



July 19, 2019

Dear Reader,

Pursuant to Texas Insurance Code Section 2210.3511 the Texas Windstorm Insurance Association (TWIA or the Association) is making its rate adequacy analysis publicly available in advance of the meeting of the TWIA Board of Directors at which its annual rate filing will be considered.

The material provided includes:

- (a) All user selected hurricane model input assumptions
- (b) Output data with the same content and in the same format that is customarily provided to (i) TWIA by hurricane modelers and (ii) the Texas Department of Insurance by TWIA.

This material is being provided in Excel and PDF file formats, providing a searchable electronic format that allows for efficient analysis. The material includes detailed information regarding (i) industry loss experience for the catastrophe area and (ii) average annual hurricane loss output by county from each of the catastrophe models. The rate adequacy analysis relies on projected hurricane loss ratios derived from each of these sources.

Actuarial estimates are subject to uncertainty from various sources, including changes in claims reporting patterns, claim settlement patterns, judicial decisions, legislation, weather, and economic conditions. Any analysis of projected loss amounts involves estimates of future contingencies. While the analysis represents our best professional judgment, arrived at after careful analysis of the available information, it is important to note that a significant degree of variation from our analysis is not only possible, but is, in fact, probable. The sources of this variation are numerous.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for the rate making analysis. It is certain that the actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience is better or worse than expected.

In its rate adequacy analysis TWIA adheres to the Statement of Principles Regarding Property and Casualty Insurance Ratemaking adopted by the Board of Directors of the Casualty Actuarial Society in May 1988.

TWIA's rate adequacy analysis is also consistent with the general rate requirements and rate standards provided in Texas Insurance Code Chapter 2210.

The material included on the website includes the following:

1. Cover Letter [Cover Letter 2019.pdf]
2. Rate Adequacy Presentation to the Board [Board Presentation 2019.pdf]
3. A summary of the hurricane model input assumptions [Assumptions 2019.pdf]
4. A memorandum describing the TWIA Residential Rate Adequacy Analysis, including a discussion of actuarial methodologies and conclusions [Residential Memo 2019.pdf]
5. Residential Rate Indication Exhibits [Residential Exhibit 2019.xlsx]
6. A memorandum describing the Commercial Rate Adequacy Analysis, including a discussion of actuarial methodologies and conclusions [Commercial Memo 2019.pdf]
7. Commercial Rate Indication Exhibits [Commercial Exhibit 2019.xlsx]
8. Model Output provided by modelers:
  - a) Average Annual Loss by County [County Loss AIR 2019.xlsx] [County Loss AIR 2019.pdf]
  - b) Average Annual Loss by County [County Loss RMS 2019.xlsx] [County Loss RMS 2019.pdf]

We hope that this information is helpful to our policyholders and other important constituencies. If you have any questions, please email: [CommunicationsMail@twia.org](mailto:CommunicationsMail@twia.org) Thank you.

Texas Windstorm Insurance Association