

**Meeting of the Board of Directors  
Texas Windstorm Insurance Association  
Teleconference**

February 18, 2020  
Marriott South Hotel  
4415 South IH 35  
Austin, TX 78744  
9:00 a.m.



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

Interested parties can listen to the meeting live by going to [www.twia.org](http://www.twia.org).  
Go to “About Us/Board Meetings” and click on the audio link.

- |   |                   |
|---|-------------------|
| 1. Call to Order – Reminder of the Anti-Trust Statement<br>– <i>Chandra Franklin-Womack</i>   | <i>5 minutes</i>  |
| 2. Introductions – <i>Chandra Franklin-Womack</i>   | <i>5 minutes</i>  |
| 3. Election of Officers – <i>Chandra Franklin-Womack*</i>   | <i>10 minutes</i> |
| 4. Consideration and Action to:<br>Approve the Minutes from Prior Board of Directors’ Meetings<br>– <i>Chandra Franklin-Womack*</i>   | <i>5 minutes</i>  |
| 5. Public Comment   | <i>15 minutes</i> |
| 6. TWIA Operational Highlights – <i>John Polak</i>  | <i>5 minutes</i>  |
| 7. Legislative Implementation Update – <i>Jennifer Armstrong</i>  | <i>10 minutes</i> |
| 8. Financial<br>Consideration and Possible Action on the Following Financial Topics:<br>A. Report of the Secretary/Treasurer – <i>Corise Morrison*</i><br>1. Income Statement<br>2. Management Discussion and Analysis<br>B. Financial Statement Review by Staff – <i>Jerry Fadden</i><br>1. Income Statement and Expense Statement<br>2. Balance Sheet<br>3. Cash & Short-Term Investments<br>4. Cash Flow Statement<br>5. Historical Data<br>6. Redemption of 2014 Bonds* | <i>15 minutes</i> |
| 9. Actuarial<br>Consideration and Possible Action on the Following Actuarial Topics:<br>A. Reserve Adequacy<br>B. Policy Count/Exposures<br>C. Appointment of Actuary and Qualification Documentation*  | <i>25 minutes</i> |

D. 2020 Funding, Reinsurance and Line of Credit – <i>Guy Carpenter and Jerry Fadden*</i>	
E. Actuarial RFP	
10. Internal Audit – <i>Bruce Zaret – Weaver</i>	<i>15 minutes</i>
Consideration and Possible Action on the Following Audit Topics:	
A. Internal Audit Status & Update	
11. Underwriting – <i>Denise Larzalere</i>	<i>10 minutes</i>
A. Operational Review Update	
12. Claims	<i>20 minutes</i>
Consideration and Possible Action on the Following Claims Topics:	
A. Claims Operations – Overview – <i>Dave Williams</i>	
B. Claims Litigation – <i>David Durden</i>	
13. TWIA Operations	<i>30 minutes</i>
Consideration and Possible Action on the Following Operations Topics:	
A. IT Systems Update – <i>John Polak</i>	
B. Depopulation – <i>John Polak</i>	
C. Communications Update – <i>Jennifer Armstrong</i>	
D. Review and Approval of 2020 Budget – <i>John Polak*</i>	
E. Performance Evaluation of General Manager – <i>Chandra Franklin Womack*</i>	
Lunch break, 11:00	<i>30 minutes</i>
14. Closed Session ( <b>Board Only</b> )	<i>60 minutes</i>
A. Personnel Issues	
B. Legal Advice	
15. Consideration of Issues Related to Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors	<i>5 minutes</i>
16. Committees – <i>Chandra Franklin-Womack</i>	<i>5 minutes</i>
17. Future Meetings – <i>John Polak</i>	<i>5 minutes</i>
• May 12, 2020 – Hyatt Regency – Austin	
• August 4, 2020 – Tremont House – Galveston	
• December 2020 TBD	
18. Adjourn	
Estimated Total Length of Meeting	4 hours 35 minutes

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

## 1. Anti-Trust Statement

## **ANTI-TRUST COMPLIANCE STATEMENT**

The Board of Directors of TWIA is committed to strict compliance with federal and state anti-trust laws. The anti-trust laws are designed to promote free and open competition and to penalize any activities that unreasonably lessen business rivalry. Members of the Board of Directors of TWIA may freely discuss and agree upon agenda items relating to their responsibilities as Directors including such topics as coordinating efforts regarding state or federal legislation, discussion of TWIA policy on legislative issues and methods of legislative lobbying including grass-roots lobbying, public relations, testimony before legislative committees and meetings with state and federal legislators and regulators.

Because TWIA meetings bring together competitors, any unauthorized discussion of topics prohibited by the anti-trust laws such as agreements between competitors on prices and rates, agreements to boycott third parties or agreements to divide markets or even individual insureds could lead to an inference that such an illegal agreement among participants to the discussion was in fact reached. Accordingly, the following guidelines apply to any meeting or other activity conducted under the auspices of TWIA:

- Someone on the TWIA staff shall be present at all times during meetings of the TWIA Board of Directors or other official activities such as meetings of various TWIA committees unless such meetings are for the purpose of discussing personnel matters;
- At any such meetings or official activities, there shall be no discussion of voluntary market rates, prices, discounts or other terms and conditions of sale without the General Manager or the General Counsel being present;
- There shall be no discussion of the areas in which TWIA Board members and their respective member companies will compete for the products and services that they will offer; and
- There shall be no discussion of any agreement or understanding to boycott a third party or to deal with a third party only on certain terms.

### **Texas Windstorm Insurance Association**

5700 South MoPac Expressway, Building A, Austin, Texas 78749 • P.O. Box 99090, Austin, Texas 78709-9090  
512-899-4900 / Fax 512-899-4950

## **TWIA Anti-Trust Compliance Statement**

Without the prior authorization of TWIA's General Manager or its General Counsel, there shall be no discussion of agreements to deal exclusively with certain parties, requirements that purchasers of particular products or services must purchase other products or services, standard-setting, certification, statistical reporting, or codes of ethics and other self-regulatory activities.

- Only TWIA staff shall keep minutes of TWIA meetings and will immediately terminate any discussion that may violate these guidelines.
- At TWIA meetings, TWIA company representatives should adhere to the written agenda and outside of TWIA meetings should scrupulously avoid discussion of any topic that might violate these guidelines.

Severe civil and criminal penalties, including fines and imprisonment, can result from violations of the anti-trust laws. Whenever in doubt about how to apply these guidelines, the directors, members, officers and guests of TWIA should consult its General Manager and General Counsel and proceed in a conservative manner in order to avoid any actual, or apparent, violation of antitrust guidelines.

### **Texas Windstorm Insurance Association**

5700 South MoPac Expressway, Building A, Austin, Texas 78749 • P.O. Box 99090, Austin, Texas 78709-9090  
512-899-4900 / Fax 512-899-4950

### 3. Election of Officers

There is no exhibit for this topic

#### 4. Approve the Minutes



## **Minutes of the Texas Windstorm Insurance Association**

### **Board of Directors Meeting**

#### **Omni Hotel**

900 North Shoreline Blvd.  
Corpus Christi, Texas 78401

December 10, 2019

1. Call to Order: Mr. Shofner called the meeting to order at 8:33 a.m. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel.

#### The following Board members were present, representing:

- |    |                                       |                                       |
|----|---------------------------------------|---------------------------------------|
| 1. | Bryan Shofner (Chairman)              | Non-Seacoast Territory Representative |
| 2. | Chandra Franklin Womack (Vice Chair)  | First Tier Coastal Representative     |
| 3. | Georgia Neblett                       | First Tier Coastal Representative     |
| 4. | Mike Gerik                            | Industry Representative               |
| 5. | Corise Morrison (Secretary/Treasurer) | Industry Representative               |
| 6. | Karen Guard                           | Industry Representative               |
| 7. | Tony Schrader (via teleconference)    | Non-Seacoast Territory Representative |

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

- |    |  |                        |
|----|--|------------------------|
| 1. | John Polak, General Manager                                      | TWIA                   |
| 2. | Jerry Fadden, Chief Financial Officer                            | TWIA                   |
| 3. | Dave Williams, VP Claims   | TWIA                   |
| 4. | David Durden, VP Legal   | TWIA                   |
| 5. | Jennifer Armstrong, VP Communications<br>and Legislative Affairs | TWIA                   |
| 6. | Denise Larzalere, VP Underwriting                                | TWIA                   |
| 7. | Amy Koehl, Executive Assistant                                   | TWIA                   |
| 8. | Mike Perkins, Association Counsel                                | Perkins Law Group PLLC |

#### The following were also present:

- |                               |  |
|-------------------------------|--|
| Ginny Cross                   | United Corpus Christi Chamber of<br>Commerce |
| Trace Finley                  | Gateway Partners                             |
| Norma Hernandez               | League of United Latin Americans<br>Council  |
| Alan Wilson                   | Charter Bank                                 |
| Maria De Los Santos – Krueger | Guest  |
| Todd Hunter                   | State Representative                         |
| Pete Perkins                  | City of Ingleside                            |
| Ted Mandel                    | Guest  |
| Stan Hulse                    | Padre Island Business Association            |
| Philip Ramirez                | United Corpus Christi Chamber of<br>Commerce |

Franshell Jones	Coastal Bend Neighborhood Empowerment
Gil Hernandez	Corpus Christi City Council
Mayes Middleton	State Representative
Billie Kocin	Sportfishing Taxers
Randy Ramirez	Ramirez Roofing
James Klein	Guest
John Valdez	Associated Builders and Contractors in Texas Coastal Bend
Sam Dalton	Nueces County Republican Party
Joe McComb	Mayor of Corpus Christi
Greg Smith	United Corpus Christi Chamber of Commerce
Susie Saldana	League of United Latin Americans Council
Everett Roy	United Corpus Christi Chamber of Commerce
Ben Molina	United Corpus Christi Chamber of Commerce
Marvin Jones	Padre Island Property Owners Association
Taylor Oldroyd	Corpus Christi Association of Realtors
Jack Chaney	Commissioner, Aransas County
Carmen Duron	Guest
Beaman Floyd	Texas Coalition for Affordable Insurance Solutions
James Hernandez	Landmark Electric
Birny Birnbaum	Birnbaum Consulting
John Vaugh	Guest
Gayle White	Rep. Hunter's Office
Sam Dalton	Rep. Hunter's Office
Suzanne Taylor	Ultimate Real Estate
Terrence Fisher	Associated Builders and Contractors
Tammy Embrey	City of Corpus Christi
Jesse Senater	Port of Corpus Christi
Raymon Marrer	POCCA
Robert Griffith	POCCA
John Meadows	Guest
Tyler Little	Nueces County
Mark LaRue	Plains Capital Bank
BRI Starks	POCCA
John Pawler	San Patricio County
Ware Wendell	Texas Watch
Anna Galvan	Guest
Mark Meyer	American Bank
Cecilia DuPree	United Corpus Christi Chamber of Commerce

George Taylor  
Simone Sanders  
Laura Ashcroft  
Leo Estrada

Helen Peters  
Russell Cain  
Peter Mahaffey  
David Loeb  
Amanda Campbell

Aaron Guevarza  
James Skrobarczyk  
Roy Rivera  
Ryan Brannen

Abel Herrero  
Tom Schmidt  
Merrilyn Piepho  
Brenda Koesters  
John Paulson  
Charles Hewry  
Jesse Garcia  
Maxine Keeton  
Gail Iwaniah  
Herb Brodley  
J.M. Lozano  
Kaylynn Paxson  
Bart Braselton  
Katie Howell  
Charlene Mauk  
Kevin Baker  
Sarah Park  
John Scott  
Anne Scott  
Brent Chesney  
Sylvia Whitworth  
Charlotte Hutchinson  
George Hutchinson  
Henry Garcia  
Tony Jimenez  
Thomas Weber  
Tad Delk  
Eddie Ramirez  
Tom Tagliabue  
Diane Probst  
Yolanda Samayoa  
Shelby Stuart

FB Taylor Insurance  
Texas General Land Office  
Guest  
League of United Latin Americans  
Council  
Guest  
Republican Chair Calhoun County  
Guest  
Landlord Resources  
Omni Hotel/Leadership Corpus  
Christi  
Venture Real Estate  
Coastal Area Properties  
Guest  
Coastal Windstorm Insurance  
Coalition  
State Representative  
Texas State Aquarium  
Coldwell Banker  
Norwex, Independent Consultant  
Jonco, Inc.  
Guest  
Guest  
Guest  
Guest  
Guest  
State Representative  
PIBA  
Braselton Homes  
Guest  
Guest  
Guest  
Mustang Island Realty  
Guest  
Guest  
Nueces County Commissioner  
Guest  
Guest  
Guest  
Guest  
Guest  
Guy Carpenter  
Guest  
Focus Advocacy  
Guest  
Guest  
Portland Chamber of Commerce

Laura Muahan  
 Dan Schwietz  
 Delly Martin  
 Dan Brown  
 Michael San Miguel  
 Debra Perrin  
 Rodney Perrin  
 Walter Strait  
 Alyssa Costenbader  
 Harold Shockley  
 Kris Tovar  
 Glenda Witman  
 Desiree Castin  
 Meagan Furey  
 Martha Wild  
 Peter Epperson  
 Sal Romeros  
 Clark Thomson  
 Deborah Packer  
 Kirk Bourland  
 Barbara Carlson  
 Ruben O'Bell  
 Gloria Scott

Bryan Johnson  
 Sally Bakko  
 Carolyn Vaughn  
 Eric Holguin  
 Cheri Jordan  
 Ashley Babbitt  
 Leo Estrada  
 Estanislao Rosas  
 Reba Gandara  
 Art Granado  
 Bruce Zaret  
 Brigitte Willot

Manuel Luiz  
 Carl Montemayor  
 Michelle Gardineer  
 Ray Fox  
 Jill Fox  
 Ted Mandel  
 Carolyn Mandel  
 Gene Callaway  
 Joan Polak  
 Cheri Sperling  
 Bob Range

Texas A&M University  
 Aon  
 Guest  
 Guest  
 Jones Environmental Drilling  
 Guest  
 Guest  
 Repcon, Inc.  
 Nueces County  
 IBC Bank  
 Guest  
 Guest  
 Sen. Hinojosa's Office  
 Coastline Properties  
 Realty Executives  
 Guest  
 Brazelton Homes  
 Calhoun, Thomson +Matza  
 Guest  
 Charter Bank  
 Guest  
 Rep. Lucio's Office  
 Corpus Christi Black Chamber of  
 Commerce  
 361 Realty  
 City of Galveston  
 Nueces County  
 Guest  
 Keller Williams  
 Coastline Properties  
 Guest  
 Guest  
 Guest  
 Guest  
 Weaver  
 United Corpus Christi Chamber of  
 Commerce  
 Guest  
 Associated Builders and Contractors  
 Guest  
 Guest  
 Sen. Kolthorst's Office  
 Guest  
 Guest  
 Guest  
 Guest  
 Coastline Properties  
 Guest

Mary Collins	Guest
Ronald Bohannon	Guest
Trey Summers	Hogon Homes
Melissa McWilliams	Guest
Angel Zuniga	Guest
Lynn Pawlik	Guest
Becky May	Stellar Energy
Cynthia Burnette	Guest
Matt Briscoe	Guest
Joe Koniakowsky	Guest
Vicki Reeves	Guest
Taylor Irvine	Aransas County District Attorney
Veronica Martinez	Sen. Hinojosa's Office
Jim Kaelin	Guest
Sharon Kaelin	Guest
Paul Bain	Guest
John LaRue	United Corpus Christi Chamber of Commerce
Catrina Wilson	Guest
Fred Bosse	American Property and Casualty Insurance Association
Bradley Lenz	AEP
Paul Thurman	Guest
Anne Stewart	League of Women Voters
Bila Wilson	City of Portland
Matt Stillwell	ICT
Gilda Ramirez	Guest
Kristen Barnebey	Aransas County District Attorney
Melinda De La Fuente	Guest
Brandon Walker	Bank of America Securities
Steve Botelho	Plains Capital Bank
Marc Hinojosa	Plains Capital Bank
Karen King	Group One Real Estate
Caren Childer	Legend Home Lending
Marie Espinoza	Guest
Jay Thompson	Association of Fire and Casualty Texas Insurers
Margareta Fratila	Guest
Don Clark	Carlisle Insurance
Eddie Lucio	State Representative
Cassandra Bernia	Services Solutions
Hijo Berliz	Guest
Dick Myers	Guest
Sally Bales	Safe Harbor RE
William Ricketson	Guest
Andy Corbett	Guest
Patrick Rios	City of Rockport
Lynn Blumenfeld	Guest

James Houge  
Justin Garza  
Dustin Sanchez  
Saniel Salazar  
Tony Flores, Jr.  
Carlos Garcia  
Triston Crossland

Noel Salinas  
Benjamin Gyroa  
Marco Fernandez

Senley Pena

Paul McGraw  
James Hernandez  
Wendy Herman

Russel Cole  
Jesse Gatewood  
James Ramirez  
Joe Woods  
Manny Senton  
John Wilson  
Hayley Smith  
Lisa Bohannan  
Bobbie Torres  
Melanie Head  
Esmeralda Sanchez  
Kim Pendergraft  
Ryan Pendergraft  
Stan Hulse  
Kasin Sanchez  
Barbara Canales  
Sandra Pinecas  
John Villareal  
Judy Williams  
Robert Furgason  
Gloria Furgason  
Eric Brunkenhoefer  
Gilberto Lopez  
David Owen  
Gargi Bhowal

Ray Fawkes  
Chris Fawkes  
Jacqueline O'Neill  
Paul Cervantes

Guest  
POCCA  
POCCA  
POCCA  
POCCA  
Guy Carpenter  
United Corpus Christi Chamber of  
Commerce  
POCCA  
POCCA  
League of United Latin Americans  
Council  
League of United Latin Americans  
Council  
POCCA  
Guest  
Coastal Bend Home Builders  
Association  
Guest  
Guest  
Guest  
APCIA  
Coastline Properties  
HMG Mortgage  
Guest  
Guest  
TWFG Insurance  
TWFG Insurance  
Chamber of Commerce  
Padre Island Business Association  
Guest  
Padre Island Business Association  
Guest  
Nueces County Judge  
Guest  
Christus Spohn Hospice  
Christus Spohn Hospice  
Guest  
Guest  
KM Premiere Real Estate  
Guest  
Chapman Ranch  
United Corpus Christi Chamber of  
Commerce  
Guest  
Guest  
Corpus Christi Realty Group  
Stewart Title

Jim Pickett  
 Jessica Davidson  
 Xiuyu Li

American Bank  
 TWIA  
 TWIA

2. Introductions: Meeting attendees introduced themselves.
3. Approval of Minutes: The minutes from the August 6, 2019 meeting in Galveston, Texas and the October 29, 2019 meeting in Austin, Texas were reviewed. Ms. Neblett moved to approve both sets of minutes as presented. Ms. Guard seconded the motion. The motion passed.
4. TWIA Operational Highlights: Mr. Polak reported the required legislative changes went into effect during Q3 by their required deadlines. Staff is on track to achieve Association objectives for all strategic initiatives. Operating expenses are below plan for Q3. Turnaround time and quality standards were exceeded on underwriting and claims service levels and the Association remains below plan on litigated claims and complaints.
5. Financial:
  - A. Report of the Secretary/Treasurer: Ms. Morrison reviewed the Treasurer's Report. Ms. Morrison moved to approve the report. Mr. Gerik seconded the motion. The motion passed.
  - B. Financial Statement Review by Staff: TWIA's financial results for the nine months ended September 30, 2019 reflect net income of \$21.7 million, compared to a budget of \$67.6 million. Excluding the impact of Hurricane Harvey reserve adjustments, net income would have been \$111.7 million for the period.

September 2019 YTD direct written premiums of \$298.2 million reflect a decrease of \$21.2 million (6.6%) from the prior year total of \$319.4 million for the same period. The decrease resulted from year over year policy and exposure declines and the depopulation of 1,600 policies on June 1, 2018 and 2,080 on June 1, 2019. Direct written premium was \$13.6 million higher than the budgeted \$284.6 million. The September 2019 policy count of 191,580 was 825 policies lower than the August 2019 policy count primarily due to a decrease in renewals from residential and commercial policies. However, policy counts at September 30, 2019 are 7,292 above budget.

Direct premiums earned totaled \$287.6 million compared to \$309.5 million for the same period last year (a decline of \$21.9 million or 7.1%). Direct premium earned was \$8.9 million higher than the budget of \$278.7 million.

TWIA has ceded \$1.46 million of depopulation premium through June 2019 and no additional depopulation premium has been ceded to date. The 2,080 policies were transferred to the two participating carriers on June 1, 2019.

Reinsurance costs incurred through September 2019 (ceded earned premium) totaled \$60.1 million (reflecting two-thirds of the ceded written premium from the June 1 reinsurance and cat bond renewal).

The year to date direct loss and LAE incurred of \$115 million reflects the actuarial analysis as of the third quarter that included a \$90 million increase to Hurricane Harvey reserves. This resulted in an increase in the direct loss and LAE ratio to 40% compared to the budgeted 21%. Non-hurricane loss and LAE expenses incurred totaled \$25 million compared to a budget of \$58.4 million, resulting in a non-hurricane loss ratio of 8.7% compared to the budgeted 21%.

The year to date total operating expenses of \$22.3 million are below budget by \$5.1 million or 18.5%. The variance is mostly attributed to IT projects which are below anticipated expenditures as of September month end.

Commission expense and premium taxes, totaling \$53.4 million were above budget by \$2.2 million or 4.3% as year to date direct written premium exceeded budget.

Gross investment income for YTD September was \$7 million, compared to the budget of \$6 million, reflecting an improved rate environment. Interest expense on Class 1 bonds was as budgeted at 21.8 million. The year to date results do not include any member assessment income to offset the Hurricane Harvey reserve adjustment. Such income will be reported subject to the board requesting and the Texas Department of Insurance commissioner approving such a member assessment in the future.

The liability for the annual CRTF contribution was increased to \$21.4 million based on the TDI methodology utilizing accident year results through September 30, 2019.

The deficit as of September 20, 2019 is \$279 million, compared to \$277.9 million at December 31, 2018 as year to date net income of \$21.7 million was offset by required surplus adjustments for non-admitted assets (1.5 million) and statutory fund cost (21.4 million).

- C. Funding: At the end of the second quarter of 2019, TWIA's actuarial staff increased its estimate of ultimate loss and loss adjustment expenses for Hurricane Harvey by \$90 million to a total of \$1.7 billion compared with the previous estimate of \$1.61 billion. This increase was primarily driven by an increase in supplemental claim payments above expectations in the 2<sup>nd</sup> quarter. At that time, staff decided to postpone seeking approval for a commensurate increase in funding sources until there was more experience to validate this estimate. In addition, at that time, cumulative loss and loss adjustment expense payments at \$1.5 billion were in excess of \$100 million less than the ultimate loss estimate.

Based on the 3<sup>rd</sup> quarter actuarial review, the actuarial staff has maintained its estimate of Hurricane Harvey ultimate losses at \$1.7 billion. To date, TWIA has secured \$1.61 billion in funding. Through October 31, 2019, TWIA has paid \$1.54 billion in loss and loss adjustment expenses, leaving \$65.4 million in remaining funds. Based on the average monthly payment for the last three months (\$10.6 million per month), these funds would be expected to be depleted in approximately six months.



With changes passed in the latest legislative session, Section 2210.071 now prevents the Association from paying losses resulting from a catastrophe such as Hurricane Harvey with premium and other revenue earned in a subsequent year. TWIA must ensure that adequate funds are available from its prescribed funding sources in advance and cannot rely on operating funds to bridge the receipt of this funding. Therefore, the Association staff is proposing the board approve a request of TDI to approve an additional assessment of member companies to pay Hurricane Harvey losses in the amount of \$90 million. If approval is granted by the board, TWIA staff would promptly submit a request for authorization of the member assessment to TDI for the commissioner's consideration. Ms. Franklin-Womack moved to approve the assessment. Ms. Neblett seconded the motion. The motion passed.

6. Public Comment: Public comment was offered by the following attendees.

Sen. Juan Hinojosa  
 Rep. Able Herrero  
 Rep. Mayes Middleton  
 Rep. Genie Morrison  
 Rep. Jay Lozano  
 Rep. Todd Hunter  
 Barbara Canales, Nueces County Judge  
 Brent Chesney, Nueces County Commissioner  
 John Marez, Nueces County Commissioner  
 Carolyn Vaughn, Nueces County Commissioner  
 Patrick Rios, City of Rockport Mayor  
 Joe McComb, Corpus Christi City Councilmember  
 Ben Molina, Corpus Christi City Councilmember  
 Everett Roy, Corpus Christi City Councilmember  
 Jack Chaney, Aransas County Commissioner  
 Terry Mills, President, NAACP  
 Suzie Saldana, League of United Latin Americans Council  
 Captain Billie Kocin  
 David Loeb, Landlord Resources  
 Margareta Fratila  
 Ted Mandell  
 Roy Rivera  
 Guadalupe Duran  
 John Valdez, Associated Builders and Contractors in Texas Coastal Bend (ABC)  
 Sally Bales, Safe Harbor RE  
 Taylor Oldroyd, Corpus Christi Association of Realtors  
 Connie Hunt  
 John Medina  
 Ware Wendell, Texas Watch  
 Sally Bakko, City of Galveston  
 Jay Thompson, Association of Fire and Casualty Texas Insurers (AFACT)  
 Carmen Duron  
 Randy Ramirez, Ramirez Roofing

Pete Perkins, City of Ingleside  
 Jack Maverick, Local Realtor  
 Rep. Eddie Lucio  
 Joe Woods, American Property and Casualty Insurers Association of America  
 Tom Tagliabue, Focus Advocate Group  
 Beamon Floyd, Texas Coalition for Affordable Insurance Solutions  
 Bernie Birnbaum, United Corpus Christi Chamber of Commerce  
 Steve Alexander, TWIA Actuarial and Underwriting Committee  
 Melody Cooper, former Corpus Christi City Council member  
 John LaRue, President and CEO of United Chamber of Corpus Christi  
 Maxine Keeton, Policyholder  
 Russel Kane, Port Lavaca Republican Party Chair  
 Gil Hernandez, Corpus Christi City Council District 5

7. Presentation and Review of TWIA Actuarial and Underwriting Committee Recommendation Regarding Rate Adequacy: Ms. King reviewed the outcome of the Actuarial and Underwriting Committee meetings. The committee members met twice for a total of seven hours. They worked hard to comply with the new law and to take everyone's viewpoint into consideration. They struggled with things concerning the new law such as what information is required to be provided to the public regarding catastrophe models. TWIA staff responded to seven items on which the committee needed additional information. In the second meeting, they worked through most open issues. The committee recommended a 5% rate increase for commercial and residential risks and that additional information be compiled by TWIA staff and provided to the committee, the board and TDI. Mr. Gerik said adequate rates are part of the funding difficulties. The funding schedule is part of the problem. Mr. Gerik moved to hold off on rate action and take it up again at the August meeting. This course of action will also allow the Association to determine what will happen in 2020 and 2021. Ms. Neblett seconded the motion. Mr. Shofner said he thinks the bottom line as it stands with the board is it is important to determine where the Association is with rate and where it should be set. He thought it would be a good idea to have a third party perform an actuarial study and come back with what they think is adequate. Once that is determined, if the rates are off, the board will have to be responsible on behalf of the policyholders and stakeholders, to do what is necessary to make the rates be actuarially sound.

A roll call vote was conducted.

Karen Guard: Yes  
 Mike Gerik: Yes  
 Georgia Neblett: Yes  
 Tony Schrader: Yes  
 Corise Morrison: Yes  
 Chandra Franklin-Womack: Yes  
 Bryan Shofner: Yes

The motion to take no action regarding rates passed unanimously. Mr. Shofner said he would like the actuarial committee to vet the firms for the selection process and sought a vote on his motion to retain the firm. Mr. Gerik stated that if the Association does hire an

outside actuary to do the independent rate review, he recommends that an RFP should be used, with either the executive committee or the actuarial committee making the firm selection decision. Ms. Neblett seconded the motion. Mr. Shofner wants the actuarial committee to make the determination on the independent actuary. It will be presented back to the actuarial committee and staff and must be done before the August board meeting. Mr. Gerik said the catastrophe model review should be part of the RFP. The motion passed unanimously.

8. Actuarial:

- A. Reserve Adequacy: The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of September 30, 2019.

The actuarial estimate of ultimate loss and loss adjustment expenses for Hurricane Harvey is in a reasonable range of \$1.65 billion to \$1.75 billion. TWIA has selected to continue to record the Hurricane Harvey ultimate loss and loss adjustment expense at \$1.7 billion. The actual ultimate costs of Harvey may differ substantially from the selected \$1.7 billion. This variability arises from the assumptions made regarding the adequacy of case reserves for 1,211 open claims, the potential impact of future re-openings of closed claims as of September 30, 2019 and the outcome of disputed claims. Even though TWIA has recorded the Hurricane Harvey estimate of ultimate loss and loss adjustment expenses at a level which it considers reasonable, there remains a material risk of adverse development due to the large variability associated with outstanding and future disputed claims, including those claims subject to litigation. Potential future new claims are not expected to be a factor in the variability. The actuarial team will continue to monitor current case reserve adequacy, current & future litigation/disputes and future re-openings to ensure all outstanding obligations are properly reserved.

As of September 30, 2019, TWIA carried \$202.9 million in total gross loss and loss adjustment expense reserves with \$73,879 of the total gross ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. Collectability risk has been reviewed and found to be immaterial relative to total gross reserves.

In the opinion of the senior actuary, the Association's reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements. While there remains a material risk of adverse development, reserves continue to make a reasonable provision for unpaid loss and loss adjustment expenses.

- B. Policy Count/Exposures: Policy Counts are down year over year by about 7.7%.  
 C. Maximum Liability Limits Filing – Update: The information was submitted to TDI. A hearing was held and the commissioner chose to deny the increases reflected in the indices.

9. Internal Audit:

- A. Internal Audit Status & Update: Mr. Zaret reported on the status of internal audit activities. Current audits include payroll, human resources, accounts payable and expense processing, vendor management, vendor management analytics, business continuity/continuity of operations and accounts receivable. Upcoming audits include claims, database and application administration, underwriting and depopulation. Ms. Morrison moved that if a member of Association staff or its board submits a claim, she would like to see an extra set of eyes on that claim and a plan for due diligence. Ms. Neblett seconded the motion. The motion passed unanimously.

10. Underwriting:

- A. Operational Review Update: Underwriting continues to have consistent turnaround time on all transactions. The goal is to issue 90% of new business submissions, endorsements, renewals and cancellations within 10 days. We are surpassing this standard with over 95% processed within 10 days. Over 80% of new business and renewals are processed within one day.

Quality assurance results on underwriting decisions continue to exceed established goals. Telephone service response time continues to meet and exceed expectations. Service quality scores have been in the meet's expectations category. Service observation is now a standard procedure and as an Association, the departments are calibrating calls and have agreed upon service standards for telephone service.

Underwriting is operating below budget, largely due to managing headcount and the inspection budget.

TWIA Certificate of Compliance on Completed Improvements (WPI-8-Cs) has received 2,844 applications (WPI-3s) for the period of July 1, 2019 thru September 30, 2019. The average turnaround time is three days and reroof is the number one reason for certificate issuance (52% of certificates). Two engineering firms represent approximately one third (33%) of all applications. The Confirmation of Application review competed for applications (WPI-3s) received in the third quarter was sent to 88 engineers. No issues have been reported. Underwriting continues to assist with telephone calls regarding WPI-8-C status and upload certificates into Policy Center.

Agency compliance audits were performed on 20 agents (200 policies) in the third quarter to verify compliance with the declination of coverage and flood insurance requirements. None of the policies/properties selected for review required flood insurance. All 20 agents (and 200 policies) were compliant with the requirement for proof of declination of coverage. Staff also reviewed the 190 policies that were auto-issued to confirm a copy of a WPI-8 had been provided where required. The review identified 16 policies requiring a WPI-8 had been provided where required. The review identified 16 policies requiring a WPI-8 that did not have the proper documentation uploaded by the agent. These have been referred to

underwriting for research and follow up. All 20 agents have an active property and casualty insurance license.

#### 11. Claims:

- A. Claims Operations: Mr. Williams reported that 23 new claims have been submitted since the last TWIA board meeting and 281 additional claims have been closed. Projected new claims volume was 7,636 and actual claim volume was 5,517 or 28% lower than projected. For Tropical Storm Imelda, 839 new claims were submitted and 82 have been closed.
- B. Claims Litigation: Mr. Durden reported that 72 new HB3 suits were received in the third quarter, 14 were settled and 17 were closed. For the third quarter, 115 new claims with Letters of Representation were received, 150 were settled and 2020 were closed. The law firm of Daly & Black has the majority of those cases at 304.

#### 12. TWIA Operations:

- A. IT System Update: The TWIA program, Elevate, was put on hold due to the organizational focus on the legislative mandated changes. The expectation is to restart the effort in Q1 2020. Once the Elevate changes are deployed, staff expects to see improvements in maintenance costs and improved resource flexibility as the Association moves off disparate legacy systems to a single instance platform based on common hardware and core applications. Staff projects a reduction in IT operational expenses of approximately \$5.2 million on an ongoing basis.

The program to implement the legislatively mandated changes for TWIA is underway timely with deliverables spread over the next year. The Marshall & Swift/Boeckh (MSB) project deployed on schedule and the surcharge for bonds Association surcharge project was deployed on November 20<sup>th</sup>.

The TFPA implementation is now in production support mode with policies successfully migrating off the legacy CGI platform on to the new Guidewire system daily. The migration is expected to be complete in summer 2020. IT Operating expenses are coming down as predicted. Operating expenses in 2017 were \$10,102,996. In 2018, they were \$6,428,897. In 2019, the expenses, as of end of September, are \$3,373,336. The 2020 expenses are projected to be \$3,581,166. The production support and infrastructure for both TWIA and TFPA are fully supported by the IT teams and all commitments are on track.

- B. Depopulation: Depopulation is showing a minor impact. About 1800 policies may move to depopulation carriers but there is still six months until that is determined. It could be significantly less than that.
- C. Communications Update: In Q3, staff maintained regular contact with state legislators and regulator officials, providing information on the TWIA board and committee meetings scheduled during the quarter and providing operational updates on the status of the implementation of legislative changes and TDI rules related to the legislative changes.

The Legislative Implementation Program to operationalize the bill provisions from the 86<sup>th</sup> legislative session is the highest priority. The program's project teams have met regularly since the end of the legislative session to ensure a smooth and successful integration of legislative changes into our daily operations and systems while maintaining compliance with the effective dates of bill provisions.

The 2019 hurricane preparedness and outreach campaign is nearing its end. During Q3, staff participated in three outreach events.

Staff has finalized and is implementing an updated media relations strategy to cover the remainder of 2019 through to the end of 2020, which focuses on more proactive and productive media engagement. This includes a more robust use of communications plans, strategic messaging and media alerts, allowing for more timely and effective messaging to our stakeholders across communications channels.

The Q4 AAG meeting occurred on October 1, 2019, focusing on the status of the legislative implementation program, underwriting department and depopulation program updates and those changes impacting agents that have recently or will soon be integrated into Association policies and systems.

- D. Review and Approval of 2020 Budget: Mr. Polak reviewed the proposed 2020 budget. The 2020 budget reflects the key assumption that the number of policies in force will continue to decline in 2020, although at a lesser rate than experienced in 2019. TWIA staff assumes that 2,000 policies will be transferred in June 2020 in connection with the Assumption/Reinsurance Depopulation program. The 2020 budget does not assume any rate increase over the rate levels currently in effect at November 1, 2019. Ms. Neblett moved to authorize staff to continue to incur expenses at present levels and return to the board in February 2020 with a more detailed presentation to review for potential approval for the 2020 budget per the Association. Ms. Guard seconded the motion. Ms. Morrison asked if that will include an allocation between TWIA and TFPA. It was confirmed that it would. The motion passed unanimously.
13. Closed Session: The meeting went into closed session at 1:16 pm. It opened up at 2:02 pm.
14. Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, if any, of the Board of Directors: There were no items to consider.
15. Committees: There was nothing to discuss.
16. Future meetings:
  - February 18, 2020 – Marriott South - Austin
  - May 12, 2020 – Hyatt Regency Austin
  - August 4, 2020 – Tremont House, Galveston
17. Lunch Break: The committee members went into a lunch break.

18. Board Training Program: The board members participated in a training program all members must participate in yearly.
19. Adjourn: The meeting adjourned at 4:26 p.m.

---

Prepared by: Amy Koehl  
Executive Assistant

---

Approved by: Bryan Shofner  
TWIA Chairman

---

Approved by: Chandra Franklin-Womack  
TWIA Vice Chairman

## **Minutes of the Texas Windstorm Insurance Association**

### **Board of Directors Meeting**

5700 South MoPac Expressway

Building A

Austin, Texas 78749

May 24, 2019

1. Call to Order: Chairman Josh Fields called the meeting to order at 9:10 a.m. Mr. Perkins performed a roll call of the board members. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel.

The following Board members were present, representing:

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

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

1.	John Polak, General Manager	TWIA
2.	Jerry Fadden, Chief Financial Officer	TWIA
3.	David Durden, VP Legal	TWIA
4.	Denise Larzalere, VP Underwriting	TWIA
5.	JD Lester, VP of Human Resources	TWIA
6.	Camron Malik, Chief Information Officer	TWIA
7.	Jennifer Armstrong, VP Communications and Legislative Affairs	TWIA
8.	Amy Koehl, Executive Assistant	TWIA
9.	Mike Perkins, Association Counsel	Perkins Law Group

The following guests were present:

1.	Tim Peterson	JP Morgan
2.	Anna Stafford	TWIA
3.	Aaron Taylor	TWIA
4.	Ryan Brannan	W.R. Brannan & Associates

2. Public Comment: There was no public comment.
3. Consideration and Possible Action Regarding the Refinancing of Class 1 Public Securities Issued in 2014: Mr. Fadden said there may be an opportunity to refinance the outstanding bonds and take advantage of a lower interest rate. Staff has been working with several investment banks in considering issues and structure. A resolution from the



board is needed to proceed on this basis in order to make the application to TDI to refinance the bonds and to appoint an underwriter for the refinancing. The board members received a copy of the resolution to move forward. The resolution title read as follows and the full text of the resolution is attached as an exhibit:

A RESOLUTION AUTHORIZING A REQUEST FOR APPROVAL TO REFINANCE OUTSTANDING CLASS 1 PUBLIC SECURITIES FROM THE COMMISSIONER OF INSURANCE AND A REQUEST FOR THE ISSUANCE OF SUCH REFINANCING PUBLIC SECURITIES BY THE TEXAS PUBLIC FINANCE AUTHORITY AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS REQUIRED TO EFFECT SUCH REFINANCING.

Mr. Shofner moved to approve the resolution. Ms. King seconded the motion. Mr. Fields asked for a roll call vote.

Bryan Shofner: Yes  
 Debbie King: Yes  
 Mike Gerik: Yes  
 Karen Guard: Yes  
 Georgia Neblett: Yes  
 Tony Schrader: Yes  
 Chandra Franklin-Womack: Yes  
 Josh Fields: Yes

4. Consideration and Possible Action Regarding Association Rate Filings Including Pending 2018 Annual Filing: Mr. Fields said this item pertained to the rate filing made at the August 2018 board meeting and the subsequent holding of that filing by the governor's office. Mr. Polak said the expiration of the governor's letter takes place on the 16<sup>th</sup> of June. The suspension carries with it some questions. What is the effective date going to be? It would be problematic to use the original date as the Association would potentially be seeking to charge the policyholders a retroactive premium increase. The Association can withdraw the filing completely and return in August for the annual filing. Or the amount and effective date can be amended. The first option may be preferable because it eliminates uncertainty.

Mr. Fields asked if TDI and the governor's office see this in the same way as far as the legality of the matter. Mr. Polak said it was staff's understanding that both offices would not object to withdrawing the filing. Mr. Schrader asked when the board has a legal question, should the attorney general be consulted. Did staff do that and what was the opinion. Mr. Perkins said the Association is not an entity that can ask for an opinion from the attorney general. Mr. Schrader asked if TDI has done that. Mr. Perkins said to his knowledge, they have not. Mr. Gerik said Mr. Schrader made an excellent point. There is timing to be dealt with and by the time the Association received an opinion, even if it found a path to request one, it would likely be August and time for another board meeting. Mr. Gerik moved to withdraw the rate filing and then start the review again in August for a January rate change. Ms. Neblett seconded the motion. Mr. Shofner said he thinks this sets a dangerous precedent. He knows this was partially based on a timing issue. He thinks staff needs to consider this when considering rate options going forward.

Mr. Schrader said he hates to see any policyholder get two rate increases in two years if it isn't withdrawn.

Mr. Perkins conducted a roll call vote.

Bryan Shofner: Yes  
Debbie King: Yes  
Mike Gerik: Yes  
Karen Guard: Yes  
Georgia Neblett: Yes  
Chandra Franklin-Womack: Yes  
Tony Schrader: Yes  
Josh Fields: Yes

The motion passed. The filing will be withdrawn.

5. Adjourn: The meeting was adjourned at 9:29 am.

---

Prepared by: Amy Koehl  
Executive Assistant

---

Approved by: Josh Fields  
TWIA Chairman

---

Approved by: Bryan Shofner  
TWIA Vice Chairman

## TEXAS WINDSTORM INSURANCE ASSOCIATION

### MINUTES AND CERTIFICATION

On May 24, 2019, the Board of Directors (the "Board") of the Texas Windstorm Insurance Association convened in a regular meeting, open to the public, and public notice of the time, place, and purpose of the meeting was given in accordance with Texas Insurance Code §2210.105 and Texas Government Code §§551.001, et seq. (Vernon 1994), at the Texas Windstorm Insurance Association offices, 5700 South MoPac Expressway, Building A, Austin, Texas 78749, and the roll was called of the duly constituted members of the Board, who are as follows:

Joshua Fields	Chair
Bryan Shofner	Vice Chair
Debbie King	Secretary/Treasurer
Michael Gerik	Member
Karen Guard	Member
Georgia Neblett	Member
Tony Schrader	Member
Chandra Womack	Member
<u>Vacant</u>	Member

all of whom were present, thus constituting a quorum.

Among other business, a written Resolution bearing the following caption was introduced:

A RESOLUTION AUTHORIZING A REQUEST FOR APPROVAL TO REFINANCE OUTSTANDING CLASS 1 PUBLIC SECURITIES FROM THE COMMISSIONER OF INSURANCE AND A REQUEST FOR THE ISSUANCE OF SUCH REFINANCING PUBLIC SECURITIES BY THE TEXAS PUBLIC FINANCE AUTHORITY AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS REQUIRED TO EFFECT SUCH REFINANCING.

The Resolution was considered by the Board.

After due discussion, it was duly moved and seconded that the Resolution be adopted. The Presiding Officer put the motion to a vote of the Board, and the Resolution was adopted by the following vote:

AYES:	<u>8</u>
NAYS:	<u>0</u>
ABSTENTIONS:	<u>0</u>

The Presiding Officer then declared the Resolution adopted:

MINUTES APPROVED AND CERTIFIED TO BE CORRECT and to correctly reflect the duly constituted members of the Board of the Texas Windstorm Insurance Association, and the attached copy of the Resolution is hereby certified to be a correct copy of an office copy thereof on file among the official records of the Texas Windstorm Insurance Association.

DATED as of May 24, 2019.

TEXAS WINDSTORM INSURANCE ASSOCIATION



(Signature)

Joshua Fields, Chair

(Printed Name & Title)

## **A RESOLUTION**

### **AUTHORIZING A REQUEST FOR APPROVAL TO REFINANCE OUTSTANDING CLASS 1 PUBLIC SECURITIES FROM THE COMMISSIONER OF INSURANCE AND A REQUEST FOR THE ISSUANCE OF SUCH REFINANCING PUBLIC SECURITIES BY THE TEXAS PUBLIC FINANCE AUTHORITY AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS REQUIRED TO EFFECT SUCH REFINANCING**

**WHEREAS**, the Texas Public Finance Authority (the "Authority") is authorized to issue or refinance Class 1 public securities ("Class 1 Public Securities") on behalf of and on the request of the Texas Windstorm Insurance Association (the "Association") with the approval of the Commissioner of Insurance of the State of Texas (the "Commissioner") pursuant to Texas Insurance Code, Chapter 2210, as amended (the "Act"); and

**WHEREAS**, the Authority, on behalf of the Association, previously issued Class 1 Public Securities designated as "Texas Public Finance Authority Windstorm Insurance Association Premium Revenue Taxable Bonds, Series 2014" (the "Series 2014 Bonds"); and

**WHEREAS**, the Series 2014 Bonds may be refunded and refinanced on or after July 1, 2019 without prepayment penalty and after July 1, 2019 the outstanding principal amount thereof is anticipated to be \$318,600,000; and

**WHEREAS**, the Association acknowledges that it may request the Authority to refinance outstanding Class 1 Public Securities issued in accordance with Subchapter B-1 of the Act; and

**WHEREAS**, the Board of Directors of the Association (the "Board") desires to request the Commissioner to approve the refinancing of the Series 2014 Bonds and desires to request the Authority, on behalf of the Association, to issue public securities payable from the same source to refinance the outstanding Series 2014 Bonds as permitted by Section 2210.614 of the Act.

### **NOW, THEREFORE, THE ASSOCIATION HEREBY DETERMINES AND RESOLVES THAT:**

1. The Board finds that it is appropriate and necessary at this time to refund and refinance the outstanding Series 2014 Bonds through the issuance of a new series of public securities payable as Class 1 Public Securities (the "Refinancing Public Securities"). Accordingly, the execution and delivery of this Resolution is the request for approval of such refinancing to the Commissioner (the "Request for Approval") and a request for issuance of Refinancing Public Securities to the Authority (the "Request for Issuance") under Sections 2210.072, 2210.604, and 2210.614 of the Act and Chapter 1207 of the Texas Government Code.

2. The principal amount of the Refinancing Public Securities shall not, in the aggregate, be more than the outstanding principal amount of the Series 2014 Bonds (after July 1, 2019, anticipated to be \$318,600,000), plus, as permitted by Section 2210.604(c) of the Act, amounts sufficient to pay costs of issuance, to fund capitalized interest not to exceed two years, and to fund a debt service reserve fund or funds, if any, which costs shall be determined at the time of the issuance. Until such time as the Internal Revenue Service rules that the interest on Class 1

Public Securities is tax-exempt, the interest on the Refinancing Public Securities will be taxable to the owners thereof.

3. The maximum term of the Refinancing Public Securities shall not exceed 14 years from the date of issuance of the Series 2014 Bonds.

4. The Association confirms its obligation to charge premium in accordance with the Act, particularly Sections 2210.355 and 2210.612 of the Act, and if net premium and other revenue are insufficient to collect premium surcharges, in accordance with Section 2210.612 of the Act, to pay the obligations and administrative expenses on the outstanding Refinancing Public Securities.

5. The General Manager or General Manager's designee (an "Authorized Representative") is hereby authorized to act for and on behalf of the Association to complete a cost-benefit analysis of various financing methods and funding structures as required to submit a Request for Approval of Refinancing Public Securities to the Commissioner pursuant to Section 2210.604 of the Act.

6. Any Authorized Representative is hereby authorized to act for and on behalf of the Association to submit a Request for Approval of Refinancing Public Securities to the Commissioner.

7. Any Authorized Representative is hereby authorized to act for and on behalf of the Association to deliver this Request for Issuance to the Authority; to negotiate, date, sign, and otherwise execute and deliver a "Financing and Pledge Agreement" for the Refinancing Public Securities together with such other documents as may be necessary or desirable to effect the issuance of the Refinancing Public Securities (the "Transaction Documents"); and to assist the Authority and its consultants in preparing an official statement or other offering document in connection with the sale of the Refinancing Public Securities.

8. The officers of the Association and any Authorized Representative shall take all actions in conformity with the Act to effect the Request for Approval, the Request for Issuance, and the issuance of the Refinancing Public Securities and take all action necessary to carry out, give effect to, and consummate the Transaction Documents contemplated in this Resolution, including, without limitation, the execution and delivery of any closing documents in connection with the closing of the Refinancing Public Securities.

9. The authority granted hereby is initially limited to the preparation of documents, the payment of expenses, and the taking of actions necessary to prepare the Association and the Authority to promptly effect the issuance of the Refinancing Public Securities until such time as the Commissioner approves in writing the Request for Approval pursuant to Sections 2210.072, 2210.604, and 2210.614 of the Act. Following the approval by the Commissioner, the Authority may approve the Request for Issuance and may issue the Refinancing Public Securities authorized hereby in accordance with this Resolution and the Act and without further action by the Board.

10. If any section, paragraph clause, or provision in this Resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining portions of this Resolution.

11. This Resolution was adopted at a meeting open to the public and public notice of the time, place and purpose of said meeting was given all as required by Section 2210.105 of the Act and Chapter 551, Texas Government Code.

**[SIGNATURE PAGE FOLLOWS]**

Adopted on May 24, 2019.

TEXAS WINDSTORM INSURANCE ASSOCIATION

By: Josh Fields  
Signature

Joshua Fields, Chair

(Printed Name and Title)

Attested: Bryan Shofner  
Signature

BRYAN SHOFNER, VICE CHAIR.  
(Printed Name and Title)

[SIGNATURE PAGE TO ASSOCIATION RESOLUTION  
AUTHORIZING REQUEST FOR APPROVAL AND REQUEST FOR  
ISSUANCE OF REFINANCING PUBLIC SECURITIES]



## 6. TWIA Operational Highlights

# 2019 TWIA Enterprise Scorecard

Reporting YTD as of December 31, 2019



	YTD	Trend	Goal	Δ	Performance
Operating Expenses	7.7%	→	9.6%	-1.9%	
Net Gain From Operations	-\$35.0 M	→	\$48.0 M	-\$83.0 M	
Enterprise Projects	100%	→	90%	10%	
Policy Administration	99%	→	90%	9%	
Claims Handling	98%	→	90%	8%	
Litigated Claims	0.01%	→	0.50%	-0.49%	
Complaints	50	→	136	-86	

## Reference Data

Policies In-Force	189,203
Exposures In-Force	\$55.2 billion
Written Premiums YTD	\$372 million
Claims Received YTD	6,704
Losses Incurred YTD <sup>1</sup>	\$106.4 million

<sup>1</sup> Excludes IBNR

## Quarterly Key Accomplishments

- Operationalized all changes from the 86th Legislative Session with a 2019 effective date on or before their required deadlines.
- Implemented a new policy renewal process and a process to determine replacement cost value at the time of policy issuance by the required legislative deadlines.
- Trained more than 1,200 agents on the new processes between October 2019 and mid-January 2020.
- Completed a TWIA Board of Directors training program in December 2019 as required by Senate Bill 615.
- Remain below plan for Q4 2019 operating expenses.
- Achieved Association objectives for all strategic initiatives in 2019.
- Exceeded turnaround time and quality standards on Underwriting and Claim service levels.
- Remain well below plan on litigated claims and complaints in Q4 2019.

## 7. Legislative Implementation Update



## Legislative Implementation Program

*Provision Status as of January 31, 2020*

Senate Bill 615			
Legislative Change	Effective Date	TWIA Status	TDI Status
<b>Sunset Review</b>	2031	N/A	N/A
<i>Sec. 1. TWIA is subject to review under the Texas Sunset Act and shall be next reviewed during the period in which state agencies abolished in 2031 are reviewed.</i>			
<b>Proposal of Rules</b>	September 1, 2019	In Compliance	In Compliance
<i>Sec. 2. Authorizes TWIA to propose to the Texas Department of Insurance rules that govern TWIA's core operations and requires TDI to begin its review process within 30 days.</i>			
<ul style="list-style-type: none"> <li>• TWIA has not proposed any rules to TDI to date.</li> </ul>			
<b>Board of Directors Eligibility Requirements</b>	September 1, 2019	In Compliance	In Compliance
<i>Sec. 3. Restricts individuals (or their spouses) with certain interests in the property and casualty insurance business or certain relationships with TWIA from serving on the TWIA Board of Directors.</i>			
<ul style="list-style-type: none"> <li>• Board members are appointed by the Commissioner of Insurance. A member serving on the Board immediately before the effective date of this bill may continue to serve on the Board for the remainder of the term to which the member was appointed.</li> </ul>			
<b>Board Training</b>	January 1, 2020	In Compliance	N/A
<i>Sec. 4. Requires TWIA to develop a formal training program for the Board of Directors. Board members cannot vote, deliberate, or be counted as a member in attendance at meetings until they have completed the required training and annually acknowledge receipt of a training manual provided by the Association.</i>			
<ul style="list-style-type: none"> <li>• All current Board members have completed the required training.</li> </ul>			
<b>Board Disclosures</b>	September 1, 2019	In Compliance	N/A
<i>Sec. 5. Requires TWIA Board and Actuarial &amp; Underwriting Committee members to disclose any potential conflicts of interest related to a vote or discussion prior to a vote.</i>			
<ul style="list-style-type: none"> <li>• TWIA has implemented a procedure by which TWIA Board and Committee members report potential conflicts to TWIA's legal counsel and those conflicts are disclosed at the beginning of each meeting.</li> </ul>			
<b>Policy Renewals</b>	January 1, 2020	In Compliance	N/A
<i>Sec. 6, 8. Streamlines the policy renewal process, allowing TWIA to offer policy renewals to and accept premium payment directly from policyholders.</i>			
<ul style="list-style-type: none"> <li>• The first renewal offer packages were mailed to TWIA policyholders beginning January 1, 2020 for policies effective March 1, 2020.</li> </ul>			
<b>Policy Payments</b>	January 1, 2021	On Schedule	N/A
<i>Sec. 8. Requires TWIA accept payment of premiums by credit card and provide policyholders the option to pay premiums in installments.</i>			
<ul style="list-style-type: none"> <li>• TWIA will begin accepting premium payments from policyholders by credit card and in installments as required on or before January 1, 2021.</li> </ul>			

## Senate Bill 615

Legislative Change	Effective Date	TWIA Status	TDI Status
<b>Supplemental Payments</b> <i>Sec. 9, 14, 15. Formalizes TWIA's supplemental payments process and requires TWIA policies to contain a conspicuous notice about the availability of supplemental payments, the supplemental payment process, and associated deadlines.</i> <ul style="list-style-type: none"> <li>TWIA will be drafting a conspicuous notice on the availability of supplemental payments, which must be submitted to TDI for approval and included in TWIA's policies by July 1, 2020.</li> <li>Revisions to TWIA's claim notices will also be completed as required by the law change on or before July 1, 2020.</li> </ul>	July 1, 2020	In Compliance	TDI Rules Approved
<b>ITV Determination</b> <i>Sec. 10. Changes TWIA's determination of whether a claim will be paid at replacement cost value or actual cash value to the time of policy issuance rather than at the time a claim is filed.</i> <ul style="list-style-type: none"> <li>TWIA's new policy contracts reflecting this change have been approved by TDI and went into use on January 1, 2020.</li> </ul>	January 1, 2020	In Compliance	Policy Form/Endorsement Changes Approved
<b>Certificates of Compliance for Completed Improvements</b> <i>Sec. 11, 12. Transfers TWIA's program for the issuance of Certificates of Compliance for completed improvements to TDI with some modifications to the oversight and requirements of the program.</i> <ul style="list-style-type: none"> <li>TWIA is working closely with TDI to transfer administration of the program as required on June 1, 2020.</li> </ul>	June 1, 2020	On Schedule	Pending Rule Changes
<b>Rate Adequacy Analysis</b> <i>Sec. 13. Requires TWIA to make a rate adequacy analysis publicly available on TWIA.org 14 days before its Board of Directors votes on a proposed rate filing submission and requires public comment on the rate adequacy analysis be received at a public meeting of the Board of Directors prior to their vote on a proposed rate filing submission.</i> <ul style="list-style-type: none"> <li>TWIA posted its 2019 rate adequacy analysis on July 22, 2019 ahead of the August 6 Board meeting at which its required annual rate filing was considered.</li> <li>Public comments on the Association's rate adequacy analysis have been accepted in writing and in person at all applicable meetings of the Board of Directors and its Actuarial and Underwriting Committee since the law passed.</li> </ul>	June 10, 2019	In Compliance	N/A
<b>Assumption Reinsurance Depopulation Program</b> <i>Sec. 16. Requires TDI to change the rules for TWIA's assumption reinsurance depopulation program to eliminate any requirement for agents or policyholders to make depopulation decisions during hurricane season and reduces the policyholder opt-out period to no more than 60 days.</i> <ul style="list-style-type: none"> <li>TDI adopted the rules to implement this change on January 22, 2020. The new rules will apply to the fifth round of the program which is expected to occur at the end of 2020.</li> <li>TWIA plans to file amendments to the program with TDI by Q1 2020.</li> </ul>	March 31, 2020	On Schedule	TDI Rules Approved



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

## Legislative Implementation Program

*Provision Status as of January 31, 2020*

House Bill 1900			
Legislative Change	Effective Date	TWIA Status	TDI Status
<b>Use of Premiums</b>	June 10, 2019	In Compliance	N/A
<i>Sec. 1, 2. Requires TWIA to pay for excess losses from funding sources, including the Catastrophe Reserve Trust Fund (CRTF), available before or accrued during the catastrophe year in which the losses occurred.</i>			
<ul style="list-style-type: none"><li>Since this provision went into effect, the Texas coast has not experienced a storm requiring any expenditures on claims beyond that which TWIA can cover with current-year premiums.</li><li>Losses and loss adjustment expense from Hurricane Harvey were paid from premiums earned in 2017 and before, the CRTF, Class 1 public securities, and member company assessments.</li></ul>			
<b>Emergency Board Meeting for Planned Member Company Assessment</b>	June 10, 2019	In Compliance	N/A
<i>Sec. 3. Requires the TWIA Board of Directors to call an emergency meeting for the purpose of notifying member insurers if TWIA estimates its ultimate financial losses arising from a storm may require a member insurer assessment.</i>			
<ul style="list-style-type: none"><li>TWIA announced a third potential member insurer assessment at its August meeting and approved submitting a request to the Commissioner of Insurance for a \$90 million member insurer assessment for losses from Hurricane Harvey at its December meeting.</li><li>The Commissioner of Insurance approved the member insurer assessment on January 10, 2020, and assessment letters will be sent to the members insurers at the beginning of February 2020.</li></ul>			
<b>ITV Determination</b>	January 1, 2020	In Compliance	Policy Form/Endorsement Changes Approved
<i>Sec. 4, 15. Changes TWIA's determination of whether a claim will be paid at replacement cost value or actual cash value to the time of policy issuance rather than at the time a claim is filed.</i>			
<ul style="list-style-type: none"><li>TWIA's new policy contracts reflecting this change have been approved by TDI and went into use on January 1, 2020.</li></ul>			
<b>Certificates of Compliance for Completed Improvements</b>	June 1, 2020	On Schedule	Pending Rule Changes
<i>Sec. 5, 6, 12, 13, 14. Transfers TWIA's program for the issuance of Certificates of Compliance for completed improvements to TDI with some modifications to the oversight and requirements of the program.</i>			
<ul style="list-style-type: none"><li>TWIA is working closely with TDI to transfer administration of the program as required on June 1, 2020.</li></ul>			

## House Bill 1900

Legislative Change	Effective Date	TWIA Status	TDI Status
<b>Rate Adequacy Analysis</b> <i>Sec. 7. Requires TWIA to make a rate adequacy analysis publicly available on TWIA.org 14 days before its Board of Directors votes on a proposed rate filing submission and requires public comment on the rate adequacy analysis be received at a public meeting of the Board of Directors prior to their vote on a proposed rate filing submission.</i> <ul style="list-style-type: none"> <li>TWIA posted its 2019 rate adequacy analysis on July 22, 2019 ahead of the August 6 Board meeting at which its required annual rate filing was considered.</li> <li>Public comments on the Association's rate adequacy analysis have been accepted in writing and at all applicable meetings of the Board of Directors and its Committees since the law passed.</li> </ul>	June 10, 2019	In Compliance	N/A
<b>Member Company Purchase of Reinsurance</b> <i>Sec. 8. Requires that TWIA's purchase of reinsurance above its minimum required funding level (1-in-100 probable maximum loss) be paid for by an assessment on member insurers of the Association.</i> <ul style="list-style-type: none"> <li>TWIA is awaiting TDI's adoption of the rules related to this law change and expects to be able to assess member insurers for the Association's purchase of any reinsurance coverage above the 1-in-100 probable maximum loss for the 2020 hurricane season.</li> </ul>	June 10, 2019	In Compliance	Informal Draft Rules Published
<b>Replacement Cost Coverage Claims</b> <i>Sec. 9. Formalizes the handling of replacement cost coverage claims, allowing 545 days for a policyholder to provide proof of repairs to recoup the recoverable depreciation on their claim while preserving the policyholder's ability to request appraisal on the claim.</i> <ul style="list-style-type: none"> <li>TWIA's claim notices include language as required to comply with this provision and policy forms are updated to reflect the law changes.</li> </ul>	January 1, 2020	In Compliance	Policy Forms Approved; TDI Rules Adopted
<b>Claim Deadline Extensions</b> <i>Sec. 10. Authorizes the Commissioner of Insurance, with good cause, to extend policyholder deadlines related to TWIA claims by any amount of time at his discretion and to extend claim deadlines applicable to TWIA by up to an additional 120 days.</i> <ul style="list-style-type: none"> <li>TWIA has established an internal process to determine when to request that the Commissioner of Insurance extend deadlines under this provision.</li> </ul>	September 1, 2019	In Compliance	TDI Rules Adopted
<b>Funding Study</b> <i>Sec. 11. Creates the Legislative Funding and Funding Structure Oversight Board to submit a report by November 15, 2020.</i> <ul style="list-style-type: none"> <li>TWIA is prepared to assist the Legislative Oversight Board in its deliberations.</li> </ul>	November 15, 2020	N/A	N/A
<b>Merger Study</b> <i>Sec. 14. Requires the Windstorm Legislative Oversight Board to evaluate a merger of TWIA and TFPA and submit a report by January 1, 2020.</i> <ul style="list-style-type: none"> <li>TWIA is prepared to assist the Legislative Oversight Board in its deliberations.</li> </ul>	January 1, 2021	N/A	N/A



## Q4 2019 Legislative & Regulatory Meetings

Legislative/Regulatory Office	Staff Member	Purpose
<b>October 2019</b>		
Rep. Sarah Davis	Bobby Joe Dale	Met with staff to discuss the August TWIA Board meeting and rates and funding.
Rep. Briscoe Cain	Jeremy Kitchen	Met with staff to discuss the August TWIA Board meeting and rates and funding.
Rep. Geanie Morrison	Shane Saum	Met with staff to discuss the August TWIA Board meeting and rates and funding.
Rep. Mayes Middleton	Andrew Harrell	Met with staff to answer questions about the status of TWIA's compliance with and implementation of new legislation and Association rates and funding.
<b>November 2019</b>		
Texas Department of Insurance	Marianne Baker, David Muckerheide, et. al	Discussed TDI rules and proposed changes to TWIA policy forms and endorsements to implement claims-related legislation.
<b>December 2019</b>		
<ul style="list-style-type: none"><li>• Lauren Fleming, Lt. Governor Dan Patrick</li><li>• Jesse Sifuentes, House Speaker Dennis Bonnen</li><li>• Jarrett Hill, Senate Business &amp; Commerce Committee</li><li>• Kenisha Schuster, Texas Department of Insurance</li><li>• Trace Finley, Corpus Christi Chamber of Commerce</li><li>• Shane Saum, Rep. Geanie Morrison,</li><li>• Kyle Diamond, Rep. Mayes Middleton</li><li>• Bobby Joe Dale, Rep. Sarah Davis</li><li>• Miguel Liscano, Rep. Abel Herrero</li><li>• Chris Willuhn, Sen. Judith Zaffirni</li><li>• Desiree Castro, Sen. Juan "Chuy" Hinojosa</li><li>• Ross Giesinger, Sen. Lois Kolkhorst</li><li>• Cari Christman, Sen. Larry Taylor<sup>1</sup></li></ul>		Invited legislative staff from the Governor's, Lt. Governor's, and Speaker's offices and coastal and committee offices to the Q3 2019 TWIA Board Meeting Materials Briefing, focusing on the agenda items for which the Board was expected to take action: Member company assessment for Harvey, the Actuarial & Underwriting Committee rate recommendation and the 2020 Budget.
Sen. Lois Kolkhorst	Ross Giesinger	Met with staff to discuss Association rates and funding and the upcoming December TWIA Board meeting.
Rep. Geanie Morrison	Shane Saum	Met with staff to discuss the December TWIA Board meeting, focusing on the rate decision and discussion topics at the meeting.

<sup>1</sup> Includes only those legislative offices in attendance at the briefing.





Legislative/Regulatory Office	Staff	Purpose
Rep. Sarah Davis	Bobby Joe Dale	Met with staff to discuss the December TWIA Board meeting, focusing on the rate decision and discussion topics at the meeting.
House Insurance Chair Rep. Eddie Lucio, III	Sergio Cavazos	Met with staff to discuss the December TWIA Board meeting, focusing on the rate decision and discussion topics at the meeting and the upcoming January House Insurance Committee hearing in Rockport.

8. Financial  
8A. Report of the Secretary/Treasurer  
8A1. Income Statement

**TEXAS WINDSTORM INSURANCE ASSOCIATION**  
**Statutory Income Statement - Treasurer's Report**  
**for the twelve months ended December 31,**  
**(000's omitted)**

	2019	2018
<b>Direct Premiums Written</b>	<u>\$ 372,017</u>	<u>\$ 395,552</u>
<b>Premiums Earned:</b>		
Direct Premiums Earned	\$ 381,571	\$ 409,954
Ceded Reinsurance Premiums	(92,403)	(106,546)
Ceded Reinsurance Premiums - Depopulation	(1,691)	(1,893)
Net Premiums Earned	<u>287,477</u>	<u>301,515</u>
<b>Deductions:</b>		
Direct Losses and LAE Incurred	23,513	11,718
Direct Losses and LAE Incurred - Harvey	90,000	164,000
Direct Losses and LAE Incurred - Ike & Dolly	0	-
Ceded Losses and LAE Incurred - Depopulation	(115)	280
Operating Expenses	29,338	28,281
Commission Expense	59,475	63,281
Ceding commissions / brokerage	(2,754)	(2,247)
Ceding commissions / brokerage - Depopulation	(406)	(454)
Premium / Maintenance Tax	6,982	7,539
Total Deductions	<u>206,033</u>	<u>272,397</u>
<b>Net Underwriting Gain or (Loss)</b>	<u>81,443</u>	<u>29,118</u>
<b>Other Income or (Expense):</b>		
Gross Investment Income	8,613	7,429
CRTF Funds Received	-	-
Member Assessment Income	-	281,820
Interest Expense on Class 1 Bonds	(28,343)	(32,303)
Debt Issuance & Other Investment Expenses	(2,387)	(2,457)
Other Income (Expense)	43	52
Total Other Income or (Expense)	<u>(22,075)</u>	<u>254,541</u>
<b>Net Income (Loss)</b>	<u>\$ 59,369</u>	<u>\$ 283,659</u>
<b>Surplus (Deficit) Account:</b>		
Beginning Surplus (Deficit)	\$ (277,864)	\$ (461,390)
Net Income (Loss)	59,369	283,659
Change in Provision for Reinsurance	-	-
Change in nonadmitted assets - Other	135	9,282
Other	-	1,175
Statutory Fund Cost	(94,366)	(110,590)
Ending Surplus (Deficit)	<u>\$ (312,726)</u>	<u>\$ (277,864)</u>

## 8A2. Management Discussion and Analysis

**Texas Windstorm Insurance Association**  
**Management's Discussion and Analysis of Financial Results for the**  
**Twelve Months Ended December 31, 2019**

TWIA's financial results for the twelve months ended December 31, 2019 reflect net income of \$59.4 million, compared to a budget of \$98.7 million. Excluding the impact of Hurricane Harvey reserve adjustments, net income would be \$149.4 million.

**Direct Written Premium:** Total 2019 direct written premiums of \$372 million reflect a decrease of \$23.5 million (6.0%) from the prior year total of \$395.6 million. The decrease resulted from year over year policy and exposure declines, and the depopulation of 1,600 policies on June 1, 2018 and 2,080 on June 1, 2019. Direct Written Premium was \$23.4 million higher than the budgeted \$348.6 million.

The December policy count totaled 189,203, representing a 13,005 (6.4%) decline from the policy count at December 31, 2018 (202,208). However, policy count as of December 31, 2019 is 9,392 (5.2%) higher than the 2019 budgeted level (179,811).

**Direct Premiums Earned:** Direct premiums earned totaled \$381.6 million compared to \$410 million in 2018 (a decline of \$28.4 million or 6.9%). Direct premium earned was \$14.4 million higher than the budget of \$367.1 million.

**Ceded Depop Premium:** TWIA has ceded \$1.7 million of depopulation premium through December 2019. 2,080 policies were transferred to the two participating carriers on June 1, 2019.

**Reinsurance Costs:** Reinsurance costs incurred during the year (ceded earned premium) totaled \$92.4 million (reflecting 100% of the ceded written premium from the June 1 reinsurance and cat bond renewal).

**Loss and Loss Adjustment Expense Incurred:** The year to date direct loss and LAE incurred of \$113.5 million reflects the actuarial analysis as of year-end and included a \$90.0 million increase to Hurricane Harvey reserves. This resulted in a reported Direct Loss and LAE ratio in 2019 of 29.7% compared to the budgeted 16.9%. Non-hurricane loss and LAE expenses incurred totaled \$23.5 million compared to a budget of \$61.9 million, resulting in a Non-hurricane loss ratio of 6.2%; less than the budgeted 16.9% loss ratio.

**Operating Expenses:** The 2019 total operating expenses of \$29.5 million are below budget by \$6 million or 17%. The variance is mostly attributed to deferment of the Project ELEVATE launch until 2020. In addition, legal expense associated with the \$500 million line of credit was overstated in the 2019 Budget.

**Commission Expense and Premium Taxes:** Commission expense and premium taxes, totaling \$66.5 million, were above budget by \$3.8 million or 6.1%, as year to date Direct Written Premium exceeded budget.

**Other Income (Expense):** Gross investment income for the year was \$8.6 million, compared to the budget of \$7.8 million, reflecting an improved rate environment. Interest expense on Class 1 bonds was as budgeted at \$28.3 million. Please note that the total results for the year do not include any member

assessment income to offset the Hurricane Harvey reserve adjustment. Such income will be reported in 2020 based on the recent approval of the assessment by the Commissioner.

**CRTF Contribution:** The accrual for the annual CRTF contribution at year end 2019 is \$94.4 million based on catastrophe/calendar year results through December 31, 2019.

**Surplus/(Deficit):** The deficit as of December 31, 2019 was \$312.7 million, compared to \$277.9 million at December 31, 2018, as total net income for the year of \$59.4 million was offset by required surplus adjustments for non-admitted assets (\$135K) and Statutory Fund Cost (\$94.4 million).

8B. Financial Statement Review by Staff  
8B1. Income Statement and Expense Statement

TEXAS WINDSTORM INSURANCE ASSOCIATION				
Statutory Income Statement (000's omitted)				
for the twelve months ended December 31,				
	Actuals - 2019	Budget - 2019	Variance - 2019	Actuals - 2018
<b>Premiums Written:</b>				
Direct	\$ 372,017	\$ 348,634	\$ 23,383	\$ 395,552
Ceded	(92,403)	(86,000)	(6,403)	(106,546)
Ceded - Depopulation	(1,691)	(2,170)	479	(1,893)
Net	277,922	260,464	17,458	287,113
<b>Premiums Earned:</b>				
Direct	\$ 381,571	\$ 367,141	\$ 14,430	\$ 409,954
Ceded	(92,403)	(86,000)	(6,403)	(106,546)
Ceded - Depopulation	(1,691)	(2,170)	479	(1,893)
Net	287,477	278,971	8,506	301,515
<b>Deductions:</b>				
Direct Losses and LAE Incurred	23,513	61,945	(38,432)	11,718
Direct Losses and LAE Incurred - Harvey	90,000	0	90,000	164,000
Direct Losses and LAE Incurred - Ike & Dolly	0	0	0	0
Ceded Losses and LAE Incurred	0	0	0	0
Ceded Losses and LAE Incurred - Depopulation	(115)	(592)	477	280
Operating Expenses	29,338	35,328	(5,990)	28,281
Commission Expense	59,475	55,782	3,693	63,281
Ceding commissions / brokerage	(2,754)	(1,946)	(808)	(2,247)
Ceding commissions / brokerage - Depopulation	(406)	(521)	115	(454)
Premium / Maintenance Tax	6,982	6,870	112	7,539
Total Deductions	206,033	156,866	49,168	272,397
<b>Net Underwriting Gain or (Loss)</b>	<b>81,443</b>	<b>122,105</b>	<b>(40,662)</b>	<b>29,118</b>
<b>Other Income or (Expense):</b>				
Gross Investment Income	8,613	7,781	832	7,429
CRTF Funds Received	0	0	0	0
Member Assessment Income	0	0	0	281,820
Interest Expense on Debt	(28,343)	(28,343)	0	(32,303)
Debt Issuance/Maintenance & Other Investment Expenses	(2,387)	(2,852)	465	(2,457)
Other Income (Expense)	43	0	43	52
Total Other Income or (Expense)	(22,075)	(23,414)	1,340	254,541
<b>Net Income (Loss)</b>	<b>\$ 59,369</b>	<b>\$ 98,691</b>	<b>\$ (39,322)</b>	<b>\$ 283,659</b>
<b>Surplus (Deficit) Account:</b>				
Beginning Surplus (Deficit)	(277,864)	(277,864)	0	(461,390)
Net Income (Loss)	59,369	98,691	(39,322)	283,659
Change in Provision for Reinsurance	0	0	0	0
Change in nonadmitted assets - Other	135	(0)	135	9,282
Other	0	0	0	1,175
Statutory Fund Cost	(94,366)	(50,715)	(43,651)	(110,590)
Ending Surplus (Deficit)	<b>\$ (312,726)</b>	<b>\$ (229,888)</b>	<b>\$ (82,838)</b>	<b>\$ (277,864)</b>
<b>Key Operating Ratios:</b>				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	6.2%	16.9%	-10.7%	2.9%
Hurricane Harvey	23.6%	0.0%	23.6%	40.0%
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	29.7%	16.9%	12.9%	42.9%
UW Expense Ratio:				
Acquisition	17.9%	18.0%	-0.1%	17.9%
Non Acquisition	7.7%	9.6%	-1.9%	6.9%
UW Expense Ratio	25.6%	27.6%	-2.0%	24.8%
Combined Ratio	55.3%	44.5%	10.8%	67.7%
Net:				
Loss & LAE Ratio:				
Non Hurricane	8.1%	22.0%	-13.9%	4.0%
Hurricane Harvey	31.3%	0.0%	31.3%	54.4%
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	39.4%	22.0%	17.5%	58.4%
UW Expense Ratio:				
Acquisition	22.7%	22.8%	-0.1%	23.3%
Non Acquisition	10.2%	12.7%	-2.5%	9.4%
UW Expense Ratio	32.9%	35.4%	-2.6%	32.7%
Combined Ratio	72.3%	57.4%	14.9%	91.1%



1	<b>TEXAS WINDSTORM INSURANCE ASSOCIATION</b>				1
2	<b>Statutory Expense Report (000's omitted)</b>				2
3	<b>for the twelve months ended December 31,</b>				3
4					4
5	<b>Description</b>	<b>Actuals - 2019</b>	<b>Budget - 2019</b>	<b>Variance - 2019</b>	<b>Actuals - 2018</b>
6	Personnel Expenses				
7	Salaries & Wages - Permanent	11,648	12,016	(368)	10,833
8	Contractor & Temporary Help	13,860	19,509	(5,649)	37,351
9	Payroll Taxes	840	934	(94)	792
10	Employee Benefits	4,367	4,236	131	4,207
11	Recruiting, Training & Other	395	476	(81)	218
12	Subtotal	31,110	37,171	(6,061)	53,401
13					
14	Professional & Consulting Services				
15	Legal	629	1,985	(1,357)	782
16	Accounting & Auditing	356	273	84	193
17	Information Technology	2,443	5,669	(3,226)	195
18	Actuarial Services	(20)	35	(55)	151
19	Ombudsman Program	132	111	21	111
20	Surveys & Inspections	1,527	1,854	(327)	1,813
21	Disaster Recovery Services	234	169	64	96
22	Other Services	3,505	4,011	(507)	6,808
23	Subtotal	8,805	14,107	(5,302)	10,149
24					
25	Hardware/Software Purchases & Licensing	2,998	3,486	(488)	3,004
26	Rental & Maintenance - Office/Equipment	1,296	1,398	(102)	1,351
27	Travel Expenses	251	376	(125)	317
28	Postage, Telephone and Express	976	1,010	(35)	1,072
29	Capital Management Expenses	2,113	1,224	889	2,262
30	Depreciation	19	0	19	889
31	Other Operating Expenses	1,164	1,061	103	1,341
32	Total Operating Expenses	48,732	59,835	(11,102)	73,786
33					
34	Capitalization of Fixed Assets	0	0	0	0
35	Reimbursement of Depop Servicing Expense	(120)	(161)	41	(248)
36	Allocation To ULAE	(16,887)	(23,121)	6,234	(42,799)
37	Allocation To Investing & Other Expense	(2,387)	(1,224)	(1,163)	(2,457)
38	Net Operating Expense - UW Operations	29,338	35,328	(5,990)	28,281

(1) Summary Details for Other Services:

Expert Panel	\$	1,910	
Call Center Expense	\$	342	
Xactware User Fees	\$	94	
Marshall & Swift/Boeckh	\$	212	Residential/RTC Annual & Com Building Insight - Express
EagleView Technologies Inc	\$	228	
ISO Services Inc	\$	185	
Xactware Weather Reports	\$	86	
Cornerstone OnDemand	\$	33	
ADP	\$	39	
Precision Task Group	\$	23	
Pierpont Communications Inc	\$	20	
*Other Outside Services	\$	332	
<b>Total Other Services</b>	<b>\$</b>	<b>3,505</b>	
<b>*Other Outside Services</b>			
Human Resources		186	
Communications & Legislative Affairs		60	
Legal & Compliance		48	
Operations		28	
Other Departments		10	
Total		332	

## 8B2. Balance Sheet

1	TEXAS WINDSTORM INSURANCE ASSOCIATION			1
2	Statutory Balance Sheet (000's omitted)			2
3				3
4				4
5		<u>December-19</u>	<u>December-18</u>	5
6	<b>Admitted Assets</b>			6
7	Cash and short term investments:			7
8	Unrestricted	\$ 432,595	\$ 563,554	8
9	Restricted - Funds Held at TTSTC	\$ 82,016	\$ 92,574	9
10	Restricted - Funds Held at TTSTC (Non Admitted)	-	-	10
11	Total cash and short term investments	<u>514,611</u>	<u>656,127</u>	11
12	Premiums receivable & other	1,613	1,707	12
13	Assessment receivable	-	-	13
14	Amounts recoverable from reinsurers	7	4	14
15	<b>Total admitted assets</b>	<u><b>\$ 516,231</b></u>	<u><b>\$ 657,839</b></u>	15
16				16
17	<b>Liabilities, Surplus and other funds</b>			17
18	<b>Liabilities:</b>			18
19	Loss and Loss adjustment expenses	\$ 169,130	\$ 200,780	19
20	Underwriting expenses payable	10,297	9,822	20
21	Unearned premiums, net of ceded unearned premiums	185,495	195,050	21
22	Ceded reinsurance funds payable	22,560	20,572	22
23	Principal Outstanding on Class 1 Pre Event Bonds	318,600	368,500	23
24	Interest Payable on Class 1 Pre Event Bonds	13,142	15,201	24
25	Provision for reinsurance	-	-	25
26	Other payables	15,367	15,189	26
27	Statutory fund payable	<u>94,366</u>	<u>110,590</u>	27
28	<b>Total liabilities</b>	<b>828,958</b>	<b>935,703</b>	28
29				29
30	<b>Surplus and others funds</b>			30
31	Unassigned surplus	(312,726)	(277,864)	31
32	<b>Total liabilities, surplus and other funds</b>	<u><b>\$ 516,231</b></u>	<u><b>\$ 657,839</b></u>	32
33				33
34				34
35	<b>Balance in CRTF</b>	<u><b>\$ 122,496</b></u>	<u><b>\$ 5,986</b></u>	35
36				36
37	<b>Balance in CRTF including Statutory fund payable</b>	<b>\$ 216,862</b>	<b>\$ 116,576</b>	37

### 8B3. Cash & Short-Term Investments

Texas Windstorm Insurance Association  
Unrestricted Cash and Short Term Investments (\$ in 000's)  
December 31, 2019

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Blended Rate of Interest Bearing Investments	Investment Duration of Interest Bearing Investments (in months)	Total Deposit % of TWIA's Portfolio	N.A. Bank Credit Rating	N.A Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital?
						< 40%	Superior or Strong	> 10%	> \$25B	> .2% of N.A. Reg Capital
<b>Balances as of 12/31/19:</b>										
Bank of America	162	146,463	146,625	0.92%	0.0	34%	Superior	12.5%	\$154	No
BlackRock Liquidity Funds (1)	0	113,076	113,076	1.60%	0.0	26%	N/A	N/A	N/A	N/A
Citibank	5	47,002	47,006	1.40%	0.0	11%	Superior	12.6%	\$130	No
JP Morgan Chase	16,209	0	16,209	0.00%	0.0	4%	Superior	14.2%	\$205	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	109,679	109,679	1.92%	0.0	25%	N/A	N/A	N/A	N/A
Wells Fargo	0	0	0	0.00%	0.0	0%	Superior	12.6%	\$145	No
<b>Total of all financial institutions</b>	<b>16,375</b>	<b>416,220</b>	<b>432,595</b>	<b>1.30%</b>	<b>0.0</b>	<b>100%</b>				
<b>Balances as of 12/31/18:</b>										
Bank of America	153	188,842	188,994	1.26%	0.0	34%	Superior	12.2%	\$147	No
BlackRock Liquidity Funds (1)	0	91,854	91,854	1.46%	0.0	16%	N/A	N/A	N/A	N/A
Citibank	7	46,243	46,250	1.50%	0.0	8%	Superior	12.7%	\$129	No
JP Morgan Chase	39,364	0	39,364	0.00%	0.0	7%	Superior	13.9%	\$189	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	197,092	197,092	2.04%	0.0	35%	N/A	N/A	N/A	N/A
Wells Fargo	0	0	-	0.00%	0.0	0%	Superior	12.0%	\$141	No
<b>Total of all financial institutions</b>	<b>39,523</b>	<b>524,030</b>	<b>563,554</b>	<b>1.61%</b>	<b>-</b>	<b>100%</b>				
(1) The Fund invests in U.S. Treasury bills, notes, trust receipts and direct obligations of the U.S. Treasury.										
(2) The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury.										
Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of September 30, 2019. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.										

## 8B4. Cash Flow Statement

1	TEXAS WINDSTORM INSURANCE ASSOCIATION	1
2	Statement of Cash Flows (000's omitted)	2
3	for the twelve months ended December 31,	3
4		4
5	Actuals - 2019 Budget - 2019 Variance - 2019	5
6		6
7	<b>Cash flows from operating activities:</b>	7
8	Premiums collected, net of reinsurance \$ 280,251 \$ 235,302 \$ 44,949	8
9	Losses and loss adjustment expense paid (145,049) (166,784) 21,734	9
10	Underwriting expenses paid (90,692) (96,553) 5,861	10
11	CRTF funds received 0 0 0	11
12	Member assessment received 0 0 0	12
13	Other (153) 54 (208)	13
14	Net cash provided by operating activities 44,356 (27,981) 72,336	14
15	<b>Cash flows from nonoperating activities:</b>	15
16	Statutory fund paid (110,590) (112,142) 1,552	16
17	Other 0 0 0	17
18	Net cash provided by nonoperating activities (110,590) (112,142) 1,552	18
19	<b>Cash flows from investing activities:</b>	19
20	Sales and maturities of investments 0 0 0	20
21	Net investment income (25,382) (25,473) 90	21
22	Net cash provided by investing activities (25,382) (25,473) 90	22
23	<b>Cash flows from financing activities:</b>	23
24	Borrowed funds 0 0 0	24
25	Borrowed funds repaid (49,900) (49,900) 0	25
26	Net cash provided by financing activities (49,900) (49,900) 0	26
27		27
28	Net increase (decrease) in cash and short-term investments (141,516) (215,495) 73,979	28
29	Cash and short-term investments, Beginning 656,127 608,731 47,396	29
30	Cash and short-term investments, Ending \$ 514,611 \$ 393,236 \$ 121,375	30
31		31

8B5. Historical Data



TEXAS WINDSTORM INSURANCE ASSOCIATION												
HISTORICAL DATA												
1971 - 2019												
(\$ with 000's omitted)												
YEAR	GROSS						NET				CRTF BALANCE END OF PERIOD	
	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES		WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING			
			RESID	COMML					EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)		
1971	\$ 278,710	13,415			\$ 2,393	\$ 92	\$ 868	\$ 92	\$ 385	\$ 391		
1972	739,983	33,577			4,138	214	3,468	214	849	2,405		
1973	1,017,048	45,743			4,286	1,427	4,288	1,427	1,099	1,763		
1974	1,064,772	45,901			4,512	452	4,378	452	1,106	2,819		
1975	1,169,763	46,365			6,036	592	5,263	592	1,417	3,254		
1976	1,387,252	48,747			8,130	231	6,953	231	1,878	4,844		
1977	1,616,220	51,382			9,922	203	9,080	203	2,258	6,619		
1978	1,633,521	48,820			10,523	296	10,249	296	2,329	7,624		
1979	1,816,410	46,128			11,045	2,370	11,039	2,370	2,178	6,490		
1980	1,936,388	43,613			9,675	14,217	10,245	14,217	2,079	(6,051)		
1981	2,105,244	42,495			9,137	2,715	9,313	2,715	2,097	4,501		
1982	2,285,594	51,034			8,641	982	9,106	982	2,095	6,029		
1983	2,165,231	44,894			6,900	157,112	7,585	157,112	1,937	(151,463)		
1984	3,178,079	51,311			9,450	1,294	7,989	1,294	2,493	4,202		
1985	4,061,660	57,181			18,232	1,510	3,534	1,510	3,638	(1,614)		
1986	4,510,378	60,028			20,987	1,202	5,229	1,202	3,997	30		
1987	4,401,486	57,976			20,532	2,555	4,931	2,555	4,091	(1,715)		
1988	4,266,615	56,773	-5.4%	-15.0%	19,061	2,509	3,551	2,509	4,066	(3,024)		
1989	4,236,600	55,401	-	-	18,066	14,176	5,330	14,176	4,037	(12,883)		
1990	4,248,611	56,155	3.1%	-2.1%	18,244	1,590	16,761	1,590	4,171	11,000		
1991	4,346,209	54,145	25.0%	-2.0%	20,504	1,783	7,167	1,783	4,343	1,042		
1992	5,155,790	55,471	-20% (I)/-75% (B)	-22.9%	11,495	1,321	4,014	1,321	4,220	(1,527)		
1993	6,500,165	56,921	30.0%	-	19,377	4,778	123,515	4,778	5,161	113,576		
1994	7,645,176	63,348	-	-	26,545	1,572	25,692	1,572	6,982	17,138	124,847	
1995	8,828,140	69,807	25.0%	-	32,419	4,033	29,016	4,033	8,119	16,864	151,284	
1996	10,001,843	72,977	-	-	40,359	1,484	37,153	1,484	10,627	25,042	179,020	
1997	10,907,937	75,361	-	-	42,463	4,133	41,045	4,133	11,038	25,874	216,896	
1998	11,633,935	77,261	0.2%	-3.0%	44,411	27,235	28,256	27,235	12,181	(11,160)	238,221	
1999	11,972,502	75,947	-9.4%	-	44,581	11,320	28,702	11,320	11,524	5,858	250,403	
2000	12,052,604	73,815	8.7%	9.0%	48,012	7,937	28,470	7,937	11,681	8,852	268,563	
2001	13,249,407	77,022	18.5%	4.0%	54,631	8,011	31,112	8,011	12,936	10,165	280,063	
2002	16,003,048	85,668	-	5.0%	72,968	32,359	44,516	32,359	16,584	(4,427)	303,185	
2003	18,824,457	96,420	-	10.0%	87,987	24,955	51,702	24,955	19,682	7,065	305,599	
2004	20,796,656	103,503	9.6%	10.0%	102,384	6,115	52,230	6,115	21,911	24,204	308,729	
2005	23,263,934	109,693	-	10.0%	113,928	178,370	65,438	178,370	25,277	(138,209)	311,508	
2006	38,313,022	143,999	3.1%	13.4%	196,833	5,188	85,467	5,188	37,138	43,141	361,823	
2007	58,641,546	216,008	4.2%	3.7%	315,139	17,985	135,843	17,985	51,768	66,090	388,542	
2008	58,585,060	215,537	8.2%	5.4%	331,049	2,587,123	(138,560)	1,117,123	53,759	(1,309,442)	-	
2009	61,700,891	230,545	12.3%	15.6%	382,342	(486,314)	389,600	(183,974)	87,899	485,675	-	
2010	67,452,357	242,664	-	-	385,550	555,025	351,730	252,685	85,598	13,447	76,334	
2011	71,083,333	255,945	5.0%	5.0%	403,748	202,539	321,781	202,539	81,665	37,577	146,650	
2012	74,186,949	266,726	5.0%	5.0%	443,480	401,873	321,122	401,873	93,583	(174,334)	178,902	
2013	76,921,369	270,814	5.0%	5.0%	472,739	30,975	295,130	30,975	100,524	163,631	186,184	
2014	78,763,302	275,626	5.0%	5.0%	494,036	(13,994)	367,555	(13,994)	109,189	272,360	216,813	
2015	78,551,742	272,219	5.0%	5.0%	503,824	178,886	377,594	178,886	114,973	83,736	487,170	
2016	73,393,573	254,346	5.0%	5.0%	487,354	38,669	370,404	38,625	109,756	222,023	587,860	
2017	65,023,810	231,567	-	-	423,074	1,476,861	347,354	1,475,302	97,878	(1,225,826)	1,220	
2018	58,041,760	202,208	5.0%	5.0%	395,552	175,718	301,515	175,998	96,399	29,118	5,986	
2019	55,189,815	189,203	-	-	372,017	113,513	287,477	113,398	92,636	81,443	122,496	
TOTAL					6,588,711	5,805,191	4,551,201	4,333,753	1,443,231	(1,225,783)		
*2019 data through 12/31/19.												

**TEXAS WINDSTORM INSURANCE ASSOCIATION**  
**HISTORICAL DATA**  
**1997 - 2019 (23 Years)**  
**(\$ with 000's omitted)**



1	<b>Premium and Other Revenues</b>			1
2	<b>Direct Earned Premium</b>		<b>6,036,261</b>	2
3	Investment Income /Other		78,376	3
4	<b>Premium and Other Revenues</b>		<b>6,114,637</b>	4
5				5
6	<b>Expenditures</b>			6
7	Reinsurance Premiums/Commissions		(1,758,527) 28.8%	7
8	Losses		(1,478,745) 24.2%	8
9	Funded into CRTF	A	(1,076,759) 17.6%	9
10	Agents Commissions		(993,790) 16.3%	10
11	Operating Expenses		(454,037) 7.4%	11
12	Class 1 Bond Interest/LOC Expenses		(200,923) 3.3%	12
13	Repayment of Class 1 Bonds	B	(181,400) 3.0%	13
14	Other/Adjustments		40,495 -0.7%	14
15	Federal Taxes		(10,951) 0.2%	15
16	<b>Total TWIA Expenditures</b>		<b>(6,114,637) 100.0%</b>	16
17				17
18	<b>Net</b>		<b>- -</b>	18
19				19
20				20
21				21
22	<b>Payment of Losses:</b>			22
23	Reinsurers	D	1,498,435	23
24	Industry (Member Assessments)	E	910,633	24
25	Proceeds of Class 1 Bonds	F	449,172	25
26	CRTF Distributions	G	1,247,494	26
27	TWIA Direct Loss Payments	C	1,478,745	27
28	<b>Total Losses</b>		<b>5,584,479</b>	28
29			-	29
30				30
31	<b>CRTF Summary</b>			31
32	Beginning Balance (12/31/1996)		179,020	32
33	Contributions	A	1,076,759	33
34	Payment of Losses	G	(1,247,494)	34
35	Interest and Surcharges		208,577	35
36	Ending Balance		<u>216,862</u>	36
37				37
38	<b>Class 1 Debt Summary</b>			38
39	Proceeds of Offering		500,000	39
40	Payment of Losses	F	<u>(449,172)</u>	40
41	Net Proceeds Remaining - Debt Service Reserve Funds		<u>50,828</u>	41
42				42
43	<b>Class 1 Principal Outstanding</b>			43
44	Original Principal Amount		500,000	44
45	Principal Payments	B	<u>(181,400)</u>	45
46	Remaining Outstanding (12/31/18)		<u>318,600</u>	46

## 8B6. Redemption of 2014 Bonds

**TEXAS WINDSTORM INSURANCE ASSOCIATION**  
**Statutory Income Statement**  
**Pro Forma Impact of Partial Redemption of Series 2014 Bonds**

Pro forma Impact of Partial Redemption <sup>1</sup>					
	A	B	C	D	E
	Status Quo	50% of Original Net Gain from Operations		100% of Original Net Gain from Operations	
	2019	2019		2019	
	Without Bond Redemption	Impact of 50% of Original Net Gain from Operations	Pro Forma Results	Impact of 100% of Original Net Gain from Operations	Pro Forma Results
<b>Beginning Surplus (Deficit) 12//31/18</b>	<b>(277,864)</b>		<b>(277,864)</b>		<b>(277,864)</b>
Net Income before Statutory Fund Cost	59,369		59,369		59,369
Statutory Fund Cost	(94,366)	47,183	(47,183)	94,366	-
Net Statutory Income	(34,998)	47,183	12,186	(94,366)	59,369
Change in nonadmitted assets - Other	135		135		135
<b>Ending Surplus (Deficit) 12/31/19</b>	<b>(312,726)</b>		<b>(265,543)</b>		<b>(218,360)</b>
2019 CRTF Balance	122,496		122,496		122,496
2019 Contribution	94,366	(47,183)	47,183	(94,366)	-
Adjusted Pro Forma CRTF Balance	216,862		169,679		122,496
<b>Series 2014 Principal Balance at 12/31/19</b>	<b>318,600</b>	<b>(47,183)</b>	<b>271,417</b>	<b>(94,366)</b>	<b>224,234</b>
<b>2020 Pro Forma Impact</b>	<b>2020</b>	<b>2020</b>		<b>2020</b>	
Net Income Before Interest Expense	203,944		203,944		203,944
Interest Expense	(24,057)	4,001	(20,056)	7,788	(16,269)
Net Income	179,886	4,001	183,887	7,788	187,674

(1) Partial redemption would be subject to approval of the Commissioner and would require notice period. The analysis reflects the annualized impact .

## 9. Actuarial

### 9A. Reserve Adequacy



## MEMORANDUM

---

REVIEW DATE: January 22, 2020

TO: Jerry Fadden, Chief Financial Officer

FROM: Xiuyu Li, Senior Actuary

RE: Reserve Adequacy as of December 31, 2019

---

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of December 31, 2019.

The actuarial estimate of ultimate loss and loss adjustment expenses for Hurricane Harvey is in a reasonable range of \$1.66 billion to \$1.77 billion. TWIA has selected to continue to record the Hurricane Harvey ultimate loss and loss adjustment expense at \$1.7 billion. The actual ultimate costs of Harvey may differ substantially from the selected \$1.7B. This variability arises from the assumptions we made regarding the adequacy of case reserves for 1,041 open claims, the potential impact of future re-openings of closed claims as of December 31, 2019 and the outcome of disputed claims. Even though TWIA has recorded the Hurricane Harvey estimate of ultimate loss and loss adjustment expenses at a level which I consider reasonable, there remains a material risk of adverse development due to the large variability associated with outstanding and future disputed claims, including those claims subject to litigation. The Actuarial team will continue to monitor current case reserve adequacy, current & future litigation/disputes and future re-openings to ensure all outstanding obligations are properly reserved.

As of December 31, 2019, TWIA carried \$169.1 million in total gross loss and loss adjustment expense reserves with \$68K of the total gross ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. Collectability risk has been reviewed and found to be immaterial relative to total gross reserves.

In my opinion, the Association's reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles, and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements. While there remains a material risk of adverse development, reserves continue to make a reasonable provision for unpaid loss and loss adjustment expenses.

The complete actuarial analysis is available on request.

**MEMORANDUM**

DATE: January 28, 2020

TO: Jerry Fadden, Chief Financial Officer

RE: **Estimate of Ultimate Losses for Hurricane Harvey**

As of December 31, 2019, ultimate loss and loss adjustment expenses related to Hurricane Harvey were estimated to be in the range of \$1.66 to \$1.77 billion.

The following table outlines the details:

<b>Estimated Ultimate Loss &amp; LAE from Harvey</b>	<b>Low Estimate</b>	<b>High Estimate</b>
Paid Losses and Allocated Loss Adjustment Expenses	1,457,256,794	1,457,256,794
Paid Unallocated Loss Adjustment Expenses	104,083,373	104,083,373
Loss and Allocated Loss Adjustment Expense Case Reserves	60,922,800	60,922,800
Incurred But Not Reported Reserve	38,566,785	146,553,783
Estimated Ultimate Loss & LAE from Hurricane	1,660,829,752	1,768,816,750
<b>Selected Ultimate Loss &amp; LAE from Hurricane</b>	<b>1,700,000,000</b>	

The determination of an estimate of ultimate liabilities for Hurricane Harvey is unusually difficult due to the hurricane's unique nature. Consequently, such an estimate is subject to significantly greater than normal variation and uncertainty. The actual ultimate costs of Hurricane Harvey may differ substantially from the selected \$1.7 billion estimate due to variability arising from the assumptions we made regarding the adequacy of case reserves for 1,041 open claims, the potential impact of future re-openings of closed claims as of December 31, 2019 and the outcome of disputed claims. There remains a material risk of adverse development due to the large variability associated with outstanding and future disputed claims, including those claims subject to litigation. The selected estimate of ultimate loss and loss adjustment expenses is \$1.7B which is our best estimate of the expected cost of Harvey based on all the information known as of December 31, 2019.

XL

## 9B. Policy Count/Exposures



**Texas Windstorm Insurance Association**  
**Statistical Report**  
As of December 31, 2019



County	<u>Policies In-Force</u>		<u>PIF Growth</u>		<u>Exposure In-Force</u>		<u>Exposure Growth</u>		<u>YTD Written Premium</u>		<u>Premium Growth</u>	
	12/31/18	12/31/19	Actual	Percentage	12/31/18	12/31/19	Actual	Percentage	12/31/18	12/31/19	Actual	Percentage
Aransas	5,356	5,047	-309	-5.80%	1,799,331,386	1,671,614,466	-\$127,716,920	-7.10%	13,148,656	12,214,492	-\$934,164	-7.10%
Brazoria	34,246	30,824	-3,422	-10.00%	9,954,997,896	9,018,450,001	-\$936,547,895	-9.40%	63,163,897	56,800,872	-\$6,363,025	-10.10%
Calhoun	3,631	3,546	-85	-2.30%	945,654,595	937,742,918	-\$7,911,677	-0.80%	7,352,393	7,234,418	-\$117,975	-1.60%
Cameron	12,645	10,930	-1,715	-13.60%	3,158,484,420	2,847,861,781	-\$310,622,639	-9.80%	21,999,282	19,639,280	-\$2,360,002	-10.70%
Chambers	4,301	4,031	-270	-6.30%	1,379,728,127	1,306,040,008	-\$73,688,119	-5.30%	8,329,009	7,903,514	-\$425,495	-5.10%
Galveston	59,001	57,285	-1,716	-2.90%	19,276,939,248	19,000,171,174	-\$276,768,074	-1.40%	134,762,741	130,950,673	-\$3,812,068	-2.80%
Harris	3,390	3,371	-19	-0.60%	1,002,011,783	1,018,771,609	\$16,759,826	1.70%	4,789,756	4,742,946	-\$46,810	-1.00%
Jefferson	26,955	24,803	-2,152	-8.00%	6,264,716,413	5,788,879,115	-\$475,837,298	-7.60%	44,480,470	40,940,155	-\$3,540,315	-8.00%
Kenedy	16	16	0	0.00%	6,280,341	6,302,341	\$22,000	0.40%	42,603	41,817	-\$786	-1.80%
Kleberg	921	817	-104	-11.30%	198,170,239	183,944,537	-\$14,225,702	-7.20%	1,472,742	1,332,281	-\$140,461	-9.50%
Matagorda	4,598	4,256	-342	-7.40%	1,144,142,448	1,075,209,079	-\$68,933,369	-6.00%	8,042,401	7,384,376	-\$658,025	-8.20%
Nueces	39,957	37,721	-2,236	-5.60%	10,991,012,620	10,576,788,666	-\$414,223,954	-3.80%	74,649,340	70,721,066	-\$3,928,274	-5.30%
Refugio	358	332	-26	-7.30%	95,687,832	93,019,109	-\$2,668,723	-2.80%	770,047	755,479	-\$14,568	-1.90%
San Patricio	6,441	5,872	-569	-8.80%	1,732,381,547	1,579,176,360	-\$153,205,187	-8.80%	11,827,558	10,673,640	-\$1,153,918	-9.80%
Willacy	391	352	-39	-10.00%	91,785,914	85,843,383	-\$5,942,531	-6.50%	728,299	688,050	-\$40,249	-5.50%
<b>Total</b>	<b>202,207</b>	<b>189,203</b>	<b>-13,004</b>	<b>-6.40%</b>	<b>58,041,324,808</b>	<b>55,189,814,547</b>	<b>-\$2,851,510,261</b>	<b>-4.90%</b>	<b>395,559,194</b>	<b>372,023,059</b>	<b>-\$23,536,135</b>	<b>-6.00%</b>

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of December 31, 2019



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Aransas</b>										
Commercial	85	492	130	805	296,329	2,197,553	216,033,177	5,242,105	339	638
Manufactured Home	13	105	13	106	11,238	126,917	5,213,010	0	102	103
Residential	942	4,778	993	5,050	1,971,399	9,890,022	1,450,368,279	120,739,591	4,606	4,864
Total	1,040	5,375	1,136	5,961	2,278,966	12,214,492	1,671,614,466	125,981,696	5,047	5,605
<b>Brazoria</b>										
Commercial	204	971	263	1,453	670,235	4,587,899	407,961,136	8,137,830	800	1,258
Manufactured Home	27	149	28	150	44,425	234,769	9,381,657	0	146	147
Residential	6,352	31,199	6,537	32,079	10,831,473	51,978,204	8,601,107,208	1,106,139,628	29,878	30,723
SUM:	6,583	32,319	6,828	33,682	11,546,133	56,800,872	9,018,450,001	1,114,277,458	30,824	32,128
<b>Calhoun</b>										
Commercial	47	243	93	454	290,158	1,295,971	105,469,712	1,762,035	205	398
Manufactured Home	9	70	9	71	13,762	96,228	3,913,823	0	69	70
Residential	642	3,363	703	3,719	1,129,725	5,842,219	828,359,383	68,254,150	3,272	3,622
SUM:	698	3,676	805	4,244	1,433,645	7,234,418	937,742,918	70,016,185	3,546	4,090
<b>Cameron</b>										
Commercial	142	780	261	1,478	1,170,447	7,518,827	868,314,348	5,373,290	597	1,161
Manufactured Home	6	52	6	52	7,384	52,856	2,097,444	0	48	48
Residential	2,028	10,779	2,091	11,017	2,314,268	12,067,597	1,977,449,989	211,299,318	10,285	10,515
SUM:	2,176	11,611	2,358	12,547	3,492,099	19,639,280	2,847,861,781	216,672,608	10,930	11,724

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of December 31, 2019



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Chambers</b>										
Commercial	20	113	45	175	150,798	602,176	50,619,435	670,550	99	161
Manufactured Home	7	79	7	79	9,874	51,007	2,001,295	0	67	67
Residential	785	4,027	833	4,220	1,391,134	7,250,331	1,253,419,278	165,763,913	3,865	4,055
SUM:	812	4,219	885	4,474	1,551,806	7,903,514	1,306,040,008	166,434,463	4,031	4,283
<b>Galveston</b>										
Commercial	438	2,249	811	3,796	4,749,126	23,413,468	2,181,293,320	44,262,069	1,903	3,370
Manufactured Home	34	169	34	171	49,019	223,548	8,931,729	0	158	160
Residential	11,603	57,525	12,073	59,658	21,893,670	107,313,657	16,809,946,125	1,878,343,263	55,224	57,291
SUM:	12,075	59,943	12,918	63,625	26,691,815	130,950,673	19,000,171,174	1,922,605,332	57,285	60,821
<b>Harris</b>										
Commercial	13	65	18	113	110,724	417,399	33,853,825	465,630	55	97
Manufactured Home	0	4	0	4	0	3,383	135,300	0	4	4
Residential	717	3,407	729	3,490	910,911	4,322,164	984,782,484	126,289,917	3,312	3,387
SUM:	730	3,476	747	3,607	1,021,635	4,742,946	1,018,771,609	126,755,547	3,371	3,488
<b>Jefferson</b>										
Commercial	138	818	220	1,223	542,127	3,558,057	310,873,179	10,457,390	706	1,093
Manufactured Home	4	23	4	23	5,892	42,151	1,572,700	0	22	22
Residential	4,610	25,124	4,724	25,767	6,979,363	37,339,947	5,476,433,236	689,520,660	24,075	24,692
SUM:	4,752	25,965	4,948	27,013	7,527,382	40,940,155	5,788,879,115	699,978,050	24,803	25,807

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of December 31, 2019



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Kenedy</b>										
Commercial	0	1	0	5	0	12,438	694,441	0	1	5
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	2	15	6	29	2,002	29,379	5,607,900	35,400	15	29
SUM:	2	16	6	34	2,002	41,817	6,302,341	35,400	16	34
<b>Kleberg</b>										
Commercial	12	45	26	81	51,557	167,293	13,236,677	460,800	35	59
Manufactured Home	0	2	0	2	0	3,613	144,500	0	2	2
Residential	158	815	162	856	227,949	1,161,375	170,563,360	18,073,751	780	820
SUM:	170	862	188	939	279,506	1,332,281	183,944,537	18,534,551	817	881
<b>Matagorda</b>										
Commercial	47	213	57	326	197,266	974,251	81,523,549	2,007,585	178	281
Manufactured Home	5	18	5	18	10,401	27,398	1,095,907	0	18	18
Residential	745	4,232	771	4,392	1,188,095	6,382,727	992,589,623	100,837,657	4,060	4,211
SUM:	797	4,463	833	4,736	1,395,762	7,384,376	1,075,209,079	102,845,242	4,256	4,510
<b>Nueces</b>										
Commercial	513	2,288	899	3,864	2,941,411	12,610,039	1,338,452,418	38,007,704	1,830	3,319
Manufactured Home	2	19	2	19	2,475	24,635	824,000	0	18	18
Residential	7,236	37,450	7,388	38,814	11,325,188	58,086,392	9,237,512,248	1,034,840,129	35,873	37,161
SUM:	7,751	39,757	8,289	42,697	14,269,074	70,721,066	10,576,788,666	1,072,847,833	37,721	40,498

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of December 31, 2019



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Refugio</b>										
Commercial	6	43	11	75	38,885	277,397	22,856,229	80,820	34	65
Manufactured Home	3	12	3	15	5,770	21,733	869,300	0	12	15
Residential	44	302	45	330	63,887	456,349	69,293,580	6,874,387	286	314
SUM:	53	357	59	420	108,542	755,479	93,019,109	6,955,207	332	394
<b>San Patricio</b>										
Commercial	68	322	111	504	230,044	1,250,113	107,638,623	2,583,341	251	418
Manufactured Home	3	25	3	25	2,835	40,420	1,596,606	0	24	24
Residential	1,148	5,854	1,166	6,081	1,896,846	9,383,107	1,469,941,131	170,955,770	5,597	5,821
SUM:	1,219	6,201	1,280	6,610	2,129,725	10,673,640	1,579,176,360	173,539,111	5,872	6,263
<b>Willacy</b>										
Commercial	7	31	23	61	17,601	137,498	13,340,063	98,550	30	60
Manufactured Home	0	4	0	4	0	5,200	208,000	0	4	4
Residential	47	334	47	364	74,389	545,352	72,295,320	5,193,709	318	348
SUM:	54	369	70	429	91,990	688,050	85,843,383	5,292,259	352	412
<b>Total All Counties</b>										
Commercial	1,740	8,674	2,968	14,413	11,456,708	59,020,379	5,752,160,132	119,609,698	7,063	12,383
Manufactured Home	113	731	114	739	163,075	953,858	37,985,271	0	694	702
Residential	37,059	189,204	38,268	195,866	62,200,299	312,048,822	49,399,669,144	5,703,161,243	181,446	187,853
SUM:	38,912	198,609	41,350	211,018	73,820,082	372,023,059	55,189,814,547	5,822,770,941	189,203	200,938

## 9C. Appointment of Actuary and Qualification Documentation



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

## MEMORANDUM

---

REVIEW DATE: January 22, 2020

TO: John Polak, General Manager

FROM: Jerry Fadden, Chief Financial Officer

RE: Appointed Actuary Qualification Documentation

---

Xiuyu Li was appointed as the Qualified Actuary for the Texas Windstorm Insurance Association in December 2017. She joined TWIA in February 2013 and has 15 years of experience in the P/C insurance industry across multiple lines of business, including homeowners, commercial property, commercial automobile, and workers' compensation coverages. Xiuyu leads a variety of actuarial engagements for TWIA, primarily focused on reserving, rate making, risk transfer and analysis. Prior to joining TWIA, she worked as a predictive modeler at Travelers focused on general linear modeling applied in advanced rate making.

Xiuyu updates her knowledge through continuing education through a combination of industry conferences, on-line courses, TWIA conferences, seminars and self-study. Relevant areas include reserving, Cat modeling/model validation, reinsurance, impacts of 2019 statutory changes on TWIA rates/reserves/funding, and issues related to preparing Statements of Actuarial Opinion. She plans to obtain, for calendar year 2020, sufficient continuing education credits to meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States as promulgated by the American Academy of Actuaries. A detailed log of her continuing education is available upon request.

### **Education and Certifications required in annual statement instructions**

- Xiuyu received a Master's Degree in Statistics/Actuarial Science in 2004 from the University of Texas.
- Xiuyu is an Associate of the CAS (ACAS) and her basic education includes credit for Exam 6 – Regulation and Financial Reporting (United States) and Exam 7 –Estimation of Policy Liabilities, Insurance Company Valuation, and Enterprise Risk Management; She is a Member of the American Academy of Actuaries since 2015, thus meeting the requirements for basic education, Accepted Actuarial Designation and membership in a professional actuarial organization described in the Annual Statement Instructions.
- Xiuyu is an active CAS College Liaison



Mrs. Li's experience, basic education, continuing education and professional society membership described on this page illustrate that she meets the requirements for a qualified actuary as set forth in the NAIC Annual Statement Instructions.



## 9D. 2020 Funding, Reinsurance and Line of Credit

# Texas Windstorm Insurance Association 2020 Reinsurance Planning

Meeting of the Board of Directors – February 18, 2020

# 2020 Reinsurance Planning

- 1 | State Of The Market Highlights**
- 2 | TWIA Reinsurance Planning And Key Considerations**
- 3 | Exposure and Catastrophe Modeling Update**
- 4 | Funding, Cost/Benefit Objectives, and Options**
- 5 | Questions, Decisions and Next Steps**

# State of the Market

## January 2020

- The reinsurance market is healthy and responsive overall.
- Dedicated reinsurance capital remains abundant, with a modest increase over last year-end, driven by rated capital.
- Market adjustments are occurring in select segments, as risk profiles shift.
- Climate change assessment is a growing consideration.
- Renewal outcomes varied widely across individual programs, even within the same lines of business and geographies.
- While capital levels remain robust, allocated capacity tightened notably in stressed classes.
- Guy Carpenter's Global Property Catastrophe Rate-on-Line (ROL) index increased approximately 5 percent, based on preliminary calculations.
- The US casualty market saw more consistent firming than the property market, with additional signs of hardening in some non-US regions.
- Non-loss-impacted specialty programs renewed broadly flat or slightly reduced, while loss-impacted programs in lines of business that suffered sizeable losses through 2019, such as aviation, saw pockets of (in some cases significant) rate increases.
- The market faces a call to action – as the world becomes a riskier place, capital providers, underwriters and brokers are focusing on solutions that move the global marketplace forward.

Dedicated  
Reinsurance Capital  $\approx +2\%$

Guy Carpenter  
Global Property  
Catastrophe ROL Index  $\approx +5\%$

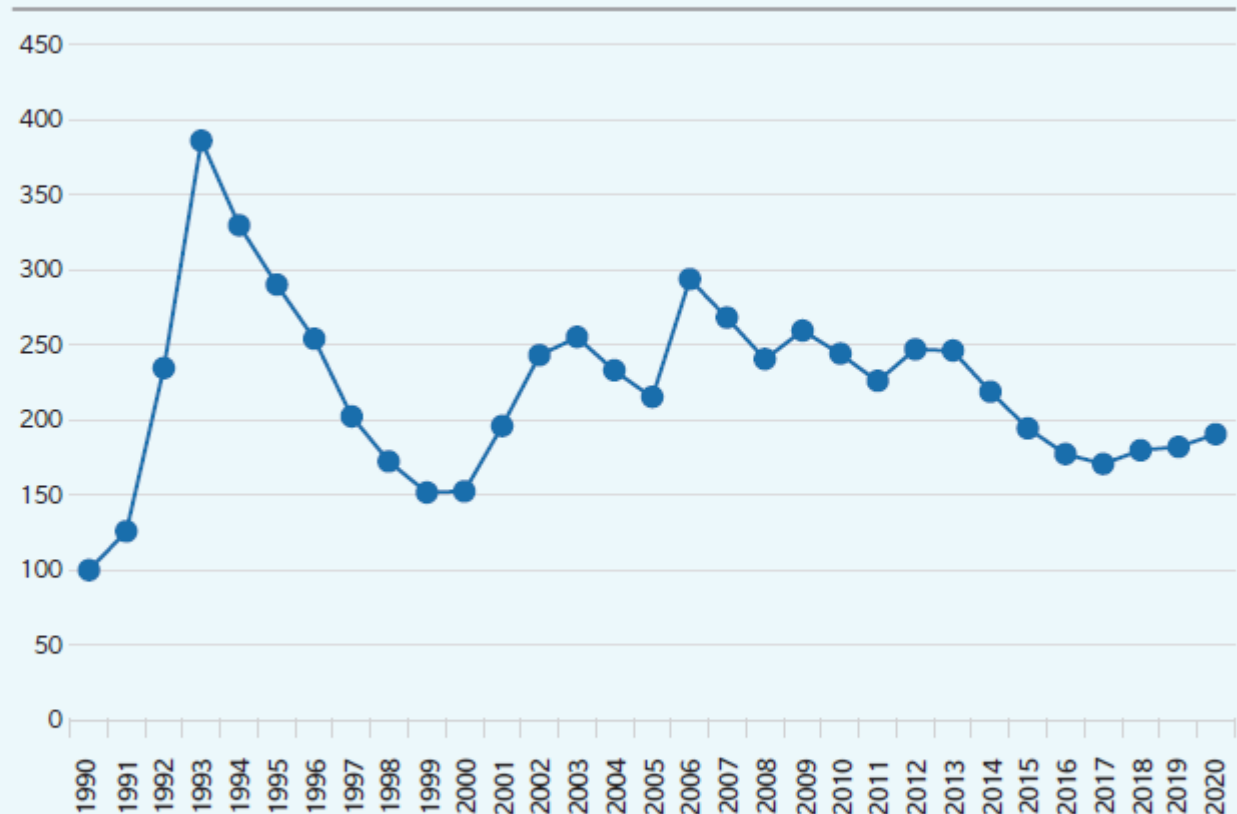
# US Property Catastrophe Rate on Line Index 1990 – January 1, 2020

## Property Catastrophe Reinsurance

Pricing corrections in the property catastrophe reinsurance market over the last few years have been localized, and mitigated to some extent by sufficient levels of capacity. These traits, along with the fact that the mix of loss-affected and non-loss-affected business up for renewal at January 1 is more diverse than at mid-year, created a wide range of outcomes, including within regions.

Pricing adjustments for loss-impacted programs in peak zones were significant in some cases, whereas non-loss-impacted accounts in other geographies trended flat to marginally down. Given the weighting of peak zone limit up for renewal at January 1, Guy Carpenter's Global Property Catastrophe ROL Index rose by approximately 5 percent, based on preliminary calculations (see Figure 2). This leaves the index near pricing levels recorded in 2015.

**Figure 2. Guy Carpenter Property Catastrophe ROL Index– 1990 to 2020<sup>1</sup>**



Source: Guy Carpenter

1. Guy Carpenter's Property Catastrophe ROL Index shows the measure of change in catastrophe premium dollars paid year-on-year. All data points shown in the chart apply to January 1.

# TWIA Reinsurance Planning

## Key Considerations

- Policy count, exposures concentration, gross and net premium
- Catastrophe modeling results and variables
- Texas Administrative Code RULE § 5.4102 Definitions
  - *(31) Losses--Amounts paid or expected to be paid on association insurance policy claims, including adjustment expenses, litigation expenses, other claims expenses, and other amounts that are incurred in resolving a claim for indemnification under an association insurance policy.*
- Texas Insurance Code Sec. 2210.453
  - *(b) The association shall maintain total available loss funding in an amount not less than the probable maximum loss for the association for a catastrophe year with a probability of one in 100.*
  - *(d) The cost of the reinsurance purchased or alternative financing mechanisms used under this section in excess of the minimum funding level required by Subsection (b) shall be paid by assessments as provided by this subsection.*
- 2020 Funding Considerations
  - Catastrophe Reserve Trust Fund
  - Pre/Post Event Debt (Class 1, 2, 3)
  - Member Company Assessments (Class 1, 2, 3; reinsurance in excess of 1-100)
  - Total Available Loss Funding
  - Losses in Excess of Claims Paying Capacity

# Exposure & Catastrophe Modeling Summary

<b>Exposure &amp; Catastrophe Modeling Summary</b>			<b>2019 Planning</b>	<b>2020 Planning</b>
<b>TWIA Exposure @ 11/30</b>		Policy Count	218,439	201,719
		Exposed Value <sup>(1)</sup>	\$71.1B	\$66.7B
		Exposed Limit <sup>(1)</sup>	\$65.3B	\$61.3B
		Projected TIV at 10/31	\$63.0B	\$58.9B
<b>1-100 Year</b>	<b>Long Term<sup>(2)</sup></b>	RMS	\$3.0B	\$2.9B
		AIR	\$4.2B	\$4.1B
		Average (Loss Only) <sup>(3)</sup>	\$3.6B	\$3.5B
		Average (Loss & LAE) <sup>(4)</sup>	\$4.2B	\$4.0B
	<b>Near Term<sup>(2)</sup></b>	RMS	\$2.8B	\$2.9B
		AIR	\$4.5B	\$4.4B
		Average (Loss Only) <sup>(3)</sup>	\$3.7B	\$3.6B
		Average (Loss & LAE) <sup>(4)</sup>	\$4.2B	\$4.2B
<b>1-250 Year</b>	<b>Long Term<sup>(2)</sup></b>	RMS	\$4.9B	\$4.8B
		AIR	\$6.6B	\$6.4B
		Average (Loss Only) <sup>(3)</sup>	\$5.8B	\$5.6B
		Average (Loss & LAE) <sup>(4)</sup>	\$6.6B	\$6.5B
	<b>Near Term<sup>(2)</sup></b>	RMS	\$4.7B	\$4.8B
		AIR	\$7.0B	\$6.8B
		Average (Loss Only) <sup>(3)</sup>	\$5.9B	\$5.8B
		Average (Loss & LAE) <sup>(4)</sup>	\$6.8B	\$6.6B

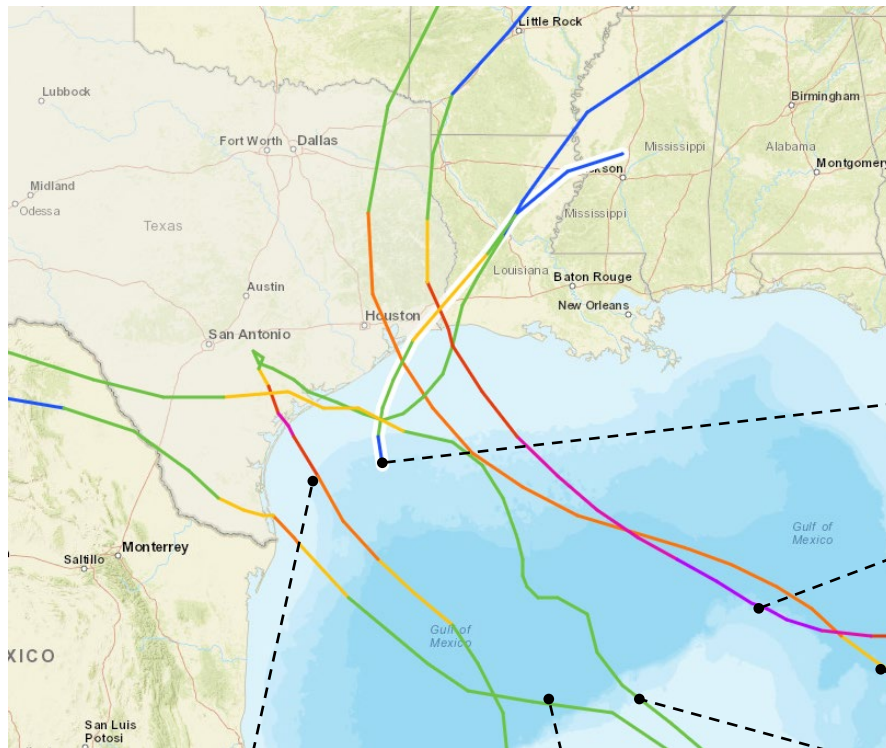
(1) Values and Limits are used within the models in order to evaluate damage as well as coverage.

(2) "Long Term" reflects RMS Long Term and AIR Standard Event rates. "Near Term" reflects RMS Medium Term and AIR WSST Rates

(3) All-peril, aggregate losses, with demand surge, ex-storm surge, 0% LAE

(4) includes 15% LAE which can be adjusted/factored as desired

# TWIA Large Loss Experience a.k.a “why do we need models, anyway?”



## Hurricane

Humberto 2007  
Landfall Category 1  
Loss & LAE: \$12.1M

Rita 2005  
Landfall Category 5  
Loss & LAE: \$162M

Ike 2008  
Landfall Category 2  
Loss & LAE: \$2.5B

Harvey 2017  
Landfall Category 4  
Loss & LAE: \$1.7B

Dolly 2008  
Landfall Category 1  
Loss & LAE: \$327M

Claudette 2003  
Landfall Category 1  
Loss & LAE: \$16.9M

## Non-Hurricane

Robstown Tornado 2011  
Loss & LAE: \$97.3M

Subtropical Event 2015  
Loss & LAE: \$92.8M

Santa Fe Hailstorm 2013  
Loss & LAE: \$63.3M



# Hurricane Model Observations

## Long-Term vs Near Term Frequency

- Long-Term Frequency
  - Based on hurricane historic landfall record since 1900
  - In AIR: Standard Catalog
  - In RMS: Historical Catalog
- Near-Term Frequency (RMS only)
  - Otherwise known as Medium-Term Frequency
  - Introduced in 2006 hurricane models following active 2004-2005 hurricane seasons
  - Represents expected average annual landfall rates along the Atlantic and Gulf coastlines on a rolling 5-year time horizon
  - May represent lower or higher risk relative to the long-term frequencies, depending on the currently forecasted conditions
- Warm Sea-Surface Temperature (WSST) Catalog (AIR only)
  - Recognition of the “warm phase,” generally characterized by an increase in hurricane activity
  - Always represents a higher risk than the long-term frequencies

# Portfolio Details at a Glance

## Vulnerability Characteristics

Construction	Risk Count	Exposed Value	% of Value	Cumulative
Wood Frame w/Brick Veneer	97,526	\$34.240B	51%	51%
Wood Frame	90,361	\$24.327B	36%	88%
Steel	4,198	\$4.804B	7%	95%
Masonry	8,453	\$3.287B	5%	100%
Mobile Home w/ Tie Downs	714	\$.038B	0%	100%
Unknown	467	\$.020B	0%	100%
<b>Total</b>	<b>201,719</b>	<b>\$66.716B</b>	<b>100%</b>	

Year Built	Risk Count	Exposed Value	% of Value	Cumulative
Unknown (0)	714	\$.038B	0%	0%
<= 1994	127,341	\$37.293B	56%	56%
1995 - 2001	19,764	\$7.722B	12%	68%
2002 - 2008	29,612	\$12.064B	18%	86%
=> 2009	24,288	\$9.598B	14%	100%
<b>Total</b>	<b>201,719</b>	<b>\$66.716B</b>	<b>100%</b>	

Distance To Coast	Risk Count	Exposed Value	% of Value	Cumulative
Unknown*	270	\$.103B	0%	0%
<=0.1 Mile	15,594	\$6.872B	10%	10%
>0.1 and <=0.5 Miles	35,159	\$13.173B	20%	30%
>0.5 and <=1.0 Miles	17,813	\$5.421B	8%	38%
>1.0 and <=2.5 Miles	22,670	\$6.198B	9%	48%
>2.5 and <=5.0 Miles	25,001	\$7.777B	12%	59%
>5.0 and <=10.0 Miles	18,786	\$6.369B	10%	69%
>10.0 and <=25.0 Miles	56,677	\$18.025B	27%	96%
>25 Miles	9,749	\$2.778B	4%	100%
<b>Total</b>	<b>201,719</b>	<b>\$66.716B</b>	<b>100%</b>	

\* due to block group/street name geocoding resolution

GUY CARPENTER

TWIA Exposure @ 11/30/2019

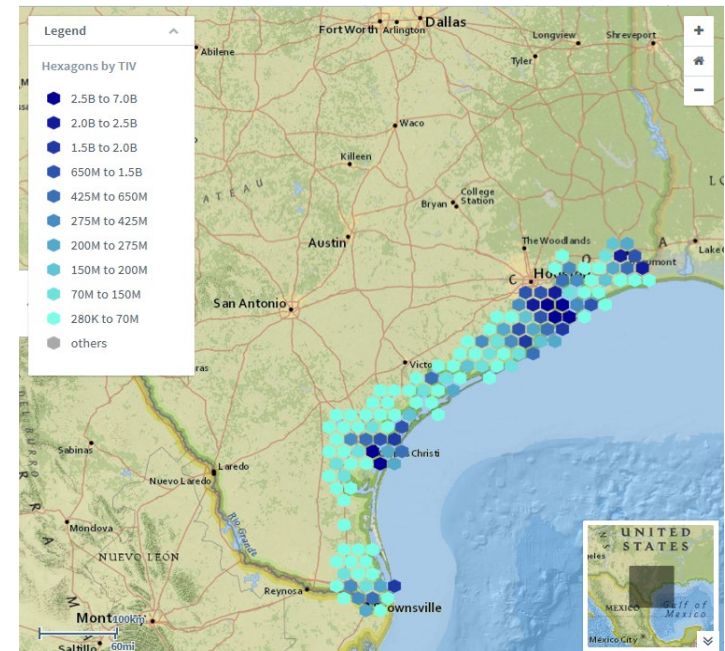
Nearly 202,000 Policies

\$67B of exposed values

88% "Wood Frame" Construction

56% built 1994 or before

48% within 2.5 miles of the coast



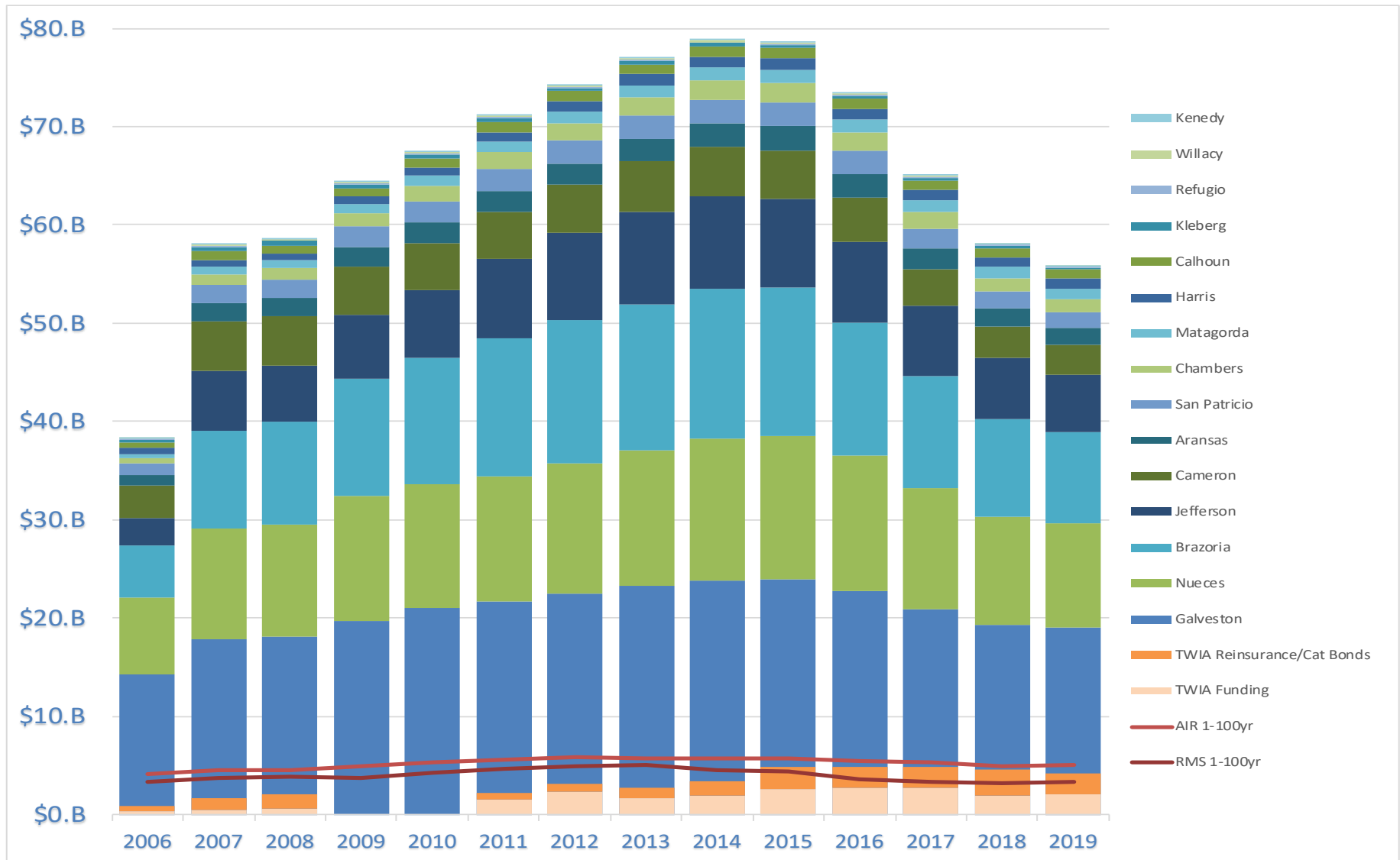
advantagepoint.guycarp.com

# Hurricane Model Observations

## Summary

- Model results are a product of frequency/hazard, vulnerability and financial components
- Sparsity of data makes expert assumption a necessity in the model development process; these assumptions are different between vendors.
- Model results can be sensitive to slight changes in any component.
- Notional portfolio analysis, independent of TWIA, indicates that homes older than 1995 can produce significantly higher losses than homes built after 2003, particularly in coastal regions.
- Specific to TWIA, historical storm analysis shows that in most cases one model produces higher loss estimates than the other, and in some cases significantly higher results.
  - These results are independent of frequency.
  - The vulnerability component is a probable cause for modeled loss differential.
- Looking specifically at landfall frequency, independent of TWIA:
  - One model's landfall rates appear slightly higher than the observed baseline for CAT1+ hurricanes, but lower for major CAT3+ hurricanes.
  - Another model uses TX landfall rates which are slightly low for CAT1+ hurricanes but slightly high for major CAT3+ hurricanes.
  - The frequency component also contributes to differences in modeled loss estimates

# Exposures at a Glance County Level



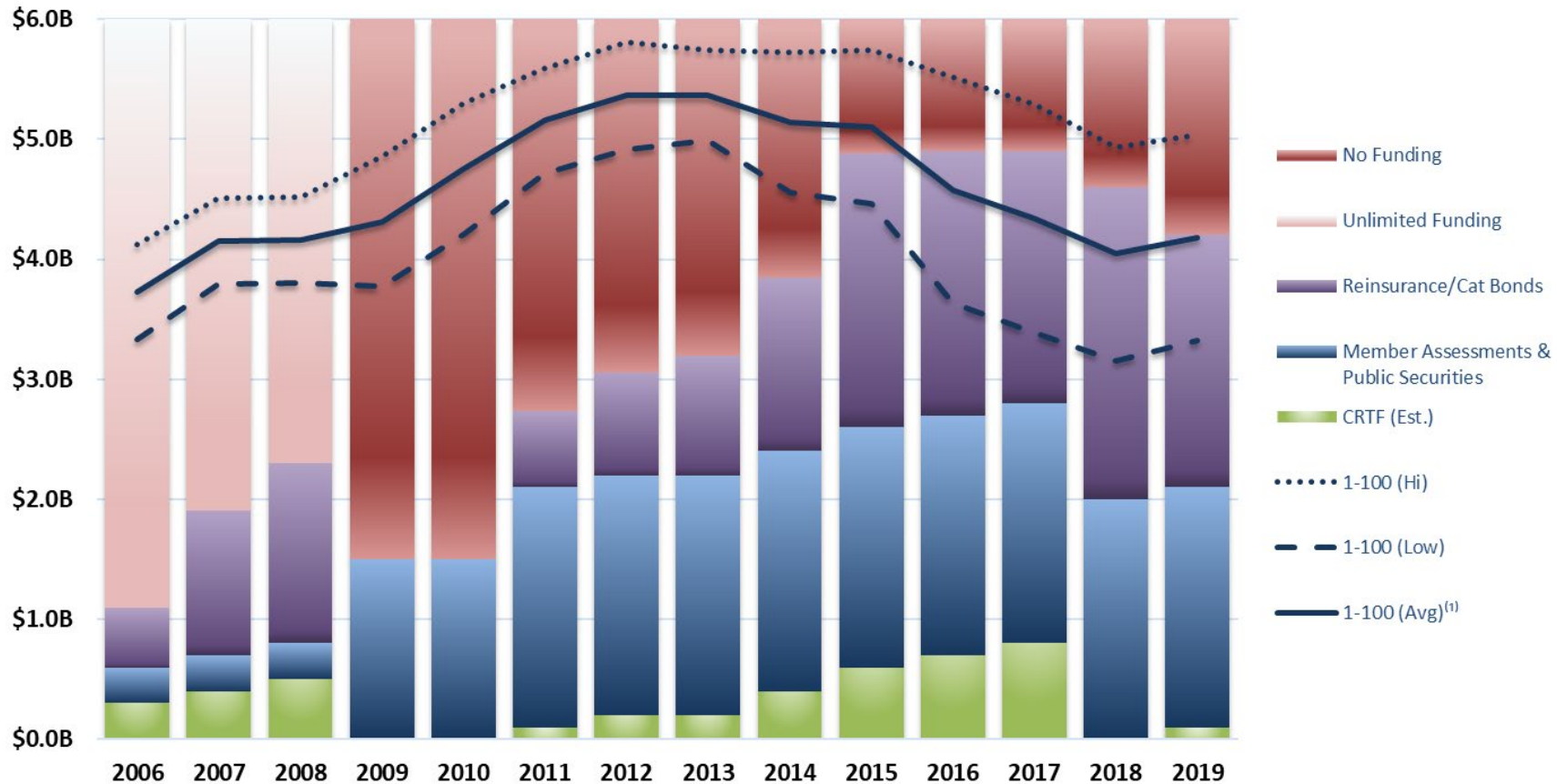
# Catastrophe Funding History

## Claims Paying Capacity

Prior to 2009  
Unlimited Member  
Assessment Layer

2009-2019  
No Identified Funding to Pay  
Claims in Excess of Reinsurance

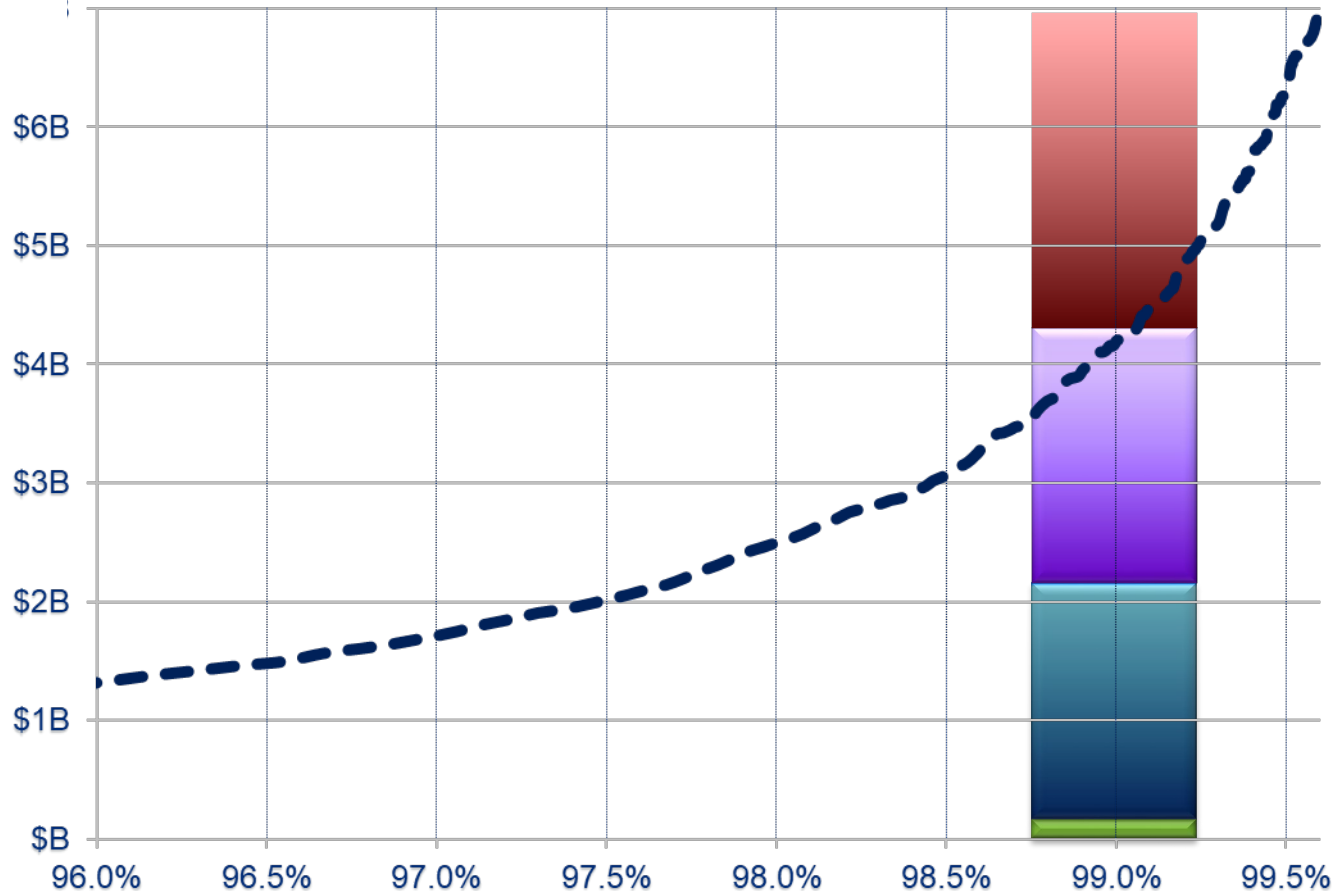
2020 Forward  
Member Assessment of Costs in  
Excess of Minimum Funding



(1) Reinsurance Program converted from per occurrence to aggregate coverage in 2014  
 1-100 (Avg) prior to 2014 reflects blended, near term, hurricane OEP, with DS, ex SS, with 15% LAE  
 1-100 (Avg) after 2014 reflects blended near term, all peril AEP, with DS, ex SS, with 15% LAE  
 Hi/Lo captures variations to model, version, event frequency, EP, surge and expense variables. All results are reviewed with TWIA

# Catastrophe Modeling Results and the “1-100”

## TWIA View of Risk



### TWIA View of Risk

**Models:** AIR & RMS

**Perils\*:** All-Peril

**Event Freq:** Near Term

**PML View:** Annual Aggregate

**LAE\*:** 15%

**Demand Surge:** with DS

**Storm Surge:** without SS

*\* HU/SCS/Tornado/Hail are modeled individually and combined for TWIA*

*\* LAE can be scaled to any amount and/or varied by size of event(s)*

### “100-Year”

Implies 99% confidence

or

a 1% chance that loss(es) will exceed this amount each year

**96.0% Confidence = “25-Year”**

**98.0% Confidence = “50-Year”**

**99.0% Confidence = “100-Year”**

**99.6% Confidence = “250-Year”**

# 2020 Claims Paying Capacity

## Minimum Requirements and Total Funding

~\$6.5B +

Uncertainty After Defined  
External Funding

Member Assessment of Costs  
in excess of Minimum Funding

~\$4.2B +/-

~ \$2,100M  
Reinsurance &  
Catastrophe Bonds

~\$2.1B +/-

~\$2,000M  
Member Assessment &  
Pre/Post Event Debt Layers

~\$100M-200M

CRTF

Perspective	1 in 250
NT: AIR (w/o LAE)	\$6.8B
NT Avg (w/LAE)	\$6.6B
LT Avg (w/LAE)	\$6.5B
LT: AIR (w/o LAE)	\$6.4B
NT Avg (w/o LAE)	\$5.8B
LT Avg (w/o LAE)	\$5.6B
LT: RMS (w/o LAE)	\$4.8B
NT: RMS (w/o LAE)	\$4.8B

Perspective	1 in 100
NT: AIR (w/o LAE)	\$4.4B
NT Avg (w/LAE)	\$4.2B
LT: AIR (w/o LAE)	\$4.1B
LT Avg (w/LAE)	\$4.0B
NT Avg (w/o LAE)	\$3.6B
LT Avg (w/o LAE)	\$3.5B
LT: RMS (w/o LAE)	\$2.9B
NT: RMS (w/o LAE)	\$2.9B



**GC SECURITIES**



# Disclosure

Securities or investments, as applicable are offered in the US through GC Securities, a division of MMC Securities LLC. ("MMCS"), a US registered broker-dealer and member FINRA/NFA/SIPC. Main office: 1166 Avenue of the Americas, New York, NY 10036. Phone: 212.345.5000. Securities or investments, as applicable are offered in the European Union by GC Securities, a division of MMC Securities (Europe) Ltd., which is authorized and regulated by the Financial Services Authority. Reinsurance products are placed through qualified affiliates of Guy Carpenter & Company, LLC. MMC Securities LLC, MMC Securities (Europe) Ltd., and Guy Carpenter, LLC are affiliates owned by Marsh & McLennan Companies ("MMC"). Reinsurance intermediary services are offered through Guy Carpenter & Company, LLC.

This information was prepared by MMCS and/or Guy Carpenter & Company, LLC. ("Guy Carpenter" or "GC"), the reinsurance brokerage arm of MMC. All statistical tables, charts, graphs or other illustrations contained herein were prepared by MMCS or GC unless otherwise noted. Results from simulations and projections are for illustrative purposes only and are based on certain assumptions. Therefore the recipient should not place undue reliance on these results. Past performance does not guarantee future results.

Neither MMCS nor GC is a legal, tax or accounting adviser and makes no representation as to the accuracy or completeness of any data or information gathered or prepared by MMCS or GC hereunder. Your company should therefore consult with its own tax, accounting, legal or other advisers and make its own independent analysis and investigation of the proposed transaction, as well as the financial and tax consequences thereof, the creditworthiness of the parties involved and all other matters relating to the transaction, prior to its own independent decision whether or not to enter into any agreements in connection with any transaction.

This document contains indicative terms for discussion purposes only. MMCS and GC give no assurance that any transaction will be consummated on the basis of these indicative terms and no specific issuer is obligated to issue any security or instrument on such indicative terms. This presentation does not constitute an offer to sell or any solicitation of any offer to buy or sell any security or instrument or to enter into any transaction on such indicative terms. An investment in insurance linked securities is speculative, involves a high degree of risk and should be considered only by institutional investors who can bear the economic risks of their investments and who can afford to sustain the loss of their investments. Noteholders may lose all or a portion of their investment. Institutional investors should thoroughly consider the information contained herein.

This document is not intended to provide the sole basis for any evaluation by you of any transaction, security or instrument described herein and you agree that the merits or suitability of any such transaction, security or instrument to your particular situation will be independently determined by you including consideration of the legal, tax, accounting, regulatory financial and other related aspects thereof. Opinions and estimates constitute MMCS's and/or GC's judgment and are subject to change without notice. In particular, neither MMCS nor GC owes duty to you (except as required by the rules of the Securities and Exchange Commission, Financial Industry Regulatory Authority, Financial Services Authority, and/or any other regulatory body having proper jurisdiction) to exercise any judgment on your behalf as to the merits or suitability of any transaction, security or instrument. The information contained herein is provided to you on a strictly confidential basis and you agree that it may not be copied, reproduced or otherwise distributed by you (other than to your professional advisers) without our prior written consent.

This material provides general and conceptual information about certain financial strategies, and does not discuss or refer to any specific securities or other financial product. This presentation is not intended as marketing, solicitation or offering any security or other financial product in Japan. This material is intended only for sponsors, financial intuitions and qualified investors.

MMCS and/or GC may have an independent business relationship with any companies described herein.

Trademarks and service marks are the property of their respective owners.

The source of information for any charts, graphs, or illustrations in this document is GC Securities Proprietary Database 2020, unless otherwise indicated.

## 9E. Actuarial RFP

# TEXAS WINDSTORM INSURANCE ASSOCIATION

## REQUEST FOR PROPOSALS

No. TWIA - 0002 Actuarial Services- Rate Indications

**Issue Date: February 6, 2020**

**Deadline for Submission: February 26, 2020 5:00 PM CST, Austin, Texas**

Sealed responses will be received until the date and time established for receipt. Responses received later than the specified date and time, whether delivered in person or by mail or email, will be disqualified as untimely.

**Submit Responses by Hand Delivery, Express Mail, U.S. Postal Service or Email to:**

Texas Windstorm Insurance Association  
Actuarial Department  
ATTN: Jerry Fadden  
5700 South Mopac, Building A  
Austin, Texas 78749

Email: [ActuarialRFP@twia.org](mailto:ActuarialRFP@twia.org)

**To obtain a copy of this RFP or for other inquiries, please contact:**

Jerry Fadden  
Texas Windstorm Insurance Association  
Email: [ActuarialRFP@twia.org](mailto:ActuarialRFP@twia.org)

**\*\*NOTE\*\*** Any Addendum that adds new language or replaces any language within this RFP controls over the original version.

## 1 Table of Contents

1	Table of Contents .....	2
2	GENERAL INFORMATION .....	4
2.1	Introduction .....	4
2.2	TWIA Contact Person .....	4
2.3	Submission Deadline .....	5
3	DESCRIPTION OF SERVICES/STATEMENT OF WORK .....	5
3.1	Rate Review .....	5
3.2	Review of Catastrophe Models .....	6
3.3	Expert testimony (if necessary) .....	6
3.4	Status Updates .....	6
3.5	Quality Assurance Review .....	6
4	CONTRACT TERM AND RENEWAL OPTIONS .....	6
4.1	Governing Law .....	6
4.2	Venue .....	6
4.3	Respondent Pricing .....	7
4.4	Standards of Performance .....	7
4.5	Public Information Act Disclosures .....	7
4.6	Proprietary Interests and Final Work Product .....	8
4.7	Accuracy of the Proposal and Cost of Submitting the Proposal .....	8
4.8	Exception to Provisions .....	8
4.9	Responsive Information .....	8
5	RFP SELECTION PROCESS .....	9
5.1	Written Questions and Official Response .....	9
5.2	Selection of Short List of Respondents .....	9
5.3	Oral Presentations .....	10
5.4	Best and Final Offer (BAFO) .....	10
5.5	Contract Negotiations .....	10
5.6	Best Value Consideration .....	10
6	SCHEDULE OF EVENTS .....	10
7	EVALUATION CRITERIA .....	11
8	PROPOSAL/RESPONSE FORMAT .....	13
8.1	Respondent Documents .....	13
8.2	Proposal Format .....	13

9	RESPONSE DOCUMENTS .....	14
9.1	Transmittal Letter .....	14
9.2	Proposal Submission Checklist.....	14
9.3	Title Page.....	14
9.4	Table of Contents.....	14
9.5	Executive Summary.....	15
9.6	General Background, Qualifications and Experience of Respondent .....	15
9.7	Specific Expertise, Experience and Qualifications .....	15
9.8	Key Staff Qualifications .....	16
9.9	Schedule .....	16
9.10	References .....	16
9.11	Actual or Potential Conflicts of Interest.....	17
9.12	Cost .....	17
10	Mandatory Pricing Form .....	17
11	Definitions .....	20
12	Attachment 1 - PROPOSAL SUBMISSION CHECKLIST .....	22

## **2 GENERAL INFORMATION**

### **2.1 Introduction**

The Texas Windstorm Insurance Association (TWIA) is an association of property insurers created pursuant to Chapter 2210 of the Texas Insurance Code. TWIA insures against losses due to windstorm and hail in certain designated areas of Texas. TWIA invites all qualified Respondents to submit proposals in accordance with the requirements outlined in this Request for Proposals (RFP). The purpose of this RFP is to obtain proposals from qualified Respondents for the actuarial services described in this RFP.

This RFP contains the instructions governing the requirements for a proposal to be submitted by interested Respondents, the format in which the proposal is to be submitted and the material to be included in the proposal, the requirements that must be met to be eligible for consideration, the method of selecting a Respondent, and the Selected Contractor's duties and responsibilities.

Respondents to this RFP are expected to provide TWIA with information, evidence, and demonstrations that will permit awarding a contract in a manner that provides the best value to TWIA. Respondents should include in their written proposal all requirements, terms or conditions they may have, and should not assume that an opportunity exists to add such matters after the proposal submission. Unacceptable terms and conditions added by Respondents may cause TWIA to reject the proposal, despite other factors of the evaluation.

### **2.2 TWIA Contact Person**

The TWIA contact person identified below is the sole point of contact for this RFP. Any and all communications concerning this procurement and all proposals must be submitted to:

By U.S. Mail, overnight and other carrier service, courier, and/or hand delivery:

Mr. Jerry Fadden  
Texas Windstorm Insurance Association  
Actuarial Department  
5700 South Mopac, Building A  
Austin, Texas 78749

By Email:

Jerry Fadden  
[ActuarialRFP@twia.org](mailto:ActuarialRFP@twia.org)

Other than the above-named contact person, prospective Contractors or their representatives must not contact TWIA representatives or employees to discuss the contents of this RFP. The restriction shall not, however, preclude discussion between affected parties for the purpose of conducting business unrelated to this procurement.

The contact person at TWIA for day-to-day administration of the contract will be determined upon award. This individual may appoint one or more delegates to assist in the day-to-day administration of the contract and may notify Selected Contractor in writing of those delegates.

### **2.3 Submission Deadline**

Responses to this RFP must be received before the hour and date specified on page 1 of this RFP. Late responses properly identified will be returned to Contractor unopened. Dates of receipt for email responses will be date shown as received by our system. In no event will TWIA be liable for responses delayed by delivery services or email systems. Late responses will not be considered under any circumstances. TWIA reserves the right to evaluate responses submitted prior to the stated deadline as they are received.

To be entitled to consideration, Respondents proposals must clearly indicate that Respondents have available the necessary qualified personnel, skills, organization, and facilities to fulfill all the services required under this RFP and any resulting contract. Proposals must demonstrate familiarity and experience with the delivery of actuarial services as described in this RFP.

*Actuarial Experience in the Insurance Industry.* Respondent shall be a vendor who has provided actuarial services for the insurance industry for a minimum of five (5) consecutive years as of the date of this RFP, as evidenced by a description of prior engagements. This information must be submitted with the Respondent's Proposal, to be responsive to the "Experience" requirement under "General Background, Qualifications and Experience" (see RFP Section 9.6).

*Qualified Key Staff.* Respondent must have qualified key staff dedicated to the project. Respondent must specifically detail the qualifications, education, training, experience, and certifications of the key staff who will provide services under the Contract resulting from this RFP. This information must be described in the "Key Staff Qualifications" Section of the Respondent's Proposal (see RFP Section 9.8).

*Licensures.* Respondents must be a current holder of the following professional designations: Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

## **3 DESCRIPTION OF SERVICES/STATEMENT OF WORK**

The Texas Windstorm Insurance Association (TWIA) is requesting sealed competitive bids/proposals for the actuarial services described below. Selected Respondent will be responsible for performing all of the services and for complying with all of the requirements of this RFP.

### **3.1 Rate Review**

The Selected Respondent must conduct a thorough review of TWIA's overall rate level for both residential and commercial wind/hail property insurance, and prepare a report for the TWIA Board of Directors (the "Board") with the findings and supporting analysis, including an indication of the overall rate needed to achieve rate adequacy, consistent with the "Statement of Principles Regarding Property and Casualty Ratemaking" of the Casualty Actuarial Society and using methodology that complies with the Actuarial Standards of Practice established by the Actuarial Standards Board in the US and Texas Statutes.

### **3.2 Review of Catastrophe Models**

The Selected Respondent must provide information with respect to its use of historical information and catastrophe model output in the determination of rate adequacy. In particular, the service provider must provide its professional insights into the significant differences between the RMS and AIR North Atlantic Hurricane model outputs with respect to Average Annual Loss estimates and 1:100 year probable maximum loss using TWIA's portfolio data and the use of catastrophe models in rate adequacy analyses.

### **3.3 Expert testimony (if necessary)**

The Selected Respondent shall be available to present their findings to the Actuarial & Underwriting Committee of the Board at a meeting to be scheduled in July or August 2020. In addition, the Selected Respondent shall be available to present their findings and respond to questions at a meeting of the Board of Directors of TWIA (Board) at present scheduled for August 4, 2020. The Selected Respondent may be requested to provide expert testimony at other meetings in connection with the 2020 rate indications. The Selected Respondent may be required to attend and provide testimony in hearings before the Texas Department of Insurance (TDI) or the Texas State Legislature and its subcommittees and commissions.

### **3.4 Status Updates**

The Selected Respondent shall be available to participate in discussions by telephone or in person the status of the actuarial work and other matters covered under the Statement of Work and Contract resulting from this RFP.

### **3.5 Quality Assurance Review**

Selected Respondent must conduct a Quality Assurance review of all work performed under the resulting Contract.

## **4 CONTRACT TERM AND RENEWAL OPTIONS**

The services requested shall be provided for a period beginning April 1, 2020, or the last signature date of the Contract, whichever is later, and ending March 31, 2021. This contract may be renewed for up to two (2) one-year renewal options, upon mutual agreement of the parties to be evidenced in writing prior to the expiration date of the initial term. At the sole option of TWIA, the Contract may be extended as need, not to exceed a total of six months.

### **4.1 Governing Law**

The RFP and any resulting contract and work orders shall be governed, construed, and interpreted in accordance with the laws of the State of Texas (but not rules governing conflicts of law issues).

### **4.2 Venue**

Any action or proceeding related to this RFP and any resulting contract and work orders shall be brought as a separate action in Travis County, Texas and venue is proper in only such county.



### **4.3 Respondent Pricing**

Respondents shall offer pricing in accordance with the Mandatory Pricing Form, (provided in Part 10) and actual costs for expenses incurred due to travel shall be reimbursed according to guidelines outlined in the following two paragraphs.

Travel Costs. All reasonable actual transportation, meals, lodging or other travel expenses incurred by Selected Respondent for authorized travel to Austin, Texas for consultation with TWIA, or for any administrative hearings or other meetings in Austin, Texas, if any, are referred to as “Travel Costs.” Selected Respondent shall be reimbursed for all reasonable actual transportation, meals, lodging, and other necessary travel expenses incurred by Selected Respondent authorized travel to Austin, Texas.

Air Travel costs shall specifically not include a per diem rate for services or hours spent in air travel; these services or hours may not be billed to TWIA. Under no circumstances will Selected Respondent be compensated for off-duty hours while traveling.

TWIA will not make any payments to the Selected Respondent for any costs incurred by the Selected Respondent that were not included in the Respondent’s pricing sheet and not approved by TWIA. TWIA shall only pay for costs that are approved and allowable and in accordance the requirements of this RFP.

### **4.4 Standards of Performance**

Selected Respondent agrees to perform services under the requirements of the contract in strict compliance with the standards applicable to a Fellow of the Casualty Actuarial Society and a member of the Academy of Actuaries. Selected Respondent’s Standards of Performance shall include all requirements of the contract and all laws, regulations, standards and other requirements applicable to a Fellow of the Casualty Actuarial Society and a member of the Academy of Actuaries.

### **4.5 Public Information Act Disclosures**

TWIA is subject to the Texas Public Information Act (PIA), Texas Government Code Chapter 552. The Proposal and other information submitted to TWIA by the Respondent are subject to release as public information by TWIA. The Proposal and other submitted information are presumed subject to disclosure unless a specific exception to disclosure under the PIA applies.

- a) If it is necessary for the Respondent to include proprietary or otherwise confidential information in its Proposal or other submitted information, the Respondent must clearly label that proprietary or confidential information and identify the legal basis for confidentiality. Merely making a blanket claim that the entire Proposal is protected from disclosure because it contains some proprietary information is not acceptable and will make the entire Proposal subject to release under the PIA.
- b) In order to trigger the process of seeking an opinion from the Office of the Attorney General (OAG) on the release of proprietary or confidential information, the specific provisions of the Proposal that are considered by the Respondent to be proprietary or confidential must be clearly labeled as described above.

- c) Any information which is not clearly identified by the Respondent as proprietary or confidential will be deemed subject to disclosure pursuant to the PIA. Respondent will irrevocably deem to consent to disclosure. Respondent agrees to waive any claim of infringement against TWIA and agrees to indemnify TWIA for any claims regarding the Intellectual Property Rights of Respondent or any third-party for any materials appearing in the Proposal.

#### **4.6 Proprietary Interests and Final Work Product**

All work-papers, data, materials, testimony, information, and reports developed by Respondent in draft form will remain the property of Respondent and will be subject to modifications by Respondent until delivery of the final work-papers, data, materials, information, and reports required by the contract or until termination of the contract, whichever is earlier. Upon completion of services or upon termination of the contract, whichever is earlier, Respondent will provide to TWIA all original work-papers, data, materials, testimony, information and reports produced by Respondent during the performance of these services, and such work- papers, data, materials, testimony, information and reports will be the sole property of TWIA. Respondent retains no proprietary interest in the work-papers, data, materials, testimony, information and reports furnished by Respondent to TWIA or available to TWIA under the contract and such work-papers, data, materials, testimony, information, and reports will be the sole property of TWIA. Respondent will retain copies of its original work-papers, data, materials, testimony, information, and reports delivered to TWIA under the contract.

#### **4.7 Accuracy of the Proposal and Cost of Submitting the Proposal**

Respondent's Proposal must be true and correct and must contain no cause for claim of omission or error.

TWIA will not reimburse the Respondent for any cost related to the preparation or submission of the Proposal. Respondent is responsible for any expense related to the preparation and submission of its Proposal.

#### **4.8 Exception to Provisions**

If Respondent takes any exceptions to any provisions of this RFP, these exceptions must be specifically and clearly identified by RFP section in Respondent's Proposal in response to this RFP and provided in the Executive Summary addressed in Section 9.5 or in a spreadsheet submitted as an attachment to the Executive Summary letter.

Any exception included in a Proposal may result in a contract not being awarded to the Respondent. However, if a Respondent includes exceptions in its Proposal, the Respondent shall clearly identify each exception it takes, noting the specific RFP section number, section title, detailed description of the exception taken, and the Respondent' proposed language, in lieu of the language to which exception is taken.

#### **4.9 Responsive Information**

The Respondent's Proposal must be responsive to all requirements set forth in this RFP, address how the Respondent shall meet the RFP specifications, and prepared according to the format described in this RFP. All Proposals must provide sufficient information to enable the review committee to evaluate the Respondent's ability to provide the Services described in Part 3, Description of Services/Statement of

Work and to comply with any other contractual provisions described in this RFP. Responses that are general in nature and do not address how the Respondent will meet the RFP requirements may be disqualified from further consideration or may receive a lower evaluation score due to poor quality of response

## 5 RFP SELECTION PROCESS

Mail responses to this RFP must be received at TWIA's office or via email before the hour and date specified on page 1 of this RFP. Dates of receipt for email responses will be date shown as received by our system. In no event will TWIA be liable for responses delayed by delivery services or email systems. TWIA reserves the right to evaluate responses submitted prior to the stated deadline as they are received.

TWIA will conduct a fair, comprehensive, and impartial evaluation of all proposals received in response to this RFP using an evaluation committee comprising TWIA senior executives (the "Evaluation Committee"). Each member of the Evaluation Committee will conduct an independent review of each proposal submitted and assign each proposal a score. Each committee member will score the proposal on each major criterion described below. Each Proposal will be evaluated both individually and relative to the Proposals submitted by other Respondents

The scores of all members of the Evaluation Committee will be compiled and an average score established for each Respondent. Once completed, these scores will be submitted along with the Proposals to the Actuarial & Underwriting Committee of the TWIA Board of Directors, which will make the final selection of a service provider.

The Evaluation Committee may request clarification of information or representations in any proposal before completing the initial evaluation. Requests for clarification and responses to requests for clarification will be in writing and will become part of the evaluation record.

### 5.1 Written Questions and Official Response

Contractors may submit written questions addressed to the TWIA contact person identified in Section 2.2. All questions must be received, in writing via email, by the TWIA contact person **no later than 5:00 P.M. Central Time on February 14, 2020**. The email subject line must state: TWIA-0002 Actuarial Services – Rate Indications – Questions. Telephone inquiries will not be answered.

Responses to timely submitted questions that are not already addressed in the RFP will be posted on the TWIA website on February 19, 2020. Only those questions that are appropriately relevant to the solicitation will receive a response in the Question and Answer document.

### 5.2 Selection of Short List of Respondents

After review of the Proposals and the Evaluation Committee scoring results, the Actuarial & Underwriting Committee intends to select one or more Respondents for further consideration ("Short List"). TWIA staff will communicate directly with the Respondents who are selected for the Short List.

### **5.3 Oral Presentations**

Respondents identified for the Short List may be asked to make in-person or live video presentations to the Actuarial & Underwriting Committee. These presentations may involve a question and answer period. As the meeting of the Actuarial and Underwriting Committee of the Board are subject to the Open Meetings Act, these oral presentations will be open to the public and broadcast to the public (on a live or delayed basis).

### **5.4 Best and Final Offer (BAFO)**

Following the initial scoring of Proposals according to the Evaluation Criteria described in Part 7, and Respondent oral presentations, if any, TWIA, in its sole discretion, may proceed in making a contract award(s), or may proceed to request a BAFO from one or more Respondents whose Proposals and scores are, in the committee's determination, sufficient to qualify them for further consideration and negotiation.

The BAFO process will allow the requested Respondents to modify its Proposal, including original pricing or services. BAFOs would then be re-evaluated by the Actuarial & Underwriting Committee.

Should TWIA determine that a BAFO process is beneficial to TWIA's interests, participating Respondents will have an established time period in which to exercise due diligence to confirm that all RFP requirements have been identified, and to prepare its BAFO. At the conclusion of the BAFO evaluations, if any, TWIA will determine the number of Respondents with which it will commence contract negotiations. Respondents not invited for contract negotiations shall not be allowed to alter their RFP.

### **5.5 Contract Negotiations**

TWIA will have the option to negotiate with one or more Respondents, including, but not limited to pricing, services, provisions, terms, and conditions. TWIA reserves the right to continue to negotiate until the point where the best value for TWIA has been determined as achieved.

### **5.6 Best Value Consideration**

TWIA will be the sole judge of best value. Award will be based on best value criteria and may include but is not limited to:

- a) Best meets the goals and objective as stated in this RFP.
- b) Best meets the quality and reliability of the proposed Services.
- c) Delivery terms.
- d) Other factors relevant to determining the best value for TWIA.

TWIA will terminate the contract negotiations when TWIA, in its sole discretion, determines that the best value for TWIA has been obtained. If the RFP is awarded, TWIA will issue a notice of award to the Selected Respondent. However, there is no guarantee that an award or any contract will result from this solicitation.

## **6 SCHEDULE OF EVENTS**

The time schedule for awarding a contract under this RFP is shown below. TWIA reserves the right to amend the schedule.

<b>Date</b>	<b>Event</b>
February 6, 2020	Issuance of RFP
February 7, 2020 through February 14, 2020	Submission of Written Questions
February 19, 2020	Responses to Written Questions Posted on the TWIA Website
February 26, 2020	Deadline for Submission of Proposals
March 4, 2020 through March 20, 2020	Presentations/Interviews with Selected Respondents
March 27, 2020	Anticipated Contract Award**
March 31, 2020	Targeted Contract Execution**
April 1, 2020	Commencement of Engagement

Note\*\*: The anticipated Contract award date is a target date, but is not guaranteed, as final contract negotiations with the Respondent will determine when the actual Contract award will be made.

## **7 EVALUATION CRITERIA**

TWIA shall award a contract to the Respondent who submits the Proposal determined to be the best value to TWIA and who meets all requirements included in this RFP. The Evaluation Committee will initially evaluate and score Proposals using the evaluation criteria outlined below. The relative weight of each criterion is indicated by the maximum possible number of points indicated in the right-hand column.

Evaluation Criteria	Weight
<p><b>1. General Expertise, Experience and Qualifications</b> Experience, reputation and qualifications of (i) the firm and (ii) the team leaders and designated staff in performing the services described in this RFP, including, in particular</p> <ul style="list-style-type: none"> <li>a) Experience with providing actuarial consulting services.</li> <li>b) Experience with providing independent rate indications for personal and commercial policies.</li> <li>c) Overall reliability and stability of the firm (financial resources and stability, staff turnover, back up staffing resources, etc.).</li> </ul>	15 points
<p><b>2. Specific Expertise, Experience and Qualifications</b> Experience, reputation and qualifications of (i) the firm and (ii) the team leaders and designated staff in performing the services described in this RFP, including, in particular</p> <ul style="list-style-type: none"> <li>a) Experience providing actuarial services (including rate indications) to <b>government/quasi-government entities or residual market entities</b>.</li> <li>b) Experience with providing independent rate indications for <b>catastrophe exposed, wind/hail policies</b>.</li> <li>c) Experience with respect to actuarial services (including rate indications) with <b>insurance portfolios covering property along the Gulf of Mexico, other than in the State of Florida</b></li> <li>d) Experience with respect to actuarial services (including rate indications) in other <b>North American hurricane exposed areas, including Florida and the East Coast</b>.</li> <li>e) Experience and expertise with respect to actuarial services (including rate indications) with <b>sparse historical industry and/or company hurricane loss experience</b>.</li> </ul>	25 points
<p><b>3. Use of Catastrophe Models in Rate Making</b> Experience, reputation and qualifications in performing the services described in this RFP, including, in particular</p> <ul style="list-style-type: none"> <li>a) Overall experience and expertise with respect to the use of hurricane models in rate making.</li> <li>b) Ability to assist the TWIA Board of Directors in understanding and addressing the significant differences in model outputs between RMS and AIR in TWIA's rate indication analysis.</li> </ul>	20 points
<p><b>4. Clarity of Proposal</b> Clarity and content of Respondent's proposal, including their understanding of the Statement of Work, their work plan, and their communication skills, as they relate to Board presentations and possible testimony.</p>	25 points

<p><b>5. Cost</b></p> <p>TWIA is seeking to award the contract based on the Respondent that provides the highest value to TWIA based on the Respondents billable rates, estimated hours and the estimate of the total cost of the Contract.</p> <p>The cost consideration will include:</p> <ul style="list-style-type: none"><li>a) Reasonableness of costs,</li><li>b) Comparison of hourly rates</li><li>c) Estimate of total costs</li><li>d) Reliability of cost estimates</li></ul>	15 points
<b>Total Points</b>	<b>100 points</b>

## 8 PROPOSAL/RESPONSE FORMAT

### 8.1 Respondent Documents

All Respondent's documents that are related to the requested services, this RFP, the Bid Responses, or any resulting contract are collectively referred to in this RFP as "Respondent Documents." Documents that are not submitted with Respondent's RFP response will not be accepted or considered part of the response or any resulting contract.

### 8.2 Proposal Format

Proposals should be provided in hardcopy and electronic form (PDF format) via email to [ActuarialRFP@twia.org](mailto:ActuarialRFP@twia.org). Respondents must submit an original response (with original signature) and six (6) copies.

All proposals submitted in hardcopy must be bound, organized, and arranged to be easily reconciled to the numbered sections of this RFP. All pages must be numbered.

The person signing Respondent's response must show title or authority to bind his or her firm in a contract. Email copies require an electronic signature which will be considered an original signature.

Proposals must be concise and clear. The Respondent's Proposal must be responsive to all requirements set forth in this RFP, address how the Respondent shall meet the RFP specifications, and prepared according to the format described in this RFP.

All Proposals must provide sufficient information to enable the Evaluation Committee and the Actuarial & Underwriting Committee to evaluate the Respondent's ability to provide the Services described in Part 3, Description of Services/Statement of Work, and to comply with any other contractual provisions described in this RFP.

Responses that are general in nature and do not address how the Respondent will meet the RFP requirements may be disqualified from further consideration or may receive a lower evaluation score due to poor quality of response.

## 9 RESPONSE DOCUMENTS

The Respondent must provide all information that the Respondent believes would be helpful to TWIA in establishing the Respondent's ability to perform the Services described in this RFP and comply with the requirements of this RFP and any resulting Contract.

### 9.1 Transmittal Letter

The first page of the proposal must be a Letter of Transmittal that includes the information specified below.

- a) A commitment by the Respondent to provide the services required by TWIA in this RFP.
- b) A statement that the proposal is valid for 90 calendar days from the day after the date that the proposals are delivered to TWIA.
- c) A dated signature of a person(s) legally authorized to bind the Respondent to the terms and conditions contained in this RFP and to comply with the information and representations submitted in the proposal. The proposal must state that the signatory is authorized to bind the Respondent to the terms and conditions set forth in this RFP. Proposals submitted without the required signature will be disqualified.
- d) A statement certifying to the completeness, veracity, and accuracy of the information provided in the proposal. By submitting a signed proposal, Respondent agrees that it fully understands this RFP and shall abide by the terms and conditions contained in it. Any exception to the requirements of this RFP must be specifically noted in writing and explained by Respondent in its RFP response as a condition to becoming part of any subsequent contract.
- e) Respondent must list the name, title, phone number, and email addresses of at least two (2) individuals who will be the contact persons for this RFP and who have the authority to respond to questions from TWIA

### 9.2 Proposal Submission Checklist

The Proposal Submission Checklist is included as **Attachment 1** to this RFP. The checklist is provided to help the Respondent ensure that a proper Proposal is submitted in the required format. Respondent must include the completed checklist as part of the proposal.

### 9.3 Title Page

The Proposal must contain a title page that includes the following information:

- a) RFP number and Title,
- b) Respondent's name and address,
- c) Respondent's State of Texas taxpayer number and Federal Employer's Identification Number, and
- d) Respondent's contact name, title, signature, and date.

### 9.4 Table of Contents

The Proposal must contain a table of contents that clearly identifies and denotes the location of each



section and sub-section of the Proposal. Additionally, the table of contents must clearly identify and denote the location of all enclosures and attachments to the Proposal, including relevant page numbers.

### **9.5 Executive Summary**

Each Respondent must provide a brief summary on the services proposed in response to this RFP and the estimated costs.

Respondent may propose any additional services that it believes should be included as part of any resulting contract if, in its judgment, their inclusion is necessary to the accomplishment of project objectives or would increase the value of the outcome of the project to TWIA. If Respondent is providing services beyond those specifically requested, those services must be identified.

The Executive Summary must not exceed five pages and should represent a full and concise summary of the contents of the proposal.

The Executive Summary should include, at a minimum, but is not limited to, the following:

- a) a brief description of the Respondent's qualifications;
- b) a description of the Respondent's experience with providing the services requested;
- c) a description of the Respondent's understanding of the requirements as outlined in Part 3, Description of Services/Statement of Work;
- d) any exceptions to any provisions of this RFP as described in Section 4.8, and
- e) any additional requirements, terms and conditions, or any documentation unaddressed in the RFP that the Respondent has attached in the Proposal as a material submission to the RFP.

### **9.6 General Background, Qualifications and Experience of Respondent**

This response section details the Respondent's background and experience, including past performance, as it relates to projects similar in scope to the services described in this RFP. The Respondent must demonstrate its ability to perform the services described in the RFP by providing, at a minimum, the information detailed below. This section should include information that addresses the firm and the team's experience, reputation and qualifications in regard to the Evaluation Criteria

This response section must detail the Respondent's qualifications to respond to this RFP and be considered for an award. To be entitled for consideration, Respondent must have available the required qualified personnel, knowledge, skills, abilities, organization, facilities, materials, supplies, and equipment to fulfill all requirements under this RFP and any resulting Contract.

### **9.7 Specific Expertise, Experience and Qualifications**

**Exhibit A, Tab 1** must list representative engagements of comparable complexity and sensitivity to the requirements of this RFP that were similar to the services described in this RFP, or which, though different, require the same general types of resources and skills.

The Response should include information related to the Evaluation Criteria, listed below. The Response should indicate whether the representative engagements included the proposed team or not.

- A. Experience with providing independent rate indications for personal and commercial policies.
- B. Experience providing actuarial services (including rate indications) to government/quasi-government entities or residual market entities.
- C. Experience with providing independent rate indications for catastrophe exposed, wind/hail policies.
- D. Experience with respect to actuarial services (including rate indications) with insurance portfolios covering property along the Gulf of Mexico, other than in the State of Florida.
- E. Experience with respect to actuarial services (including rate indications) in other North American hurricane exposed areas, including Florida and the East Coast.
- F. Experience and expertise with respect to actuarial services (including rate indications) with sparse historical industry and/or company hurricane loss experience.
- G. Experience and expertise with respect to the use of hurricane models in rate making.
- H. Ability to assist the TWIA Board of Directors in understanding and appropriately addressing the significant differences in model outputs between RMS and AIR in rate indications.

Each description should be as detailed as necessary to enable TWIA to reasonably assess the relevance and usefulness of such experience. Respondent must give the client organization's name and describe the service performed; the service's beginning and ending dates, results obtained, and current status of the project.

### **9.8 Key Staff Qualifications**

**Exhibit A, Tab 2** must detail information about the Respondent's key staff who will provide services under any Contract resulting from this RFP and must detail the role or types of services that each key staff member will provide.

Respondent must include summary background information for each key staff member to be assigned to this project including title; education; training; relevant experience; length of service with the Respondent's firm; and professional accreditations, certifications, designations, and licenses. Full résumés may be provided but are not required.

### **9.9 Schedule**

Respondent must provide a proposed work plan and estimated timeline for each service listed under 3.1, 3.2. Contractor must confirm in its RFP response that the meeting dates and filing deadlines can be satisfied.

### **9.10 References**

**Exhibit A, Tab 3** must provide a minimum of three (3) verifiable references from clients for whom the Respondent has performed comparable services of similar scope and size. Respondent must provide the name, title, telephone number, and email address of the key contact(s) at the client organization.

These individuals may be contacted at the discretion of TWIA for verification of experience or performance. Providing the name of a contact person by the Respondent will constitute a release to contact the individual for any information regarding the Respondent's performance under any past or current contract held with the named company reference.

#### **9.11 Actual or Potential Conflicts of Interest**

**Exhibit B** must provide a statement of any actual conflicts or potential conflicts of interest for the Respondent, the Respondent's Employees who will or may provide services under any Contract resulting from this RFP. Failure to disclose all actual conflicts or potential conflicts of interest may result in disqualification of the Respondents' Proposal or termination of the resulting Contract.

If the circumstances certified by Respondent change or additional information is obtained subsequent to submission of the Respondent's Proposal, Respondent shall submit updated information as soon as reasonably possible, upon learning of any change to Respondent's response.

#### **9.12 Cost**

Respondent must provide an estimate of the full cost of delivering the services described in the Statement of Work using the Mandatory Pricing Form provided below. Such an estimate will necessarily include assumptions about the time required by individual staff members to complete the work to the standards specified herein. Responses subject to increases in hourly rates over the contract period will not be considered.

### **10 Mandatory Pricing Form**

Unless otherwise agreed in writing and signed by TWIA, each Respondent agrees to and shall be bound by the information and documentation provided with the proposal, including prices and/or hourly rates quoted for services. By submitting a proposal, the Respondent commits to providing the goods and services required at the hourly rates set forth in its proposal. Proposals must be valid for 90 calendar days following the proposal receipt date. Proposed rates must be firm and guaranteed for the initial contract period of any resulting contract.

**List names, certifications, hourly rates, and estimated number of hours of each individual.**

**Example:**

Title	Name	Hourly Rate	Estimated Number of Hours	Estimated Cost	Certifications
Lead Actuary	J. Smith	\$100.00	100	\$10,000	Fellow of the Casualty Actuarial Society (FCAS), Member American Academy of Actuaries (MAAA)
Senior Actuary	D. Jones	\$80.00	50	4,000	ASA, MAAA
Clerical	S. Smith	\$25.00	40	1,000	Not applicable
Total:				\$15,000	

The total estimated cost of Respondent's proposal is: **\$15,000** excluding any travel costs.

The estimated cost does not include includes any amounts other than the cost of staff billable hours.

**The remainder of this page has been intentionally left blank.**

### Mandatory Pricing Form

#### Respondent's Staff

Title	Name	Hourly Rate	Estimated Number of Hours	Estimated Cost	Certifications

Total \_\_\_\_\_

The total estimated cost of Respondent's proposal is: \$\_\_\_\_\_, excluding any travel costs.

Please note of the estimated expenses includes any amounts other than the cost of staff billable hours and provide supporting detail.

**The remainder of this page has been intentionally left blank.**

## 11 Definitions

When capitalized, the following terms and acronyms have the meaning set forth below. These definitions apply to all parts of this Request for Proposals (RFP).

Definitions	
TERM	DEFINITION
Addendum	An addition, change, or supplement to a solicitation document issued prior to the opening date (due date of responses).
Contract	The written agreement, if any, executed by the authorized representative of the parties and the Respondent that formalizes the terms, provisions, covenants, and obligations, including but not limited to those contained in this RFP, of the respective parties to the arrangement for provision of services.
Contractor	The individual or business entity that has a contract to provide goods or services to the State of Texas. This is used interchangeably with the term “Vendor”.
Deliverable	Unit or increment of work required by the contract, including such items as goods, services, reports, or documents.
Employee	The term “Employee” includes any individuals who, on behalf of the Respondent, will or may participate in any Contract resulting from this RFP. The term “Employee” includes all personnel, replacement personnel, agents, contractors, subcontractors, subcontractor employees, and other representatives of the Respondent, regardless of how employed or contracted by Respondent.
Request for Proposal (RFP)	The document so titled and exhibits, attachments, and appendices thereto which constitute the solicitation requesting submittal of a proposal in response to the required scope of services (statement work) and usually includes some form of a Cost Proposal and allows for negotiations between the proposer and the issuing agency.
Respondent	An individual or business entity submitting a proposal in response to a solicitation.

Respondent's Employee(s)/Respondent's Personnel	Any and/or all of the following, without limitation to: employees, leased employees, agents, officers, directors, staff, independent contractors, contractors, or subcontractors, or any individuals furnished, referred, or provided by the Respondent for the purposes arising out of or related to this RFP, the Respondent's Proposal, and the contract, if any, that results from the award made by TWIA to the Respondent.
Responsive	Means that a Respondent has complied with all material aspects of the solicitation document, including the submission of all required documents, and within the time frame specified within the solicitation document.
Selected Respondent	The individual or business entity qualified to provide the goods and/or services sought by TWIA pursuant to this RFP and who is ultimately be selected to carry out the requirements stipulated in this RFP and any resulting contract.
Vendor	The individual or business entity that has a contract to provide goods or services to the State of Texas. This is used interchangeably with the term "Contractor".

## 12 Attachment 1 - PROPOSAL SUBMISSION CHECKLIST

This checklist is provided to help the Respondent ensure that a proper Proposal is submitted in the required format. Respondents must include this completed checklist as the cover page of the entire Proposal.

Order	Proposal Component	RFP Section Reference	Verify Inclusion by Initials
1	Transmittal Letter	Sec. 9.1	
2	Proposal Submission Checklist	Sec. 9.2	
3	Title Page	Sec. 9.3	
4	Table of Contents	Sec. 9.4	
5	Executive Summary	Sec. 9.5	
6	Body of Proposal, including <ul style="list-style-type: none"> <li>General Expertise, Experience and Qualifications</li> <li>Specific Expertise, Experience and Qualifications</li> <li>Use of Catastrophe Models in Rate Making</li> </ul>	Sec. 9.6	
7	Exhibit A, Tab 1 Representative Engagements	Sec. 9.7	
8	Exhibit A, Tab 2 Key Staff Qualifications	Sec. 9.8	
9	Schedule	Sec. 9.9	
10	Exhibit A, Tab 3 References	Sec. 9.10	
11	Exhibit B Conflicts of Interest	Sec. 9.10	
12	Costs Mandatory Pricing Form	Sec. 9.12 Sec. 10	

\_\_\_\_\_  
Signature of Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Title



## 10. Internal Audit

### 10A. Internal Audit Status & Update

# MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: February 18, 2020

SUBJECT: Status of Internal Audit Activities

---

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

➤ **Current Activities:**

Activity Description	Status
Payroll Audit	Report issued*
Human Resources Audit	Report issued*
Accounts Payable & Expense Processing Audit	Report issued**
Vendor Management Audit	Report issued**
Vendor Management Analytics Audit	Report in final review
Business Continuity/Continuity of Operations	Report in final review
Accounts Receivable Audit	Fieldwork complete - report in process

\* Report distributed to the Board January 2020.

\*\* Report distributed to the Board February 2020.

➤ **Upcoming Audits:**

Activity Description	Timing
Claims Audit	Fieldwork to start March 2020
Database and Application Administration	Fieldwork to start March 2020
Underwriting	Fieldwork started February 2020
Depopulation	Fieldwork to start March 2020

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

## Texas Windstorm Insurance Association Rolling Three-Year Internal Audit Plan (2019-2021)

2019	
Process Area	Risk Rating
Risk Assessment	N/A
Model Audit Rule (light)	N/A
Claims Processing	High
Database and Application Administration	High
Vendor Management	High
BCP/Continuity of Operations (COOP)	Moderate
Accounts Payable and Expense Processing	Moderate
Human Resources Administration	Low
Accounts Receivable <i>Including Agent Commissions</i>	Low
Payroll	Low

2020	
Process Area	Risk Rating
Model Audit Rule (light)	N/A
Information Security	High
Reinsurance	High
Disaster Recovery	High
Communications	High
Legislative Action Implementation	High
Legal & Compliance	Moderate
Underwriting	Moderate
Depopulation	Moderate
Financial Close and Reporting	Moderate
Facilities and Services	Low

2021	
Process Area	Risk Rating
Model Audit Rule (light)	N/A
Risk Assessment	N/A
Application Development	Moderate
Information Technology Services	Moderate
Actuarial	Moderate
Executive Management, Management Planning & Reporting	Moderate
Taxes	Low
Cash Management	Low

11. Underwriting  
11A. Operational Review Update



## MEMORANDUM

---

DATE: January, 2020  
TO: John Polak, General Manager  
FROM: Denise Larzalere, Vice President Underwriting  
RE: Update on Underwriting Operational Highlights

---

### **Fourth Quarter 2019 Highlights**

- I. Service Results:
  - a. Underwriting continues to have consistent turnaround time on all transactions. Our goal is to issue 90% of new business submissions, endorsements, renewals, and cancellations within 10 days; we are surpassing this standard with over 95% processed within 10 days. Over 80% of new business and renewals are processed within 1 day. See Attachment B containing monthly detail.
  - b. Quality Assurance results on underwriting decisions continue to exceed established goals.
  - c. Telephone service response time continues to meet and exceed expectations. Service quality scores have been in the meet's category. Service observation (listening to phone calls and scoring them) is now standard procedure and as an Association the departments are calibrating calls and have agreed upon service standards for telephone service.
  - d. Underwriting is operating below budget, largely due to managing headcount and reducing the number of physical inspections.
- II. Underwriting Activities of Note:
  - a. Legislative implementation:
    - i. Policy Terms – loss settlement provisions and the determination of replacement cost. Completed updates to policy contracts, the deployment of system and process updates, and internal and external training and communication plans, in compliance with legislative requirements and deadlines.
    - ii. New renewal process. Completed updates to system and processes, with internal and external training and communications, in compliance with legislative requirements and deadlines.



- iii. Conducted over a dozen agent webinar training sessions across two months, with over 1,300 attendees and positive feedback.
- b. TWIA Certificate of Compliance on Completed Improvements (WPI-8-Cs) status:
  - i. see Attachment A containing the numbers (totals and by quarter) since program inception;
  - ii. for the period of October 1, 2019 – December 31, 2019 we received 2,272 applications (WPI-3s);
  - iii. average turnaround time is between three and four days;
  - iv. reroof is the number one reason (51% of certificates);
  - v. two engineer firms represent approximately one quarter (25%) of all applications;
  - vi. The Confirmation of Application review completed for applications (WPI-3s) received in the previous quarter was sent to 94 engineers. One issue was self-identified by the engineer and was resolved.
  - vii. Underwriting continues to assist with telephone calls regarding WPI-8-C status and to upload certificates into Policy Center.

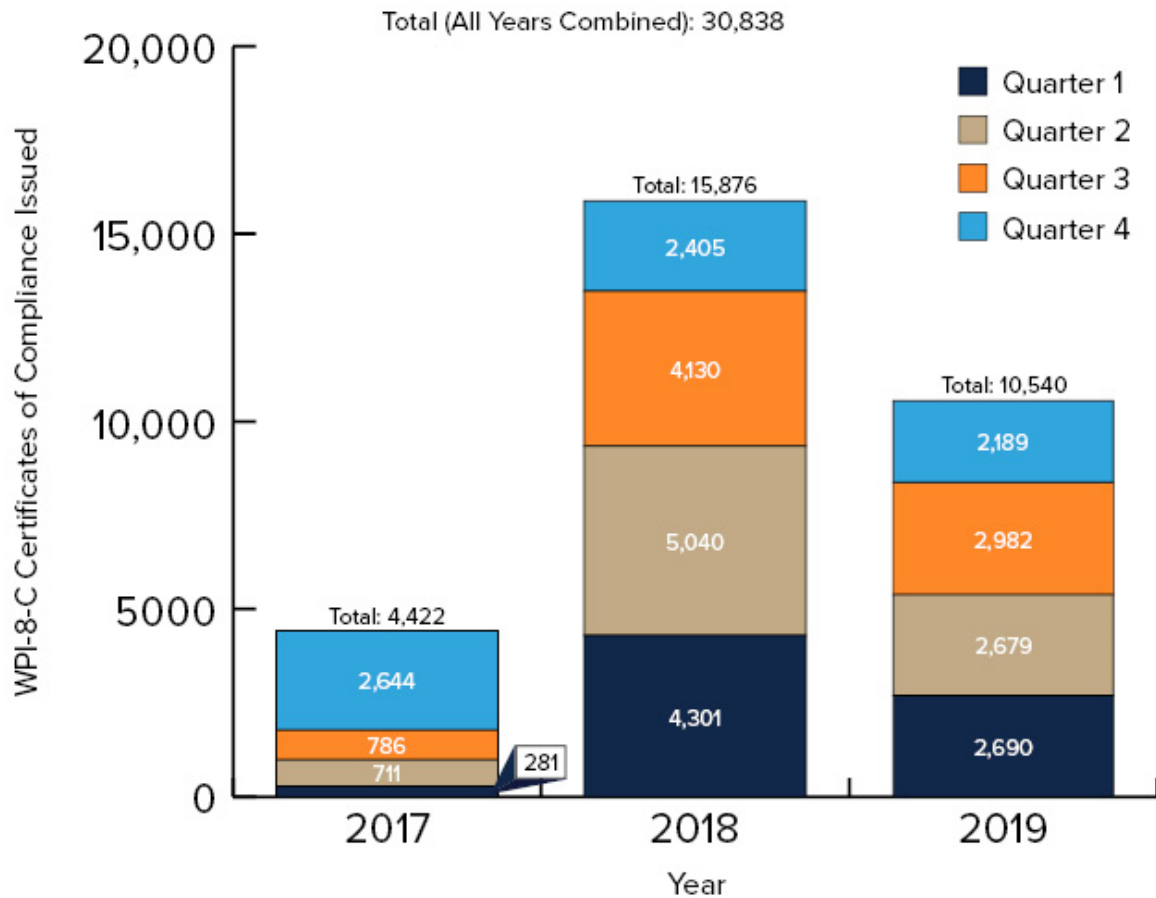
III. Agency Compliance Audits:

- a. Audits were performed on 20 agents (200 policies) in the fourth quarter to verify compliance with the declination of coverage and flood insurance requirements. None of the policies/properties selected for review required flood insurance.
  - i. All 20 agents (and 200 policies) were compliant with the requirement for proof of declination of coverage.
  - ii. We also reviewed the 190 policies that were auto-issued to confirm a copy of a WPI-8 had been provided where required. The review identified 16 policies requiring a WPI-8 that did not have the proper documentation uploaded by the agent. These have been referred to underwriting for research and follow-up.
- b. All 20 agents have an active property and casualty insurance license.



Attachment A

## Windstorm Certificates of Compliance on Completed Improvements





## Attachment B

### Monthly transaction detail

Processing Times	2019												Year to Date
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
TWIA Res New Business (≤10 days)	97.4%	98.4%	96.7%	92.3%	100.0%	100.0%	100.0%	100.0%	99.8%	99.8%	99.9%	99.9%	98.7%
	97.5%			97.6%			99.9%			99.9%			
TWIA Res Renewals (≤10 days)	99.4%	99.9%	98.9%	97.0%	99.9%	100.0%	99.9%	100.0%	99.9%	100.0%	99.9%	99.3%	99.5%
	99.4%			99.1%			99.9%			99.7%			
TWIA Res Endorsements (≤10 days)	98.5%	99.9%	99.8%	99.8%	100.0%	99.9%	99.9%	99.9%	99.9%	100.0%	100.0%	100.0%	99.8%
	99.4%			99.9%			99.9%			100.0%			
TWIA Res Cancellations (≤5 days)	99.6%	99.4%	99.1%	99.1%	99.6%	99.8%	99.7%	99.7%	99.6%	99.8%	99.6%	99.4%	99.6%
	99.4%			99.6%			99.7%			99.6%			
TWIA Com New Business (≤10 days)	96.2%	100.0%	98.7%	97.8%	99.6%	97.0%	92.2%	99.5%	92.9%	98.4%	98.5%	93.4%	96.9%
	98.2%			98.2%			94.7%			97.0%			
TWIA Com Renewals (≤10 days)	99.8%	100.0%	99.8%	99.8%	99.7%	99.7%	97.1%	99.1%	93.7%	98.5%	98.7%	96.9%	98.6%
	99.9%			99.8%			96.9%			98.0%			
TWIA Com Endorsements (≤10 days)	100.0%	100.0%	99.6%	100.0%	100.0%	100.0%	97.2%	99.3%	98.3%	99.0%	98.8%	98.1%	99.2%
	99.9%			100.0%			98.3%			98.7%			
TWIA Com Cancellations (≤5 days)	97.8%	98.7%	97.4%	98.6%	98.5%	100.0%	100.0%	98.3%	100.0%	100.0%	97.8%	96.1%	98.7%
	97.9%			99.2%			99.5%			98.2%			



## 12. Claims

### 12A. Claims Operations

# TWIA Claims Operations

Harvey Claims Storm Report	TWIA				
	082517 Harvey				
	TWIA Total	Commercial	Residential	Mobile Home	No Policy & Unverified
New Claims	76,694	2,671	68,519	342	5,162
Closed Claims	75,652	2,520	67,631	340	5,161
Open Inventory	1,042	151	888	2	1
RCC	0	-	-	-	-
% Closed	98.6%	94.4%	98.7%	99.4%	99.9%
Closed With Payment	47,401	1,556	45,585	260	-
% Closed With Payment	61.8%	58.3%	66.5%	76.0%	-
Closed Without Payment	28,251	964	22,046	80	5,161
% Closed Without Payment	36.8%	36.1%	32.2%	23.4%	99.9%
Open With Payment	948	132	814	2	-
% Open With Payment	1.2%	4.9%	1.2%	0.6%	-
Open Without Payment	94	19	74	-	1
% Open Without Payment	0.1%	0.7%	0.1%	-	0.02%
Paid Indemnity	\$ 1,315,561,373	\$ 385,513,429	\$ 926,155,673	\$ 3,892,271	\$ -
Paid Expense	\$ 142,152,972	\$ 24,507,454	\$ 117,081,244	\$ 561,589	\$ 2,685
Average Paid	\$ 27,227	\$ 228,385	\$ 19,974	\$ 14,856	-
Avg # Days - FNOL to Inspect	8.9	9.9	8.9	9.3	-
Avg # Days - Inspect to TWIA	6.8	12.3	6.6	6.6	-
Avg # Days - TWIA to Payment	39.1	53.7	38.5	36.8	-
Avg # Days - FNOL to Payment	50.7	73.2	50.1	52.4	-
TDI Claims Complaints	293	12	281	0	0
# TDI Complaints as a % of All Claims	0.382%	0.449%	0.410%	-	-

(1) Data current as of: 12/31/2019

(2) Data from daily claims system extracts

(3) Does not include IBNR

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

## TWIA Hurricane Harvey Disputed Claims

Dispute Frequency			Type of Dispute		
Total Claims	Disputed Claims	% of Disputed Claims	Appraisals	Notice of Intent	Suits
76,693	4,277	5.58%	4,069	1,106	454

## TWIA Harvey Claims With Appraisal Invoked

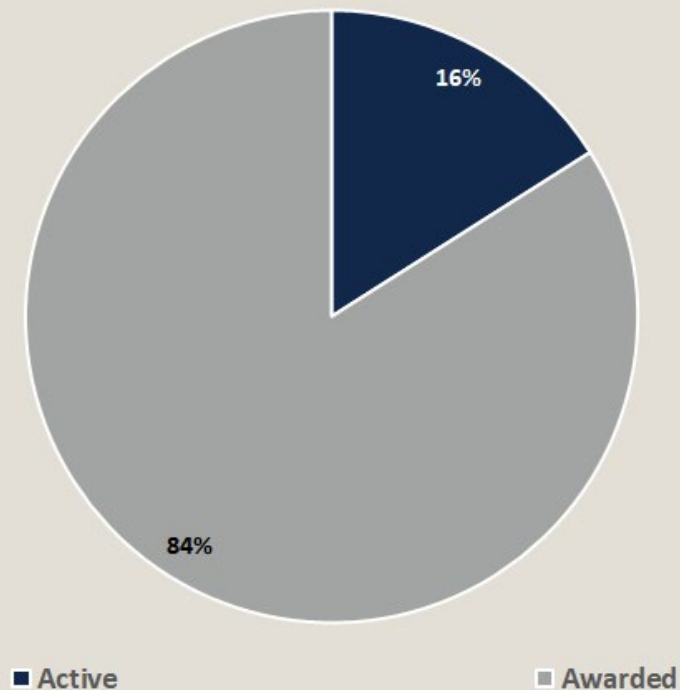
Total	Open/Pending	Appraisal Complete	Resolved Without Appraisal			
Appraisal Requests	Active Appraisals	Appraisal Award	Suspended by Policyholder	Settled with Supplement	Withdrawn	Ineligible
4,069	146	754	257	1,937	565	410
	4%	19%	6%	48%	14%	10%

## TWIA Harvey Claims With Notice of Intent or Lawsuit

Total NOIS/Suits	Notices of Intent Received	Notices of Intent Resolved	Lawsuits Received	Lawsuits Resolved
1,560	1,106	482	454	32

\*Data as of 12/31/19. Appraisal in process includes anything wherein an appraiser is named, whether has been suspended by policyholder or not. Notice of Intent to Sue (NOIS) – at Claim Level. Suits – at Matter Level

Distribution of Harvey Appraisal Outcomes  
Represents 1.2% of All Harvey Claims



# 2019 TWIA Claims Operations

TWIA Claims - 2019 Results (complete year)					
Key Cycle Times (In days)	Industry Average, TX	TWIA	TWIA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	4.8	3.1	<3	0.1	3%
Inspect Property to Receipt by TWIA	3.5	2.4	<8	-5.6	-70%
Receipt by TWIA to Payment	N/A	4.3	<5	-0.7	-14%
Total Cycle Time FNOL to Payment	N/A	9.8	<16	-6.2	-39%
<b>TDI Complaint Ratio</b>					
2018	2.60% - 188 complaints from 7,242 new claims				
2019	0.60% - 40 complaints from 6,704 new claims				

Year	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Actual Volume	438	562	235	520	468	517	416	1,366	589	358	357	1,223	707	289	191
Actuarial Projected	296	562	296	390	316	502	2,493	2,564	266	274	272	262	270	261	269
Median Staffing	390	390	390	273	273	273	273	273	273	273	273	273	273	273	273
Open Inventory	3,264	2,834	2,474	2,182	1,999	2,034	1,962	2,250	2,004	1,806	1,791	2,405	1,833	1,654	1,580

- 2019 New Claim Volume - Projected - 8,436. Actual - 6,704 (1,732 or 20% lower than projected)

Historical TWIA Claim Volume	
Year	Claims
2005	12,783
2006	1,862
2007	4,195
2008	99,813
2009	4,812
2010	4,801
2011	10,608
2012	8,601
2013	10,541
2014	2,843
2015	18,889
2016	8,393
2017	80,257
2018	7,242
2019	6,704
TWIA Hurricane Events	
Hurricane	TWIA Claims
Rita - 2005	11,583
Dolly - 2008	8,374
Ike - 2008	93,046
Harvey 2017	76,694

TWIA - 2019 Disputed Claims					
Dispute Frequency			Type of Dispute		
Total Claims	Disputed Claims	% of Disputed Claims	Appraisals	Notice of Intent	Suits
6,704	188	2.80%	171	22	1

TWIA - 2019 Disputed Claims With Appraisal Invoked						
Total	Open/Pending	Appraisal Complete	Resolved Without Appraisal			
Appraisal Requests	Appraisal In Process	Appraisal Award	Suspended by Policyholder	Settled with Supplement	Withdrawn	Ineligible
171	2	8	29	100	24	8
	1%	5%	94%			

TWIA - 2019 Claims With Notice of Intent or Lawsuit Served				
Total NOIS Suit	Notices of Intent Received	Notices of Intent Resolved	Lawsuits Received	Lawsuits Resolved
23	22	8	1	1

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

## 12B. Claims Litigation



## TWIA Litigation Tracking Activity

---

### Litigation Quarter Summary Fourth Quarter 2019

4th Quarter 2019	Summary of TWIA Claims in Suit					
	New		Settled		Closed	
	Pre-HB3	HB3	Pre-HB3	HB3	Pre-HB3	HB3
	Oct	0	17	0	0	6
Nov	0	18	0	0	0	3
Dec	0	3	0	0	0	5
	0	38	0	0	0	14

4th Quarter 2019	Summary of TWIA Claims with LORs					
	New		Settled		Closed	
	Pre-HB3	HB3	Pre-HB3	HB3	Pre-HB3	HB3
	Oct	0	28	0	0	53
Nov	0	16	0	0	0	26
Dec	0	31	0	0	0	30
	0	75	0	0	0	109



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

## TWIA Claims Litigation December 2019

Dec-19	TWIA Claims in Suit				
	Category	Beginning Inventory	New	Closed	Ending Inventory
	Pre-HB3	10	0	0	10
	HB3	465	3	(5)	463
	TOTAL	475	3	(5)	473

Dec-19	TWIA Claims with LORs					
	Category	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
	Pre-HB3	0	0	0	0	0
	HB3	385	31	(30)	(3)	383
	TOTAL	385	31	(30)	(3)	383

Dec-19	TWIA Claims with Suits/LORs: Detail of Ending Inventory											
	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
		Suits		LORs			Suits		LORs			
		Res	Comm	Res	Comm	Total	Res	Comm	Res	Comm	Total	
	Pre-HB3	2	8	0	0	10	0	0	0	0	0	10
	HB3	401	54	264	47	766	3	5	60	12	80	846
	TOTAL	403	62	264	47	776	3	5	60	12	80	856





TEXAS WINDSTORM  
INSURANCE ASSOCIATION

Dec-19	TWIA Active Pre-HB3 Claims w/ Suits/LORs: Breakdown by Firm and County						
	Firm	Brazoria	Chambers	Galveston	Jefferson	Nueces	Total
	Buzbee		3	5			8
	Hodge Law Firm			1			1
	Mostyn				1		1
	TOTAL	0	3	6	1	0	10

Dec-19	TWIA Active HB3 Claims with Suits/LORs: Breakdown by County													
	Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Matagorda	Nueces	Refugio	San Patricio	Willacy	Grand Total
	107	23	11	6	3	95	11	209	4	225	10	61	1	766

Dec-19	TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	#
	Daly & Black	303
	Scott Law	63
	Furlow Law Firm	50
	Carrigan & Anderson	44
	Baker Law	36
	Brent Coon & Associates	17
	Hodge Law Firm	12
	Lindsay, Lindsay & Parsons	10
	Merlin Law Group	9
	Rocky Lawdermilk	9
	Crowell & Kucera	8
	Remaining 106 firms	205
	TOTAL	766

13. TWIA Operations  
13A. IT Systems Updates

# Brief history of TWIA Program (Elevate)

---

- **December 2017**
  - Moved program out to mid-2020 on roadmap due to organizational focus on Harvey
- **December 2018**
  - Presented TWIA program benefits and initial estimates (without Inception when requirements are identified)
- **February 2019**
  - Board updated on progress. Inception scheduled to start February 2019
- **May 2019**
  - Board updated on progress and major capabilities to be supported
    - Installment billing
    - Credit Card support
    - New self-service portal for Agents
    - New self-service portal for Policyholders
- **August 2019**
  - Board updated on progress. Concluded Inception. Set to start Elaboration phase. Program named **Elevate**
  - Impact of Legislatively mandated changes to organization assessed and Elevate put on hold
- **December 2019**
  - Board update on plans and inception-based sizing
- **February 2020**
  - Start development on February 24<sup>th</sup>

# Benefits of TWIA Program (Elevate)

- **Reduced Operational Expenses**
  - Conservatively ~28% compared to 2018 IT budget considering people, consulting
  - Potentially allows more to be contributed to the CRTF
- **New self-service portal for policyholders**
  - Improved service for policyholders, including installments (>2-pay), self-pay
- **New portal for agents**
  - Improved service for agents, including renewals and legacy portal must be retired
- **Reduced training overhead**
  - Single interface to applications, similar workflows
- **Better service to policyholders and agents**
  - Process efficiency within business. e.g. single/similar processes
  - E.g. Eliminate customer IT issues with rendering documents (Farm Bureau and others)
- **Reduced recurring upgrade costs**
  - Single upgrade covers both associations
  - TWIA Policy Center, Billing Center now in extended support period with additional costs.
- **Easier and more efficient move to the cloud (additional savings in future)**
  - Guidewire intends future capabilities to be available only in the cloud

# Elevate Estimated IT Project Costs\*

**Estimated Program Cost:** \$15,292,330  
**Incurred to date:** \$ 1,562,907  
**Remaining:** \$13,729,423

Projects	Estimated Costs
Portals - CE	\$288,449
Portals - PE	\$1,847,400
Claims Center	\$676,732
Data Migration	\$1,197,652
Policy Center	\$5,237,145
Billing Center	\$2,528,491
EDW	\$2,366,462
<b>Project Total</b>	<b>\$14,142,330</b>
<b>Program Costs</b>	<b>\$1,150,000</b>
<b>TOTAL</b>	<b>\$15,292,330</b>

\*Assuming time bounded and feature bounded program to contain costs

# Elevate IT Operational Cost Savings Projection

	2018 Actual Expenses	Expenses after Elevate	Difference
IT Expenses	\$18,439,522	\$13,198,522	(\$5,241,000)
Headcount	66	54	(12)

IT expense savings from headcount reduction (contractors), services, misc licenses and consulting savings

Based on the 2018 actual of \$18,439,522 it would conservatively be a ~28% savings (\$5,241,000) and equates to a yearly budget of ~\$13,198,522.

Considering hardware, 2X upgrades (TWIA, TFPA) and other expenses there are opportunities for more long-term savings

- Hardware – Reduced size and number of stacks, future hardware upgrades, etc. due to single instance

- IT Ops – Reduced maintenance effort

- Consulting – additional savings from single change for 2 systems

# Elevate IT Cost – Benefit Analysis

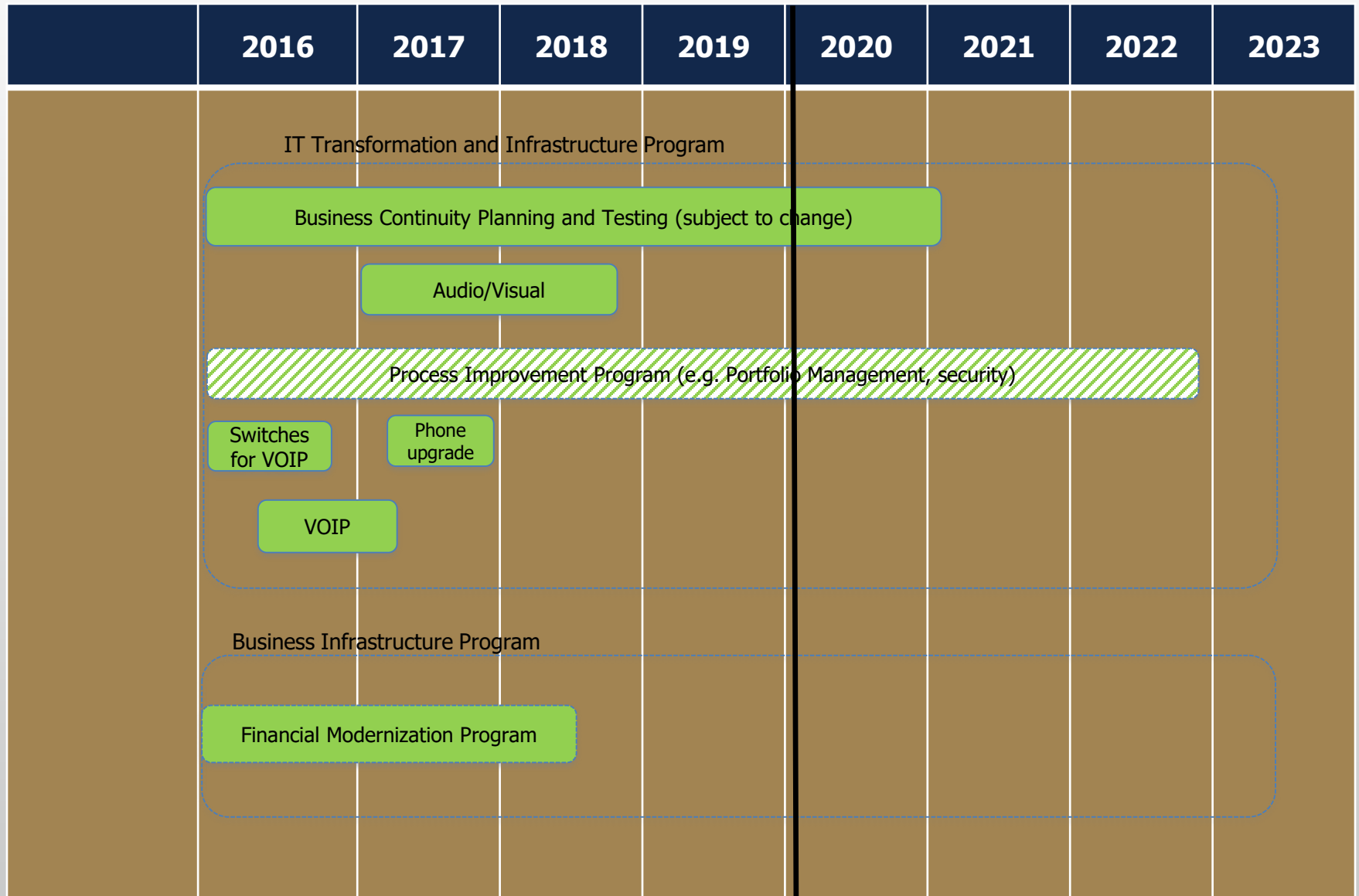
	Year 0 and 1 (Cost)/Benefit	Year 2 (Cost)/Benefit	Year 3 (Cost)/Benefit	Year 4 (Cost)/Benefit	Year 5 (Cost)/Benefit	Total Project (Cost)/Benefit
<b>Costs</b>						
IT implementation Costs	(\$15,292,330)	0	0	0	0	(\$15,292,330)
<b>Totals</b>	<b>(\$15,292,330)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(\$15,292,330)</b>
<b>Benefits</b>						
IT Expense reduction		\$5,241,000	\$5,241,000	\$5,241,000	\$5,241,000	
<b>Totals</b>		<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$20,964,000</b>
Annual (Cost) / Benefit	<b>(\$15,292,330)</b>	<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$5,671,670</b>
Total Project (Cost)/Benefit	<b>(\$15,292,330)</b>	<b>(\$10,051,330)</b>	<b>(\$4,810,330)</b>	<b>\$430,670</b>	<b>\$5,671,670</b>	

# TWIA IT Roadmap Projects

	2016	2017	2018	2019	2020	2021	2022	2023
Claim Center								
Surcharge for Bonds								
PolicyCenter / EDW Commercial								
EFT API								
DePop (2017)								
inception								
MSB Upgrade (Corelogic contract)								
Elevate (BillingCenter / PolicyCenter/ EDW Upgrade)								
Elevate Agent Portal (GPA) for TWIA								
Elevate Policyholder Portal								
TWIA Production Support releases								



# TWIA IT Infrastructure Projects



## 13B. Depopulation

There is no exhibit for this topic

## 13C. Communications Update

## MEMORANDUM

---

DATE: January 28, 2020  
TO: TWIA Board of Directors  
FROM: Jennifer Armstrong, Vice President, Communications & Legislative Affairs  
RE: Communications & Legislative Affairs Operational Highlights

---

### I. Legislative & Regulatory Affairs

- a) In Q4 2019, we maintained contact with key legislative offices to act as a resource on Association operational questions, the TWIA Board and Committee meetings held during the quarter, and the Association's progress in implementing and complying with the new laws passed by the 86<sup>th</sup> Legislature, Regular Session.
  - i. Our focus as we met with coastal legislators in the 4<sup>th</sup> quarter was to make sure they had any needed information prior to the board and committee meetings, and to follow up after the meetings to answer any questions that arose as a result of issues that were discussed. *A list of all the legislative meetings attended in Q4 2019 is enclosed with this summary.*
    - In October 2019, we met with coastal legislators' offices to provide information about TWIA's rates and funding based on public comments made at the August Board meeting. We also met with these and other key legislative offices about our rates and funding in advance of the October 17 Actuarial & Underwriting Committee meeting.
    - In early December, we held our quarterly Board meeting materials briefing for interested legislative staff in advance of the December TWIA Board meeting. The briefing was well attended by the offices of coastal legislators and key stakeholders of TWIA, including staff from TDI and House Speaker Dennis Bonnen's and Lt. Governor Dan Patrick's offices. We focused our presentation on the major financial topics of interest, such as TWIA rates and funding, to make the meeting more valuable for attendees.
    - Following the December 10 Board meeting, we followed up with key coastal legislative offices, including the House Insurance Committee Chair, to answer questions about the Board's decisions and the topics of discussion at the meeting. We also discussed the upcoming House Insurance Committee hearing in Rockport, TX (held on January 15, 2020) to consider TWIA's implementation of House Bill 1900 with House Insurance Committee Chair Eddie Lucio, III's Legislative Director.
  - ii. From October 1 through December 31, 2019, we received and responded to 30 legislative, eight regulatory (TDI), and four coastal and industry stakeholder inquiries (City of Corpus

Christi, Texas Board of Professional Engineers & Land Surveyors, a Texas Farm Bureau agent, and the Insurance Council of Texas (ICT)).

- iii. We continue to provide recurring operational email updates to the Board, TDI, and Legislative staff.
- i. As the Legislature continues its oversight of TWIA under the interim charges issued by the House Speaker and Lieutenant Governor, we will continue engaging with key legislative offices on the status of our legislative implementation program. In addition to scheduling recurring meetings with House Insurance Committee Chair, Rep. Eddie Lucio, III's Legislative Director, we have plans to engage with the Windstorm Legislative Oversight Board and the Legislative Funding and Funding Structure Oversight Board to act as a resource for their respective studies on the operations and funding of the Association.

## **II. Legislative Implementation Program**

- a) Communications & Legislative Affairs continues to manage the Legislative Implementation Program by coordinating with Association project teams to ensure the deadlines of the legislative changes are met and providing change management support for the program's initiatives. The following program developments occurred in Q4 2019:
  - i. In partnership with the Underwriting department, we supported the development of agent webinars and disseminated communications to agents and policyholders on the new policy renewal process and policy contracts changes made in compliance with the 86<sup>th</sup> session legislative changes.
  - ii. In October 2019, we launched a *Changes at TWIA* webpage dedicated to the law changes passed during the 86<sup>th</sup> legislative session ([www.twia.org/changes](http://www.twia.org/changes)). The plain-language guide includes the status of TWIA's implementation of the legislative changes and provides information to agents, policyholders, and other stakeholders about how they may be impacted.
  - iii. We conducted Board training at the December 10 Board of Directors meeting. As required by Senate Bill 615, we provided each Board member a copy of a Board training manual and collected signed acknowledgments from each Board member confirming their receipt of the training manual.
  - iv. In early November 2019, representatives from Communications & Legislative Affairs, Claims, and Legal & Compliance met with TDI to discuss the rules and proposed changes to our policy forms and endorsements to comply with legislative changes impacting the claims process. Our close coordination with TDI continues to be productive and allows for a more efficient turnaround of project deliverables related to the law changes.
  - v. House appointments were made to the two legislative oversight boards authorized by House Bill 1900 to study and make recommendations for future legislation on TWIA. The

Windstorm Insurance Legislative Oversight Board tasked with studying a potential merger of TWIA and TFPA includes Reps. Abel Herrero, J.M. Lozano, Geanie Morrison, and Ed Thompson. The Windstorm Insurance Legislative Funding & Funding Structure Oversight Board tasked with studying TWIA's funding and sustainability includes Reps. Greg Bonnen, Alex Dominguez, Todd Hunter, and Eddie Lucio, III (House Insurance Committee Chair).

- We are still awaiting the Senate appointments to the legislative oversight boards; by law, the Senate Business & Commerce Committee Chair must serve as the co-chair of both boards.
  - We have plans to engage with the boards to act as a resource for their respective studies, including meeting with the individual appointees to provide information about and answer questions related to Association operations.
- vi. We remain on track to comply with the deadlines of the seven remaining legislative provisions related to the Association, which will go into effect this year or in early 2021.

### III. Coastal Outreach

- a) In early October 2019, we attended the Santa Fe Chamber of Commerce Monthly Membership Meeting Luncheon, where Sen. Larry Taylor and Rep. Greg Bonnen spoke. The event provided us with an opportunity to speak with chamber members and local business owners about recent legislation affecting TWIA.
- b) TWIA representatives also participated in the Galveston Economic Development Partnership's (GEDP) 8<sup>th</sup> Annual Economic Development Summit in October. During the Summit, we shared educational resources about TWIA's operations with attendees, and participated in a panel discussion on how to prepare for a storm event. GEDP invited us to collaborate with them on future events, and we are in the process of planning an event to take place later this year.
- c) I was invited to serve as a guest speaker for a webinar hosted by ICT in November 2019. During the webinar, I talked about recent and upcoming changes to TWIA's operations related to laws passed by the 86<sup>th</sup> Legislature and the impact these changes are expected to have on our stakeholders.
- d) In December, I spoke at a luncheon hosted by the Heart of Texas CPCU Society, providing attendees with an overview of TWIA's operations and of recent legislative changes.

### IV. Media Relations

- a) Media coverage during Q4 2019 was dominated by the Board's rate consideration process. The two meetings of the Actuarial & Underwriting Committee in October and November, and the Board meeting in December, garnered significant media coverage among coastal media outlets.
  - i. 68% of media mentions during the quarter were related to rates. Direct quotes from coastal legislators drove much of the negative coverage of rates. 49% of coverage in the quarter was positive or neutral, down 4% from the previous quarter (which was also dominated by coverage of rates), which was itself significantly below average.

- ii. The Communications & Legislative Affairs department sent media alerts on behalf of TWIA following each of the meetings on rates to mitigate the negative tone of the coverage. In October, CLA proactively responded to a press conference held by the United Corpus Christi Chamber of Commerce in opposition to an increase in TWIA rates. We issued a public statement on my behalf to clarify the advisory role of the Committee and to garner further public comment on the issue. My statements were quoted in several articles related to the press conference.
  - iii. In late October, the *Galveston County Daily News* published a guest opinion column by Henry Freudenburg of the Coastal Windstorm Insurance Coalition reacting to the October meeting of the Actuarial & Underwriting Committee. The article contained several mischaracterizations. We submitted a letter to the editor from Mr. Polak correcting Mr. Freudenburg's false assertion that the Committee determined that TWIA is not in compliance with the law in regard to its rate adequacy analysis. Mr. Polak's letter was published November 1. The *Daily News* published an additional opinion column by Mr. Freudenburg in December with inaccurate information, which we have brought to the attention of Mr. Freudenburg and to the editor of the *Daily News*, and which the paper is investigating.
  - iv. We responded to 18 media inquiries in the quarter, all on the topic of rates.
- b) Aside from rates, 15% of media mentions were related to litigation, driven by a widely syndicated November news release from TWIA's outside counsel celebrating an award received by one of its partners for TWIA-related litigation. This coverage was positive in tone. No other topic garnered more than 3% of media coverage in the quarter.
  - c) Despite an extremely challenging issue set in the second half of the year, TWIA ended 2019 with 64% positive or neutral coverage – identical to 2018 – thanks to a strong first six months with 85% positive or neutral coverage. The leading topic for media coverage during that period was legislation at 34%, followed by rates at 16%, and funding (reinsurance, bonds, etc.) at 13%.





## Q4 2019 Legislative & Regulatory Meetings

Legislative/Regulatory Office	Purpose
<b>October 2019</b>	
Rep. Sarah Davis	Met with staff to discuss the August TWIA Board meeting and rates and funding.
Rep. Briscoe Cain	Met with staff to discuss the August TWIA Board meeting and rates and funding.
Rep. Geanie Morrison	Met with staff to discuss the August TWIA Board meeting and rates and funding.
Rep. Mayes Middleton	Met with staff to answer questions about the status of TWIA's compliance with and implementation of new legislation and Association rates and funding.
<b>November 2019</b>	
Texas Department of Insurance	Discussed TDI rules and proposed changes to TWIA policy forms and endorsements to implement claims-related legislation.
<b>December 2019</b>	
Lt. Governor Dan Patrick; House Speaker Dennis Bonnen; Senate Business & Commerce Committee; Texas Department of Insurance; Corpus Christi Chamber of Commerce; Representatives Geanie Morrison, Mayes Middleton, Sarah Davis, and Abel Herrero; and Senators Judith Zaffirni, Juan "Chuy" Hinojosa, Lois Kolkhorst, and Larry Taylor <sup>1</sup>	Invited legislative staff from the Governor's, Lt. Governor's, and Speaker's offices and coastal and committee offices to the Q3 2019 TWIA Board Meeting Materials Briefing, focusing on the agenda items for which the Board was expected to take action: Member company assessment for Harvey, the Actuarial & Underwriting Committee rate recommendation and the 2020 Budget.
Sen. Lois Kolkhorst	Met with staff to discuss Association rates and funding and the upcoming December TWIA Board meeting.
Rep. Geanie Morrison	Met with staff to discuss the December TWIA Board meeting, focusing on the rate decision and discussion topics at the meeting.
Rep. Sarah Davis	Met with staff to discuss the December TWIA Board meeting, focusing on the rate decision and discussion topics at the meeting.
House Insurance Chair Rep. Eddie Lucio, III	Met with staff to discuss the December TWIA Board meeting, focusing on the rate decision and discussion topics at the meeting and the upcoming January House Insurance Committee hearing in Rockport.

<sup>1</sup> Includes only those legislative offices in attendance at the briefing.



## MEMORANDUM

---

DATE: January 28, 2020  
TO: TWIA Board of Directors  
FROM: Jennifer Armstrong, Vice President, Communications & Legislative Affairs  
RE: Agent Advisory Group (AAG) Meeting Highlights

---

### **January 2020 AAG Meeting Highlights**

The first quarter AAG meeting was held on January 28, 2020. The meeting was largely focused on the status of our legislative implementation program, but also included an overview of the TWIA Board's decisions and the timeline related to rates in 2019 and general underwriting and depopulation program updates.

AAG member attendees included Garry Kaufman, Galveston Insurance Associates; Scot Babineaux, Farmers Insurance in Beaumont; Greg Gardner, State Farm Insurance in Santa Fe; Chris Graham, Shepard, Walton, King in McAllen; Travis McDavid, GSM Insurors in Rockport; Clyde Neal, Neal Insurance Agency in Angleton (by phone); Shameka Robinson, USAA in San Antonio; and Bruce White, Texas Farm Bureau Insurance in Waco (by phone). Carie Roach with Borden Insurance in Corpus Christi was unable to attend the meeting.

### ***Prior Meeting Action Items***

During our recap of the action items from a prior meeting, we revisited a discussion about whether TWIA could retroactively grant additional living expenses (ALE) to policyholders who neglected to notify their agent of a change in their residence from secondary to primary, but who resided in the home as their primary residence at the time of loss. Policyholders may not receive ALE on a secondary residence. In past discussions with the AAG, they had pointed out instances following Hurricane Harvey where a policyholder had forgotten to notify them that their secondary residence had become their primary residence prior to the storm and were unable to get ALE under their Hurricane Harvey claim. This posed a financial burden on those policyholders who were impacted.

The Underwriting department clarified that TWIA will not grant ALE on policies that are listed as secondary residences. However, the issue is expected to be addressed in Underwriting's post-Harvey policy form and endorsement review to ensure the policy language related to ALE is clear. The AAG asked that additional measures be taken to ensure policyholders and agents do not run into situations where a policyholder forgets to update their secondary residence to a primary residence on their policy and then must forfeit ALE at the time of loss. Possible solutions to this issue include:



- Sending agents a communication prior to storm season with their policies listed as a secondary residence to remind them to check with the policyholder if changes need to be made.
- Sending a postcard to policyholders to remind them to contact their agent if the property has changed from a secondary residence to a primary residence and explaining how this can affect their ability to get ALE at the time of loss.
- Adding information to the policy declarations page or in the policy packet on ALE and secondary residences.
- Taking away the option to list a property as a secondary residence (which currently has a discounted premium).

The group agreed that additional communications would be the easiest and most effective way to move forward with addressing this issue.

#### *Legislative Implementation Update*

We provided an overview of the status of our implementation of the legislative changes from the 86<sup>th</sup> Legislative Session. Two of the legislative changes that went into effect at the beginning of the year had significant impacts on the agent community: the determination of insurance to value at policy issuance and the new policy renewal process allowing policyholders to renew their policy with and make a payment directly to TWIA.

The AAG provided positive feedback about the communications TWIA developed to notify agents and policyholders about the legislative changes and new processes.

They also expressed concerns about potential lapses in coverage related to policyholders not renewing or making payment timely on their policy. We explained our efforts to mitigate this, which include sending policyholders notifications well in advance of their policy renewal date and updating their policy renewal documents to highlight approved payment methods.

The AAG asked if TWIA will honor the postmarked date on a premium payment if it is prior to the expiration date of the policy. We explained that TDI rule only allows for four approved payment methods to ensure coverage, including hand cancelling the envelope in which the payment is sent. TDI rule does not allow TWIA to use the postmarked date on a policy payment sent via regular mail to avoid a lapse in coverage. The AAG asked staff to look into the possibility of changing that rule and asked that staff make it a priority, if possible.

We also covered legislative changes to the claims process and deadlines, as well as upcoming changes to the depopulation program, the windstorm certification program, and policyholders' premium payment options.

## 13D. Review and Approval of 2020 Budget



**Texas Windstorm Insurance Association  
Proposed 2020 Annual Budget**

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

	A	B	C	D	E	F
	for the twelve months ended December 31,					
	Actual - 2019	Budget - 2019	Variance - 2019	Budget - 2020	B2020 vs B2019	B2020 vs A2019
<b>Premiums Written:</b>						
1 Direct	\$372,017	\$348,634	\$23,383	\$348,587	(\$47)	(\$23,430)
2 Ceded	(92,403)	(86,000)	(6,403)	(93,109)	(7,109)	(706)
3 Ceded - Depopulation	(1,691)	(2,170)	479	(1,705)	465	(14)
4 Net	277,922	260,464	17,458	253,772	(6,691)	(24,150)
<b>Premiums Earned:</b>						
6 Direct	\$381,571	\$367,141	\$14,430	\$357,748	(\$9,393)	(\$23,823)
7 Ceded	(92,403)	(86,000)	(6,403)	(93,109)	(7,109)	(706)
8 Ceded - Depopulation	(1,691)	(2,170)	479	(1,705)	465	(14)
9 Net	287,477	278,971	8,506	262,934	(16,037)	(24,543)
<b>Deductions:</b>						
11 Losses and LAE Incurred	23,513	61,945	(38,432)	61,885	(60)	38,372
12 Losses and LAE Incurred - Harvey	90,000	0	90,000	0	-	(90,000)
13 Ceded Losses and LAE Incurred - Depopulation	(115)	(592)	477	(491)	102	(375)
14 Operating Expenses	29,338	35,328	(5,990)	32,496	(2,832)	3,158
15 Commission Expense	59,475	55,782	3,693	55,774	(8)	(3,701)
16 Ceding commissions / brokerage	(2,754)	(1,946)	(808)	(2,402)	(456)	352
17 Ceding commissions / brokerage - Depopulation	(406)	(521)	115	(409)	112	(3)
18 Premium / Maintenance Tax	6,982	6,870	112	6,866	(4)	(116)
19 Total Deductions	206,033	156,866	49,168	153,719	(3,147)	(52,314)
20 <b>Net Underwriting Gain or (Loss)</b>	81,443	122,105	(40,662)	109,215	(12,890)	27,771
<b>Other Income or (Expense):</b>						
22 Gross Investment Income and Other	6,268	4,929	1,339	4,729	(200)	(1,539)
23 CRTF Funds Received	0	0	0	0	-	-
24 Member Assessment Income	0	0	0	90,000	90,000	90,000
25 Interest Expense on Debt	(28,343)	(28,343)	0	(24,057)	4,286	4,286
26 Total Other Income or (Expense)	(22,075)	(23,414)	1,340	70,672	94,086	92,746
27 <b>Net Income (Loss)</b>	\$59,369	\$98,691	(\$39,322)	\$179,886	\$81,196	\$120,518
<b>Surplus (Deficit) Account:</b>						
31 Beginning Surplus (Deficit)	(277,864)	(277,864)	(0)	(312,726)	(34,862)	(34,862)
32 Net Income (Loss)	59,369	98,691	(39,322)	179,886	81,196	120,518
33 Principal Funded on Class 1 Bonds (net)	0	0	0	0	-	-
34 Change in nonadmitted assets - Other	135	(0)	135	(0)	0	(135)
35 Other	0	0	0	0	-	-
36 Statutory Fund Cost	(94,366)	(50,715)	(43,651)	(42,968)	7,747	51,399
37 Ending Surplus (Deficit)	(\$312,726)	(\$229,888)	(\$82,838)	(\$175,808)	\$54,081	\$136,919
<b>Key Operating Ratios:</b>						
40 Direct:						
41 Loss & LAE Ratio	29.7%	16.9%	12.9%	17.3%	0.4%	-12.5%
42 UW Expense Ratio:						
43 Acquisition	17.9%	18.0%	-0.1%	18.0%	0.0%	0.1%
44 Non Acquisition	7.7%	9.6%	-1.9%	9.1%	-0.5%	1.4%
45 UW Expense Ratio	25.6%	27.6%	-2.0%	27.1%	-0.5%	1.5%
46 <b>Direct Combined Ratio</b>	55.3%	44.5%	10.8%	44.4%	-0.1%	-11.0%
47						
48 Ending Balance in CRTF	122,496	1,220	121,276	229,911	228,691	107,415

## **Texas Windstorm Insurance Association Proposed 2020 Annual Budget**

Key assumptions and projected results for the proposed annual budget for the year 2020 for the Texas Windstorm Insurance Association (the “2020 Budget”) are provided below for consideration by the Board of Directors.

### **Policy Count**

- The number of policies in force is budgeted to decline from 189,203 policies at year end 2019 to 176,700 at year end 2020, including a 10,503 attritional policy count reduction (5.6%) and 2,000 (1.1%) from depop policy transfers.

### **Rate Changes**

- The 2020 budget does not assume any rate increase over current rate levels.

### **Direct Written and Earned Premium**

- Direct Written Premium is budgeted at \$348.6 million, a \$23.4 million reduction (6.3%) from the actual 2019 Direct Written Premium of \$372.0 million.
- Earned Premium declines to \$357.7 million in 2020 compared with actual earned of \$381.6 million in 2019, a decline of \$23.9 million (6.2%).

### **Reinsurance Costs**

- Reinsurance costs (before commissions) is budgeted at \$93.1 million in 2020. This compares to the \$92.4 million actual cost in 2019. The increase is based on a budgeted increase in the rate-on-line at June 1, 2020 (4.3% to 4.95%) compared to the 2019 placement.
  - Actual results will depend upon reset pricing for existing cat bonds and overall cat bond and traditional reinsurance market conditions. These amounts represent a placeholder and should not be interpreted as a forecast of market conditions.
- Total limit purchased is projected at \$1.88 billion, with an attachment point of \$2.22 billion. The total limit purchased may change based on the Board’s deliberations.
- 2020 budgeted reinsurance does not reflect any assumptions regarding the Board determination of the 1:100 aggregate loss threshold for purposes of assessing member companies for the portion above the threshold.

### **Ceded Depop Premium**

- Budgeted 2,000 policies are ceded to participating carriers at December 1, 2019 and transferred to participating carriers on June 1. Actual transfers are now expected to be under 2,000.
- The impact of the depop program on 2020 revenues is a reduction in earned premium of \$1.7 million and a transfer of unearned premium of approximately \$3.9 million.

### **Net Earned Premium:**

- Net Earned Premium is budgeted to decline 8.5% (\$24.5 million) to \$262.9 million from the \$287.5 million actual Net Earned Premium in 2019.

### **Loss and Loss Adjustment Expense Incurred**

- The 2020 Budget includes loss and LAE assumptions for non-hurricane losses only. No provision is made for any hurricane losses.
- The projected 2020 annual loss ratio is set at 17.3%.

- The estimated ultimate gross loss and LAE provision for Hurricane Harvey is assumed to remain adequate at \$1.7 billion.

## Operating Expenses

- *Total Operating Expenses* before allocations to loss adjustment expense and investment expense are budgeted to decline from \$48.7 million in 2019 to \$45.0 million in the 2020 Budget; a \$3.8 million, or 7.8% reduction.
  - This result reflects a decline in Unallocated Loss Adjustment Expense (ULAE) of \$4.9 million due to a reduction in Hurricane Harvey claim handling activity, partially offset by a \$3.2 million increase in Underwriting Expenses.
  - *Underwriting Expenses* for TWIA are budgeted at \$32.5 million, reflecting a \$3.2 million increase over the actual 2019 expenses of \$29.3 million (Project ELEVATE and legislative initiatives).
  - Budgeted 2020 *Investment Expense* represents bank service fees. Expenses associated with the \$500 million line of credit which were previously included in *Total Operating Expenses* within *Investment Expense* have been reclassified to Other Income/Expense.

	Total Operating Expenses (\$'s in 000's)		
	Actual 2019	Budget 2020	B2020 vs A2019
TWIA			
UW Expenses	29,338	32,496	3,158
ULAE	16,887	12,033	(4,854)
Investment Exp	2,387	308	(2,079)
Reimb Depop Srv	120	117	(4)
Total Operating Expenses	48,732	44,954	(3,778)

- A summary of the *Net Underwriting Expenses* components is provided below:

## Net Underwriting Expenses by Category (\$'s in 000's)

Description			B2020 vs
	Actual 2019	Budget 2020	A2019
Personnel Costs	16,228	17,432	1,204
Professional Services	7,830	9,179	1,348
HW/SW & Licensing	2,647	2,973	327
Rental & Maintenance	1,004	1,082	78
Travel Expenses	208	264	56
Postage, Tele & Express	758	890	132
Other Operating Expense	662	675	13
Net Underwriting Expenses	29,338	32,496	3,158

- *Personnel Costs* are budgeted to increase \$1.2 million from \$16.2 million to \$17.4 million in 2020.
  - The total number of TWIA employees at the end of 2019 was 221 plus 10 vacant positions. The 2020 budget assumes these vacancies are filled and does not include any new positions.



- The 2020 budgeted year end headcount of 231 reflects a reduction of 10 positions compared to the 241 positions budgeted at year end 2019.
- Below is a brief summary of actual and budgeted headcount.

	2019 Budget Positions	2019 Actual Positions <sup>1</sup>	2020 Budget Positions
Total Employees at Year End	241	231	231

(1) Year End 2019 - 221 employees and 10 vacancies pending

- The \$1.2 million increase in TWIA *Personnel Costs* is largely driven by increases in Contractor and Temporary Help expenses of \$951,000 due to IT contractors required for Project ELEVATE. The 2020 Budget includes a 2.5% average merit increase for TWIA employees.

Total Personnel Costs (000's)			
	Actual 2019	Budget 2020	B2020 vs A2019
Salary & Wages	9,504	9,713	209
Contractor & Temporary Help	2,321	3,272	951
Payroll Taxes	651	742	91
Employee Benefits	3,385	3,356	(28)
Recruiting, Training & Other	368	349	(18)
Total Personnel Costs	16,228	17,432	1,204

- *Salaries and Wages* are budgeted to increase by \$209,000 due to the full year impact of 2019 staff additions and the assumed 2.5% merit increase, offset by reductions in IT and Underwriting personnel. The 2.5% merit increase adds approximately \$218,000 to the 2020 *Personnel Costs* Budget.
- *Professional Services* are budgeted to increase \$1.35 million from \$7.8 million to \$9.2 million due to additional IT consulting fees associated with the Guidewire implementation and additional Actuarial consulting fees for independent rate indications, partially offset by reductions across other departments (including decreases in audit and accounting fees and disaster recovery vendors, among others).
- Within the *Professional Services* expense category, *Other Services* includes our outside call center, MSB licenses, Eagleview aerial photo services and Expert Panel costs.

Professional Services  
(000's)

	Actual 2019	Budget 2020	B2020 vs A2019
Information Technology	\$2,379	\$3,679	\$1,301
Other Services	2,862	2,890	28
Surveys & Inspections	1,527	1,526	(1)
Legal	360	345	(15)
Accounting & Auditing	356	272	(84)
Actuarial Services	(20)	196	215
Disaster Recovery Services	234	157	(77)
Ombudsman Program	132	114	(18)
Subtotal	\$7,830	\$9,179	\$1,348

### Commission Expense

- Current commission rates (16.0%) and premium tax rates (2%) are consistent with prior years and applied to Direct Written Premium.
- Commission expense declines to \$55.8 million in 2020 from the 2019 actual of \$59.5 million. Premium tax declines to \$6.9 million in the 2020 budget from \$7.0 million actual in 2019.

### Other Income (Expense)

- *Other income/(expense)* for the 2020 Budget includes \$90 million in member assessment revenues associated with the 2019 increase in Hurricane Harvey estimated losses.
- *Other income/(expense)* includes interest expense of \$24.1 million on the Series 2014 bonds and fees and expenses in connection with the anticipated renewal of the \$500 million line of credit.
- *Gross investment income*, net of investment expenses in 2020 is forecasted at \$4.7 million based on projected cash balances and yields.

### Net Income

- The 2020 budget assumptions result in net income of \$179.9 million before the CRTF contribution, including the \$90 million member assessment income. Excluding the member assessment, net income is projected to equal \$89.9 million.

### CRTF Contribution

- Based on the 2020 Budget, TWIA would accrue a \$43.0 million liability for the annual CRTF contribution in 2020, which would be funded in early 2021.
- Based on 2019 actual results, the Association has accrued a \$94.4 million contribution to be paid in Q1 2020 to the CRTF, bringing the budgeted balance to \$229.9 million by year end 2020.

### Debt Service

- The 2020 Budget maintains the existing Series 2014 bonds and their scheduled principal and interest payments. To the extent that the TWIA refinances the securities, the issuance costs and interest savings will be reflected as a variance to the budget.

### Surplus/(Deficit)

- The actual deficit at December 31, 2019 is \$312.7 million. Based on net income of \$179.9 million and an accrual of the CRTF contribution of \$43.0 million in 2020, the deficit is projected to decrease to \$175.8 million at December 31, 2020.

## TWIA 2020 Budget Appendix

Texas Windstorm Insurance Association

Texas FAIR Plan

2019 Actuals, 2019 Budget and 2020 Budget Comparisons

	Total Operating Expenses		
	Budget 2019	Budget 2020	B2020 vs B2019
<b>TWIA</b>			
UW Expenses	35,328	32,496	(2,832)
ULAE	23,121	12,033	(11,088)
Investment Exp	1,224	308	(916)
Capitalized Exp	0	0	0
Reimb Depop Srv	161	117	(45)
<b>Total Operating Expenses</b>	<b>59,835</b>	<b>44,954</b>	<b>(14,881)</b>
<b>TFPA</b>			
UW Expenses	15,818	14,348	(1,470)
ULAE	6,229	5,405	(824)
Investment Exp	122	122	0
Capitalized Exp	0	0	0
Reimb Depop Srv	0	0	0
<b>Total Operating Expenses</b>	<b>22,169</b>	<b>19,874</b>	<b>(2,294)</b>
<b>COMBINED</b>			
UW Expenses	51,146	46,844	(4,303)
ULAE	29,349	17,438	(11,911)
Investment Exp	1,346	430	(916)
Capitalized Exp	0	0	0
Reimb Depop Srv	161	117	(45)
<b>Total Operating Expenses</b>	<b>82,003</b>	<b>64,828</b>	<b>(17,175)</b>

	Total Operating Expenses		
	Actual 2019	Budget 2020	B2020 vs A2019
<b>TWIA</b>			
UW Expenses	29,338	32,496	3,158
ULAE	16,887	12,033	(4,854)
Investment Exp	2,387	308	(2,079)
Capitalized Exp	0	0	0
Reimb Depop Srv	120	117	(4)
<b>Total Operating Expenses</b>	<b>48,732</b>	<b>44,954</b>	<b>(3,778)</b>
<b>TFPA</b>			
UW Expenses	15,688	14,348	(1,340)
ULAE	3,691	5,405	1,714
Investment Exp	122	122	(0)
Capitalized Exp	0	0	0
Reimb Depop Srv	0	0	0
<b>Total Operating Expenses</b>	<b>19,501</b>	<b>19,874</b>	<b>374</b>
<b>COMBINED</b>			
UW Expenses	45,026	46,844	1,818
ULAE	20,578	17,438	(3,140)
Investment Exp	2,509	430	(2,079)
Capitalized Exp	0	0	0
Reimb Depop Srv	120	117	(4)
<b>Total Operating Expenses</b>	<b>68,233</b>	<b>64,828</b>	<b>(3,405)</b>

Texas Windstorm Insurance Association  
Texas FAIR Plan  
2019 Actuals, 2019 Budget and 2020 Budget Comparisons

	Total Operating Expenses		
			A2019 vs
TWIA	Actual 2019	Budget 2019	B2019
UW Expenses	29,338	35,328	(5,990)
ULAE	16,887	23,121	(6,234)
Investment Exp	2,387	1,224	1,163
Capitalized Exp	0	0	0
Reimb Depop Srv	120	161	(41)
<b>Total Operating Expenses</b>	<b>48,732</b>	<b>59,835</b>	<b>(11,102)</b>
TFPA			
UW Expenses	15,688	15,818	(130)
ULAE	3,691	6,229	(2,538)
Investment Exp	122	122	0
Capitalized Exp	0	0	0
Reimb Depop Srv	0	0	0
<b>Total Operating Expenses</b>	<b>19,501</b>	<b>22,169</b>	<b>(2,668)</b>
COMBINED			
UW Expenses	45,026	51,146	(6,120)
ULAE	20,578	29,349	(8,772)
Investment Exp	2,509	1,346	1,163
Capitalized Exp	0	0	0
Reimb Depop Srv	120	161	(41)
<b>Total Operating Expenses</b>	<b>68,233</b>	<b>82,003</b>	<b>(13,770)</b>

	Total Operating Expenses		
			B2020 vs
TWIA	Actual 2019	Budget 2020	A2019
UW Expenses	29,338	32,496	3,158
ULAE	16,887	12,033	(4,854)
Investment Exp	2,387	308	(2,079)
Capitalized Exp	0	0	0
Reimb Depop Srv	120	117	(4)
<b>Total Operating Expenses</b>	<b>48,732</b>	<b>44,954</b>	<b>(3,778)</b>
TFPA			
UW Expenses	15,688	14,348	(1,340)
ULAE	3,691	5,405	1,714
Investment Exp	122	122	(0)
Capitalized Exp	0	0	0
Reimb Depop Srv	0	0	0
<b>Total Operating Expenses</b>	<b>19,501</b>	<b>19,874</b>	<b>374</b>
COMBINED			
UW Expenses	45,026	46,844	1,818
ULAE	20,578	17,438	(3,140)
Investment Exp	2,509	430	(2,079)
Capitalized Exp	0	0	0
Reimb Depop Srv	120	117	(4)
<b>Total Operating Expenses</b>	<b>68,233</b>	<b>64,828</b>	<b>(3,405)</b>

**Impact of Changing Aggregate Salaries and Allocations on TWIA  
Budget 2020 vs. Actual 2019**

	Total Salaries and Wages					
	Total TWIA and TFPA		B2020 vs A2019	TWIA		B2020 vs A2019
	Actual 2019	Budget 2020		Actual 2019	Budget 2020	
Accounting	1,507,735	1,716,796	209,061	892,656	1,071,617	178,961
Actuary	194,715	200,800	6,085	106,775	100,394	(6,381)
Communications	759,741	791,556	31,815	651,858	710,809	58,951
HR	673,279	707,379	34,100	437,631	491,157	53,526
Corporate	161,700	93,000	(68,700)	96,100	93,000	(3,100)
Executive/Board	442,200	618,687	176,487	269,651	371,219	101,568
IT	4,710,744	4,996,339	285,595	3,826,085	3,457,067	(369,018)
Legal/Compliance	600,669	709,142	108,473	448,475	550,744	102,269
Operations	897,098	1,102,213	205,115	584,694	742,198	157,504
Underwriting	4,102,585	4,008,167	(94,418)	2,190,114	2,125,204	(64,910)
Total	14,050,467	14,944,079	893,612	9,504,038	9,713,409	209,371

	Total Salaries and Wages				
	TWIA Allocation		Impact of Change in Allocations <sup>1</sup>	Impact of Change in Salaries <sup>2</sup>	Total
	Actual 2019	Budget 2020			
Accounting	59%	62%	\$48,466	\$130,495	\$178,961
Actuary	55%	50%	(\$9,423)	\$3,042	(6,381)
Communications	86%	90%	\$30,382	\$28,569	58,951
HR	65%	69%	\$29,849	\$23,677	53,526
Corporate	59%	100%	\$65,600	(\$68,700)	(3,100)
Executive/Board	61%	60%	(\$4,326)	\$105,894	101,568
<b>IT</b>	<b>81%</b>	<b>69%</b>	<b>(\$566,626)</b>	<b>\$197,609</b>	<b>(369,018)</b>
Legal/Compliance	75%	78%	\$18,025	\$84,244	102,269
Operations	65%	67%	\$19,386	\$138,118	157,504
Underwriting	53%	53%	(\$14,848)	(\$50,062)	(64,910)
Total	68%	65%	(\$371,463)	\$580,833	\$209,371

(1) 2019 Actual TWIA salaries X Change in Allocation

(2) Change in salaries X New Allocations

**Impact of Changing Aggregate Salaries and Allocations on TWIA  
Budget 2020 vs. Budget 2019**

	Total Salaries and Wages					
	Total TWIA and TFPA		B2020 vs B2019	TWIA		B2020 vs B2019
	Budget 2019	Budget 2020		Budget 2019	Budget 2020	
Accounting	1,578,423	1,716,796	138,373	613,456	645,179	31,723
Actuary	181,175	200,800	19,625	90,602	100,406	9,804
Communications	703,953	791,556	87,603	182,019	80,747	(101,272)
HR	691,112	707,379	16,267	241,899	216,222	(25,677)
Corporate	93,000	93,000	-	-	-	-
Executive/Board	524,438	618,687	94,249	131,117	247,468	116,351
IT	5,016,157	4,996,339	(19,818)	1,744,968	1,539,272	(205,696)
Legal/Compliance	588,211	709,142	120,931	156,069	158,398	2,329
Operations	1,030,039	1,102,213	72,174	361,431	360,015	(1,416)
Underwriting	4,266,576	4,008,167	(258,409)	2,039,660	1,882,963	(156,697)
Total	14,673,084	14,944,079	270,995	5,561,221	5,230,670	(330,551)

	Total Salaries and Wages				
	TWIA Allocation		Impact of Change in Allocations <sup>1</sup>	Impact of Change in Salaries <sup>2</sup>	Total
	Budget 2019	Budget 2020			
Accounting	39%	38%	(20,278)	52,001	31,723
Actuary	50%	50%	(9)	9,813	9,804
Communications	26%	10%	(110,208)	8,936	(101,272)
HR	35%	31%	(30,649)	4,972	(25,677)
Corporate	0%	0%	-	-	-
Executive/Board	25%	40%	78,652	37,699	116,351
<b>IT</b>	<b>35%</b>	<b>31%</b>	<b>(199,590)</b>	<b>(6,106)</b>	<b>(205,696)</b>
Legal/Compliance	27%	22%	(24,683)	27,012	2,329
Operations	35%	33%	(24,990)	23,574	(1,416)
Underwriting	48%	47%	(35,301)	(121,396)	(156,697)
Total	38%	35%	(425,404)	94,853	(330,551)

(1) 2019 Budget TWIA salaries X Change in Allocation

(2) Change in salaries X New Allocations

**Impact of Changing Aggregate Salaries and Allocations on TWIA  
Budget 2020 vs. Budget 2019**

	Total Salaries and Wages					
	Total TWIA and TFPA		A2019 vs B2019	TWIA		A2019 vs B2019
	Actual 2019	Budget 2019		Actual 2019	Budget 2019	
Accounting	1,507,735	1,578,423	(70,688)	892,656	964,967	(72,311)
Actuary	194,715	181,175	13,540	106,775	90,573	16,202
Communications	759,741	703,953	55,788	651,858	521,934	129,924
HR	673,279	691,112	(17,833)	437,631	449,213	(11,582)
Corporate	161,700	93,000	68,700	96,100	93,000	3,100
Executive/Board	442,200	524,438	(82,238)	269,651	393,321	(123,670)
IT	4,710,744	5,016,157	(305,413)	3,826,085	3,271,189	554,896
Legal/Compliance	600,669	588,211	12,458	448,475	432,142	16,333
Operations	897,098	1,030,039	(132,941)	584,694	668,608	(83,914)
Underwriting	4,102,585	4,266,576	(163,991)	2,190,114	2,226,916	(36,802)
Total	14,050,467	14,673,084	(622,617)	9,504,038	9,111,863	392,175

	Total Salaries and Wages				
	TWIA Allocation		Impact of Change in Allocations <sup>1</sup>	Impact of Change in Salaries <sup>2</sup>	Total
	Actual 2019	Budget 2020			
Accounting	59%	61%	(30,460)	(41,851)	(72,311)
Actuary	55%	50%	8,777	7,425	16,202
Communications	86%	74%	82,057	47,866	129,924
HR	65%	65%	10	(11,592)	(11,582)
Corporate	59%	100%	(37,729)	40,829	3,100
Executive/Board	61%	75%	(73,522)	(50,148)	(123,670)
<b>IT</b>	81%	65%	802,953	(248,057)	554,896
Legal/Compliance	75%	73%	7,032	9,302	16,333
Operations	65%	65%	2,732	(86,646)	(83,914)
Underwriting	53%	52%	50,743	(87,544)	(36,802)
Total	68%	62%	813,327	(421,151)	392,175

(1) 2019 Actual TWIA salaries X Change in Allocation

(2) Change in salaries X New Allocations

**Impact of Changing Aggregate Salaries and Allocations on TWIA  
Budget 2020 vs. Budget 2019**

	Total Salaries and Wages					
	Total TWIA and TFPA		A2019 vs A2018	TWIA		A2019 vs A2018
	Actual 2019	Actual 2018		Actual 2019	Actual 2018	
Accounting	1,507,735	1,269,708	238,027	892,656	784,077	108,578
Actuary	194,715	176,932	17,784	106,775	100,901	5,874
Communications	759,741	628,130	131,611	651,858	500,836	151,022
HR	673,279	636,614	36,664	437,631	413,799	23,832
Corporate	161,700	156,000	5,700	96,100	120,000	(23,900)
Executive/Board	442,200	522,155	(79,954)	269,651	391,616	(121,965)
IT	4,710,744	5,149,374	(438,630)	3,826,085	3,222,034	604,051
Legal/Compliance	600,669	567,067	33,602	448,475	412,786	35,690
Operations	897,098	984,660	(87,562)	584,694	646,159	(61,465)
Underwriting	4,102,585	4,083,698	18,887	2,190,114	2,018,904	171,210
Total	14,050,467	14,174,337	(123,870)	9,504,038	8,611,112	892,927

	Total Salaries and Wages				
	TWIA Allocation		Impact of Change in Allocations <sup>1</sup>	Impact of Change in Salaries <sup>2</sup>	Total
	Actual 2019	Actual 2018			
Accounting	59%	62%	(32,346)	140,924	108,578
Actuary	55%	57%	(3,878)	9,752	5,874
Communications	86%	80%	38,099	112,923	151,022
HR	65%	65%	(0)	23,832	23,832
Corporate	59%	77%	(27,288)	3,388	(23,900)
Executive/Board	61%	75%	(73,209)	(48,756)	(121,965)
<b>IT</b>	81%	63%	960,308	(356,257)	604,051
Legal/Compliance	75%	73%	10,601	25,088	35,690
Operations	65%	66%	(4,395)	(57,070)	(61,465)
Underwriting	53%	49%	161,128	10,083	171,210
Total	68%	61%	976,715	(83,788)	892,927

(1) 2019 Actual TWIA salaries X Change in Allocation

(2) Change in salaries X New Allocations

### 13E. Performance Evaluation of General Manager

There is no exhibit for this topic



### 17. Future Meetings

May 12, 2020 – Hyatt Regency – Austin

August 4, 2020 – Tremont House – Galveston

December 2020 – TBD