Meeting of the Board of Directors Texas Windstorm Insurance Association Teleconference/Web Conference



February 25, 2025 Moody Gardens Hotel 7 Hope Blvd. Galveston, TX 9:00 a.m.

Interested parties can listen to the meeting live by going to www.twia.org. Go to "About Us/Board Meetings" and access the video conferencing website with instructions available on www.twia.org.

Interested parties may attend the meeting and offer public comment in person at the Moody Gardens Hotel or virtually via Zoom Webinar.

*Indicates item on which General Manager believes the TWIA Board of Directors is likely to take action.

However, the board may take action on any item that appears on this agenda.

1.	Call to Order A. Welcoming Remarks – <i>Karen Guard</i> B. Anti-Trust Statement and Conflict of Interest Disclosure – <i>Counsel</i> C. Meeting Format Information – <i>Kristina Donley</i>	5 minutes
2.	Approve the Minutes from Prior Board of Directors Meeting – Karen Guard – Action/Vote Likely*	5 minutes
3.	TWIA Board Officer Elections – Karen Guard – Action/Vote Likely*	10 minutes
4.	Public Comment	30 minutes
5.	TWIA Operational Dashboard – David Durden	5 minutes
6.	Financial A. Report of the Secretary/Treasurer – <i>Karen Guard</i> – <i>Action/Vote Likely*</i> 1. Income Statement	30 minutes

- 2. Management Discussion and Analysis
- B. Financial Statement Review by Staff Stuart Harbour
 - 1. Income Statement and Expense Statement
 - 2. Balance Sheet
 - 3. Cash & Short-Term Investments
 - 4. Cash Flow Statement
 - 5. Historical Data
- C. Withdrawal of Funds from Catastrophe Reserve Trust Fund *Stuart Harbour*
- 7. Actuarial 40 minutes
 - A. Policy Count/Exposures *Jim Murphy*
 - B. Reserve Adequacy *Jim Murphy*
 - C. Appointed Actuary Qualification Documentation *Jim Murphy*

TWIA Agenda 1

- D. Determination of 2025 Funding; Including Aon Modeling Update, Reinsurance Procurement and Determination of Probable Maximum Loss for a Catastrophe Year with a Probability of 1 in 100 David Durden **Action/Vote Likely***
- E. Overview of 2025 Funding Plans Jim Murphy

8. Internal Audit Status & Update – Dan Graves – Weaver

10 minutes

9. Underwriting Operational Review Update – Michael Ledwik

10 minutes

10. Claims

20 minutes

- A. Claims Operations Overview Dave Williams
- B. Litigation Summary Jessica Crass

11. TWIA Operations

20 minutes

- A. IT Systems Update Michael Eleftheriades
- B. Communications and Legislative Affairs Update David Durden
- C. Procedure to Appoint Interim GM If Needed/Required Jessica Crass
- 12. Closed Session (Board Only)

20 minutes

- A. Personnel Issues
- B. Legal Advice
- 13. Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors *Action/Vote Likely**

5 minutes

14. Committee – Karen Guard

5 minutes

15. Future Meetings – David Durden

5 minutes

- May 6, 2025 Marriott South Austin
- August 5, 2025 Tremont House Galveston
- Move December Meeting to November

16. Adjourn

TWIA Agenda 2

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.

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.

2. Approve the Minutes



TEXAS WINDSTORM INSURANCE ASSOCIATION

Omni Hotel 900 North Shoreline Blvd. Corpus Christi, TX

December 10, 2024

The Following Board Members were Present:

1. Karen Guard (Secretary/Treasurer) Industry Representative

2. Peggy Gonzalez First Tier Coastal Representative

3. Esther Grossman Industry Representative

4. Tim Garrett Non-Seacoast Territory Representative

5. Greg Smith First Tier Coastal Representative

The Following TWIA Staff, Counsel, and Agents were Present:

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1.	David Durden, General Manager	TWIA
2.	Stuart Harbour, CFO	TWIA
3.	Dave Williams, VP Claims	TWIA
4.	Jessica Crass, VP Legal	TWIA
5.	Michael Ledwik, VP Underwriting	TWIA
6.	Michelle Friesenhahn, VP People and Business	TWIA
	Operations	
7.	Jim Murphy, Chief Actuary	TWIA
8.	Amy Koehl, Senior Project Administrator	TWIA
9.	Kristina Donley, Training, QA and Agency	TWIA

Audit Manager

10. Michael Eleftheriades, Interim Chief TWIA

Information Officer

11. Jessica Davison, Project Administrator TWIA

12. Mike Perkins, Association Counsel Perkins Law Group PLLC

The Following Guest Was Present:

1. Dan Graves Weaver

The Following In-Person Attendees Were Present:

1. Scot Kibbe APCIA

Bart Braselton
 George Taylor
 Braselton Development
 F.B. Taylor Insurance

4. Allen Cashin Gallagher Re

5. Bill Dubinsky Gallagher Securities

6. Joey Walker Gallagher Re

7. Veronda Durden Guest

8. Alex Dontervoet Guy Carpenter

9. Paul Hosni Guy Carpenter

10. Carie Ann Roach IIAT

11. Paityn Fleming Nueces County

12. John Marez13. Bela HuertaNueces County CommissionerOffice of Rep. Todd Hunter

14. MK Walling Office of Sen. Elect Adam Hinojosa

15. David Bolduc16. Beaman FloydTCAIS

17. Andrew Hurt Texas Department of Insurance
 18. David Muckerheide Texas Department of Insurance
 19. Marianne Baker Texas Department of Insurance

<u>The Association's Webinar Tool Attendance Report Indicates the Following Attendees Were</u> Online:

1. Steve Evans 13. Anna Stafford 2. Luke Gallin 14. Chris Swetonic 15. Rubi Harman 3. Angela Fang 4. Kenisha Schuster 16. Sally Bakko 5. Eric Casas 17. James Conroy 6. Jordan He 18. Allen Fulkerson 7. Ron Walenta 19. Frank Folger 8. Alicia Gerte 20. Jeff Berg

9. Shirley Bowler
10. Richard Meister
11. Lou Cusano
12. Elizabeth Howland
21. Marianne Moul
22. Georgia Neblett
23. Randy Niemeier
24. Ranjit Bhaskar

- 1. <u>Call to Order:</u> Ms. Guard called the meeting to order at 9:00 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. Mr. Perkins presented the required conflict-of-interest disclosures on behalf of each board member. Ms. Donley reviewed the housekeeping items.
- 2. <u>Introduction of New Board Member:</u> Mr. Durden introduced new board member Greg Smith.
- 3. <u>TWIA Board Officer Elections:</u> Mr. Durden and Ms. Guard discussed the elections prior to the board meeting and she suggested delaying them until the February meeting.
- 4. <u>Approval of Minutes:</u> The minutes from the November 13, 2024 and August 6, 2024 meetings were reviewed. Ms. Grossman moved to approve the minutes as presented. Mr. Garrett seconded the motion. The motion passed unanimously. Ms. Grossman asked if it would be an issue that Ms. Franklin Womack and Ms. Neblett are listed as

signatories on the document as they are no longer on the board. Mr. Perkins said Ms. Koehl can sign the document instead.

- 5. <u>Public Comment:</u> There were no written public comments and no virtual comments. Rep. Todd Hunter offered in person public comment.
- 6. <u>TWIA Operational Dashboard:</u> Mr. Durden reviewed the operational dashboard for the quarter. Written and earned premiums are up for the quarter. The current Association staff headcount is 231 employees and 324 contractors.

7. Financial:

- A. Report of the Secretary/Treasurer: Ms. Guard reviewed the Treasurer's Report. Ms. Grossman moved to approve the report. Mr. Garrett seconded the motion. The motion passed unanimously.
- B. <u>Financial Statement Review by Staff:</u> Mr. Harbour reported that the direct written premiums for the nine months ending September 30, 2024 were \$605.5 million. Direct earned premiums were \$519.8 million. Current policies in force number 269,152.

The 2024-2025 reinsurance program incepted on June 1, 2024. Coverage for the 2024 hurricane season consists of \$2.1 billion of collateralized catastrophe bonds and \$1.950 billion of traditional reinsurance. Gross ceded premiums associated with the \$4.050 billion in coverage totaled \$389.9 million compared to a budgeted estimate of \$298.0 million. This total reflects an overall developed rate-on-line (ROL) of 9.6% compared to the 9.7% ROL for the 2023 program. The net cost of the reinsurance program after ceding commission was \$379.4 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

There was no round seven depopulation program in 2023/2024 because no carriers registered to participate.

Direct losses and loss adjustment expense for the period January 1 to September 30 were \$627.3 million. The loss and loss adjustment expense ratio was 120.7% with the budgeted amount being 15.1%. The ultimate loss and loss adjustment expense estimate for Hurricane Beryl is \$455 million as of September 30, 2024.

Operating expenses for the period January 1 to September 30 were \$28.4 million. Notable expenses under budget include personnel expenses (\$2.2 million) and software and hardware (\$140,000).

Commission expenses for the period January 1 to September 30 were \$96.8 million. Premium taxes were \$10.5 million.

- Operating account balances have been reduced to maximize amounts invested in Money Market Mutual Funds, which provide a higher rate of interest earnings. Yields on the Association's investments in Money Market Mutual Funds have increased as the Federal Reserve raised interest rates to combat the high levels of inflation.
- C. Review and Approval of 2025 Budget: Mr. Harbour reviewed the details of the 2025 TWIA budget. He noted that a small change in salary allocation for a few FAIR Plan employees occurred between the budget review and today's meeting. Mr. Garrett moved to approve the budget as presented. Ms. Grossman seconded the motion. The motion passed unanimously.

8. Actuarial:

- A. <u>Policy Counts/Exposures:</u> Policy counts are up 10% and exposures are up 20%. These numbers are down slightly from previous quarters.
- B. <u>Reserve Adequacy:</u> TWIA actuarial staff has completed a review of the Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of September 30, 2024.

As of September 30, 2024, TWIA held \$255.8 million in total gross loss and loss adjustment expense reserves. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Harvey, Hurricane Beryl and all other outstanding claims.

Based on this review, the initial quarterly estimate of ultimate gross loss and expense associated with Hurricane Beryl is set at \$455 million. TWIA actuarial staff will continue to monitor the development of claims associated with this event and update the ultimate estimate as necessary going forward. The selected ultimate gross loss and expense estimate for Hurricane Harvey remains at \$1.655 billion.

In the opinion of the chief 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.

- C. <u>Status of Filings:</u> At the August meeting, the TWIA Board of Directors instructed staff to make their rate filing for a 10% increase. The insurance commissioner issued an order on October 14, 2024 disapproving the rate change. TWIA also filed for changes to its maximum statutory limits as directed. The commissioner issued an order approving changes to the maximum limits for manufactured homes and disapproving of changes to all other limits.
- D. <u>2025 Storm Season Funding:</u> The TWIA Board of Directors asked to include 2025 hurricane season funding on the agenda for its December 2024 meeting.

For reference, the 2024 hurricane season reinsurance program became effective June 1, 2024 and provides protection for aggregate losses between \$2.45 billion and \$6.5 billion, utilizing a combination of traditional reinsurance and catastrophe bonds. The total adjusted cost for the program was \$397 million.

Given the continued growth in TWIA exposures and the depletion of the Catastrophe Reserve Trust Fund because of Hurricane Beryl, staff projects that significant additional reinsurance may be necessary for 2025. Staff will work with catastrophe modeling vendor, Aon, to run the catastrophe models using exposures as of November 30, 2024 to allow the board to make its determination of the 100-year probable early next year.

Mr. Durden said if funding is discussed at the February meeting, TWIA should be in a good place for reinsurance funding discussions. The board has the option of meeting sooner if it wishes.

9. Internal Audit:

- A. <u>Internal Audit Status Report:</u> Mr. Graves reported the current internal audit activities include emergency planning catastrophe plan, customer experience, strategic communications, cash management, executive management operational planning and reporting and risk assessment update. Upcoming audits include executive management, claims processing, human resources administration and talent retention and follow-up quarterly discussions.
- B. <u>Catastrophe Plan Audit:</u> Mr. Graves reviewed the results of the Catastrophe Incident Response Plan (CAT Plan).
- C. <u>Internal Audit Risk Assessment and 2025 Proposed Audit Plan:</u> Mr. Graves reviewed the risk assessment and went over the proposed three year audit plan. Mr. Garrett moved to approve the audit plan. Ms. Grossman seconded the motion. The motion passed unanimously.
- 10. <u>Underwriting Operational Review Update:</u> Mr. Ledwik reported that 99.94% of transactions were issued within 10 days of receiving the application and payment. Of those transactions, 98% were straight through processed by the system and 2% were referred by the system to underwriting for additional information, review and approval prior to issuance.

Out of 124,950 calls for the quarter, 78.05% of the calls were answered in under 20 seconds.

A sample of ten agencies were selected in the third quarter of 2024 to verify compliance with the Texas Windstorm Insurance Association declination of coverage and flood insurance requirements. Of those selected agencies, 100% were compliant

with declination provisions. One agent has an open action item to get flood provisions to the audit team and all agents have active property and casualty insurance licenses.

11. Claims:

- A. <u>Claims Operations:</u> First notice of loss to property inspection is averaging 3.8 days. The total cycle time of first notice of loss to payment (daily) was 10.3 days and 14.4 days for a catastrophe. The historical claim volume for 2024 is 41,098.
- B. <u>Claims Litigation:</u> For the third quarter, nine new TWIA claims in suit were received, five were settled and six were closed. For the same quarter, 231 new claims with letters of representation were received, 19 were settled and 47 were closed.

12. TWIA Operations:

A. <u>IT Systems Update:</u> The cloud migration project is ongoing. User acceptance testing for core insurance suite components (Billing Center, Policy Center and Claims Center) will begin in December. Portals will go into stabilization in December and portal user acceptance will begin in January. The planned go live date has been updated to April 25, 2025.

Claims chatbots were deployed on May 20th and were in use for Beryl claims. Systems are functioning well with monthly releases limited to business-critical items selected and curated by the representative departments. The IT budget is controlled and is currently \$273K below projections.

- B. Cyber Security: This item will be covered in the closed session.
- C. <u>Communications and Legislative Update:</u> Bill filing for next year's legislative session opened on November 12. To date, no bills directly addressing TWIA have been filed. Association staff will provide updates on bills potentially affecting the Association as the legislative session progresses.
 - TWIA's biennial report to the legislature, as approved by the board at the August meeting, was transmitted to recipients on August 15.
- D. <u>Performance Evaluation of General Manager:</u> This item will be covered in the closed session.
- 13. <u>Closed Session</u>: The meeting went into closed session at 10:18 a.m. The meeting went back into open session at 10:56 a.m.
- 14. <u>Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, if any, of the Board of Directors:</u> Ms. Grossman moved to increase the General Manager's salary by 3.5%, effective January 1, 2025 as he performed exceptionally. Mr. Garrett seconded the motion. The motion passed unanimously.
- 15. Committees: There was nothing to consider.

16. Future Meetings:

- February 25, 2025 Moody Gardens Hotel Galveston, TX
- May 6, 2025 Marriott South Austin, TX
- August 5, 2025 Tremont House Galveston, TX
- 17. Adjourn: The meeting adjourned at 10:59 am.

Prepared by: Amy Koehl	Approved by: Karen Guard
Senior Project Administrator	TWIA Secretary/Treasurer

5. TWIA Operational Dashboard



Operational Dashboard

Reporting as of December 31, 2024









Claims Activity

Reported 43,012
Claims:

Incurred \$634.4 M
Loss & LAE:

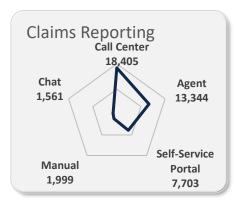
Loss Ratio: 89.5%

Claims Disputes
(% of Reported Claims)

TDI Complaints: 61 (0.1%)
Disputes: 499 (1.2%)
Lawsuits: 15 (0.0%)

Headcount

Employees: 229
Contractors: 202
Total: 431





Exposure Growth, Operating Expenses, and Headcount as of Reporting Date All other amounts are Year to Date



Enterprise Projects



Status Update as of December 31, 2024

		2024 2025		2026									
Enterprise Projects	Initiative Type	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
 Legislative Implementation Program (LIP88) 	Mandatory												
LIP88 - HB 998 - TFPA Property Owners Assoc (Condo	s Mandatory												
Guidewire Cloud Migration (PC9)	Discretionary Planned												
 Association Surcharge - Ph 1 Technical (On Hold) 	Mandatory												
 Association Surcharge - Ph 2 Business (On Hold) 	Mandatory												
 Genesys Phone System Implementation 	Discretionary Planned												



Enterprise Projects



Reporting Definitions

Initiative Types

Mandatory - Driven by Legislature, Regulations, Rules, or Governor or Commissioner Order Required - Required for continuity of operations or contractual commitments

High Priority - Recommended or required by Board of Directors, Security, or Audit stakeholders

Discretionary Planned - Elective efforts with a degree of advanced planning, e.g., strategic plan

Discretionary Unplanned - Elective efforts without advanced planning

Project Status / Health

Indicator	Definition	Characteristics	Recommended Action
On Track	A green indicator represents a healthy status (scope, budget, and schedule)	Expenses are within planned budget Project is on schedule Project is appropriately resourced Quality is meeting expectations Stakeholders are satisfied	Monitor data to ensure project is on track
• At Risk	An amber indicator indicates the project is moving, but with risks that may become issues; Management should mitigate, resolve or control them to avoid project failure	Considerable overspending of more than 5% A delay in schedule Lack of resources	Monitor and control them to avoid falling into the red zone If budgetary, conduct cost analysis to remediate or implement project change control process If resource issues, consider prioritization
Needs Action	A red indicator represents problems that exist and need to be analyzed, requiring evaluation and action to enable project success	Overspending by more than 10% Delay in schedule Quality issues Resource shortage Unsatisfied stakeholders	Management should analyze and find the reasons for the red status; take action to find a resolution

Project health report represents scope and schedule Sources referenced: PMO Study Circle/Project Management Institute (PMI) 6. Financial 6A. Report of the Secretary/Treasurer 6A1. Income Statement 6A2. Management Discussion and Analysis



Statutory Income Statement – Treasurer's Report (In 000s)

3 4 Premiums Written: 5 Direct \$ 758,845 \$ 6 Ceded (397,070) 7 Ceded - Depopulation 0 8 Net 361,775 9 10 Premiums Earned: 11 Direct \$ 708,981 \$ 12 Ceded (397,070) 13 Ceded - Depopulation 0	S - 2023 2 3 4 4 653,043 5 (217,987) 6 0 7 435,056 8 9 10 589,353 11 (217,987) 12
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13 Ceded - Depopulation0	
	0 13
14 Net 311,911	371,366 14
15	15
16 Deductions:	16
17 Direct Losses and LAE Incurred 154,413	96,424 17
18 Direct Losses and LAE Incurred - Harvey 0	(5,000) 18
19 Direct Losses and LAE Incurred - Ike & Dolly 0	(57) 19
20 Direct Losses and LAE Incurred - Beryl 480,000	0 20
21 Ceded Losses and LAE Incurred - Depopulation 0	6 21
22 Operating Expenses 38,117	34,268 22
23 Commission Expense 121,293	104,392 23
24 Ceding commissions / brokerage (10,971)	(9,990) 24
25 Ceding commissions / brokerage - Depopulation 0	0 25
26 Premium / Maintenance Tax 13,166	11,351 26
27 Total Deductions 796,018	231,394 27
28	28
29 Net Underwriting Gain or (Loss) (484,107)	139,972 29
30	30
31 Other Income or (Expense):	31
32 Gross Investment Income 22,797	23,017 32
33 Debt Issuance/Maintenance Fees & Other Investment Expenses (33)	(93) 33
34 Line of Credit Fees (1,754)	(1,909) 34
35 Interest Expense on Class 1 Bonds 0	0 35
36 Interest Expense on Short Term Debt 0	0 36
37 Premium Charge offs/Write offs 370	6 37
38 Miscellaneous Income (Expense) 0	6 38
39 Total Other Income or (Expense) 21,380	21,029 39
40	40
41 Net Income (Loss) \$ (462,728) \$	161,000 41
42	42
43 Surplus (Deficit) Account:	43
44 Beginning Surplus (Deficit) 45,853	38,643 44
45 Net Income (Loss) (462,728)	161,000 45
46 Change in Provision for Reinsurance 0	0 46
47 Change in nonadmitted assets 4,974	791 47
48 Change in Unrecognized Pension Expense (1,611)	1,419 48
49 Statutory Fund Cost (0)	(156,000) 49
50 Ending Surplus (Deficit) \$ (413,511) \$	45,853 50
51	51

Texas Windstorm Insurance Association Management's Discussion and Analysis of Financial Results For the Twelve Months Ended December 31, 2024

Written and Earned Premiums

	Dec-2024	Dec-2024	Variance	Variance %
Actual vs Budget	YTD Actual	YTD Budget	Inc (Dec)	Inc (Dec)
Direct Written Premiums	\$ 758.8 M	\$ 815.9 M	(\$ 57.0 M)	(7.0%)
Direct Earned Premiums	\$ 709.0 M	\$ 743.9 M	(\$ 34.9 M)	(4.7%)
Policies In-Force	272,567	264,718	7,849	3.0%

	Dec-2024	Dec-2023	Variance	Variance %
Current Yr vs Prior Yr Actual	YTD Actual	YTD Actual	Inc (Dec)	Inc (Dec)
Direct Written Premiums	\$ 758.8 M	\$ 653.0 M	\$ 105.8 M	16.2%
Direct Earned Premiums	\$ 709.0 M	\$ 589.4 M	\$ 119.6 M	20.3%
Policies In-Force	272,567	247,531	25,036	10.1%

Reinsurance Costs

• The 2024-2025 reinsurance program incepted on June 1, 2024. Coverage for the 2024 hurricane season consists of \$2.1 billion of collateralized catastrophe bonds and \$1.950 billion of traditional reinsurance. Gross ceded premiums associated with the \$4.050 billion in coverage totaled \$397.1 million compared to a budgeted estimate of \$298.0 million. This total reflects an overall rate-on-line (ROL) of 9.6% compared to 9.1% ROL for the 2023/24 program. The final cost includes the December true-up to actual exposures as of September 30, 2024. The net cost of the reinsurance program after ceding commission was \$386.1 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

Depopulation Program

• There was no round 7 depopulation program in 2023/2024 as no carriers registered to participate.

Texas Windstorm Insurance Association Management's Discussion and Analysis of Financial Results (cont'd)

Loss and Loss Adjustment Expense Incurred

	Dec-2024	Dec-2024	Variance	Variance %
Actual vs Budget	YTD Actual	YTD Budget	Inc (Dec)	Inc (Dec)
Direct Losses Incurred	\$ 518.5 M	\$ 76.2 M	\$ 442.3 M	580.9%
Direct LAE Incurred	\$ 115.9 M	\$ 21.7 M	\$ 94.3 M	435.4%
Total Direct Losses & LAE	\$ 634.4 M	\$ 97.8 M	\$ 536.6 M	548.7%
Loss & LAE Ratio	89.5%	13.1%		76.3%

	Dec-2024	Dec-2023	Variance	Variance %
Current Yr vs Prior Yr Actual	YTD Actual	YTD Actual	Inc (Dec)	Inc (Dec)
Direct Losses Incurred	\$ 518.5 M	\$ 76.8 M	\$ 441.7 M	575.1%
Direct LAE Incurred	\$ 115.9 M	\$ 14.6 M	\$ 101.4 M	696.2%
Total Direct Losses & LAE	\$ 634.4 M	\$ 91.4 M	\$ 543.0 M	594.4%
Loss & LAE Ratio	89.5%	15.5%		74.0%

- The ultimate loss and loss adjustment expense estimate for Hurricane Beryl is \$480 million as of December 31, 2024
- The ultimate loss and loss adjustment expense estimate for Hurricane Harvey remains at \$1.655 billion at December 31, 2024.

Operating Expenses

	Dec-2024	Dec-2024	Variance	Variance %
Actual vs Budget	YTD Actual	YTD Budget	Inc (Dec)	Inc (Dec)
Operating Expenses	\$ 38.1 M	\$ 40.2 M	(\$ 2.1 M)	(5.3%)
Operating Expense Ratio	5.4%	5.4%		(0.0%)
	Dec-2024	Dec-2023	Variance	Variance %
Current Yr vs Prior Yr Actual	YTD Actual	YTD Actual	Inc (Dec)	Inc (Dec)
Operating Expenses	\$ 38.1 M	\$ 34.3 M	\$ 3.8 M	11.2%
Operating Expense Ratio	5.4%	5.8%		(0.4%)

• Net operating expenses shown above and on the statutory income statement exclude claims related expenses which are recorded in losses and loss adjustment expense. Expenses under budget include Personnel Expenses (\$2.5 million) and Other Expenses including rental, travel, and postage (\$280,000). Expenses over budget include Professional & Consulting Services (\$415,000) and Hardware and Software (\$218,000).

Texas Windstorm Insurance Association Management's Discussion and Analysis of Financial Results (cont'd)

Commission Expense and Premium Taxes

	Dec-2024	Dec-2024	Variance	Variance %
Actual vs Budget	YTD Actual	YTD Budget	Inc (Dec)	Inc (Dec)
Commission Expense	\$ 121.3 M	\$ 130.5 M	(\$ 9.2 M)	(7.1%)
Premium Taxes	\$ 13.2 M	\$ 14.9 M	(\$ 1.7 M)	(11.6%)

	Dec-2024	Dec-2023	Variance	Variance %
Current Yr vs Prior Yr Actual	ent Yr vs Prior Yr Actual YTD Actual YTD Actual		Inc (Dec)	Inc (Dec)
Commission Expense	\$ 121.3 M	\$ 104.4 M	\$ 16.9 M	16.2%
Premium Taxes	\$ 13.2 M	\$ 11.4 M	\$ 1.8 M	16.0%

Other Income (Expense)

 Operating account balances have been reduced to maximize amounts invested in Money Market Mutual Funds which provide a higher rate of interest earnings. Yields on the Association's investments in Money Market Mutual Funds have increased as the Federal Reserve raised interest rates to combat the high levels of inflation. Gross investment income was below the budgeted amount due to the reduction in cash balances to pay claims for Hurricane Beryl.

	Dec-2024	Dec-2024	Variance	Variance %
Actual vs Budget	Actual vs Budget YTD Actual YTI		Inc (Dec)	Inc (Dec)
Gross Investment Income	\$ 22.8 M	\$ 24.2 M	(\$ 1.4 M)	(5.9%)

	Dec-2024	Dec-2023	Variance	Variance %
Current Yr vs Prior Yr Actual	YTD Actual	YTD Actual	Inc (Dec)	Inc (Dec)
Gross Investment Income	\$ 22.8 M	\$ 23.0 M	(\$.2 M)	(1.0%)

Net Income (Loss)

	Dec-2024	Dec-2024	Variance	Variance %
Actual vs Budget	YTD Actual	YTD Budget	Inc (Dec)	Inc (Dec)
Net Income (Loss)	(\$ 462.7 M)	\$ 197.9 M	(\$ 660.6 M)	(333.8%)

	Dec-2024	Dec-2023	Variance	Variance %
Current Yr vs Prior Yr Actual	YTD Actual	YTD Actual	Inc (Dec)	Inc (Dec)
Net Income (Loss)	(\$ 462.7 M)	\$ 161.0 M	(\$ 623.7 M)	(387.4%)

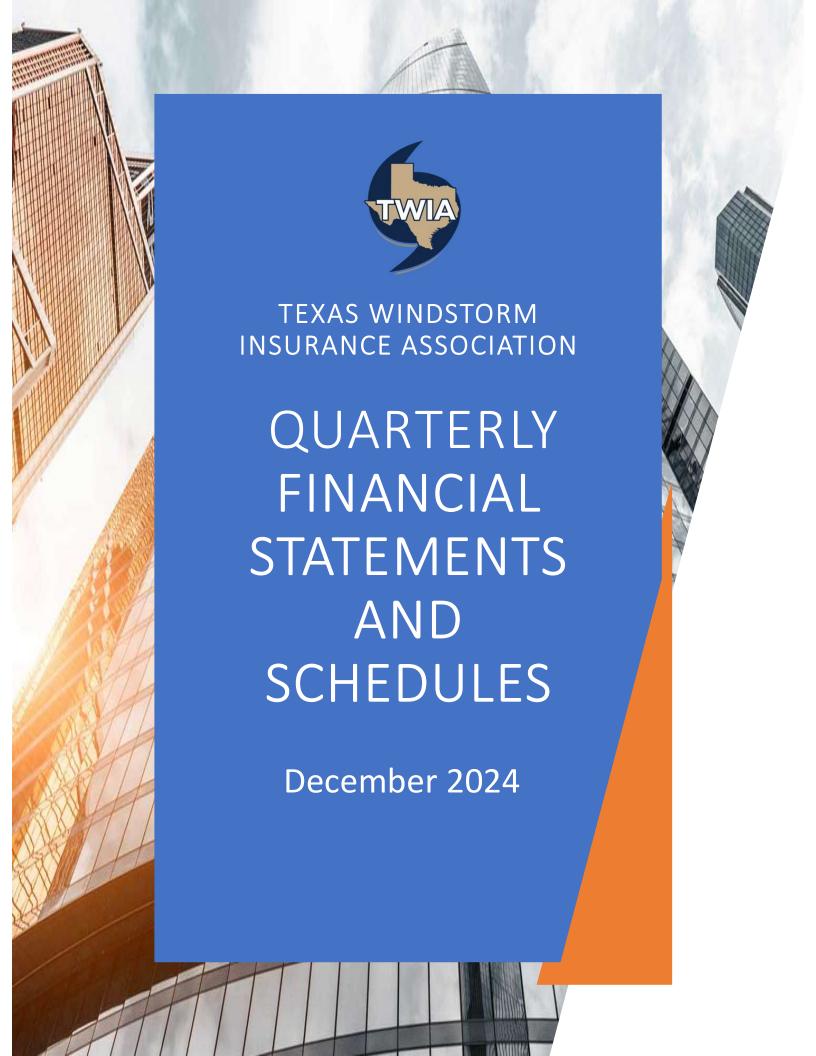
Texas Windstorm Insurance Association Management's Discussion and Analysis of Financial Results (cont'd)

Surplus (Deficit)

Current Period vs.	Dec-2024	Dec-23	Variance	Variance %
Prior Year End Actual	YTD Actual	YTD Actual	Inc (Dec)	Inc (Dec)
Surplus (Deficit)	(\$ 413.5 M)	\$ 45.9 M	(\$ 459.4 M)	(1,001.8%)

• The Association's beginning 2024 surplus of \$45.9 million was reduced to a deficit of \$413.5 million as of December 31, 2024 due primarily to the year-to-date net loss of \$462.7 million.

6B. Financial Statement Review by Staff



Statutory Income Statement (In 000s)



1			For t	th	e twelve mont	hs	ended Decemb	er 31,	1
2		Act	uals - 2024	E	Budget - 2024	Va	riance - 2024	Act	uals - 2023 2
3							_		3
4	Premiums Written:								4
5	Direct	\$	758,845	\$	815,861	\$	(57,016)	\$	653,043 5
6	Ceded		(397,070)		(298,000)		(99,070)		(217,987) 6
7	Ceded - Depopulation		0		0		0		0 7
8	Net		361,775		517,861		(156,086)		435,056 8
9							_		9
10	Premiums Earned:								10
11	Direct	\$	708,981	\$	743,860	\$	(34,879)	\$	589,353 11
12	Ceded		(397,070)		(298,000)		(99,070)		(217,987) 12
13	Ceded - Depopulation		0		0		0		0 13
14	Net		311,911		445,860		(133,949)		371,366 14
15									15
16	Deductions:								16
17	Direct Losses and LAE Incurred		154,413		97,803		56,610		96,424 17
18	Direct Losses and LAE Incurred - Harvey		0		0		0		(5,000) 18
19	Direct Losses and LAE Incurred - Ike & Dolly		0		0		0		(57) 19
20	Direct Losses and LAE Incurred - Beryl		480,000		0		480,000		0 20
21	Ceded Losses and LAE Incurred - Depopulation		0		0		0		6 21
22	Operating Expenses		38,117		40,243		(2,125)		34,268 22
23	Commission Expense		121,293		130,538		(9,245)		104,392 23
24	Ceding commissions / brokerage		(10,971)		(13,340)		2,369		(9,990) 24
25	Ceding commissions / brokerage - Depopulation		0		0		0		0 25
26	Premium / Maintenance Tax		13,166		14,889		(1,723)		11,351 26
27	Total Deductions		796,018		270,133		525,885		231,394 27
28									28
29	Net Underwriting Gain or (Loss)		(484,107)		175,727		(659,834)		139,972 29
30									30
31	Other Income or (Expense):								31
32	Gross Investment Income		22,797		24,237		(1,440)		23,017 32
33	Debt Issuance/Maintenance Fees & Other Investment Expenses		(33)		(156)		123		(93) 33
34	Line of Credit Fees		(1,754)		(1,909)		155		(1,909) 34
35	Premium Charge offs/Write offs		370		0		370		6 35
36	Billing Fees		0		0		0		0 36
37	Miscellaneous Income (Expense)		0		0		0		6 37
38	Total Other Income or (Expense)		21,380		22,172		(793)		21,029 38
39									39
40	Net Income (Loss)	\$	(462,728)	\$	197,899	\$	(660,627)	\$	161,000 40
41	•						<u></u>		41

Surplus (Deficit) and Key Operating Ratios (In 000s)



1		For t	the twelve montl	ns ended Decembe	er 31,
2	_	Actuals - 2024	Budget - 2024	Variance - 2024	Actuals - 2023 2
3					3
4 S	Surplus (Deficit) Account:				4
5	Beginning Surplus (Deficit)	45,853	45,853	0	38,643 5
6	Net Income (Loss)	(462,728)	197,899	(660,627)	161,000 6
7	Change in Provision for Reinsurance	0	0	0	0 7
8	Change in nonadmitted assets	4,974	3,349	1,626	791 8
9	Unassigned Funds - Unrecognized Pension Expense	(1,611)	0	(1,611)	1,419 9
10	Statutory Fund Cost	(0)	(197,899)	197,899	(156,000) 10
11	Ending Surplus (Deficit)	\$ (413,511)	\$ 49,202	\$ (462,713)	\$ 45,853 11
12	-				12
13 k	Key Operating Ratios:				13
14	Direct:				14
15	Loss & LAE Ratio:				15
16	Non Hurricane	21.8%	13.1%	8.6%	16.4% 16
17	Hurricane Harvey	0.0%	0.0%	0.0%	(0.8%) 17
18	Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	(0.0%) 18
19	Hurricane Beryl	67.7%	0.0%	67.7%	0.0% 19
20	Loss & LAE Ratio	89.5%	13.1%	76.3%	<u>15.5%</u> 20
21	UW Expense Ratio:				21
22	Acquisition	17.7%	17.8%	(0.1%)	17.7% 22
23	Non Acquisition	5.4%	5.4%	(0.0%)	5.8% 23
24	UW Expense Ratio	23.1%	23.2%	(0.1%)	23.5% 24
25	<u>-</u>				25
26	Combined Ratio	112.6%	36.4%	76.2%	39.0% 26
27					27
28	Net:				28
29	Loss & LAE Ratio:				29
30	Non Hurricane	49.5%	21.9%	27.6%	26.0% 30
31	Hurricane Harvey	0.0%	0.0%	0.0%	(1.3%) 31
32	Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	(0.0%) 32
33	Hurricane Beryl	153.9%	0.0%		0.0% 33
34	Loss & LAE Ratio	203.4%	21.9%	181.5%	<u>24.6%</u> 34
35	UW Expense Ratio:				35
36	Acquisition	36.9%	26.8%		25.8% 36
37	Non Acquisition	12.2%	9.0%		9.2% 37
38	UW Expense Ratio	49.2%	35.8%	13.3%	<u>35.0%</u> 38
39	-				39
40	Combined Ratio	252.6%	57.8%	194.8%	<u>59.6%</u> 40
41	Note: Beginning budgeted deficit adjusted to actual				41

Statutory Expense Statement (In 000s)



1				r tl	he twelve months					1
2	Description	Actu	ials - 2024		Budget - 2024	Var	iance - 2024	Actu	uals - 2023	2
3	Personnel Expenses									3
4	Salaries & Wages - Permanent	\$	15,325		16,974	\$	(1,649)	\$	14,044	4
5	Contractor & Temporary Help		35,480		3,824		31,656		5,040	5
6	Payroll Taxes		1,104		1,221		(117)		1,029	6
7	Employee Benefits		4,518		4,900		(382)		4,094	7
8	Recruiting, Training & Other		310		439		(129)		152	8
9	Subtotal	\$	56,737	\$	27,358	\$	29,379	\$	24,360	9
10										10
11	Professional & Consulting Services									11
12	Legal	\$	453	\$	485	\$	(32)	\$	605	12
13	Accounting & Auditing		252		253		(1)		269	13
14	Information Technology		5,154		5,574		(420)		2,630	14
15	Actuarial Services		72		69		3		53	15
16	Omsbudsman Program		112		130		(18)		93	16
17	Surveys & Inspections		1,419		1,356		64		1,387	17
18	Disaster Recovery Services		4		8		(3)		7	18
19	Other Services (1)		8,774		5,229		3,546		5,377	19
20	Subtotal	\$	16,241	\$	13,103	\$	3,138	\$	10,423	20
21										21
22	Hardware/Software Purchases & Licensing		4,410		4,047		363		3,311	22
23	Rental & Maintenance - Office/Equipment		963		1,060		(97)		975	23
24	Travel Expenses		182		203		(21)		139	24
25	Postage, Telephone and Express		1,614		1,420		194		1,304	25
26	Capital Management Expenses		0		0		0		0	26
27	Depreciation & Amortization		3,096		3,096		(0)		3,115	27
28	Other Operating Expenses		1,728		1,657		71		1,533	28
29										29
30	Total Operating Expenses	\$	84,970	\$	51,943	\$	33,027	\$	45,160	30
31										31
32	Capitalization of Fixed Assets		0		0		0		0	32
33	Reimbursement of Depop Servicing Expense		(0)		0		(0)		(4)	33
34	Allocation To ULAE		(46,809)		(11,604)		(35,205)		(10,790)	34
35	Allocation To Investing & Other Expense		(43)		(96)		53		(98)	35
36	Net Operating Expense - UW Operations	\$	38,117	\$	40,243	\$	(2,125)	\$	34,268	36

(1) Summary Details for Other Services:

rices.			
VENDOR		<u>Amount</u>	<u>Department</u>
Accenture LLP	\$	2,068	Expert Panel
EagleView Technologies Inc		1,749	Claims
Xactware Solutions Inc		1,449	Claims
AON Re Inc		600	Actuary
Clear Point Claims LLC		593	Underwriting
LYNX Services LLC		530	Claims
Risk Management Solutions Inc		324	Expert Panel
Marshall & Swift/Boeckh		321	Underwriting
ISO Services Inc		225	Claims
Lexis Nexis Risk Solutions FL Inc		179	Underwriting / Legal
Genesys Cloud Services, Inc		104	Underwriting
Floatbot, Inc		82	Claims
Veracity Research Company		81	Claims
ADP Inc		63	Human Resources
Other Outside Services below \$50K		407	Various Departments
Total Other Services	Ś	8.774	

Statutory Balance Sheet (In 000s)



1	_	December 2024		Dece	ember 2023	_ 1
2	Admitted Assets					2
3	Cash and short term investments:					3
4	Unrestricted	\$	261,866	\$	647,820	4
5	Restricted - Funds Held at TTSTC		0		0	5
6	Restricted - Funds Held at TTSTC (Non Admitted)		0		0	6
7	Total cash and short term investments		261,866		647,820	7
8	Premiums receivable & other		57,786		46,833	8
9	Assessment receivable		0		0	9
10	Amounts recoverable from reinsurers		0		0	10
11	Total admitted assets	\$	319,652	\$	694,653	11
12						12
13	Liabilities, Surplus and other funds					13
14	Liabilities:					14
15	Loss and Loss adjustment expenses		161,475		44,784	15
16	Underwriting expenses payable		18,521		14,582	16
17	Unearned premiums, net of ceded unearned premiums		390,888		341,024	17
18	Ceded reinsurance premiums payable		143,271		77,739	18
19	Short Term Debt		0		0	19
20	Interest Payable on Short Term Debt		0		0	20
21	Principal Outstanding on Class 1 Pre Event Bonds		0		0	21
22	Interest Payable on Class 1 Pre Event Bonds		0		0	22
23	Provision for reinsurance		0		0	23
24	Other payables		19,007		14,670	24
25	Statutory fund payable		0		156,000	25
26	Total liabilities		733,163		648,800	26
27						27
28	Surplus and others funds					28
29	Unassigned surplus (deficit)		(413,511)		45,853	29
30	Total liabilities, surplus and other funds	\$	319,652	\$	694,653	30
31						31
32						32
33	Balance in CRTF	\$	466,330	\$	283,006	33
34						34
35	Balance in CRTF including Statutory fund payable	\$	466,330	\$	439,006	35
36						36

Statement of Cash Flows (In 000s)



1		For	the twelve r	moı	nths ended De	cemb	er 31, 2024	1
2		Ac	tual - 2024	Βι	udget - 2024	Varia	nce - 2024	2
3								3
4	Cash flows from operating activities:							4
5	Premiums collected, net of reinsurance	\$	418,978	\$	500,602	\$	(81,624)	5
6	Losses and loss adjustment expense paid (1) (2)		(517,723)		(110,565)		(407,158)	6
7	Underwriting expenses paid		(154,186)		(166,885)		12,699	7
8	Member assessment received		0		0		0	8
9	Other		101		0		101	9
10	Net cash provided by operating activities		(252,829)		223,152		(475,981)	10
11	Cash flows from non-operating activities:							11
12	Statutory fund received/paid		(156,000)		(160,242)		4,242	12
13	Other		0		0		0	13
14	Net cash provided by non-operating activities		(156,000)		(160,242)		4,242	14
15	Cash flows from investing activities:							15
16	Sales and maturities of investments		0		0		0	16
17	Net investment income		24,619		24,237		383	17
18	Net cash provided by investing activities		24,619		24,237		383	18
19	Cash flows from financing activities:							19
20	Borrowed funds		0		0		0	20
21	Borrowed funds repaid		0		0		0	21
22	Debt and Credit Agreement Fees		(1,744)		(2,065)		321	22
23	Net cash provided by financing activities		(1,744)		(2,065)		321	23
24								24
25	Net increase (decrease) in cash and short-term investments		(385,954)		85,082		(471,036)	25
26	Cash and short-term investments, Beginning		647,820		647,820		0	26
27	Cash and short-term investments, Ending	\$	261,866	\$	732,902	\$	(471,036)	27
28								28
29	(1) Direct Beryl Loss/LAE payments	\$	378,989		0	\$	378,989	29
30	(2) Direct Harvey Loss/LAE payments	\$	5,513	\$	9,960		(4,447)	30
31								31
32	Note: Beginning budgeted Cash and Short-term investments	adjus	ted to actua	al fo	or comparativ	e purp	oses.	32

Cash and Short-Term Investments (In 000s)



2				Unrestricted Co	ash and Short Te December	erm Investments	(\$ in 000's)						
s 4 Bank		ı Interest earing	Interest Bearing	Total Amount of Deposits	Average Daily	Investment Income during		Total Deposit S 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. Regulator Capital?	•
4 Dalik		carrig	Dearing	Deposits	tile Quarter	the Quarter	Allitual Helu	FOLCIOIO	Superior or	Natio	Сарітаі	> .2% of N.A. R	
5								< 40%	Strong	> 10%	> \$25B	Capital	с Б
6 Balances as of 12/31/2024:									oog	- 20,0	7200	- Capital	
7 Bank of America, Operating	\$	162	\$ 78,668	\$ 78,830	\$ 43,753	\$ 365	3.3%	30%	Superior	13.4%	\$191	No	
8 Citibank		194	0	194	0	0	0.0%	0%	Superior	14.1%	\$156	No	
JP Morgan Chase		0	23,369	23,369	66,536	460	2.8%	9%	Superior	16.2%	\$279	No	
0 Citibank IMMA		0	118	118	137	0	0.8%	0%	N/A	N/A	N/A	N/A	
1 JP Morgan U.S. Treasury Plus Money Market Fund (1)		0	11,578	11,578	13,049	152	4.6%	4%	N/A	N/A	N/A	N/A	
2 Chase Goldman Sachs (1)		0	12,708	12,708	17,309	201	4.7%	5%	N/A	N/A	N/A	N/A	
3 BOA Morgan Stanley (2)		0	49,919	49,919	49,727	569	4.6%	19%	N/A	N/A	N/A	N/A	
4 BOA Dreyfus Treasury (2)		0	34,250	34,250	48,897	563	4.6%	13%	N/A	N/A	N/A	N/A	
5 Fidelity Treasury (2)		0	50,900	50,900	62,069	726	4.7%	19%	N/A	N/A	N/A	N/A	
6													
7 Total of all financial institutions	\$	356	\$ 261,510	\$ 261,866	\$ 301,476	\$ 3,036	4.0%	100%					
8													
9 Balances as of 09/30/2024:													
Bank of America, Operating	\$	162	\$ 38,575	\$ 38,737	\$ 39,615	\$ 373	3.8%	14%	Superior	13.5%	\$190	No	
ı Citibank		194	0	194	0	0	0.0%	0%	Superior	14.4%	\$151	No	
2 JP Morgan Chase		0	17,324	17,324	112,359	941	3.3%	6%	Superior	16.4%	\$277	No	
3 Citibank IMMA		0	118	118		0	1.7%	0%	N/A	N/A	N/A	N/A	
JP Morgan U.S. Treasury Plus Money Market Fund (1)		0	21,383	21,383	55,898	726	5.2%	8%	N/A	N/A	N/A	N/A	
Chase Goldman Sachs (1)		0	22,462	22,462	56,974	736	5.2%	8%	N/A	N/A	N/A	N/A	
BOA Morgan Stanley (2)		0	49,333	49,333	49,113	629	5.1%	17%	N/A	N/A	N/A	N/A	
7 BOA Dreyfus Treasury (2)		0	48,641	48,641	72,101	932	5.2%	17%	N/A	N/A	N/A	N/A	
8 Fidelity Treasury (2)		0	85,013	85,013	84,628	1,100	5.2%	30%	N/A	N/A	N/A	N/A	
9									_				
Total of all financial institutions	\$	356	\$ 282,848	\$ 283,205	\$ 470,805	\$ 5,437	4.6%	100%	_				
2 (1) The Fund invests in U.S. treasury bills, notes, bonds		-	-	•	I.S. Treasury.								
(2) The Fund invests in U.S. Treasury bills, notes, trust	receipt	s and direct o	bligations of th	ie U.S. Treasury.									

34 Association (N.A.) results.

Historical Data (In 000s)



1971 - 2024 2 (\$ with 000's omitted)

3		GROSS									3 4			
5		LIABILITY IN		RA1	ΤE						UNDERWRITING			5
6		FORCE	POLICY	CHAN	GES	WRITTEN	LOSS &		EARNED	LOSS &	EXPENSES	UNDERWRITING	CRTF BALANCE	6
7	YEAR	END OF PERIOD	COUNT	RESIDENTIAL	COMMERCIAL	PREMIUMS	LAE INCURRED		PREMIUMS	LAE INCURRED	INCURRED	GAIN (LOSS)	END OF PERIOD	7
8	1971-1987	\$ 35,367,740	\$ 788,610			\$ 164,538		\$	113,518	\$ 187,465	\$ 35,9	26 \$ (109,874)		8
9	1988	4,266,615	56,773	-5.4%	-15.0%	19,061	2,509		3,551	2,509	4,0			9
10	1989	4,236,600	55,401	-		18,066	14,176		5,330	14,176	4,0			10
11	1990	4,248,611	56,155	3.1%		18,244	1,590		16,761	1,590	4,1	·		11
12	1991	4,346,209	54,145	25.0%		20,504	1,783		7,167	1,783	4,3			12
13	1992	5,155,790		-20% (I)/-75% (B)		11,495	1,321		4,014	1,321	4,2			13
14	1993	6,500,165	56,921	30.0%	-	19,377	4,778		123,515	4,778	5,1	,		14
15	1994	7,645,176	63,348	-	-	26,545	1,572		25,692	1,572	6,9	·	124,847	
16	1995	8,828,140	69,807	25.0%	-	32,419	4,033		29,016	4,033	8,1	·	151,284	
17	1996	10,001,843	72,977	-	-	40,359	1,484		37,153	1,484	10,6	1	179,020 216,896	
18	1997	10,907,937	75,361	- 20/	2.00/	42,463	4,133		41,045	4,133	11,0	·	1	
19 20	1998 1999	11,633,935 11,972,502	77,261 75,947	0.2% -9.4%		44,411 44,581	27,235 11,320		28,256 28,702	27,235 11,320	12,1 11,5		238,221 250,403	
20	2000	12,052,604	73,815	-9.4% 8.7%		48,012	7,937		28,470	7,937	11,5	·	268,563	
22	2000	13,249,407	77,022	18.5%		54,631	8,011		31,112	8,011	12,9		280,063	
23	2001	16,003,048	85,668	18.5/6	5.0%	72,968	32,359		44,516	32,359	16,5		303,185	
24	2002	18,824,457	96,420	_		87,987	24,955		51,702	24,955	19,6		305,599	
25	2003	20,796,656	103,503	9.6%		102,384	6,115		52,230	6,115	21,9	,	308,729	
26	2005	23,263,934	109,693	5.070	10.0%	113,928	178,370		65,438	178,370	25,2		311,508	
27	2006	38,313,022	143,999	3.1%		196,833	5,188		85,467	5,188	37,1	, , ,	361,823	
28	2007	58,641,546	216,008	4.2%		315,139	17,985		135,843	17,985	51,7	·	388,542	
29	2008	58,585,060	215,537	8.2%		331,049	2,587,123		(138,560)	1,117,123	53,7	·	_	29
30	2009	61,700,891	230,545	12.3%		382,342	(486,314)		389,600	(183,974)			_	30
31	2010	67,452,357	242,664	-	-	385,550	555,025		351,730	252,685	85,5	1	76,334	
32	2011	71,083,333	255,945	5.0%	5.0%	403,748	202,539		321,781	202,539	81,6	55 37,577	146,650	32
33	2012	74,186,949	266,726	5.0%	5.0%	443,480	401,873		321,122	401,873	93,5	33 (174,334)	178,902	. 33
34	2013	76,921,369	270,814	5.0%	5.0%	472,739	30,975		295,130	30,975	100,5	24 163,631	186,184	. 34
35	2014	78,763,302	275,626	5.0%	5.0%	494,036	(13,994)		367,555	(13,994)	109,1	39 272,360	216,813	35
36	2015	78,551,742	272,219	5.0%	5.0%	503,824	178,886		377,594	178,886	114,9		487,170	
37	2016	73,393,573	254,346	5.0%	5.0%	487,354	38,669		370,404	38,625	109,7	·	587,860	
38	2017	65,023,810	231,567	-	-	423,074	1,476,861		347,354	1,475,302	97,8		1,220	
39	2018	58,041,760	202,208	5.0%	5.0%	395,552	175,718		301,515	175,998	96,3		5,986	
40	2019	55,189,815	189,203	-	-	372,017	113,513		287,477	113,398	92,4		122,496	
41	2020	55,009,638	184,890	-	-	369,600	118,669		261,574	118,470	90,5	·	179,174	
42	2021	59,543,596	193,002	-	-	395,113	19,026		276,372	19,048	95,6	·	182,712	
43	2022	75,698,532	222,480	5.0%		518,299	51,213		311,395	51,248	120,0	·	190,004	
44	2023	95,677,314	247,531	0.0%		653,043	91,367		371,366	91,373	140,0	·	283,006	
45	2024	113,745,440	272,567	0.0%	0.0%	758,845	634,413		311,911	634,413	161,6)5 (484,107)	466,330	
46						0.202.544	6 740 070		6 003 640	F 240 205	2.050.0	16 (4 345 433)		46
1	TOTAL					9,283,611	6,719,879	-	6,083,819	5,248,305	2,050,9	(1,215,432)		47
48	*2024 da+a	through 12/31/2024	1					\vdash						48 49
49	2024 data	unougn 12/31/2024	+.										I	49

6C. Withdrawal of Funds from Catastrophe Reserve Trust Fund



MEMORANDUM

DATE: February 07, 2025

TO: David Durden, General Manager

FROM: Stuart Harbour, CFO

RE: Catastrophe Reserve Funding Beryl

The statutes established to fund the payment of Texas Windstorm Insurance Association ("TWIA") losses from catastrophic events are found in Chapter 2210 Subchapter B-1 of the Texas Insurance Code. Two of the most pertinent sections in subchapter B-1 are reproduced below:

Sec. 2210.071. PAYMENT OF EXCESS LOSSES. (a) If, in a catastrophe year, an occurrence or series of occurrences in a catastrophe area result in insured losses and operating expenses of the association in excess of premium and other revenue of the association, the excess losses and operating expenses shall be paid as provided by this subchapter.

Sec. 2210.0715. PAYMENT FROM RESERVES AND TRUST FUND. (a) The association shall pay losses resulting from an occurrence or series of occurrences in a catastrophe year in excess of premium and other revenue of the association for that catastrophe year from reserves of the association available before or accrued during that catastrophe year and amounts in the catastrophe reserve trust fund available before or accrued during that catastrophe year.

Hurricane Beryl, a category 1 hurricane, struck our coastal policyholders on July 8, 2024, and caused extensive damage primarily in Brazoria, Matagorda and Galveston counties. The hurricane resulted in nearly 32,000 claims with ultimate losses and loss adjustment expenses currently estimated to be \$480 million as of December 31, 2024. Losses from this storm (3rd highest in TWIA history), combined with operating expenses and losses from the severe convective storms in March and May of 2024 significantly exceed available premiums and other revenues and require the Association utilize the funding structure spelled out in our enabling statute.



The following schedule summarizes the financial resources available for Hurricane Beryl losses as of December 31, 2024.

1	TEXAS WINDSTORM INSURANCE ASSOCIA	ATION	1
2	Calculation of Statutory Fund Expens	se	2
3			3
4		December 31, 2024	4
5	Income:		5
6	Net Earned Premium	\$ 708,981,286	6
7	Other Revenue	23,166,640	7
8	Income	732,147,926	8
9			9
10	Expenses:		10
11	Net Incurred Losses	154,413,476	11
12	Operating Expenses	161,605,024	12
13	Expenses	316,018,500	13
14			14
15	Adjusted Net Income (Loss)	\$ 416,129,426	15
16			16
17	Adjustments to Adjusted Net Income (Loss)		17
18	Reinsurance Premium XOL	\$ 397,069,865	18
19	Current Year Financial Obligations (Line of Credit and Other)	1,787,120	19
20	Current Year Net Premium Payment Obligations (Debt)	-	20
21	Current Year Public Security Admin Expense	-	21
22	Total Adjustments	398,856,985	22
23			23
24	Excess / (Deficit)	\$ 17,272,441	24
25			25
26			26
27	Hurricane Beryl Funding		27
28	Hurricane Beryl Ultimate Estimate 12/2024	\$ 480,000,000	28
29	2024 Current Year Earnings	17,272,441	29
30	Remaining needs for Catastrophe Year	\$ 462,727,559	30
31			31
32	CRTF Balance 12/2024	\$ 466,329,727	32
33			33
34			34



Based on year-end results, Association staff will file a written statement to the Commissioner of the Texas Department of Insurance and the Texas Comptroller that Hurricane Beryl qualifies as a catastrophic event and that losses and operating expenses exceed premiums and other revenues and affirm that reinsurance proceeds are not available as the losses did not reach the reinsurance level. Given the current estimated total losses and loss adjustment expenses attributable to Beryl, the bond and assessment layers do not, at least at this time, appear to be reached as well. The communication will include the total amount of the estimated catastrophic losses and amounts available to pay policyholder claims reflected above.

In conjunction with the statement above, the staff will file a request to the TDI Commissioner to instruct the state comptroller to transfer \$462,727,559 to TWIA representing the portion of the catastrophic loss that exceeds the 2024 Association's premium, other revenues and available reserves.

Please let me know if you have any questions.

Stuart

7. Actuarial7A. Policy Count/Exposures

Texas Windstorm Insurance Association Statistical Report

As of December 31, 2024



	Policies In-F	Policies In-Force PIF Growth		Exposure In-Force Exposure Growth		YTD Written Premium		Premium Grov	wth			
County	12/31/23	12/31/24	Actual	Percentage	12/31/23	12/31/24	Actual	Percentage	12/31/23	12/31/24	Actual	Percentage
_												
Aransas	7,723	8,626	903		3,344,920,300	4,034,089,800	\$689,169,500		25,267,841	29,738,125	\$4,470,284	
Brazoria	45,072	52,243	7,171	15.90%	16,956,872,300	21,539,650,800	\$4,582,778,500	27.00%	106,461,718	132,001,839	\$25,540,121	24.00%
Calhoun	4,463	4,672	209	4.70%	1,437,391,700	1,654,444,600	\$217,052,900	15.10%	11,054,069	12,561,324	\$1,507,255	13.60%
Cameron	11,315	11,525	210	1.90%	4,620,951,900	4,989,983,400	\$369,031,500	8.00%	34,083,314	36,427,483	\$2,344,169	6.90%
Chambers	6,683	7,955	1,272	19.00%	2,818,259,800	3,660,109,400	\$841,849,600	29.90%	16,671,109	21,703,211	\$5,032,102	30.20%
Galveston	77,912	83,729	5,817	7.50%	32,904,832,300	38,318,045,800	\$5,413,213,500	16.50%	223,309,965	253,518,926	\$30,208,961	13.50%
Harris	4,311	4,546	235	5.50%	1,751,550,700	1,978,651,500	\$227,100,800	13.00%	8,622,317	9,595,416	\$973,099	11.30%
Jefferson	30,501	33,362	2,861	9.40%	9,536,851,100	11,265,203,600	\$1,728,352,500	18.10%	70,047,317	81,404,221	\$11,356,904	16.20%
Kenedy	33	35	2	6.10%	6,791,300	8,794,800	\$2,003,500	29.50%	48,906	64,448	\$15,542	31.80%
Kleberg	918	1,079	161	17.50%	299,643,600	371,899,100	\$72,255,500	24.10%	2,611,574	2,858,510	\$246,936	9.50%
Matagorda	5,314	5,715	401	7.50%	1,679,873,600	1,972,063,600	\$292,190,000	17.40%	11,812,523	13,613,175	\$1,800,652	15.20%
Nueces	44,288	48,979	4,691	10.60%	17,263,451,500	20,246,591,500	\$2,983,140,000	17.30%	121,882,067	140,198,856	\$18,316,789	15.00%
Refugio	431	479	48	11.10%	130,880,900	155,267,100	\$24,386,200	18.60%	1.067.480	1.217.316	\$149.836	14.00%
San Patricio	8,179	9,213	1,034	12.60%	2,793,849,600	3,398,129,900	\$604,280,300		19,072,912	22,734,173	\$3,661,261	19.20%
Willacy	388	409	21		131,193,100	152,515,500	\$21,322,400		1,052,181	1,208,169	\$155,988	
							, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,,	, , , , , , , , , , , , , , , , , , , ,	
Total	247,531	272,567	25,036	10.10%	95,677,313,700	113,745,440,400	\$18,068,126,700	18.90%	653,065,293	758,845,192	\$105,779,899	16.20%



Class of	Policies Writte		Risks Written	=	Premium Writter		Liability at End of		In-Force at End	
Business	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
Aransas										
Commercial	71	479	186	1,187	629,830	6,277,774	572,236,800	15,813,675	451	1,094
Manufactured Home	22	229	22	229	35,610	418,547	15,910,200	0	217	217
Residential	1,475	8,239	1,475	8,239	4,180,245	23,041,804	3,445,942,800	310,036,060	7,958	7,958
Total	1,568	8,947	1,683	9,655	4,845,685	29,738,125	4,034,089,800	325,849,735	8,626	9,269
Brazoria										
Commercial	162	890	333	1,615	1,426,841	9,135,623	814,354,400	24,742,295	842	1,516
Manufactured Home		448	76	448	137,218	843,684	32,267,900	0	428	428
Residential	10,716	52,716	10,716	52,716	25,400,829	122,022,532	20,693,028,500	2,892,013,120	50,973	50,973
SUM:	10,954	54,054	11,125	54,779	26,964,888	132,001,839	21,539,650,800	2,916,755,415	52,243	52,917
Calhoun										
Commercial	40	222	99	483	420,952	2,234,631	185,345,600	4,910,310	210	466
Manufactured Home	17	80	17	80	36,069	144,024	5,552,600	0	77	77
Residential	785	4,515	785	4,515	1,814,481	10,182,669	1,463,546,400	131,440,040	4,385	4,385
SUM:	842	4,817	901	5,078	2,271,502	12,561,324	1,654,444,600	136,350,350	4,672	4,928
Cameron										
Commercial	159	927	440	2,394	4,891,368	18,136,110	1,999,499,500	22,667,695	844	2,250
Manufactured Home	20	102	20	102	35,141	148,182	5,605,700	0	100	100
Residential	2,440	10,940	2,440		3,911,555	18,143,191	2,984,878,200	276,154,700	10,581	10,581
SUM:	2,619	11,969	2,900		8,838,064	36,427,483	4,989,983,400	298,822,395	11,525	12,931



Class of	Policies Writt		Risks Writter	_	Premium Writter	_	Liability at End of		In-Force at End	
Business	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
Chambers										
Commercial	24	128	55	209	209,117	1,604,085	109,336,700	2,746,335	124	198
Manufactured Home	41	119	41	119	77,000	221,356	8,377,700	0	112	112
Residential	1,627	7,976	1,627	7,976	4,099,663	19,877,770	3,542,395,000	506,333,020	7,719	7,719
SUM:	1,692	8,223	1,723	8,304	4,385,780	21,703,211	3,660,109,400	509,079,355	7,955	8,029
Galveston										
Commercial	456	2,356	993	4,548	8,797,887	38,528,540	3,616,993,900	82,091,650	2,192	4,297
Manufactured Home	59		59	297	107,431	522,807	19,657,600	0	284	284
Residential	16,746	84,092	16,746	84,092	43,927,631	214,467,579	34,681,394,300	4,242,328,000	81,253	81,253
SUM:	17,261	86,745	17,798	88,937	52,832,949	253,518,926	38,318,045,800	4,324,419,650	83,729	85,834
Harris										
Commercial	16	108	28	296	142,363	1,961,845	211,476,000	6,275,180	92	264
Manufactured Home	. 1	7	1	7	1,572	11,136	425,000	0	7	7
Residential	945	4,620	945	4,620	1,621,775	7,622,435	1,766,750,500	244,017,380	4,447	4,447
SUM:	962	4,735	974	4,923	1,765,710	9,595,416	1,978,651,500	250,292,560	4,546	4,718
Jefferson										
Commercial	142	947	336	1,834	1,477,367	10,732,485	992,347,000	25,595,364	883	1,696
Manufactured Home	15	112	15	112	29,710	206,726	7,827,400	0	106	106
Residential	5,991	33,662	5,991	33,662	13,178,716	70,465,010	10,265,029,200	1,379,423,600	32,373	32,373
SUM:	6,148	34,721	6,342	35,608	14,685,793	81,404,221	11,265,203,600	1,405,018,964	33,362	34,175



Class of	Policies Writ	tten		Risks Written		Premium Writter	1	Liability at End of	Quarter	In-Force at End	of Quarter
Business	During Qtr	YTD			TD	During Qtr	YTD		Indirect		Risks
Kenedy											
Commercial	(0	1	0	1	0	1,178	100,000	0	1	1
Manufactured Home	. (0	0	0	0	0	·	0	0	0	0
Residential	(0	34	0	34	0	63,270	8,694,800	46,000	34	34
SUM:	(0	35	0	35	0	64,448	8,794,800	46,000	35	35
Kleberg											
Commercial	-	7	61	8	94	22,740	888,000	63,910,900	810,120	53	81
Manufactured Home		, D	4	0	4	22,740	,	364,500	010,120	4	4
Residential	21;		1,080	213	1,080	381,217	1,960,960	307.623.700	33,575,020	1,022	1,022
SUM:	220	-	1,145	221	1,178	403,957	_ , ,	371,899,100	34,385,140	1,079	1,107
Matagorda											
Commercial	39	9	196	45	393	261,142	1,708,756	151,517,000	5,491,805	186	379
Manufactured Home		9	60	9	60	18,938	135,280	5,169,600	0	60	60
Residential	1,000		5,607	1,000	5,607	2,283,942	, ,	1,815,377,000	196,982,480	5,469	5,469
SUM:	1,048	8	5,863	1,054	6,060	2,564,022	13,613,175	1,972,063,600	202,474,285	5,715	5,908
Nueces											
Commercial	532	2	2,549	1,295	5,668	8,430,934	35,998,023	3,787,849,100	91,726,435	2,355	5,264
Manufactured Home	1	5	83	15	83	25,698	157,968	5,436,100	0	77	77
Residential	9,14	5	48,185	9,145	48,185	20,952,493	104,042,865	16,453,306,300	1,890,099,900	46,547	46,547
SUM:	9,692	2	50,817	10,455	53,936	29,409,125		20,246,591,500	1,981,826,335	48,979	51,888



Class of	Policies Writt		Risks Writte	<u>n</u>	Premium Writte	<u>n</u>	Liability at End of		In-Force at End of	
Business	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies R	Risks
Refugio										
Commercial	8	35	5 16	62	71,514	270,057	21,116,000	247,800	31	58
Manufactured Home	7	36	i -	7 36	14,820	73,648	2,768,000	0	34	34
Residential	60	423	60	423	144,050	873,611	131,383,100	13,789,220	414	414
SUM:	75	494	83	3 521	230,384	1,217,316	155,267,100	14,037,020	479	506
San Patricio										
Commercial	58	328	3 143	3 654	395,001	2,684,987	231,972,000	5,381,930	300	610
Manufactured Home	13	77	' 13	3 77	27,703	146,927	5,637,300	0	72	72
Residential	1,602	9,155	1,602	2 9,155	3,532,330	19,902,259	3,160,520,600	401,276,800	8,841	8,841
SUM:	1,673	9,560	1,758	9,886	3,955,034	22,734,173	3,398,129,900	406,658,730	9,213	9,523
Willacv										
Commercial	5	30) 19	9 69	22,318	3 272,633	26,856,000	99,900	30	69
Manufactured Home	1	11		1 11	1,310	20,753	792,100	0	11	11
Residential	65	386	65	5 386	143,286	914,783	124,867,400	8,516,220	368	368
SUM:	71	427	85	5 466	166,914	1,208,169	152,515,500	8,616,120	409	448
Total All Counties										
Commercial	1,719	9,257	3,996	19,507	27,199,374	130,434,727	12,784,910,900	288,600,494	8,594	18,243
Manufactured Home	296	1,665	296	1,665	548,220	3,060,588	115,791,700		1,589	1,589
Residential	52,810	271,630	52,810	271,630	125,572,213	625,349,877	100,844,737,800	12,526,031,560	262,384	262,384
SUM:	54,825	282,552			153,319,807	758,845,192	113,745,440,400	12,814,632,054	272,567	282,216

7B. Reserve Adequacy



MEMORANDUM

DATE: February 7, 2024

TO: David Durden

General Manager

FROM: James C. Murphy, FCAS, MAAA

Chief Actuary, Vice President – Enterprise Analytics

RE: TWIA Reserve Adequacy as of December 31, 2024

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of December 31, 2024.

As of December 31, 2024, TWIA carried \$161.6 million in total gross loss and loss adjustment expense reserves. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Harvey, Hurricane Beryl, and all other outstanding claims.

Based on this review, the estimate of ultimate gross loss & expense associated with Hurricane Beryl has been updated to \$480 million. TWIA actuarial staff will continue to monitor the development of claims associated with this event and update the ultimate estimate as necessary going forward. The selected ultimate gross loss & expense estimate for Hurricane Harvey remains at \$1.655 billion.

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.

JM

7C. Appointed Actuary Qualification Documentation



MEMORANDUM

DATE: February 7, 2025

TO: David Durden

General Manager

FROM: James C. Murphy, FCAS, MAAA

Chief Actuary | Vice President, Enterprise Analytics

RE: TWIA Appointed Actuary Qualifications

Annual Statement instructions require the Appointed Actuary to provide qualification documentation to the Board of Directors on occasion of their appointment and on an annual basis thereafter. The Board most recently appointed me as the Appointed Actuary for the Texas Windstorm Insurance Association at its February 14, 2023 meeting.

I graduated with a bachelor's degree in Mathematics from the University of Texas at Austin and have been a Member of the American Academy of Actuaries (MAAA) since 2004 and a Fellow of the Casualty Actuarial Society (FCAS) since 2005. I have over twenty-five years' experience in property and casualty insurance, including over fifteen years with TWIA. I have met all continuing education requirements under Section 3 of the U.S. Qualification Standards for issuing Actuarial Opinions for 2024 and will continue to meet those requirements in 2025 through a combination of physical and virtual attendance at organized actuarial conferences and seminars and self-study. A detailed log of my continuing education credit hours is available on request. I meet all Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States as promulgated by the American Academy of Actuaries as well as the requirements for a qualified actuary as set forth in the NAIC Annual Statement Instructions.

JM

7D. Determination of 2025 Funding;
Including Aon Modeling Update,
Reinsurance Procurement and
Determination of Probable Maximum Loss
for a Catastrophe Year with a
Probability of 1 in 100



MEMORANDUM

DATE: February 7, 2025

TO: David Durden, General Manager

FROM: James Murphy, Chief Actuary | Vice President, Enterprise Analytics

RE: 2025 Funding – 100-Year Probable Maximum Loss and Reinsurance

The Association is required by statute to maintain total available loss funding in an amount not less than the Association's probable maximum loss (PML) for a catastrophe year with a one-in-100-year probability. To assist the Board in its determination, I have prepared a resolution template for the current hurricane season, a summary of the Board resolutions from the 2024 hurricane season, and additional reference information and exhibits. TWIA's catastrophe modeler, Aon, has prepared a presentation for the Board, also attached, and will be in attendance at the February 25, 2025 Board meeting to discuss and answer any questions from the Board.

Template for TWIA Board Resolutions for the 2025 Hurricane Season

- The Board agrees to average the results from the catastrophe models presented as a reference point for making the Board's determination of the 100-year PML using the following weighting: AIR % RMS % IF % RQE %.
- 2. The Board agrees that the model results based on [near] [long] term assumptions are preferable.
- 3. The Board agrees that the words, "total available loss funding" in statute contemplate [inclusion] [exclusion] of loss adjustment expenses in determining the probable maximum loss for the Association for a catastrophe year with a probability of one in one hundred.
- 4. The Board agrees based on the foregoing and the information presented that for catastrophe year 2025 the one in one hundred probable maximum loss amount is \$____ billion.
- 5. The Board directs the Association's reinsurance broker to pursue placement of the reinsurance program for the 2025-2026 reinsurance contract year using a combination of catastrophe bonds and traditional reinsurance in an aggregate amount of \$___ billion (\$___ billion excess of \$2 billion) on the most favorable terms that can be achieved in the market.
- 6. Staff is authorized and directed to submit these resolutions and supporting information to the Texas Department of Insurance for any review or approval that may be required by the Commissioner of Insurance under law.



TWIA Board Resolutions for the 2024 Hurricane Season

The TWIA Board of Directors set the 100-year PML for the 2024 hurricane season at its February 20, 2024 meeting by assigning 75% weight to the RMS model and 25% weight to the AIR model based on long-term frequency assumptions and including loss adjustment expenses. The resulting PML was \$6.5 billion.

Additional Reference Information

Texas Administrative Code Rule §5.4160 requires the Association to discuss determining its one-in-100-year probable maximum loss for the year at the Association's first regular board meeting each year. Following the discussion at this meeting, the Association must determine its one in-100-year probable maximum loss for the year and disclose it to the Commissioner not later than April 1. The Association must disclose its method for determining its one-in-100-year probable maximum loss at the same time. The determination and information must be disclosed each year, regardless of whether the Association requests a reinsurance assessment.

Neither the statute nor TDI's rule guidance specify how the Association must determine its one-in-100-year probable maximum loss. However, the rule describes the information that must be included regarding the methodology used to determine the one-in-100-year probable maximum loss. This information has been provided in the attached summary. The rule can be found in its entirety online at the following link: Rule §5.4160.

In 2019, the Texas Legislature enacted statutory changes that require the Association to assess its member insurers to pay for any reinsurance it purchases in excess of the Association's 1:100 statutory minimum funding level. Member assessments to pay for this excess reinsurance are distinct from member assessments to pay losses and would not affect the Association's ability to assess member companies for excess losses incurred.

Sec. 2210.453(f) of the Texas Insurance Code prohibits the Association from purchasing reinsurance from an insurer or broker involved in the execution of a catastrophe model on which the Association relies in determining the probable maximum loss applicable for the period covered by the reinsurance. TWIA's reinsurance broker, Gallagher Re, has not been involved in the execution of any of the catastrophe models to be relied on by the Board in determining the 100-year probable maximum loss.

JM

Exhibit 1 - Annual Timetable

Timing	Action
At the Association's first	The association must discuss with the Board its methodology for determining
regular board meeting (February)	its one-in-100-year probable maximum loss for the calendar year.
. ,,	The association must determine its one-in-100-year probable maximum loss
	for the calendar year
	In discussing its methodology, the Association must provide the information
	described in §5.4160(d) and make that information available to its members and the public.
After the first regular board	The Association must disclose to the Commissioner its one-in-100-year
meeting but not later than	probable maximum loss for the calendar year and the Association's method
April 1	for determining that probable maximum loss.
No later than the second	If the Association elects to purchase coverage for reinsurance or alternative
regular board meeting (May)	risk transfer mechanisms in excess of the one-in-100-year probable maximum
	loss, then the Association must also obtain a quote for coverage that provide
	funding equal to the one in 100-year probable maximum loss.
	The Association must provide each of the following to its board and make thi
	information available to its members and the public:
	(1) the reinsurance or alternative risk transfer mechanism premium
	quote for coverage that provides funding equal to the one in 100-
	year probable maximum loss.
	(2) the total deposit premiums for all reinsurance or alternative risk
	transfer mechanism coverage for the year.
	If, at the time of the second regular board meeting of the calendar year,
	deposit premiums described above are not known, then the Association mus
	provide its best estimate of those premiums to the board and make the
	estimate available to its members.
Following disclosure to the	The department (TDI) will post one-in- 100-year probable maximum loss for
Commissioner of the one-in-	the calendar year and the Association's method for determining that
100-year probable maximum	probable maximum loss on its website.
loss	

As soon as the Association	As soon as the Association knows the deposit premiums described in
knows the deposit premiums	subsection (g) of this section, the Association must provide them to the board
(June)	and make them available to its members.
Within a reasonable time after	If the Association must assess its members under Insurance Code
it knows its total reinsurance	§2210.453(d)(1) then the Association must request the Commissioner's
costs for that calendar year	approval within a reasonable time after it knows its total reinsurance costs for
	that calendar year.
By the later of either:	The Association must issue the assessment.
(A) 120 days after the date	
the Association receives	
the member premium	
data that TDI provides	
under §5.4162(f) for that	
year; or	
(B) December 1 of that year.	
Within 30 days of receipt of	Each member must remit to the Association payment in full of its assessed
notice of assessment.	amount of any assessment levied by the Association within 30 days of receipt
	of notice of assessment.

Exhibit 2

Sec. 2210.453. FUNDING LEVELS; REINSURANCE AND ALTERNATIVE RISK FINANCING MECHANISMS; REINSURANCE FROM CERTAIN INSURER OR BROKER PROHIBITED.

- (a) The Association may purchase reinsurance or use alternative risk financing mechanisms or both as necessary.
- (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. If necessary, the required funding level shall be achieved through the purchase of reinsurance or the use of alternative financing mechanisms, or both, to operate in addition to or in concert with the trust fund, public securities, financial instruments, and assessments authorized by this chapter.
- (c) The attachment point for reinsurance purchased under this section may not be less than the aggregate amount of all funding available to the Association under Subchapter B-1.
- (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. The Association, with the approval of the commissioner, shall notify each member of the Association of the amount of the member's assessment under this subsection. The proportion of the cost to each insurer under this subsection shall be determined in the manner used to determine each insurer's participation in the Association for the year under Section 2210.052.
- (e) A member of the Association may not recoup an assessment paid under Subsection (d) through a premium surcharge or tax credit.
- (f) The association may not purchase reinsurance under this section from an insurer or broker involved in the execution of a catastrophe model on which the association relies in:
 - (1) determining the probable maximum loss applicable for the period covered by the reinsurance; or
 - (2) adopting rates under Section 2210.355.

Exhibit 3 Information Required to be Disclosed to the Commissioner pursuant to §5.4160(d)

In disclosing its method for determining its one-in-100-year probable maximum loss, the association must include:

- (1) the hurricane model or models it relied on, including the model vendors, the model names, and the versions of each model;
- (2) the in-force date and the total amount of direct exposures in force for the policy data used as the input for each hurricane model the association relied on;
- (3) all user-selected hurricane model input assumptions used with each hurricane model the association relied on;
- (4) the one-in-100-year probable maximum loss model output produced by each hurricane model the association relied on;
- (5) if the association relied on more than one hurricane model, the methodology the association used to blend or average the hurricane model outputs, including all weighting factors used; and
- (6) any adjustments the association or another party made to the one-in-100-year probable maximum loss model outputs or the blended or averaged output, including any adjustments to include loss adjustment expenses.

Catastrophe Modeling based on November 30, 2024 data

February 2025



Agenda

Section 1 - Exposure Summary

Section 2 - Modeled Loss Change

Section 3 – Defining the 100 yr. PML

Section 4 - Model Change Detail

Appendix A

Appendix B



Exposure Summary



Exposure Change

Year-Over-Year Exposure Summary

Portfolio Summary

	11/30/2024	11/30/2023	% Change
County	Exposure	Exposure	Exposure
Jefferson	12,550,729,574	10,613,790,979	18.2%
Chambers	4,124,312,135	3,128,169,285	31.8%
Harris	2,208,057,000	1,951,456,880	13.1%
Galveston	42,222,475,935	36,025,818,900	17.2%
Brazoria	24,147,129,710	18,958,894,064	27.4%
Matagorda	2,166,297,290	1,837,690,070	17.9%
Calhoun	1,778,781,810	1,546,937,500	15.0%
Refugio	167,463,120	141,503,260	18.3%
Aransas	4,333,026,790	3,555,670,025	21.9%
San Patricio	3,806,051,240	3,123,907,240	21.8%
Nueces	22,064,453,945	18,688,712,340	18.1%
Kleberg	409,135,020	330,279,230	23.9%
Kenedy	8,840,800	6,832,100	29.4%
Willacy	159,218,610	136,089,650	17.0%
Cameron	5,147,825,790	4,734,377,985	8.7%
Total	125,293,798,769	104,780,129,508	19.6%

Line of Business % Growth Detail

Exposures % Change

County	Commercial	Mobile Home	Residential	Total
Jefferson	0.9%	54.1%	20.1%	18.2%
Chambers	29.4%	52.1%	31.9%	31.8%
Harris	-5.4%	59.2%	15.6%	13.1%
Galveston	-0.4%	18.0%	19.2%	17.2%
Brazoria	-0.8%	57.2%	28.7%	27.4%
Matagorda	7.4%	70.0%	18.8%	17.9%
Calhoun	15.3%	0.2%	15.0%	15.0%
Refugio	2.5%	48.5%	20.8%	18.3%
Aransas	12.2%	19.3%	23.6%	21.9%
San Patricio	9.6%	33.9%	22.9%	21.8%
Nueces	2.7%	64.9%	22.0%	18.1%
Kleberg	1.2%	40.5%	30.0%	23.9%
Kenedy	N/A	N/A	27.9%	29.4%
Willacy	5.5%	6.7%	19.7%	17.0%
Cameron	2.6%	69.7%	12.6%	8.7%
Total	2.2%	38.4%	22.0%	19.6%

TWIA's portfolio has grown 19.6% year-over-year

- Portfolio remains driven by Residential exposure change (+22%) and minimal change in Commercial exposure change (+2.2%)
- Mobile Home exposures seeing significant increases (+38.4%) but remain a small contributor overall
- Galveston, Brazoria and Nueces counties continue to account for majority of exposure (70.5%)





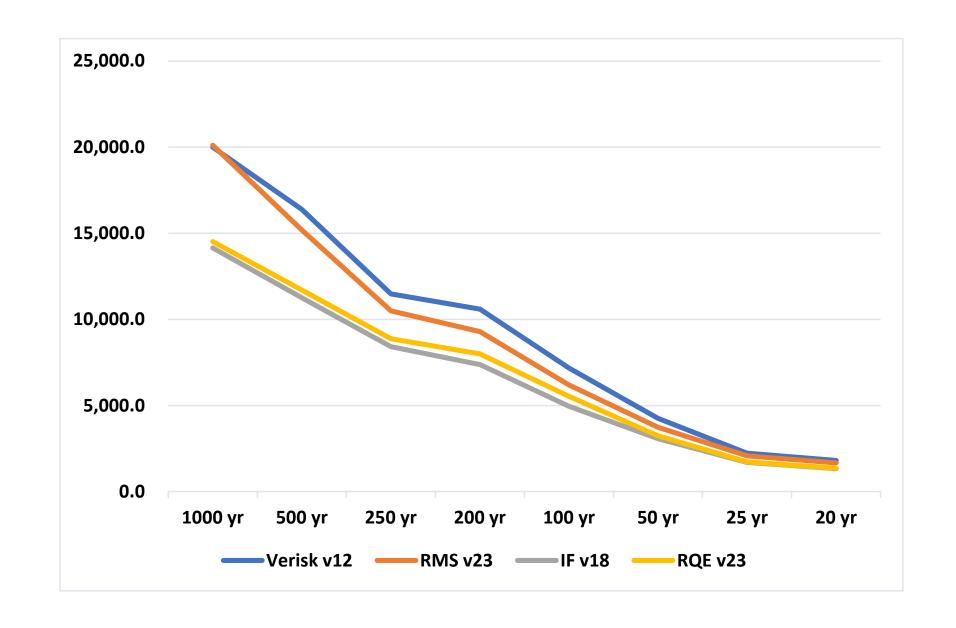
Multi-Model Comparison – All Perils

Combined Hurricane (Long-Term) & Severe Conv. Storm AEP Gross Losses (excl. LAE)

Data as of 11/30/2024

AEP - All Perils (Long-Term/Standard)

Return Period	Verisk v12	RMS v23	IF v18	RQE v23
1000 yr	20,000.4	20,113.0	14,150.9	14,524.5
500 yr	16,393.6	15,191.6	11,255.0	11,703.6
250 yr	11,485.7	10,501.1	8,415.5	8,886.5
200 yr	10,592.3	9,284.5	7,376.3	7,997.0
100 yr	7,175.7	6,193.0	4,962.8	5,540.5
50 yr	4,252.8	3,740.9	3,081.9	3,248.2
25 yr	2,232.2	2,078.3	1,697.2	1,734.4
20 yr	1,806.8	1,673.3	1,340.0	1,368.6
Annual avg	387.0	361.0	294.8	294.8
Std dev	1,497.5	1,484.8	1,157.5	1,139.4



US \$ in Millions



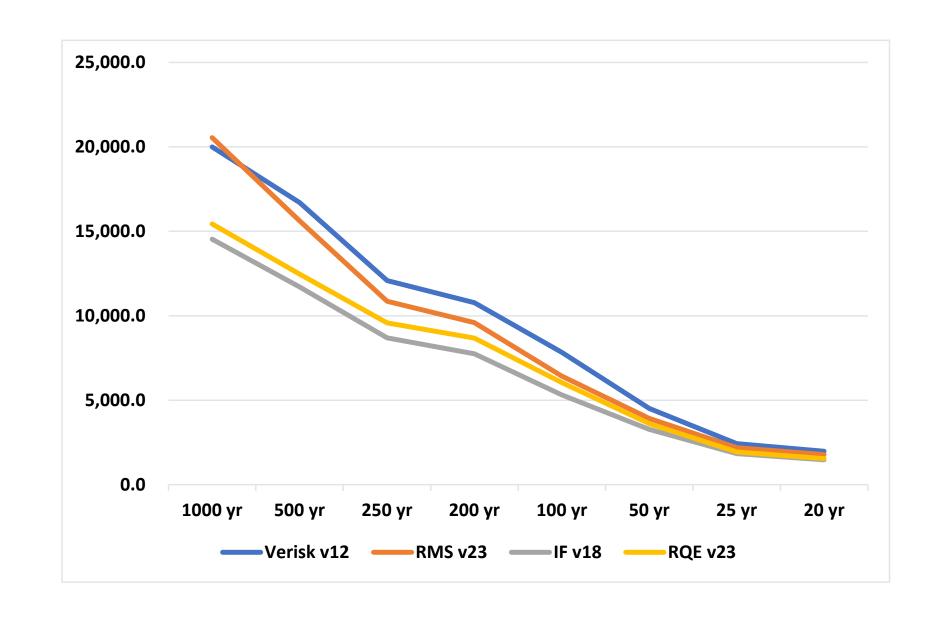
Multi-Model Comparison – All Perils

Combined Hurricane (Near-Term) & Severe Conv. Storm AEP Gross Losses (excl. LAE)

Data as of 11/30/2024

AEP - All Perils (Near-Term/Warm Sea Surface Temperature)

			•	
Return Period	Verisk v12	RMS v23	IF v18	RQE v23
1000 yr	20,000.4	20,542.2	14,532.5	15,442.2
500 yr	16,705.7	15,615.7	11,708.2	12,470.8
250 yr	12,079.3	10,862.8	8,698.7	9,579.6
200 yr	10,775.7	9,599.3	7,748.3	8,676.2
100 yr	7,832.1	6,433.8	5,315.2	6,042.6
50 yr	4,515.9	3,917.6	3,274.5	3,615.7
25 yr	2,436.0	2,195.8	1,844.4	1,935.1
20 yr	1,973.3	1,778.7	1,472.7	1,547.5
Annual avg	411.4	383.7	315.5	328.4
Std dev	1,552.3	1,525.2	1,205.7	1,226.2



US \$ in Millions



Verisk Touchstone v12 AEP Gross Losses (excl. LAE)

AEP - All Perils (Standard)

Return	Verisk v12	Verisk v10	Verisk v10	Overall	Exposure	Model
Period	11/30/2024	11/30/2024	11/30/2023	Change	Change	Change
1000 yr	20,000.4	19,312.8	17,441.8	14.7%	10.7%	3.6%
500 yr	16,393.6	15,909.8	15,122.9	8.4%	5.2%	3.0%
250 yr	11,485.7	10,964.4	10,366.1	10.8%	5.8%	4.8%
200 yr	10,592.3	10,216.5	9,828.4	7.8%	3.9%	3.7%
100 yr	7,175.7	6,891.7	6,690.1	7.3%	3.0%	4.1%
50 yr	4,252.8	3,991.8	3,910.1	8.8%	2.1%	6.5%
25 yr	2,232.2	2,098.4	2,062.4	8.2%	1.7%	6.4%
20 yr	1,806.8	1,660.8	1,656.5	9.1%	0.3%	8.8%
Annual avg	387.0	367.7	360.0	7.5%	2.1%	5.3%
Std dev	1,497.5	1,438.2	1,362.7	9.9%	5.5%	4.1%

US \$ in Millions



RMS RiskLink v23 AEP Gross Losses (excl. LAE)

AEP - All Perils (Long-Term)

Return	RMS v23	RMS v23	Exposure
Period	11/30/2024	11/30/2023	Change
1000 yr	20,113.0	16,843.2	19.4%
500 yr	15,191.6	12,801.0	18.7%
250 yr	10,501.1	8,940.2	17.5%
200 yr	9,284.5	7,924.6	17.2%
100 yr	6,193.0	5,331.0	16.2%
50 yr	3,740.9	3,257.2	14.9%
25 yr	2,078.3	1,830.4	13.5%
20 yr	1,673.3	1,480.8	13.0%
Annual avg	361.0	313.8	15.0%
Std dev	1,484.8	1,259.2	17.9%

US \$ in Millions



Impact Forecasting v18 AEP Gross Losses (excl. LAE)

AEP - All Perils (Long-Term)

Return	IF v18	IF v18	Exposure
Period	11/30/2024	11/30/2023	Change
1000 yr	14,150.9	13,285.2	6.5%
500 yr	11,255.0	10,425.9	8.0%
250 yr	8,415.5	7,719.6	9.0%
200 yr	7,376.3	6,776.4	8.9%
100 yr	4,962.8	4,580.8	8.3%
50 yr	3,081.9	2,872.7	7.3%
25 yr	1,697.2	1,584.1	7.1%
20 yr	1,340.0	1,246.2	7.5%
Annual avg	294.8	259.5	13.6%
Std dev	1,157.5	1,073.4	7.8%

US \$ in Millions



CoreLogic RQE v23 AEP Gross Losses (excl. LAE)

AEP - All Perils (Long-Term)

Return	RQE v23	RQE v23	Exposure
Period	11/30/2024	11/30/2023	Change
1000 yr	14,524.5	13,046.4	11.3%
500 yr	11,703.6	10,491.2	11.6%
250 yr	8,886.5	7,998.5	11.1%
200 yr	7,997.0	7,247.6	10.3%
100 yr	5,540.5	5,023.4	10.3%
50 yr	3,248.2	2,972.4	9.3%
25 yr	1,734.4	1,601.0	8.3%
20 yr	1,368.6	1,257.9	8.8%
Annual avg	294.8	265.3	11.1%
Std dev	1,139.4	1,026.6	11.0%

US \$ in Millions



Defining the 100 yr. PML



Discussion of the 100 Yr. PML Threshold

Data as of 11/30/2024

All Perils (Near-Term/Warm Sea Surface Temperature)

Model	Weight	100yr PML - OEP	100yr PML - AEP	AEP/OEP Ratio
Verisk v12	50%	7,523.1	7,832.1	1.041
RMS v23	50%	6,201.4	6,433.8	1.037
IF v18	0%	5,018.2	5,315.2	1.059
RQE v23	0%	5,765.1	6,042.6	1.048
Blend	100%	6,862.3	7,132.9	1.039
Blend w/ LAE	100%	7,891.6	8,202.9	

All Perils (Near-Term/Warm Sea Surface Temperature)

Model	Weight	100yr PML - OEP	100yr PML - AEP	AEP/OEP Ratio
Verisk v12	25%	7,523.1	7,832.1	1.041
RMS v23	25%	6,201.4	6,433.8	1.037
IF v18	25%	5,018.2	5,315.2	1.059
RQE v23	25%	5,765.1	6,042.6	1.048
Blend	100%	6,127.0	6,405.9	1.046
Blend w/ LAE	100%	7,046.0	7,366.8	

All Perils (Near-Term/Warm Sea Surface Temperature)

Model	Weight	100yr PML - OEP	100yr PML - AEP	AEP/OEP Ratio
Verisk v12	25%	7,523.1	7,832.1	1.041
RMS v23	75%	6,201.4	6,433.8	1.037
IF v18	0%	5,018.2	5,315.2	1.059
RQE v23	0%	5,765.1	6,042.6	1.048
Blend	100%	6,531.9	6,783.3	1.038
Blend w/ LAE	100%	7,511.6	7,800.8	

US \$ in Millions

15% LAE utilized for all blend options

Including Demand Surge, Excluding Storm Surge

All Perils (Long-Term/Standard)

Model	Weight	100yr PML - OEP	100yr PML - AEP	AEP/OEP Ratio
Verisk v12	50%	6,896.7	7,175.7	1.040
RMS v23	50%	5,982.7	6,193.0	1.035
IF v18	0%	4,668.5	4,962.8	1.063
RQE v23	0%	5,288.0	5,540.5	1.048
Blend	100%	6,439.7	6,684.3	1.038
Blend w/ LAE	100%	7,405.7	7,687.0	

All Perils (Long-Term/Standard)

Model	Weight	100yr PML - OEP	100yr PML - AEP	AEP/OEP Ratio
Verisk v12	25%	6,896.7	7,175.7	1.040
RMS v23	25%	5,982.7	6,193.0	1.035
IF v18	25%	4,668.5	4,962.8	1.063
RQE v23	25%	5,288.0	5,540.5	1.048
Blend	100%	5,709.0	5,968.0	1.047
Blend w/ LAE	100%	6,565.4	6,863.2	

All Perils (Long-Term/Standard)

Model	Weight	100yr PML - OEP	100yr F	PML - AEP	AEP/OEP Ratio
Verisk v12	25%	6,896.7		7,175.7	1.040
RMS v23	75%	5,982.7		6,193.0	1.035
IF v18	0%	4,668.5	'	4,962.8	1.063
RQE v23	0%	5,288.0		5,540.5	1.048
Blend	100%	6,211.2		6.438.7	1.036
Blend w/ LAE	100%	7,142.9		7,404.5	



100 Yr. PML Limit Comparison Year-Over-Year

	2024 Placement	2025 Placement	\$ Difference	% Difference
100 Yr Selected PML*	5,670.8	6,438.7	767.9	13.5%
100 Yr Selected PML w/ 15% LAE	6,521.4	7,404.5	883.1	13.5%
Retention	2,440.0	2,000.0	(440.0)	-18.0%
Limit Required	4,081.4	5,404.5	1,323.1	32.4%

^{*2024} selected PML based on 75% RMS v23/25% Verisk v10 Long-Term AEP All Perils; 2025 assumes same settings US \$ in Millions

Limit increase of 32.4% required to maintain consistent coverage

- Retention adjustment driving increase of required limit
- 100 yr. PML selection assumes the same 15% LAE pick and no adjustment for growth or inflation



Managing Tail Risk Tolerance

What is TVaR and how can it inform your coverage decisions?

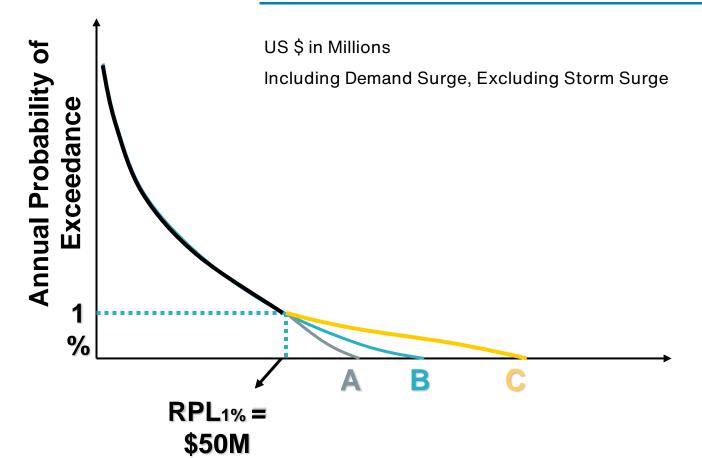
Tail Value at Risk (TVaR)

- Average value of loss given that a loss at least as large as the selected EP return period loss has occurred
- Measures not only the probability of exceeding a certain loss level, but also the average severity of losses in the tail of the distribution
- Example: AIR 100 yr return period loss equals \$7,832.1m
 - TVaR is \$12,728.6m (TVaR will always be greater or equal to return period loss)
- Interpretation
 - PML: There is a 1% annual probability of a loss exceeding \$7,832.1m
 - TVaR: Given that at least a \$7,832.1m loss occurs, the average severity will be \$12,728.6m

TVaR captures the size or severity of loss events once they reach the 100 year threshold.

AEP - All Perils (Near-Term/Warm Sea Surface Temperature)

	Veri	sk Touchstone v	12	RI	MS RiskLink v23	
Return Period	TVaR	VaR	TVaR Ratio	TVaR	VaR	TVaR Ratio
1000 yr	22,956.7	20,000.4	1.15	27,593.4	20,542.2	1.34
500 yr	20,545.9	16,705.7	1.23	22,699.5	15,615.7	1.45
250 yr	17,459.4	12,079.3	1.45	17,801.4	10,862.8	1.64
200 yr	16,222.2	10,775.7	1.51	16,279.4	9,599.3	1.70
100 yr	12,728.6	7,832.1	1.63	12,026.5	6,433.8	1.87
50 yr	9,319.7	4,515.9	2.06	8,498.2	3,917.6	2.17
25 yr	6,297.5	2,436.0	2.59	5,697.6	2,195.8	2.59
20 yr	5,474.3	1,973.3	2.77	4,953.1	1,778.7	2.78
Annual avg	411.4	411.4	1.00	383.7	383,7	1.00
Std dev	1,552.3	1,552.3	1.00	1,525.2	1,525.2	1.00



Higher TVaR ratio in RMS indicates greater severity deviation from the aggregate 100 yr, although AIR has higher overall modeled losses



Historical Perspective

OEP - Hurricane Only (Near-Term/Warm Sea Surface Temperature)

Return Period	Verisk v12	RMS v23	IF v18	RQE v23	
1000 yr	19,997.6	20,187.9	14,142.4	14,961.2	
500 yr	16,160.1	15,290.0	11,263.8	12,189.7	
250 yr	11,269.1	10,549.8	8,442.8	9,200.1	
200 yr	10,525.7	9,311.0	7,342.0	8,346.6	
100 yr	7,523.1	6,201.5	5,018.2	5,766.2	
50 yr	4,172.6	3,728.7	3,089.4	3,396.2	
25 yr	2,167.6	2,064.1	1,707.9	1,779.3	
20 yr	1,753.6	1,664.2	1,319.3	1,399.3	
Annual avg	381.5	359.2	274.2	300.0	
Std dev	1,550.7	1,524.9	1,202.7	1,223.7	

US \$ in Millions Including Demand Surge, Excluding Storm Surge

TWIA % Share Res+Comm Orig Incurred Trended Incurred Named Storm Loss & ALAE excl. 15% LAE excl. 15% LA Loss 6.5 18.9 Hurricane Bret 20% 17% 39.3 Hurricane Claudette 16.9 161.9 334.2 7% Hurricane Rita 2,005.0 327.2 569.0 56% 495.0 Hurricane Dolly 22% 9.500.0 2,443.9 4,249.5 Hurricane Ike **Tropical Storm Hermine** 6.0 9.5 5% ጸ% 1,535.8 1,977.2 15,850.0 **Hurricane Harvey** Hurricane Hanna 12.0 13.5 3% 295.2 Hurricane Laura 21.9 24.5 3% 22.0 24.6 11% Hurricane Delta **Hurricane Beryl** 408.0 16% 2,617.0 480.0

Orig. PCS

28.0

85.0

110.0

601.0

166.8

Trended PCS

Res + Comm

Loss

95.6

233.2

4,870.4

19,433.5

24,005.4

203.8

388.7

791.3

219.6

2,617.0

Variability in both loss magnitude and share indicates a need for more insightful view of historical experience and catastrophe models

- Trended TWIA losses indicate that the Cat program could be significantly (Harvey) to completely (lke) impacted if events similar to those in the historical catalog were to occur again
- TWIA market share of total PCS event loss carries significant variation, indicating potential for outsized impact on the program
- Trended PCS losses shown using CAS Collins & Lowe methodology through Jan. 2025
 - o Trended TWIA losses excl. LAE calculated using market share from orig. PCS events
- PCS Industry losses cited below account for TX only and exclude flood and auto loss
- Recast loss shows high degree of model variability and extreme event potential if a storm similar to the 1900 Galveston hurricane were to occur again

Recast Event	Gross Loss	Gross Loss
Hurricane Delta	N/A	8.1
Hurricane Laura	35.6	51.8
Hurricane Harvey	2,467.5	1,510.7
— Hurricane Ike	1,642.8	1,133.3
Hurricane Rita	669.2	480.0
Hurricane Alicia	935.7	835.0
Hurricane Carla	1,849.2	1,273.1
1900 Galveston Hurricane US \$ in Millions	9,865.2	6,566.6

Verisk v12



RMS v23

^{*}Losses shown US \$ in Millions

Model Change Detail



Touchstone's Next-Generation Financial Model



Scope of Update



Key Updates Impacting TWIA's Portfolio

Secondary Uncertainty Loss Distribution Updates

Change: Secondary Uncertainty captures the inherent uncertainty around damage and loss from an event. In short, this is the volatility around the Ground up loss calculation. Recent historical data, detailed claims data, post-disaster damage surveys, and updates to building codes have all impacted the calibration of new Secondary Uncertainty Distributions for specific peril models.

Impacts: Specific peril models in Touchstone with no changes to underlying exposure. Very small impacts may be seen in Ground up loss however much more impactful to Gross loss after individual policy terms are introduced.

Spatial and Coverage Correlation

Change: The prior financial module assumed zero relationship between losses across coverages and locations as they get convolved up into an event loss total. In NGM, Verisk's new default view brings correlation into the picture during the loss accumulation methodology.

Impacts: All modeled results in Touchstone with no change to underlying exposure. Impacts seen in Gross loss and subsequent perspectives.

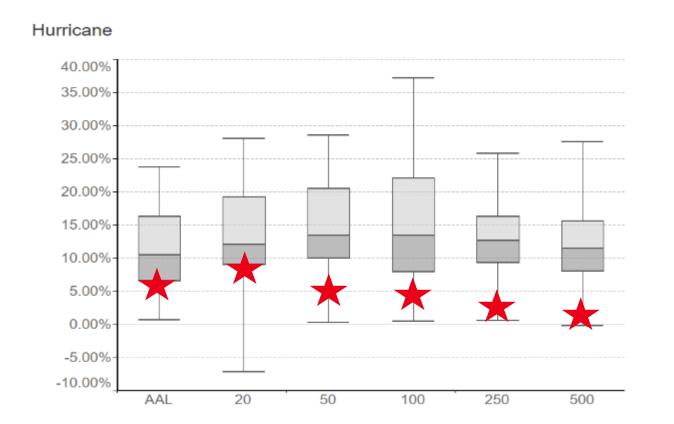
Change in Order of
Application of Limits and
Deductibles for
Residential Policies

Change: In prior model, insured limits were applied before applying deductibles for residential policies. This order differs from standard industry practice in most cases, where deductibles are applied prior to limits. In NGM, the default view for the order in which these terms are applied has changed, with deductibles now applied before limits.

Impacts: Impacts to Gross loss seen for Residential policies modeled in Touchstone with no changes to underlying exposure.

U.S. Hurricane Personal/Small Commercial Median - % Change Comparison

	Aon	Verisk	TWIA
AAL	10.50%	7.00%	5.80%
20 Yr	12.00%	7.50%	8.20%
100 Yr	13.50%	7.00%	4.50%
250 Yr	12.70%	6.00%	3.30%



TWIA Model Change Impact

- TWIA's Hurricane % model change impact is in the lower bound of Aon client composite and slightly below Verisk guidance at most key return periods
- Impact from secondary uncertainty, spatial and coverage correlations, limit & deductible application having marginal impact on portfolio



Appendix A



Multi-Model Comparison – Hurricane

Hurricane (Near-Term) AEP Gross Losses (excl. LAE)

11/30/2024 data

AEP - Hurricane Only (Near-Term/Warm Sea Surface Temperature)

Return Period	Verisk v12	RMS v23	IF v18	RQE v23
1000 yr	19,997.6	20,592.6	14,491.7	15,439.1
500 yr	16,703.0	15,668.9	11,675.4	12,457.8
250 yr	12,067.6	10,921.8	8,651.0	9,549.8
200 yr	10,762.0	9,653.6	7,690.7	8,664.3
100 yr	7,814.4	6,473.9	5,272.5	6,024.3
50 yr	4,452.8	3,945.0	3,234.1	3,583.8
25 yr	2,397.0	2,202.5	1,802.2	1,889.2
20 yr	1,920.8	1,778.8	1,426.6	1,500.9
Annual avg	381.5	359.2	274.2	300.0
Std dev	1,550.7	1,524.9	1,202.7	1,223.7

US \$ in Millions

Including Demand Surge, Excluding Storm Surge



Multi-Model Comparison – Hurricane

Hurricane (Long-Term) AEP Gross Losses (excl. LAE)

11/30/2024 data

AEP - Hurricane Only (Long-Term/Standard)

Return Period	Verisk v12	RMS v23	IF v18	RQE v23
1000 yr	19,997.6	20,164.8	14,114.7	14,484.2
500 yr	16,365.3	15,247.0	11,224.3	11,660.9
250 yr	11,314.0	10,560.8	8,374.5	8,869.1
200 yr	10,591.1	9,338.5	7,342.0	7,970.5
100 yr	7,164.6	6,233.0	4,902.4	5,506.1
50 yr	4,198.8	3,767.3	3,034.3	3,211.7
25 yr	2,195.9	2,083.6	1,651.8	1,691.7
20 yr	1,767.3	1,671.9	1,285.0	1,316.4
Annual avg	357.2	336.4	253.5	266.4
Std dev	1,495.8	1,484.4	1,154.5	1,136.6

US \$ in Millions

Including Demand Surge, Excluding Storm Surge



Multi-Model Comparison – Severe Convective Storm

Severe Convective Storm AEP Gross Losses (excl. LAE)

11/30/2024 data

AEP - Severe Conv. Storm

Return Period	Verisk v12	RMS v23 IF v18		RQE v23
1000 yr	1,005.3	301.2	1,039.9	1,082.9
500 yr	686.4	250.4	855.5	794.6
250 yr	528.1	205.9	637.7	545.9
200 yr	481.3	192.1	552.5	490.8
100 yr	327.7	151.4	365.5	321.1
50 yr	226.0	116.5	258.7	203.7
25 yr	135.2	86.0	168.2	121.2
20 yr	113.8	77.1	145.7	102.2
Annual avg	29.9	24.6	41.3	28.4
Std dev	76.8	33.1	83.4	82.8

US \$ in Millions

Including Demand Surge (where available)



Exposure Change by Line of Business

Year-Over-Year Exposure Summary

Exposures as of 11/30/2024

County	Commercial	Mobile Home	Residential	Total
Jefferson	1,027,207,154	7,685,400	11,515,837,020	12,550,729,574
Chambers	124,754,615	7,815,000	3,991,742,520	4,124,312,135
Harris	217,270,460	425,000	1,990,361,540	2,208,057,000
Galveston	3,735,992,195	19,496,500	38,466,987,240	42,222,475,935
Brazoria	871,439,090	31,890,600	23,243,800,020	24,147,129,710
Matagorda	165,865,990	5,229,600	1,995,201,700	2,166,297,290
Calhoun	191,023,910	5,436,800	1,582,321,100	1,778,781,810
Refugio	21,991,900	2,558,700	142,912,520	167,463,120
Aransas	601,429,390	15,523,400	3,716,074,000	4,333,026,790
San Patricio	274,485,260	5,495,800	3,526,070,180	3,806,051,240
Nueces	3,933,557,665	5,422,100	18,125,474,180	22,064,453,945
Kleberg	71,519,120	364,500	337,251,400	409,135,020
Kenedy	100,000	-	8,740,800	8,840,800
Willacy	26,898,030	792,100	131,528,480	159,218,610
Cameron	1,895,711,390	5,463,500	3,246,650,900	5,147,825,790
Total	13,159,246,169	113,599,000	112,020,953,600	125,293,798,769

Exposures as of 11/30/2023

County	Commercial	Mobile Home	Residential	Total
Jefferson	1,018,539,599	4,988,200	9,590,263,180	10,613,790,979
Chambers	96,386,545	5,137,800	3,026,644,940	3,128,169,285
Harris	229,713,500	267,000	1,721,476,380	1,951,456,880
Galveston	3,751,782,560	16,528,600	32,257,507,740	36,025,818,900
Brazoria	878,166,104	20,289,000	18,060,438,960	18,958,894,064
Matagorda	154,472,330	3,076,800	1,680,140,940	1,837,690,070
Calhoun	165,658,840	5,428,100	1,375,850,560	1,546,937,500
Refugio	21,459,900	1,722,700	118,320,660	141,503,260
Aransas	536,224,205	13,007,700	3,006,438,120	3,555,670,025
San Patrici	250,472,880	4,104,600	2,869,329,760	3,123,907,240
Nueces	3,830,431,080	3,287,200	14,854,994,060	18,688,712,340
Kleberg	70,659,590	259,500	259,360,140	330,279,230
Kenedy	-	-	6,832,100	6,832,100
Willacy	25,499,030	742,100	109,848,520	136,089,650
Cameron	1,848,470,805	3,218,700	2,882,688,480	4,734,377,985
Total	12,877,936,968	82,058,000	91,820,134,540	104,780,129,508

Exposures % Change

County	Commercial	Mobile Home	Residential	Total
Jefferson	0.9%	54.1%	20.1%	18.2%
Chambers	29.4%	52.1%	31.9%	31.8%
Harris	-5.4%	59.2%	15.6%	13.1%
Galveston	-0.4%	18.0%	19.2%	17.2%
Brazoria	-0.8%	57.2%	28.7%	27.4%
Matagorda	7.4%	70.0%	18.8%	17.9%
Calhoun	15.3%	0.2%	15.0%	15.0%
Refugio	2.5%	48.5%	20.8%	18.3%
Aransas	12.2%	19.3%	23.6%	21.9%
San Patricio	9.6%	33.9%	22.9%	21.8%
Nueces	2.7%	64.9%	22.0%	18.1%
Kleberg	1.2%	40.5%	30.0%	23.9%
Kenedy	N/A	N/A	27.9%	29.4%
Willacy	5.5%	6.7%	19.7%	17.0%
Cameron	2.6%	69.7%	12.6%	8.7%
Total	2.2%	38.4%	22.0%	19.6%



Appendix B



Limitations Regarding Use of Catastrophe Models

This report includes information that is output from catastrophe models of Verisk, Corp. (Verisk), CoreLogic Inc. (RQE), Impact Forecasting, LLC (IF), and Risk Management Solutions, Inc. (RMS). The information from the models is provided by Aon Benfield Inc. (Aon Benfield) under the terms of its license agreements with Verisk, RQE, IF, and RMS.

The results in this report from Verisk, RQE, IF, and RMS are the products of the exposures modeled, the financial assumptions made concerning insurance terms such as deductibles and limits, and the risk models that project the dollars of damage that may be caused by defined catastrophe perils. An Benfield recommends that the results from these models in this report not be relied upon in isolation when making decisions that may affect the underwriting appetite, rate adequacy or solvency of the company.

The Verisk, RQE, IF, and RMS models are based on scientific data, mathematical and empirical models, and the experience of engineering, geological, meteorological and terrorism experts. Calibration of the models using actual loss experience is based on very sparse data, and material inaccuracies in these models are possible. The loss probabilities generated by the models are not predictive of future hurricanes, other windstorms, or earthquakes or other natural or man-made catastrophes, but provide estimates of the magnitude of losses that may occur in the event of such catastrophes.

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7E. Overview of 2025 Funding Plans



MEMORANDUM

DATE: February 7, 2025

TO: David Durden

General Manager

FROM: James C. Murphy, FCAS, MAAA

Chief Actuary | Vice President, Enterprise Analytics

RE: 2025 Reinsurance Program

Staff continues to work closely with TWIA's reinsurance broker, Gallagher Re, and their securities / catastrophe bond affiliate, Gallagher Securities, in preparation for the upcoming 2025 reinsurance placement. Catastrophe modeling in support of the traditional reinsurance program has been completed and is in progress for catastrophe bond issuance. Essential documents and exhibits supporting both traditional reinsurance and catastrophe bonds have also been updated in preparation for the commencement of the reinsurance placement process after the February 25 Board meeting.

Gallagher Re will be in attendance at the Board meeting to answer any questions the Board may have regarding the reinsurance placement for 2025.

JM

8. Internal Audit Status & Update

MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association

FROM: Dan Graves, Weaver - Internal Audit

DATE: February 25, 2025

SUBJECT: Status of Internal Audit Activities

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

Current Activities:

Activity Description	Status
Customer Experience	Complete
Strategic Communications	Complete
Cash Management	Complete
Follow-Up Quarterly Discussion	Complete

> Upcoming Audits and Activities:

Activity Description	Timing
Claims Processing	Q1 2025
HR Administration & Talent Retention	Q1 2025
Executive Management	Q2 2025
Information Security	Q2 2025
IT Services	Q2 2025

> ELT meetings:

• Attended Executive Leadership Team and Operations meetings.



TWIA Audit Findings Summary

Internal Audit History								
Audit	Fiscal Year	Total Findings	*Closed Findings	Open Findings				
Facilities	2020	1	1	1				
Actuarial		3	3	1				
Governance	2021	4	4	-				
Premium Taxes		1	1	-				
Secure Remote Work Practices & Vulnerability Mgmt		2	2	-				
COOP / BCP		1	1	-				
Claims Processing	2022	-	-	-				
HR and Payroll		3	3	-				
Reinsurance		2	-	2				
Funding Sources and Reinsurance		-	-	-				
Underwriting and Policy Services		4	3	1				
Actuarial		3	3	-				
AP & Expense Processing	2023	3	2	1				
AR		2	1	1				
Facilities and Services		-	-	-				
Depopulation		2	1	1				
Leg and External Affairs		-	-	-				
Database and Application Administration		8	8	-				
Application Development		2	2	-				
Legal and Compliance	2024	2	1	1				
Financial Close and Reporting		2	1	1				
Cash Management		1	-	1				
Customer Experience		4	-	4				
Total		50	37	13				



Current Open Items Summary									
Audit	Fiscal Year	Total Findings	*Closed Findings	Open Findings					
Reinsurance	2022	2	-	2					
Underwriting and Policy Services		4	3	1					
AP & Expense Processing	2022	3	2	1					
AR	2023	2	1	1					
Depopulation		2	1	1					
Legal and Compliance		2	1	1					
Financial Close and Reporting	2024	2	1	1					
Cash Management	2024	1	-	1					
Customer Experience		4	-	4					
Total Findings For Follow-Up		22	9	13					

^{*}These are represented to be closed by the individuals responsible over the areas. Internal audit and Legal and Compliance is working together to validate the remediation of closed findings.

Texas Windstorm Insurance Association Internal Audit Plan – Lookback (2023-2024) and Prospective (2025-2027)

Process Area	Last Report Date	2024 Inherent Risk Rating	2023	2024	2025	2026	2027
Funding Sources and Reinsurance	Nov. 2023	High	✓			х	
Information Security	Apr. 2022	High			X		
Emergency Planning	May 2024	High		✓			
Customer Experience	N/A	High		✓			x
Underwriting and Policy Services	Nov. 2023	High	✓			x	
Claims Processing	Dec. 2022	High			X		
Actuarial (Pricing and Reserving)	Sept. 2023	High	✓				x
Legislative and External Affairs	Mar. 2024	High		✓			
Information Technology Services	Apr. 2022	High			x		
Database and Application Administration	Apr. 2024	High		✓		х	
Application Development	Apr. 2024	High		✓		х	
Human Resources Administration and Talent Retention	Dec. 2022	Moderate			x		
Strategic Communications	Mar. 2021	Moderate		✓			
Executive Management, Management Planning and Reporting	May 2021	Moderate			x		
Legal & Compliance	Mar. 2024	Moderate		✓			
Financial Close and Reporting	May 2024	Moderate		✓			
Accounts Payable and Expense Processing	Aug. 2023	Moderate	✓				x
Cash Management	Aug. 2021	Moderate		✓	L	L	L
Payroll	Dec. 2022	Low					х
Accounts Receivable	Oct. 2023	Low	✓				
Facilities and Services	May 2023	Low	✓				
Depopulation	Oct. 2023	Low	✓				
Premium Taxes	Jul. 2021	Low					

L - limited annual procedures

9. Underwriting Operational Review Update



MEMORANDUM

DATE: January 31, 2025

TO: David Durden, General Manager

FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

Fourth Quarter 2024 Results

TWIA Underwriting Metrics	Monthly Summary		Quarterly Summary			YTD				
TWIA Onderwriting Metrics	Oct-24	Nov-24	Dec-24	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024	2024 Goal	•
Transaction Issuance	99.97%	99.98%	100.00%	99.93%	99.97%	99.98%	99.98%	99.97%	90%	9.97
Internal Underwriting QA	98.86%	98.48%	99.70%	99.34%	98.74%	99.11%	99.01%	99.05%	95%	4.05
Phone Service Level	95.91%	91.59%	89.00%	91.25%	81.26%	78.05%	92.17%	85.68%	80%	5.68
Internal Telephone QA	95.70%	95.90%	96.20%	95.58%	96.07%	96.68%	95.93%	96.07%	95%	1.07

I. Overview:

- 99.98% of transactions were issued within 10 days of receiving the application and payment
 - a. 98% of the transactions were straight through processed by the system
 - b. 2% of the transactions were referred by the system to Underwriting for additional information, review, and approval prior to issuance
- Out of 88,519 calls for the quarter, 92.17% of the calls were answered under 20 seconds

II. Agency Compliance Audits:

A standard sample of agencies (10) were selected in the fourth quarter of 2024 to verify compliance with the Texas Windstorm Insurance Association (TWIA) declination of coverage and flood insurance requirements.

- 100% were compliant with declination provisions.
- All agents were compliant with flood provisions.
- All agents selected have active property and casualty insurance licenses.

10. Claims10A. Claims Operations

TWIA Claims Operations 2024

TWIA Claims - 2024 Q4 Results (complete year)								
Key Cycle Times (In days)	Industry Average, TX	TWIA	TWIA Plan	Variance to Plan	% Variance to Plan			
FNOL to Inspect Property	6.3	4.6	<3	1.6	53%			
Inspect Property to Receipt by TWIA	3.7	2.4	<8	-5.6	-70%			
Total Cycle Time FNOL to Payment - Daily	N/A	10.7	<12	-1.3	-8%			
Total Cycle Time FNOL to Payment - Cat	N/A	16.1	<12	4.1	26%			
TDI Complaint Ratio								
2023	0.25% - 22 complaints from 8,867 new claims							
2024	0.14% -	61 cor	nplaints fro	m 43,012 nev	v claims			

Year	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Actual Volume	502	440	446	832	684	1,734	1,612	2,060	1,456	27,571	3,766	1,432	807	522	585
Actuarial Projected	688	333	333	809	569	574	2,092	2,112	591	596	872	880	880	431	435
Staffing Plan	572	572	572	703	703	703	703	703	703	703	703	703	703	703	703
Open Inventory	3,711	3,531	3,449	3,799	3,940	5,131	5,889	7,259	7,645	7,645	33,335	31,854	27,202	25,379	23,857

Historical TWI	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								
2020	14,432								
2021	12,535								
2022	5,066								
2023	8,867								
2024	43,012								

	TWIA - Claim Severity by Accident Year and LOB									
Reported Claims by LOB										
Year	Resident	ial	Commer	cial	GRAND TO	TAL				
rear	Claims	% ∆	Claims	% ∆	Claims	% △				
2020	14,465	-	377	-	14,842	-				
2021	12,269	-15.2%	286	-24.1%	12,555	-15.4%				
2022	4,413	-64.0%	60	-79.0%	4,473	-64.4%				
2023	9,379	112.5%	173	188.3%	9,552	113.5%				
2024	41,059	-	920	-	41,979	-				
Paid Amounts by LOB										
Year	Resident	ial	Commercial		GRAND TOTAL					
Tear	Incurred	% ∆	Incurred	% ∆	Incurred	% ∆				
2020	\$56,611,858	-	\$7,220,763	-	\$63,832,621	-				
2021	\$58,119,950	2.7%	\$8,162,442	13.0%	\$66,282,393	3.8%				
2022	\$27,386,412	-52.9%	\$1,447,225	-82.3%	\$28,833,637	-56.5%				
2023	\$69,726,365	154.6%	\$6,001,242	314.7%	\$75,727,607	162.6%				
2024	\$375,582,772	-	\$34,286,274	-	\$409,869,046	-				
Paid (Claim Severity	by LOB								
Year	Resident	ial	Commer	cial	GRAND TO	TAL				
ı caı	Severity	% ∆	Severity	% ∆	Severity	% ∆				
2020	\$3,914	-	\$19,153	-	\$4,301	-				
2021	\$4,737	21.0%	\$28,540	49.0%	\$5,279	22.8%				
2022	\$6,206	31.0%	\$24,120	-15.5%	\$6,446	22.1%				
2023	\$7,434	19.8%	\$34,689	43.8%	\$7,928	23.0%				
2024	\$9,147	-	\$37,268	-	\$9,764	-				

^{*}Paid amounts exclude loss adjustment expenses and IBNR reserves

TWIA - 2024 Claims										
Total Claims	Claims With No Supplemental Payments	% Claims With No Supplemental Payments	Claims With Supplemental Payments	% Claims With Supplemental Payments						
43,012	39,522	91.9%	3,490	8.1%						

TWIA - 2024 Disputed Claims										
	Dispute Frequ	iency	Тур	e of Dispute						
Total Claims	Disputed Claims	% of Disputed Claims	Appraisals	Notice of Intent	Suits					
43,012	499	1.16%	318	189	6					

TWIA - 2024 Disputed Claims With Appraisal Invoked									
Total	Open/Pending	Appraisal Complete	Appraisal Process Stopped						
Appraisals	Active	Awarded	Withdrawn	Ineligible**					
210	265	27	17 9						
318	83%	8%	8% 8%						

TWIA - 2	TWIA - 2024 Claims With Notice of Intent or Lawsuit Served									
Total	Lawsuits Resolved									
Nol / Suit	Intent Received	Resolved	Received							
195	189	22	6	0						

A single disputed claim may have more than one "type of dispute."

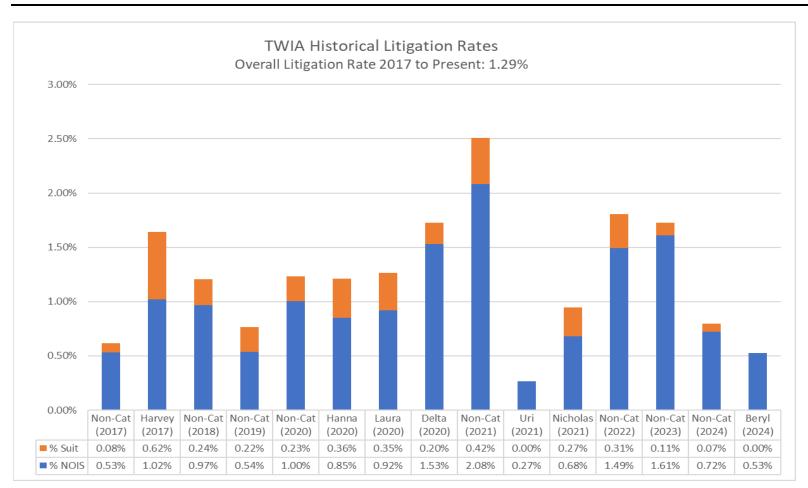
TWIA Beryl	As of 12/2/24	As of 2/2/25	Change	% Change
Claims	31,783	32,158	375	1.2%
Open	19,720	17,798	-1,922	-9.7%
Closed	12,063	14,360	2,297	19.0%
% Closed	38%	44.7%	6.7%	17.6%
Paid Indemnity	\$295,161,403	\$319,852,095	\$24,690,692	8.4%
Paid Expense	\$36,765,387	\$39,165,640	\$2,400,253	6.5%

TFPA Beryl	As of 12/2/24	As of 2/2/25	Change	% Change
Claims	10,009	10,170	161	1.6%
Open	2,222	1,964	-258	-11.6%
Closed	7,787	8,206	419	5.4%
% Closed	77.8%	80.7%	2.9%	3.7%
Paid Indemnity	\$78,521,211	\$81,447,826	2,926,615	3.7%
Paid Expense	\$8,936,044	\$9,284,838	348,794	3.9%

10B. Litigation Summary



TWIA Litigation Summary



*NOIS: Notice of Intent to Sue



TWIA Litigation Tracking Activity

Litigation Quarter Summary Fourth Quarter 2024

24	Summary of T	Summary of TWIAClaims in Suit						
.202		New	Settled	Closed				
rter	October	1	0	3				
)ua	November	1	9	1				
tth Quart	December	0	1	2				
4t		2	10	6				

2024	Summary of T	Summary of TWIAClaims with LORs						
.20		New	Settled	Closed				
rteı	October	105	0	38				
)ua	November	174	17	15				
4th Quarter	December	85	1	32				
44		364	18	85				



TWIA Claims Litigation December 2024

	TWIAClaims in Suit							
Dec-24	Beginning Inventory	New	Closed	Ending Inventory				
DCC-24	77	0	2	75				
	Breakdown							
	Harvey 082517	0	2					

	TWIAClaims with LOR							
	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory			
	683	85	32	0	736			
Dec-24	Breakdown							
	Normal	11	25	0				
	Beryl 2024	73	4	0				
	Nicholas 2021	1	3	0				
	Laura 2020	0	0	0				

	T	n by Storm				
	Event	Total claims	Total Suits	Active Suits	Total LORs	Active LORS
	Harvey 082517	76,730	483	10	1,102	3
De c-24	Nicholas 2021	6,755	21	17	113	13
	Laura 2020	4,345	17	3	180	3
	Delta 2020	4,057	11	3	152	0
	Beryl 2024	32,897	0	0	454	438

TWIA Active HB3 Claims with Suits/LORs: Bre akdown by County												
Dec-24												Grand
Dec-24	Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Kleberg	Matagorda	Nueces	Total
	3	229	2	74	3	326	18	66	1	24	15	761



	TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm					
	Firm	#				
	Chad T. Wilson	73				
	Furlow Law Firm	181				
	Baker Law	139				
	Hodge Law Firm	65				
Dec-24	Palker Law Firm	14				
	Gibson Legal Group, PLLC	17				
	Crowell & Kucera	13				
	Carrigan & Anderson	23				
	Omar Ochoa Law Firm	17				
	The Green Law Firm, P.C.	15				
	Galindo Law	21				
	Remaining 91 firms	183				
	TOTAL	761				

11. TWIA Operations11A. IT Systems Update





MEMORANDUM

DATE: February 10, 2025

TO: David Durden, General Manager

FROM: Michael Eleftheriades, Interim CIO / VP IT

RE: TWIA Information Technology Status

The following are key Projects that the Information Technology group is involved in:

Cloud Migration Update

- Project is on-going
- User Acceptance Testing phase for core Insurance Suite Components (Billing Center, Policy Center, and Claims Center) began in December
- User Acceptance Testing phase for Portals entered in February.
- User Acceptance Testing phase for Enterprise Data Warehouse entered in February.
- Go-live date still planned for Q2 2025 (weekend of April 25).

Remote User Workstations

 Proof of Concept to change connection methodology for Remote TFPA internal users successful. Rollout completed by End of January 2025

Al Proof of Concept Project Kickoff.

 Rollout of Microsoft Copilot to a very select few users in December to evaluate functionality and applicability to the organization.

Systems are functioning well with monthly releases very limited to business-critical items selected and curated by the respective departments.

TWIA - PO Box 99090, Austin, TX 78709-9090 | 1-800-788-8247 | www.twia.org *TFPA* - PO Box 99080, Austin, TX 78709-9090 | 1-800-979-6440 | www.texasfairplan.org

11B. Communications and Legislative Affairs Update



MEMORANDUM

DATE: February 5, 2025

TO: David Durden, General Manager

FROM: Anna Stafford, Senior Manager, Legislative & External Affairs

RE: Legislative & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) 88th Legislative Session:

- Interim Reports: In January, three legislative committees issued interim reports on property and casualty insurance topics for the 88th Session. The Board of Directors has received information on the reports.
- ii. <u>Legislative Implementation:</u> TWIA has completed the implementation of all changes mandated by legislation enacted in the 2023 legislative session. The following activities continue:
 - Agent requirements authorized by Senate Bill 2232 will be deployed in early 2025.
 - Staff continues to work with the Texas Department of Insurance as we finalize the
 development of forms related to FAIR Plan property owners' association policies as
 required by House Bill 998. We understand that TDI has received two petitions for
 areas to be designated as underserved by the private market for this coverage. The
 FAIR Plan is prepared to issue policies if TDI makes these designations.
- b) 89th Legislative Session: The 89th Legislative Session convened on January 14.
 - i. <u>Legislation Filed</u>: The filing deadline for legislation this session is March 14. To date, relatively few bills have been filed concerning the property and casualty insurance industry, and only a small number are directly focused on the Association. Following are Association-specific bills we are tracking. An updated list of bills we are tracking, including industry-related bills that may impact Association operations, is enclosed.
 - House Bill 2231 by Rep. Ann Johnson (Harris County): Relating to the composition of the board of directors of the Texas Windstorm Insurance Association. This bill would change the geographic requirement for TWIA inland Board members from 100 miles from the coast to outside of Tier 1.
 - House Bill 2473 by Rep. Lauren Ashley Simmons (Harris County): Relating to emergency insurance premium relief programs for certain residential property insurance policies. This bill would establish, subject to the appropriation of funds, a



state relief program for homeowner's insurance premiums and for TWIA policyholders.

- House Bill 2517 by Rep. Jeffrey Barry (Brazoria County): Relating to the applicability
 of premium and maintenance taxes to Texas Windstorm Insurance Association and
 Texas FAIR Plan Association. This bill would exempt TWIA and TFPA from premium &
 maintenance taxes. (Biennial Report recommendation)
- House Bill 2518 by Rep. Barry: Relating to the use of installment premium payment plans on Texas Windstorm Insurance Association policies. This bill would prohibit the use of premium financing for TWIA policies. (Biennial Report recommendation)

ii. Senate Activity:

- Lt. Governor Dan Patrick has appointed committees for this session. The Senate Business & Commerce Committee's membership remains unchanged except for Sen. Brian Birdwell (Hood County), who has been replaced by Sen. Cesar Blanco (El Paso County).
- The Committee held its first hearing on February 4, at which TWIA was invited to testify on the issues listed below. The Board of Directors has been provided with a link to the video recording of the hearing.
 - The impact of Hurricane Beryl on TWIA, including 2025 funding;
 - TWIA's 2024 rate filing; and
 - o TFPA's growth and its impact on FAIR Plan's rates and funding.
- iii. <u>House of Representatives Activity:</u> Rep. Dustin Burrows (Lubbock County) was elected Speaker of the House, succeeding Rep. Dade Phelan (Jefferson County). We expect committee assignments to be made before the February 25 Board meeting and will report to the Board on appointments to the House Insurance Committee when that information is available.

iv. Legislative Meetings:

- Several Association staff members attended a "Meet the Regulator" event hosted by TDI in December, which allowed us to have informal discussions with senior Department officials.
- In December, TWIA met separately with staff from the Office of the Governor and the Office of the Lt. Governor to discuss legislative issues for the upcoming session. TWIA also met with legislators' offices to discuss catastrophe funding issues.
- In January, TWIA held meetings with newly elected coastal legislators to brief them on issues related to the Association. TWIA also held meetings with the staff of the



Senate Business & Commerce Committee and Committee members prior to the February 4 Committee hearing.

- TWIA met with Legislative Budget Board staff and staff for the chair of the Senate Finance Committee to discuss TWIA's catastrophe funding structure.
- At the invitation of the Speaker's office, TWIA participated in a state agency information session at the Capitol in January. The event gave us the opportunity to provide Association information to several legislative staffers.
- c) <u>Stakeholder Inquiries:</u> From October 1 to December 31, we responded to two inquiries from industry stakeholders on public policy issues and legislative and TDI inquiries about various TWIA issues as follows:
 - Five constituent- or consumer-related inquiries
 - Two routine updates on Association litigation
 - Two requests for information on the December Board meeting
 - One request for information on TWIA history
 - One request for information on TWIA catastrophe funding and related issues

II. Agent Advisory Group (AAG):

- i. The first-quarter meeting of the AAG will be held on February 19. Discussion topics for the meeting include:
 - An update on the 89th legislative session and remaining implementation of legislative changes from the 88th session;
 - System functionality updates, focused on the Association's transition to the cloud;
 - The status of TWIA Board membership; and
 - The annual election of the AAG chair.





TWIA & TFPA Legislation Status 89th Texas Legislature

Bills that would implement recommendations in TWIA's Biennial Report are highlighted in green.

Updated 2/17/2025

TWIA Bills

HB 2213 Rep. Ann Johnson (Harris County)

Filed 1/29/2025

Relating to the composition of the board of directors of the Texas Windstorm Insurance Association.

TWIA Impact: Changes the geographic requirement for TWIA inland Board members from 100 miles from the coast to outside of Tier 1.

Status: HB 2213 filed 1/29/2025.

HB 2473 Rep. Lauren Ashley Simmons (Harris County)

Filed 02/05/2025

Relating to emergency insurance premium relief programs for certain residential property insurance policies.

Association Impact: This bill would establish, subject to the appropriation of funds, a state relief program for homeowner's insurance premiums and for TWIA policyholders.

Status: HB 2518 filed 02/05/2025

HB 2517

Rep. Jeffrey Barry (Brazoria County)

Filed 02/05/2025

Relating to the applicability of premium and maintenance taxes to Texas Windstorm Insurance Association and Texas FAIR Plan Association.

Association Impact: This bill would exempt TWIA and TFPA from premium & maintenance taxes. *(TWIA Biennial Report recommendation)*

Status: HB 2517 filed 02/05/2025

HB 2518

Rep. Jeffrey Barry (Brazoria County)

Filed 02/05/2025

Relating to the use of installment premium payment plans on Texas Windstorm Insurance Association policies.

Association Impact: This bill would prohibit the use of outside premium financing for TWIA policies. (TWIA Biennial Report recommendation)

Status: HB 2518 filed 02/05/2025

Relating to Texas Windstorm Insurance Association underwriting standards for new structures constructed in accordance with certain construction standards.

Association Impact: This bill would make structures built to FORTIFIED standard automatically meet TWIA underwriting requirements.

Status: HB 2841 filed 02/14/2025

Industry Bills Potentially Affecting the Association

Rep. Mary Ann Perez (Harris County)

Relating to an appraisal procedure for disputed losses under residential property insurance policies.

TFPA Impact (TWIA excluded): Requires an appraisal process if demanded by either the insurer or insured and outlines appraisal procedures.

Status: HB 345 filed 11/12/2024.

Sen. Charles Schwertner (Williamson County)

Filed 11/22/2024

Relating to an appraisal process for disputed losses under personal automobile or residential property insurance policies.

TFPA Impact (TWIA excluded): Requires an appraisal process if demanded by either the insurer or insured and requires TDI to establish appraisal procedures by rule.

Status: SB 458 referred to Senate Business & Commerce Committee 02/03/2025.

HB 854 Rep. Cassandra Garcia Hernandez (Dallas County) Filed 11/12/2024

Relating to payment of the replacement cost of lost or damaged property under a homeowner's, renter's, or condominium owner's insurance policy.

Association Impact: Requires initial payment of at least 80 percent of a claim on replacement cost coverage property insurance policies regardless of whether the insured has made or provided proof of repairs or replacement to the property.

Status: HB 854 filed 11/12/2024.

Rep. Tom Oliverson (Harris County)

Filed 12/11/2024

Relating to a grant program for hurricane and windstorm loss mitigation for single-family residential property.

Association Impact: Establishes a grant program administered by TDI for upgrades to residential properties to meet the Fortified standard or another standard submitted by an insurer and approved by TDI. (TWIA Biennial Report recommendation.)

Status: HB 1576 filed 12/11/2024.

HB 2054	Rep. Ken King (Hemphill County)	Filed 1/23/2025
SB 868	Sen. Kevin Sparks (Midland County)	Filed 1/22/2025

Relating to the Rural Volunteer Fire Department Assistance Program and authorizing an increase in the assessment on certain insurers that fund the program.

TFPA Impact: Would increase an assessment that FAIR Plan is subject to.

Status: HB 2054 filed 1/23/2025. SB 868 referred to Senate Finance Committee 02/13/2025.

HB 2067Rep. Dennis Paul (Harris County)Filed 1/24/2025SB 1006Sen. Mayes Middleton (Galveston County)Filed 1/16/2025

Relating to declination, cancellation, or nonrenewal of insurance policies.

Association Impact: Requires insurers to give written explanations when denying, cancelling, or not renewing insurance policies.

Status: HB 2067 filed 1/24/2025. SB 1006 filed 1/29/2025.

11C. Procedure to Appoint Interim GM If Needed/Required





MEMORANDUM

DATE: February 1, 2025

TO: TWIA Board of Directors and TFPA Governing Committee

FROM: Jessica Crass, VP, Legal & Compliance

RE: General Manager Contingency Plan

In the event the General Manager of the Texas Windstorm Insurance Association (TWIA) and the Texas FAIR Plan Association (TFPA) (together, the Associations) becomes suddenly incapacitated and unable to perform their duties due to injury, illness, or other unforeseen circumstances, the following steps will be taken:

• Interim Appointment

- The Chair of the TWIA Board will designate an Interim General Manager after conferring with Association staff. The Chair of the TFPA Governing Committee will be notified of the appointment.
- o **Decision-Making Authority.** The TWIA Board Chair will confer with staff to determine the extent and any limitations of the Interim General Manager's powers regarding decision-making, contractual and signatory authority.
- o **Communication Protocol.** The TWIA Board Chair will confer with staff to determine the appropriate parties to be notified about the appointment, including the initial anticipated timeframe.
- Continuity Resources. Staff will utilize protocols within the Associations' existing policies, including the Business & Continuity Plan, Continuity of Operations Plan, and Crisis Communications Plan, as needed to maintain minimal disruption to the Associations' operations.
- o **Regular Review.** The TWIA Board Chair will confer with staff and determine an anticipated end date to the Interim General Manager's appointment and establish a check-in frequency to monitor the General Manager's status and either end the Interim General Manager's appointment or extend the timeframe.

15. Future Meetings
May 6, 2025 – Marriott South
Austin
August 5, 2025 – Tremont House
Galveston