



TEXAS WINDSTORM
INSURANCE ASSOCIATION



TEXAS FAIR PLAN
ASSOCIATION

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Introduction

1.1 Background

The Texas Windstorm Insurance Association (TWIA) and Texas FAIR Plan Association (TFPA) (the “Association”) are insurance organizations providing essential property insurance products and services to eligible Texas properties when no one else will. In accomplishing this mission, we share a vision to be respected and trusted by our stakeholders. As stewards of the public trust, we adhere to our core values of integrity and accountability, holding ourselves to a high standard of ethics as outlined in this Ethics Policy (the “Policy”).

1.2 Applicability

This Policy applies to all individuals serving on the TWIA Board of Directors, the TFPA Governing Committee (together, “board members”) all Association employees and contractors. Collectively, this group shall be known as “individuals subject to this Policy.”

1.3 Noncompliance

All individuals subject to this Policy who fail to comply with this Policy will be subject to disciplinary action, up to and including termination of employment or contract. In addition, depending on the nature of the policy violation, an employee may be subject to civil and/or criminal penalties. Board member violations of this Policy will be reported to the Commissioner of Insurance.

Ethical Conduct

2.1 Policy Statement

All individuals subject to this Policy are expected to act with integrity and exercise good judgment at all times. This includes conducting personal and financial affairs in an ethical manner so as to avoid actual or perceived conflict between personal interests and the interests of the Association. All persons subject to this policy are expected to communicate professionally when carrying out Association business. The Association is subject to the Public Information Act, under which any member of the public may request records from the Association. This may include but is not limited to, emails, instant messages, handwritten notes, and electronic documents.

It is the policy of the Association that no person subject to this Policy shall permit their private interests to conflict with the proper execution of any of their Association duties and responsibilities; nor shall they use their position, or any knowledge gained therein, in such a manner as to give the appearance of such conflict. Conflicts of interest exist when the actions or activities of an individual subject to this Policy could result in improper personal gain or advantage to the individual or a family member, adverse effect upon the Association's interests, or improper gain or advantage to a third party.

2.1.1 Applying the Ethics Policy

While this Policy discusses many important issues, it cannot describe all possible scenarios or contain every Association standard. The Association expects you to demonstrate ethical conduct in following both the explicit standards and the general principles of this Policy.

Read the Policy carefully and understand how it applies to you. Situations involving business ethics can be complex. When determining whether a course of action is ethical, you should consider the following questions:

- Is it legal?
- Does it comply with the Association's Ethics Policy and other Association policies?
- Is it consistent with the Association's Mission, Vision, Values and Goals?
- How will it affect others, such as the Association, policyholders, coworkers, and the citizens of Texas?
- How will it look to others?
- Would you be comfortable defending this decision to your manager; conversely, would

- you, as a manager, agree with your employee defending this decision to you?
- Would you be comfortable defending the decision in a public forum, such as in front of a judge, the media, or a legislator?
 - Is it the right thing to do?

Ask, Then Act

If you are uncertain about whether an action or decision is ethical, ***always ask before acting***. The Association offers several ways to seek advice regarding ethical issues, including discussing the issue with your supervisor, a Compliance representative, a Human Resources representative, by sending an email to Compliance@twia.org or opening a KACE ticket for Legal / Compliance.

2.2 Standards of Ethical Conduct

Individuals subject to this Policy are expected to act fairly, impartially, and in the Association's best interest in carrying out their job duties. In order to uphold the Association's high standards of ethics, individuals subject to this Policy must avoid certain behaviors. Prohibiting these behaviors helps the Association avoid both actual conflicts of interest and perceived improprieties.

Individuals subject to this Policy shall not:

1. accept or solicit any gift, favor, or service that the person knows is intended to or could, by reasonable standards influence the person in the performance or nonperformance of their job duties
2. accept other employment or engage in any activity that the person might reasonably expect would require or induce the person to disclose confidential information the person gained through their responsibilities or position within the Association;
3. accept other employment or compensation that could reasonably be expected to impair the person's independent judgment in the performance of their job;
4. make personal investments that could reasonably be expected to create a substantial conflict between the person's private interest and the interest of the Association;
5. intentionally or knowingly solicit, accept, or agree to accept any benefit, financial or otherwise, for exercising the person's authority or performing the person's job duties in favor of another; or,
6. own personally or by or through a family member any interest in a business that provides services for compensation to either Association, unless that ownership is limited to common

stock available to any member of the public for purchase or the ownership is disclosed, and any deviation of this Policy is waived pursuant to the “Deviation from this Policy” section.

Conflicts of Interest

3.1 Background

All persons subject to this Policy must avoid situations that involve, or appear to involve, a conflict of interest. A conflict of interest exists when a person’s relationships or interests outside of the Association affect or could reasonably be expected to affect that person’s business decisions, job performance, or the Association’s interests.

3.2 Prohibited Relationships

As detailed in Texas Insurance Code, Section 2210.013, the Association has strict prohibitions against employing persons who are related to each other. Individuals subject to this Policy may not appoint, employ, or contract with any person who is related to themselves or any other board member or employee in connection with the operation or business of either Association. See **Appendix D** for more details.

3.3 Required Relationship Disclosures

One way we demonstrate our integrity is by maintaining an awareness of Association representatives’ relationships with other stakeholders. We can then ensure that we uphold appropriate levels of accountability, impartiality, and fairness. To that end, individuals subject to this Policy must annually disclose the relationships described below by completing the Required Relationship Disclosure Form (**Appendix B**) and submitting the form to the Compliance Department. Examples of **potential** conflicts of interest could include:

- Having a relative who works for one of our vendors.
- Having a relative or previous employer who is an insurance agent who writes TWIA/TFPA policies.

- Having a financial interest in a company that is a vendor of the Association.
- Having a previous employer who is one of our vendors.

3.3.1 At the Time of Appointment or Onboarding

At the time an individual subject to this Policy is employed, appointed as a board member, or engaged by the Association, they must disclose the following:

1. any previous, current, or future business or personal relationship between themselves and any third party which has, had, or may have a financial interest in the operations of the Association;
2. any business relationship or transaction the Association has, had, or may have with a third party if the employee, board member, contractor or a family member:
 - a. has, had, or may have a direct or indirect interest; and/or
 - b. derived or may derive a benefit;
3. any business relationship or proposed transaction with any business that employs a family member, if the relationship or transaction may give rise to an actual or perceived conflict of interest; or
4. if an individual subject to this Policy, or an immediate family member is a TWIA or TFPA policyholder.

3.3.2 Ongoing Responsibility

Since relationships form and change over time, any individual subject to this Policy is required to disclose the existence of any of the relationships described in the section above as soon as the individual becomes aware of the relationship. At minimum, all individuals subject to this Policy must complete the Required Relationship Disclosure Form (Appendix B) and submit the form to the Compliance Department annually.

3.4 Review of Relationship Disclosures

The Compliance Department will review all required disclosures provided under this Policy, assess any actual or potential conflict of interest and the magnitude of any risk to the Association and determine what conditions and restrictions, if any, should be imposed by the Association to manage, reduce, or eliminate the conflict of interest. The existence and disclosure of a relationship does not mean further action will be required by the Association.

The Compliance Department may, in its discretion, escalate disclosures that warrant further review to the Vice President of Legal and Compliance who may consult with other members of the Executive Leadership Team, including the General Manager. The Compliance Department and appropriate members of the Executive Leadership Team shall evaluate the conflict to determine an appropriate course of action.

Such actions may include but are not limited to: determining that no further action is required seeking an exception; requiring that the conflict be eliminated; or reassigning or terminating individuals if the conflict cannot be otherwise resolved. Any decision by the Compliance Department and members of the Executive Leadership Team regarding a disclosure of a conflict of interest will be documented and maintained as a permanent record by the Compliance Department.

3.5 Outside Employment

No individual subject to this Policy shall engage in outside employment or business ventures that interfere or conflict with their duties and/or obligations to the Association.

3.6 Gifts

3.6.1 Background

The Association strives to operate transparently and to engage third parties using unbiased, independent decision making. Any form of bribe, kickback, or other benefit offering an unfair advantage is unacceptable. Some third parties may try to use gifts, services, entertainment, favors, mementos, awards, food, or other items of value (“gifts”) to encourage employees and board members to engage in or continue business with the third party. In order to foster a culture of accountability and fairness as it relates to third parties, this Policy limits the value and number of gifts that individuals subject to this Policy may accept and requires the individuals to disclose offers and acceptances of gifts.

3.6.2 Acceptable Gifts and Prohibited Gifts

Individuals subject to this Policy may accept non-cash items of \$50 or less in value, not to exceed \$250 per third party vendor, per calendar year, per recipient. Any offer of any benefit exceeding \$50 shall be rejected.

Individuals subject to this Policy shall not accept, in any amount, a gift in the form of cash, check, loan, gift card, or negotiable instrument.

For Example:

A vendor sends you a \$10 gift certificate. Although the value is under \$50, the gift is a cash equivalent and must be declined and returned to the vendor. The declination must be reported to the Compliance Department.

A policyholder sends you a \$30 box of cookies. The value is under \$50 and the gift is not a cash equivalent so it may be accepted. The acceptance must be reported to the Compliance Department.

The Compliance Department can assist with drafting a letter or email explaining the Association policy on gifts.

3.6.3 Disclosing Gifts

An individual subject to this Policy must disclose the following to the Compliance Department using the Gift Disclosure Form (**Appendix C**):

1. the acceptance of any gift with value of \$50 or less; and
2. the rejection of a gift that exceeds \$50 or that the individual is otherwise prohibited from accepting.

These disclosures must be made within 30 days of the action described in this section. Disclosures may be submitted electronically to the Compliance Department who maintain a record of all disclosure forms.

3.6.4 Exceptions

An individual subject to this Policy may accept gifts in the following scenarios:

Business Courtesies. Individuals subject to this Policy may accept items of business courtesy, i.e., items with little intrinsic value which are intended solely for presentation or advertisement, such as pens, plaques, certificates, trophies, greeting cards, and small promotional items commonly distributed to the general public. These items are exempted from the reporting requirement in this section, so long as they are:

- of nominal value;
- offered to all who are similarly situated (e.g., all conference attendees or all employees on a team)
- not tied to any expectations for reciprocal gifts or favors of any kind;
- offered infrequently; and
- not always offered to or by the same person or organization.

Individuals subject to this Policy do not need to disclose acceptance of gifts that fall under the above exception.

Conferences and Other Business Events. Notwithstanding the dollar amount threshold described above, individuals subject to this Policy may accept the waiver or reduction of fees associated with attendance at a conference, seminar, training, or other business event, including any meals and expenses that would otherwise be included in the registration fee itself and available to all event attendees, if: (1) attendance is of reasonable business benefit to the Association; (2) the individual's manager provides written preapproval to attend the event; and (3) acceptance of the waiver and attendance at the event is otherwise in accordance with this Ethics Policy, the Training Policy, and the Travel and Travel Expense Reimbursement Policy.

Independent Relationships. Individuals subject to this Policy may accept a benefit from a person with whom they have a relationship independent of their employment status, such as a friend or relative, if the benefit is given on account of that independent relationship rather than any employment status with the Association. These instances do not need to be reported to the Compliance Department.

Additional Exceptions. There may be additional circumstances in which acceptance of a gift from a third party is of reasonable business benefit to the Association and does not involve undue risk of fraud, partiality, or improper advantage. Any such circumstance must be evaluated and approved in writing in advance by the General Manager. If the General Manager seeks approval of such a benefit, the request will be evaluated by the Vice President of Legal and Compliance. Any decision regarding an exception to this section will be documented and maintained as a permanent record by the Compliance Department. Exceptions approved for the General Manager will be reported to the TWIA Board of Directors and/or the TFPA Governing Committee, as applicable, within 30 days of approval.

3.6.5 Application to Family Members

Any offers or provision of gifts to an immediate family member of an individual subject to this Policy will be construed as offering or providing an item directly to the individual covered by this Policy. The covered individual must report any offer to provide a gift to an immediate family member in the same manner as if the individual had received the offer themselves.

3.7 Self-Dealing

An individual subject to this Policy may not enter into the following business dealings:

1. Representing the Association in any activity requiring his or her judgment or discretion that affects a person or entity with which they have a material family, financial, or other relationship;
2. Representing another company or person in a transaction with the Association; or,
3. Using Association property, corporate time, or confidential information for personal gain. For example, an employee who is using Association resources or time to operate a side business.



3.8 Reporting Improper Activity

3.8.1 Required Reporting

All individuals subject to this Policy who reasonably suspect that a fraudulent insurance act has been or is about to be committed by an employee, contractor, board member, vendor, insured or third party must, within 30 days of discovering the conduct, report the conduct and identity of the person engaging in the conduct to the Texas Department of Insurance and may report the conduct and the identity of the person engaging in the conduct to other relevant authorized governmental agencies.

3.8.2 Reporting Resources

For any questions on fraud reporting, please contact the Compliance Department, refer to the Association Fraud Reporting Procedures available on the Employee Reference Drive, and refer to the Association Suspected Insurance Fraud Referral Form and accompanying Comprehensive Fraud Reporting guidelines.

In addition, if any individual subject to this Policy at any time believes that they, or any other Association officer, employee, contractor, or board member, might be engaged in improper activities, the individual must immediately report the activities to the Compliance Department, their manager, the Vice President of Human Resources and Administration or the General Manager. Improper activities include but are not limited to: removing or copying business records without express approval; possible criminal activity; improper use of Association equipment or other resources; or any violations of Association policies.

Anyone who does not want to report the activities to the Compliance Department, their manager, the Vice President of Human Resources and Administration, or the General Manager may instead anonymously disclose any improper activities described by this Policy through the Association's Whistleblower Resources (see **Appendix E**).

Compliance with Other Laws and Regulations

Every individual subject to this Policy is required to comply with all applicable laws and regulations when conducting any Association business. Any questions about the legality of an existing or anticipated course of action shall be brought to the Vice President of Legal and Compliance or the Compliance Department. This section does not attempt to address all conduct that may constitute a violation of law, but in no event shall any individual subject to this Policy:

1. Steal, embezzle, or misapply funds or assets of the Association, or their customers or vendors;
2. Obtain unauthorized access to policyholder records or confidential information;
3. Improperly disclose policyholder records or confidential information;
4. Make false reports to government officials or regulatory agencies;
5. Assist criminals to avoid detection, capture, or punishment, knowing that a criminal offense has been committed;
6. Engage or abet in any criminal activity, including insurance fraud;
7. Gain unauthorized access to the Association's information or computer systems;
8. Fraudulently request, obtain, disclose, or cause to be disclosed any customer information to a third party for any purpose not permitted by law or Association policy;
9. Use threats or physical force against another person; or
10. Engage in any form of harassment or unfair discrimination.

Annual Statement of Compliance

All individuals subject to this Policy shall review the Ethics Policy and electronically acknowledge their responsibility to abide by its terms upon onboarding and annually thereafter. Individuals unable to acknowledge the Policy electronically must email the Annual Certification (**Appendix A**) to the Compliance Department. All individuals subject to this Policy shall also complete the Required Relationship Disclosure Form (**Appendix B**) and submit the form to the Compliance Department annually.



Deviation from this Policy

The requirements of this Policy may only be waived by a majority vote by the TWIA Board of Directors, the TFPA Governing Committee, or either Association's Executive Committee. This action should be documented with the applicable reason or basis for deviation from this Policy and placed within the minutes for that meeting. This Policy may only be amended in accordance with the procedures outlined in the Association's Policy Management Protocol.



Appendix A

Annual Certification

Authority. The Ethics Policy has been approved by the General Manager, Texas Windstorm Insurance Association Board of Directors, and Texas FAIR Plan Association Governing Committee.

Summary. The Policy requires employees, contractors and board members to act with integrity and good judgment, avoid conflicts of interest, and adhere to both the explicit standards and general principles of the Policy. The Policy also requires the disclosure of certain relationships and the offer or acceptance of certain gifts. These standards and disclosures are in line with our core values of accountability and integrity and allow us to execute our vision to be respected and trusted by our stakeholders.

Reporting Misconduct. If any individual subject to this Policy believes at any time that someone might be engaged in prohibited activities described in the Policy, the employee, contractor or board member must immediately report the activities to the Compliance Department or authorized governmental agency as appropriate under fraud reporting requirements. Alternatively, a person can report the activities through the Association’s Whistleblower Resources (see **Appendix E**).

Certification

I have read the Association Ethics Policy and agree to abide by its terms. By my signature below, I certify that I know of no circumstance or conduct, whether involving me or any other board member, employee, or contractor that violates the Ethics Policy or that is required by the Ethics Policy to be reported. I certify that I have disclosed all business and personal relationships requiring such disclosure by this Ethics Policy.

Signature

Printed Name

Date

Department



Appendix B

Annual Relationship Disclosure

The Association Ethics Policy requires the disclosure of certain relationships. This disclosure is required at the time of onboarding and annually thereafter. This disclosure should be updated when you become aware of any relationship requiring disclosure. At minimum, all individuals subject to this Policy must complete this form and submit the form to the Compliance Department annually.

Please read the list below and confirm whether you have relationships to disclose:

1. any previous, current, or future business or personal relationship between you or any member of your family and any third party who has, had, or may have a financial interest in the operations of the Association;
2. any business relationship or proposed transaction the Association has, had, or may have with a third party in which or from which you or a family member:
 - a. has, had, or may have a direct or indirect interest; and/or
 - b. derived or may derive a benefit; and
3. any business relationship or proposed transaction with any business where a family member is employed, if the relationship or transaction may give rise to an actual or perceived conflict of interest.
4. if you, or an immediate family member is a TWIA or TFPA policyholder

If you have no relationships to disclose, please sign below:

By my signature below, I state that I have received and read the Ethics Policy. My signature below confirms my acknowledgement of the Policy and its relationship disclosure requirements, and it constitutes my certification that I am not aware of any conflict or potential conflict covered by the Policy that is not disclosed on this form or its attachments.

Signature

Printed Name

Date

Department



Appendix B

Annual Relationship Disclosure

If you have relationships to disclose, please provide the information below:

Entity or Individual Name	Nature of Relationship (Personal, Business, Previous Employer, Policy Number)

If you have additional information to disclose, please attach a separate sheet of paper to this document with that information.

By my signature below, I state that I have received and read the Ethics Policy. My signature below confirms my acknowledgement of the Policy and its relationship disclosure requirements, and it constitutes my certification that I am not aware of any additional conflict or potential conflict covered by the Policy that is not disclosed on this form or its attachments.

Signature

Printed Name

Date

Department



Appendix B

Annual Relationship Disclosure

If you have previously made a relationship disclosure and have no changes to make, please read and sign below:

By my signature below, I state that I have received and read the Ethics Policy. My signature below confirms my acknowledgement of the Policy and its relationship disclosure requirements, and it constitutes my certification that I have reviewed my previous relationship disclosures and I have no other conflicts or potential conflicts covered by the Policy.

Signature

Printed Name

Date

Department



TEXAS WINDSTORM
INSURANCE ASSOCIATION



TEXAS FAIR PLAN
ASSOCIATION

Appendix C

Gift Disclosure Form

Return completed forms to the Compliance Department in person or via Compliance@twia.org.

Association Employee Name: _____

Date: _____

Accepting Gifts of \$50 or Less

Gift (services, entertainment, favors, mementos, awards, food, or other items of value) of \$50 or less in value, not to exceed \$250 per vendor per calendar year per recipient, may be accepted and must be disclosed. Note that gifts of \$50 or less in value that are rejected do not need to be disclosed.

Date: _____

Gift Description: _____

Approximate Value: _____

Name of Individual(s) Providing Gift: _____

Entity Associated with Individual(s): _____

Rejecting and Disclosing Gifts Exceeding \$50 or of Monetary Value

Gifts of more than \$50 must be rejected; additionally, the following must be rejected and disclosed: any gifts presented to you that are more than \$50 in value, and any gift of any value in the form of cash, checks, loans, gift cards or negotiable instruments.

Date: _____

Gift Description: _____

Approximate Value: _____

Name of Individual(s) Providing Gift: _____

Entity Associated with Individual(s): _____

Appendix D

Prohibited Relationships

As described in the Ethics Policy, the Association generally cannot employ relatives. Board members and employees must not appoint, employ, or contract with any person who is related to themselves or any other board member or employee in connection with the operation or business of either Association, if the person is to be directly or indirectly compensated from funds of either Association, and if the relationship is within the degree described by Section 573.002, Government Code.

While the prohibited relationships are described in further detail below, generally, the Association cannot appoint, employ, or contract with the following relatives of individuals subject to this policy: parents, grandparents, aunts, great aunts, uncles, great uncles, first or second cousins, nieces, nephews, grand nieces, or grand nephews. This applies to relatives by blood, adoption, and marriage.

The degrees of relationship described by Section 573.002 are those within the third degree by consanguinity or within the second degree by affinity.

Two individuals are related to each other by **consanguinity** if:

1. one is a descendant of the other; or
2. they share a common ancestor.

An adopted child is considered to be a child of the adoptive parent for this purpose. Two individuals are related to each other by **affinity** if:

1. they are married to each other; or
2. the spouse of one of the individuals is related by consanguinity to the other individual.

The ending of a marriage by divorce or the death of a spouse ends relationships by affinity created by that marriage unless a child of that marriage is living, in which case the marriage is considered to continue as long as a child of that marriage lives.



Consanguinity and Affinity Relationship Chart²

Officer or Employee					
Consanguinity (Includes individuals related by blood to the Officer or Employee)			Affinity (Includes the Officer's or Employee's Spouse and individuals related to the Spouse)		
First Degree	Second Degree	Third Degree	First Degree	Second Degree	Third Degree
Father or Mother	Grandparents	Great Grandparents	Spouse	Grandparents	Great Grandparents
Son or Daughter (& Spouse)	Grandchildren (& Spouse)	Great Grandchildren (& Spouse)	Father or Mother	Grandchildren	Great Grandchildren
	Uncle or Aunt (& Spouse)	Great Uncle or Aunt (& Spouse)	Son or Daughter	Uncle or Aunt	Great Uncle or Aunt
	First Cousin (& Spouse)	Children of Great Uncle or Aunt (& Spouse)		First Cousin	Children of Great Uncle or Aunt
	Nephew or Niece (& Spouse)	Second Cousin (& Spouse)		Nephew or Niece	Second Cousin
	Brother or Sister (& Spouse)	Children of First Cousin (& Spouse)		Brother or Sister	Children of First Cousin
		Grand Nephew or Niece (& Spouse)			Grand Nephew or Niece

²Source – Texas State, Finance and Support Services Division, Human Resources.



A board member or employee is the starting point from which all degrees of relationship are calculated.

Under the Degrees of Consanguinity, where Spouse is indicated, the relationship of the spouse is in the same degree as that of the person related by consanguinity, but the spouse is related only by affinity.

Although the same statutory language does not exist for TFPA under Chapter 2211, these standards will be applied in any TFPA operations or procedures.

Any employee who violates these requirements is subject to termination by TWIA or TFPA. In addition, a person who violates these requirements may be subject to any applicable civil or criminal penalty if the violation also constitutes a violation of any statute or rule. Any board member or governing committee member who violates these requirements will be reported to the Commissioner of Insurance and may be subject to removal by the Commissioner of Insurance pursuant to Chapters 2210 and 2211, Texas Insurance Code as applicable.



Appendix E

Whistleblower Resources

All employees and board members, including interns and part time, temporary and contract employees can anonymously report ethics and compliance related concerns.

First and foremost, the Association encourages you to speak to your manager when you encounter a problem or circumstance that requires intervention in order to reach a resolution. However, if an incident or situation arises that you feel you cannot report to your supervisor, Compliance Department, or Human Resources Department, an external system is provided to give an alternative reporting source.

Please note that the information provided by you may be the basis of an internal and/or external investigation and your anonymity will be protected to the extent possible by law. Reports are submitted by our service provider, Lighthouse Services, to the Association's designee for investigation according to our company policies. While your identity may become known during the course of the investigation because of the information you have provided, the Association will not tolerate retaliation against good faith reporters.

Lighthouse Services' toll-free number and other methods of reporting are available 24 hours a day, 7 days a week for use by employees and staff.

- **Telephone:** English – (877) 472-2110
Spanish – (800) 216-1288
- **Website:** Lighthouse Homepage: www.lighthouse-services.com/TWIA
(Click "Submit Incident Report")
- **Email:** reports@lighthouse-services.com (must include company name with report)
- **Fax:** (215) 689-3885 (must include company name with report)