Meeting of Board of Directors
Texas Windstorm Insurance Association
Teleconference/Web Conference
May 23, 2023
Marriott Austin South
4415 South I-35 Frontage Road
Austin, TX 78744
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 click on the webinar link.

Interested parties may attend the meeting and offer public comment in person or at the Marriott Austin South or virtually via Zoom Webinar.

***Indicates item on which General Manager believes the TWIA Board of Directors is likely to take action. However, the TWIA Board of Directors may take action regarding any item on this agenda.**

1. Call to Order: *5 minutes*
   A. Welcoming Remarks – *Chandra Franklin Womack*
   B. Anti-Trust Statement and Conflict of Interest Disclosure – *Counsel*
   C. Meeting Format Information – *Kristina Donley*

2. Consideration and Action to:
   Approve the Minutes from Prior Board of Directors' Meetings *5 minutes*
   – *Chandra Franklin Womack* – ***Action/Vote Likely****

3. Public Comment *15 minutes*

4. TWIA Operational Highlights – *David Durden* *15 minutes*

5. Financial *45 minutes*
   A. Report of the Secretary/Treasurer – *Karen Guard* – ***Action/Vote Likely****
      1. Income Statement
      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. Investment Plan Review – *Stuart Harbour* – ***Action/Vote Likely****
   D. 2023 Hurricane Season Line of Credit – *Stuart Harbour* – ***Action/Vote Likely****
   E. Financial Audit by Calhoun, Thomson + Matza – *Clark Thomson*
      1. Audit Wrap-Up Reports
      2. Statutory Report – ***Action/Vote Likely****
      3. GASB – ***Action/Vote Likely****
      4. Internal Control Letter

6. Actuarial – *Jim Murphy* *30 minutes*
   A. Policy Count/Exposures
   B. Reserve Adequacy
   C. 2023 Funding; Reinsurance – *Gallagher Re*
   D. Aon Contract – Notice of Termination – ***Action/Vote Likely****

7. Internal Audit Status & Update – *Bruce Zaret – Weaver* *10 minutes*

8. Underwriting Operational Review Update – *Michael Ledwik* *10 minutes*

9. Claims *10 minutes*
   A. Claims Operations – Overview – *Dave Williams*
   B. Claims Litigation – *Jessica Crass*

10. TWIA Operations *20 minutes*
    A. IT Systems Update – *Camron Malik*
    B. Legislative Affairs Update – *David Durden*

11. Closed Session **(Board Only)** *15 minutes*
    A. Personnel Issues
    B. Legal Advice

12. Consideration of Issues Related to Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors *5 minutes*

13. Committees – *Chandra Franklin Womack* *5 minutes*

14. Future Meetings – *Chandra Franklin Womack* *5 minutes*
    A. Future Meeting Dates
       - August 8, 2023 – Tremont House – Galveston, TX
       - December 12, 2023 – Omni Hotel – Corpus Christi, TX

15. Adjourn

Estimated Total Length of Meeting 3 hours 15 minutes

1. Anti-Trust Statement

TEXAS WINDSTORM
INSURANCE ASSOCIATION

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.

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

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

Moody Gardens Hotel
7 Hope Blvd.
Galveston, TX

February 14, 2023

The Following Board Members were Present:

1. Chandra Franklin Womack (Chair)	First Tier Coastal Representative
2. Georgia Neblett (Vice Chair)	First Tier Coastal Representative
3. Peggy Gonzalez	First Tier Coastal Representative
4. Mike Gerik	Industry Representative
5. Karen Guard	Industry Representative
6. Tony Schrader	Non-Seacoast Territory Representative
7. Tim Garrett	Non-Seacoast Territory Representative
8. Ron Walenta	Non-Seacoast Territory Representative
Absent: Esther Grossman	Industry Representative

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

1. David Durden, General Manager	TWIA
2. Stuart Harbour, CFO	TWIA
3. Dave Williams, VP Claims	TWIA
4. Jessica Crass, VP Legal and Compliance	TWIA
5. JD Lester, VP Human Resources	TWIA
6. Michael Ledwik, Acting VP Underwriting	TWIA
7. Jim Murphy, Chief Actuary	TWIA
8. Camron Malik, Chief Information Officer	TWIA
9. Amy Koehl, Senior Project Administrator	TWIA
10. Kristina Donley, Senior Instructional Designer	TWIA
11. Mike Perkins, Association Counsel	Perkins Law Group PLLC

The Following Guests Were Present:

1. Debbie King	Amtrust
2. Allen Cashin	Gallagher Re
3. Joey Walker	Gallagher Re
4. Jessica Davidson	TWIA
5. Bruce Zaret	Weaver

The Following In Person Attendees Were Present:

1. Jim Conroy	Aon
2. Terrilyn Tarlton Shannon	Coastal Windstorm Insurance Coalition
3. George Taylor	F.B. Taylor Insurance
4. Rep. Marie Robb	Galveston City Council

5. Garry Kaufman	Galveston Insurance Associates
6. Veronda Durden	Guest
7. Henry Freudenberg	Guest
8. Jim Wade	Guest
9. Victor Pierson	Moody National Bank
10. Beaman Floyd	TCAIS

The Association's Webinar Tool Attendance Report Indicates the Following Attendees Were Online:

1. Marianne Baker
2. Sally Bakko
3. Geri Bentley
4. Albert Betts
5. David Bolduc
6. Gwendolyn Burgess
7. Albert Cortez
8. Triston Crossland
9. Antonio DeLeon
10. Steve Evans
11. Angela Fang
12. Noemi Garcia
13. Todd Hunter
14. Lee Loftis
15. Travis McDavid
16. John Melcher
17. Jerry Mohn
18. Kenisha Schuster
19. Tess Stone
20. Aaron Taylor
21. Bea Trembath
22. Peggy Zahler

1. Call to Order: Ms. Franklin Womack called the meeting to order at 9:01 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. Kristina Donley reviewed the housekeeping items.

2. Approval of Minutes: Mr. Garrett moved to approve the minutes from the December 13, 2022 and the January 19, 2023 meetings. Mr. Gerik seconded the motion. Mr. Walenta said he had an issue with the minutes from the January 19 meeting. On page 3, under item 4, the last paragraph, regarding the motion's Mr. Walenta made, he said the wording was accurate but asking Gallagher Re to seek bids is what he meant. Not to pursue the binding of coverage but he wanted to know what the binding would cost. Ms. Franklin Womack said if the wording was correct, it would stand as written. The motion passed.

3. Public Comment: Public comment was offered by Rep. Todd Hunter, Sally Bakko, Beaman Floyd, Terrilyn Tarlton Shannon, Garry Kaufman and Marie Robb.

4. TWIA Operational Highlights: Virtual agent training webinars were hosted in December with more than 500 attendees to provide updates on the new TWIA agent portal and policy payment options and processes. The top post Elevate requests from agents were resolved in Q4 2022. The Association remains below plan on operating expenses and above plan on net income in Q4 2022. Underwriting and claim service

levels exceeded turnaround time and quality standards. Litigated claims and complaints remain below plan in Q4 2022.

Mr. Durden announced the strategic communication and enterprise portfolio management functions were moved under JD Lester, Vice President of Human Resources. Jessica Crass has moved to Vice President of Legal and Compliance and Michael Ledwik will assume the Acting Vice President of Underwriting position until a permanent candidate is selected. There will be changes made to the scorecard for the next quarterly meeting.

5. Financial:
   A. Report of the Secretary/Treasurer: Ms. Guard reviewed the Treasurer's Report. Mr. Gerik moved to approve the report. Mr. Garrett seconded the motion. The motion passed.
   B. Financial Statement Review by Staff: Direct written premiums for the year ended December 31, 2022 totaled $518.3 million, which was $123.2 million (31.2%) above the $395.1 million for the same period in 2021. The direct written premium was $88.8 million (20.7%) higher than the budgeted $430 million. Policies in force as of December 31, 2022 of 222,480 were 20,411 (10.1%) higher than the budgeted number of 202,069. The growth in policy count is primarily attributable to new policies that migrated to TWIA after the insolvency of Florida based carrier Weston.

      The TWIA 2022-2023 reinsurance program was successfully placed effective June 1, 2022 and will remain in effect until May 31, 2023. The gross ceded premium associated with the $2.036 billion in coverage consisting of traditional reinsurance and catastrophe bonds was increased in September to recognize the higher exposures associated with the increased policy count from Weston and recent growth trends. The ceded premiums (gross reinsurance cost) for 2022 totaled $132.1 million compared to a budgeted amount of $102.1 million. The net cost of the reinsurance program after ceding commission and brokerage fees was $126.5 million. The ceded premium for the traditional reinsurance is adjusted each year in the fourth quarter to account for increases or decreases in the Total Insurable Value (TIV) of the subject properties. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

      Direct premiums earned through December 2022 totaled $443.5 million compared to $378.5 million for the prior year (an increase of $65 million or 17.2%). Direct premium earned was $32.6 million higher than the budget of $410.9 million.

      The one carrier (SafePoint) that signed up to participate in round six of depopulation selected approximately 32,000 policies for potential novation from TWIA. The agents review period closed on May 31, 2022 with a total of 79 policies still eligible for transfer. Owners of the remaining 79 policies will make their decision regarding potential transfer to SafePoint following the close of hurricane season.

Direct losses and LAE incurred for the twelve months ended December 31, 2022 totaled $51.2 million which was $18 million below the budgeted amount. The lower than budgeted losses are attributable to the 2022 reduction in the estimated ultimate losses and LAE for Hurricane Harvey, the absence of any 2022 Texas hurricane events and lower than anticipated losses from the 2022 spring storm season. TWIA reported a YTD direct loss and LAE ratio of 11.5% versus a budgeted ratio of 16.8%. The ultimate loss and loss adjustment expense estimate for Hurricane Harvey was reduced by $10 million in September to $1.66 billion after actuarial analysis of data provided by claim and legal experts.

Net operating expenses for the twelve months ended December 31, 2022 of $33.4 million were under budget by $316,000 (0.9%). Notable expense items under budget included software and hardware ($522,000), personnel ($402,000) and rental and maintenance ($100,400). These amounts were partially offset by over budget expenses in professional and consulting services ($594,000) and other services ($102,000). The overage in professional services is primarily attributable to the fees for the modeling work associated with our 1 in 100 PML determination. The year-to-date operating expense ratio of 7.5% was below the budgeted 8.2%.

Year to date commission expense of $82.9 million and premium taxes of $9.5 million were over budgeted by $14.1 million and $1.5 million respectively as direct written premium was higher than the budgeted amount.

Gross investment income for the twelve months ended December 31, 2022 was $4.4 million, which was $4.2 million higher than the budgeted amount of $212,000. Yields on the Association's investments in money market mutual funds have increased as the Federal Reserve raises interest rates to combat the high levels of inflation. Interest expense on Class 1 bonds was $7.2 million lower than the budgeted amount. The early redemption of the remaining $177 million of Class 1 bonds was completed on May 9, 2022.

Net income for the twelve months ended December 31, 2022 was $136.7 million or $19.7 million (16.81%) above the budgeted income of $117 million.

The surplus as of December 31, 2022 was $35.6 million compared to the deficit of $24.6 million as of December 31, 2021. The deficit was eliminated due to the year-to-date net income of $136.7 million. The increase in surplus was partially offset by $74.9 million in statutory fund cost for the year-to-date CRTF accrual and an increase of $1.6 million in non-admitted assets which consists primarily of prepaid expenses and capitalized software

6. Actuarial:
   A. Reserve Adequacy: TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of December 31, 2022.

      The ultimate loss and loss adjustment expense estimates for Hurricanes Ike and Harvey remain at $2.582 billion and $1.66 billion respectively. The actual ultimate costs of Hurricane Harvey may differ substantially from the selected ultimate estimate due to variability in the adequacy of case reserves and the outcome of disputed claims.

      As of December 31, 2022, TWIA carried $58.5 million in total gross loss and loss adjustment expense reserves with approximately $6,000 of the total gross ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Ike, Harvey, Delta, Laura, Hanna, Nicholas and all other outstanding claims. Collectability risk has been reviewed and found to be immaterial relative to total gross reserves.

      In the opinion of the chief actuary, the Association's reserve 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.
   B. Policy Count/Exposures: Policy counts are going up year over year to just over 15%. They are fairly widespread across the coast. Exposure growth is up just over 25%.
   C. 2023 Funding: The TWIA Board of Directors established at its January 19, 2023 meeting the 100-year probable maximum loss (PML) for the 2023 hurricane season at $4.508 billion. The board also instructed staff to work with the broker to obtain pricing for the purchase of additional reinsurance up to $5.2 billion.

      In order to satisfy the minimum funding level required by statute, the Association will secure approximately $2.2 billion in traditional reinsurance and new and existing catastrophe bonds to be paid from policyholder premiums and might obtain up to an additional $700 million in reinsurance coverage to be paid from member company assessments, if the board decides to make such a purchase at a subsequent meeting after receiving pricing information.

      TWIA staff has been working with reinsurance broker Gallagher Re to begin work on resetting the existing catastrophe bonds, a new catastrophe bond issuance and the renewal of the traditional reinsurance program. Gallagher has prepared a comparison of the 2022 and preliminary 2023 funding structures in the meeting materials.

D. Appointment of Actuary and Qualification Documentation: Mr. Durden reported that the board needs to name an appointed actuary and asked them to select James Murphy for that position. Ms. Neblett moved to appoint James Murphy to serve as the appointed actuary. Mr. Gerik seconded the motion. The motion passed.

7. Internal Audit:

A. Internal Audit Status Report: Mr. Zaret reported the current internal audit activities included reinsurance, continuity of operations plan – business operations, HR and payroll, claims and accounts receivable. Upcoming audits include depopulation, facilities, plan of operation, accounts payable and expense processing and communications.

8. Underwriting:

A. Operational Review Update: Underwriting met and exceeded its goals with consistent turnaround time on all transactions. The goal is to issue 90% of new business submissions, endorsements, renewals and cancellations within 10 days. Staff is surpassing this standard with over 98% of transactions processed within 10 days. Over 86% of applications/renewals were processed within one day.

Quality assurance results on underwriting decisions continue to exceed established goals. Telephone service response times for the quarter met expectations. Standards include answering 80% of calls in under 20 seconds. Underwriting is operating below budget due in part to managing headcount and inspections.

Standard audits were completed for a sample of agencies doing business with TWIA in the fourth quarter of 2022 to verify compliance with the declination of coverage and flood insurance requirements. One hundred percent of agencies have completed their responses. Of the agencies who have responded, all policies reviewed were compliant with the requirement for proof of declination of coverage. Two percent of the policies/properties selected for review required flood insurance. There is a single policy where the required proof of flood coverage has not been provided and the auditor is working with the agency and policyholder to resolve this. All agents audited have an active property and casualty insurance license.

B. Depopulation: One carrier, SafePoint Insurance Company, submitted an application to participate in round six of the assumption program prior to the October 1, 2021 deadline. SafePoint informed TWIA in February that Commissioner's Order 2022-7147 was issued January 4, 2022, approving SafePoint Insurance Company's participation.

SafePoint submitted its list of policies selected for offers through the program in March. The 31,959 proposed offers on unique policies were available for agents' review and selection through TWIA's policy administration system during the agent period of round six from April 1 through May 31, 2022. As a result, agents approved 79 offers. These offers went to policyholders after hurricane season in December 2022. Policyholders have until January 31, 2023 to contact TWIA or their agent to opt out of the program and remain with TWIA. The policies will transfer effective March 1, 2023.

C. Weston and FedNat Payment Plan Update: A total of 5,438 policies were issued on the Weston & Federated National Payment Plan. Of the 4,731 policies which are currently in force, $8,404,241.82 has been collected and $3,432,140.18 is scheduled to be collected over the remaining payments on the in-force policies.

Of the 707 cancelled, $84,437.93 has been collected and $262,349 is owed to TWIA. A payment was made on 326 policies but were cancelled by TWIA due to a policyholder either missing a payment or requesting the policy be cancelled. TWIA received the minimum earned premium on these policies with no future balance owed to TWIA and 381 policies were cancelled without TWIA receiving any premium.

There is a current balance of $262,349.07 owed to TWIA that will likely be written off as unrecoverable. Policyholders who are indebted to TWIA will not be eligible for new coverage until the balance is paid.

9. Claims:
   A. Claims Operations: First notice of loss to property inspection is at 2.9 days and total cycle time is 7.8 days and 7.4 days in a CAT situation. The historical claim volume for 2022 was 5,066.
   B. Litigation Report: For the fourth quarter of 2022, 28 new TWIA claims in suit were received and 22 were closed. For that same time period, 50 new TWIA claims with LORs were received and 63 were closed. Ms. Franklin Womack would like to see how long the suits are sitting in inventory or have been active and a short status of where the suits currently stand.

10. TWIA Operations:
   A. IT Systems Update: After the approval by the board and completing due diligence, the cloud agreement was signed with Guidewire. Staff is currently reviewing proposals by the system integrators who will help with the migration to the cloud and expect to sign an agreement in Q1. Additionally, staff has started early planning discussions with Guidewire regarding the overall process of migrating to the cloud. TWIA systems continue in production support mode with all systems stable. The monthly cadence of releases will continue with work on features for the business departments. The infrastructure and

operations team continues to support remote work with excellent quality. All technological efforts are on-track.

Mr. Walenta expressed his concern with the security of data that goes into the cloud. Mr. Malik said the attorneys reviewing the contracts included three addendums regarding security. The TWIA security team reviewed Guidewire's offerings and found their security was better than what TWIA has. Ms. Franklin Womack said Weaver will be reviewing this in their internal audits so there will be more eyes on the project.

B. Legislative Affairs Update: The 88th Regular Legislative Session began on January 10 and will run through May 29. TWIA held several meetings with key legislators and legislative staff during Q4 2022 and into January to brief lawmakers on the board's biennial report recommendations.

The Agent Advisory Group met on February 1 for its first quarterly meeting.

C. 1099 Tax Form Distribution Update: On January 16, 2023, TWIA mailed out IRS form 1099 NEC (Non-Employee Compensation) to agents and vendors that received more than $600 in compensation during 2022. Shortly after these forms were mailed, it was discovered that one of the files used to create the 1099s was incomplete and did not include the total compensation paid during the calendar year.

After investigation, staff was able to identify the missing information and subsequently issued 716 new 1099s to entities that now exceeded the $600 threshold due to the inclusion of the full year of compensation information. These additional 1099s were mailed on January 28, 2023.

11. Closed Session: There was no closed session.

12. Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, if any, of the Board of Directors: There was nothing to consider.

13. Committees: There was nothing to discuss.

14. Future Meetings:

- May 23, 2023 – Marriott South – Austin
- August 8, 2023 – Tremont House – Galveston
- December 2023 – TBD

15. Adjourn: The meeting adjourned at 10:41 am.

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Prepared by: Amy Koehl
Senior Project Administrator

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Approved by: Chandra Franklin Womack
TWIA Chair

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Approved by: Georgia Neblett
TWIA Vice Chair

Minutes of the Texas Windstorm Insurance Association
Board of Directors Meeting
4801 Southwest Parkway
Building 1, Suite 200
Austin, Texas 78735

April 18, 2023

The Following Board Members Were Present:

1.	Chandra Franklin Womack (Chair)	First Tier Coastal Representative
2.	Georgia Neblett (Vice Chair)	First Tier Coastal Representative
3.	Peggy Gonzalez	First Tier Coastal Representative
4.	Karen Guard (Secretary/Treasurer)	Industry Representative
5.	Mike Gerik	Industry Representative
6.	Esther Grossman	Industry Representative
7.	Tony Schrader	Non-Seacoast Territory Representative
8.	Ron Walenta	Non-Seacoast Territory Representative
9.	Tim Garrett	Non-Seacoast Territory Representative

The Following TWIA Staff and Counsel Were Present:

1.	David Durden, General Manager	TWIA
2.	Stuart Harbour, Chief Financial Officer	TWIA
3.	Jim Murphy, Chief Actuary	TWIA
4.	Jessica Crass, VP Legal and Compliance	TWIA
5.	Amy Koehl, Senior Project Administrator	TWIA
6.	Kristina Donley, Senior Instructional Designer	TWIA
7.	Mike Perkins, Association Counsel	Perkins Law Group

The Following Guests Were Present:

1.	Allen Cashin	Gallagher Re
2.	William Dubinsky	Gallagher Re
3.	Alex McManus	Gallagher Re
4.	Jade Nguyen	Gallagher Re
5.	Joey Walker	Gallagher Re

The Association's Webinar Tool Attendance Report Indicates the Following Attendees Were Online:

1. Marianne Baker
2. Jeff Bernsen
3. Albert Betts
4. David Bolduc
5. Shirley Bowler
6. Doris Buckler

14. Miltan Martiz
15. Travis McDavif
16. Kathy Mooney
17. Sharon OConnor
18. Wayne Ottoway
19. Dan Paschal

7. Tina Byers
8. Michael Copley
9. Tim Darraghj
10. Dan Dick
11. George Dilley
12. Theresa Elliott
13. Steve Evans
20. Donald Rundle
21. Bill Sawchuk
22. Jack Scanlon
23. Kenisha Schuster
24. Aaron Taylor
25. ShaCarla Williams
26. Peggy Zahler

1. Call to Order: Chair Chandra Franklin Womack called the meeting to order at 2:31 pm. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the statement by counsel and the required conflict of interest disclosures were made. Kristina Donley went over the housekeeping details for the meeting.

2. Public Comment: There was no written or verbal public comment.

3. Presentation by Broker Regarding Reinsurance Market, Pricing and Purchase Options: Mr. Durden briefly recapped the outcome from the January 19 board meeting. Allen Cashin from Gallagher Re reviewed where TWIA is in the funding structure placement and discussed the top layer of the funding stack, which is the reason for today's meeting. Conditions in the reinsurance market are still very challenging. Since the last board meeting, the Alamo 2021 and 2022 CAT bonds have been reset. The Alamo 2020 bonds were set to expire and they have been replaced with a new bond of $500 million.

   Placing nearly $700 million of new limit is difficult in today's insurance market. Generating capacity of that magnitude means having to unlock as many reinsurance products and capacity providers as possible. Gallagher is going to look at non-indemnity reinsurance products based on an index or proxy. Alex McManus reviewed the industry loss market.

   Mr. Cashin went over basis risk. Mr. Gerik commented that not all companies report to PCS so losses related to an event that are not reported make the loss appear lower than it should. He asked how many companies don't report to PCS. Jade Nguyen said not all companies report to PCS so they conduct a survey of carriers who are impacted by state in an amount that equals 70% of the industry. They use that number and supplement it with other information. Mr. Walenta said he has in mind traditional indemnity insurance. He said ILW won't get his vote. Mr. Cashin reviewed the PCS index and historical Texas hurricanes. Ms. Neblett said this might not be the best solution for TWIA but she appreciated being exposed to the products in the market.

4. Potential Purchase of Reinsurance for 2023 Storm Season in Excess of the 1 in 100 Probable Maximum Loss Statutory Minimum Funding Level: Mr. Gerik said the legislative session is ongoing and a bill might come about that is related to CRTF funding. The board has established the 1 in 100 so he thinks he would not vote to purchase more reinsurance. Ms. Franklin Womack asked Mr. Durden if he has heard anything from the

legislature regarding possibly buying more reinsurance. Mr. Durden said it has been neutral. The legislature is aware of what the board is considering but they haven't expressed much of an opinion. Mr. Garrett said he was in line with Mr. Gerik on not purchasing more at this time. Ms. Grossman asked how much time is there before placement to make a decision. Mr. Cashin said when this much is being purchased, reinsurers would like a quick decision and he suggested the board make a decision today. Gallagher Re plans to finalize the other part of the program in the next few weeks.

Ms. Franklin Womack asked if the board members think the $4.508 billion is enough for the season. Ms. Neblett expressed concern about the class two public securities. Mr. Walenta said he would like to table this subject until the board members get a better handle on the cost. Mr. Walenta moved to table the issue until the board has a better handle on the cost of $692 million layer There was no second and the motion failed. Ms. Franklin Womack said unless a board member has a motion to have Gallagher Re purchase anything in addition, what they have decided will stand. There was no motion. There will be no action.

5. <u>Adjourn:</u> The meeting was adjourned at 3:29 pm.

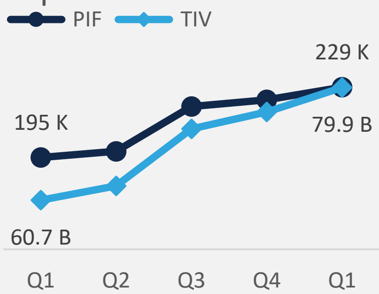
______________________________	___________________________
Prepared by: Amy Koehl Senior Project Administrator	Approved by: Chandra Franklin Womack TWIA Chairman
	___________________________
	Approved by: Georgia Neblett TWIA Vice Chairman

4. TWIA Operational Highlights

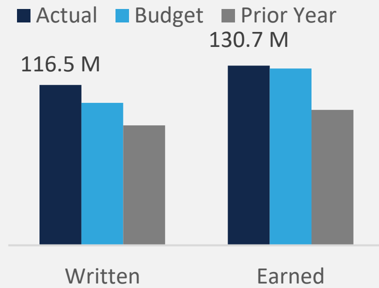
Operational Dashboard

Reporting as of March 31, 2023

Exposure Growth



Premiums



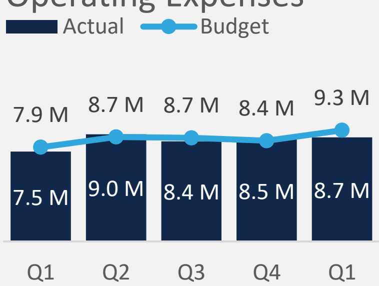
Net Income

Actual:	**$ 83.9 M**
Budget:	**$ 91.3 M**
	▼ $ 7.4 M

CRTF Balance

$267.9 M

Operating Expenses



Claims Activity

Reported Claims	**2,094**
Incurred Loss & LAE	**$21.6 M**
Loss Ratio:	**16.5%**

Claims Disputes

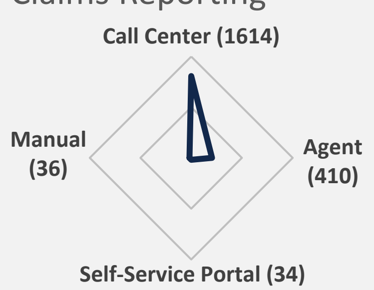
(% of Reported Claims)

TDI Complaints:	**2**	**(0.1%)**
Disputes:	**3**	**(0.1%)**
Lawsuits:	**5**	**(0.2%)**

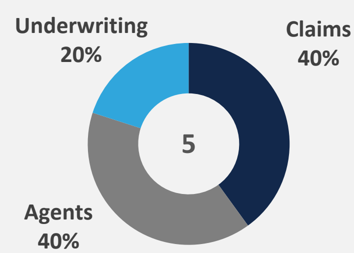
Headcount

Employees:	**222**
Contractors:	**22**
Total:	**244**

Claims Reporting



Complaints by Reason



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

CY 2022 Gross Premium to Surplus Ratio 1.96 : 1

Enterprise Projects

Status Update as of March 31, 2023

		2022				2023				2024			
Enterprise Projects	**Initiative Type**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Financial Planning & Reporting Software	Discretionary Planned		■	■	■	■	■	■					
Chase Digital Bill Pay - TWIA	Required					■	■						
Chase Digital Bill Pay - TFPA	Required						■	■					
Agent Commission Study	High Priority	■	■	■	■	■	■	■	■				
Association Surcharge for GW9	Mandatory					■	■	■					
Facilitated Strategic Planning	Discretionary Planned			■	■	■							
TWIA Leadership Development Program	Discretionary Planned			■	■	■	■	■					
TFPA Automatic Adjustment to Limits	High Priority					■	■	■					
Crisis Communication Plan	Discretionary Planned	■	■	■	■	■	■	■					
Transforming Customer Experience (CX)	Discretionary Planned						■						
TWIA Website Redesign	Discretionary Planned					■	■						
HIVE Program - Program Set Up	Discretionary Unplanned						■						
Conversational AI - Chatbot for Claims	Discretionary Planned						■	■					
Guidewire Cloud Migration (PC9)	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)

5. Financial
5A. Report of the Secretary/Treasurer
5A1. Income Statement

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

	2023	2022
Direct Premiums Written	$ 116,531	$ 87,215
Premiums Earned:		
Direct Premiums Earned	$ 130,657	$ 98,427
Ceded Reinsurance Premiums	-	-
Ceded Reinsurance Premiums - Depopulation	-	-
Net Premiums Earned	130,657	98,427
Deductions:		
Direct Losses and LAE Incurred	21,553	17,589
Direct Losses and LAE Incurred - Harvey	-	-
Direct Losses and LAE Incurred - Ike & Dolly	-	-
Ceded Losses and LAE Incurred - Depopulation	0	(2)
Operating Expenses	8,715	7,519
Commission Expense	18,627	13,944
Ceding commissions / brokerage	-	-
Ceding commissions / brokerage - Depopulation	-	-
Premium / Maintenance Tax	2,136	1,625
Total Deductions	51,031	40,676
Net Underwriting Gain or (Loss)	79,626	57,751
Other Income or (Expense):		
Gross Investment Income	4,338	93
CRTF Funds Received	-	-
Member Assessment Income	-	-
Interest Expense on Class 1 Bonds	-	(3,651)
Debt Issuance & Other Investment Expenses	(36)	(73)
Interest Expense on Short Term Debt	-	-
Premium Charge off/Write off	(126)	-
Miscellaneous Income (Expense)	88	-
Total Other Income or (Expense)	4,264	(3,631)
Net Income (Loss)	$ 83,890	$ 54,120
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	38,643	(24,584)
Net Income (Loss)	83,890	54,120
Change in Provision for Reinsurance	-	-
Change in nonadmitted assets	(8,580)	(5,137)
Unassigned Funds - Unrecognized Pension Expense	-	-
Statutory Fund Cost	(23,190)	(13,446)
Ending Surplus (Deficit)	$ 90,764	$ 10,952

5A2. Management Discussion and Analysis

Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results for the Three Months Ended March 31, 2023

Direct Written Premium:

- Direct written premiums for the three months ended March 31, 2023 totaled $116.5 million, which was $29.3 million (33.6%) above the $87.2 million for the same period in 2022. Direct written premium was $13.0 million (12.5%) higher than the budgeted $103.6 million.
- Policies in force as of March 31, 2023 of 228,577 were 4,219 (1.9%) higher than the budgeted number of 224,358.

Reinsurance Costs

- The TWIA 2022-2023 reinsurance program incepted on June 1st of 2022. The gross cost associated with the $2.05 billion in coverage was $132.1 million compared to a budgeted cost of $102.1 million. This reflects an overall rate-on-line (ROL) of 6.5% compared to the 5.3% ROL for the 2021 program. The coverage purchased in 2022 was $2.05 billion compared to the prior year coverage of $1.9 billion. There is no written or earned ceded premium for the 2023-2024 program until the new program becomes effective on June 1, 2023 at the start of hurricane season. TWIA is currently working with their reinsurance broker Arthur J. Gallagher to place the 2023-2024 reinsurance program. Reinsurance will consist of both Catastrophe bonds and traditional reinsurance to reach the 2023 storm season 1:100 PML of $4.508 billion.

Direct Premiums Earned:

- Direct premiums earned through March 2023 totaled $130.7 million compared to $98.4 million for the prior year (an increase of $32.2 million or 32.7%).
- Direct premium earned was $2.1 million higher than the budget of $128.5 million.

Depopulation Program:

- The one carrier (SafePoint) that signed up to participate in round 6 of depopulation selected approximately 32,000 policies for potential novation from TWIA. The agents review period closed on May 31, 2022 with a total of 79 policies still eligible for transfer. Owners of the remaining 79 policies had until January 31 to opt out and remain with TWIA or be transferred to SafePoint. The actual novation occurred on 3/3/2023 with an effective date of 2/28/2023 and 46 active policies were transferred.

Loss and Loss Adjustment Expense Incurred:

- Direct losses and LAE incurred for the three months ended March 31, 2023 totaled $21.6 million which was $11.2 million higher than the budgeted amount of $10.3 million. The higher than anticipated losses and LAE is primarily attributable to the storm that struck the Texas coastal area in January of this year.
- TWIA reported a YTD direct loss & LAE ratio of 16.5% compared to the budgeted 8.0%.
- The ultimate loss and loss adjustment expense estimate for Hurricane Harvey remains at $1.66 billion.

Operating Expenses:

- Operating expenses for the three months ended March 31, 2023 of $8.7 million were under budget by $586,000 (6.3%).
- Notable expense items under budget include Personnel Expenses ($351,000), Other Professional Services ($139,000), and software purchases and licensing ($264,000).
- The year-to-date operating expense ratio of 6.7% is below the budgeted ratio of 7.2%.

Commission Expense and Premium Taxes:

- Year-to-date Commission expense of $18.6 million and Premium taxes of $2.1 million were over budget by $2.0 million and $216,000 respectively as Direct Written premium was higher than the budgeted amount.

Other Income (Expense):

- Gross investment income for the three months ended March 31, 2023 totaled $4.3 million which was $3.4 million higher than the budgeted amount of $970,000. Operating account balances have been reduced to increase 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.

Net Income

- Net income for the three months ended March 31, 2023 was $83.9 million or $7.4 million (8.09%) below the budgeted income of $91.3 million.

Surplus/(Deficit):

- The surplus as of March 31, 2023 was $90.8 million compared to the surplus of $38.6 million as of December 31, 2022. The surplus improved due to the year-to-date net income of $83.9 million. The increase in surplus was offset by $23.2 million for the CRTF accrual and an increase of $8.6 million in non-admitted assets which consists primarily of prepaid expenses.

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5B. Financial Statement Review by Staff

5B1. Income Statement and Expense Statement

5B2. Balance Sheet

5B3. Cash & Short-Term Investments

5B4. Cash Flow Statement

5B5. Historical Data

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Income Statement (000's omitted)
for the three months ended March 31,

	Actuals - 2023	Budget - 2023	Variance - 2023	Actuals - 2022
Premiums Written:				
Direct	$ 116,531	$ 103,568	$ 12,963	$ 87,215
Ceded	-	-	-	-
Ceded - Depopulation	-	-	-	-
Net	116,531	103,568	12,963	87,215
Premiums Earned:				
Direct	$ 130,657	$ 128,516	$ 2,141	$ 98,427
Ceded	-	-	-	-
Ceded - Depopulation	-	-	-	-
Net	130,657	128,516	2,141	98,427
Deductions:				
Direct Losses and LAE Incurred	21,553	10,311	11,242	17,589
Direct Losses and LAE Incurred - Harvey	-	-	-	-
Direct Losses and LAE Incurred - Ike & Dolly	-	-	-	-
Ceded Losses and LAE Incurred - Depopulation	0	-	0	(2)
Operating Expenses	8,715	9,302	(586)	7,519
Commission Expense	18,627	16,571	2,056	13,944
Ceding commissions / brokerage	0	0	-	-
Ceding commissions / brokerage - Depopulation	0	0	0	-
Premium / Maintenance Tax	2,136	1,920	216	1,625
Total Deductions	51,031	38,104	12,928	40,676
Net Underwriting Gain or (Loss)	79,626	90,412	(10,786)	57,751
Other Income or (Expense):				
Gross Investment Income	4,338	970	3,368	93
Interest Expense on Class 1 Bonds	-	-	-	(3,651)
Debt Issuance/Maintenance & Other Investment Expenses	(36)	(108)	72	(73)
Interest Expense on Short Term Debt	-	-	-	-
Premium Charge off/Write off	(126)	-	(126)	-
Miscellaneous Income (Expense)	88	-	88	-
Total Other Income or (Expense)	**4,264**	**862**	**3,402**	**(3,631)**
Net Income (Loss)	$ 83,890	$ 91,275	$ (7,384)	$ 54,120
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	38,643	38,643	-	(24,584)
Net Income (Loss)	83,890	91,275	(7,384)	54,120
Change in Provision for Reinsurance	-	-	-	-
Change in nonadmitted assets	(8,580)	(1,411)	(7,168)	(5,137)
Unassigned Funds - Unrecognized Pension Expense	-	-	-	-
Statutory Fund Cost	(23,190)	(25,036)	1,846	(13,446)
Ending Surplus (Deficit)	$ 90,764	$ 103,470	$ (12,706)	$ 10,952
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	16.5%	8.0%	8.5%	17.9%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	16.5%	8.0%	8.5%	17.9%
UW Expense Ratio:				
Acquisition	17.8%	17.9%	(0.0%)	17.9%
Non Acquisition	6.7%	7.2%	(0.6%)	7.6%
UW Expense Ratio	24.5%	25.1%	(0.6%)	25.5%
Combined Ratio	41.0%	33.1%	7.9%	43.4%

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Expense Report (000's omitted)
for the three months ended March 31,

Description	Actuals - 2023	Budget - 2023	Variance - 2023	Actuals - 2022
Personnel Expenses				
Salaries & Wages - Permanent	$ 3,494	$ 3,832	$ (339)	$ 3,468
Contractor & Temporary Help	1,211	1,289	(79)	2,561
Payroll Taxes	290	317	(27)	257
Employee Benefits	1,159	1,211	(52)	1,281
Recruiting, Training & Other	95	107	(12)	73
Subtotal	$ 6,248	$ 6,757	$ (508)	$ 7,640
Professional & Consulting Services				
Legal	$ 184	$ 127	$ 57	$ 91
Accounting & Auditing	65	80	(14)	54
Information Technology	419	338	81	921
Actuarial Services	68	39	29	150
Omsbudsman Program	126	113	13	137
Surveys & Inspections	323	321	2	327
Disaster Recovery Services	7	-	7	29
Other Services (1)	1,468	1,584	(115)	1,278
Subtotal	$ 2,661	$ 2,601	$ 60	$ 2,988
Hardware/Software Purchases & Licensing	$ 859	$ 1,137	$ (278)	$ 909
Rental & Maintenance - Office/Equipment	250	262	(13)	319
Travel Expenses	27	46	(19)	19
Postage, Telephone and Express	280	287	(7)	185
Capital Management Expenses	-	-	-	4
Depreciation	779	767	11	7
Other Operating Expenses	426	485	(59)	358
Total Operating Expenses	**$ 11,530**	**$ 12,342**	**$ (812)**	**$ 12,428**
Capitalization of Fixed Assets	-	-	-	(1,533)
Reimbursement of Depop Servicing Expense	(1)	-	(1)	(1)
Allocation To ULAE	(2,777)	(2,978)	200	(3,307)
Allocation To Investing & Other Expense	(36)	(63)	27	(68)
Net Operating Expense - UW Operations	**$ 8,715**	**$ 9,302**	**$ (586)**	**$ 7,519**

(1) Summary Details for Other Services:

VENDOR	Amount	Department
Accenture LLP	$ 515	Expert Panel
Marshall & Swift/Boeckh	$ 304	UW
AON Re	$ 150	Actuary
Clear Point Claims LLC	$ 129	UW
ISO Services Inc	$ 87	Claims
EagleView Technologies Inc	$ 61	Claims
Risk Management Solutions Inc	$ 57	Expert Panel
Xactware Solutions Inc	$ 53	Claims
Insurity LLC	$ 34	Claims
LYNX Services LLC	$ 27	Claims
Agility Recovery Solutions Inc	$ 21	Claims
Kainos Worksmart LLC	$ 20	Accounting
*Other Outside Services below $20K	$ 12	Various Departments
Total Other Services	**$ 1,468**	

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Balance Sheet (000's omitted)

	March-23	December-22
Admitted Assets		
Cash and short term investments:		
Unrestricted	$ 433,348	$ 483,870
Restricted - Funds Held at TTSTC	-	-
Restricted - Funds Held at TTSTC (Non Admitted)	-	-
Total cash and short term investments	433,348	483,870
Premiums receivable & other	28,369	26,983
Assessment receivable	-	-
Amounts recoverable from reinsurers	-	-
Total admitted assets	**$ 461,717**	**$ 510,852**
Liabilities, Surplus and other funds		
Liabilities:		
Loss and Loss adjustment expenses	$ 47,995	$ 58,175
Underwriting expenses payable	13,152	14,701
Unearned premiums, net of ceded unearned premiums	263,208	277,334
Ceded reinsurance premiums payable	-	33,331
Short Term Debt	-	-
Interest Payable on Short Term Debt	-	-
Principal Outstanding on Class 1 Pre Event Bonds	-	-
Interest Payable on Class 1 Pre Event Bonds	-	-
Provision for reinsurance	-	-
Other payables	23,408	13,707
Statutory fund payable	23,190	74,962
Total liabilities	**370,953**	**472,209**
Surplus and others funds		
Unassigned surplus	90,764	38,643
Total liabilities, surplus and other funds	**$ 461,717**	**$ 510,852**
Balance in CRTF	**$ 267,910**	**$ 190,004**
Balance in CRTF including Statutory fund payable	**$ 291,100**	**$ 264,966**

Texas Windstorm Insurance Association
Unrestricted Cash and Short Term Investments ($ in 000's)
March 31, 2023

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Average Annual Yield	Total Deposit % of TWIA's Portfolio	N.A. Bank Credit Rating	N.A Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital?
							< 40%	**Superior or Strong**	**> 10%**	**> $25B**	**> .2% of N.A. Reg Capital**
Balances as of 03/31/2023:											
Bank of America, Operating	162	46,056	46,218	73,536	542	2.95%	11%	Superior	13.1%	$181	No
BlackRock Liquidity Funds (1)	0	0	0	68,643	711	4.14%	0%	N/A	N/A	N/A	N/A
BOA Morgan Stanley (1)	0	45,739	45,739	32,970	355	4.31%	11%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury (1)	0	80,197	80,197	45,845	500	4.36%	19%	N/A	N/A	N/A	N/A
Citibank	197	17,140	17,337	17,115	74	1.72%	4%	Superior	15.1%	$152	No
JP Morgan Chase	24,640	0	24,640	0	0	0.00%	6%	Superior	16.9%	$270	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	131,073	131,073	165,505	1,773	4.29%	30%	N/A	N/A	N/A	N/A
Chase Goldman Sachs (2)	0	88,145	88,145	47,992	383	3.20%	20%	N/A	N/A	N/A	N/A
Total of all financial institutions	**24,999**	**408,349**	**433,348**	**451,607**	**4,338**	**3.84%**	**100%**				
Balances as of 12/31/2022:											
Bank of America, Operating	162	145,025	145,187	146,379	699	1.91%	30%	Superior	13.5%	$185	No
BlackRock Liquidity Funds (1)	0	97,470	97,470	88,732	619	2.79%	20%	N/A	N/A	N/A	N/A
Citibank	198	17,066	17,264	17,041	75	1.76%	4%	Superior	14.3%	$150	No
JP Morgan Chase	59,565	0	59,565	0	0	0.00%	12%	Superior	16.4%	$264	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	164,384	164,384	163,950	1,382	3.37%	34%	N/A	N/A	N/A	N/A
Total of all financial institutions	**59,925**	**423,945**	**483,870**	**416,102**	**2,774**	**2.67%**	**100%**				

(1) The Fund invests in U.S. Treasury bills, notes, trust receipts and direct obligations of the U.S. Treasury.
(2) The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury.

Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of December 31, 2022. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statement of Cash Flows (000's omitted)
for the three months ended March 31,

	Actuals - 2023	Budget - 2023	Variance - 2023
Cash flows from operating activities:			
Premiums collected, net of reinsurance	$ 86,731	$ 115,038	$ (28,307)
Losses and loss adjustment expense paid	(27,112)	(3,210)	(23,902)
Underwriting expenses paid	(39,103)	(29,986)	(9,118)
CRTF funds received	-	-	-
Member assessment received	-	-	-
Other	267	-	267
Net cash provided by operating activities	20,783	81,842	(61,060)
Cash flows from nonoperating activities:			
Statutory fund paid	(74,962)	(93,088)	18,126
Other	-	-	-
Net cash provided by nonoperating activities	(74,962)	(93,088)	18,126
Cash flows from investing activities:			
Sales and maturities of investments	-	-	-
Net investment income	3,658	970	2,687
Net cash provided by investing activities	3,658	970	2,687
Cash flows from financing activities:			
Borrowed funds	-	(108)	108
Borrowed funds repaid	-	-	-
Net cash provided by financing activities	-	(108)	108
Net increase (decrease) in cash and short-term investments	(50,521)	(10,383)	(40,138)
Cash and short-term investments, Beginning	483,870	483,870	-
Cash and short-term investments, Ending	$ 433,348	$ 473,486	$ (40,138)

TEXAS WINDSTORM INSURANCE ASSOCIATION
HISTORICAL DATA
1971 - 2023
($ with 000's omitted)

	GROSS						NET				
	LIABILITY IN		RATE						UNDERWRITING		
	FORCE	POLICY	CHANGES		WRITTEN	LOSS &	EARNED	LOSS &	EXPENSES	UNDERWRITING	CRTF BALANCE
YEAR	END OF PERIOD	COUNT	RESID	COMML	PREMIUMS	LAE INCURRED	PREMIUMS	LAE INCURRED	INCURRED	GAIN (LOSS)	END OF PERIOD
1971	$ 278,710	13,415			$ 2,393	$ 92	$ 868	$ 92	$ 385	$ 391	
1972	739,983	33,577			4,138	214	3,468	214	849	2,405	
1973	1,017,048	45,743			4,286	1,427	4,288	1,427	1,099	1,763	
1974	1,064,772	45,901			4,512	452	4,378	452	1,106	2,819	
1975	1,169,763	46,365			6,036	592	5,263	592	1,417	3,254	
1976	1,387,252	48,747			8,130	231	6,953	231	1,878	4,844	
1977	1,616,220	51,382			9,922	203	9,080	203	2,258	6,619	
1978	1,633,521	48,820			10,523	296	10,249	296	2,329	7,624	
1979	1,816,410	46,128			11,045	2,370	11,039	2,370	2,178	6,490	
1980	1,936,388	43,613			9,675	14,217	10,245	14,217	2,079	(6,051)	
1981	2,105,244	42,495			9,137	2,715	9,313	2,715	2,097	4,501	
1982	2,285,594	51,034			8,641	982	9,106	982	2,095	6,029	
1983	2,165,231	44,894			6,900	157,112	7,585	157,112	1,937	(151,463)	
1984	3,178,079	51,311			9,450	1,294	7,989	1,294	2,493	4,202	
1985	4,061,660	57,181			18,232	1,510	3,534	1,510	3,638	(1,614)	
1986	4,510,378	60,028			20,987	1,202	5,229	1,202	3,997	30	
1987	4,401,486	57,976			20,532	2,555	4,931	2,555	4,091	(1,715)	
1988	4,266,615	56,773	-5.4%	-15.0%	19,061	2,509	3,551	2,509	4,066	(3,024)	
1989	4,236,600	55,401	-	-	18,066	14,176	5,330	14,176	4,037	(12,883)	
1990	4,248,611	56,155	3.1%	-2.1%	18,244	1,590	16,761	1,590	4,171	11,000	
1991	4,346,209	54,145	25.0%	-2.0%	20,504	1,783	7,167	1,783	4,343	1,042	
1992	5,155,790	55,471	-20% (I)/-75% (B)	-22.9%	11,495	1,321	4,014	1,321	4,220	(1,527)	
1993	6,500,165	56,921	30.0%	-	19,377	4,778	123,515	4,778	5,161	113,576	
1994	7,645,176	63,348	-	-	26,545	1,572	25,692	1,572	6,982	17,138	124,847
1995	8,828,140	69,807	25.0%	-	32,419	4,033	29,016	4,033	8,119	16,864	151,284
1996	10,001,843	72,977	-	-	40,359	1,484	37,153	1,484	10,627	25,042	179,020
1997	10,907,937	75,361	-	-	42,463	4,133	41,045	4,133	11,038	25,874	216,896
1998	11,633,935	77,261	0.2%	-3.0%	44,411	27,235	28,256	27,235	12,181	(11,160)	238,221
1999	11,972,502	75,947	-9.4%	-	44,581	11,320	28,702	11,320	11,524	5,858	250,403
2000	12,052,604	73,815	8.7%	9.0%	48,012	7,937	28,470	7,937	11,681	8,852	268,563
2001	13,249,407	77,022	18.5%	4.0%	54,631	8,011	31,112	8,011	12,936	10,165	280,063
2002	16,003,048	85,668	-	5.0%	72,968	32,359	44,516	32,359	16,584	(4,427)	303,185
2003	18,824,457	96,420	-	10.0%	87,987	24,955	51,702	24,955	19,682	7,065	305,599
2004	20,796,656	103,503	9.6%	10.0%	102,384	6,115	52,230	6,115	21,911	24,204	308,729
2005	23,263,934	109,693	-	10.0%	113,928	178,370	65,438	178,370	25,277	(138,209)	311,508
2006	38,313,022	143,999	3.1%	13.4%	196,833	5,188	85,467	5,188	37,138	43,141	361,823
2007	58,641,546	216,008	4.2%	3.7%	315,139	17,985	135,843	17,985	51,768	66,090	388,542
2008	58,585,060	215,537	8.2%	5.4%	331,049	2,587,123	(138,560)	1,117,123	53,759	(1,309,442)	-
2009	61,700,891	230,545	12.3%	15.6%	382,342	(486,314)	389,600	(183,974)	87,899	485,675	-
2010	67,452,357	242,664	-	-	385,550	555,025	351,730	252,685	85,598	13,447	76,334
2011	71,083,333	255,945	5.0%	5.0%	403,748	202,539	321,781	202,539	81,665	37,577	146,650
2012	74,186,949	266,726	5.0%	5.0%	443,480	401,873	321,122	401,873	93,583	(174,334)	178,902
2013	76,921,369	270,814	5.0%	5.0%	472,739	30,975	295,130	30,975	100,524	163,631	186,184
2014	78,763,302	275,626	5.0%	5.0%	494,036	(13,994)	367,555	(13,994)	109,189	272,360	216,813
2015	78,551,742	272,219	5.0%	5.0%	503,824	178,886	377,594	178,886	114,973	83,736	487,170
2016	73,393,573	254,346	5.0%	5.0%	487,354	38,669	370,404	38,625	109,756	222,023	587,860
2017	65,023,810	231,567	-	-	423,074	1,476,861	347,354	1,475,302	97,878	(1,225,826)	1,220
2018	58,041,760	202,208	5.0%	5.0%	395,552	175,718	301,515	175,998	96,399	29,118	5,986
2019	55,189,815	189,203	-	-	372,017	113,513	287,477	113,398	92,415	81,664	122,496
2020	55,009,638	184,890	-	-	369,600	118,669	261,574	118,470	90,594	52,510	179,174
2021	59,543,596	193,002	-	-	395,113	19,026	276,372	19,048	95,623	161,701	182,712
2022	75,698,532	222,480	5.0%	5.0%	518,299	51,213	311,395	51,248	120,093	140,054	190,004
2023	79,866,280	228,577	0.0%	0.0%	116,531	21,553	130,657	21,553	29,478	79,626	267,910
TOTAL*					**7,988,254**	**6,015,652**	**5,531,200**	**4,544,072**	**1,778,798**	**(791,671)**	

*2023 data through 03/31/2023.

5C. Investment Plan Review

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: April 26, 2023

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: **TWIA Investment Plan Review**

Annually, the TWIA board of directors reviews the adequacy and implementation of the association's investment plan as reflected in the Statement of Investment Objectives and Guidelines. This document does not cover investments in the CRTF or the assets previously held by the Texas Treasury Safekeeping Trust Company representing the proceeds and debt service payments of the Series 2014 Bonds.

The primary focus of the Investment Plan is asset preservation and liquidity, along with compliance with the Texas Insurance Code and Plan of Operation of the Association.

On a quarterly basis, TWIA reviews the following criteria to monitor our counterparty relationships:

- Bank ratings and credit ratings from Moody or Standard and Poor's must meet 'AAA'. 'AA', or 'A' ratings defined as "superior or strong" in credit ratings.
- Tier 1 Capital Ratio must be above a 10% ratio.
- The National Association Regulatory Capital must be in excess of $25 Billion.
- Total investment in any one financial institution will not exceed .2% of the National Association's regulatory capital.
- Total investment in any one financial institution will not exceed 40% of TWIA's total portfolio.

Below please find an evaluation of our financial institutions based on the criteria as listed above.

Evaluation of Counterparty Relationships as of 12/31/2022						
	Moody's	S&P			($ in Billions)	($ in Billions)
Financial Institution	N.A. Bank Credit Rating		N.A. Bank Credit Rating (as of 12/31/22)	N.A. Tier 1 Capital Ratio (as of 12/31/22)	N.A. Regulatory Capital (as of 12/31/22)	Holding Company Level Market Capitalization
JPMorgan Chase, N.A.	P-1	A-1	Superior	16.9%	$270	$393
Bank of America, N.A.	P-1	A-1	Superior	13.1%	$181	$266
Citibank, N.A.	P-1	A-1	Superior	15.1%	$152	$88

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Currently we are not recommending any changes to the investment plan. However, we will be seeking a resolution at the May 23, 2023 board meeting regarding board review of the adequacy of the current investment plan, copy attached, and board review of the implementation of the plan. Suggested wording of such resolution is as follows:

> The Board of Directors of the Texas Windstorm Insurance Association acknowledges its review of the adequacy and implementation of the Statement of Investment Objectives and Guidelines of the Association and accepts staff's recommendation to make no changes to the investment plan at this time.

Please let me know if you have any questions or would like to discuss this matter.

Thank you,

Stuart

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TEXAS WINDSTORM INSURANCE ASSOCIATION

STATEMENT OF INVESTMENT OBJECTIVES AND GUIDELINES

I. Overview

The purpose of this statement is to provide clear objectives and guidelines for the investing and management of assets with Texas Windstorm Insurance Association ("TWIA").

TWIA was created by the Texas Legislature in 1971. TWIA's controlling statute is currently codified as Chapter 2210 of the Texas Insurance Code. The purpose of TWIA is to provide a method whereby adequate windstorm and hail insurance may be obtained in certain areas designated by the Commissioner of Insurance located in the gulf coast region of the State of Texas.

II. Investment Objectives

The investment objectives enable TWIA to manage funds with the primary focus of asset preservation and liquidity, as well as securing maximum total return through the application of the investment policy set forth below. This policy must comply with all restrictions on investments in accordance with the Texas Insurance Code, the Plan of Operation of the Association and any other applicable requirements. While maximizing yield is important, the Association will consider the safety of the principal and liquidity the foremost objective.

III. Permissible Asset Types

TWIA's Plan of Operation, which is a Texas Department of Insurance rule, requires all funds collected by the Association that are not otherwise required to be expended as provided in the Plan of Operation, to be retained in a checking account or accounts in any bank or banks doing business in the State of Texas and/or invested in items pursuant to Texas Insurance Code, chapter 2210. (See Appendix A).

1. Checking, savings accounts, and Money Market Demand Accounts in Financial Institutions that meet the counterparty requirements outlined below in section IV of this document.

2. US Treasury Notes not to exceed 12 months, unless otherwise approved by the board of directors.

3. Money Market Fund Accounts with a maximum duration of 1 year or less, unless otherwise approved by the board of directors. Account must invest exclusively in US bonds backed by the full faith and credit of the US government.

4. Other investments proposed by the board of directors and approved by the Commissioner.

IV. Diversification and Evaluation of counterparty relationships:

The Association should evaluate bank financial performance, bank ranking and credit ratings from Moody or Standard & Poor's to assess the investment risk. All financial institutions ratings must meet 'AAA', 'AA', or 'A' ratings defined as "strong or superior" in credit ratings.

The Association must also evaluate the bank's capital strength through Tier 1 Capital Ratios. The Association's criterion is that the Tier 1 Capital Ratio must be above 10% for the Association to invest with such institution.

The Association should evaluate the total capital of all banks on a quarterly basis. National Association (N.A.) Regulatory Capital must be in excess of $25B.

Total investment in any one financial institution should not exceed .2% of the of the National Association's regulatory capital. Total investments in any one financial institution should not exceed 40% of TWIA's total portfolio.

The Association should perform the above evaluation on a quarterly and/or annual basis as information is available. To the extent certain information is not available quarterly at the N.A. level; the Association should review the Tier 1 Capital Ratio and Market Capitalization at the bank holding company level.

V. Monitoring, Evaluation and Compliance

TWIA's management will review the investment policy on an annual basis and make recommendations, if necessary, to the board of directors at that time. It is the responsibility of TWIA management to report to the board of directors all cash and investment balances, interest rates and diversification ratios on a quarterly basis.

Appendix to TWIA's Statement of Investment Objectives and Guidelines

I. Definitions related to the guidelines

a. Tier 1 Capital Ratio also known as Capital Adequacy is the amount of capital a bank or other financial institution has to hold as required by its financial regulator. These requirements are put into place to ensure that institutions do not take on excess leverage and become insolvent.

A firm must have a Tier 1 capital ratio of 6% or greater, and not pay any dividends or distributions that would affect its capital, to be classified as well capitalized according to the Federal Deposit Insurance Corporation (FDIC).

Formula = (Total Equity – Revaluation Reserves) / Risk Based Assets

b. Market Capitalization is the total value of the issued shares of a publicly traded company; it is equal to the share price times the shares outstanding. This allows investment community to determine a company's size, as opposed to sales or total asset figures.

Formula = stock price X total number of shares outstanding.

II. Permissible Assets as defined by the Plan of Operation:

All funds collected by the Association which are not otherwise required to be expended as provided in the Plan of Operation, may be retained in a checking account or accounts in any bank or banks doing business in the State of Texas and / or may be invested only in the following:

a. Interest bearing time deposits or certificates of deposit in any bank or banks doing business in the State of Texas and/or:

b. In treasury notes of the government of the United States of America; and/or

c. Money market funds which invest exclusively in the bonds or to the evidence of indebtedness of the United States of America or any of its agencies when such obligations are guaranteed as to principal and interest by the Unites States of America; except however:

    i. such money market funds may make loans to or purchases of the described bonds and other evidence of indebtedness from a solvent bank or securities broker, registered under the Securities Act of 1934, under an agreement (commonly called a "repurchase agreement") which provides for the purchase by the money market fund of the type of securities described and which agreement matures in 90 days or less and provides for the repurchase by such entity of the same or similar securities purchased by the money market fund, provided that the total market value of such securities shall equal or exceed the amount of such loan or repurchase when it is made; and

    ii. such loan collateral or securities purchased from any one bank or securities broker may not exceed the greater of 5.0% of the assets of the money market fund or 5.0% of the amount of capital, surplus, or individual profits of such bank or securities broker; and/or

d. In such other investments as may be proposed by the board of directors and approved by the Commissioner. The board of directors shall determine what portion of such funds shall be retained in a checking account or accounts and what portion of such reserve shall be invested in the investments listed in this subparagraph, as well as which specific investments, if any, shall be made.

5D. 2023 Storm Season Line of Credit

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: April 26, 2023

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: **TWIA Line of Credit**

As we approach the upcoming Hurricane Season, it is time to renew the TWIA line of credit to provide short-term liquidity for claim payments after a catastrophic storm event.

Staff proposes to obtain a credit line of $500 million with $400 million provided by JP Morgan Chase and the remaining $100 million from Bank of America. The purpose for maintaining the line of credit is to ensure cash is readily available to pay claims pending collection of debt proceeds and/or a member assessment below the reinsurance attachment, if needed. The line of credit would serve as a liquidity bridge to our permanent funding.

The proposed pricing for the 2023 line of credit includes a commitment fee of 47.5 basis points per annum on the unused portion of the revolving credit line and an upfront fee of 10 basis points or $500,000. This $500 million facility amount and proposed pricing is consistent with the terms from the prior line of credit that was effective June 1, 2022. It is anticipated that this line of credit if unused would be terminated on December 29, 2023 which is the earliest cancellation date allowable under the contract terms.

I have attached additional exhibits for this item as follows:

1. A copy of the Indicative Term sheet for the proposed renewed line of credit
2. Line of credit proposed resolutions for adoption by the TWIA Board of Directors. We need to request action on this at the board meeting.

Please let me know if you have any questions or would like to discuss this matter.

Stuart

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J.P.Morgan

Texas Windstorm Insurance Association

JPMorgan’s Financing Proposal for the 2023 Windstorm Credit Facility | March 2023

Disclaimer

This proposal is intended only as an outline of certain indicative terms of the facility described herein (the “Facility”) and does not purport to be an exhaustive or all-inclusive summary of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive documentation for the Facility. The final documentation may include terms and conditions required by JPMorgan Chase Bank, N.A. (together with its affiliates, “JPMorgan”) not included in this proposal. This proposal is non-binding, is not a commitment and is subject to final credit approval.

Texas Windstorm Insurance Association (“TWIA”) acknowledges and agrees that: (i) JPMorgan does not have an advisory or fiduciary relationship with TWIA and nothing in this proposal or our services in connection therewith or otherwise will be deemed to create an advisory or fiduciary relationship (irrespective of whether JPMorgan or any of its affiliates has provided other services or is currently providing other services to TWIA on other matters); (ii) JPMorgan has no obligations to TWIA with respect to the transaction contemplated hereby unless and except to the extent expressly stated in this proposal; and (iii) TWIA has consulted with and is relying on its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate in order to determine whether this proposal is in TWIA’s best interests.

This proposal from JPMorgan for the Facility is entirely independent from any proposal or other agreement from any other affiliate of JPMorgan to provide other services.

Transmittal Letter

March 8, 2023

Stuart Harbour, Chief Financial Officer
Texas Windstorm Insurance Association
sharbour@twia.org

Al Fulkerson, Controller
Texas Windstorm Insurance Association
afulkerson@twia.org

David Durden, General Manager
Texas Windstorm Insurance Association
ddurden@twia.org

Dear Mr. Harbour, Mr. Fulkerson, and Mr. Durden:

On behalf of JPMorgan Chase Bank, N.A. ("JPMorgan" or the "Bank"), thank you for the opportunity to partner with Texas Windstorm Insurance Association ("TWIA") again on this transaction. Attached is a summary of terms and conditions for a $500,000,000 Line of Credit (the "Facility") to provide short term liquidity during the upcoming hurricane season. The terms of the Facility will be substantially similar to the Credit Agreement between the Bank and TWIA, dated as of June 1, 2022.

Please note this proposal is subject to normal due diligence, credit approval, satisfactory documentation and agreement on terms and conditions, and is not a commitment at this time. Indicative pricing is as of March 8, 2023. Nothing expressed or implied herein constitutes any commitment of JPMorgan, or any of its affiliates, to lend or provide any other financial services in connection with the transaction; such obligations would arise only under separate written agreement(s) mutually acceptable to the TWIA and JPMorgan. We would reasonably expect final credit approval within ten (10) business days of receiving all necessary information from the TWIA.

Thank you and we look forward to working with TWIA again on this exciting opportunity.

Yours sincerely,

Allyson Goetschius

Allyson Goetschius, Executive Director
allyson.l.goetschius@jpmorgan.com
(212) 270-0335

Janice Fong

Janice Fong, Associate
janice.r.fong@jpmorgan.com
(212) 270-3762

Texas Windstorm Insurance Association's dedicated team at JPMorgan Chase

Banking Coverage

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Brenda Pollard
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Anna Maria Beissel
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(212) 270-2072

Mark Tague
Associate
mark.tague@jpmorgan.com
(972) 324-4291

Summary of Terms and Conditions

Borrower:	Texas Windstorm Insurance Association ("TWIA" or the "Borrower").
Lead Arranger:	JPMorgan Chase Bank, N.A. ("JPMorgan" or the "Bank").
Administrative Agent:	JPMorgan Chase Bank, N.A.
Facility:	**Line of Credit Agreement** — **Facility Size**
	Total Senior Credit Facility — Up to $500.0 million
	JPMorgan Chase Bank, N.A. Line of Credit ("L/C" Commitment) — Up to $400.0 million
	Bank of America, N.A. ("BANA") Line of Credit ("L/C" Commitment) — Up to $100.0 million
Purpose:	To finance the short-term liquidity needs of the Borrower to pay insurance claims in the event of a natural disaster from a windstorm or hailstorm.
Collateral:	First perfected security interest in proceeds of public securities and other financing arrangements and all member insurer assessments now or hereafter assessed, collected and/or otherwise received by the Borrower and second lien perfected security interest in net premiums.
Tenor:	Facility will have a final maturity date of May 31, 2024.
Amortization:	N/A

Pricing Grid:

Level	Tenor of Fundings (1)	Commitment Fee (bps)	Drawn Spread (Adjusted Term SOFR + bps)
I	**< 150 days**	**47.5**	**200.0**
II	≥ 150 days	47.5	325.0

Conditions Precedent to Closing / Advances:

- Receipt and satisfactory review of the 2022 TWIA audit;
- Completion and delivery of satisfactory legal documentation including satisfactory opinions of counsel;
- Evidence that (i) the Plan of Operation is in place upon the closing date as well as that (ii) TWIA shall begin necessary steps to draft documents funding a post-event bond transaction;
- For each advance, the Bank shall receive documentation demonstrating that the amount of claims being made under policies issued by the Borrower exceeds the aggregate amount of TWIA's available liquid funds including without limitation, all amounts available under any and all deposit accounts, savings accounts and securities or other investments now or hereafter maintained by TWIA; and
- Advances shall not exceed the amount by which the aggregate amount of claims exceeds the aggregate amount of liquid assets.

Mandatory Prepayment:

- After the occurrence of a natural windstorm or hailstorm, Class I Public Securities must be issued to prepay any fundings on the L/C;
- In the event and on each occasion that TWIA receives any proceeds of any Public Securities or Member Assessments at any time, TWIA shall immediately prepay the L/C in an aggregate amount equal to the lesser of (i) 100% of such Public Securities proceeds or Member Assessments or (ii) the aggregate amount of the loans then outstanding; and
- After the occurrence of a natural windstorm or hailstorm disaster, and in the event Public Securities are not issued, TWIA will levy assessments on its member insurers, subject to applicable legal requirements, in an amount sufficient to cover and repay in full the aggregate amount of loans (including, without limitation, accrued interest on such loans) to be advanced to TWIA in accordance with the other provisions of the agreement.

Termination Option:	May be exercised by TWIA on either of the following dates: December 27, 2023 and March 28, 2024 at no penalty.
Covenants:	The covenants will remain consistent with the Credit Agreement between the Bank and TWIA, dated June 1, 2022.
Upfront Fee:	10.0 bps on Total Senior Credit Facility commitments at closing, allocated on a pro rata basis to all participating banks.
Lender Counsel:	Locke Lord LLP. Legal fees are estimated at $40,000 and capped at $50,000.

(1) Defined as the length of time after a funding on the L/C occurs to repayment either by public securities or member assessments.

Due Diligence Call Discussion Topics

- Review of 2023 storm season approved funding stack and update on reinsurance market
- Overview of 2022 financial results (audit delivery is a condition to closing) and FY23 budget
- Any proposed rate increases
- 2023 legislative updates and any proposed legislative changes
- Reinsurance market update
- FY22 insurance members participation and preliminary FY23/24 expected participation
- Confirmation that member assessments are ‘bullet proof’ and cannot be legally diverted to pay policyholder claims
- Political wherewithal of Governor to supersede the Insurance Commissioner and pause rate increases/divert member assessments in a storm event
- Modified premium installment plan implementation on policyholder delinquencies, debt service coverage of bonds, net earnings, CRTF balance
- Board of Directors update – appointment of new members if applicable

RESOLUTIONS OF THE BOARD OF DIRECTORS
OF
TEXAS WINDSTORM INSURANCE ASSOCIATION

May 23, 2023

The undersigned authorized representative of the TEXAS WINDSTORM INSURANCE ASSOCIATION (the "Association") hereby certifies that the following resolutions were adopted at a public meeting of the Association's board of directors (the "Board") lawfully held and noticed, effective as of the date hereof:

RESOLVED, that in order to provide the Association with liquidity to facilitate payment by the Association of claims to its policyholders and related expenses, the Association may enter into a Credit Agreement (the "Credit Agreement") by and among the Association, JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent (the "Administrative Agent"), and each of the financial institutions which are signatories thereto or which may become a party thereto from time to time (each a "Lender" and, collectively, the "Lenders");

RESOLVED, FURTHER, that in connection with the Credit Agreement, the Association may execute and deliver to the Lenders one or more promissory notes in the original aggregate principal amount of up to $500,000,000 (collectively, the "Notes");

RESOLVED, FURTHER, to secure repayment of the Association's payment and performance obligations under the Credit Agreement and the Notes the Association may execute and deliver to the Administrative Agent, a Financing and Pledge Agreement (the "Pledge Agreement") and a Blocked Account Control Agreement (together with the Credit Agreement, the Notes, and the Pledge Agreement, , the "Credit Documents");

RESOLVED, FURTHER, that in connection with the Credit Agreement, the Notes shall bear interest on the unpaid principal balance thereof at the rate or rates provided for in the Credit Agreement (said interest rate(s) to never exceed the maximum amount of interest permitted under applicable law, including without limitation, Chapter 1204 of the Texas Government Code), with accrued interest on the Notes being due and payable on the Interest Payment Dates (as defined in the Credit Agreement), and with the outstanding principal balance of the Notes being finally due and payable on the Maturity Date (as defined in the Credit Agreement);

RESOLVED, FURTHER, that in order to induce the Agent and the Lenders to enter into the Credit Agreement, the Association is hereby authorized to pay to the Administrative Agent and the Lenders any and all fees for extending credit to the Association thereunder as agreed pursuant to the Credit Documents;

RESOLVED, FURTHER, that the chief financial officer and/or the general manager of the Association be, and is/are, authorized and directed for and on behalf, and as the act and deed, of the Association to negotiate the specific terms of, and to execute and deliver to the Agent and the Lenders, the Credit Documents and such other instruments as Agent and Lenders may reasonably require in their discretion in connection with the Credit Documents (the "Ancillary Documents") and to take such other action in the consummation and/or administration of the renewal and extension of Credit Documents and the Ancillary Documents as such officer(s) shall deem to be necessary or desirable, and any and all acts heretofore taken by the above-described officer(s) to such end are hereby expressly ratified and confirmed as the acts and deeds of the Association;

RESOLVED, FURTHER, that the Credit Documents and the Ancillary Documents shall be in form and substance satisfactory to the Agent and the Lenders and in form and substance approved by the above-described officer(s) executing the same on behalf of the Association, his or her approval of each such instrument to be conclusively evidenced by the execution thereof by such officer(s);

RESOLVED, FURTHER, that such officer(s) of the Association be, and is/are, authorized and directed for and on behalf, and as the act and deed, of the Association and without further authorization of the Board, to negotiate and agree to on terms acceptable to such officer(s) any and all further renewals, extensions, modifications and/or amendments, but not any additional principal increases, to the credit extended to the Association pursuant to the Credit Agreement, and to execute and deliver to the Agent and the Lenders such documents as the Agent and the Lenders shall require to evidence any such renewal, extension, modification or amendment, but not any additional principal increase, and to take such other action in the consummation of the transactions therein contemplated as the officer(s) acting shall deem to be necessary or desirable;

RESOLVED, FURTHER, that any and all documents, agreements, certificates, opinions, letters, financing statements, consents, schedules and other instruments and writings executed and delivered on behalf of the Association in connection with the foregoing resolutions by the above-described officer(s) of the Association shall be deemed to be the act of the Association and shall be in all respects binding against the Association;

RESOLVED, FURTHER, that the Board has determined it to be in the best interest of the Association for the Association to enter into, execute and deliver the Credit Documents and to enter into, execute and deliver any Ancillary Documents required in connection with the Credit Documents;

RESOLVED, FURTHER, that the execution and delivery of and performance under the Credit Documents and the Ancillary Documents, and other actions contemplated herein, can reasonably be expected to benefit the Association, directly or indirectly; and

RESOLVED, FURTHER, that any and all acts, transactions or agreements undertaken by the officers of the Association for and on behalf and in the name of the Association, prior to the adoption of the foregoing resolutions, in connection with any of the foregoing matters including but not limited to, negotiation of the terms and/or execution and delivery of the Credit Documents and the Ancillary Documents be, and they are hereby, ratified, confirmed and approved in all respects for all purposes.

Executed and effective as of the date first written above.

Authorized Officer of the Association:

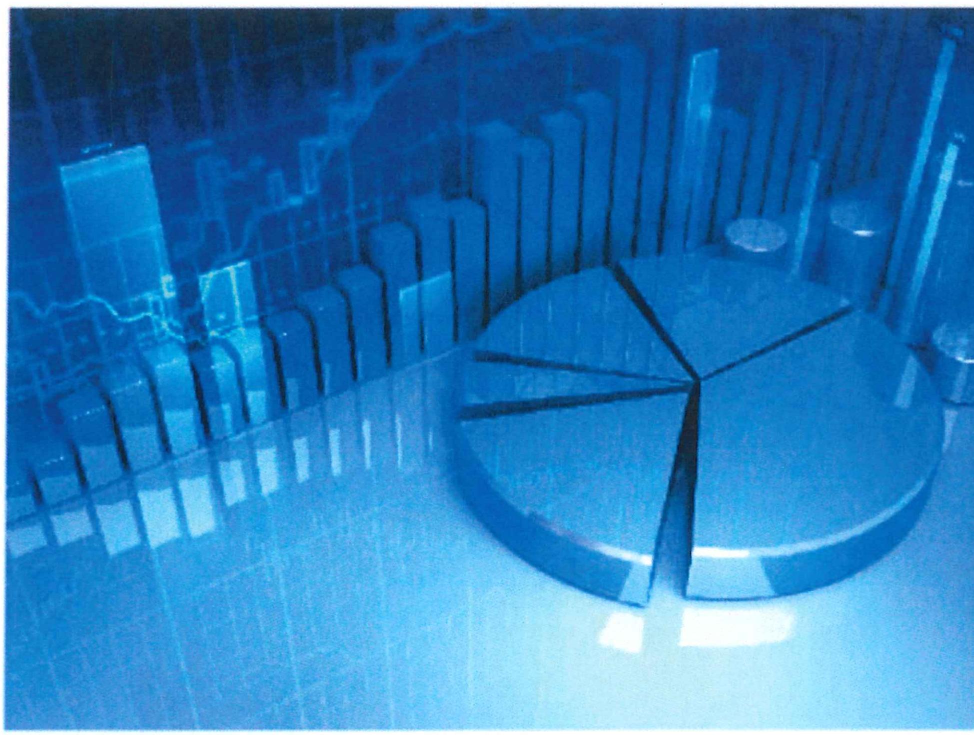
By: ___________________________
(Signature)

Its: ___________________________|
(Printed Name and Title)

5E. Financial Audit by Calhoun, Thomson + Matza

5E1. Audit Wrap-Up Reports

Texas Windstorm Insurance Association December 31, 2022



Audit Wrap Up

Calhoun, Thomson+Matza, LLP
Certified Public Accountants

Calhoun, Thomson + Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

April 27, 2023

Board of Directors
Texas Windstorm Insurance Association
Austin, Texas

Ladies and Gentlemen:

Professional standards require us to communicate with you regarding matters related to the statutory financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On June 21, 2022, we presented an overview of our plan for the audit of the statutory financial statements of Texas Windstorm Insurance Association (the "Association") as of and for the year ended December 31, 2022, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Association's accounting practices and policies, management's judgments and estimates, statutory financial statement disclosures, and other required matters.

We are pleased to be of service to the Association and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

Calhoun, Thomson & Matza, LLP

Discussion Outline

Status of Our Audit

Audit of Statutory Financial Statements

We have completed our audit of the statutory financial statements as of and for the year ended December 31, 2022. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the statutory financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the statutory financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our engagement letter.
- We issued an unmodified opinion on the statutory financial statements on April 27, 2023.
- Our responsibility for other information in documents containing the Association's audited statutory financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Association and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the statutory financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- All records and information requested by Calhoun, Thomson + Matza, LLP were freely available for our inspection.
- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Association personnel throughout the course of our work.

Results of Our Audit

Accounting Practices, Policies, Estimates, and Statutory Financial Statement Disclosures

The following summarizes the more significant required communications related to our audit concerning the Association's accounting practices, policies, estimates, and statutory financial statement disclosures:

The Association's significant accounting practices and policies are those included within the statutory financial statements. These accounting practices and policies are appropriate, comply with accounting practices prescribed or permitted by the Texas Department of Insurance, and industry practice, were consistently applied, and are adequately described within the Summary of Significant Accounting Policies of the statutory financial statements.

- There were no changes in significant accounting policies and practices during 2022.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Association's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the Summary of Significant Accounting Policies of the statutory financial statements.

Significant accounting estimates include:
Loss and Loss Adjustment Expense Reserves
Pension Benefit Obligation

Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2022.

Corrected and Uncorrected Misstatements

There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.

There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

Internal Control Over Financial Reporting

In planning and performing our audit of the statutory financial statements, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statutory financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Association's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's statutory financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the statutory financial statements, we noted no material weaknesses.

Required Communications

Matters Required To Be Reported to Those Charged with Governance

Various professional guidance requires independent auditors to communicate with those charged with governance certain matters in relation to an audit. Following is a summary of those required items along with specific discussion points as they pertain to the Association.

Requirement	*Discussion Points*
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our audit engagement letter.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Association's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Auditor's judgment about the quality of the Association's accounting policies, estimates and statutory financial statement disclosures	In accordance with applicable auditing standards, a discussion was held regarding the quality of financial reporting, which included the Association's significant accounting practices, estimates and statutory financial statement disclosures.
Critical accounting policies and practices	Refer to the Accounting Practices, Policies, Estimates, and Statutory Financial Statement Disclosures section on page 2 for all critical accounting policies and practices used by the Association.
Adoption of a change in accounting principle	There were no situations involving the adoption of or a change in accounting principles where the application of alternative statutory accounting principles, including alternative methods of applying an accounting principle, would have a material effect on the Association's statutory financial statements.
Material, corrected misstatements brought to the attention of management by the auditor	There were no corrected misstatements brought to the attention of management by the auditor.
Unrecorded misstatements, other than those the auditor believes to be trivial	There were no unrecorded misstatements brought to the attention of management by the auditor.

Required Communications

Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Association's statutory financial statements or to our auditor's report.
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Significant findings and issues arising during the audit in connection with the Association's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the statutory financial statements from achieving fair presentation.
Other matters significant to the oversight of the Association's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the Association's financial reporting process that have not been previously communicated.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of statutory accounting principles.
Major issues discussed with management prior to retention	Prior to our being retained as auditor for the current fiscal year, there were no major accounting or other issues of concern discussed with management.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Material alternative accounting treatments discussed with management	There was no discussion with management concerning alternative accounting treatments.
Representations requested from management	Please refer to the management representation letter.

Independence Communication

Our engagement letter to you dated June 21, 2022 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Association with respect to independence as agreed to by the Association. Please refer to that letter for further information.

5E2. Statutory Report

Texas Windstorm Insurance Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2022 and 2021

Calhoun, Thomson+Matza, LLP
Certified Public Accountants

Texas Windstorm Insurance Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2022 and 2021

Texas Windstorm Insurance Association

Contents

Calhoun, Thomson + Matza LLP
Certified Public Accountants

Austin, Texas
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Accountants' Letter of Qualifications

Board of Directors
Texas Windstorm Insurance Association

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory financial statements of Texas Windstorm Insurance Association (the "Association") for the years ended December 31, 2022 and 2021, and have issued our report thereon dated April 27, 2023. In connection therewith, we advise you as follows:

a. We are independent certified public accountants with respect to the Association and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Texas State Board of Public Accountancy.

b. The engagement partner, who is a certified public accountant, has 29 years of experience in public accounting and is experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and most of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

c. We understand that the Association intends to file its audited statutory financial statements and our report thereon with the Texas Department of Insurance and that the Insurance Commissioner of that state will be relying on that information in monitoring and regulating the statutory financial condition of the Association.

While we understand that an objective of issuing a report on the statutory financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Association and Insurance Commissioner should understand that the objective of an audit of statutory financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, surplus and other funds, results of operations and cash flows in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements resulting from fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by the Insurance Commissioner.

It is the responsibility of the management of the Association to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain an internal control structure that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance.

The Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory financial position of insurers and should not rely solely upon the independent auditor's report.

d. We will retain the workpapers prepared in the conduct of our audit until the Texas Department of Insurance has filed a Report of Examination covering 2022, but not longer than seven years. After notification to the Association, we will make the workpapers available for review by the Texas Department of Insurance at the offices of the insurer, at our offices, at the Insurance Department or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Texas Department of Insurance, photocopies of pertinent audit working papers may be made (under the control of the accountant) and such copies may be retained by the Texas Department of Insurance.

e. The engagement partner has served in that capacity with respect to the Association since 2018, is licensed by the Texas State Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

f. To the best of our knowledge and belief, we are in compliance with the requirements of section 7 of the NAIC's Model Rule (Regulation) Requiring Annual Audited Financial Reports regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the Texas Department of Insurance and is not intended to be and should not be used by anyone other than these specified parties.

Calhoun, Thomson & Matza, LLP

April 27, 2023

ctm Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

Independent Auditors' Report

Board of Directors
Texas Windstorm Insurance Association
Austin, Texas

Opinions on Statutory Basis of Accounting

We have audited the statutory basis financial statements of Texas Windstorm Insurance Association (the "Association"), which comprise the statutory basis statements of admitted assets, liabilities, surplus and other funds as of December 31, 2022 and 2021, and the related statutory statements of income and changes in surplus and other funds, and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying statutory basis financial statements present fairly, in all material respects, the admitted assets, liabilities, surplus and other funds of the Association as of December 31, 2022 and 2021, and the results of its operations, changes in its capital and surplus, and its cash flows for the years then ended in accordance with the statutory accounting practices prescribed or permitted by the Texas Department of Insurance as described in the Summary of Significant Accounting Policies – "Basis of Accounting".

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of the report, the statutory basis financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of December 31, 2022 and 2021, or the results of its operations and its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in the Summary of Significant Accounting Policies – "Basis of Accounting" of the statutory basis financial statements, the statutory basis financial statements are prepared by the Association on the basis of the accounting practices prescribed or permitted by the Texas Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Because of the differences between statutory basis accounting principles and accounting principles generally accepted in the United States of America identified above, as of December 31, 2022 and 2021 total assets were lower by approximately $37.0 million and $20.9 million, respectively. The differences identified above reduced total net position as of December 31, 2022 and 2021 by approximately $17.2 million and $24.8 million, respectively. The effects on change in net position for the years ended December 31, 2022 and 2021 were immaterial.

Emphasis of Matters

As of December 31, 2022, the Association had approximately $84 billion of insurance exposure in certain designated counties located in the gulf coast region of the State of Texas. By state statute, any net gain from operations must be paid to the Catastrophe Reserve Trust Fund ("CRTF"). As of December 31, 2022, the balance in the CRTF was approximately $190.0 million. If a major claim event occurs in the future, it could have a severe impact on the financial condition of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

In accordance with Senate Bill 900 ("SB 900") passed by the Texas Legislature during 2015, the Association is authorized to place $1.0 billion in public securities and assess member insurance companies $1.0 billion to fund catastrophic losses. The Association does not have taxing authority. In addition, the public securities, if issued, will not be guaranteed by any state or federal agency. Consequently, the ability of the Association to place all these public securities and the sufficiency of that amount to cover future losses will depend upon market conditions and the financial and operating results of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

Ultimate loss projections for Hurricane Harvey were estimated to be $1.66 billion by the Association's appointed actuary as of December 31, 2022. If the ultimate loss projection changes in the future it could have a material adverse effect on the financial condition of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory basis financial statements in accordance with accounting practices prescribed or permitted by the Texas Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statutory basis financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory basis financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the statutory basis financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory basis financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory basis financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory basis financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory basis financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory basis financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter – Supplementary Information

Our audits of the statutory basis financial statements were conducted for the purpose of forming an opinion on those statutory basis financial statements taken as a whole. The accompanying supplemental summary investment schedule, investment risk interrogatories, and the reinsurance interrogatories as of and for the year ended December 31, 2022, are presented for purposes of additional analysis and are not a required part of the basic statutory basis financial statements but is supplementary information required by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and Texas state law.

The accompanying supplementary information is the responsibility of the Association's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory basis financial statements. Such information has been subjected to the auditing procedures applied in our audits of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic statutory basis financial statements taken as a whole.

Calhoun, Thomson & Matza, LLP

April 27, 2023

Texas Windstorm Insurance Association

Statutory Statements of Admitted Assets, Liabilities, Surplus and Other Funds
(Amounts in Thousands)

December 31,		2022		2021
Admitted Assets				
Cash and cash equivalents	$	**483,870**	$	493,827
Uncollected premiums and agents' balances in the course of collection		**2,880**		81
Deferred premiums, agents' balances and installments booked but deferred		**22,090**		1,832
Other assets		**2,012**		1,195
Total admitted assets	$	**510,852**	$	496,935
Liabilities, Surplus and Other Funds				
Liabilities:				
Loss and loss adjustment expenses	$	**58,175**	$	77,585
Borrowed money – bonds and interest payable		**-**		184,301
Underwriting expenses payable		**14,701**		12,540
Unearned premiums		**277,334**		202,525
Ceded reinsurance premiums payable, net of ceding commissions		**33,331**		25,951
Statutory fund payable		**74,962**		-
Other liabilities		**13,706**		18,617
Total liabilities		**472,209**		521,519
Commitments and contingencies (Notes 7, 8, 9, 12, 14 and 15)				
Surplus and other funds:				
Unassigned surplus (deficit)		**38,643**		(24,584)
Total liabilities and surplus and other funds	$	**510,852**	$	496,935

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Texas Windstorm Insurance Association

Statutory Statements of Income
(Amounts in Thousands)

Years ended December 31,		2022		2021
Underwriting income:				
Premiums earned	$	**443,490**	$	378,504
Premiums ceded		**(132,095)**		(102,132)
Net premiums earned		**311,395**		276,372
Deductions:				
Losses and loss expenses incurred		**51,248**		19,048
Underwriting expenses incurred		**120,050**		95,933
Total underwriting deductions		**171,298**		114,981
Net underwriting gain		**140,097**		161,391
Investment loss:				
Net investment loss		**(3,386)**		(18,578)
Other income:				
Other income		**36**		-
Total other income		**36**		-
Net income before statutory fund cost federal income tax expense		**136,747**		142,813
Statutory fund cost		**74,962**		-
Net income before federal income tax expense		**61,785**		142,813
Federal income taxes incurred		**-**		-
Net income	$	**61,785**	$	142,813

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Texas Windstorm Insurance Association

Statutory Statements of Changes In Surplus and Other Funds
(Amounts in Thousands)

		Unassigned Deficit
Balance at January 1, 2021	$	(160,451)
Net income		142,813
Change in nonadmitted assets		(8,984)
Other		2,038
Balance at December 31, 2021		(24,584)
Net income		61,785
Change in nonadmitted assets		(1,633)
Other		3,075
Balance at December 31, 2022	$	38,643

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Texas Windstorm Insurance Association

Statutory Statements of Cash Flows
(Amounts in Thousands)

Years ended December 31,		**2022**		2021
Cash from operations:				
Premiums collected, net of reinsurance	**$**	**366,302**	$	295,476
Net investment loss		**(5,067)**		(19,289)
Miscellaneous income		**203**		-
Benefit and loss related payments		**(47,047)**		(75,140)
Commissions, expenses paid and aggregate write-ins for deductions		**(140,782)**		(124,291)
Net cash from operations		**173,609**		76,756
Cash from financing and miscellaneous sources:				
Principal and interest paid		**(184,301)**		(52,271)
Other cash provided (applied)		**735**		(12,334)
Net cash from financing and miscellaneous sources		**(183,566)**		(64,605)
Net change in cash and cash equivalents		**(9,957)**		12,151
Cash and cash equivalents, beginning of year		**493,827**		481,676
Cash and cash equivalents, end of year	**$**	**483,870**	$	493,827

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Nature of Business
Based upon its statutory purpose under Chapter 2210, Tex. Ins. Code (the "Act"), the Texas Windstorm Insurance Association (the "Association") is an entity created by the Texas legislature with its primary statutory purpose being the provision of an adequate market for windstorm and hail insurance in the seacoast territory of Texas ("seacoast territory"). Chapter 2210 provides a method by which adequate windstorm and hail insurance may be obtained in certain designated portions of the seacoast territory.

The Association is intended to serve as a residual insurer of last resort for windstorm and hail insurance in the seacoast territory. The Association shall function in such a manner as to not be a direct competitor in the private market and to provide windstorm and hail insurance coverage to those who are unable to obtain that coverage in the private market.

Organization
The Association was established in 1971 by the Texas Legislature to provide wind and hail coverage to applicants unable to obtain insurance in the Texas seacoast territory from the private market. The Legislature's action was a response to market constrictions along the Texas coast after several hurricanes. The Association is governed by Chapter 2210 of the Texas Insurance Code (Chapter 2210); however, it is not a state agency and does not receive funds from the general revenue.

The Association is a residual insurer of last resort and as such is not a direct competitor in the private market. The Association's primary purpose is to provide an adequate market for windstorm and hail insurance in certain designated portions of the seacoast territory of Texas. The seacoast territory includes 14 first tier and 14 second tier coastal counties. The designated catastrophe area is that portion of the seacoast territory where the Commissioner of Insurance has found that windstorm and hail insurance is not reasonably available. It currently includes the entire first tier counties and a portion of Harris County (second tier). The specific designated catastrophe areas are: Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio and Willacy, inside the city limits and east of Highway 146, and the following portions of Harris County: La Porte, Morgan's Point, Pasadena, Seabrook, and Shore Acres.

The Association operates as an insurance company by issuing policies, collecting premiums, and paying losses. The Association is required by law to use the net gain from operations each year to make payments to the CRTF, procure reinsurance, or use alternative risk mechanisms. The CRTF is an account maintained by the Texas Comptroller dedicated to funding the payment of Association catastrophe losses.

Association policies provide residential and commercial property coverage for losses resulting from windstorm or hail. No other perils are covered by Association policies. Applications for coverage may be submitted to the Association through a property and casualty agent properly licensed through the Texas Department of Insurance ("TDI"). Applications will be accompanied by a full annual premium or a deposit followed by installment payments. In order to be eligible for an Association policy, applicants and properties must meet certain criteria defined by the Texas Legislature:

- Applicants must have been denied coverage by at least one insurer in the private market.
- Properties must be located in the designated catastrophe area.
- Properties must be certified by the TDI as having been built to applicable building codes, with limited exceptions.
- Properties located in specified flood zones that were constructed, altered, remodeled, or enlarged after September 1, 2009 and that can obtain flood insurance through the National Flood Insurance Program must provide proof of flood insurance coverage.
- Properties must be in an insurable condition as specified by the Association in the Plan of Operation.

Texas Insurance Code Sections 2210.251 and 2210.258 - 2210.259 and the Association's Plan of Operation (28 TAC 5.4001 et seq.) outline the building code and inspection requirements for eligibility in the Association and provide for limited exceptions. In accordance with these sections, the Association requires a WPI-8 certificate of compliance on all structures constructed, altered, remodeled, enlarged, repaired, or to which additions have been made on or after January 1, 1988. To obtain a WPI-8, the TDI inspectors or the TDI-approved licensed professional engineers must inspect the property and certify that it is fully compliant with the windstorm building code.

Properties must be in an insurable condition to be eligible for Association coverage, i.e. in good repair with no unrepaired damage or hazardous conditions. The Association regularly inspects properties as part of its underwriting process to verify insurability. Properties may be inspected on-site by a vendor or remotely via high-quality aerial imagery. Inspections are used to determine the accuracy of rating information, discover any unrepaired damage, and identify any other conditions that affect the insurability of the property.

Approximately $4.236 billion in funding was secured for the 2022 hurricane season. SB 900, passed by the 84th Texas Legislature, took effect during 2015, and changed the Association's funding structure. $4.236 billion is sufficient to fund claims associated with 99% of all modeled hurricane seasons, or a 1 in 100-year season as required by statute.

The Association's funding structure for the 2022 hurricane season is, in order;

- Funds available in the Catastrophe Reserve Trust Fund
- $500,000 in pre/post-event Class 1 public securities
- $500,000 in Class 1 member assessments
- $250,000 in Class 2 public securities
- $250,000 in Class 2 member assessments
- $250,000 in Class 3 public securities
- $250,000 in Class 3 member assessments
- $2.036 billion in total reinsurance, including both traditional reinsurance and catastrophe bonds

(Amounts in Thousands)

Class 1, 2, and 3 public securities will be repaid by Association premiums and surcharges on Association policies. Class 2 and 3 public securities, after a finding by the Commissioner of Insurance, may also be repaid by surcharges on coastal policyholders, if necessary.

Depopulation measures were introduced in the 84th Texas Legislature in 2015 authorizing assumption reinsurance agreements between the Association and the private market to facilitate depopulation. This allows private insurance companies interested in writing on the Texas coast to assume portions of the Association's book of business as of a point in time. Policyholders have the chance to opt-out of the assumption process.

The Association implemented the Assumption Reinsurance Depopulation Program ("Assumption Program") in 2016 and the program is still in effect as of December 31, 2022. One private market insurer participated in the 2022-2023 and 2021-2022 programs. The novations occurred on March 1, 2023 and 2022, and consisted of 46 and 125 policies, respectively. Approximately 16,000 policies have been novated through December 31, 2022 since the inception of the Assumption Program.

Basis of Accounting

The accompanying financial statements have been prepared on a statutory basis in accordance with accounting practices prescribed or permitted by the TDI. Prescribed statutory accounting practices include state laws, regulations and general administrative rules applicable to all insurance companies domiciled in the State of Texas and the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual. Permitted statutory practices include practices not prescribed but allowed by the TDI.

Reconciliations of net income and policyholders' deficit between the amounts reported in the accompanying financial statements (Texas basis) and NAIC statutory accounting practices ("SAP") follow:

Years ended December 31,		**2022**		2021
Net income, Texas basis	$	**61,785**	$	142,813
Effect of Texas prescribed practices		-		-
Effect of Texas permitted practices		-		-
Net income, NAIC SAP basis	$	**61,785**	$	142,813

December 31,		**2022**		2021
Statutory surplus (deficit), Texas basis	$	**38,643**	$	(24,584)
Effect of Texas prescribed practices		-		-
Effect of Texas permitted practices		-		(69,002)
Policyholders' surplus (deficit), NAIC SAP basis	$	**38,643**	$	(93,586)

The TDI has approved the permitted practice to allow the Association to admit the following restricted assets associated with the issuance of Series 2014 Pre-Event Class 1 Revenue Bonds (the "Bonds") as of December 31, 2022 and 2021, respectively:

- $0 and $69,002 held in the obligation revenue fund for repayment of the Bonds.

The restrictions are primarily due to debt service reserves and use of proceeds only when a large hurricane event occurs. The permitted practice will last the life of the Bonds or until rescinded by the TDI at an earlier date.

Significant differences between statutory accounting practices and accounting principles generally accepted in the United States of America ("GAAP"), as they relate to the Association include the following:

a) Certain assets designated as "non-admitted assets" are charged directly against surplus rather than capitalized and charged to income as used. These include certain past due member assessments, fixed assets, prepaid expenses and other assets.

b) Unearned premiums and loss and loss adjustment expense ("LAE") reserves are presented net of related reinsurance rather than on a gross basis as required under GAAP.

c) The statements of cash flows represent cash balances and cash equivalents with initial maturities of one year or less rather than cash and cash equivalents with initial maturities of three months or less.

Use of Significant Estimates
The preparation of financial statements in accordance with statutory accounting practices prescribed or permitted by the TDI requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reverse Repurchase Agreements
Reverse repurchase agreements are recorded in cash equivalents as the repurchase date is less than 90 days. Reverse repurchase agreements represent the purchase of a security with an agreement to resell.

Furniture, Equipment and Depreciation
Furniture and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of 3-5 years. Amounts have been non-admitted.

Income Taxes
In 2010, the Association applied for and received a Private Letter Ruling ("PLR") from the Internal Revenue Service ("IRS"). The PLR requested acknowledgement that the Association's income is derived from an essential governmental function which accrues to a state or political subdivision and is therefore excluded from gross income under Section 115(1) of the Internal Revenue Code ("IRC"). On August 17, 2010, the IRS ruled that the Association performs an essential government function and that income from that function is excluded from gross income under IRC Section 115(1).

The Association had been filing form 1120-PC tax returns with the IRS as a property and casualty insurance company. Under the IRC the statute of limitations to be assessed additional taxes or to file amended tax returns is 3 years from the later of the due date of the return (including extensions) or the filing date of the return. There are existing net operating loss carryforwards in the open tax years that are not anticipated to be realized. As of December 31, 2022, the statute of limitations remains open for the 2019 to 2022 tax years. No further federal income tax impact is expected in the future.

Premiums
All policies issued by the Association have a maximum term of one year from date of issuance. Premiums earned are taken into income over the periods covered by the policies whereas the related acquisition costs are expensed when incurred. Premiums are generally recognized as revenue on a pro-rata basis over the policy term once the policy is effective. Unearned premiums, net of deductions for reinsurance, are computed on a pro-rata basis over the term of the policies.

Those premiums received for policies issued but not effective as of year-end are included in other liabilities within the Association's statutory statements of admitted assets, liabilities, surplus and other funds.

Those premiums received for policies which are not effective and not issued as of year-end are included in other liabilities within the Association's statutory statements of admitted assets, liabilities, surplus and other funds.

Loss and Loss Adjustment Expense Reserves
Loss and LAE reserves are based upon claim estimates for (1) losses for claims reported prior to the close of the accounting period, (2) losses incurred but unreported prior to the close of the accounting period, and (3) expenses for investigating and adjusting claims. Such liabilities are necessarily based on assumptions and estimates and while management believes the amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

Reinsurance
In the normal course of business, the Association seeks to reduce losses that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Depopulation ceded premiums are recognized as the ceded policies' premiums are earned.

Fair Value Measurements
Statement of Statutory Accounting Principles ("SSAP") No. 100R, Fair Value, requires disclosures of the aggregate fair value of all financial instruments, summarized by type of financial instrument, for which it is practicable to estimate fair value. SSAP No. 100R excludes obligations for pension benefits, substantively extinguished debt, insurance contracts, lease contracts, warranty obligations and rights, investments accounted for under the equity method and equity instruments issued by the entity. Accordingly, the aggregate fair value amounts presented herein do not necessarily represent the underlying value of the Association; similarly, care should be exercised in deriving conclusions about the Association's business or financial condition based on the fair value information presented herein.

The Association is required to categorize its assets and liabilities that are measured at fair value into the three-level fair value hierarchy. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

- Level 1 – Fair values are based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access as of the measurement date.

- Level 2 – Fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that can otherwise be corroborated by observable market data.

- Level 3 – Fair values are based on inputs that are considered unobservable where there is little, if any, market activity for the asset or liability as of the measurement date. In this circumstance, the Association has to rely on values derived by independent brokers or internally-developed assumptions. Unobservable inputs are developed based on the best information available to the Association which may include the Association's own data.

(Amounts in Thousands)

1. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

December 31,		**2022**		2021
Cash	$	**222,016**	$	177,437
Cash equivalents:				
Reverse repurchase agreements		-		69,002
Money market mutual funds		**261,854**		247,388
Total cash equivalents		**261,854**		316,390
	$	**483,870**	$	493,827

Money Market Mutual Funds

The Association invests in money market mutual funds which are included in cash equivalents. The fair value of money market mutual funds was approximately $261,854 and $247,388 as of December 31, 2022 and 2021, respectively. The admitted value of money market mutual funds was $261,854 and $247,388 as of December 31, 2022 and 2021, respectively.

Reverse Repurchase Agreements

The Association invests in overnight reverse repurchase agreements with the Texas Treasury Safekeeping Trust Company ("TTSTC"). These invested funds were received from the issuance of bonds during 2014 and include debt service payments. The funds are held at the TTSTC to be used for debt service and for use when a catastrophic event occurs (See Note 12). The TTSTC's minimum collateral required for overnight reverse repurchase investments is at least 100% for Treasuries; 101% for Agencies and U.S Instrumentalities and 102% for mortgage-backed securities. The fair value of reverse repurchase agreements was approximately $0 and $69,002 as of December 31, 2022 and 2021, respectively. The admitted value of reverse repurchase agreements was approximately $0 and $69,002 as of December 31, 2022 and 2021, respectively, and is included in cash and cash equivalents in the statutory statements of admitted assets, liabilities, surplus and other funds.

Repurchase agreements were Tri-Party during the years ended December 31, 2022 and 2021.

(Amounts in Thousands)

Original (flow) & residual maturity

Fourth Quarter 2022	Maximum	Ending Balance
Overnight	$ -	$ -

Fourth Quarter 2021	Maximum	Ending Balance
Overnight	$ 69,002	$ 69,002

Securities acquired under repurchase agreements - sale

Fourth Quarter 2022	Maximum	Ending Balance
BACV	$ -	$ -
Nonadmitted – subset of BACV	-	-
Fair value	$ -	$ -

Book/Adjusting Carrying Value ("BACV")

Fourth Quarter 2021	Maximum	Ending Balance
BACV	$ 69,002	$ 69,002
Nonadmitted – subset of BACV	-	-
Fair value	$ 69,002	$ 69,002

Securities acquired under repurchase agreements – sale by NAIC designation

December 31, 2022	None	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Nonadmitted
Other invested assets – BACV	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other invested assets – FV	-	-	-	-	-	-	-	-
Total assets – BACV	-	-	-	-	-	-	-	-
Total assets - FV	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

December 31, 2021	None	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Nonadmitted
Other invested assets – BACV	$ -	$ 69,002	$ -	$ -	$ -	$ -	$ -	$ -
Other invested assets – FV	-	69,002	-	-	-	-	-	-
Total assets – BACV	-	69,002	-	-	-	-	-	-
Total assets - FV	$ -	$ 69,002	$ -	$ -	$ -	$ -	$ -	$ -

Proceeds Provided - Sale

	Fourth Quarter 2022	
	Maximum	Ending Balance
Cash	$ -	$ -
Securities (FV)	-	-
Securities (BACV)	-	-
Nonadmitted subset	$ -	$ -

	Fourth Quarter 2021	
	Maximum	Ending Balance
Cash	$ 69,002	$ 69,002
Securities (FV)	-	-
Securities (BACV)	-	-
Nonadmitted subset	$ -	$ -

Recognized forward resale commitment

	Fourth Quarter 2022	
	Maximum	Ending Balance
Recognized forward resale commitment	$ -	$ -

	Fourth Quarter 2021	
	Maximum	Ending Balance
Recognized forward resale commitment	$ 69,002	$ 69,002

2. Restricted Assets

Restricted assets are summarized below by restricted asset category. Certain assets included in the subject to reverse repurchase category are held by the TTSTC and are restricted for use for debt service reserves and for when a catastrophic event occurs (See Note 12). These assets are invested in overnight reverse repurchase agreements.

	Gross (Admitted & Nonadmitted) Restricted								Current Year		
	Current Year									Percentage	
	1	2	3	4	5	6	7	8	9	10	11
Restricted Asset Category	Total General Account (G/A)	G/A Supporting S/A Restricted Assets (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase / (Decrease) (5 minus 6)	Total Non-admitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Non-Admitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
Subject to reverse repurchase	$ -	$ -	$ -	$ -	$ -	$ 69,002	$ (69,002)	$ -	$ -	-	-
Total restricted assets	$ -	$ -	$ -	$ -	$ -	$ 69,002	$ (69,002)	$ -	$ -	-	-

(Amounts in Thousands)

3. Furniture and Equipment

Furniture and equipment consist of the following:

December 31,		**2022**		2021
Furniture and equipment	$	**768**	$	540
Electronic data processing equipment and software		**25,670**		23,970
Leasehold improvements		**1,994**		1,858
		28,432		26,368
Less: accumulated depreciation		**(13,123)**		(12,621)
		15,309		13,747
Less: non-admitted furniture and equipment		**(15,309)**		(13,747)
	$	**-**	$	-

Depreciation and amortization expense was approximately $2,359 and $205 for the years ended December 31, 2022 and 2021.

4. Reinsurance

During 2022 and 2021, the Association entered into reinsurance agreements. These agreements reduce the amount of losses that can arise from claims under a general reinsurance contract known as a catastrophe aggregate excess of loss reinsurance agreement ("aggregate excess of loss").

Aggregate Excess of Loss

Effective June 1, 2022, the reinsurance program is to indemnify the Association in respect of the liability that may accrue to the Association as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate in respect of losses occurring during the term of this contract of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,200,000, subject to a limit of liability to the reinsurer of $2,036,000.

Effective June 1, 2021, the reinsurance program is to indemnify the Association in respect of the liability that may accrue to the Association as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate in respect of losses occurring during the term of this contract of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,100,000, subject to a limit of liability to the reinsurer of $1,930,000.

Ceded reinsurance is treated as the risk and liability of the assuming companies; however, the reinsurance contracts do not relieve the Association from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Association. The Association evaluates the financial conditions of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

The Association has entered into quota share reinsurance agreements in relation to the Assumption Program (See Note 13).

The Association has unsecured reinsurance recoverables which exceed 3% of the Association's surplus with the following reinsurers as of December 31, 2022 and 2021 as a result of the Assumption Program:

Name of reinsurer	**2022**	2021
Weston Insurance Company	**$ -**	$ 40
Safepoint Insurance Company	**6**	-
United Property & Casualty Insurance Company	**-**	-
Total	**$ 6**	$ 40

(Amounts in Thousands)

The effect of reinsurance on premiums written and earned for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Written	**Earned**	Written	Earned
Direct premium	$ **518,299**	$ **443,490**	$ 395,113	$ 378,504
Excess of loss ceded premium	**(132,095)**	**(132,095)**	(102,132)	(102,132)
Net	$ **386,204**	$ **311,395**	$ 292,981	$ 276,372

Ceded premiums include premiums ceded to companies that assume policies pursuant to the Assumption Program (see Note 13).

As of December 31, 2022 and 2021, the Association had reinsurance recoverables of $0 on paid losses and LAE as a result of the Assumption Program.

5. **Unearned Premiums**

Unearned premiums are reported net of ceded unearned premiums as follows:

December 31,	**2022**	2021
Gross unearned premiums	$ **277,334**	$ 202,525
Ceded unearned premiums	-	-
	$ **277,334**	$ 202,525

The amount of return commission that would have been due to reinsurers if they or the Association had cancelled the Association's excess of loss reinsurance agreement would have been $0 as of December 31, 2022 and 2021.

(Amounts in Thousands)

6. **Loss and Loss Adjustment Expenses**

The following table provides a reconciliation of the beginning and ending reserve balances, net of reinsurance recoverables, for losses and loss adjustment expenses:

Years ended December 31,	**2022**	2021
Beginning balance	$ **77,625**	$ 164,401
Less: reinsurance recoverable	**40**	86
Beginning net balance	**77,585**	164,315
Incurred related to:		
Current loss year	**40,639**	83,525
Prior loss years	**10,609**	(64,477)
Losses and loss adjustment expense incurred	**51,248**	19,048
Paid related to:		
Current loss year	**28,938**	61,725
Prior loss years	**41,720**	44,053
Paid losses and loss adjustment expense	**70,658**	105,778
Ending net balance	**58,175**	77,585
Plus: reinsurance recoverable	**6**	40
Ending balance	$ **58,181**	$ 77,625

Current year changes in estimates of the cost of prior year losses and LAE affect the current year statutory statements of income. Increases in those estimates increase current year expense and are referred to as unfavorable development or prior year reserve shortages. Decreases in those estimates decrease current year expense and are referred to as favorable development or prior year reserve redundancies. Current year losses and LAE reflected on the statutory statements of income of $51,248 had unfavorable prior year development due to prior year large storm activity development offset by Hurricane Harvey development. Ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,660,000 as of December 31, 2022, down $10 million from 2021 due to favorable development. During 2021, the estimated reserves related to 2020 storms were revised and contributed to favorable development in 2021 in excess of $15 million. The coverage area insured by the Association was previously impacted by Hurricane Harvey in 2017. Increases or decreases of this nature occur as the result of claim settlements and receipt and evaluation of additional information regarding unpaid claims. Recent development trends are also taken into account in evaluating the overall adequacy of reserves. Due to the inherently uncertain process involving loss and loss adjustment expense reserve estimates, the final resolution of the ultimate liability may be different from that anticipated at the reporting date. The appointed actuary for the Association has opined that the loss and LAE reserves as of December 31, 2022 and 2021 make a reasonable provision for the Association's claim liabilities.

7. **Statutory Fund**

In 1993, the Texas legislature created the CRTF. At the end of each year and pursuant to administrative rules, the Association shall deposit the net gain from operations of the Association in excess of incurred losses, operating expenses, public security obligations, and public security administrative expenses into the CRTF and/or purchase reinsurance. Pursuant to Tex. Ins. Code §2210.259, a surcharge is charged on non-compliant structures insured by the Association, and these surcharges are deposited monthly into the CRTF.

When there is an occurrence or series of occurrences in a catastrophe area, the Association shall pay losses in excess of premium and other revenue of the Association from available reserves of the Association and available amounts in the CRTF. Administrative rules adopted by the Commissioner of Insurance establish the procedures relating to the disbursement of money from the CRTF.

The Texas Comptroller of Public Accounts ("comptroller") administers the CRTF in accordance with Tex. Ins. Code, Chapter 2210. All money, including investment income, deposited in the CRTF, are state funds to be held by the comptroller outside the state treasury on behalf of, and with legal title in, the TDI until disbursed as provided by the Tex. Ins. Code, Chapter 2210 and administrative rules adopted by the TDI under the Association's Plan of Operation.

The CRTF may be terminated only by law. On termination of the CRTF, all assets of the CRTF revert to the State of Texas to provide funding for the mitigation and preparedness plan established under Tex. Ins. Code, §2210.454.

For the years ended December 31, 2022 and 2021, statutory fund costs were $74,962 and $0, based on the direction of the TDI and based on its interpretation of the relevant statutes. TDI's directive requires the Association to determine its net gain from operations based on catastrophe-year incurred losses, rather than calendar year reported losses. Starting at the end of calendar year 2018, the Association is required to use the net gain from operations of the Association to make payments to the CRTF, procure reinsurance, or use alternative risk financing mechanisms. Although amounts held in the CRTF are not presented as assets in the statutory statements of admitted assets, liabilities, surplus and other funds, once contributed to the CRTF, these funds will be held in trust with the TTSTC and will be available for the exclusive use of the Association to pay losses and expenses of the Association as permitted by law. A contribution to the CRTF in the amount of $74,962 has been accrued as of December 31, 2022. No contribution to the CRTF has been accrued as of December 31, 2021, as net gain from operations was used to redeem the remaining outstanding principal on the Bonds in 2022 (See Note 12).

For the years ended December 31, 2022 and 2021, the CRTF held $190,004 and $182,712, respectively.

In August 2017, the Texas coverage area insured by the Association was struck by Hurricane Harvey. The ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,660,000. The Act allows the Association to assess member companies Class 1 member assessments up to $500,000. A Class 1 member assessment was approved by the Commissioner of Insurance on May 25, 2018 for $175,000, a second Class 1 member assessment was approved on August 20, 2018 for $106,820, and a third Class 1 member assessment was approved on January 10, 2020 for $90,000 for a combined total of $371,820. As of December 31, 2020, $369,621 has been collected from the three assessments. One insurance group disputed whether they were subject to a 2018 assessment based on their interpretation of a 2017 legislative change. In 2020, the TDI Commissioner made a determination that the insurance group was not subject to the 2018 assessments. The insurance group's assessment of $2,199 has been non-admitted by the Association as of December 31, 2022 and 2021. The outstanding assessment will be reallocated and collected from the other member companies. Further assessments will be requested if needed as Hurricane Harvey paid loss development matures. As of December 31, 2022 and 2021, the surplus/(deficit) of the Association is $38,643 and $(24,584), respectively.

(Amounts in Thousands)

8. Employee Benefit Plans

Defined Benefit Plan. The Association has a defined benefit pension plan (the "Plan"), which covers employees from their date of hire, if the employee is scheduled to work at least 1,000 hours in a twelve-month period. Pension benefits are based on years of service and the employee's compensation during the five highest consecutive years' earnings from the last ten years of employment. An employee's benefits vest 5 years from date of hire. The Association makes contributions to the Plan that comply with the minimum funding provisions of the Employee Retirement Income Security Act. Such contributions are included in general expenses. As of December 31, 2022 and 2021, the Association accrued in accordance with actuarially determined amounts with an offset to the pension cost accrual for the incremental asset amortization.

The following sets forth a summary of projected benefit obligations, plan assets, funded status, benefit costs and assumptions of the defined benefit pension plan as follows:

December 31,	**2022**	2021
Change in Projected Benefit Obligations (PBO) (Underfunded):		
Benefit obligation at beginning of year	$ **38,949**	$ 36,590
Service cost	**2,755**	2,794
Interest cost	**1,255**	1,115
Actuarial (gain) loss	**(14,353)**	(925)
Benefits paid	**(670)**	(625)
Projected benefit obligation at end of year	**27,936**	38,949
Change in Plan Assets:		
Fair value of plan assets at beginning of year	**30,127**	25,955
Actual return on plan assets	**(10,083)**	1,836
Employer contributions	**3,516**	2,961
Benefits paid	**(670)**	(625)
Fair value of plan assets at end of year	**22,890**	30,127
Funded status	$ **(5,046)**	$ (8,822)

(Amounts in Thousands)

December 31,		**2022**		2021
Funded Status:				
Assets (non-admitted):				
Prepaid benefit costs	$	-	$	-
Total assets (non-admitted)		-		-
Liabilities recognized:				
Accrued benefit costs		**2,225**		2,926
Liability for pension benefits		**2,821**		5,896
Total liabilities recognized		**5,046**		8,822
Unrecognized liabilities as a component of net periodic benefit cost		-		-
Funded status	$	**(5,046)**	$	(8,822)
Accumulated benefit obligation	$	**24,655**	$	34,153

Years ended December 31,		**2022**		2021
Components of Net Periodic Benefit Costs:				
Service costs	$	**2,755**	$	2,794
Interest costs		**1,256**		1,115
Expected return on plan assets		**(1,415)**		(1,212)
Loss amortization		**176**		444
Prior service cost		**44**		44
Total net periodic benefit cost	$	**2,816**	$	3,185

(Amounts in Thousands)

Years ended December 31,		**2022**		2021
Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost:				
Items not yet recognized as a component of net periodic cost – prior year	$	**5,896**	$	7,934
Net transition asset or obligation recognized		**-**		-
Net prior service cost or credit arising during the period		**-**		-
Net prior service cost recognized		**(44)**		(44)
Net (gain) loss arising during the period		**(2,855)**		(1,550)
Net gain recognized		**(176)**		(444)
Items not yet recognized as a component of net periodic cost – current year	$	**2,821**	$	5,896

Years ended December 31,		**2022**		2021
Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost:				
Amortization of net transition asset or obligation	$	**-**	$	-
Amortization of net prior service cost		**44**		44
Amortization of net loss	$	**-**	$	162

Years ended December 31,		**2022**		2021
Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost:				
Net transition asset or obligation	$	**-**	$	-
Net prior service cost		**178**		223
Net loss	$	**2,643**	$	5,674

(Amounts in Thousands)

Pension Assumptions:

December 31,	**2022**	2021
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	**3.25%**	3.00%
Rate of compensation increase	**2.50%**	2.50%
Expected long-term rate of return of plan assets	**4.50%**	4.50%
Weighted-average assumptions used to determine projected benefit obligations:		
Weighted-average discount rate	**5.75%**	3.25%
Rate of compensation increase	**4.00%**	2.50%

The amount of accumulated benefit obligation for the defined benefit pension plan was approximately $24,655 and $34,153 as of December 31, 2022 and 2021, respectively.

Measurement Date

A measurement date of December 31, 2022 was used to determine the above.

Asset Allocation

The defined benefit pension plan asset allocation as of the measurement date presented as a percentage of total plan assets were as follows:

December 31,	**2022**	2021
Equity securities	**38.6%**	37.0%
Debt securities	**55.7%**	57.0%
Real estate	**4.8%**	5.2%
Other	**0.9%**	0.8%
	100.0%	100.0%

(Amounts in Thousands)

The investment policy of the Plan is to maximize the total return of the fund while maintaining a strong emphasis on preservation of capital. The total portfolio is expected to be less volatile than the market the vast majority of the time. The Plan assets are invested in a mix of equity and fixed income investments subject to target allocation ranges. The target allocation is to increase the percentage of fixed income investments depending on market conditions. Remaining funds not invested in the categories above are to be invested in short-term cash equivalents such as money market funds.

The long-term rate of return represents the expected average rate of return on the Plan assets based on the expected long-term asset allocation of the Plan. Several factors are considered, including historical market index returns, expectations of future returns in each asset classes, and the potential to outperform market index returns.

Future Payments

The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Years ending December 31,		Amount
2023	$	868
2024		981
2025		1,114
2026		1,276
2027		1,423
2028 and thereafter		9,168

Planned Contributions

The Association expects to make contributions of $3,669 during 2023.

(Amounts in Thousands)

Fair value measurements of Plan assets as of December 31, 2022 and 2021:

	Fair Value Measurements at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash	$ **185**	$ **-**	$ **-**	$ **185**
Large cap equity	**4,666**	**-**	**-**	**4,666**
Small cap equity	**711**	**-**	**-**	**711**
Mid cap equity	**1,595**	**-**	**-**	**1,595**
International equity	**4,573**	**-**	**-**	**4,573**
Realty fund	**2,680**	**-**	**-**	**2,680**
Fixed income	**-**	**7,924**	**-**	**7,924**
Limited partnerships	**556**	**-**	**-**	**556**
Total plan assets	$ **14,966**	$ **7,924**	$ **-**	$ **22,890**

	Fair Value Measurements at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash	$ 135	$ -	$ -	$ 135
Large cap equity	6,619	-	-	6,619
Small cap equity	881	-	-	881
Mid cap equity	2,022	-	-	2,022
International equity	2,697	-	-	2,697
Realty fund	1,708	-	-	1,708
Fixed income	5,948	10,117	-	16,065
Total plan assets	$ 20,010	$ 10,117	$ -	$ 30,127

(Amounts in Thousands)

Defined Contribution Plan. The Association has a defined contribution 401(k) plan available to eligible employees after six months of employment. Matching contributions totaling $1,003 and $999 (before allocation to Texas FAIR Plan Association ("TFPA")) were made for the years ended December 31, 2022 and 2021, respectively. The Association's portion was approximately $695 and $693 for the years ended December 31, 2022 and 2021, respectively.

9. Lease Commitments

The Association leases office space under a non-cancellable operating lease agreement which expires in 2033. Future minimum lease payments, by year and in the aggregate, under a non-cancellable operating lease with initial or remaining terms of one year or more consisted of the following at December 31, 2022:

Years ending December 31,		Amount
2023	$	357
2024		880
2025		905
2026		930
2027 and thereafter		6,795
	$	9,867

Rental expense under the non-cancelable operating lease was approximately $1,415 and $1,497 for the years ended December 31, 2022 and 2021, respectively.

10. Governance

Pursuant to SB 900 signed into law during 2015, the Board of Directors composition changed and now consists of nine members: three industry representatives from companies actively writing and renewing windstorm and hail insurance in the first tier coastal counties, three public members residing in the first tier coastal counties, and three non-coastal representatives who live more than 100 miles from the Texas coast. One of the public members must also be a property and casualty agent who is licensed under this code and is not a captive agent.

11. Service Contract with Texas Fair Plan Association

During 2002, the Association entered into a service contract with TFPA in which the Association is to be fully reimbursed for all expenditures, professional fees, consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by the Association on behalf of TFPA. During 2022 and 2021, the Association paid expenses for TFPA under its management contract and was reimbursed $13,202 and $13,186, respectively. As of December 31, 2022 and 2021, the Association incurred or paid expenses for which it has not been reimbursed of $1,215 and $1,159, respectively, on behalf of TFPA, and are included in other assets in the statutory statements of admitted assets, liabilities, surplus and other funds. This arrangement is subject to a written agreement which requires that balances be settled within 30 days.

12. Borrowed Money – Bonds Payable

The Texas Public Finance Authority (the "Authority" or the "Issuer") has issued the Bonds on behalf of the Association for the purposes of financing catastrophe loss costs in the amount of $500,000. The Bonds are issued pursuant to a master resolution adopted by the Board of Directors of the Authority on September 24, 2014 (the "Master Resolution"), and a first supplemental resolution adopted by the Board of Directors of the Authority on September 24, 2014 (the "First Supplemental Resolution", and together with the Master Resolution, the "Resolutions"). The Bonds constitute the initial series of Class 1 Public Securities of the Authority secured and payable from Class 1 Pledged Revenues irrevocably pledged under the Resolutions. The Association has pledged the Class 1 Pledged Revenues to the Authority pursuant to a Financing and Pledge Agreement dated as of September 1, 2014 between the Authority and the Association.

The Bonds were issued on September 30, 2014 for $500,000 of which $0 and $177,000 principal balance was outstanding as of December 31, 2022 and 2021, respectively, and is included in borrowed money – bonds and interest payable in the statutory statements of admitted assets, liabilities, surplus and other funds. On December 7, 2021, the Association Board of Directors approved an early redemption of the remaining $177,000 of the Bonds and directed staff to request approval from the Commissioner of Insurance to redeem the outstanding Bonds prior to their scheduled maturity dates. The redemption was completed on May 9, 2022. In conjunction with the redemption, the Association obtained a short-term loan totaling $29,118. The Association repaid the short-term loan amount and interest in its entirety on July 21, 2022. The original Bonds bear interest from 5.25% to 8.25% with an effective interest rate of 8.03%. The Bonds were secured by the Association's net premium and other revenue which is used to fund the debt service and related accounts held by the TTSTC.

(Amounts in Thousands)

At December 31, 2022 and 2021, the Bonds had no unamortized premium or discount. Bond issuance costs are expensed as incurred.

Interest expense incurred on the Bonds is recorded as an investment expense and totaled $5,192 and $16,673 for the years ended December 31, 2022 and 2021, respectively. Interest of $12,493 and $18,744 was paid to bondholders for the years ended December 31, 2022 and 2021, respectively. Interest expense on the short-term loan totaled $296 for the year ended December 31, 2022.

Changes in borrowed money - bonds payable for the year ended December 31, 2022 is as follows:

Description	Bonds Outstanding January 1, 2022	Bonds Issued	Bonds Matured/Redeemed	Bonds Outstanding December 31, 2022
Bonds	**$ 177,000**	$ -	$ **177,000**	$ -

Changes in borrowed money - bonds payable for the year ended December 31, 2021 is as follows:

Description	Bonds Outstanding January 1, 2021	Bonds Issued	Bonds Matured/Redeemed	Bonds Outstanding December 31, 2021
Bonds	$ 227,200	$ -	$ 50,200	$ 177,000

13. Depopulation

Depopulation measures were introduced in the 84th Texas Legislature in 2015 authorizing assumption reinsurance agreements between the Association and the private market to facilitate depopulation. The Association implemented the Assumption Program in 2016 and is still in effect as of December 31, 2022. One private market insurer participated in the 2022-2023 and 2021-2022 programs. The novations occurred on March 1, 2023 and 2022, and consisted of 46 and 125 policies, respectively. Approximately 16,000 policies have been novated through December 31, 2022 since the inception of the program.

As of December 31, 2022 and 2021, funds held by company under reinsurance treaties was $0.

During 2022 and 2021, the Association recognized ceded written premiums of $0 as a result of the Assumption Program.

14. Commitments and Contingencies

The Association is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters in excess of the amounts provided will not have a material adverse effect on the financial position of the Association. These matters are subject to various uncertainties, and some of these matters may be resolved unfavorably to the Association.

The Association obtained a $500,000 committed line of credit with two of its primary financial institutions during 2022. The line of credit agreement was entered into June 1, 2022 subsequent to the Association's Board of Directors approval on May 17, 2022. No amounts have been drawn against the line of credit. Issuance fees for the line of credit were $500 and the Association paid the lenders a 0.475% commitment fee against the unused portion of the line of credit. The commitment was originally set to mature on May 31, 2023, however, the line of credit was terminated by the Association as of December 27, 2022 without penalty.

The Association obtained a $500,000 committed line of credit with two of its primary financial institutions during 2021. The line of credit agreement was entered into June 1, 2021 subsequent to the Association's Board of Directors approval on May 18, 2021. No amounts were drawn against the line of credit. Issuance fees for the line of credit were $500 and the Association paid the lenders a 0.475% commitment fee against the unused portion of the line of credit. The commitment was originally set to mature on May 31, 2022, however, the line of credit was terminated by the Association on December 27, 2021 without penalty.

15. Concentration of Credit Risk

The Association maintains deposits of cash in excess of federally insured limits with certain financial institutions. The Association has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash.

The Association writes windstorm and hail coverage primarily in the 14 counties along the Texas coast in which it has approximately $83,800,000 and $65,800,000 of insurance exposure as of December 31, 2022 and 2021, respectively.

(Amounts in Thousands)

16. Nonadmitted Assets

Nonadmitted assets consisted of the following:

December 31,		2022		2021
Prepaid expenses and receivables	$	**1,636**	$	1,565
Member assessment receivable		**2,199**		2,199
Electronic data processing equipment and software		**13,050**		13,505
Furniture and equipment		**2,259**		242
Total nonadmitted assets	$	**19,144**	$	17,511

17. Fair Value Measurements

The following table reflects the fair values and admitted assets and liabilities that are financial instruments. The fair values are also categorized into the three-level fair value hierarchy. Cash and cash equivalents are the only financial instruments held by the Association. The investment strategy for the Association is to hold highly liquid cash and cash equivalents for funding catastrophe events. The Association does not believe that the assets stated at NAV have any significant restrictions to liquidate or to be sold for less than NAV.

Fair Value Measurements at December 31, 2022 Using:

		Aggregate Fair Value		Net Asset Value		Admitted Assets		Level 1		Level 2		Level 3
Cash	$	**222,016**	$	**-**	$	**222,016**	$	**222,016**	$	**-**	$	**-**
Cash equivalents*		**-**		**261,854**		**261,854**		**-**		**-**		**-**
	$	**222,016**	$	**261,854**	$	**483,870**	$	**222,016**	$	**-**	$	**-**

Fair Value Measurements at December 31, 2021 Using:

		Aggregate Fair Value		Net Asset Value		Admitted Assets		Level 1		Level 2		Level 3
Cash	$	177,437	$	-	$	177,437	$	177,437	$	-	$	-
Cash equivalents*		69,002		247,388		316,390		69,002		-		-
	$	246,439	$	247,388	$	493,827	$	246,439	$	-	$	-

* In accordance with SSAP 100R, certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation to the line items presented in the statutory statements of admitted assets, liabilities, surplus and other funds.

18. Reconciliation with Annual Statement

There were no differences between the 2022 and 2021 annual statements as filed with the TDI and the 2022 and 2021 audited statutory financial statements.

19. Subsequent Events

The Association has evaluated subsequent events occurring after December 31, 2022, the date of the most recent statutory statements of admitted assets, liabilities, surplus, and other funds through April 27, 2023, the date the statutory financial statements were issued. The Association does not believe any subsequent events have occurred that would require further disclosure or adjustment to the statutory financial statements.

Texas Windstorm Insurance Association

Summary Investment Schedule
December 31, 2022
(Amounts in Thousands)

Investment categories	Gross Investment Holdings * Amount	%	Admitted Assets as Reported in the Annual Statement ** Amount	%
Long- Term Bonds (Schedule D, Part 1):				
U.S. Governments	$ -	-	$ -	-
All other governments	-	-	-	-
U.S. states, territories and possessions, etc. guaranteed	-	-	-	-
U.S. political subdivisions of states, territories, and possessions, guaranteed	-	-	-	-
U.S. special revenue and special assessment obligations, etc. non-guaranteed	-	-	-	-
Industrial and miscellaneous	-	-	-	-
Hybrid securities	-	-	-	-
Parent, subsidiaries and affiliates	-	-	-	-
SVO identified funds	-	-	-	-
Unaffiliated bank loans	-	-	-	-
Total long-term bonds	-	-	-	-
Preferred stocks (Schedule D, Part 2, Section 1):				
Industrial and miscellaneous (Unaffiliated)	-	-	-	-
Parent, subsidiaries and affiliates	-	-	-	-
Total preferred stocks	-	-	-	-
Common stocks (Schedule D, Part 2, Section 2):				
Industrial and miscellaneous Publicly traded (Unaffiliated)	-	-	-	-
Industrial and miscellaneous Other (Unaffiliated)	-	-	-	-
Parent, subsidiaries and affiliates Publicly traded	-	-	-	-
Parent, subsidiaries and affiliates Other	-	-	-	-
Mutual funds	-	-	-	-
Unit investments trusts	-	-	-	-
Closed-end funds	-	-	-	-
Total common stocks	-	-	-	-
Mortgage loans (Schedule B):				
Farm mortgages	-	-	-	-
Residential mortgages	-	-	-	-
Commercial mortgages	-	-	-	-
Mezzanine real estate loans	-	-	-	-
Total mortgage loans	-	-	-	-
Real Estate (Schedule A):				
Properties occupied by company	-	-	-	-
Properties held for production of income	-	-	-	-
Properties held for sale	-	-	-	-
Total real estate	-	-	-	-

See accompanying independent auditors' report on supplemental information.

Texas Windstorm Insurance Association

Summary Investment Schedule
December 31, 2022
(Amounts in Thousands)

Investment categories	Gross Investment Holdings *			Admitted Assets as Reported in the Annual Statement **	
	Amount	%		Amount	%
Cash, cash equivalents and short-term investments:					
Cash (Schedule E, Part 1)	222,016	45.88		222,016	45.88
Cash equivalents (Schedule E, Part 2)	261,854	54.12		261,854	54.12
Short-term investments (Schedule DA)	-	-		-	-
Total cash, cash equivalents and short-term investments	483,870	100.00		483,870	100.00
Contract loans	-	-		-	-
Derivatives (Schedule DB)	-	-		-	-
Other invested assets (Schedule BA)	-	-		-	-
Receivables for securities	-	-		-	-
Securities Lending (Schedule DL, Part 1)	-	-		-	-
Other invested assets (Page 2, Line 11)	-	-		-	-
Total invested assets	$ 483,870	100.00	$	483,870	100.00

**Gross investment holdings as valued in compliance with the NAIC Accounting Procedures Manual.*

*** The Association has no securities lending reinvested collateral at December 31, 2022.*

See accompanying independent auditors' report on supplemental information.

1) Reporting entity's total admitted assets as reported in the accompanying financial statements. $ 510,852

Questions 2 through 19 are not applicable.

20) Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter		
	Amount	Percentage of Total Admitted Assets	1st Qtr	2nd Qtr	3rd Qtr
Reverse repurchase agreements	$ -	-	$ 78,961	$ -	$ -

Questions 21 through 23 are not applicable.

See accompanying independent auditors' report on supplemental information.

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES[ ] NO [X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. N/A

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES[ ] N/A [X]

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year–end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity; or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

(c) Aggregate stop loss reinsurance coverage;

(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

(e) A provision permitting reporting of losses, or payment of losses, less frequently than a quarterly basis (unless there is no activity during the period); or

(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES[ ] NO [X]

See accompanying independent auditors' report on supplemental information.

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling by, or under control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract? YES[ ] NO [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

N/A

9.4 Except for transactions meeting the requirements of paragraph 37 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or

(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES [ ] NO [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP. N/A

See accompanying independent auditors' report on supplemental information.

5E3. GASB

Texas Windstorm Insurance Association

Financial Statements and Required Supplementary Information

For the Years Ended December 31, 2022 and 2021

Calhoun, Thomson+Matza, LLP
Certified Public Accountants

Texas Windstorm Insurance Association

Financial Statements and Required Supplementary Information

For the Years Ended December 31, 2022 and 2021

Texas Windstorm Insurance Association

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Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
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Independent Auditors' Report

Board of Directors
Texas Windstorm Insurance Association
Austin, Texas

Opinion

We have audited the financial statements of Texas Windstorm Insurance Association (the "Association"), a component unit of the State of Texas, which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2022 and 2021, and the results of its operations, changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in the Summary of Significant Accounting Policies, the financial statements present only the Association and do not purport to, and do not, fairly present the financial position of the State of Texas, the changes in its financial position, or, where applicable, its cash flows for the years ended 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America. The auditors' opinion is not modified with respect to the matter emphasized.

As discussed in Note 14, as of December 31, 2022, the Association had approximately $83.8 billion of insurance exposure in certain designated counties located in the gulf coast region of the State of Texas. As discussed in Note 9, by state statute, any net gain from operations must be paid to the Catastrophe Reserve Trust Fund ("CRTF"). As of December 31, 2022, the balance in the CRTF was approximately $190.0 million. If a major claim event occurs in the future, it could have a severe impact on the financial condition of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

As discussed in the summary of significant accounting policies, in accordance with Senate Bill 900 ("SB 900") passed by the Texas Legislature during 2015, the Association is authorized to place $1.0 billion in public securities and assess member insurance companies $1.0 billion to fund catastrophic losses. The Association does not have taxing authority. In addition, the public securities, if issued, will not be guaranteed by any state or federal agency. Consequently, the ability of the Association to place these public securities and the sufficiency of that amount to cover future losses will depend on market conditions and the financial and operating results of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

As discussed in Note 5, ultimate loss projections for Hurricane Harvey were estimated to be $1.66 billion by the Association's appointed actuary as of December 31, 2022. If the ultimate loss projection changes in the future it could have a material adverse impact on the financial condition of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 6 to 15, schedules of changes in net pension liability and related ratios, on page 44, and schedules of employer contributions on page 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cohn, Thomas & Matza, LLP

April 27, 2023

Our discussion and analysis of the financial performance of Texas Windstorm Insurance Association (the "Association") provides an overview of the Association's financial activities for the years ended December 31, 2022 and 2021. The information should be read in conjunction with the Association's financial statements.

Nature of Business

Based upon its statutory purpose under Chapter 2210, Tex. Ins. Code (the "Act"), the Association is an entity created by the Texas legislature with its primary statutory purpose being the provision of an adequate market for windstorm and hail insurance in the seacoast territory of Texas ("seacoast territory"). Chapter 2210 provides a method by which adequate windstorm and hail insurance may be obtained in certain designated portions of the seacoast territory.

The Association is intended to serve as a residual insurer of last resort for windstorm and hail insurance in the seacoast territory. The Association shall function in such a manner as to not be a direct competitor in the private market and to provide windstorm and hail insurance coverage to those who are unable to obtain that coverage in the private market.

(Amounts in Thousands)

Financial Summary

A summary of the statements of net position for the Association is presented below:

December 31,		2022		2021
Cash and cash equivalents	$	**483,870**	$	493,827
Premiums receivable		**25,459**		2,095
Assessment receivable		**2,199**		2,199
Capital assets		**23,071**		13,747
Other assets		**3,164**		2,618
Total assets		**537,763**		514,486
Deferred outflows of resources		**10,049**		3,376
	$	**547,812**	$	517,862
Other liabilities	$	**409,305**	$	331,103
Statutory fund payable		**74,962**		-
Borrowed money – bonds and interest payable		**-**		184,301
Total liabilities		**484,267**		515,404
Deferred inflows of resources		**3,211**		2,211
Total liabilities and deferred inflows of resources		**487,478**		517,615
Net position:				
Investment in capital assets		**23,071**		13,747
Unrestricted		**37,263**		(13,500)
Total net position		**60,334**		247
	$	**547,812**	$	517,862

(Amounts in Thousands)

A summary of the statements of revenues, expenses, and changes in net position for the Association is presented below:

Years ended December 31,		**2022**		2021
Operating revenues:				
Net premiums earned	**$**	**311,395**	$	276,372
Operating expenses:				
Losses and loss adjustment expenses		**51,248**		19,048
Underwriting expenses		**121,700**		95,216
Total expenses		**172,948**		114,264
Operating income		**138,447**		162,108
Nonoperating expense		**(78,360)**		(18,579)
Increase in net position before federal income tax expense		**60,087**		143,529
Federal income tax expense		**-**		-
Change in net position		**60,087**		143,529
Net position at beginning of year		**247**		(143,282)
Net position at end of year	**$**	**60,334**	$	247

ANALYSIS OF FINANCIAL POSITION

Assets

All funds collected by the Association which are not otherwise required to be expended are held in cash or cash equivalents. As of December 31, 2022, cash and cash equivalents totaled $483,870, a decrease of $9,957 from December 31, 2021. The decrease is partially attributable to the increase in premium receivable as installments were implemented in the prior year. As of December 31, 2021, cash and cash equivalents totaled $493,827, an increase of $12,151 from December 31, 2020. The increase is partially attributable to the increase in written premium in 2021.

The assets held by the Texas Treasury Safekeeping Trust Company ("TTSTC") represent funds deposited for payment of scheduled principal and interest on the Texas Public Finance Authority Texas Windstorm Insurance Association Premium Revenue Taxable Bonds, Series 2014 (the "Series 2014 Bonds"). The funds are restricted to use for debt service only. The Association received a Permitted Practice from the Commissioner of the Texas Department of Insurance ("TDI") to admit these assets as the funds are restricted and offset the borrowed funds of the Association. The balance held by the TTSTC was $0 and $69,002 as of December 31, 2022 and 2021, respectively. The Series 2014 Bonds were redeemed in their entirety on May 9, 2022.

Liabilities

The liability for the statutory fund expense payment to the CRTF was $74,962 and $0 as of December 31, 2022 and 2021, respectively, based on the TDI's interpretation of the relevant statutes. No contribution to the CRTF has been accrued related to calendar year 2021 as the net gain from operations was used in the redemption of the remaining outstanding principal on the Series 2014 Bonds on May 9, 2022.

Loss and loss adjustment expense ("LAE") reserves are based on past loss experience and consideration of current claim trends as well as prevailing social, economic and legal conditions. Loss and LAE reserves are not discounted. A review of the reserves is conducted quarterly by management to evaluate the accuracy of the determination of the loss and LAE reserves in accordance with corporate policy.

The reserve for losses and LAE is based upon claim estimates for (1) losses for claims reported prior to the close of the accounting period, (2) losses incurred but unreported prior to the close of the accounting period, and (3) expenses for investigating and adjusting claims.

Net loss and LAE reserves as of December 31, 2022 totaled $58,181, a decrease of $19,445 from the same period ended in 2021. The decrease in reserves is attributable to payments made on prior year claims and reductions of reserves no longer needed. Reserves associated with 2017 Hurricane Harvey were reduced by $10,000 in 2022. The Association believes that the loss and LAE reserves as of December 31, 2022 make a reasonable provision for the Association's claim liabilities.

Net loss and LAE reserves as of December 31, 2021 totaled $77,626, a decrease of $86,775 from the same period ended in 2020. The decrease in reserves is attributable to payments made on prior year claims and reductions of reserves no longer needed. During 2021, the gross ultimate estimated losses for two prior hurricane events were lowered. Reserves associated with 2017 Hurricane Harvey were reduced by $30,000 in early 2021 and 2008 Hurricane Ike by $9,000 later that same year. The Association believes that the loss and LAE reserves as of December 31, 2021 make a reasonable provision for the Association's claim liabilities.

Borrowed money – bonds and interest payable

In September of 2014, the Association issued $500,000 in pre-event Class 1 bonds, as permitted by Texas Statute. On February 18, 2022, the Association received approval from the Texas Commissioner to redeem the remaining outstanding bonds prior to their scheduled maturity dates in 2024. The redemption was completed on May 9, 2022. Total principal outstanding on the bonds as of December 31, 2022 and 2021 was $0 and $177,000, respectively. Total interest payable as of December 31, 2022 and 2021 was $0 and $7,301, respectively. In conjunction with the redemption, the Association obtained a short-term loan of $29,118. The Association repaid the short-term loan and interest in its entirety on July 21, 2022.

Capital and Surplus

The net gain from operations of the Association are contributed to the Trust Fund after the close of each business year. Per statute, monies in the Trust Fund are to be used for purposes directly related to funding the payment of insured losses from windstorm and hail catastrophe losses in excess of premium and other revenue of the Association in a catastrophe year.

For the years ended December 31, 2022 and 2021, statutory fund costs were $74,962 and $0, respectively. No contribution to the CRTF has been accrued related to calendar year 2021 as net gain from operations would be used to redeem the remaining outstanding principal on the Series 2014 Bonds in 2022.

Reinsurance

During 2022 and 2021, the Association entered into reinsurance agreements. These agreements reduce the amount of losses that can arise from claims under a general reinsurance contract known as a catastrophe aggregate excess of loss reinsurance agreement ("aggregate excess of loss").

Effective June 1, 2022, the reinsurance contracts indemnified the Association in respect to the liability that may accrue as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate for 100% of the ultimate net loss over and above an initial ultimate aggregate net loss of $2,200,000, subject to a limit of liability to the reinsurer of $2,036,000. Included in the above amounts is Catastrophe Bond coverage totaling $1,100,000. The Catastrophe Bonds issued in 2022, 2021, and 2020 each cover three annual periods with a reset provision at the start of each period that allows for the adjustment of certain terms.

(Amounts in Thousands)

Effective June 1, 2021, the reinsurance contracts indemnified the Association in respect to the liability that may accrue as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate for 100% of the ultimate net loss over and above an initial ultimate aggregate net loss of $2,100,000, subject to a limit of liability to the reinsurer of $1,930,000. Included in the above amounts is Catastrophe Bond coverage totaling $1,100,000. The Catastrophe Bonds issued in 2021, 2020, and 2019 have three terms with an annual reset of the amount or placement of the coverage offered.

Ceded reinsurance is treated as the risk and liability of the assuming companies; however, the reinsurance contracts do not relieve the Association from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Association. The Association evaluates the financial conditions of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Non-collateralized reinsurers must be A.M. Best rated "A-" or better and have a policyholder's surplus of $150,000,000 or greater.

The effect of reinsurance on premiums written and earned for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Written	**Earned**	Written	Earned
Direct premium	$ **518,299**	$ **443,490**	$ 395,113	$ 378,504
Excess of loss ceded premium	**(132,095)**	**(132,095)**	(102,132)	(102,132)
Net	$ **386,204**	$ **311,395**	$ 292,981	$ 276,372

(Amounts in Thousands)

Unearned premiums are reported net of ceded unearned premiums as follows:

December 31,		**2022**		2021
Gross unearned premiums	$	**277,334**	$	202,525
Ceded unearned premiums		**-**		-
	$	**277,334**	$	202,525

Lease Obligation

The Association leases office space under a non-cancellable lease agreement which expires in 2033. The remaining lease term related to the Association's lease liability as of December 31, 2022 is 10-years. The Association's lease arrangement may contain both lease and non-lease components. The Association has elected to account for lease and non-lease components separately.

The Association does not have any variable lease payments. Lease costs associated with fixed payments on the Association's leases were $810 for the year ended December 31, 2022 and is included in underwriting expenses in the statements of revenues, expenses and changes in net position.

Lease liability maturities as of December 31, 2022, are as follows:

Years ended December 31,		Financing Leases
2023	$	357
2024		880
2025		905
2026		930
2027		955
Thereafter		5,840
Total lease payments		9,867
Less: imputed interest		(2,105)
Total lease liabilities	$	7,762

Governance

Pursuant to SB 900 signed into law during 2015, the Board of Directors composition changed and now consists of nine members: three industry representatives from companies actively writing and renewing windstorm and hail insurance in the first tier coastal counties, three public members residing in the first tier coastal counties, and three non-coastal representatives who live more than 100 miles from the Texas coast. One of the public members must also be a property and casualty agent who is licensed under this code and is not a captive agent.

Depopulation

Depopulation measures were introduced in the 84th Texas Legislature in 2015 authorizing assumption reinsurance agreements between the Association and the private market to facilitate depopulation. The Association implemented the Assumption Program in 2016 and is still in effect as of December 31, 2022. One private market insurer participated in the 2022-2023 and 2021-2022 programs. The novations occurred on March 1, 2023 and 2022, and consisted of 46 and 125 policies, respectively. Approximately 16,000 policies have been novated through December 31, 2022 since the inception of the program.

As of December 31, 2022 and 2021, funds held by company under reinsurance treaties was $0.

During 2022 and 2021, the Association recognized ceded written premiums of $0 as a result of the Assumption Program.

Service Contract with Texas Fair Plan Association

During 2002, the Association entered into a service contract with the Texas Fair Plan Association ("TFPA") in which the Association is to be fully reimbursed for all expenditures, professional fees, consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by the Association on behalf of TFPA. During 2022 and 2021, the Association paid expenses for TFPA under its management contract and was reimbursed $13,002 and $13,186, respectively. As of December 31, 2022 and 2021, the Association incurred or paid expenses for which it has not been reimbursed of $1,215 and $1,159, respectively, on behalf of TFPA. These amounts are included in other assets in the statements of net position. This arrangement is subject to a written agreement which requires that balances be settled within 30 days. During 2021 and 2020, the Association paid expenses for TFPA under its management contract and was reimbursed $13,186 and $14,314, respectively. As of December 31, 2021 and 2020, the Association incurred or paid expenses for which it has not been reimbursed of $1,159 and $1,132, respectively, on behalf of TFPA. These amounts are included in other assets in the statements of net position. This arrangement is subject to a written agreement which requires that balances be settled within 30 days.

RESULTS OF OPERATIONS

Revenues

Direct written premium was $518,299 and $395,113 for the years ended December 31, 2022 and 2021 respectively. The 31% increase from 2021 to 2022 was attributed to steady growth in property values and in policy counts. The increase in policies is partially attributable to the migration of policies from Weston and Federated National who were declared insolvent in 2022. Direct written premium was

$395,113 and $369,600 for the years ended December 31, 2021 and 2020 respectively. The 7% increase from 2020 to 2021 was the result of increased policy count and reduced depopulation efforts.

Net earned premium was $311,395 and $276,372 for the years ended December 31, 2022 and 2021, respectively. The 13% increase from 2021 to 2022 was attributable to steady growth in property values and in policy counts. The increase in policies is partially attributable to the migration of policies from Weston and Federated National who were declared insolvent in 2022. Net earned premium was $292,981 and $261,574 for the years ended December 31, 2021 and 2020, respectively. The 12% increase from 2020 to 2021 was a result of increased policy count, reduced depopulation efforts and a reduction in reinsurance costs.

Net investment income was $1,806 and $1,905 for the years ended December 31, 2022 and 2021, respectively. The increase in net investment income is due to increasing interest rates earned and minimal change in investment expenses during 2022. Net investment expense was $1,905 and $1,694 for the years ended December 31, 2021 and 2020, respectively. The increase in net investment expense is due to increasing interest rates and a minimal change in investment expenses.

In August 2017, the Texas coverage area insured by the Association was struck by Hurricane Harvey. The ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,660,000. The Act allows the Association to assess member companies Class 1 member assessments up to $500,000. A Class 1 member assessment was approved by the Commissioner of Insurance on May 25, 2018 for $175,000, a second Class 1 member assessment was approved on August 20, 2018 for $106,820, and a third Class 1 member assessment was approved on January 10, 2020 for $90,000 for a combined total of $371,820. As of December 31, 2020, $369,621 has been collected from the three assessments. One insurance group disputed whether they were subject to a 2018 assessment based on their interpretation of a 2017 legislative change. In 2020, the TDI Commissioner made a determination that the insurance group was not subject to the 2018 assessments. The outstanding assessment will be reallocated and collected from the other member companies. Further assessments will be requested if needed as Hurricane Harvey paid loss development matures. As of December 31, 2022 and 2021, the net position of the Association is $60,335 and $247, respectively. As of December 31, 2021 and 2020, the net position of the Association is $247 and $(143,282), respectively.

Net Loss and Loss Adjustment Expenses

Net loss and LAE was $51,248 and $19,048 for the years ended December 31, 2022 and 2021, respectively. In 2022, the Association's policyholders experienced a relatively calm hurricane season along the Texas coast. These results however were negatively impacted by adverse development of reserves related to Hurricane Nicholas which occurred in 2021. Benefiting the overall results was a $10,000 reduction in gross Hurricane Harvey ultimates. Net loss and LAE was $19,048 and $118,470 for the years ended December 31, 2021 and 2020, respectively. The decrease in net loss and LAE is primarily due to reduction in reserves related to Hurricane Harvey and Hurricane Ike totaling $39,000 offset by the 2021 Hurricane Nicholas impact.

Underwriting Expenses

Underwriting expenses were $121,700 and $95,216 for the years ended December 31, 2022 and 2021, respectively. Underwriting expenses increased from 2021 to 2022 by 28% due to increase in commissions on increased premiums. Underwriting expenses were $95,216 and $90,242 for the years ended December 31, 2021 and 2020, respectively. Underwriting expenses increased from 2020 to 2021 by 6% due to increased commissions on increased premiums.

Texas Windstorm Insurance Association

Statements of Net Position
(Amounts in Thousands)

December 31,		**2022**		2021
Assets and deferred outflows of resources				
Assets				
Cash and cash equivalents	$	**483,870**	$	493,827
Premiums receivable		**25,459**		2,095
Assessment receivable		**2,199**		2,199
Capital assets, net		**23,071**		13,747
Other assets		**3,164**		2,618
Total assets		**537,763**		514,486
Deferred outflows of resources related to pensions				
Differences between expected and actual experience		**674**		861
Changes in assumptions		**1,852**		2,515
Net difference between projected and actual earnings on plan investments		**7,523**		-
Total deferred outflows of resources		**10,049**		3,376
	$	**547,812**	$	517,862

See accompanying summary of significant accounting policies and notes to financial statements.

Statements of Net Position
(Amounts in Thousands)
(Continued)

December 31,		2022		2021
Liabilities, deferred inflows of resources and net position				
Liabilities				
Losses and loss adjustment expense reserves	$	**58,181**	$	77,625
Unearned premiums		**277,334**		202,525
Ceded reinsurance premiums payable, net of ceding commissions		**33,331**		25,951
Borrowed money – bonds and interest payable		**-**		184,301
Statutory fund payable		**74,962**		-
Lease liability		**7,762**		-
Other liabilities		**32,697**		25,002
Total liabilities		**484,267**		515,404
Deferred inflows of resources related to pensions				
Net difference between projected and actual earnings on plan investments		**-**		2,127
Differences between expected and actual experience		**190**		43
Changes in assumptions		**3,021**		41
Total deferred inflows of resources		**3,211**		2,211
Total liabilities and deferred inflows of resources		**487,478**		517,615
Net position				
Investment in capital assets		**23,071**		13,747
Unrestricted		**37,263**		(13,500)
Total net position		**60,334**		247
	$	**547,812**	$	517,862

See accompanying summary of significant accounting policies and notes to financial statements.

Texas Windstorm Insurance Association

Statements of Revenues, Expenses and Changes in Net Position

(Amounts in Thousands)

Years ended December 31,		**2022**		2021
Operating revenues				
Premiums earned	$	**443,490**	$	378,504
Premiums ceded		**(132,095)**		(102,132)
Total operating revenues		**311,395**		276,372
Operating expenses				
Losses and loss adjustment expenses		**51,248**		19,048
Underwriting expenses		**121,700**		95,216
Total operating expenses		**172,948**		114,264
Operating income		**138,447**		162,108
Nonoperating revenues and (expenses)				
Net investment income (loss)		**1,806**		(1,905)
Interest expense		**(5,192)**		(16,674)
Statutory fund costs		**(74,962)**		-
Lease expense		**(48)**		-
Other income		**36**		-
Total nonoperating expenses		**(78,360)**		(18,579)
Increase in net position before federal income tax expense		**60,087**		143,529
Federal income tax expense		**-**		-
Change in net position		**60,087**		143,529
Net position:				
Net position, beginning of year		**247**		(143,282)
Change in net position		**60,087**		143,529
Net position, end of year	$	**60,334**	$	247

See accompanying summary of significant accounting policies and notes to financial statements.

Statements of Cash Flows
(Amounts in Thousands)

Years ended December 31,		2022		2021
Cash flows from operating activities:				
Premiums collected, net of reinsurance	$	**366,526**	$	293,369
Losses and loss adjustment expense paid		**(70,623)**		(105,754)
Underwriting expenses paid		**(115,246)**		(95,665)
Receivable from affiliate		**(56)**		(27)
Net cash provided by operating activities		**180,601**		91,923
Cash flows from noncapital financing activities:				
Bond principal paid		**(177,000)**		(50,200)
Financing costs paid		**(2,270)**		(1,927)
Bond interest paid		**(12,789)**		(18,744)
Other		**36**		-
Net cash used in noncapital financing activities		**(192,023)**		(70,871)
Cash flows from capital and related financing activities:				
Capital assets		**(2,063)**		(8,927)
Lease interest		**(48)**		-
Net cash used in capital and related financing activities		**(2,111)**		(8,927)
Cash flows from investing activities:				
Net investment income		**3,576**		26
Net cash provided by investing activities		**3,576**		26
Net (decrease) increase in cash and cash equivalents		**(9,957)**		12,151
Cash and cash equivalents, beginning of year		**493,827**		481,676
Cash and cash equivalents, end of year	$	**483,870**	$	493,827

See accompanying summary of significant accounting policies and notes to financial statements.

Statements of Cash Flows
(Amounts in Thousands)
(Continued)

Years ended December 31,		**2022**		2021
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	**138,447**	$	162,108
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization		**501**		205
Changes in assets and liabilities:				
Losses and loss adjustment expense reserves		**(19,410)**		(86,775)
Unearned premiums		**74,809**		16,608
Ceded reinsurance premiums payable		**7,380**		43
Premiums receivable		**(23,364)**		(659)
Other liabilities		**8,662**		38
Other assets		**(6,424)**		355
Net cash provided by operating activities	$	**180,601**	$	91,923

Supplemental schedule of non-cash capital and related financing activities:		**2022**		2021
Intangible right-of-use asset obtained on lease commencement	$	**7,762**	$	-

See accompanying summary of significant accounting policies and notes to financial statements.

Nature of Business
Based upon its statutory purpose under Chapter 2210, Tex. Ins. Code (the "Act"), the Texas Windstorm Insurance Association (the "Association") is an entity created by the Texas legislature with its primary statutory purpose being the provision of an adequate market for windstorm and hail insurance in the seacoast territory of Texas ("seacoast territory"). Chapter 2210 provides a method by which adequate windstorm and hail insurance may be obtained in certain designated portions of the seacoast territory.

The Association is intended to serve as a residual insurer of last resort for windstorm and hail insurance in the seacoast territory. The Association shall function in such a manner as to not be a direct competitor in the private market and to provide windstorm and hail insurance coverage to those who are unable to obtain that coverage in the private market.

Organization
The Association was established in 1971 by the Texas Legislature to provide wind and hail coverage to applicants unable to obtain insurance in the Texas seacoast territory from the private market. The Legislature's action was a response to market constrictions along the Texas coast after several hurricanes. The Association is governed by Chapter 2210 of the Texas Insurance Code (Chapter 2210); however, it is not a state agency and does not receive funds from the general revenue.

The Association is a residual insurer of last resort and as such is not a direct competitor in the private market. The Association's primary purpose is to provide an adequate market for windstorm and hail insurance in certain designated portions of the seacoast territory of Texas. The seacoast territory includes 14 first tier and 14 second tier coastal counties. The designated catastrophe area is that portion of the seacoast territory where the Commissioner of Insurance has found that windstorm and hail insurance is not reasonably available. It currently includes the entire first tier counties and a portion of Harris County (second tier). The specific designated catastrophe areas are: Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio and Willacy, inside the city limits and east of Highway 146, and the following portions of Harris County: La Porte, Morgan's Point, Pasadena, Seabrook, and Shore Acres.

The Association operates as an insurance company by issuing policies, collecting premiums, and paying losses. The Association is required by law to use the net gain from operations each year to make payments to the CRTF, procure reinsurance, or use alternative risk mechanisms. The CRTF is an account maintained by the Texas Comptroller dedicated to funding the payment of Association catastrophe losses.

Association policies provide residential and commercial property coverage for losses resulting from windstorm or hail. No other perils are covered by Association policies. Applications for coverage may be submitted to the Association through a property and casualty agent properly licensed through the Texas Department of Insurance ("TDI"). Applications will be accompanied by a full annual premium or a deposit followed by installment payments. In order to be eligible for an Association policy, applicants and properties must meet certain criteria defined by the Texas Legislature:

- Applicants must have been denied coverage by at least one insurer in the private market.
- Properties must be located in the designated catastrophe area.
- Properties must be certified by the TDI as having been built to applicable building codes, with limited exceptions.
- Properties located in specified flood zones that were constructed, altered, remodeled, or enlarged after September 1, 2009 and that can obtain flood insurance through the National Flood Insurance Program must provide proof of flood insurance coverage.
- Properties must be in an insurable condition as specified by the Association in the Plan of Operation.

Texas Insurance Code Sections 2210.251 and 2210.258 - 2210.259 and the Association's Plan of Operation (28 TAC 5.4001 et seq.) outline the building code and inspection requirements for eligibility in the Association and provide for limited exceptions. In accordance with these sections, the Association requires a WPI-8 certificate of compliance on all structures constructed, altered, remodeled, enlarged, repaired, or to which additions have been made on or after January 1, 1988. To obtain a WPI-8, the TDI inspectors or the TDI-approved licensed professional engineers must inspect the property and certify that it is fully compliant with the windstorm building code.

Properties must be in an insurable condition to be eligible for Association coverage, i.e. in good repair with no unrepaired damage or hazardous conditions. The Association regularly inspects properties as part of its underwriting process to verify insurability. Properties may be inspected on-site by a vendor or remotely via high-quality aerial imagery. Inspections are used to determine the accuracy of rating information, discover any unrepaired damage, and identify any other conditions that affect the insurability of the property.

Approximately $4,236,000 in funding was secured for the 2022 hurricane season. SB 900, passed by the 84th Texas Legislature, took effect during 2015, and changed the Association's funding structure. $4,236,000 is sufficient to fund claims associated with 99% of all modeled hurricane seasons, or a 1 in 100-year season as required by statute.

The Association's funding structure for the 2022 hurricane season is, in order:

- Funds available in the Catastrophe Reserve Trust Fund
- $500,000 in pre/post-event Class 1 public securities
- $500,000 in Class 1 member assessments
- $250,000 in Class 2 public securities
- $250,000 in Class 2 member assessments
- $250,000 in Class 3 public securities
- $250,000 in Class 3 member assessments
- $2,036,000 in total reinsurance, including both traditional reinsurance and catastrophe bonds

Class 1, 2, and 3 public securities will be repaid by Association premiums and surcharges on Association policies. Class 2 and 3 public securities, after a finding by the Commissioner of Insurance, may also be repaid by surcharges on coastal policyholders, if necessary.

Depopulation measures were introduced in the 84th Texas Legislature in 2015 authorizing assumption reinsurance agreements between the Association and the private market to facilitate depopulation. This allows private insurance companies interested in writing on the Texas coast to assume portions of the Association's book of business as of a point in time. Policyholders have the chance to opt-out of the assumption process.

The Association implemented the Assumption Reinsurance Depopulation Program ("Assumption Program") in 2016 and the program is still in effect as of December 31, 2022. One private market insurer participated in the 2022-2023 and 2021-2022 programs. The novations occurred on March 1, 2023 and 2022, and consisted of 46 and 125 policies, respectively. Approximately 16,000 policies have been novated through December 31, 2022 since the inception of the Assumption Program.

Basis of Accounting
While the Association is an instrumentality of the State of Texas, the State of Texas General Fund is not liable for the Associations claims, losses, or other liabilities. However, the Association meets the definition of a governmental organization, as defined by accounting principles generally accepted in the United States of America.

The Association is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. The Association uses the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

In June of 2017, the Governmental Accounting Standards Board ("GASB") issued Statement No. 87, *Leases*. In January of 2020, GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3. In May of 2020, GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*. This statement postponed the effective date of GASB 87 to fiscal years beginning after June 15, 2021. The Association adopted GASB 87 effective January 1, 2021. The adoption of this standard did not have a material effect on the Association's financial statements.

Use of Significant Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The reserves for unpaid losses and loss adjustment expense are significant estimates made by management.

Cash Equivalents
For the purposes of the statements of cash flows, the Association considers all highly liquid investments with original maturities of three months or less as cash equivalents. Cash equivalents, which include money market mutual funds, are recorded at Net Asset Value ("NAV"), which approximates fair value.

Reverse Repurchase Agreements
Reverse repurchase agreements are recorded in cash equivalents as the repurchase date is less than 90 days. Reverse repurchase agreements represent the purchase of a security with an agreement to resell.

Capital Assets
The Association has invested funds in electronic data processing equipment and software, in addition to furniture and equipment and is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of 3-5 years.

Income Taxes
In 2010, the Association applied for and received a Private Letter Ruling ("PLR") from the Internal Revenue Service ("IRS"). The PLR requested acknowledgement that the Association's income is derived from an essential governmental function which accrues to a state or political subdivision and is therefore excluded from gross income under Section 115(1) of the Internal Revenue Code ("IRC"). On August 17, 2010, the IRS ruled that the Association performs an essential government function and that income from that function is excluded from gross income under IRC Section 115(1).

The Association had been filing form 1120-PC tax returns with the IRS as a property and casualty insurance company. Under the IRC the statute of limitations to be assessed additional taxes or to file amended tax returns is 3 years from the later of the due date of the return (including extensions) or the filing date of the return. There are existing net operating loss carryforwards in the open tax years that are not anticipated to be realized. As of December 31, 2022, the statute of limitations remains open for the 2019 to 2022 tax years. No further federal income tax impact is expected in the future.

Operating Revenues and Expenses
Operating revenues are those revenues that are generated directly from the primary activity of the Association. For the Association, these revenues are primarily the premiums charged to policyholders. Operating expenses include incurred losses and necessary costs incurred to provide and administer claims.

All revenue not meeting the definition of operating revenue and expenses are reported as nonoperating revenues and expenses. Significant or major components of nonoperating revenues and expenses include interest expense, assessment income, statutory fund costs, and statutory fund income and are included in the statements of revenues, expenses and changes in net position.

Premiums
All policies issued by the Association have a maximum term of one year from date of issuance. Premiums are generally recognized as revenue on a pro-rata basis over the policy term once the policy is effective. The liability for unearned premiums as of the end of the Association's year is computed on a pro-rata basis over the term of the policies. All premium rates charged by the Association must be approved by the TDI Commissioner.

Those premiums received for policies issued but not effective as of year-end are included in other liabilities within the Association's statements of net position.

Those premiums received for policies which are not effective and not issued as of year-end are included in other liabilities within the Association's statements of net position.

Policy Acquisition Costs
Acquisition costs consisting of commissions and premium taxes, vary with and are primarily related to the issuance of new and renewal insurance policies. Acquisition costs are expensed as incurred.

Losses and Loss Adjustment Expenses
Loss and LAE reserves are based upon claim estimates for (1) losses for claims reported prior to the close of the accounting period, (2) losses incurred but unreported prior to the close of the accounting period, and (3) expenses for investigating and adjusting claims. Such liabilities are necessarily based on assumptions and estimates and while management believes the amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

Reinsurance
In the normal course of business, the Association seeks to reduce losses that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Depopulation ceded premiums are recognized as the ceded policies' premiums are earned.

Long-Lived Assets – Impairment and Disposal
The Association reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less cost to sell.

Leases
The Association accounts for leases in accordance with GASB 87. The Association is a lessee in one office lease. All leases are considered financing leases in accordance with GASB 87. The Association determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Association determines if an arrangement conveys the right to use an identified asset and whether the Association obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Association recognizes a lease liability and an intangible right-of-use ("ROU") asset at the commencement date of the lease. ROU assets are considered capital assets and are included within capital assets in the statements of net position (see Note 2).

(Amounts in Thousands)

1. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

December 31,		**2022**		2021
Cash	$	**222,016**	$	177,437
Cash equivalents:				
Reverse repurchase agreements		**-**		69,002
Money market mutual funds		**261,854**		247,388
Cash equivalents		**261,854**		316,390
	$	**483,870**	$	493,827

Money Market Mutual Funds

The Association invests in money market mutual funds which are included in cash equivalents. The fair value of money market mutual funds was approximately $261,854 and $247,388 as of December 31, 2022 and 2021, respectively.

Reverse Repurchase Agreements

The Association invests in overnight reverse repurchase agreements with the Texas Treasury Safekeeping Trust Company ("TTSTC"). These invested funds were received from the issuance of bonds during 2014 and include debt service payments. The funds are held at the TTSTC to be used for debt service and for use when a catastrophic event occurs (see Note 8). The TTSTC's minimum collateral required for overnight reverse repurchase investments is at least 100% for Treasuries; 101% for Agencies and U.S. Instrumentalities and 102% for mortgage-backed securities. The fair value of reverse repurchase agreements was approximately $0 and $69,002 as of December 31, 2022 and 2021, respectively, and is included in cash and cash equivalents in the statements of net position.

Reverse Repurchase Agreement

Fair Value as of December 31,		**2022**		2021
Open	$	**-**	$	-
30 days or less		**-**		69,002
31 to 60 days		**-**		-
61 to 90 days		**-**		-
Greater than 90 days		**-**		-
Securities received		**-**		-
	$	**-**	$	69,002

(Amounts in Thousands)

2. **Capital assets**

Capital assets consist of the following:

December 31,		**2022**		2021
Furniture and fixtures	$	**768**	$	540
Electronic data processing equipment and software		**25,670**		23,970
Intangible right-of-use asset – office buidling		**7,762**		-
Leasehold improvements		**1,994**		1,858
		36,194		26,368
Less: accumulated depreciation		**(13,123)**		(12,621)
	$	**23,071**	$	13,747

Depreciation and amortization expense was $501 and $205 for the years ended December 31, 2022 and 2021, respectively.

3. **Reinsurance**

During 2022 and 2021, the Association entered into reinsurance agreements. These agreements reduce the amount of losses that can arise from claims under a general reinsurance contract known as a catastrophe aggregate excess of loss reinsurance agreement ("aggregate excess of loss").

Aggregate Excess of Loss

Effective June 1, 2022, the reinsurance program is to indemnify the Association in respect of the liability that may accrue to the Association as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate in respect of losses occurring during the term of this contract of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,200,000, subject to a limit of liability to the reinsurer of $2,036,000.

Effective June 1, 2021, the reinsurance program is to indemnify the Association in respect of the liability that may accrue to the Association as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate in respect of losses occurring during the term of this contract of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,100,000, subject to a limit of liability to the reinsurer of $1,930,000.

(Amounts in Thousands)

Ceded reinsurance is treated as the risk and liability of the assuming companies; however, the reinsurance contracts do not relieve the Association from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Association. The Association evaluates the financial conditions of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

The Association has entered into quota share reinsurance agreements in relation to the Assumption Program (see Note 10).

The effect of reinsurance on premiums written and earned for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Written	**Earned**	Written	Earned
Direct premium	$ **518,299**	$ **443,490**	$ 395,113	$ 378,504
Excess of loss ceded premium	**(132,095)**	**(132,095)**	(102,132)	(102,132)
Net	$ **386,204**	$ **311,395**	$ 292,981	$ 276,372

Ceded premiums include premiums ceded to companies that assume policies pursuant to the Assumption Program (see Note 10).

As of December 31, 2022 and 2021, the Association had reinsurance recoverables of $0 on paid losses and LAE as a result of the Assumption Program.

4. Unearned Premiums

Unearned premiums are reported as follows:

December 31,	**2022**	2021
Gross unearned premiums	$ **277,334**	$ 202,525
Ceded unearned premiums	**-**	-
	$ **277,334**	$ 202,525

(Amounts in Thousands)

5. **Losses and Loss Adjustment Expense Reserves**

The following table provides a reconciliation of the beginning and ending reserve balances, net of reinsurance recoverables, for losses and loss adjustment expenses:

Years ended December 31,		**2022**		2021
Beginning balance	$	**77,625**	$	164,401
Less: reinsurance recoverable		**40**		86
Beginning net balance		**77,585**		164,315
Incurred related to:				
Current loss year		**40,639**		83,525
Prior loss years		**10,609**		(64,477)
Losses and loss adjustment expense incurred		**51,248**		19,048
Paid related to:				
Current loss year		**28,938**		61,725
Prior loss years		**41,720**		44,053
Paid losses and loss adjustment expense		**70,658**		105,778
Ending net balance		**58,175**		77,585
Plus: reinsurance recoverable		**6**		40
Ending balance	$	**58,181**	$	77,625

Current year changes in estimates of the cost of prior year losses and LAE affect the current year statements of revenues, expenses and changes in net position. Increases in those estimates increase current year expense and are referred to as unfavorable development or prior year reserve shortages. Decreases in those estimates decrease current year expense and are referred to as favorable development or prior year reserve redundancies. Current year losses and LAE reflected on the statements of revenue, expenses and changes in net position of $51,248 had unfavorable prior year development due to prior year large storm activity development offset by Hurricane Harvey development. Ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,660,000 as of December 31, 2022, down $10 million from 2021 due to favorable development. During 2021, the estimated reserves related to 2020 storms were revised and contributed to favorable development in 2021 in excess of $15 million. The coverage area insured by the Association was previously impacted by Hurricane Harvey in 2017. Increases or decreases of this nature occur as the result of claim settlements and receipt and evaluation of additional information regarding unpaid claims. Recent development trends are also taken into account in evaluating the overall adequacy of reserves. Due to the inherently uncertain process involving loss and loss adjustment expense reserve estimates, the final resolution of the ultimate liability may be different from that anticipated at the reporting date. The appointed actuary for the Association has opined that the loss and LAE reserves as of December 31, 2022 and 2021 make a reasonable provision for the Association's claim liabilities.

6. **Governance**
Pursuant to SB 900 signed into law during 2015, the Board of Directors composition changed and now consists of nine members: three industry representatives from companies actively writing and renewing windstorm and hail insurance in the first tier coastal counties, three public members residing in the first tier coastal counties, and three non-coastal representatives who live more than 100 miles from the Texas coast. One of the public members must also be a property and casualty agent who is licensed under this code and is not a captive agent.

7. **Service Contract with Texas FAIR Plan Association**
During 2002, the Association entered into a service contract with the Texas Fair Plan Association ("TFPA") in which the Association is to be fully reimbursed for all expenditures, professional fees, consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by the Association on behalf of TFPA. During 2022 and 2021 the Association paid expenses for TFPA under its management contract and was reimbursed $13,202 and $13,186, respectively. As of December 31, 2022 and 2021, the Association incurred or paid expenses for which it has not been reimbursed of $1,215 and $1,159, respectively, on behalf of TFPA, and are included in other assets in the statements of net position. This arrangement is subject to a written agreement which requires that balances be settled within 30 days.

8. **Borrowed Money – Bonds Payable**
The Texas Public Finance Authority (the "Authority" or the "Issuer") has issued Bonds on behalf of the Association for the purposes of financing catastrophe loss costs in the amount of $500,000. The Bonds are issued pursuant to a master resolution adopted by the Board of Directors of the Authority on September 24, 2014 (the "Master Resolution"), and a first supplemental resolution adopted by the Board of Directors of the Authority on September 24, 2014 (the "First Supplemental Resolution", and together with the Master Resolution, the "Resolutions"). The Bonds constitute the initial series of Class 1 Public Securities of the Authority secured and payable from Class 1 Pledged Revenues irrevocably pledged under the Resolutions. The Association has pledged the Class 1 Pledged Revenues to the Authority pursuant to a Financing and Pledge Agreement dated as of September 1, 2014 between the Authority and the Association.

The Bonds were issued on September 30, 2014 for $500,000 of which $0 and $177,000 principal balance was outstanding as of December 31, 2022 and 2021, respectively, and is included in borrowed money – bonds and interest payable in the statements of net position. On December 7, 2021, the Association Board of Directors approved an early redemption of the remaining $177,000 of the Bonds and directed staff to request approval from the Commissioner of Insurance to redeem the outstanding Bonds prior to their scheduled maturity dates. The redemption was completed on May 9, 2022. In conjunction with the redemption, the Association obtained a short-term loan totaling $29,118. The Association repaid the short-term loan amount and interest in its entirety on July 21, 2022. The original Bonds bear interest from 5.25% to 8.25% with an effective interest rate of 8.03%. The Bonds were secured by the Association's net premium and other revenue which is used to fund the debt service and related accounts held by the TTSTC.

(Amounts in Thousands)

As of December 31, 2022 and 2021, the Bonds had no unamortized premium or discount. Bond issuance costs are expensed as incurred.

Interest expense incurred on the Bonds is recorded as a nonoperating expense and totaled $5,192 and $16,674 for the years ended December 31, 2022 and 2021, respectively, and is included in the statements of revenues, expenses and changes in net position. Interest expense of $12,493 and $18,744 was paid for the years ended December 31, 2022 and 2021, respectively. Interest payable was $0 and $7,301 as of December 31, 2022 and 2021, respectively, and is included in borrowed money – bonds and interest payable in the statements of net position.

Changes in borrowed money - bonds payable for the year ended December 31, 2022 is as follows:

Description	Bonds Outstanding January 1, 2022	Bonds Issued	Bonds Matured/Redeemed	Bonds Outstanding December 31, 2022
Taxable Series 2014	**$ 177,000**	$ -	$ **177,000**	$ -

Changes in borrowed money - bonds payable for the year ended December 31, 2021 is as follows:

Description	Bonds Outstanding January 1, 2021	Bonds Issued	Bonds Matured/Redeemed	Bonds Outstanding December 31, 2021
Taxable Series 2014	$ 227,200	$ -	$ 50,200	$ 177,000

9. Statutory Fund

In 1993, the Texas legislature created the CRTF. At the end of each year and pursuant to administrative rules, the Association shall deposit the statutory net gain from operations of the Association in excess of incurred losses, operating expenses, public security obligations, and public security administrative expenses into the CRTF and/or purchase reinsurance. Pursuant to Tex. Ins. Code §2210.259, a surcharge is charged on non-compliant structures insured by the Association, and these surcharges are deposited monthly into the CRTF.

When an occurrence or series of occurrences in a catastrophe area occurs, the Association shall pay losses in excess of premium and other revenue of the Association from available reserves of the Association and available amounts in the CRTF. Administrative rules adopted by the commissioner of insurance establish the procedures relating to the disbursement of money from the CRTF.

The Texas Comptroller of Public Accounts ("comptroller") administers the CRTF in accordance with Tex. Ins. Code, Chapter 2210. All money, including investment income, deposited in the CRTF, are state funds to be held by the comptroller outside the state treasury on behalf of, and with legal title in the TDI until disbursed as provided by the Tex. Ins. Code, Chapter 2210 and administrative rules adopted by the TDI under the Association's Plan of Operation.

The CRTF may be terminated only by law. On termination of the CRTF, all assets of the CRTF revert to the State of Texas to provide funding for the mitigation and preparedness plan established under Tex. Ins. Code, §2210.454.

For the years ended December 31, 2022 and 2021, statutory fund costs were $74,962 and $0, based on the direction of the TDI and based on its interpretation of the relevant statutes. TDI's directive requires the Association to determine its net gain from operations based on catastrophe-year incurred losses, rather than calendar year reported losses. Starting at the end of calendar year 2018, the Association is required to use the net gain from operations of the Association to make payments to the CRTF, procure reinsurance, or use alternative risk financing mechanisms. Although amounts held in the CRTF are not presented as assets in the statements of net position, once contributed to the CRTF, these funds will be held in trust with the TTSTC and will be available for the exclusive use of the Association to pay losses and expenses of the Association as permitted by law. A contribution to the CRTF in the amount of $74,962 has been accrued as of December 31, 2022. No contribution to the CRTF has been accrued as of December 31, 2021, as net gain from operations was used to redeem the remaining outstanding principal on the Bonds in 2022 (See Note 8).

For the years ended December 31, 2022 and 2021, the CRTF held $190,004 and $182,712, respectively.

In August 2017, the Texas coverage area insured by the Association was struck by Hurricane Harvey. The ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,660,000. The Act allows the Association to assess member companies Class 1 member assessments up to $500,000. A Class 1 member assessment was approved by the Commissioner of Insurance on May 25, 2018 for $175,000, a second Class 1 member assessment was approved on August 20, 2018 for $106,820, and a third Class 1 member assessment was approved on January 10, 2020 for $90,000 for a combined total of $371,820. As of December 31, 2020, $369,621 has been collected from the three assessments. One insurance group disputed whether they were subject to a 2018 assessment based on their interpretation of a 2017 legislative change. In 2020, the TDI Commissioner made a determination that the insurance group was not subject to the 2018 assessments. The outstanding assessment will be reallocated and collected from the other member companies. Further assessments will be requested if needed as Hurricane Harvey paid loss development matures. As of December 31, 2022 and 2021, the net position of the Association is $60,335 and $247, respectively.

10. Depopulation

Depopulation measures were introduced in the 84th Texas Legislature in 2015 authorizing assumption reinsurance agreements between the Association and the private market to facilitate depopulation. The Association implemented the Assumption Program in 2016 and is still in effect as of December 31, 2022. One private market insurer participated in the 2022-2023 and 2021-2022 programs. The novations occurred on March 1, 2023 and 2022, and consisted of 46 and 125 policies, respectively. Approximately 16,000 policies have been novated through December 31, 2022 since the inception of the program.

As of December 31, 2022 and 2021, funds held by company under reinsurance treaties was $0.

During 2022 and 2021, the Association recognized ceded written premiums of $0 as a result of the Assumption Program.

(Amounts in Thousands)

11. Employee Benefit Plans

Defined Benefit Plan

Plan Description. The Association is a participating employer in The Pension Plan for Insurance Organizations (PPIO) (the "Plan") which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The PPIO is an agent multi-employer defined benefit pension plan administered by The Named Fiduciaries of The Pension Plan for Insurance Organizations (c/o Greenberg Traurig, LLP). The authority to establish and amend the benefit provisions of the plans that participate in the multiple-employer pension plan administered by The Named Fiduciaries of The Pension Plan for Insurance Organizations is assigned to the respective employer entities. For the Association, that authority rests with the Association's Board of Directors. The Named Fiduciaries of The Pension Plan for Insurance Organizations issue publicly available information about the Plan that is prepared to comply with the Employee Retirement Income Security Act of 1974 (ERISA). That information may be obtained from the plan administrator, The Named Fiduciaries of The Pension Plan for Insurance Organizations, c/o Greenberg Traurig, LLP, 200 Park Avenue, 20th Floor, New York, NY 10166.

Covered employees are the only class of employees covered under the pension plan and are employees who have completed 1,000 hours of service within a 12-month consecutive period. The benefits are paid based on specific events and in the form of a monthly benefit payment. A lump sum benefit is payable if its present value of the monthly benefit is less than $20,000. The key elements of the pension formula consist of a percentage of average earnings multiplied by years and months of service. There are no automatic post-employment benefit changes or automatic cost of living adjustments affecting benefit payments.

Employees covered by benefit terms: As of December 31, 2022 and 2021, the following employees were covered by the benefit terms:

December 31,	**2022**	2021
Inactive employees or beneficiaries currently receiving benefits	**59**	55
Inactive employees entitled to but not yet receiving benefits	**68**	62
Active employees	**215**	217
Total	**342**	334

Contributions. PPIO members are not required to contribute to the Plan. The Association is required to contribute at an actuarially determined rate: employer contributions is 19.87 percent and 17.46 percent of covered payroll for the years 2022 and 2021, respectively. The contribution requirements of plan members and the Association are established and may be amended by The Named Fiduciaries of the PPIO.

(Amounts in Thousands)

Net Pension Liability

The Association's net pension liability was measured as of December 31, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of these dates.

Actuarial assumptions. The total pension liability in the December 31, 2022 and 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

December 31,	**2022**	2021
Inflation	**2.50%**	2.50%
Salary increases	**4.00%**	2.50%
Investment rate of return	**4.50%**	4.50%

As of December 31, 2022, mortality rates were based on the Pri-2012 separate employee, retiree and contingent annuitant rates, and the MP-2021 mortality improvement scale. As of December 31, 2021, mortality rates were based on the Pri-2012 separate employee, retiree and contingent annuitant rates, and the MP-2021 mortality improvement scale.

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using an expected geometric mean return and portfolio weighting method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The overall 20-year geometric mean portfolio real return is 1.40% and 1.57% during 2022 and 2021, respectively. The overall 20-year geometric median portfolio real return is 1.29% and 1.44% during 2022 and 2021, respectively. The overall 20-year geometric 75th percentile portfolio real return is 2.25% and 2.44% during 2022 and 2021, respectively. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The pension valuation assumes an annual inflation rate of 2.5%. The expected returns above assume passive investing and do not include any premium for active management.

(Amounts in Thousands)

The target allocation and best estimates of expected geometric mean returns for each major asset class during 2022 are summarized in the following table:

Asset Class	Target Allocation	Expected geometric mean returns
Large cap U.S. equity	19.5%	4.07%
Mid cap U.S. equity	6.4%	4.06%
Small cap U.S. equity	2.9%	3.68%
Real estate	5.2%	2.28%
International equity	8.2%	4.07%
Fixed income	57.0%	(1.13)%
Cash	0.8%	(0.89)%
Total	100.0%	

The target allocation and best estimates of expected geometric mean returns for each major asset class during 2021 are summarized in the following table:

Asset Class	Target Allocation	Expected geometric mean returns
Large cap U.S. equity	18.9%	4.20%
Mid cap U.S. equity	5.8%	4.20%
Small cap U.S. equity	2.7%	3.82%
Real estate	4.4%	2.25%
International equity	9.5%	4.21%
Fixed income	58.2%	(0.85)%
Cash	0.5%	(0.79)%
Total	100.0%	

Discount Rate: The discount rate used to measure the total pension liability was 5.25 and 4.50 percent during 2022 and 2021, respectively. Willis Towers Watson used their firm's proprietary capital market assumptions as of January 2022 for the various asset classes and applied those to the asset allocation of the PPIO as of January 1, 2022 to develop an overall average rate. As the Plan is a Qualified Plan under ERISA, the assumption has been made that the Plan will be sufficiently funded to pay benefits at all times. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. There are no non-employer contributing entities and there are no employee contributions.

(Amounts in Thousands)

Changes in Net Pension Liability. The Association's changes in net pension liability for the years ended December 31, 2022 and 2021 were as follows:

		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) – (b)
Balance, January 1, 2022	**$**	**32,792**	**$**	**30,127**	**$**	**2,665**
Changes for the year:						
Service cost		**2,238**		**-**		**2,238**
Interest		**1,561**		**-**		**1,561**
Demographic gains		**(193)**		**-**		**(193)**
Contributions - employer		**-**		**3,516**		**(3,516)**
Net investment loss		**-**		**(9,904)**		**9,904**
Assumption changes		**(3,503)**		**-**		**(3,503)**
Benefit payments		**(670)**		**(670)**		**-**
Administrative expenses		**-**		**(179)**		**179**
Balance, December 31, 2022	**$**	**32,225**	**$**	**22,890**	**$**	**9,335**

		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) – (b)
Balance, January 1, 2021	$	29,479	$	25,956	$	3,523
Changes for the year:						
Service cost		2,106		-		2,106
Interest		1,407		-		1,407
Demographic losses		347		-		347
Contributions - employer		-		2,961		(2,961)
Net investment income		-		1,983		(1,983)
Assumption changes		78		-		78
Benefit payments		(625)		(625)		-
Administrative expenses		-		(148)		148
Balance, December 31, 2021	$	32,792	$	30,127	$	2,665

(Amounts in Thousands)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Association as of December 31, 2022 and 2021, respectively, calculated using the discount rate of 5.25 percent and 4.50 percent as well as what the Association's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25 percent and 3.50 percent) or 1-percentage-point higher (6.25 percent and 5.50 percent) than the current rate:

December 31, 2022	1% Increase (6.25%)	Current Discount Rate (5.25%)	1% Decrease (4.25%)
Net pension liability	**$ 5,179**	**$ 9,335**	**$ 14,406**

December 31, 2021	1% Increase (5.50%)	Current Discount Rate (4.50%)	1% Decrease (3.50%)
Net pension liability	$ (1,699)	$ 2,665	$ 8,016

Pension Plan Fiduciary Net Position: The pension plan's basic financial statements can be obtained from the Plan Administrator located at: The Managing Fiduciary of The Pension Plan for Insurance Organizations, c/o Greenberg Traurig, LLP; 200 Park Avenue, 20th Floor; New York, NY 10166.

(Amounts in Thousands)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension: For the years ended December 31, 2022 and 2021, the Association recognized pension expense of $4,513 and $2,468, respectively. During December 31, 2022 and 2021, the Association allocated pension expense of $897 and $892, respectively, to TFPA. Net pension expense included in underwriting expenses in the statements of revenues, expenses and changes in net position was $3,616 and $1,576 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2022		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	**$**	**674**	**$**	**190**
Changes in assumptions		**1,852**		**3,021**
Net difference between projected and actual earnings on plan investments		**7,523**		**-**
Total	**$**	**10,049**	**$**	**3,211**

December 31, 2021		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	861	$	43
Changes in assumptions		2,515		41
Net difference between projected and actual earnings on plan investments		-		2,127
Total	$	3,376	$	2,211

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31,		Amount
2023	$	1,575
2024		2,013
2025		2,199
2026		1,993
2027		(477)
Thereafter		(465)
	$	6,838

(Amounts in Thousands)

Defined Contribution Plan:
The Association has a defined contribution 401(k) plan available to eligible employees after six months of employment. Matching contributions totaling $1,003 and $999 (before allocation to Texas FAIR Plan Association ("TFPA")) were made for the years ended December 31, 2022 and 2021, respectively. The Association's portion was approximately $695 and $693 for the years ended December 31, 2022 and 2021, respectively.

12. Lease Obligation

The Association leases office space under a non-cancellable lease agreement which expires in 2033. The Association's lease arrangement may contain both lease and non-lease components. The Association has elected to account for lease and non-lease components separately.

The Association does not have any variable lease payments. Lease costs associated with fixed payments on the Association's leases were $810 for the year ended December 31, 2022 and is included in underwriting expenses in the statements of revenues, expenses and changes in net position.

Lease liability maturities as of December 31, 2022, are as follows:

Years ended December 31,		Financing Leases
2023	$	357
2024		880
2025		905
2026		930
2027		955
Thereafter		5,840
Total lease payments		9,867
Less: imputed interest		(2,105)
Total lease liabilities	$	7,762

The remaining lease term related to the Association's lease liability as of December 31, 2022 is 10-years.

The weighted-average discount rate related to the Association's lease liabilities as of December 31, 2022 was 4.3%. The Association uses the incremental borrowing rate to discount future lease payments.

As of December 31, 2022, the Association had no additional leases that had not yet commenced.

The Association had $0 termination penalties or residual value guarantees during 2022.

13. Commitments and Contingencies

The Association is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters in excess of the amounts provided will not have a material adverse effect on the financial position of the Association. These matters are subject to various uncertainties, and some of these matters may be resolved unfavorably to the Association.

The Association obtained a $500,000 committed line of credit with two of its primary financial institutions during 2022. The line of credit agreement was entered into June 1, 2022 subsequent to the Association's Board of Directors approval on May 17, 2022. No amounts have been drawn against the line of credit. Issuance fees for the line of credit were $500 and the Association paid the lenders a 0.475% commitment fee against the unused portion of the line of credit. The commitment was originally set to mature on May 31, 2023, however, the line of credit was terminated by the Association on December 27, 2022 without penalty.

The Association obtained a $500,000 committed line of credit with two of its primary financial institutions during 2021. The line of credit agreement was entered into June 1, 2021 subsequent to the Association's board of directors approval on May 18, 2021. No amounts were drawn against the line of credit. Issuance fees for the committed line of credit were $500 and the Association pays the lenders a 0.475% commitment fee against the unused portion of the line of credit. The commitment originally matured May 31, 2022, however, the line of credit was terminated by the Association on December 27, 2021 without penalty.

14. Concentration of Credit Risk

The Association maintains deposits of cash in excess of federally insured limits with certain financial institutions. The Association has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash.

The Association writes windstorm and hail coverage primarily in the 14 counties along the Texas coast in which it has approximately $83,800,000 and $65,800,000 of insurance exposure as of December 31, 2022 and 2021, respectively.

15. Fair Value Measurements

GASB Statement No. 72, Fair Value Measurement and Application, ("GASB Statement No. 72") requires the Association to make estimates of the fair value for financial assets and financial liabilities based on the framework established in the Fair Value Measurements and Disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Association's significant market assumptions. The three levels of the hierarchy are as follows:

- Level 1 – Fair values are based on inputs using quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed on the measurement date.
- Level 2 – Fair values are based on inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 – Fair values are based on unobservable inputs for an asset or liability.

The Association's financial assets measured at estimated fair value on a recurring basis included cash as of December 31, 2022 and 2021 as follows:

- Reverse repurchase agreements of $0 and $69,002, respectively, are valued using quoted market prices (Level 1 inputs).

In accordance with GASB Statement No. 72, cash equivalents that were measured at NAV have not been classified in the fair value hierarchy. The investment strategy for the Association is to hold highly liquid cash and cash equivalents for funding catastrophe events. The Association does not believe that the assets stated at NAV have any significant restrictions to liquidate or to be sold for less than NAV. The Association's financial assets measured at NAV included in cash equivalents as of December 31, 2022 and 2021 are as follows:

- Money market mutual funds of $261,854 and $247,388, respectively, are valued using NAV per share of $1.

The Association has no financial liabilities measured at estimated fair value on a recurring basis.

16. Subsequent Events

The Association has evaluated subsequent events occurring after December 31, 2022, the date of the most recent statements of net position through April 27, 2023, the date the financial statements were issued. The Association does not believe any subsequent events have occurred that would require further disclosure or adjustment to the financial statements.

Required Supplementary Information

Texas Windstorm Insurance Association

Schedules of Changes in Net Pension Liability and Related Ratios

(Amounts in Thousands)

December 31,	**2022**	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability:										
Service cost	**$ 2,238**	$ 2,106	$ 1,606	$ 1,396	$ 1,378	$ 1,116	$ 1,043	$ 880	$ 812	$ 867
Interest	**1,561**	1,407	1,366	1,233	1,109	1,018	951	848	716	673
Plan amendments	**-**	-	-	-	-	-	-	398	-	-
Demographic losses (gains)	**(193)**	347	373	317	133	(105)	58	146	(455)	1
Assumption changes	**(3,503)**	78	743	2,377	221	(113)	1,046	481	728	-
Benefit payments	**(670)**	(625)	(663)	(597)	(578)	(506)	(511)	(428)	(360)	(276)
Net change in total pension liability	**(567)**	3,313	3,425	4,726	2,263	1,410	2,587	2,325	1,441	1,265
Total pension liability – beginning	**32,792**	29,479	26,054	21,328	19,065	17,655	15,068	12,743	11,302	10,037
Total pension liability – ending	**$ 32,225**	$ 32,792	$ 29,479	$ 26,054	$ 21,328	$ 19,065	$ 17,655	$ 15,068	$ 12,743	$ 11,302
Plan fiduciary net position:										
Contributions – employer	**$ 3,516**	$ 2,961	$ 2,568	$ 2,360	$ 2,180	$ 1,594	$ 1,024	$ 931	$ 1,034	$ 1,034
Net investment income (loss)	**(9,904)**	1,983	2,426	3,702	(959)	1,870	869	(134)	759	1,076
Benefit payments	**(670)**	(625)	(663)	(597)	(578)	(506)	(511)	(428)	(360)	(276)
Administrative expenses	**(179)**	(148)	77	(88)	(69)	(72)	(75)	(53)	(55)	(49)
Net change in plan fiduciary net position	**(7,237)**	4,171	4,408	5,377	574	2,886	1,307	316	1,378	1,785
Plan fiduciary net position – beginning	**30,127**	25,956	21,548	16,171	15,597	12,711	11,404	11,088	9,710	7,925
Plan fiduciary net position – ending	**$ 22,890**	$ 30,127	$ 25,956	$ 21,548	$ 16,171	$ 15,597	$ 12,711	$ 11,404	$ 11,088	$ 9,710
Net pension liability - ending	**$ 9,335**	$ 2,665	$ 3,523	$ 4,506	$ 5,157	$ 3,468	$ 4,944	$ 3,664	$ 1,655	$ 1,592
Plan fiduciary net position as a percentage of the total pension liability	**71.03%**	91.87%	88.05%	82.71%	75.82%	81.81%	72.00%	75.68%	87.01%	85.91%
Covered payroll	**$ 17,698**	$ 16,960	$ 15,730	$ 15,388	$ 15,086	$ 12,747	$ 13,214	$ 13,847	$ 13,365	$ 12,359
Net pension liability as a percentage of covered payroll	**52.75%**	15.71%	22.40%	29.28%	34.18%	27.21%	37.41%	26.46%	12.38%	12.88%

See accompanying independent auditors' report.

Schedules of Employer Contributions
(Amounts in Thousands)

Date	Actuarial Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2022	$ 3,516	$ 3,516	$ -	$ 17,698	19.87%
2021	2,961	2,961	-	16,960	17.46%
2020	2,568	2,568	-	15,730	16.33%
2019	2,360	2,360	-	15,388	15.34%
2018	2,180	2,180	-	15,086	14.45%
2017	1,594	1,594	-	12,747	12.50%
2016	1,024	1,024	-	13,214	7.75%
2015	931	931	-	13,847	6.72%
2014	1,034	1,034	-	13,365	7.74%
2013	1,034	1,034	-	12,359	8.37%

See accompanying independent auditors' report.

5E4. Internal Control Letter

ctm Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

April 27, 2023

Board of Directors
Texas Windstorm Insurance Association
Austin, Texas

In planning and performing our audit of the financial statements of Texas Windstorm Insurance Association, (the "Association") as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the board of directors, and for filing with the Texas Department of Insurance, and is not intended to be and should not be used by anyone other than these specified parties.

Calhoun, Thomson & Matza, LLP

6. Actuarial

6A. Policy Counts/Exposures

Texas Windstorm Insurance Association
Statistical Report
As of March 31, 2023

	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
County	3/31/22	3/31/23	Actual	Percentage	3/31/22	3/31/23	Actual	Percentage	3/31/22	3/31/23	Actual	Percentage
Aransas	5,649	7,109	1,460	25.80%	1,985,870,766	2,821,362,633	$835,491,867	42.10%	2,956,360	5,112,350	$2,155,990	72.90%
Brazoria	30,755	40,004	9,249	30.10%	9,379,750,988	13,659,131,143	$4,279,380,155	45.60%	13,142,622	19,250,212	$6,107,590	46.50%
Calhoun	3,761	4,308	547	14.50%	1,054,792,453	1,279,484,754	$224,692,301	21.30%	1,556,389	1,760,905	$204,516	13.10%
Cameron	9,548	10,012	464	4.90%	2,979,859,668	3,552,124,871	$572,265,203	19.20%	3,477,093	5,227,283	$1,750,190	50.30%
Chambers	4,126	5,725	1,599	38.80%	1,444,568,310	2,224,840,953	$780,272,643	54.00%	1,922,383	2,760,725	$838,342	43.60%
Galveston	63,613	72,796	9,183	14.40%	22,320,286,379	28,227,127,231	$5,906,840,852	26.50%	33,345,014	42,247,769	$8,902,755	26.70%
Harris	3,638	4,015	377	10.40%	1,177,252,158	1,459,252,892	$282,000,734	24.00%	1,171,922	1,424,807	$252,885	21.60%
Jefferson	24,346	28,658	4,312	17.70%	5,906,680,151	8,006,416,709	$2,099,736,558	35.50%	8,342,062	11,241,610	$2,899,548	34.80%
Kenedy	17	27	10	58.80%	3,263,141	7,144,282	$3,881,141	118.90%	19,234	19,741	$507	2.60%
Kleberg	714	859	145	20.30%	169,648,065	232,004,600	$62,356,535	36.80%	285,464	396,188	$110,724	38.80%
Matagorda	4,479	5,034	555	12.40%	1,190,711,060	1,460,266,202	$269,555,142	22.60%	1,691,366	2,175,020	$483,654	28.60%
Nueces	37,435	41,790	4,355	11.60%	11,317,060,377	14,372,730,815	$3,055,670,438	27.00%	16,542,364	21,310,662	$4,768,298	28.80%
Refugio	312	379	67	21.50%	91,920,538	110,603,135	$18,682,597	20.30%	151,818	170,366	$18,548	12.20%
San Patricio	5,836	7,499	1,663	28.50%	1,629,957,521	2,346,852,015	$716,894,494	44.00%	2,505,991	3,304,725	$798,734	31.90%
Willacy	328	362	34	10.40%	88,373,740	106,938,156	$18,564,416	21.00%	105,208	128,660	$23,452	22.30%
Total	194,557	228,577	34,020	17.50%	60,739,995,315	79,866,280,391	$19,126,285,076	31.50%	87,215,290	116,531,023	$29,315,733	33.60%

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2023

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Aransas										
Commercial	79	79	276	276	1,775,807	1,775,807	429,313,445	14,735,105	398	892
Manufactured Home	42	42	42	42	63,246	63,246	10,392,852	0	168	168
Residential	1,305	1,305	1,305	1,305	3,273,297	3,273,297	2,381,656,336	205,228,694	6,543	6,619
Total	1,426	1,426	1,623	1,623	5,112,350	5,112,350	2,821,362,633	219,963,799	7,109	7,679
Brazoria										
Commercial	163	163	301	301	2,138,028	2,138,028	548,323,416	11,631,059	790	1,268
Manufactured Home	60	60	60	60	125,856	125,856	15,954,000	0	216	216
Residential	8,352	8,352	8,352	8,352	16,986,328	16,986,328	13,094,853,727	1,751,935,419	38,998	39,187
SUM:	8,575	8,575	8,713	8,713	19,250,212	19,250,212	13,659,131,143	1,763,566,478	40,004	40,671
Calhoun										
Commercial	44	44	90	90	219,554	219,554	132,845,481	2,861,890	211	428
Manufactured Home	15	15	15	15	24,583	24,583	4,731,594	0	77	77
Residential	772	772	772	772	1,516,768	1,516,768	1,141,907,679	98,770,749	4,020	4,096
SUM:	831	831	877	877	1,760,905	1,760,905	1,279,484,754	101,632,639	4,308	4,601
Cameron										
Commercial	169	169	306	306	2,408,824	2,408,824	1,393,178,770	12,907,820	727	1,617
Manufactured Home	11	11	11	11	13,998	13,998	2,921,200	0	62	62
Residential	1,835	1,835	1,835	1,835	2,804,461	2,804,461	2,156,024,901	213,052,257	9,223	9,253
SUM:	2,015	2,015	2,152	2,152	5,227,283	5,227,283	3,552,124,871	225,960,077	10,012	10,932

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2023

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Chambers										
Commercial	17	17	22	22	148,395	148,395	65,528,995	1,318,965	112	170
Manufactured Home	15	15	15	15	30,624	30,624	4,158,400	0	58	58
Residential	1,191	1,191	1,191	1,191	2,581,706	2,581,706	2,155,153,558	292,743,008	5,555	5,617
SUM:	1,223	1,223	1,228	1,228	2,760,725	2,760,725	2,224,840,953	294,061,973	5,725	5,845
Galveston										
Commercial	456	456	873	873	7,714,548	7,714,548	3,213,252,621	71,550,790	2,271	4,253
Manufactured Home	46	46	46	46	77,423	77,423	15,507,163	0	242	242
Residential	15,447	15,447	15,447	15,447	34,455,798	34,455,798	24,998,367,447	2,887,573,821	70,283	70,670
SUM:	15,949	15,949	16,366	16,366	42,247,769	42,247,769	28,227,127,231	2,959,124,610	72,796	75,165
Harris										
Commercial	9	9	20	20	133,514	133,514	124,887,520	2,640,585	72	212
Manufactured Home	0	0	0	0	0	0	192,000	0	4	4
Residential	839	839	839	839	1,291,293	1,291,293	1,334,173,372	176,657,613	3,939	3,952
SUM:	848	848	859	859	1,424,807	1,424,807	1,459,252,892	179,298,198	4,015	4,168
Jefferson										
Commercial	136	136	236	236	1,189,639	1,189,639	551,034,569	15,250,114	723	1,338
Manufactured Home	13	13	13	13	24,465	24,465	4,364,350	0	56	56
Residential	5,435	5,435	5,435	5,435	10,027,506	10,027,506	7,451,017,790	967,068,670	27,879	28,001
SUM:	5,584	5,584	5,684	5,684	11,241,610	11,241,610	8,006,416,709	982,318,784	28,658	29,395

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2023

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Kenedy										
Commercial	1	1	5	5	14,055	14,055	696,000	0	1	5
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	4	4	4	4	5,686	5,686	6,448,282	256,600	26	28
SUM:	5	5	9	9	19,741	19,741	7,144,282	256,600	27	33
Kleberg										
Commercial	12	12	38	38	137,540	137,540	29,264,774	2,055,450	47	98
Manufactured Home	0	0	0	0	0	0	144,500	0	2	2
Residential	156	156	156	156	258,648	258,648	202,595,326	21,670,717	810	825
SUM:	168	168	194	194	396,188	396,188	232,004,600	23,726,167	859	925
Matagorda										
Commercial	32	32	76	76	303,533	303,533	111,572,655	1,952,745	172	332
Manufactured Home	5	5	5	5	10,837	10,837	2,049,207	0	28	28
Residential	1,051	1,051	1,051	1,051	1,860,650	1,860,650	1,346,644,340	138,630,089	4,834	4,886
SUM:	1,088	1,088	1,132	1,132	2,175,020	2,175,020	1,460,266,202	140,582,834	5,034	5,246
Nueces										
Commercial	455	455	914	914	5,568,828	5,568,828	2,631,756,660	50,444,805	2,037	4,256
Manufactured Home	4	4	4	4	8,382	8,382	2,237,700	0	41	41
Residential	8,402	8,402	8,402	8,402	15,733,452	15,733,452	11,738,736,455	1,322,683,994	39,712	39,839
SUM:	8,861	8,861	9,320	9,320	21,310,662	21,310,662	14,372,730,815	1,373,128,799	41,790	44,136

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2023

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Refugio										
Commercial	3	3	7	7	7,061	7,061	18,542,687	60,000	30	50
Manufactured Home	2	2	2	2	4,402	4,402	1,462,000	0	19	21
Residential	92	92	92	92	158,903	158,903	90,598,448	9,234,012	330	344
SUM:	97	97	101	101	170,366	170,366	110,603,135	9,294,012	379	415
San Patricio										
Commercial	58	58	100	100	448,894	448,894	140,980,804	3,020,380	252	410
Manufactured Home	10	10	10	10	18,842	18,842	4,034,912	0	57	57
Residential	1,498	1,498	1,498	1,498	2,836,989	2,836,989	2,201,836,299	273,327,887	7,190	7,231
SUM:	1,566	1,566	1,608	1,608	3,304,725	3,304,725	2,346,852,015	276,348,267	7,499	7,698
Willacy										
Commercial	7	7	9	9	15,428	15,428	18,080,984	99,900	32	54
Manufactured Home	2	2	2	2	2,620	2,620	326,045	0	6	6
Residential	57	57	57	57	110,612	110,612	88,531,127	5,814,080	324	331
SUM:	66	66	68	68	128,660	128,660	106,938,156	5,913,980	362	391
Total All Counties										
Commercial	1,641	1,641	3,273	3,273	22,223,648	22,223,648	9,409,259,381	190,529,608	7,875	15,383
Manufactured Home	225	225	225	225	405,278	405,278	68,475,923	0	1,036	1,038
Residential	46,436	46,436	46,436	46,436	93,902,097	93,902,097	70,388,545,087	8,364,647,610	219,666	220,879
SUM:	48,302	48,302	49,934	49,934	116,531,023	116,531,023	79,866,280,391	8,555,177,217	228,577	237,300

6B. Reserve Adequacy

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: May 4, 2023

TO: David Durden
General Manager

FROM: James C. Murphy, FCAS, MAAA
Chief Actuary, Vice President – Enterprise Analytics

RE: TWIA Reserve Adequacy as of March 31, 2023

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of March 31, 2023.

The ultimate loss and loss adjustment expense estimate for Hurricane Ike has been finalized at approximately $2.582 billion after the closure of all outstanding claims.

The ultimate estimate for Hurricane Harvey remains at 1.66 billion. The actual ultimate costs of Hurricane Harvey may differ substantially from the selected ultimate estimate due to variability in the adequacy of case reserves and the outcome of disputed claims.

As of March 31, 2023, TWIA carried $48.0 million in total gross loss and loss adjustment expense reserves with approximately $6,000 of the total gross reserve ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. The total gross loss and loss adjustment expense reserves include the reserves for Hurricanes Harvey, Delta, Laura, Hanna, Nicholas, and all other outstanding claims. Collectability risk has been reviewed and found to be immaterial relative to total gross reserves.

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

JM

6C. 2023 Funding: Reinsurance

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: May 4, 2023

TO: David Durden
General Manager

FROM: James C. Murphy, FCAS, MAAA
Chief Actuary, Vice President – Enterprise Analytics

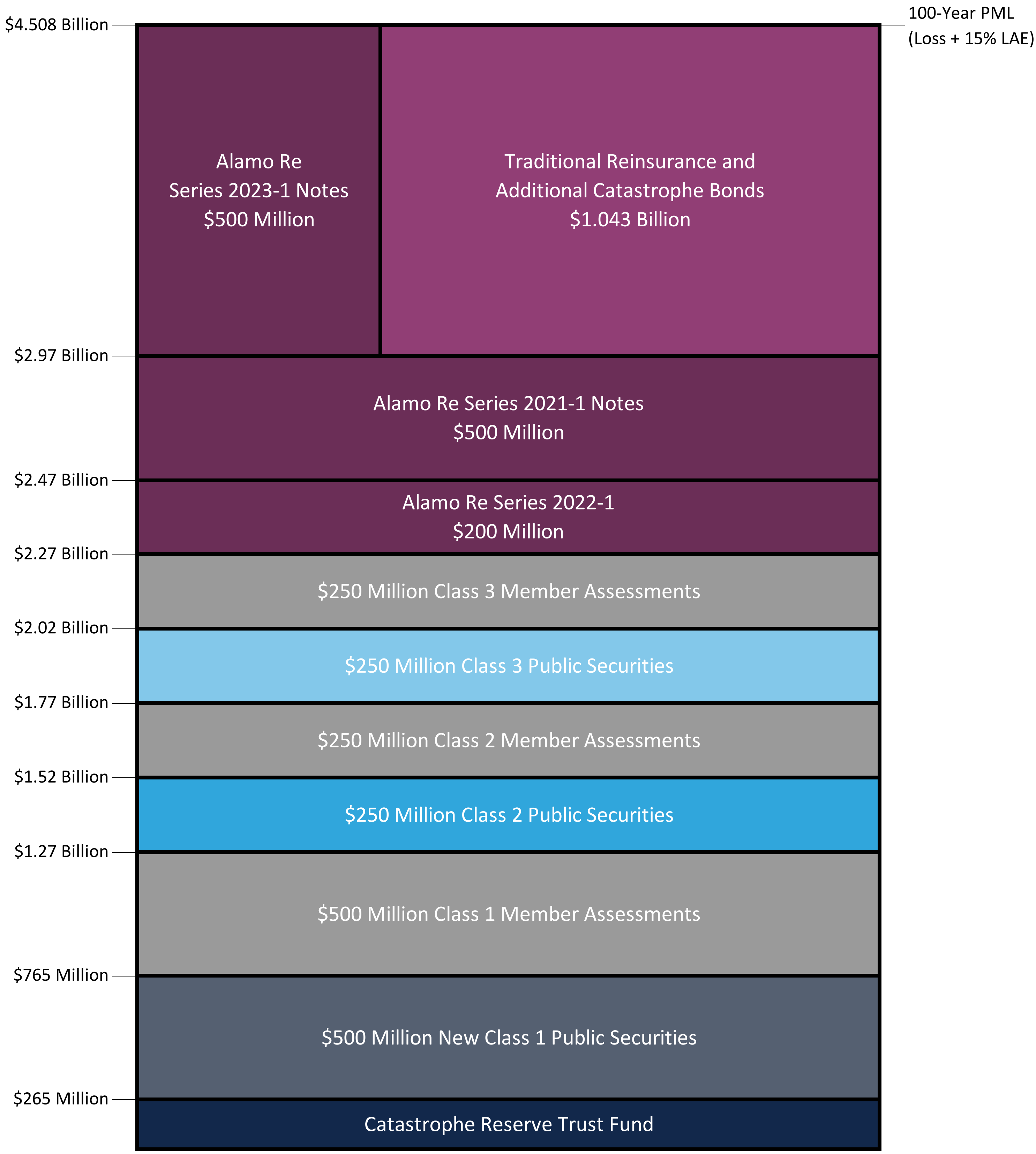
RE: TWIA Funding for the 2023 Hurricane Season

The TWIA Board of Directors established at its January 19, 2023 meeting the 100-year probable maximum loss (PML) for the 2023 hurricane season at $4.508 billion. In order to satisfy the minimum funding level required by statute, the Association is in the process of securing approximately $2.2 billion total reinsurance coverage, comprising $700 million in existing catastrophe bonds originally issued in 2021 and 2022 and $1.5 billion in traditional reinsurance and new catastrophe bonds as shown in the attached exhibit.

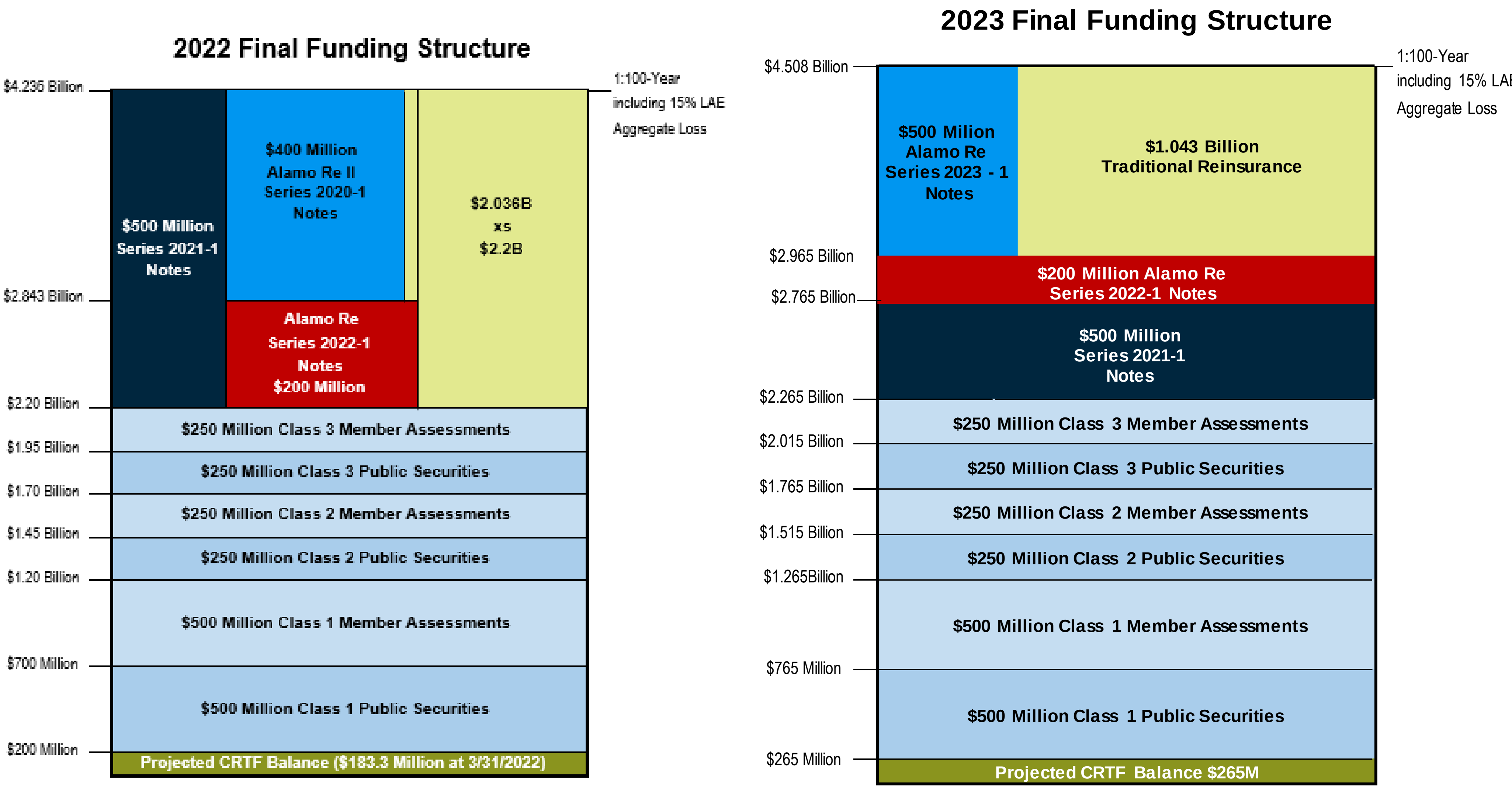
TWIA staff has worked with our reinsurance broker, Gallagher Re, to reposition the existing catastrophe bonds within our reinsurance program and to issue $500 million in new catastrophe bonds for 2023. We are in the process of placing the remaining $1 billion of coverage now, which is expected to include both traditional reinsurance and an additional new catastrophe bond issuance. Gallagher Re will be in attendance at the Board meeting to discuss the current state of the program placement and answer any questions from the Board.

JM

Texas Windstorm Insurance Association
2023 Funding
$4.508 Billion in Total Funding
Reinsurance Effective 6/1/23 - 5/31/24



TWIA Funding Structure 2022 & 2023



Gallagher Re

6D. Aon Contract – Notice of Termination

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: May 8, 2023

TO: David Durden
General Manager

FROM: James C. Murphy, FCAS, MAAA
Chief Actuary, Vice President – Enterprise Analytics

RE: Renewal Provisions of Aon Contract

TWIA initially entered into a Statement of Work (SOW) with Aon Re, Inc. on February 2, 2022 to perform catastrophe modeling and other related services. This contract automatically renews each calendar year. In order to terminate the contract, TWIA would need to notify Aon prior to December 1 as described in the following excerpt:

> **SOW Term**. The initial term of this SOW will commence on the SOW Effective Date and continue until December 31, 2022 (**"Initial SOW Term"**). The Initial SOW Term will automatically renew on January 1, 2023 for successive one-year periods commencing on the anniversary of the end of the Initial SOW Term (each a **"Renewal Term"**; the Initial SOW Term and all Renewal Terms are collectively referred to as the **"SOW Term"**), unless either party notifies the other on or before December 1 of a SOW Term or Renewal Term that the Agreement will not be renewed.

JM

7. Internal Audit
7A. Internal Audit Status & Update

MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: May 23, 2023

SUBJECT: Status of Internal Audit Activities

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

- **Current Activities:**

Activity Description	Status
Reinsurance	Report Issued
Continuity of Operations Plan – Business Operations	Power Point Presented to Board
HR and Payroll	Report Issued
Claims Audit	Report Issued
Facilities	Fieldwork complete – in review and reporting phase
Accounts Receivable	Fieldwork in progress
Depopulation	Fieldwork in progress
Accounts Payable and Expense Processing	Planning phase

- **Upcoming Audits and Activities:**

Activity Description	Timing
Plan of Operation	3rd Quarter (moved back from Q2)
Communications	3rd Quarter
Model Audit Rule	3rd Quarter
Underwriting	3rd/4th Quarter
Reinsurance Funding	3rd/4th Quarter
Actuarial	3rd/4th Quarter

- **ELT meetings:**
  - Attended Executive Leadership Team and Operations meetings.

Texas Windstorm Insurance Association
Internal Audit Plan – Lookback (2021-2022) and Prospective (2023-2025)

Process Area	Last Report Date	2022 Inherent Risk Rating	2021	2022	2023	2024	2025
Reinsurance and Funding	Nov. 2020	High		x		x	
Information Security	Apr. 2022	High		x		x	
Emergency Planning/COOP	Nov. 2022	High		x		x	
Customer Experience	N/A	High				x	
Underwriting	June 2020	High			x		x
Human Resources Administration	Nov. 2022	High		x		x	
Claims Processing	Dec. 2022	High		x		x	
Strategic Communications	Mar. 2021	High	x		x		x
Actuarial (Pricing and Reserving)	Sept. 2021	High	x		x		x
Governance	May 2021	High	x			x	
Database and Application Administration	Oct. 2020	Moderate			x		
Legal & Compliance	Mar. 2021	Moderate	x		x		
Plan of Operation	N/A	Moderate			x		
Depopulation	Sept. 2020	Moderate			x		
Financial Close and Reporting[1]	Dec. 2020	Moderate				x	
Accounts Payable and Expense Processing[1]	Oct. 2019	Moderate			x		
Application Development	N/A	Moderate			x		x
Information Technology Services	Apr. 2022	Moderate		x			x
Vendor Management	Nov. 2021	Moderate	x			x	
Accounts Receivable[1]	May 2020	Moderate			x		
Facilities and Services	Oct. 2020	Moderate				x	
Cash Management	Aug. 2021	Low	x			x	
Premium Taxes	July. 2021	Low	x				x

Note 1: The audit frequency has been modified to every 48 months due to the area's risk level and the fact the Model Audit Rule includes procedures that address this area annually.

8. Underwriting Operational Review Update

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: May 2, 2023

TO: David Durden, General Manager

FROM: Michael Ledwik, Acting Vice President, Underwriting

RE: Update on Underwriting Operational Results

First Quarter 2023 Results

TWIA Underwriting Metrics	Monthly Summary			Quarterly Summary			YTD		
	Jan-23	Feb-23	Mar-23	Q1 2023	Q2 2023	Q3 2023	2023	2023 Goal	▲
Transaction Issuance	97%	97%	97%	97%			97%	90%	7
Internal Underwriting QA	99.82%	99.89%	97.83%	99.48%			99.48%	99%	0.48
Average Speed to Answer	78%	72%	80%	76%			76%	80%	-4%
Internal Telephone QA	95%	96%	96%	95.67%			95.67%	95%	0.67

I. Overview:

- 97% of transactions were issued within 10 days
  a. 70% of the transactions were straight through processed by the system within 1 day
  b. Transactions referred by the system to Underwriting are due to complex issues requiring additional information from agencies and renewal migration data updates
- Out of 88,328 calls for the quarter, 76% of the calls were answered under 20 seconds
  a. On January 6th, 2023 there was a data connectivity issue with our Waco Data Center
  b. On February 16th-17th 2023 there was a two-day internal outage with our phone provider

II. Agency Compliance Audits:

Standard audits were completed for a sample of agencies doing business with TWIA in the first quarter of 2023 to verify compliance with the declination of coverage and flood insurance requirements.

a. All policies reviewed were compliant with the requirement for proof of declination of coverage

b. 20% of the policies/properties selected for review required flood insurance. Only one policy did not have a flood policy and audit staff is working with the agency
c. All agents audited have an active property and casualty insurance license

III. UPC Update

a. Roughly 1800 policies have been submitted and issued to date

9. Claims
9A. Claims Operations

TWIA Claims Operations 2023

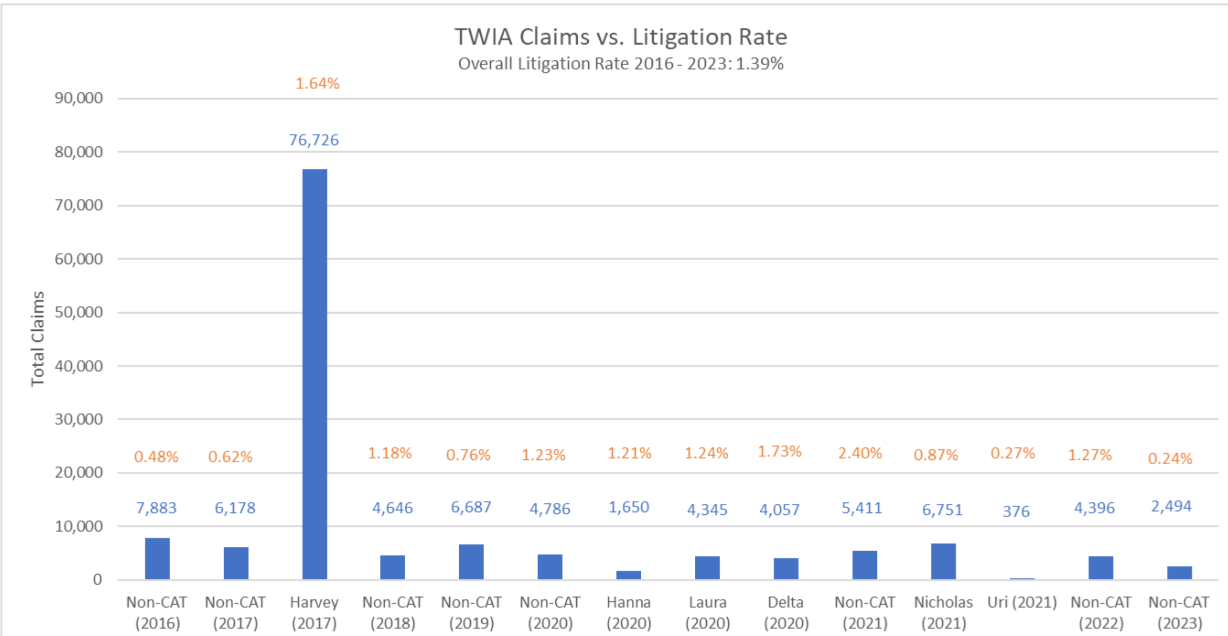
TWIA Claims - 2023 Results (through Q1)					
Key Cycle Times (In days)	**Industry Average, TX**	**TWIA**	**TWIA Plan**	**Variance to Plan**	**% Variance to Plan**
FNOL to Inspect Property	5.9	3.2	<3	0.2	7%
Inspect Property to Receipt by TWIA	4.2	1.5	<8	-6.5	-81%
Total Cycle Time FNOL to Payment - Daily	N/A	9.1	<12	-2.9	-18%
Total Cycle Time FNOL to Payment - Cat	N/A	8.8	<12	-3.2	-20%
TDI Complaint Ratio					
2022	0.29% - 14 complaints from 5,066 new claims				
2023	0.10% - 2 complaints from 2,094 new claims				

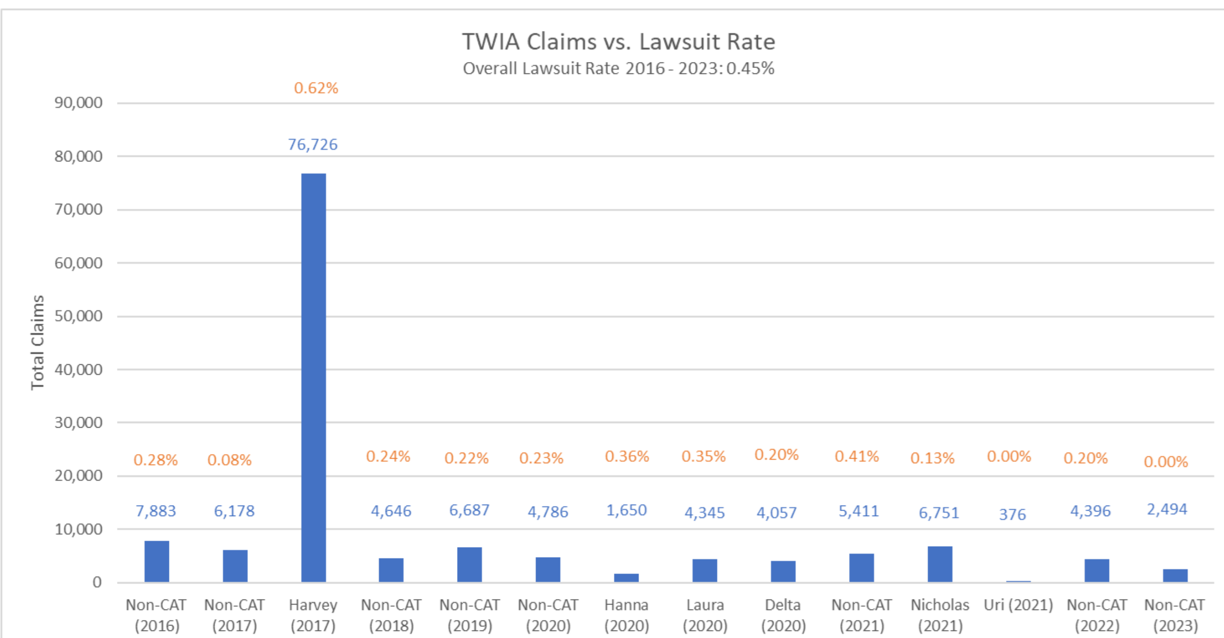
Year	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Actual Volume	396	313	613	483	534	383	323	472	466	324	410	349	834	567	693
Actuarial Projected	639	445	445	1,622	1,622	450	454	651	651	658	319	319	669	467	467
Staffing Plan	546	546	546	546	546	546	546	546	546	546	546	546	572	572	572
Open Inventory	6,520	6,120	5,511	4,834	4,446	3,865	3,521	3,248	3.068	3,010	2,973	2,892	3,217	3,402	3,465

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	**2,094**

9B. Claims Litigation

TWIA Litigation Tracking Activity





TEXAS WINDSTORM INSURANCE ASSOCIATION

Litigation Quarter Summary
First Quarter 2023

Summary of TWIA Claims in Suit (1st Quarter 2023)

	New	Settled	Closed
January	2	0	21
February	0	0	8
March	3	0	6
	5	**0**	**35**

Summary of TWIA Claims with LORs (1st Quarter 2023)

	New	Settled	Closed
January	6	0	47
February	7	0	14
March	28	0	51
	41	**0**	**112**

TEXAS WINDSTORM INSURANCE ASSOCIATION

TWIA Claims Litigation

March 2023

Mar-23	TWIA Claims in Suit				
	Category	Beginning Inventory	New	Closed	Ending Inventory
	Pre-HB3	1	0	0	1
	HB3	129	3	(6)	126
	TOTAL	130	3	(6)	127

Mar-23	TWIA Claims with LORs					
	Category	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
	Pre-HB3	0	0	0	0	0
	HB3	401	28	(51)	(3)	375
	TOTAL	401	28	(51)	(3)	375

Mar-23	TWIA Claims with Suits/LORs: Detail of Ending Inventory										
	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
		Suits		LORs			Suits		LORs			
		Res	Comm	Res	Comm	Total	Res	Comm	Res	Comm	Total	
	Pre-HB3	0	1	0	0	1	0	0	0	0	0	1
	HB3	102	24	358	17	501	0	0	0	0	0	501
	TOTAL	102	25	358	17	502	0	0	0	0	0	502

TEXAS WINDSTORM INSURANCE ASSOCIATION

Mar-23	TWIA Active Pre-HB3 Claims w/ Suits/LORs: Breakdown by Firm and County			
Firm	Chambers	Galveston	Jefferson	Total
Buzbee	0	1	0	1
Hodge Law Firm	0	0	0	0
TOTAL	0	1	0	1

TWIA Active HB3 Claims with Suits/LORs: Breakdown by County (Mar-23)

Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Kleberg	Matagorda	Nueces	Refugio	San Patricio	Grand Total
9	68	3	135	2	95	14	112	1	14	41	1	7	502

TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm (Mar-23)

Firm	#
Furlow Law Firm	99
Baker Law	97
Chad T. Wilson	62
Palker Law Firm	41
Daly & Black	24
Hodge Law Firm	20
McClenny Moseley & Associates	15
Scott Law Offices	12
Carrigan & Anderson	10
Brasher Law Firm	9
Omar Ochoa Law Firm	8
Remaining 57 firms	105
TOTAL	502

10. TWIA Operations
10A. IT Systems Updates

TEXAS WINDSTORM INSURANCE ASSOCIATION

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: May 5, 2023

TO: David Durden, General Manager

FROM: Camron Malik, CIO / VP IT

RE: TWIA Information Technology status

After the board's approval of the cloud program we negotiated the contract with Guidewire for their portion of the cloud effort and also awarded the system integration contract to Zensar. We are currently finalizing the Statement of Work with Zensar and expect to have it signed by the middle of June. This work is planned to start in January 2024.

Our current focus is on issues which impact agent productivity and efficiency of the policy issuance process. Agents and our Policy Services staff have stated that the performance of the commercial policy workflow and print is not up to par. Additionally, they have asked for capabilities which will help improve agent efficiency. An example is the ability to generate multiple quotes with varying options.

From a performance perspective, commercial policies take a long time to go through the data entry, rating and quote process. This is a complex workflow involving the portal, policy system, rating, document processing and printing. This set of intertwined sub-systems also impacts the performance of document printing.

We have deployed several changes over the past six months which have partially improved some of the issues and we will continue to address the agents needs through our monthly production releases. We are committed to resolving these issues within the next 3 months. We also plan to visit agent offices to get a better understanding of how agents use our systems. This will assist in our efforts to provide a more performant solution and better understand and optimize system processes used by agents.

Overall TWIA systems continue in production support mode with a monthly cadence of releases and the Infrastructure and Operations team continues to support remote work with excellent quality. All technology efforts are on-track.

10B. Legislative Affairs Update

MEMORANDUM

DATE: May 15, 2023

TO: David Durden, General Manager

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

RE: Legislative Affairs & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) 88th Legislative Session: The legislative session continues through May 29.

All bills based on recommendations in TWIA's Biennial Report have been passed by the House.

- House Bill 3310 by Rep. J.M. Lozano (San Patricio County) relating to deadlines for the claims appraisal process of the Texas Windstorm Insurance Association.
- House Bill 3311 by Rep. Lozano relating to the process of selecting representatives of the insurance industry to serve on the board of directors of the Texas Windstorm Insurance Association.
- House Bill 4354 by Rep. Lozano relating to a mitigation and preparedness program and a fortified homes program administered by the Texas Windstorm Insurance Association.
- House Bill 2366 by Rep. Ed Thompson (Brazoria County) relating to the applicability of premium and maintenance taxes to the Texas Windstorm Insurance Association.
- House Bill 3208 by Rep. Thompson relating to the refund of premiums on the cancellation of Texas Windstorm Insurance Association policies by insureds.

The following bills from TWIA's Biennial Report have passed both chambers and have been sent to the governor for his signature or veto.

- Senate Bill 2232 by Sen. Morgan LaMantia (Cameron County) relating to requirements for insurance agents offering windstorm and hail insurance policies issued by the Texas Windstorm Insurance Association.
- Senate Bill 2233 by Sen. LaMantia relating to automatic renewal of certain policies issued by the Texas Windstorm Insurance Association.

There are deadlines for action on bills throughout the month of May. A calendar from the Texas Legislative Reference Library listing end-of-session action deadlines is attached.

TWIA's Legislative and External Affairs staff has continued tracking bills that may impact Association operations in anticipation of our program to implement legislative changes passed in the 88th session.

b) Legislative Meetings: Association staff held more than 25 meetings with legislative offices during Q1 2023 to discuss Biennial Report recommendations and provide information in response to requests.

c) Stakeholder Inquiries: From January 1 through March 31, 2023, we received and responded to 15 legislative/TDI inquiries on Biennial Report recommendations and legislation filed during session, the Catastrophe Reserve Trust Fund balance, and general insurance agent and policyholder questions sent from the TDI Ombudsman.

d) Operational Updates: We continue to provide regular email updates to the Board, the Texas Department of Insurance (TDI), legislative staff, and coastal elected officials and stakeholders about TWIA's operational activities.

II. Agent Advisory Group

a) The Agent Advisory Group (AAG) met on April 17 for its second quarterly meeting of 2023.

b) Discussion topics for the meeting included updates on the agent commission study, the 88th Legislative Session and the status of Association- and industry-related bills, the redesign of the TWIA.org website, Agent Portal performance issues negatively impacting agent workflows, and updates on Underwriting-related matters, including ELEVATE, the insolvency of United Property & Casualty Insurance Company, and the Assumption Reinsurance Depopulation Program.

88th Legislature, Regular Session
Deadlines for Action Under House and Senate Rules

MAY 2023

This deadlines calendar is intended to be a practical summary guide to the end-of-session deadlines. It is not intended as an interpretation of the rules of the House or Senate.

A red box indicates the last day for a chamber to take certain actions.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
118th day **7**	**119th day** **8** Last day for House committees to report HBs/HJRs **(See Note 1)**	**120th day** **9** By 10 p.m.—last House daily calendar with HBs/HJRs must be distributed (36-hour layout) **(See Note 2)**	**121st day** **10** By 9 a.m.—last House local and consent calendar with **consent** HBs must be distributed (48-hour layout) **(See Note 2)**	**122nd day** **11** Last day for House to consider 2nd reading HBs/HJRs on daily or supplemental calendar	**123rd day** **12** Last day for House to consider **consent** HBs on local and consent calendar on 2nd and 3rd reading and **ALL** 3rd reading HBs/HJRs on supplemental calendar	**124th day** **13**
125th day **14**	**126th day** **15**	**127th day** **16**	**128th day** **17** By 9 a.m.—last House local and consent calendar with **local** HBs must be distributed (48-hour layout) **(See Note 2)**	**129th day** **18**	**130th day** **19** Last day for House to consider **local** HBs on local and consent calendar on 2nd and 3rd reading *First day Senate can consider bills and resolutions on the first day they are posted on the Notice of Intent Calendar*	**131st day** **20** Last day for House committees to report SBs/SJRs **(See Note 1)**
132nd day **21** By 10 p.m.—last House daily calendar with SBs/SJRs must be distributed (36-hour layout) **(See Note 2)**	**133rd day** **22** By 9 a.m.—last House local and consent calendar with SBs must be distributed (48-hour layout) **(See Note 2)**	**134th day** **23** Last day for House to consider 2nd reading SBs/SJRs on daily or supplemental calendar	**135th day** **24** Last day for House to consider **local and consent** SBs on 2nd & 3rd reading and **ALL** 3rd reading SBs/SJRs on supplemental calendar *Last day for Senate to consider **ALL** bills & JRs on 2nd or 3rd reading* **(See Note 3)**	**136th day** **25** ***Before*** midnight—Senate amendments must be distributed in the House (24-hour layout)	**137th day** **26** ***Before*** midnight—***House*** copies of conference committee report (CCR) on the general appropriations bill must be distributed (48-hour layout) Last day for House to act on Senate amendments ***Before*** *midnight—**Senate** copies of CCRs on tax, general appropriations, and reapportionment bills must be distributed (48-hour layout)* **(See Note 4)**	**138th day** **27** ***Before*** midnight—***House*** copies of CCRs on JRs and bills other than the general appropriations bill must be distributed (24-hour layout) ***Before*** *midnight—**Senate** copies of CCRs on JRs and bills other than tax, general appropriations, and reapportionment bills must be distributed (24-hour layout)*
139th day **28** Last day for House to adopt CCRs or discharge House conferees and concur in Senate amendments *Last day for Senate to concur in House amendments or adopt CCRs*	**140th day** **29** Corrections only in House and Senate Last day of session (Sine die)					

In reviewing this calendar, all members should consider, in addition to the stated deadline, the time needed for the preparation of any ancillary documents related to the bill, any printing time, and any applicable layout rule.

Note 1: The House rules do not contain an express deadline for committees to report measures, but, technically, this is the last day for a House committee to report a measure in order for the measure to have any chance of being placed on a House calendar. ***However***, this deadline ***does not*** take into consideration the time required to: (1) prepare the bill analysis; (2) obtain an updated fiscal note or impact statement; (3) prepare any other paperwork required for a committee report; or (4) prepare the committee report for distribution to the members of the House as required by the rules. ***Realistically***, it normally takes a full day ***or more*** for a measure to reach the Calendars Committee after the measure has been reported from committee.

Note 2: The House rules do not have an express deadline for distributing calendars on the 120th, 121st, 128th, 132nd, and 133rd days. This calendar presumes that the House will convene at 9 a.m. for a local and consent calendar and at 10 a.m. for a daily or supplemental calendar.

Note 3: The Senate deadline for passing all bills and joint resolutions ***does not*** take into consideration the House deadline for passing Senate bills and joint resolutions. ***Realistically***, to be eligible for consideration by the House under its end-of-session deadlines, Senate bills and joint resolutions must be passed by the Senate and received by the House ***before*** the 130th day.

Note 4: Both Senate and House rules require a 48-hour layout for a resolution suspending limitations on a conference committee considering the general appropriations bill, if such a resolution is necessary. Neither rule has an express deadline for considering that resolution, which should occur before consideration of the general appropriations bill.

14. Future Meetings
August 8, 2023 –Tremont House–
Galveston, TX
December 12, 2023 – Omni Hotel –
Corpus Christi, TX