funded financing arrangements less than a certain amount.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter C, Chapter 404, Section 404.0242(d) Government Code, is amended to read as follows:

(d) A financing arrangement entered into under this section may not exceed 36 months to maturity, with allowance for an additional administrative period associated with repayment via catastrophe surcharge as set by the commissioner under Insurance Code 2210.6435, and may include a contractual coverage amount of at least 1.10 but not greater than 1.25.

SECTION 2. Subchapter M-2, Chapter 2210, Section 2210.6435(d), is amended to read as follows:

(d) The catastrophe surcharge percentage must be set in an amount sufficient to repay the financing arrangement obligation and administrative expenses to the state under the financing arrangement entered into with this state under Subchapter M-1 that

is the basis for the surcharge. The commissioner may set the surcharge as a percentage of premium to collect the needed aggregate amount over a period of time not to exceed three years, with allowance for an additional administrative period to be specified by the commissioner.

SECTION 3. Subchapter B-2, Chapter 2210, Section 2210.082, is amended by adding subsection (c) to read as follows:

Sec. 2210.082. PAYMENT FROM RESERVES AND TRUST FUND; STATE-FUNDED FINANCING ARRANGEMENTS. (a) The association shall pay insured losses and operating expenses resulting from an occurrence or series of occurrences in a catastrophe year in excess of premium and other revenue of the association for that catastrophe year from reserves of the association available before or accrued during that catastrophe year and amounts in the catastrophe reserve trust fund available before or accrued during that catastrophe year.

(b) For insured losses and operating expenses for a catastrophe year not paid under Subsection (a), the association shall arrange for financing of not more than $1 billion through one or more financing arrangements entered into with the state as provided by Subchapter M-1 of this code and Section 404.0242, Government Code.

(c) Notwithstanding subsection (b), or any other law, for insured losses and operating expenses for a catastrophe year not

paid under Subsection (a) and less than $5 million, the Association, in consultation with the commissioner, may use an alternative method of funding to pay for excess losses and operating expenses in this section.

Minutes of the Texas Windstorm Insurance Association
Legislative and External Affairs Committee Meeting
Teleconference/Webinar
4801 Southwest Parkway
Building 1, Suite 200
Austin, Texas
June 22, 2026

The Following Committee Members Were Present:

1. John Todd	Industry Representative
2. Terrilyn Tarlton Shannon	First Tier Coastal Representative
3. Dr. Etti Baranoff	Non-Seacoast Territory Representative

The Following TWIA Staff and Counsel Were Present:

1. David Durden, General Manager	TWIA
2. Stuart Harbour, Chief Financial Officer	TWIA
3. Jessica Crass, VP Legal and Compliance	TWIA
4. Jim Murphy, Chief Actuary	TWIA
5. Mike Ledwik, VP Underwriting	TWIA
6. Dave Williams, VP Claims	TWIA
7. Michael Eleftheriades, VP Technology	TWIA
8. Kristina Contardo, Training, QA and Agency Audit Manager	TWIA
9. Anna Stafford, Senior Manager Legislative and External Affairs	TWIA
10. Amy Koehl, Senior Project Administrator	TWIA
11. Mike Perkins, Association Counsel	Perkins Law Group

The Following TWIA Board Members Were Present:

1. Tim Garrett	Non-Seacoast Territory Representative
2. Rolando Rubiano	First Tier Coastal Representative
3. Greg Smith	First Tier Coastal Representative

The Following In Person Attendees Were Present:

1. Marianne Baker	Texas Department of Insurance
2. David Muckerheide	Texas Department of Insurance
3. Elizabeth Ret	Texas Department of Insurance

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

1. Sally Bakko
2. David Bolduc
3. James Conroy
4. Al Fulkerson
5. Xavier Malveaux
6. Travis McDavid
7. Dan Paschal

8. Kenisha Schuster
9. Aaron Taylor

1. Call to Order/Reminder of Anti-Trust Statement: Mr. Durden called the meeting to order at 1:31 p.m. Committee members were reminded of the prohibitions in the anti-trust statement by counsel and the conflict-of-interest disclosure statement was read. Ms. Contardo went over the meeting logistics information to attendees.

2. Consideration of Selection of a Chairperson for the Committee: Dr. Baranoff asked how long the work of this committee was in the past. Mr. Durden said the length of the committee is dependent on the items the committee wants to pursue and how many items they want to recommend. Dr. Baranoff volunteered to chair the committee, and Mr. Todd and Ms. Tarlton Shannon agreed. Dr. Baranoff will chair the committee.

3. Review and Approve the Minutes from the Prior Committee Meeting: Since none of the current members were on the committee when the last meeting occurred, they agreed to receive the minutes as presented.

4. Public Comment: Ms. Contardo reviewed the written public comment, which consisted of a request for no rate hike. There was no verbal public comment.

5. Biennial Report to Legislature: There were two carryover items from the last biennial report, multidistrict litigation and FORTIFIED home construction. The other four recommendations came from the current board members.

1. Multidistrict Litigation

Texas Insurance Code (TIC) Section 2210.575(e) requires all suits concerning denied claims to be presided over by a judge appointed by the judicial panel on multidistrict litigation (MDL). However, the statute does not provide a procedure for securing that appointment and the existing rules on multidistrict litigation (Government Code Section 74.161 et seq.) do not contemplate appointing presiding judges in individual cases. Until recently, no litigant has ever requested an appointment by the MDL panel in the 14 plus years the law has been in effect.

Possible Solution: Legislation to eliminate the provision requiring an MDL appointed judge or make the appointment optional to prevent collateral attacks on settled judgements.

Mr. Durden said multidistrict judges are used in cases that have similar procedural issues. That option isn't efficient for individual suits.

2. FORTIFIED Home Construction

While compliance with the windstorm building code is required for properties to be eligible for TWIA coverage, the Association does not specifically have any programs associated with FORTIFIED home construction.

Possible Solution: Consider legislation providing funding support from TWIA revenues, the Catastrophe Reserve Trust Fund (CRTF), the State of Texas or other sources for FORTIFIED home construction.

Dr. Baranoff asked if FORTIFIED home construction is connected to rates. She said she understood if policyholders fortified their homes, they would receive a reduction in rates. Mr. Durden said sometimes the improvements can lead to a discounted rate. Mr. Murphy said TWIA has offered premium discounts for homes built to the codes. The reductions can be substantial if the home is fully built to the codes and are located in the back of the coastal counties. Ms. Stafford said fortified construction is quite expensive. Mr. Durden said staff can do some initial research on what type of discount is warranted. He expects this topic to be of interest industry wide during the legislative session. Mr. Todd said he had concerns about using the CRTF for building credits. Ms. Tarlton Shannon said she would like to know what other carriers are doing with their programs.

3. House Bill 3689 Refinement

House Bill 3689, passed by the 89th Texas Legislature, made significant changes to TWIA's catastrophic funding structure. As the Association works with TDI, the Texas Comptroller's office and the Texas Treasury Safekeeping Trust Company to implement the bill, the group has identified some statutory provisions that should be modified. There is a statutory limit of three years for the repayment of the state financing arrangement through statewide policy surcharges, but the administrative lead time needed to begin the repayment process may not allow for a full three years of surcharge collection. If catastrophic losses only exceed the state financing arrangement layer by a minimal amount, the statute still requires the full statewide surcharge repayment process. TWIA staff may identify other potential issues following the finalization of TDI rules and any procedures adopted by TDI and the Texas Comptrollers' office and/or the Association's experience using the funding structure following a catastrophic loss event.

Possible Solution: Propose one or both of the following modifications to address the statutory issues identified by TWIA staff. These proposals may need to be aligned with or developed in tandem with TDI, the Texas Comptroller's office and the Texas Treasury Safekeeping Trust Company.

- Extend the term of the state financing arrangement to include a period, not to exceed one year, prior to the initiation of the collection of statewide policy surcharges.
- Provide an alternate repayment mechanism (e.g. TWIA premium revenue) for the state financing arrangements less than a specified amount (or at the TDI Commissioner's discretion).
- TWIA staff may identify other potential solutions to the above identified or new issues that arise.

Mr. Todd said he thought this needed to be addressed and this was a good time to do it. Mr. Durden said other entities TWIA is working with might have suggestions. Staff will try to be in synch with them.

4. Depopulation Program

Possible Solution: Modify the structure of TWIA's Assumption Reinsurance Depopulation Program ("Assumption Program") to encourage carrier and agent participation and, under certain parameters, require policyholders to accept offers made through the program or seek coverage in the private insurance market. Potential changes to the program include authorizing take out bonuses paid by TWIA, adopting a premium comparability (20% rule) for policyholder eligibility, strengthening agent protections, expanding participation to approved surplus lines insurers and considering other states depopulation programs.

The committee requested staff provide more information comparing TWIA's program to Florida Citizens program.

5. Secondary Home Coverage

The Committee considered a proposal to modify Chapter 2210 regarding the property types eligible for TWIA coverage to require residential policies to be owner occupied homesteads. The goal of eliminating coverage for secondary homes is to reduce TWIA's exposures and probable maximum loss.

Ms. Tarlton Shannon asked about short-term rental properties like Airbnb's. There is more of a consequence to this than anyone might be thinking. Secondary homes don't receive living expenses as part of their policies. Tennant occupied homes are common on the island. Dr. Baranoff said this seems to be a complex issue. The committee would like more information on the various categories of homes in the book of business. Mr. Todd said he thinks this is one of the more significant issues to address. This is a reasonable way to address rates and the desire to keep rates down. Mr. Todd asked Mr. Murphy if Aon could model the portfolio with and without secondary homes and compare the results. Mr. Murphy said staff will ask Aon if they can do it at no charge. If they want to charge for the information, it will be brought back to the board. Staff will also reach out to Gallagher to see how removing secondary homes will affect reinsurance.

6. Tort Reform

The Committee was asked to consider the legislative changes passed by the Florida Legislature to address litigation issues impacting insurance costs. The Florida Legislature passed major reforms in 2022 and 2023 designed to decrease litigation costs and curb fraudulent claim practices in the insurance industry, specifically by eliminating one way attorney fees, banning assignment of benefits and modifying bad faith standards. The litigation reforms, as well as other law changes that focused on adding reinsurance capacity to the Florida market and made modifications to the structure of Florida Citizens Property Insurance Corporation, have improved Florida's property insurance market.

Mr. Todd said Mississippi charges a 3% tax on surplus lines carriers in the state to go to their version of TWIA. He would like to propose a consideration for such a tax in Texas. It would go directly to the CRTF. Staff will gather more information on this topic and Mississippi's program. Ms. Tarlton Shannon expressed reservations for implementing a tax.

6. Future Meeting Dates: Staff will reach out to committee members to schedule the next meeting date once it is determined how long it will take to gather the required information.

7. Adjourn: There being no further business, the meeting adjourned at 2:46 p.m.

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Prepared by: Amy Koehl
Senior Project Administrator

Approved by: Dr. Etti Baranoff
Chair