



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

# **Legislative & External Affairs Committee Meeting Materials**

**October 8, 2026**

# Contents

|                                                              |           |
|--------------------------------------------------------------|-----------|
| <b>Executive Summary</b>                                     | <b>2</b>  |
| Biennial Report to Legislature                               | 2         |
| Materials Overview                                           | 2         |
| <b>Topics for Consideration</b>                              | <b>3</b>  |
| <b>2024 Biennial Report Recommendations</b>                  | <b>4</b>  |
| 1    Multidistrict Litigation                                | 4         |
| 2    FORTIFIED Home Construction                             | 5         |
| <b>New Topics</b>                                            | <b>7</b>  |
| 3    House Bill 3689 Refinement – Staff Topic                | 7         |
| 4    Depopulation Program – Board Member Topic               | 7         |
| 5    Tort Reform – Board Member Topic                        | 11        |
| <b>Appendix A: Legislative Recommendations Bill Language</b> | <b>15</b> |
| 1    Multidistrict Litigation Language                       | 15        |
| 2    FORTIFIED Home Construction Bill Language               | 16        |
| 3    House Bill 3689 Refinement                              | 17        |
| <b>Appendix B: Topics Removed from Consideration</b>         | <b>20</b> |

# 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.

The LEA Committee met on June 22 and September 1 to review prior legislative recommendations from TWIA’s [2024 Biennial Report](#)<sup>1</sup> that were not filed in the 89<sup>th</sup> Texas legislative session (2025), and new proposals from Board members and Association staff.

At its September 1 meeting, the Committee agreed to recommend five topics to the Board for possible inclusion in the Association’s 2026 Biennial Report to the Texas Legislature and removed three topics from consideration (included in *Appendix B*).

The LEA Committee will present its recommendations to the Board on October 8. The Biennial Report, with the Board’s final recommendations, will be submitted to the Legislature by December 31, as required by statute.

---

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

# Topics for Consideration

| Item #                                                                                                                       | Source                   | Topic                              | Description                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Items 1-5 are topics the LEA Committee voted to move forward at its September 1 meeting for consideration by the TWIA Board. |                          |                                    |                                                                                                                                                                                       |
| 1                                                                                                                            | 2024 Biennial Report     | <b>Multidistrict Litigation</b>    | 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     | <b>FORTIFIED Home Construction</b> | Consider the feasibility and possible public funding of FORTIFIED home construction and other mitigation programs.                                                                    |
| 3                                                                                                                            | Proposed by Staff        | <b>House Bill 3689 Refinement</b>  | Proposed modifications related to state financing arrangements and the statewide policy surcharges used to repay them.                                                                |
| 4                                                                                                                            | Proposed by Board Member | <b>Depopulation Program</b>        | 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 | <b>Tort Reform</b>                 | Consider legislative changes similar to measures passed by the Florida Legislature to address litigation issues impacting insurance costs.                                            |

# 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. TWIA's drafted bill language for these recommendations is in *Appendix A*.

## 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:** Consider 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 still allow TWIA or plaintiffs to request 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 increasing efficiency 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 90<sup>th</sup> 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 plans to propose a \$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.
      - In response to the Governor's directives, TDI issued a Commissioner's Bulletin in September encouraging insurers operating in Texas to offer premium discounts to homeowners who adopt loss mitigation measures, including building to the FORTIFIED standards.
  - 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 89<sup>th</sup> 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's draft bill language for these proposals is in *Appendix B*.
- TWIA staff may identify other potential solutions to the above-identified or new issues that arise.

## 4 Depopulation Program – Board Member Topic

**Subject:** TWIA's Assumption Reinsurance Depopulation Program ("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.

- 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](#)<sup>2</sup> recommended authorizing the Association to activate and deactivate the Assumption Program as necessary according to market fluctuations.

| 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       |

- Other states have state-authorized depopulation programs designed to facilitate the transfer of policies to the private market. Notably, Florida's residual market, Citizens Property Insurance Corporation, reached a peak policy count of 1.42 million in 2023. This figure has declined significantly due to legislative reforms and the successful depopulation program.

**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.
  - Florida Citizens offered takeout incentives to carriers early in the history of its depopulation program through both fixed amount structures for large-scale assumptions and as a percentage of the premium being removed. Takeout bonuses ended after 2006, following changes enacted by the Florida Legislature, which capped the bonus amount at \$100 per policy and required the policy to renew with the assuming carrier for at least 5 years.

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

- **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.
  - This proposal partially mirrors the eligibility requirement in place for Florida Citizens’ depopulation program. Policyholders who receive an offer of comparable coverage from a private insurer at a premium not more than 20% above the estimated Citizens renewal premium are ineligible to remain with Citizens. A policyholder whose coverage is assumed by a private insurer may subsequently reapply to Citizens as new business upon expiration of the private market policy if the premium no longer meets Citizens’ comparability requirement. The risk must otherwise meet Citizens’ underwriting and eligibility requirements.
  - Under TWIA’s assumption program, carriers must offer policyholders coverage that is comparable to TWIA’s coverage, and the rates can be no more than 115 percent of the corresponding rate charged by the Association.
- **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.
  - TWIA’s current Assumption Program is broader than this requirement. Carriers must honor the agents’ terms of service and TWIA commission rates for up to 3 years.
  - For Florida Citizens’ depopulation program, carriers do not have to mirror Citizens’ agent commission rates.
- **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).
  - This proposal does not require a statutory change and could instead be pursued via a Texas Administrative Code rule change.
    - TWIA’s governing statute authorizing its depopulation programs does not specify the types of insurers eligible to participate. However, TDI rules governing the programs (28 Tex. Admin. Code §§ 5.4301-5.4309) define an “insurer” as expressly excluding eligible surplus lines insurers.
  - Florida law passed in 2024 permitted approved surplus-lines insurers to participate in Citizens’ depopulation program for certain non-primary, non-homesteaded personal residential risks. However, no surplus lines insurers appear to have been approved to participate in Citizens’ depopulation program.

- **Consider Florida Citizens' depopulation program:** Specifically, evaluate the factors that led to a significant reduction in policies for Florida Citizens.
  - The table below provides a comparison of TWIA's and Florida Citizens' depopulation programs, noting differences in how these programs are administered, including program frequency, comparable coverage and eligibility requirements, and the process by which policyholders receive and make decisions on carrier offers.

| Category                                  | TWIA                                                                                                                                                                                                                                                 | Florida Citizens                                                                                                                                                                                                                                                                         |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Frequency</b>                          | 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.                                                                                                                                    |
| <b>Participating Carrier Requirements</b> | 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.                                                              |
| <b>Agent Agreements</b>                   | 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.                                                                                                                      |
| <b>Policyholder Offers</b>                | <p><b>Step 1:</b> Agent of Record must approve an offer before it is sent to the policyholder.</p> <p><b>Step 2:</b> Policyholder receives notice of offer(s) and has 60 days to opt out or take no action to be moved to the new carrier.</p>       | <p><b>Step 1:</b> Citizens sends a depopulation packet with offers to the agent and policyholder about 50 days prior to assumption.</p> <p><b>Step 2:</b> Policyholders can work with their agent or contact Citizens to make their offer choice or stay with Citizens, if eligible.</p> |
| <b>Eligibility Requirements</b>           | 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.                                                                                                                                                     |
| <b>Carrier Takeout Bonuses</b>            | Not addressed in statute or rule.                                                                                                                                                                                                                    | Florida statute <i>authorizes</i> the Citizens Board to pay "takeout bonuses" of up to \$100 per policy, but Citizens does not currently offer bonuses due to a legislative change.                                                                                                      |
| <b>Surplus Lines Participation</b>        | Governing rules exclude an eligible surplus lines insurer from the definition of an "Insurer" authorized to participate in TWIA's depopulation programs.                                                                                             | 2024 law allows an approved surplus lines insurer to participate in Citizens' depopulation program for eligible non-primary, non-homesteaded risks. However, to date, no surplus lines insurers appear to have been approved to participate in the program.                              |

## 5 Tort Reform – Board Member Topic

**Subject:** The Texas Legislature has passed several 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.

**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.
- The table below provides a comparison of legislative reforms for TWIA and Florida, designed to decrease litigation abuse and improve insurance costs, organized by which state has the stronger protections.

| Reform                            | Florida Law<br>(SB 2-A (2022) &<br>HB 837 (2023))                                                                                                | TWIA Law<br>(HB 3 (2011), et al.)                                                                                                                                                                                                                            | Comparison Information                                                                                                                                                                                                                           |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>TWIA Law is Stronger</b>       |                                                                                                                                                  |                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                  |
| <b>Bad-Faith Threshold</b>        | <b>Heightened Burden.</b><br>Establishes stricter limits; routine claim errors or technicalities do not qualify as systemic bad faith.           | <b>Heightened Burden.</b> TWIA is exempt from the Deceptive Trade Practices Act and standard bad-faith insurance codes. Plaintiffs must show by clear and convincing evidence of a specific intent to harm the policyholder by wrongful denial of the claim. | Both states impose heightened barriers to bad-faith litigation, but TWIA uses a distinct statutory framework, including exemptions from generally applicable insurance and consumer-protection remedies and a specific-intent standard.          |
| <b>Pre-Suit Notice Window</b>     | <b>10-Business-Day Notice.</b><br>Policyholders must file a formal pre-suit notice of intent to litigate.                                        | <b>60-Day written notice.</b><br>Policyholders must also submit the dispute to Alternative Dispute Resolution (ADR) within 60 days of TWIA's request.                                                                                                        | Both require advance notice before litigation, but Florida requires 10 business days, while TWIA requires 60 days and provides an opportunity for ADR.                                                                                           |
| <b>Prompt Payment Penalties</b>   | <b>Standard Interest.</b> Insurers face statutory calculation interest under strict timelines for closing or paying files.                       | <b>TWIA claims must be paid within 10 days of acceptance</b> of the claim. There is a <b>no-interest penalty</b> for supplemental or appraisal payments.                                                                                                     | Florida applies statutory interest under its claim-payment requirements, while TWIA follows a separate payment framework and does not impose interest on supplemental or appraisal payments.                                                     |
| <b>Suing Individual Adjusters</b> | <b>Allowed.</b> Adjusters can still be named personally in active bad-faith or claim-handling lawsuits.                                          | <b>Barred by statute.</b> Adjusters cannot be sued individually.                                                                                                                                                                                             | Florida permits individual adjusters to be named in qualifying actions, while Texas law bars such actions against TWIA's individual adjusters.                                                                                                   |
| <b>Florida Law is Stronger</b>    |                                                                                                                                                  |                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                  |
| <b>Attorney Fees</b>              | <b>Elimination of one-way attorney fees.</b> Now, each party generally pays its own attorney's fees, subject to otherwise applicable exceptions. | <b>Reasonable attorney fees.</b> Actions brought against the Association may result in <b>payment of "court costs and reasonable and necessary attorney's fees"</b> as awarded by the jury.                                                                  | Florida eliminated automatic one-way attorney fees, which had entitled plaintiffs to the payment of these fees simply for prevailing in a property insurance suit. Attorney fees may still be awarded by a jury in actions brought against TWIA. |

| Reform                                                           | Florida Law<br>(SB 2-A (2022) &<br>HB 837 (2023))                                                                                                                                                                                            | TWIA Law<br>(HB 3 (2011), et al.)                                                                                                                                                                                                                              | Comparison Information                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Claim Filing/Lawsuit Deadlines</b>                            | <b>1 Year</b> to report or file wind/hurricane property claims and <b>2 years</b> to file a lawsuit from the exact date of loss.                                                                                                             | <b>1 Year</b> from the date of loss to file a claim. Suits must be filed within <b>2 years</b> of denial, subject to a 60-day pre-suit notice.                                                                                                                 | Both require claims to be reported within one year and lawsuits within two years, but Florida law is stricter because it measures the lawsuit deadline from the date of loss, while TWIA measures it from the date of claim denial, providing more time and opportunity to file a lawsuit. |
| <b>Citizens Mandatory Arbitration</b>                            | Florida law allows Citizens policies to provide that disputes over coverage, scope, and value be heard through the <b>Division of Administrative Hearings (DOAH)</b> , rather than through the ordinary property insurance pre-suit process. | TWIA requires <b>appraisal for disputes concerning the amount of a covered loss</b> and provides for <b>Alternative Dispute Resolution following certain claim denials</b> .<br>Lawsuits are limited to claims TWIA has denied in whole or in part.            | TWIA already has a specialized dispute-resolution framework, but Florida's law for Citizens goes further by authorizing certain substantive claim disputes to be directed to a specialized adjudicatory forum.                                                                             |
| <b>Equally Strong Tort Law or Reform Unrelated to Litigation</b> |                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                            |
| <b>Assignment of Benefits (AOB)</b>                              | <b>Banned.</b> Contractors and third parties are completely prohibited from taking over a policyholder's claim rights.                                                                                                                       | <b>Unenforceable.</b> Courts strictly uphold anti-assignment clauses in property policies. Third-party AOB arrangements are invalid.                                                                                                                           | Both prevent third parties from assuming a policyholder's claim rights. Florida prohibits assignments by statute, while TWIA relies on enforceable policy restrictions.                                                                                                                    |
| <b>Flood Insurance</b>                                           | <b>Notice Required.</b> Mandatory flood insurance notice must be included in dec pages and the notice encourages the purchase of flood insurance.                                                                                            | <b>Notice Required.</b> All Texas insurers must provide conspicuous notice that a policy excludes flood coverage and encourage the purchase of flood coverage. Properties located in V flood zones must attest to having flood insurance for TWIA eligibility. | Both require prominent notice that property policies exclude flood coverage and encourage its purchase; TWIA also requires flood-insurance attestations for properties in designated V flood zones.                                                                                        |
| <b>Insurer Regulation</b>                                        | <b>Exams Required.</b> Florida's Office of Insurance Regulation requires market conduct exams for authorized insurers after                                                                                                                  | <b>Exams Required.</b> TWIA must submit to state and TDI audits/exams related to storm events.                                                                                                                                                                 | Both provide for regulatory examinations following storm events, but Florida's requirement applies to authorized insurers under                                                                                                                                                            |

| Reform                      | Florida Law<br>(SB 2-A (2022) &<br>HB 837 (2023))                                                                                                                                        | TWIA Law<br>(HB 3 (2011), et al.)                                                                                                                                     | Comparison Information                                                                                                                                                                         |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                             | hurricanes under certain conditions related to P&C claims.                                                                                                                               |                                                                                                                                                                       | specified conditions. TWIA is subject to state and TDI oversight under its governing statutes.                                                                                                 |
| <b>Reinsurance Capacity</b> | <b>Limited coverage is available through the state.</b> The Florida Optional Reinsurance Assistance Program was created to allow insurers to purchase reinsurance at “reasonable” rates. | <b>Coverage available through the private market.</b> TWIA’s reinsurance funding requirements are outlined in statute. TWIA purchases coverage in the private market. | Florida created an optional state-supported reinsurance program for insurers. TWIA’s reinsurance and catastrophe-funding requirements are established through its statutory funding structure. |

# Appendix A: 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.

### **3 House Bill 3689 Refinement**

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.

## Appendix B: Topics Removed from Consideration

| Item #                                                                                                | Source                   | Topic                                  | Description                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Items 1-3 are topics the LEA Committee voted to remove from consideration at its September 1 meeting. |                          |                                        |                                                                                                                                                                      |
| 1                                                                                                     | Proposed by Board Member | <b>Secondary Home Coverage</b>         | Modify the property types eligible for TWIA coverage to require residential policies to be owner-occupied homesteads.                                                |
| 2                                                                                                     | Proposed by Board Member | <b>E&amp;S Lines Tax</b>               | Consider imposing a tax on excess and surplus lines insurers to help fund TWIA's Catastrophe Reserve Trust Fund to pay storm losses.                                 |
| 3                                                                                                     | Proposed by Board Member | <b>Minimum Required Funding Change</b> | 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. |

# Texas Windstorm Insurance Association

2027 Budget Overview to  
Board of Directors  
October 8, 2026



# TWIA Budget – New or Notable Items for 2027

- **Reinsurance** - Placeholder of \$173 million for the 2027/2028 TWIA reinsurance program based on forecasted exposures, expected attachment point and market conditions.
- **Non-Hurricane Losses** - Losses for 2027 are projected at \$100 million. TWIA does not budget for hurricanes. Losses and loss adjustment expenses include estimates for average convective storm seasons.
- **Premium Projections** - Policy counts and premiums are projected to be flat or slightly decline beginning in late 2026. Full year 2027 written premium projection of \$ 771 million.



# TWIA 2027 Budget – Key Assumptions

The 2027 Budget includes the following assumptions:

- Rate change: No change in rates is reflected in the 2027 budget.
- 2026 forecast is comprised of the January to June 2026 actuals plus July to December 2026 projections.
- Policies in force are projected to decrease slightly from the forecast of 288,898 policies at December 31, 2026, to 286,201 at year end 2027, a decrease of 2,696 policies or -0.9%.
- Loss and loss adjustment expense ratios used are based on actuarial review and correspond to the non-hurricane loss ratios included in the annual rate indications.
- Commissions: Budgeted at \$123 million using current rate of 16.0% for new and renewal policies.



## TWIA 2027 Budget – Key Assumptions (cont)

- Investment yields: Rates of return on investments are projected to be flat in our 2027 Budget.
- \$500 million line of credit: assumed to be renewed on June 1, 2027, with same late December cancellation date, inception fees (\$375K) and annual commitment fees at 42.5 basis points (\$1.2 million). There is an option for an additional \$200 million line of credit without fees until used.
- Employee merit increase is set at **3.0%**
- Operating expenses are based on detailed zero-based departmental budgets.



# TWIA 2027 Proposed Budget - Income Statement

(In 000s)

5

|                                                      | For the twelve months ended December 31, |                  |                 |                  | Variance<br>B2027 vs B2026 | Variance<br>B2027 vs F2026 |
|------------------------------------------------------|------------------------------------------|------------------|-----------------|------------------|----------------------------|----------------------------|
|                                                      | Forecast FY2026                          | Budget FY2026    | Variance 2026   | Budget FY2027    |                            |                            |
| <b>Premiums Written:</b>                             |                                          |                  |                 |                  |                            |                            |
| 1 Direct                                             | \$807,016                                | \$781,032        | \$25,984        | \$770,599        | (\$10,433)                 | (\$36,417)                 |
| <b>Premiums Earned:</b>                              |                                          |                  |                 |                  |                            |                            |
| 2 Direct                                             | \$817,909                                | \$808,261        | \$9,648         | \$789,271        | (\$18,990)                 | (\$28,638)                 |
| 3 Ceded                                              | (209,925)                                | (237,000)        | 27,075          | (\$173,000)      | 64,000                     | 36,925                     |
| 4 Net                                                | 607,984                                  | 571,261          | 36,723          | 616,271          | 45,010                     | 8,287                      |
| <b>Deductions:</b>                                   |                                          |                  |                 |                  |                            |                            |
| 6 Losses and LAE Incurred                            | 136,469                                  | 110,887          | 25,583          | 99,942           | (10,945)                   | (36,527)                   |
| 7 Operating Expenses                                 | 42,144                                   | 44,714           | (2,569)         | 44,098           | (616)                      | 1,954                      |
| 8 Commission Expense                                 | 129,020                                  | 124,965          | 4,055           | 123,296          | (1,669)                    | (5,725)                    |
| 9 Ceding commissions / brokerage                     | (10,537)                                 | (11,850)         | 1,313           | (7,000)          | 4,850                      | 3,537                      |
| 10 Other Taxes and fees                              | 17                                       | 58               | (41)            | 22               | (35)                       | 6                          |
| 11 Total Deductions                                  | 297,113                                  | 268,773          | 28,341          | 260,358          | (8,415)                    | (36,756)                   |
| 12 <b>Net Underwriting Gain or (Loss)</b>            | 310,871                                  | 302,488          | 8,383           | 355,913          | 53,425                     | 45,042                     |
| <b>Other Income or (Expense):</b>                    |                                          |                  |                 |                  |                            |                            |
| 14 Gross Investment Income                           | 25,884                                   | 21,597           | 4,287           | 24,613           | 3,016                      | (1,271)                    |
| 15 Line of Credit Fees and Other Investment Expenses | (1,754)                                  | (1,953)          | 200             | (1,748)          | 205                        | 5                          |
| 16 Interest Expense on Debt                          | 0                                        | 0                | 0               | 0                | 0                          | 0                          |
| 17 Premium Charge Offs/Write Offs                    | 0                                        | 0                | 0               | 0                | 0                          | 0                          |
| 18 Other Income (Expense)                            | 0                                        | 0                | 0               | 0                | 0                          | 0                          |
| 19 Total Other Income or (Expense)                   | 24,130                                   | 19,644           | 4,487           | 22,865           | 3,221                      | (1,266)                    |
| 20 <b>Net Income (Loss)</b>                          | <b>\$335,001</b>                         | <b>\$322,132</b> | <b>\$12,869</b> | <b>\$378,778</b> | <b>\$56,646</b>            | <b>\$43,777</b>            |

Direct Written Premiums projected to decrease by \$36.0 million (4.5%) from \$807.0 million in 2026 forecast to \$770.6 million in 2027.

Ceded Premiums for 2026/27 reinsurance were \$209.9M at inception date. For 2027, the current placeholder is \$173.0 million.

Detailed schedules for key line items are provided on subsequent slides.



# TWIA 2027 Budgeted Surplus and Key Ratios

(In 000s including footnote)

|                                       | A                                        | B               | C                | D               | E               | F              |    |
|---------------------------------------|------------------------------------------|-----------------|------------------|-----------------|-----------------|----------------|----|
|                                       | For the twelve months ended December 31, |                 |                  |                 | Variance        | Variance       |    |
|                                       | Forecast FY2026                          | Budget FY2026   | Variance 2026    | Budget FY2027   | B2027 vs B2026  | B2027 vs F2026 |    |
| 1 <b>Surplus (Deficit) Account:</b>   |                                          |                 |                  |                 |                 |                | 1  |
| 2 Beginning Surplus (Deficit)         | (17,445)                                 | 15,951          | (33,397)         | 41,631          | 25,680          | 59,076         | 2  |
| 3 Net Income (Loss)                   | 335,001                                  | 322,132         | 12,869           | 378,778         | 56,646          | 43,777         | 3  |
| 4 Change in Provision for Reinsurance | 0                                        | 0               | 0                | 0               | -               | -              | 4  |
| 5 Change in Non-Admitted Assets       | 1,706                                    | 4,548           | (2,842)          | 1,116           | (3,432)         | (590)          | 5  |
| 6 Statutory Fund (Cost)/Received (1)  | (277,631)                                | (322,132)       | 44,501           | (378,778)       | (56,646)        | (101,147)      | 6  |
| 7 <b>Ending Surplus (Deficit)</b>     | <b>\$41,631</b>                          | <b>\$20,500</b> | <b>\$21,132</b>  | <b>\$42,747</b> | <b>\$22,248</b> | <b>\$1,116</b> | 7  |
| 8                                     |                                          |                 |                  |                 |                 |                | 8  |
| 9 <b>Key Operating Ratios:</b>        |                                          |                 |                  |                 |                 |                | 9  |
| 10 Direct:                            |                                          |                 |                  |                 |                 |                | 10 |
| 11 Loss & LAE Ratio                   | <b>16.7%</b>                             | <b>13.7%</b>    | 3.0%             | <b>12.7%</b>    | <b>(1.1%)</b>   | <b>(4.0%)</b>  | 11 |
| 12 UW Expense Ratio:                  |                                          |                 |                  |                 |                 |                | 12 |
| 13 Acquisition                        | 16.0%                                    | 16.0%           | (0.0%)           | 16.0%           | <b>(0.0%)</b>   | <b>0.0%</b>    | 13 |
| 14 Non Acquisition                    | 5.2%                                     | 5.5%            | (0.4%)           | 5.6%            | <b>0.1%</b>     | <b>0.4%</b>    | 14 |
| 15 UW Expense Ratio                   | 21.1%                                    | 21.5%           | (0.4%)           | 21.6%           | <b>0.1%</b>     | <b>0.4%</b>    | 15 |
| 16 <b>Direct Combined Ratio</b>       | <b>37.8%</b>                             | <b>35.3%</b>    | <b>2.6%</b>      | <b>34.3%</b>    | <b>(1.0%)</b>   | <b>(3.6%)</b>  | 16 |
| 17                                    |                                          |                 |                  |                 |                 |                | 17 |
| 18 <b>Ending Balance in CRTF</b>      | <b>59,216</b>                            | <b>202,418</b>  | <b>(143,203)</b> | <b>350,520</b>  | <b>148,101</b>  | <b>291,304</b> | 18 |

(1) \$57 million Net Gain from operations allocated to repay borrowings related to Hurricane Beryl



# Proposed 2027 Budget Expense Summary (Gross and Net)

## In (000s)

7

| A  |                                                 | B                                        | C             | D             | E             | F              | G              |    |
|----|-------------------------------------------------|------------------------------------------|---------------|---------------|---------------|----------------|----------------|----|
|    |                                                 | For the twelve months ended December 31, |               |               |               | B2027 vs B2026 | B2027 vs F2026 |    |
|    |                                                 | Forecast FY2026                          | Budget FY2026 | Variance 2026 | Budget FY2027 | Inc (Dec)      | Inc (Dec)      |    |
| 1  | Personnel Expenses                              | \$40,109                                 | \$43,949      | (\$3,840)     | \$38,269      | (\$5,680)      | (\$1,840)      | 1  |
| 2  | Professional & Consulting Services              | 9,466                                    | 10,070        | (604)         | 10,389        | 319            | 923            | 2  |
| 3  | Hardware/Software Purchases & Licensing         | 8,291                                    | 8,531         | (239)         | 9,947         | 1,416          | 1,656          | 3  |
| 4  | Rental & Maintenance - Office/Equipment         | 1,111                                    | 1,152         | (41)          | 1,116         | (37)           | 5              | 4  |
| 5  | Travel Expenses                                 | 297                                      | 381           | (84)          | 320           | (61)           | 23             | 5  |
| 6  | Postage, Telephone and Express                  | 1,779                                    | 1,914         | (135)         | 1,848         | (65)           | 70             | 6  |
| 7  | Capital Management Expenses                     | 0                                        | 0             | 0             | 0             | 0              | 0              | 7  |
| 8  | Depreciation                                    | 3,086                                    | 3,086         | 0             | 806           | (2,281)        | (2,281)        | 8  |
| 9  | All Other Operating Expenses                    | 2,006                                    | 2,094         | (88)          | 2,133         | 39             | 127            | 9  |
| 10 | Gross Operating Expenses                        | 66,145                                   | 71,178        | (5,032)       | 64,828        | (6,350)        | (1,318)        | 10 |
| 11 | Less: Adjustments/Allocations                   |                                          |               |               |               |                |                | 11 |
| 12 | Capitalization of Fixed Assets                  | 0                                        | 0             | 0             | 0             | 0              | 0              | 12 |
| 13 | Reimbursement of Depopulation Servicing Expense | 0                                        | 0             | 0             | 0             | 0              | 0              | 13 |
| 14 | Allocation To ULAE                              | (23,930)                                 | (26,380)      | 2,450         | (20,658)      | 5,722          | 3,272          | 14 |
| 15 | Allocation To Investing                         | (71)                                     | (84)          | 13            | (72)          | 12             | (1)            | 15 |
| 16 | Total Adjustments/Allocations                   | (24,001)                                 | (26,464)      | 2,463         | (20,730)      | 5,734          | 3,271          | 16 |
| 17 |                                                 |                                          |               |               |               |                |                | 17 |
| 18 | Net Operating Expense - UW Operations           | \$42,144                                 | \$44,714      | (\$2,569)     | \$44,098      | (616)          | 1,954          | 18 |

ULAE – Unallocated loss adjustment expense



## TWIA 2027 Proposed Budget

# Premium Projections



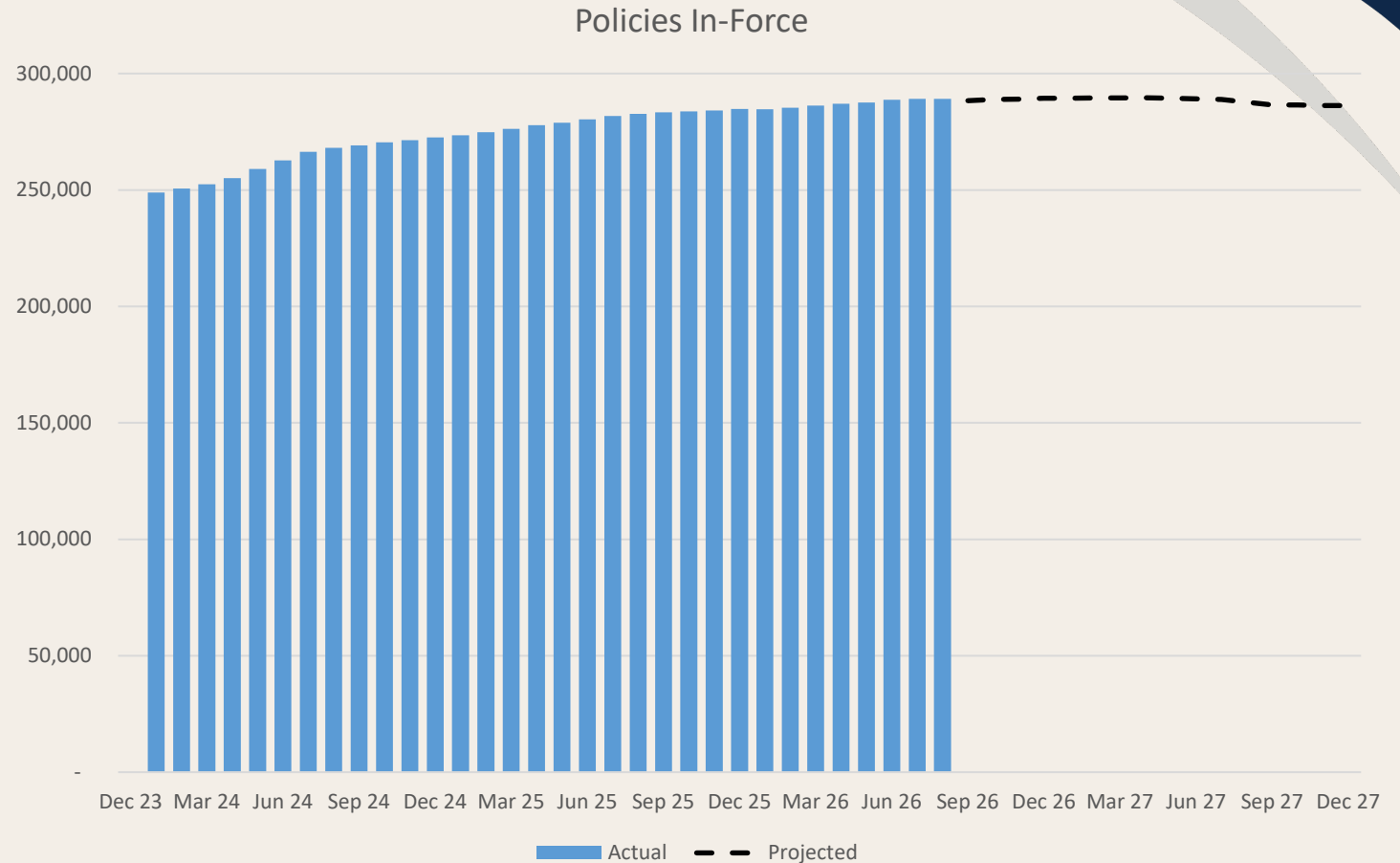
# Premium Budget – Policies In Force

## Total Policies in Force

|                       |         |
|-----------------------|---------|
| Dec 2023 (Actual)     | 247,537 |
| Dec 2024 (Actual)     | 272,567 |
| Dec 2025 (Actual)     | 284,846 |
| Dec 2026 (Projection) | 288,898 |
| Dec 2027 (Budget)     | 286,201 |

## 2027 Budget – PIF as of 12/31/2027

| <u>Class of Business</u> | <u>Count</u>   |
|--------------------------|----------------|
| Residential              | 277,488        |
| Manufactured             | 2,189          |
| Commercial               | 6,524          |
| <b>TOTAL</b>             | <b>286,201</b> |
| <b>% Annual Change</b>   | <b>-0.9%</b>   |



# TWIA Historical and Projected Policies In Force

|   | A                                 | B              | C              | D              | E              | F              | G              | H              | I              | J              | K              | L                             |   |
|---|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------------------|---|
|   | Policies in Force at December 31, |                |                |                |                |                |                |                |                |                |                |                               |   |
|   |                                   |                |                |                |                |                |                |                |                | Forecast       |                | % Change<br>B2027 vs<br>F2026 |   |
| 1 | Class of Business                 | 2018           | 2019           | 2020           | 2021           | 2022           | 2023           | 2024           | FY2025         | 2026           | Budget 2027    |                               | 1 |
| 2 | Commercial                        | 7,827          | 7,063          | 6,467          | 6,818          | 7,721          | 8,438          | 8,594          | 8,099          | 7,400          | 6,524          | -11.8%                        | 2 |
| 3 | Manufactured Home                 | 724            | 694            | 742            | 913            | 999            | 1,184          | 1,589          | 1,850          | 2,056          | 2,189          | 6.5%                          | 3 |
| 4 | Residential                       | 193,657        | 181,446        | 177,681        | 185,271        | 213,760        | 237,915        | 262,384        | 274,897        | 279,442        | 277,488        | -0.7%                         | 4 |
| 5 | <b>Total</b>                      | <b>202,208</b> | <b>189,203</b> | <b>184,890</b> | <b>193,002</b> | <b>222,480</b> | <b>247,537</b> | <b>272,567</b> | <b>284,846</b> | <b>288,898</b> | <b>286,201</b> | <b>-0.9%</b>                  | 5 |
| 6 | <b>% Change</b>                   | -10.9%         | -6.4%          | -2.3%          | 4.4%           | 15.3%          | 11.3%          | 10.1%          | 4.5%           | 1.4%           | -0.9%          |                               | 6 |



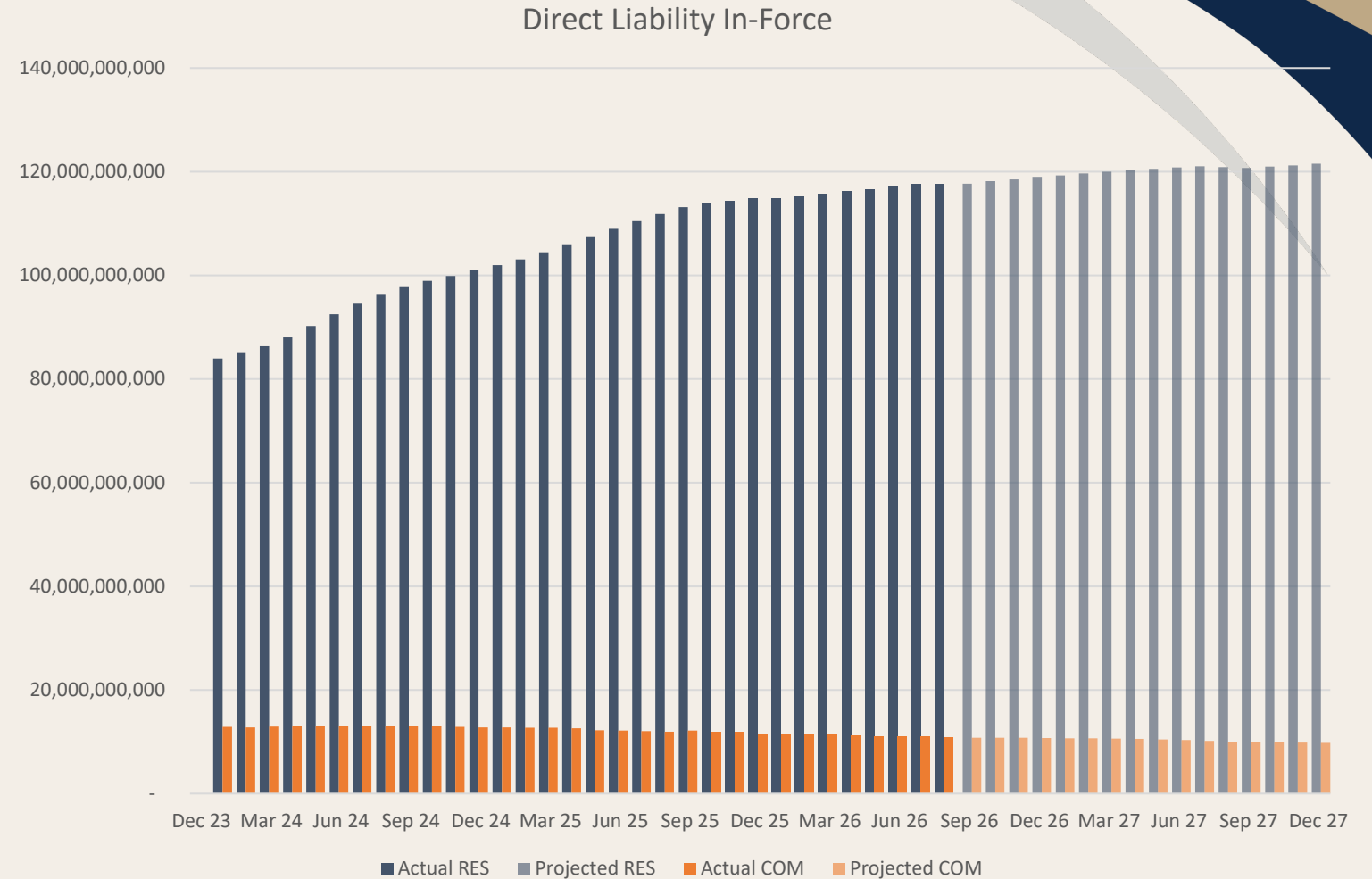
# Premium Budget – Direct Liability In Force (Exposures)

## Total Direct Liability in Force (In 000s)

|                     |               |
|---------------------|---------------|
| Dec 2023 (Actual)   | \$95,679,158  |
| Dec 2024 (Actual)   | \$113,745,440 |
| Dec 2025 (Actual)   | \$126,455,725 |
| Dec 2026 (Forecast) | \$129,698,031 |
| Dec 2027 (Budget)   | \$131,444,509 |

## 2027 Budget – Exposures as of 12/31/2027 (In 000s)

| Class of Business | Amount               |
|-------------------|----------------------|
| Residential       | 121,583,203          |
| Manufactured      | 176,470              |
| Commercial        | 9,684,837            |
| <b>TOTAL</b>      | <b>\$131,444,509</b> |
| % Annual Change   | 1.3%                 |



# TWIA Historical and Projected Exposures In Force

|   | A                                            | B                 | C                 | D                 | E                 | F                 | G                 | H                  | I                  | J                    | K                  | L                              |   |
|---|----------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|----------------------|--------------------|--------------------------------|---|
|   | Exposures in Force at December 31, (In 000s) |                   |                   |                   |                   |                   |                   |                    |                    |                      |                    |                                |   |
| 1 | <b>Class of Business</b>                     | <b>2018</b>       | <b>2019</b>       | <b>2020</b>       | <b>2021</b>       | <b>2022</b>       | <b>2023</b>       | <b>2024</b>        | <b>2025</b>        | <b>Forecast 2026</b> | <b>Budget 2027</b> | <b>% Change B2027 vs F2026</b> | 1 |
| 2 | Commercial                                   | 6,245,277         | 5,940,483         | 5,891,209         | 6,505,687         | 8,755,833         | 12,706,103        | 12,784,911         | 11,584,286         | 10,661,635           | 9,684,837          | -9.2%                          | 2 |
| 3 | Manufactured Home                            | 38,978            | 37,989            | 41,337            | 53,242            | 64,908            | 83,346            | 115,792            | 140,801            | 160,912              | 176,470            | 9.7%                           | 3 |
| 4 | Residential                                  | 51,973,107        | 49,516,512        | 49,077,092        | 52,984,667        | 66,877,791        | 82,889,710        | 100,844,738        | 114,730,637        | 118,875,485          | 121,583,203        | 2.3%                           | 4 |
| 5 | <b>Total</b>                                 | <b>58,257,362</b> | <b>55,494,985</b> | <b>55,009,638</b> | <b>59,543,596</b> | <b>75,698,532</b> | <b>95,679,158</b> | <b>113,745,440</b> | <b>126,455,725</b> | <b>129,698,031</b>   | <b>131,444,509</b> | <b>1.3%</b>                    | 5 |
| 6 | <b>% Change</b>                              | <b>-10.9%</b>     | <b>-4.7%</b>      | <b>-0.9%</b>      | <b>8.2%</b>       | <b>27.1%</b>      | <b>26.4%</b>      | <b>18.9%</b>       | <b>11.2%</b>       | <b>2.6%</b>          | <b>1.3%</b>        |                                | 6 |



# Premium Budget – Written Premium

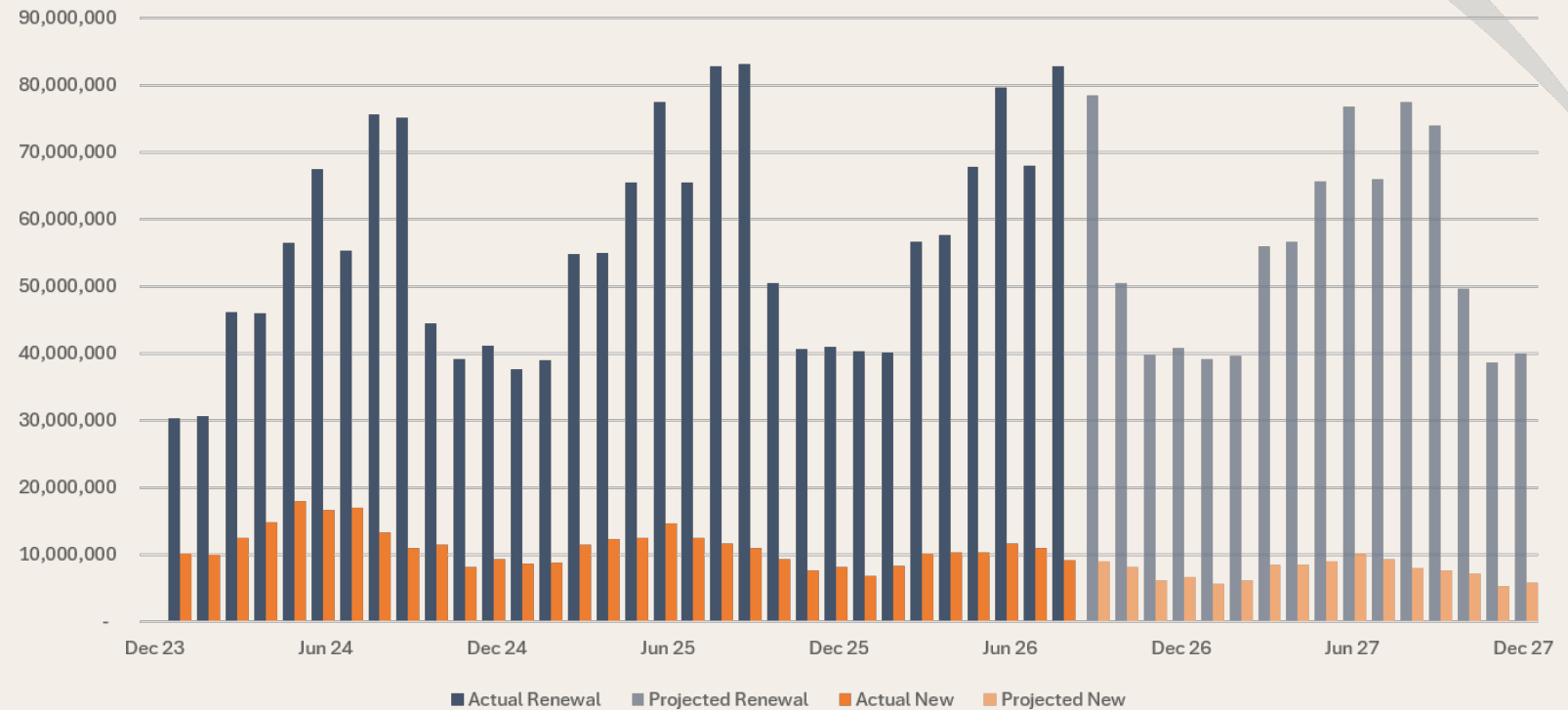
## Total Annual Direct Written Premiums

|                   |               |
|-------------------|---------------|
| 2023 (Actual)     | \$653,094,559 |
| 2024 (Actual)     | \$758,844,845 |
| 2025 (Actual)     | \$820,864,531 |
| 2026 (Projection) | \$807,016,103 |
| 2027 (Budget)     | \$770,599,352 |

## 2027 Budget – Direct Written Premiums

| Class of Business | Amount               |
|-------------------|----------------------|
| Residential       | \$673,993,848        |
| Manufactured      | 4,478,633            |
| Commercial        | 91,126,871           |
| <b>TOTAL</b>      | <b>\$770,599,352</b> |
| % Annual Change   | -4.50%               |

Direct Written Premiums



## TWIA 2027 Proposed Budget

# REINSURANCE



# Reinsurance

| Reinsurance Components                                    | 2026 Reinsurance Amounts | 2027 Reinsurance Projection |
|-----------------------------------------------------------|--------------------------|-----------------------------|
| Minimum required funding level (PML)                      | \$4,305,100,000          | \$4,400,000,000             |
| Total Funded by Catastrophe Reserve Trust Fund (CRTF)     | \$25,000,000             | \$350,000,000               |
| Total Statutory Funding: State Investment and Assessments | \$2,000,000,000          | \$2,000,000,000             |
| Total Reinsurance Limit Purchased                         | \$2,280,100,000          | \$2,050,000,000             |
| Total Actual 2026 and Estimated 2027 Reinsurance Premiums | \$209,925,055            | \$173,000,000               |

The 2027 Projected Probable Maximum Loss includes anticipated exposure growth and is based on the most recent methodology used to blend the catastrophe models.



# TWIA 2027 Proposed Budget

## EXPENSES



# Expense Categories

TWIA budgets and tracks expenses in four primary categories:

## Personnel Expenses

- Salary & Wages
- Contractors/Temp Help
- Payroll Taxes
- Employee Benefits
- Recruiting/Training/Other

## EDP Equipment & Software

- Hardware
- Software Purchases and Licensing

## Professional Services

- Legal
- Accounting & Auditing
- Information Technology
- Actuarial
- Surveys & Inspections
- Other Services

## Other Operating Expenses

- Rent
- Maintenance
- Office Equipment
- Postage
- Telephone
- Shipping
- Travel
- Bureaus and Associations (ISO, PIPSO, etc.)
- Printing and Supplies
- Dues and Subscriptions
- Insurance
- Media and Advertising
- Service Charges (Bank Fees)
- Depreciation



# Texas Windstorm All Expenses Summary

(In 000s)

18

|                                                    | For the twelve months ended December 31, |                 |                  |                 | B2027 vs B2026 |             | B2027 vs F2026 |             |
|----------------------------------------------------|------------------------------------------|-----------------|------------------|-----------------|----------------|-------------|----------------|-------------|
|                                                    | Forecast 2026                            | Budget FY2026   | Variance 2026    | Budget FY2027   | \$             | %           | \$             | %           |
| <b>Personnel Expenses</b>                          |                                          |                 |                  |                 |                |             |                |             |
| Salaries & Wages - Permanent                       | \$18,448                                 | \$19,228        | (\$780)          | \$19,897        | \$669          | 3%          | \$1,449        | 8%          |
| Contractor & Temporary Help                        | 14,356                                   | 17,281          | (2,925)          | 10,903          | (6,378)        | -37%        | (3,454)        | -24%        |
| Payroll Taxes                                      | 1,335                                    | 1,353           | (18)             | 1,443           | 90             | 7%          | 108            | 8%          |
| Employee Benefits                                  | 5,622                                    | 5,585           | 36               | 5,515           | (70)           | -1%         | (107)          | -2%         |
| Recruiting, Training & Other                       | 348                                      | 501             | (153)            | 512             | 10             | 2%          | 163            | 47%         |
| <b>Subtotal</b>                                    | <b>40,109</b>                            | <b>43,949</b>   | <b>(3,840)</b>   | <b>38,269</b>   | <b>(5,680)</b> | <b>-13%</b> | <b>(1,840)</b> | <b>-5%</b>  |
| <b>Professional &amp; Consulting Services</b>      |                                          |                 |                  |                 |                |             |                |             |
| Legal                                              | 505                                      | 495             | 9                | 543             | 47             | 10%         | 38             | 8%          |
| Accounting & Auditing                              | 244                                      | 279             | (34)             | 259             | (19)           | -7%         | 15             | 6%          |
| Information Technology                             | 2,501                                    | 2,501           | 0                | 2,495           | (6)            | 0%          | (6)            | 0%          |
| Actuarial Services                                 | 102                                      | 102             | 0                | 105             | 3              | 3%          | 3              | 3%          |
| Ombudsman Program                                  | 130                                      | 110             | 20               | 135             | 25             | 23%         | 5              | 4%          |
| Surveys & Inspections                              | 655                                      | 1,143           | (488)            | 1,191           | 48             | 4%          | 536            | 82%         |
| Disaster Recovery Services                         | 8                                        | 7               | 1                | 8               | 1              | 18%         | (0)            | -4%         |
| Other Services                                     | 5,320                                    | 5,433           | (113)            | 5,653           | 220            | 4%          | 333            | 6%          |
| <b>Subtotal</b>                                    | <b>9,466</b>                             | <b>10,070</b>   | <b>(604)</b>     | <b>10,389</b>   | <b>319</b>     | <b>3%</b>   | <b>923</b>     | <b>10%</b>  |
| <b>Hardware/Software Purchases &amp; Licensing</b> | <b>8,291</b>                             | <b>8,531</b>    | <b>(239)</b>     | <b>9,947</b>    | <b>1,416</b>   | <b>17%</b>  | <b>1,656</b>   | <b>20%</b>  |
| <b>Rental &amp; Maintenance - Office/Equipment</b> | <b>1,111</b>                             | <b>1,152</b>    | <b>(41)</b>      | <b>1,116</b>    | <b>(37)</b>    | <b>-3%</b>  | <b>5</b>       | <b>0%</b>   |
| <b>Travel Expenses</b>                             | <b>297</b>                               | <b>381</b>      | <b>(84)</b>      | <b>320</b>      | <b>(61)</b>    | <b>-16%</b> | <b>23</b>      | <b>8%</b>   |
| <b>Postage, Telephone and Express</b>              | <b>1,779</b>                             | <b>1,914</b>    | <b>(135)</b>     | <b>1,848</b>    | <b>(65)</b>    | <b>-3%</b>  | <b>70</b>      | <b>4%</b>   |
| <b>Capital Management Expenses</b>                 | <b>0</b>                                 | <b>0</b>        | <b>0</b>         | <b>0</b>        | <b>0</b>       | <b>0%</b>   | <b>0</b>       | <b>0%</b>   |
| <b>Depreciation</b>                                | <b>3,086</b>                             | <b>3,086</b>    | <b>0</b>         | <b>806</b>      | <b>(2,281)</b> | <b>-74%</b> | <b>(2,281)</b> | <b>-74%</b> |
| <b>All Other Operating Expenses</b>                | <b>2,006</b>                             | <b>2,094</b>    | <b>(88)</b>      | <b>2,133</b>    | <b>39</b>      | <b>2%</b>   | <b>127</b>     | <b>6%</b>   |
| <b>Total Operating Expenses</b>                    | <b>66,145</b>                            | <b>71,178</b>   | <b>(5,032)</b>   | <b>64,828</b>   | <b>(6,350)</b> | <b>-9%</b>  | <b>(1,318)</b> | <b>-2%</b>  |
| Capitalization of Fixed Assets                     | 0                                        | 0               | 0                | 0               | 0              | 0%          | 0              | 0%          |
| Reimbursement of Depopulation Servicing Expenses   | 0                                        | 0               | 0                | 0               | 0              | 0%          | 0              | 0%          |
| Allocation To ULAE                                 | (23,930)                                 | (26,380)        | 2,450            | (20,658)        | 5,722          | -22%        | 3,272          | -14%        |
| Allocation To Investing                            | (71)                                     | (84)            | 13               | (72)            | 12             | -14%        | (1)            | 1%          |
| <b>Net Operating Expense - UW Operations</b>       | <b>\$42,144</b>                          | <b>\$44,714</b> | <b>(\$2,569)</b> | <b>\$44,098</b> | <b>(\$616)</b> | <b>-1%</b>  | <b>\$1,954</b> | <b>5%</b>   |

Increase in Salaries and Wages over forecast is primarily attributable to additional full-time employees and employee merit.

Decrease in Contractor & Temporary Help reflects the reduction in external examiners required to settle claims outstanding from Hurricane Beryl.

Surveys & Inspections: Increase driven by the mid-2026 rollout of the new Inspection Program and an updated estimate of 2027 inspection activity.

Other services: CoreLogic (MSB/Interchange Prefill) costs increased due to new agreement terms, along with the addition of new technology services in 2027.

Increase in Hardware and Software is primarily attributable to Guidewire Licensing fees.



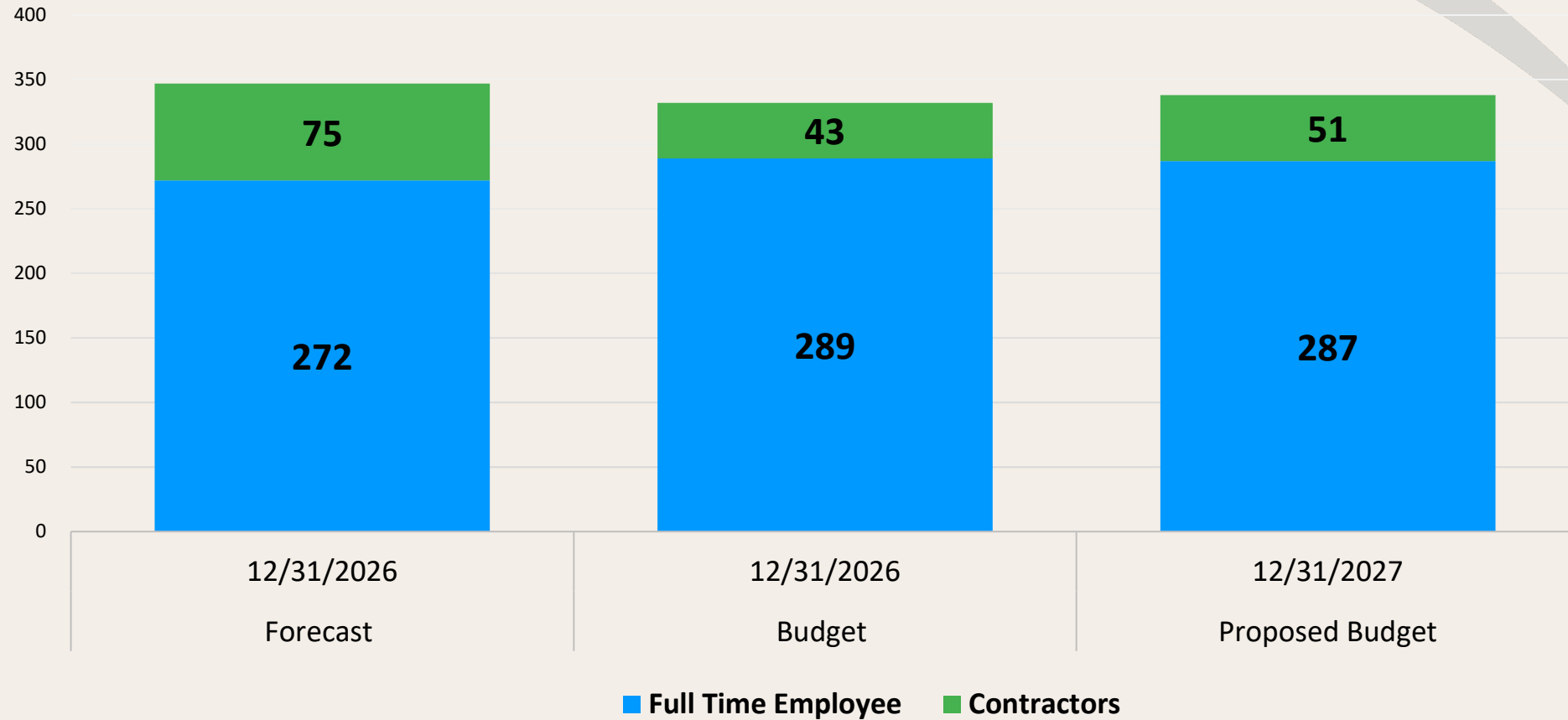
# Historical Operating Expenses by Category

|                                           | A                   | B                   | C                   | D                   | E                   | F                   | G                   | H                   | I                   | J                   | K                   |    |
|-------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----|
|                                           | 2018 Actual         | 2019 Actual         | 2020 Actual         | 2021 Actual         | 2022 Actual         | 2023 Actual         | 2024 Actual         | 2025 Actual         | 2026 Forecast       | 2026 Budget         | 2027 Budget         |    |
| 1 <b>TOTAL ALL DEPTS</b>                  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     | 1  |
| 2 Personnel Costs                         | \$53,401,035        | \$30,889,084        | \$31,214,130        | \$32,646,892        | \$27,790,653        | \$24,360,273        | \$56,737,126        | \$46,980,996        | \$40,108,867        | \$43,948,684        | \$38,268,703        | 2  |
| 3 Professional Services                   | 10,148,994          | 8,805,315           | 10,868,403          | 12,251,132          | 9,619,727           | 10,422,569          | 16,241,341          | 10,345,190          | 9,466,442           | 10,070,395          | 10,389,081          | 3  |
| 4 Hardware & Software Licensing           | 3,003,507           | 2,997,898           | 3,095,779           | 3,368,723           | 3,776,425           | 3,311,192           | 4,409,679           | 6,755,216           | 8,291,223           | 8,530,592           | 9,946,979           | 4  |
| 5 Rental & Maintenance - Office/Equipment | 1,351,117           | 1,296,079           | 1,267,426           | 1,246,376           | 1,483,711           | 974,567             | 962,588             | 1,038,015           | 1,111,051           | 1,152,499           | 1,115,755           | 5  |
| 6 Travel Expenses                         | 317,375             | 251,104             | 57,881              | 35,829              | 121,695             | 139,121             | 181,789             | 177,646             | 296,646             | 380,698             | 319,666             | 6  |
| 7 Postage, Telephone and Express          | 1,072,486           | 975,547             | 907,156             | 902,172             | 1,028,753           | 1,304,287           | 1,613,900           | 1,699,201           | 1,778,696           | 1,913,945           | 1,848,446           | 7  |
| 8 Capital Management Expenses             | 2,261,920           | 2,112,784           | 17,388              | 15,660              | 6,326               | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 8  |
| 9 Other Operating Expenses                | 2,229,831           | 1,183,133           | 1,152,218           | 1,327,630           | 3,762,845           | 4,647,677           | 4,823,580           | 4,911,861           | 5,092,441           | 5,180,915           | 2,939,056           | 9  |
| 10                                        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     | 10 |
| 11 <b>GROSS OPERATING EXPENSES</b>        | <b>73,786,265</b>   | <b>48,510,942</b>   | <b>48,580,382</b>   | <b>51,794,415</b>   | <b>47,590,134</b>   | <b>45,159,685</b>   | <b>84,970,003</b>   | <b>71,908,126</b>   | <b>66,145,365</b>   | <b>71,177,728</b>   | <b>64,827,687</b>   | 11 |
| 12                                        |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     | 12 |
| 13 Capitalization of Fixed Assets         | 0                   | 0                   | (4,577,587)         | (8,927,371)         | (1,699,371)         | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 13 |
| 14 Reimbursement of Depop Servicing Exp   | (248,371)           | (120,463)           | (76,065)            | (15,863)            | (8,137)             | (3,724)             | (87)                | 0                   | 0                   | 0                   | 0                   | 14 |
| 15 Allocation To ULAE                     | (42,799,315)        | (16,886,693)        | (15,224,675)        | (14,752,216)        | (12,100,915)        | (10,790,272)        | (46,809,010)        | (32,672,381)        | (23,929,811)        | (26,380,104)        | (20,657,750)        | 15 |
| 16 Allocation To Investing & Other Exp    | (2,457,477)         | (2,386,866)         | (301,264)           | (273,379)           | (262,325)           | (97,638)            | (43,412)            | (77,216)            | (71,189)            | (84,000)            | (72,000)            | 16 |
| 17 <b>Net Operating Expense</b>           | <b>\$28,281,102</b> | <b>\$29,116,920</b> | <b>\$28,400,791</b> | <b>\$27,825,586</b> | <b>\$33,519,385</b> | <b>\$34,268,050</b> | <b>\$38,117,494</b> | <b>\$39,158,528</b> | <b>\$42,144,366</b> | <b>\$44,713,624</b> | <b>\$44,097,937</b> | 17 |
| 18 <b>Direct Earned Premium</b>           | 409,954,258         | 381,571,182         | 369,179,093         | 378,504,200         | 443,490,200         | 589,353,024         | 708,981,286         | 794,594,956         | 817,909,290         | 808,261,181         | 789,271,066         | 18 |
| 19 <b>Non-Acquisition Expense Ratio</b>   | 6.9%                | 7.6%                | 7.7%                | 7.4%                | 7.6%                | 5.8%                | 5.4%                | 4.9%                | 5.2%                | 5.5%                | 5.6%                | 19 |

Note: Other Operating Expenses (Line 9) includes depreciation of capitalized assets. Guidewire Elevate amortization ends in March 2027.



# Consolidated Headcount Summary TWIA/TFPA



# Employee Benefits – TWIA

|    | Description               | for the 12 months ended December 31, |               |             |               | Budget 2027<br>vs Forecast<br>2026 | Budget 2027<br>vs Budget<br>2026 |    |
|----|---------------------------|--------------------------------------|---------------|-------------|---------------|------------------------------------|----------------------------------|----|
|    |                           | Forecast 2026                        | Budget FY2026 | Variance-26 | Budget FY2027 |                                    |                                  |    |
| 1  | Total Salary & Wages      | 18,447,869                           | 19,227,982    | (780,113)   | 19,896,635    | 1,448,766                          | 668,653                          | 1  |
| 2  |                           |                                      |               |             |               |                                    |                                  | 2  |
| 3  | Pension Plan              | 1,803,507                            | 1,378,670     | 424,837     | 1,377,625     | (425,882)                          | (1,046)                          | 3  |
| 4  | 401 K Plan                | 949,367                              | 1,036,890     | (87,523)    | 1,078,303     | 128,936                            | 41,414                           | 4  |
| 5  | Insurance & Related:      |                                      |               |             |               |                                    |                                  | 5  |
| 6  | Medical                   | 2,531,989                            | 2,803,338     | (271,348)   | 2,688,340     | 156,350                            | (114,998)                        | 6  |
| 7  | Dental                    | 164,263                              | 195,929       | (31,666)    | 190,864       | 26,601                             | (5,065)                          | 7  |
| 8  | Life, LTD & AD&D          | 132,300                              | 135,313       | (3,013)     | 143,487       | 11,187                             | 8,174                            | 8  |
| 9  | All Other (1)             | 40,130                               | 35,217        | 4,913       | 36,410        | (3,721)                            | 1,192                            | 9  |
| 10 | Total Insurance & Related | 2,868,682                            | 3,169,797     | (301,115)   | 3,059,101     | 190,418                            | (110,697)                        | 10 |
| 11 |                           |                                      |               |             |               |                                    |                                  | 11 |
| 12 | Total All Benefit Costs   | 5,621,557                            | 5,585,357     | 36,199      | 5,515,029     | (106,528)                          | (70,329)                         | 12 |

(1) All Other Benefits include Vision, LTD, EAP, HSA fees, FSA fees, Extended Leave Admin fees

Benefits % to Salaries                      30.5%                      29.0%                      27.7%



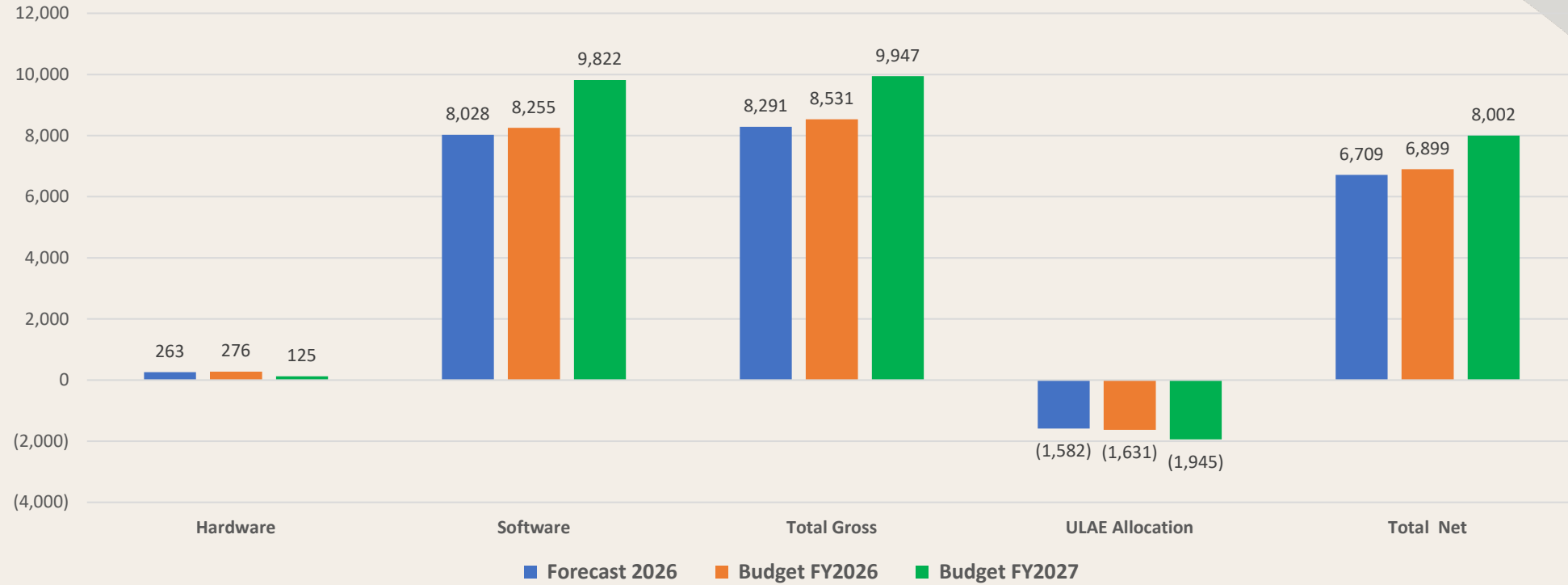
# TWIA Professional Services Top 10 Vendors

|    |                                |                                           | A                   | B                    | C                   | D                    | E                       | F                       |    |
|----|--------------------------------|-------------------------------------------|---------------------|----------------------|---------------------|----------------------|-------------------------|-------------------------|----|
|    | Departments                    | Vendor                                    | 2026 Forecast       | 2026 Budget          | Variance 2026       | 2027 Budget          | Variance B2027 vs B2026 | Variance B2027 vs F2026 |    |
| 1  | Slab Claims Evaluation Program | Moody's Analytics Inc.                    | 1,133,922           | 1,075,404            | 58,518              | 1,235,217            | 159,813                 | 101,294                 | 1  |
| 2  | Information Technology         | Cynosure, Inc. dba Zensar Technologies    | 916,304             | 973,544              | (57,240)            | 1,002,751            | 29,208                  | 86,447                  | 2  |
| 3  | Underwriting                   | Marshall & Swift/Boeckh, LLC. (CoreLogic) | 354,081             | 456,238              | (102,157)           | 888,349              | 432,111                 | 534,268                 | 3  |
| 4  | Information Technology         | Stratus Technology Services, LLC.         | 692,227             | 705,179              | (12,952)            | 723,975              | 18,796                  | 31,748                  | 4  |
| 5  | Actuary                        | AON Re, Inc.                              | 600,000             | 600,000              | 0                   | 600,000              | 0                       | 0                       | 5  |
| 6  | Underwriting                   | Clear Point Claims, LLC.                  | 593,795             | 683,302              | (89,507)            | 528,000              | (155,302)               | (65,795)                | 6  |
| 7  | Claims                         | Xactware Solutions, Inc.                  | 411,622             | 376,760              | 34,862              | 409,360              | 32,600                  | (2,262)                 | 7  |
| 8  | Underwriting                   | Information Providers Inc.                | 227,784             | 341,976              | (114,192)           | 391,440              | 49,464                  | 163,656                 | 8  |
| 9  | Underwriting                   | Reliable Reports, Inc.                    | 156,183             | 341,976              | (185,793)           | 391,440              | 49,464                  | 235,257                 | 9  |
| 10 | Underwriting / Claims          | Insurance Services Office, Inc. (Verisk)  | 269,802             | 274,876              | (5,074)             | 326,971              | 52,095                  | 57,169                  | 10 |
| 11 | Various departments            | Other Vendors                             | 4,110,721           | 4,241,140            | (91,044)            | 3,891,578            | (359,949)               | (268,905)               | 11 |
| 12 |                                | <b>Total Other Professional Services</b>  | <b>\$ 9,466,442</b> | <b>\$ 10,070,395</b> | <b>\$ (564,578)</b> | <b>\$ 10,389,081</b> | <b>\$ 308,299</b>       | <b>\$ 872,877</b>       | 12 |



# Hardware and Software

2027 Budget vs. 2026 Forecast vs. 2026 Budget Comparison (\$ 000s)



# All Other Expenses Details (In 000s)

| Description                     | for the 12 months ended December 31, |               |               |               | Variance   |            |
|---------------------------------|--------------------------------------|---------------|---------------|---------------|------------|------------|
|                                 | Forecast FY2026                      | Budget FY2026 | Variance 2026 | Budget FY2027 | B27 vs F26 | B27 vs B26 |
|                                 |                                      |               |               |               |            |            |
| Office Rent                     | 956                                  | 965           | (9)           | 975           | 19         | 10         |
| Utilities expense               | 0                                    | 0             | 0             | 0             | 0          | 0          |
| Equipment/Storage Rental        | 12                                   | 13            | (1)           | 16            | 4          | 3          |
| Office Relocation Expense       | 0                                    | 0             | 0             | 0             | 0          | 0          |
| Repair & Maintenance            | 143                                  | 174           | (31)          | 124           | (19)       | (50)       |
| Other Office & Equip Expense    | 0                                    | 0             | 0             | 0             | 0          | 0          |
| Total Rental & Maintenance      | 1,111                                | 1,152         | (41)          | 1,116         | 5          | (37)       |
| Board meetings                  | 101                                  | 103           | (3)           | 97            | (4)        | (7)        |
| Storm Related                   | 0                                    | 0             | 0             | 0             | 0          | 0          |
| Workshops                       | 0                                    | 4             | (4)           | 4             | 4          | 0          |
| Other Travel                    | 196                                  | 274           | (78)          | 219           | 23         | (54)       |
| Total Travel Expenses           | 297                                  | 381           | (84)          | 320           | 23         | (61)       |
| Postage/Courier                 | 1,574                                | 1,708         | (134)         | 1,701         | 127        | (7)        |
| Telephone                       | 205                                  | 206           | (1)           | 147           | (57)       | (59)       |
| Total Postage, Tele & Express   | 1,779                                | 1,914         | (135)         | 1,848         | 70         | (65)       |
| Line of Credit Fees             | 0                                    | 0             | 0             | 0             | 0          | 0          |
| Investment Expense - TTSTC Fees | 0                                    | 0             | 0             | 0             | 0          | 0          |
| Total Capital Mgt Expenses      | 0                                    | 0             | 0             | 0             | 0          | 0          |
| Boards, Bureaus & Assoc         | 309                                  | 302           | 8             | 308           | (2)        | 6          |
| Printing & Supplies             | 683                                  | 735           | (53)          | 710           | 27         | (26)       |
| Dues & Subscriptions            | 175                                  | 221           | (47)          | 215           | 41         | (6)        |
| Insurance                       | 209                                  | 211           | (2)           | 214           | 5          | 3          |
| Media and Advertising           | 40                                   | 31            | 9             | 47            | 7          | 16         |
| Depreciation & Amortization     | 3,086                                | 3,086         | 0             | 806           | (2,281)    | (2,281)    |
| Write-offs                      | 0                                    | 0             | 0             | 0             | 0          | 0          |
| Bank Charges                    | 567                                  | 566           | 1             | 616           | 49         | 50         |
| Other Expenses                  | 22                                   | 28            | (6)           | 23            | 1          | (5)        |
| Total Other Operating Exp       | 5,092                                | 5,181         | (88)          | 2,939         | (2,153)    | (2,242)    |
| Total All Other Expenses        | \$8,279                              | \$8,628       | (\$349)       | \$6,223       | (\$2,056)  | (\$2,405)  |

**Postage/Courier :** The increase is primarily attributable to the allocation rate of 71% in the 2026 Forecast, compared with 75% in the 2026 and 2027 budgets.

**Amortization** is anticipated to decrease, as the Guidewire Elevate implementation will be fully amortized in March 2027. The 2027 amortization expense is expected to be approximately \$760K, compared with \$3.0 million for the full year in 2026.



# TWIA 2027 Proposed Budget - Income Statement

(In 000s)

|                                   |                                                   | A                                        | B                | C               | D                | E               | F               |    |
|-----------------------------------|---------------------------------------------------|------------------------------------------|------------------|-----------------|------------------|-----------------|-----------------|----|
|                                   |                                                   | For the twelve months ended December 31, |                  |                 |                  | Variance        | Variance        |    |
|                                   |                                                   | Forecast FY2026                          | Budget FY2026    | Variance 2026   | Budget FY2027    | B2027 vs B2026  | B2027 vs F2026  |    |
| <b>Premiums Written:</b>          |                                                   |                                          |                  |                 |                  |                 |                 |    |
| 1                                 | Direct                                            | \$807,016                                | \$781,032        | \$25,984        | \$770,599        | (\$10,433)      | (\$36,417)      | 1  |
| <b>Premiums Earned:</b>           |                                                   |                                          |                  |                 |                  |                 |                 |    |
| 2                                 | Direct                                            | \$817,909                                | \$808,261        | \$9,648         | \$789,271        | (\$18,990)      | (\$28,638)      | 2  |
| 3                                 | Ceded                                             | (209,925)                                | (237,000)        | 27,075          | (\$173,000)      | 64,000          | 36,925          | 3  |
| 4                                 | Net                                               | 607,984                                  | 571,261          | 36,723          | 616,271          | 45,010          | 8,287           | 4  |
| <b>Deductions:</b>                |                                                   |                                          |                  |                 |                  |                 |                 |    |
| 5                                 | Losses and LAE Incurred                           | 136,469                                  | 110,887          | 25,583          | 99,942           | (10,945)        | (36,527)        | 5  |
| 6                                 | Operating Expenses                                | 42,144                                   | 44,714           | (2,569)         | 44,098           | (616)           | 1,954           | 6  |
| 7                                 | Commission Expense                                | 129,020                                  | 124,965          | 4,055           | 123,296          | (1,669)         | (5,725)         | 7  |
| 8                                 | Ceding commissions / brokerage                    | (10,537)                                 | (11,850)         | 1,313           | (7,000)          | 4,850           | 3,537           | 8  |
| 9                                 | Other Taxes and fees                              | 17                                       | 58               | (41)            | 22               | (35)            | 6               | 9  |
| 10                                | Total Deductions                                  | 297,113                                  | 268,773          | 28,341          | 260,358          | (8,415)         | (36,756)        | 10 |
| 11                                | <b>Net Underwriting Gain or (Loss)</b>            | 310,871                                  | 302,488          | 8,383           | 355,913          | 53,425          | 45,042          | 11 |
| <b>Other Income or (Expense):</b> |                                                   |                                          |                  |                 |                  |                 |                 |    |
| 12                                | Gross Investment Income                           | 25,884                                   | 21,597           | 4,287           | 24,613           | 3,016           | (1,271)         | 12 |
| 13                                | Line of Credit Fees and Other Investment Expenses | (1,754)                                  | (1,953)          | 200             | (1,748)          | 205             | 5               | 13 |
| 14                                | Interest Expense on Debt                          | 0                                        | 0                | 0               | 0                | 0               | 0               | 14 |
| 15                                | Premium Charge Offs/Write Offs                    | 0                                        | 0                | 0               | 0                | 0               | 0               | 15 |
| 16                                | Other Income (Expense)                            | 0                                        | 0                | 0               | 0                | 0               | 0               | 16 |
| 17                                | Total Other Income or (Expense)                   | 24,130                                   | 19,644           | 4,487           | 22,865           | 3,221           | (1,266)         | 17 |
| 18                                | <b>Net Income (Loss)</b>                          | <b>\$335,001</b>                         | <b>\$322,132</b> | <b>\$12,869</b> | <b>\$378,778</b> | <b>\$56,646</b> | <b>\$43,777</b> | 18 |



# Questions & Discussion

