Meeting of Board of Directors
Texas Windstorm Insurance Association
Teleconference/Web Conference
May 6, 2025
Marriott Austin South
4415 South IH 35
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 the 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 – *Karen Guard*
   B. Anti-Trust Statement and Conflict of Interest Disclosure – *Counsel*
   C. Meeting Format Information – *Kristina Donley*

2. Introduction of New Board Members – *Karen Guard* *5 minutes*

3. Approve the Minutes from Prior Board of Directors Meeting – *Karen Guard* – ***Action/Vote Likely**** *5 minutes*

4. Election of Officers – *Karen Guard* – ***Action/Vote Likely****

5. Public Comment *15 minutes*

6. TWIA Operational Dashboard – *David Durden* *15 minutes*

7. 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 – *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. 2025 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

8. Actuarial – *Jim Murphy* *30 minutes*
   A. Policy Count/Exposures
   B. Reserve Adequacy
   C. 2025 Funding; Reinsurance – *Gallagher Re*

9. Internal Audit Status & Update – *Dan Graves* – *Weaver* *10 minutes*

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

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

12. TWIA Operations *20 minutes*
    A. IT Operations Update – *Michael Eleftheriades*
    B. Communications and Legislative Affairs Update – *David Durden*

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

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

15. Committees – *Karen Guard* – ***Action/Vote Likely**** *5 minutes*
    A. Actuarial and Underwriting Committee Vacancies

16. Future Meetings – *Karen Guard* *5 minutes*
    A. Future Meeting Dates
       - August 5, 2025 – Tremont House – Galveston, TX
       - November 4, 2025 – Omni Hotel – Corpus Christi, TX

17. Adjourn

1. Anti-Trust Statement

ANTI-TRUST COMPLIANCE STATEMENT

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

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

- Someone on the TWIA staff shall be present at all times during meetings of the TWIA Board of Directors or other official activities such as meetings of various TWIA committees unless such meetings are for the purpose of discussing personnel matters;

- At any such meetings or official activities, there shall be no discussion of voluntary market rates, prices, discounts or other terms and conditions of sale without the General Manager or the General Counsel being present;

- There shall be no discussion of the areas in which TWIA Board members and their respective member companies will compete for the products and services that they will offer; and

- There shall be no discussion of any agreement or understanding to boycott a third party or to deal with a third party only on certain terms.

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.

3. 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 25, 2025

The Following Board Members were Present:

1. Karen Guard (Secretary/Treasurer)	Industry Representative
2. Esther Grossman	Industry Representative
3. Tim Garrett	Non-Seacoast Territory Representative
4. Peggy Gonzalez	First Tier Coastal Representative
5. Greg Smith	First Tier Coastal 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. Michelle Friesenhahn, VP People and Business Operations	TWIA
6. Michael Ledwik, VP Underwriting	TWIA
7. Jim Murphy, Chief Actuary	TWIA
8. Michael Eleftheriades, Interim Chief Information Officer	TWIA
9. Amy Koehl, Senior Project Administrator	TWIA
10. Kristina Donley, Senior Instructional Designer	TWIA
11. Jessica Davidson, Project Administrator	TWIA
12. Mike Perkins, Association Counsel	Perkins Law Group PLLC

The Following Guests Were Present:

1. Jim Conroy	Aon
2. Minchong Mao	Aon
3. Dan Schweitz	Aon
4. Dan Graves	Weaver

The Following In Person Attendees Were Present:

1. Sharon O'Connor	Coastal Windstorm Ins. Coalition
2. Terrilyn Tarlton Shannon	Coastal Windstorm Ins. Coalition
3. George Taylor	FB Taylor Insurance
4. Allen Cashin	Gallagher Re
5. Morgan Huhndorff	Gallagher Re
6. Alicia Robinson	Gallagher Re
7. Joey Walker	Gallagher Re

8. Bill Dubinsky	Gallagher Securities
9. Andrew Ellison	Guy Carpenter
10. Maggie Albrecht	Office of Rep. Terri Leo Wilson
11. Brie Little	Office of Sen. Mayes Middleton
12. Marianne Baker	TDI
13. Elizabeth Ret	TDI

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

1. Brooke Adam
2. Sally Bakko
3. Jeff Bernsen
4. Shirley Bowler
5. Liz Bury
6. Eric Casas
7. David Clark
8. Ginny Cross
9. Lou Cusano
10. Johny Dussan
11. Jeremy Eisemann
12. Theresa Elliott
13. Steve Evans
14. Angela Fang
15. David Garrelick
16. Nadia Gonzales
17. Steve Hallo
18. Jordan He
19. Andrew Herrell
20. Elizabeth Howland
21. Shelina Jamani
22. Tammy Jensen
23. Scot Kibbe
24. Debbie King
25. Alan Korenek
26. Travis McDavid
27. Marianne Moul
28. Carie Roach
29. Kenisha Schuster
30. Jai Singh
31. Aaron Taylor
32. Iann Villar
33. Ron Walenta

1. <u>Call to Order:</u> Ms. Guard called the meeting to order at 9:02 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 provided meeting logistics information to the attendees.

2. <u>Approval of Minutes:</u> Ms. Grossman moved to approve the minutes of the December 10, 2024 meeting in Corpus Christi. Mr. Smith seconded the motion. The motion passed unanimously.

3. <u>Election of Officers:</u> This item was pushed out from the December board meeting. Ms. Guard asked the board members what they thought about office elections. Mr. Garrett said he thought the elections should be postponed. Mr. Perkins concurred that they could push back the elections until there is a full board.

4. <u>Public Comment:</u> Maggie Albrecht, Terrilyn Tarlton Shannon, Brie Little and Sally Bakko offered public comment.

5. TWIA Operational Dashboard: Mr. Durden reviewed the operational dashboard for the quarter. Written and earned premiums are up for the quarter. Staff headcount is 431, including 229 permanent employees and 202 contractors.

6. Financial:
   A. Report of the Secretary/Treasurer: Ms. Guard reviewed the Treasurer's Report. Ms. Grossman moved to approve the report. Mr. Garrett seconded the motion. The motion passed unanimously.
   B. Financial Statement Review by Staff: Direct written premiums for the year ended December 31, 2024 totaled $758.8 million. Direct earned premiums were $709 million. There were 272,567 policies in force at the end of the year.

      The 2024-2025 reinsurance program incepted June 1, 2024. Coverage for the 2024 hurricane season consists of $2.1 billion collateralized catastrophe bonds and $1.950 billion traditional reinsurance. Gross ceded premiums associated with the $4.050 billion in coverage totaled $397.1 million compared to a budgeted estimate of $298 million. This total reflects an overall rate-on-line (ROL) of 9.6% compared to the 9.1% ROL for the 2023-2024 program. The net cost of the reinsurance program after ceding commission was $386.1 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

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

      Calendar year 2024 total direct losses and LAE incurred totaled $634.4 million

      Calendar year 2024 operating expenses were $38.1 million. Notable expense items under budget include personnel expenses ($2.5 million) and other expenses including rental, travel and postage ($280,000). Expenses over budget include professional and consulting services ($415,000) and hardware and software ($218,000).

      Calendar year 2024 commission expense was $121.3 million and premium taxes were $13.2 million.
   C. Withdrawal of Funds from Catastrophe Reserve Trust Fund: Hurricane Beryl, a category 1 hurricane, struck coastal policyholders on July 8, 2024 and caused extensive damage primarily in Brazoria, Matagorda and Galveston counties. The hurricane resulted in nearly 32,000 claims with ultimate losses and loss adjustment expenses currently estimated to be $480 million as of December 31, 2024. Losses from this storm (third highest in TWIA history), combined with operating expenses and losses from the severe convective storms in March and May of 2024 significantly exceeded available premiums and other revenues and require the Association to utilize the funding structure spelled out in the enabling statute.

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

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

7. Actuarial:
   A. Policy Count/Exposures: Policy counts are up just over 10% year over year and exposures are up 19%. The growth is all residential. The Association's commercial policy count has not grown.
   B. Reserve Adequacy: The TWIA actuarial staff has completed a review of the Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of December 31, 2024.

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

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

      In the opinion of the chief actuary, the Association's reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements.
   C. Appointed Actuary Qualification Documentation: Annual statement instructions require the Appointed Actuary to provide qualification documentation to the board regarding their appointment and on an annual

basis thereafter. The board most recently appointed Mr. Murphy as the Appointed Actuary for the Texas Windstorm Insurance Association at its February 14, 2023 meeting.

D. <u>Determination of 2025 Funding; Including Aon Modeling Update, Reinsurance Procurement and Determination of Probable Maximum Loss for a Catastrophe Year with a Probability of 1 in 100:</u> Representatives from Aon reviewed the presentation provided in the meeting materials. Ms. Grossman asked if the models consider El Nino or La Nina weather patterns. Mr. Schwietz said they were folded into the models. Ms. Grossman said she wanted to express her concern in the increase of mobile home policies the Association is issuing. She said it is her understanding that TWIA will issue a policy as long as the policyholder has been rejected from a carrier. She said mobile homes are different from residential structures and they are at a greater risk for catastrophic activity. Mr. Murphy said when exposures are provided for the modeling, it is noted if it contains mobile homes and it is reflected in the modeling results.

   Ms. Grossman said the board needs to think about other states and what they face with funding and other aspects when it comes to catastrophes. She doesn't want Texas to become a California with underfunding. She asked Mr. Murphy and the Aon representatives what their recommendation would be in regards to modeling. Mr. Murphy said AIR and RMS are the most accepted models and they are older.

   Ms. Grossman moved to have a balance of 25% for each model. Ms. Guard seconded the motion.

   A roll call vote was conducted.

   Tim Garrett – No
   Esther Grossman – Yes
   Greg Smith – No
   Peggy Gonzalez – No
   Karen Guard – Yes

   The motion did not pass.

   Mr. Garrett moved to average the results from the catastrophe models using the following weights: RMS 25%, RQE 25% and IF 50%. Mr. Smith seconded the motion.

   A roll call vote was conducted.

   Tim Garrett – Yes
   Esther Grossman – Yes

Greg Smith – Yes
Peggy Gonzalez – Yes
Karen Guard – Yes

The motion passed unanimously.

Mr. Smith moved that the model results would be based on long-term assumptions. Ms. Grossman seconded the motion. The motion passed unanimously.

Mr. Garrett moved that the board agrees the words, "total available loss funding" in statute contemplates inclusion of loss adjustment expenses in determining the probable maximum loss for the Association for a catastrophe year with a probability of 1 in 100. Ms. Grossman seconded the motion. The motion passed unanimously.

Ms. Grossman moved the board agrees based on the foregoing and the information presented that for catastrophe year 2025 the 1 in 100 probable maximum loss amount is $6,227,000,000. Mr. Garrett seconded the motion. The motion passed unanimously.

Mr. Garrett moved the board directs the Association's reinsurance broker to pursue placement of the reinsurance program for the 2025-2026 reinsurance contract year using a combination of catastrophe bonds and traditional reinsurance for an aggregate funding amount of $6,227,000,000 on the most favorable terms that can be achieved in the market. Ms. Grossman seconded the motion. The motion passed unanimously.

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

8. <u>Internal Audit Status & Update:</u> Mr. Graves reported that the current internal audit activities include customer experience, strategic communications and cash management. Upcoming audits include claims processing HR administration and talent retention, executive management and information security. Mr. Graves reviewed the current TWIA audit findings summary.

9. <u>Underwriting Operational Review Update:</u> For the fourth quarter of 2024, over 99.98% of transactions were issued within 10 days of receiving application and payment. Of

those transactions, 98% were straight through processed by the system and 2% were referred by the system to underwriting for additional information, review and approval prior to issuance. Out of 88,519 calls for the quarter, 92.17% of the calls were answered in under 20 seconds.

A standard sample of agencies (10) was selected in the fourth quarter of 2024 to verify compliance with the Texas Windstorm Insurance Association (TWIA) declination of coverage and flood insurance requirements. Of those agencies, 100% were compliant with the declination and flood provisions. All agents selected have active property and casualty insurance licenses.

10. Claims:
    A. Claims Operations: First notice of loss to property inspection was 4.6 days. The total cycle time of first notice of loss to payment (daily) was 10.7 days. The total cycle time of first notice of loss to payment (catastrophe) was 16.1 days. Historical claim volume for 2024 is 43,012. Mr. Smith asked about open claims from Beryl and if they have been paid yet. Mr. Williams said with the new guidelines, claims are kept open for six months after the claim decision. For many of the open claims, payment has been issued.
    B. Litigation Summary: For the fourth quarter of 2024, two new claims in suit were received, 10 were settled and six were closed. For TWIA claims with letters of representation, 364 were received, 18 were settled and 85 were closed.

11. TWIA Operations:
    A. IT Systems Update: The cloud migration project is ongoing. The user acceptance testing phase for core insurance suite components began in December. The testing phase for portals started in February as well as for the enterprise data warehouse. The go live date is still planned for the weekend of April 25.

       For remote user workstations, the proof of concept to change the connection methodology for remote TFPA internal users was successful. The rollout was completed at the end of January 2025.

       Microsoft Copilot was rolled out to a select group of users in December to evaluate functionality and applicability to the organization.

       Systems are functioning well with monthly releases that are limited to critical business items that are selected by the respective departments.
    B. Communications and Legislative Affairs Update: The 89th legislative session convened on January 14. TWIA has completed the implementation of all changes mandated by legislation enacted in the 2023 legislative session.

       The filing deadline for legislation for this session is March 14. To date, relatively few bills have been filed concerning the property and casualty insurance industry and only a small number are directly focused on the Association.

C. Procedure to Appoint Interim GM If Needed/Required: In the event the General Manager of the Texas Windstorm Insurance Association (TWIA) and the Texas FAIR Plan Association (TFPA) becomes suddenly incapacitated and unable to perform their duties due to injury, illness or other unforeseen circumstances, the following steps will be taken:

The chair of the TWIA Board of Directors will designate an interim general manager. The chair of the TFPA Governing Committee will be notified of the appointment.

Staff will utilize protocols within the Associations' existing policies, including the Business & Continuity Plan, Continuity of Operations Plan and Crisis Communications Plan, as needed to maintain minimal disruption to the Associations' operations.

The TWIA board chair will determine an anticipated end date to the interim general manager's appointment and establish a check in frequency to monitor the general manager's status and either end the interim general manager's appointment or extend the timeframe.

12. Closed Session: There was no closed session.

13. 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.

14. Committees: There was nothing to consider.

15. Future Meetings: Mr. Durden discussed moving the December meeting to November. November seems to work better timewise with the holidays and it spaces the meetings out properly.

- May 6, 2025 – Hyatt Regency – Austin
- August 5, 2025 – Tremont House – Galveston
- Move December Meeting to November

16. Adjourn: The meeting adjourned at 11:56 am.

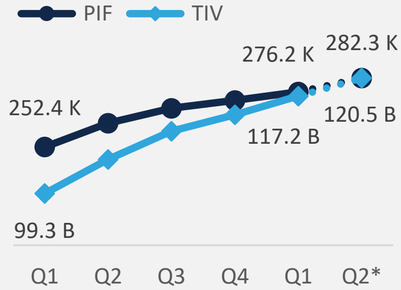
______________________________	___________________________
Prepared by: Amy Koehl	Approved by: Karen Guard
Senior Project Administrator	TWIA Secretary/Treasurer

6. TWIA Operational Dashboard

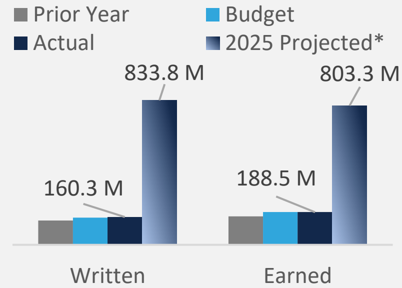
Operational Dashboard

Reporting as of March 31, 2025

Exposure Growth



Premiums



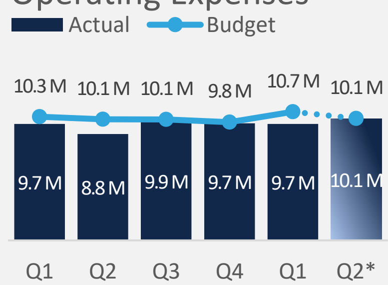
Net Income

Actual: $ 140.3 M
Budget: 119.7 M
▲ 20.6 M

CRTF Balance

$8.4 M

Operating Expenses



Claims Activity

Reported Claims: 1,783

Incurred Loss & LAE: $13.2 M

Loss Ratio: 7.0%

Claims Disputes

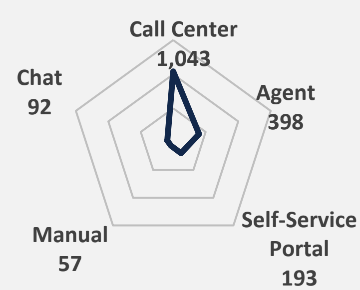
(% of Reported Claims)

TDI Complaints: 16 (0.9%)
Disputes: 19 (1.1%)
Lawsuits: 4 (0.2%)

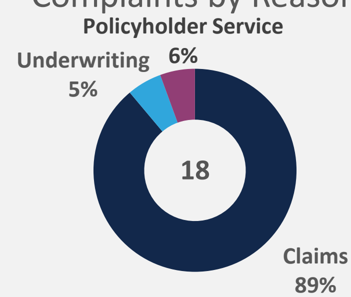
Headcount

Employees: 240
Contractors: 174
Total: 414

Claims Reporting



Complaints by Reason



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

CY 2024 Gross Premium to Surplus Ratio 1.49: 1

Enterprise Projects

Status Update as of March 31, 2025

Enterprise Projects	Initiative Type	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Legislative Implementation Program (LIP88)	Mandatory												
LIP88 - HB 998 - TFPA Property Owners Assoc (Condos	Mandatory												
Guidewire Cloud Migration (PC9)	Discretionary Planned												
Association Surcharge - Ph 1 Technical (On Hold)	Mandatory												
Association Surcharge - Ph 2 Business (On Hold)	Mandatory												
Centralized Information - Ph1 Internal Website	Discretionary Planned												

7. Financial

7A. Report of the Secretary/Treasurer

7A1. Income Statement

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

	For the three months ended March 31,	
	Actuals - 2025	**Actuals - 2024**
Premiums Written:		
Direct	$ 160,308	$ 139,466
Ceded	0	0
Ceded - Depopulation	0	0
Net	160,308	139,466
Premiums Earned:		
Direct	$ 188,498	$ 164,151
Ceded	0	0
Ceded - Depopulation	0	0
Net	188,498	164,151
Deductions:		
Direct Losses and LAE Incurred	13,232	59,589
Direct Losses and LAE Incurred - Harvey	0	0
Direct Losses and LAE Incurred - Beryl	0	0
Ceded Losses and LAE Incurred - Depopulation	0	0
Operating Expenses	9,680	9,681
Commission Expense	25,655	22,293
Ceding commissions / brokerage	0	0
Ceding commissions / brokerage - Depopulation	0	0
Premium / Maintenance Tax	2,794	2,435
Total Deductions	51,361	93,998
Net Underwriting Gain or (Loss)	137,137	70,153
Other Income or (Expense):		
Gross Investment Income	3,157	7,879
Debt Issuance/Maintenance Fees & Other Investment Expenses	(21)	(10)
Line of Credit Fees	0	0
Interest Expense on Class 1 Bonds	0	0
Interest Expense on Short Term Debt	0	0
Premium Charge offs/Write offs	(1)	0
Miscellaneous Income (Expense)	0	0
Total Other Income or (Expense)	3,135	7,869
Net Income (Loss)	**$ 140,272**	**$ 78,021**
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	(413,511)	45,853
Net Income (Loss)	140,272	78,021
Change in Provision for Reinsurance	0	0
Change in nonadmitted assets	(7,734)	(12,782)
Change in Unrecognized Pension Expense	0	0
Statutory Fund Rec/(Cost)	446,311	(23,212)
Ending Surplus (Deficit)	**$ 165,338**	**$ 87,880**

7A2. Management Discussion and Analysis

Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results
For the Three Months Ended March 31, 2025

Written and Earned Premiums

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 160.3 M	$ 156.2 M	$ 4.1 M	2.6%
Direct Earned Premiums	$ 188.5 M	$ 188.5 M	($ 0.0 M)	(0.0%)
Policies In-Force	276,220	275,752	468	0.2%

Current Yr vs Prior Yr Actual	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 160.3 M	$ 139.5 M	$ 20.8 M	14.9%
Direct Earned Premiums	$ 188.5 M	$ 164.2 M	$ 24.3 M	14.8%
Policies In-Force	276,220	252,433	23,787	9.4%

Reinsurance Costs

- The 2024-2025 reinsurance program incepted on June 1, 2024. Coverage for the 2024 hurricane season consists of $2.1 billion of collateralized catastrophe bonds and $1.950 billion of traditional reinsurance. Gross ceded premiums associated with the $4.050 billion in coverage totaled $397.1 million compared to a budgeted estimate of $298.0 million. The final cost includes the December true-up to actual exposures as of September 30, 2024. The net cost of the reinsurance program after ceding commission was $386.1 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

Depopulation Program

- There was no round 8 depopulation program in 2024/2025 as no carriers registered to participate.

Loss and Loss Adjustment Expense Incurred

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 2.4 M	$ 24.8 M	($ 22.3 M)	(90.2%)
Direct LAE Incurred	$ 10.8 M	$ 7.2 M	$ 3.6 M	49.7%
Total Direct Losses & LAE	**$ 13.2 M**	**$ 32.0 M**	**($ 18.7 M)**	**(58.6%)**
Loss & LAE Ratio	**7.0%**	**17.0%**		**(9.9%)**

Current Yr vs Prior Yr Actual	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 2.4 M	$ 48.7 M	($ 46.3 M)	-95.0%
Direct LAE Incurred	$ 10.8 M	$ 10.9 M	($ 0.1 M)	(0.9%)
Total Direct Losses & LAE	**$ 13.2 M**	**$ 59.6 M**	**($ 46.4 M)**	**-77.8%**
Loss & LAE Ratio	**7.0%**	**36.3%**		**-29.3%**

- The ultimate loss and loss adjustment expense estimate for Hurricane Beryl is $480 million as of March 31, 2025.
- The ultimate loss and loss adjustment expense estimate for Hurricane Harvey remains at $1.655 billion as of March 31, 2025.

Operating Expenses

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 9.7 M	$ 10.7 M	($ 1.0 M)	(9.5%)
Operating Expense Ratio	5.1%	5.7%		(0.5%)

Current Yr vs Prior Yr Actual	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 9.7 M	$ 9.7 M	($ 0.0 M)	(0.0%)
Operating Expense Ratio	5.1%	5.9%		(0.8%)

- Net operating expenses shown above and on the statutory income statement exclude claims related expenses which are recorded in losses and loss adjustment expense. Expenses under budget include Personnel Expenses ($491,000), Professional Services ($329,000), and Other Operating Expenses ($106,000).

Texas Windstorm Insurance Association

Management's Discussion and Analysis of Financial Results (cont'd)

Commission Expense and Premium Taxes

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 25.7 M	$ 25.0 M	$ 0.7 M	2.6%
Premium Taxes	$ 2.8 M	$ 2.9 M	($ .1 M)	(2.0%)

Current Yr vs Prior Yr Actual	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 25.7 M	$ 22.3 M	$ 3.4 M	15.1%
Premium Taxes	$ 2.8 M	$ 2.4 M	$ 0.4 M	14.7%

Other Income (Expense)

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

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 3.2 M	$ 1.7 M	$ 1.5 M	86.8%

Current Yr vs Prior Yr Actual	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 3.2 M	$ 7.9 M	($ 4.7 M)	(59.9%)

Net Income (Loss)

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 140.3 M	$ 119.7 M	$ 20.6 M	17.2%

Current Yr vs Prior Yr Actual	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 140.3 M	$ 78.0 M	$ 62.3 M	79.8%

Surplus (Deficit)

Current Period vs. Prior Year End Actual	Mar-2025 YTD Actual	Dec-24 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	$ 165.3 M	($ 413.5 M)	$ 578.8 M	140.0%

- The Association's deficit of $413.5 million at the end of 2024, improved to a surplus of $165.3 million as of March 31, 2025, due primarily to the year-to-date net income of $140.3 million and the receipt of CRTF funds in the amount of $462.7 million.

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7B. Financial Statement Review

TEXAS WINDSTORM
INSURANCE ASSOCIATION

QUARTERLY FINANCIAL STATEMENTS AND SCHEDULES

March 2025

Statutory Income Statement
(In 000s)

	For the three months ended March 31,			
	Actuals - 2025	Budget - 2025	Variance - 2025	Actuals - 2024
Premiums Written:				
Direct	$ 160,308	156,244	$ 4,064	$ 139,466
Ceded	0	0	0	0
Ceded - Depopulation	0	0	0	0
Net	160,308	156,244	4,064	139,466
Premiums Earned:				
Direct	$ 188,498	188,512	$ (14)	$ 164,151
Ceded	0	0	0	0
Ceded - Depopulation	0	0	0	0
Net	188,498	188,512	(14)	164,151
Deductions:				
Direct Losses and LAE Incurred	$ 13,232	$ 31,974	$ (18,742)	59,589
Direct Losses and LAE Incurred - Harvey	0	0	0	0
Direct Losses and LAE Incurred - Beryl	0	0	0	0
Ceded Losses and LAE Incurred - Depopulation	0	0	0	0
Operating Expenses	9,680	10,696	(1,016)	9,681
Commission Expense	25,655	24,999	656	22,293
Ceding commissions / brokerage	0	0	0	0
Ceding commissions / brokerage - Depopulation	0	0	0	0
Premium / Maintenance Tax	2,794	2,851	(58)	2,435
Total Deductions	51,361	70,521	(19,159)	93,998
Net Underwriting Gain or (Loss)	137,137	117,991	19,146	70,153
Other Income or (Expense):				
Gross Investment Income	$ 3,157	1,690	$ 1,467	7,879
Debt Issuance/Maintenance Fees & Other Investment Expenses	(21)	(26)	4	(10)
Line of Credit Fees	0	0	0	0
Premium Charge offs/Write offs	(1)	0	(1)	0
Billing Fees	0	0	0	0
Miscellaneous Income (Expense)	0	0	0	0
Total Other Income or (Expense)	3,135	1,665	1,470	7,869
Net Income (Loss)	$ 140,272	$ 119,656	$ 20,616	$ 78,021

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

1		**For the three months ended March 31,**				
2		**Actuals - 2025**	**Budget - 2025**	**Variance - 2025**	**Actuals - 2024**	2
3						3
4	**Surplus (Deficit) Account:**					4
5	Beginning Surplus (Deficit)	(413,511)	(413,511)	0	45,853	5
6	Net Income (Loss)	140,272	119,656	20,616	78,021	6
7	Change in Provision for Reinsurance	0	0	0	0	7
8	Change in nonadmitted assets	(7,734)	(14,541)	6,807	(12,782)	8
9	Unassigned Funds - Unrecognized Pension Expense	0	0	0	0	9
10	Statutory Fund Cost	446,311	456,738	(10,426)	(23,212)	10
11	Ending Surplus (Deficit)	$ 165,338	$ 148,342	$ 16,996	$ 87,880	11
12						12
13	**Key Operating Ratios:**					13
14	Direct:					14
15	Loss & LAE Ratio:					15
16	Non Hurricane	7.0%	17.0%	(9.9%)	36.3%	16
17	Hurricane Harvey	0.0%	0.0%	0.0%	0.0%	17
18	Hurricane Beryl	0.0%	0.0%	0.0%	0.0%	18
19	Loss & LAE Ratio	7.0%	17.0%	(9.9%)	36.3%	19
20	UW Expense Ratio:					20
21	Acquisition	17.7%	17.8%	(0.1%)	17.7%	21
22	Non Acquisition	5.1%	5.7%	(0.5%)	5.9%	22
23	UW Expense Ratio	22.9%	23.5%	(0.6%)	23.6%	23
24						24
25	Combined Ratio	29.9%	40.5%	(10.6%)	59.9%	25
26						26
27	Net:					27
28	Loss & LAE Ratio:					28
29	Non Hurricane	7.0%	17.0%	(9.9%)	36.3%	29
30	Hurricane Harvey	0.0%	0.0%	0.0%	0.0%	30
31	Hurricane Beryl	0.0%	0.0%	0.0%	0.0%	31
32	Loss & LAE Ratio	7.0%	17.0%	(9.9%)	36.3%	32
33	UW Expense Ratio:					33
34	Acquisition	17.9%	17.8%	0.1%	17.9%	34
35	Non Acquisition	5.1%	5.7%	(0.5%)	5.9%	35
36	UW Expense Ratio	23.0%	23.4%	(0.4%)	23.8%	36
37						37
38	Combined Ratio	30.1%	40.4%	(10.4%)	60.1%	38
39						39
40	**Note: Beginning budgeted deficit adjusted to actual for comparative purposes.**					40

Statutory Expense Statement
(In 000s)

Description	For the three months ended March 31, Actuals - 2025	Budget - 2025	Variance - 2025	Actuals - 2024
Personnel Expenses				
Salaries & Wages - Permanent	$ 3,968	$ 4,185	$ (217)	$ 3,605
Contractor & Temporary Help	7,925	10,266	(2,341)	871
Payroll Taxes	303	313	(10)	279
Employee Benefits	1,070	1,244	(174)	1,089
Recruiting, Training & Other	68	130	(62)	104
Subtotal	$ 13,334	$ 16,139	$ (2,804)	$ 5,948
Professional & Consulting Services				
Legal	$ 113	$ 127	$ (13)	$ 107
Accounting & Auditing	105	79	26	75
Information Technology	879	1,203	(323)	1,469
Actuarial Services	69	69	0	69
Omsbudsman Program	0	131	(131)	130
Surveys & Inspections	35	122	(88)	364
Disaster Recovery Services	6	7	(0)	4
Other Services (1)	1,951	1,855	96	1,629
Subtotal	$ 3,159	$ 3,592	$ (433)	$ 3,848
Hardware/Software Purchases & Licensing	1,693	1,750	(56)	1,011
Rental & Maintenance - Office/Equipment	246	277	(31)	242
Travel Expenses	33	73	(40)	30
Postage, Telephone and Express	344	336	8	264
Capital Management Expenses	0	0	0	0
Depreciation & Amortization	772	772	0	779
Other Operating Expenses	407	556	(149)	374
Total Operating Expenses	**$ 19,989**	**$ 23,493**	**$ (3,505)**	**$ 12,496**
Capitalization of Fixed Assets	0	0	0	0
Reimbursement of Depop Servicing Expense	0	0	0	(0)
Allocation To ULAE	(10,287)	(12,787)	2,500	(2,805)
Allocation To Investing & Other Expense	(21)	(11)	(11)	(10)
Net Operating Expense - UW Operations	**$ 9,680**	**$ 10,696**	**$ (1,016)**	**$ 9,681**

(1) Summary Details for Other Services:

VENDOR	Amount	Department
Accenture LLP	$ 620	Expert Panel
Marshall & Swift/Boeckh	276	Underwriting
ISO Services Inc	151	Claims
AON Re Inc	150	Actuary
Nearmap US, Inc	147	Claims
Clear Point Claims LLC	140	Underwriting
Genesys Cloud Services, Inc.-	130	Underwriting
EagleView Technologies Inc	83	Claims
Xactware Solutions Inc	72	Claims
Risk Management Solutions Inc	62	Expert Panel
*Other Outside Services below $50K	118	Various Departments
Total Other Services	**$ 1,951**	

Statutory Balance Sheet
(In 000s)

	March-25		December-24	
Admitted Assets				
Cash and short term investments:				
Unrestricted	$	650,631	$	261,866
Restricted - Funds Held at TTSTC		0		0
Restricted - Funds Held at TTSTC (Non Admitted)		0		0
Total cash and short term investments		650,631		261,866
Premiums receivable & other		54,015		57,786
Assessment receivable		0		0
Amounts recoverable from reinsurers		0		0
Total admitted assets	**$**	**704,646**	**$**	**319,652**
Liabilities, Surplus and other funds				
Liabilities:				
Loss and Loss adjustment expenses		116,074		161,475
Underwriting expenses payable		16,170		18,521
Unearned premiums, net of ceded unearned premiums		362,698		390,888
Ceded reinsurance premiums payable		0		143,271
Short Term Debt		0		0
Interest Payable on Short Term Debt		0		0
Principal Outstanding on Class 1 Pre Event Bonds		0		0
Interest Payable on Class 1 Pre Event Bonds		0		0
Provision for reinsurance		0		0
Other payables		27,949		19,007
Statutory fund payable		16,416		0
Total liabilities		**539,308**		**733,163**
Surplus and other funds				
Unassigned surplus (deficit)		165,338		(413,511)
Total liabilities, surplus and other funds	**$**	**704,646**	**$**	**319,652**
Balance in CRTF	**$**	**8,426**	**$**	**466,330**
Balance in CRTF including Statutory fund payable	**$**	**24,842**	**$**	**466,330**

Statement of Cash Flows
(In 000s)

		For the three months ended March 31, 2025			
2		**Actual - 2025**	**Budget - 2025**	**Variance - 2025**	2
3					3
4	**Cash flows from operating activities:**				4
5	Premiums collected, net of reinsurance	$ 26,936	$ 77,191	$ (50,255)	5
6	Losses and loss adjustment expense paid (1) (2)	(58,634)	(48,579)	(10,055)	6
7	Underwriting expenses paid	(44,491)	(51,217)	6,727	7
8	Member assessment received	0	0	0	8
9	Other	(119)	0	(119)	9
10	Net cash provided by operating activities	(76,308)	(22,606)	(53,702)	10
11	**Cash flows from non-operating activities:**				11
12	Statutory fund received/paid	462,728	468,000	(5,272)	12
13	Other	0	0	0	13
14	Net cash provided by non-operating activities	462,728	468,000	(5,272)	14
15	**Cash flows from investing activities:**				15
16	Sales and maturities of investments	0	0	0	16
17	Net investment income	2,345	1,690	655	17
18	Net cash provided by investing activities	2,345	1,690	655	18
19	**Cash flows from financing activities:**				19
20	Borrowed funds	0	0	0	20
21	Borrowed funds repaid	0	0	0	21
22	Debt and Credit Agreement Fees	0	(26)	26	22
23	Net cash provided by financing activities	0	(26)	26	23
24					24
25	Net increase (decrease) in cash and short-term investments	388,765	447,059	(58,295)	25
26	Cash and short-term investments, Beginning	261,866	261,866	0	26
27	**Cash and short-term investments, Ending**	**$ 650,631**	**$ 708,925**	**$ (58,295)**	27
28					28
29	(1) Direct Beryl Loss/LAE payments	$ 38,218			29
30	(2) Direct Harvey Loss/LAE payments	32			30
31					31
32	**Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.**				32

Cash and Short-Term Investments
(In 000s)

Unrestricted Cash and Short Term Investments ($ in 000s)
March 31, 2025

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 03/31/2025:											
Bank of America, Operating	$ 162	$ 50,411	$ 50,573	$ 54,663	$ 366	2.7%	8%	Superior	13.5%	$194	No
Citibank	193	0	193	0	0	0.0%	0%	Superior	14.0%	$156	No
JP Morgan Chase	0	13,711	13,711	53,137	320	2.4%	2%	Superior	16.0%	$276	No
Citibank IMMA	0	118	118	118	0	0.9%	0%	N/A	N/A	N/A	N/A
JP Morgan U.S. Treasury Plus Money Market Fund (1)	0	161,734	161,734	46,337	483	4.2%	25%	N/A	N/A	N/A	N/A
Chase Goldman Sachs (1)	0	147,845	147,845	42,854	444	4.1%	23%	N/A	N/A	N/A	N/A
BOA Morgan Stanley (2)	0	50,446	50,446	50,268	519	4.1%	8%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury (2)	0	114,680	114,680	50,382	523	4.2%	18%	N/A	N/A	N/A	N/A
Fidelity Treasury (2)	0	111,330	111,330	48,054	502	4.2%	17%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 355**	**$ 650,275**	**$ 650,631**	**$ 345,813**	**$ 3,157**	**3.7%**	**100%**				
Balances as of 12/31/2024:											
Bank of America, Operating	$ 162	$ 78,668	$ 78,830	$ 43,753	$ 365	3.3%	30%	Superior	13.4%	$191	No
Citibank	194	0	194	0	0	0.0%	0%	Superior	14.1%	$156	No
JP Morgan Chase	0	23,369	23,369	66,536	460	2.8%	9%	Superior	16.2%	$277	No
Citibank IMMA	0	118	118	137	0	0.8%	0%	N/A	N/A	N/A	N/A
JP Morgan U.S. Treasury Plus Money Market Fund (1)	0	11,578	11,578	13,049	152	4.6%	4%	N/A	N/A	N/A	N/A
Chase Goldman Sachs (1)	0	12,708	12,708	17,309	201	4.7%	5%	N/A	N/A	N/A	N/A
BOA Morgan Stanley (2)	0	49,919	49,919	49,727	569	4.6%	19%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury (2)	0	34,250	34,250	48,897	563	4.6%	13%	N/A	N/A	N/A	N/A
Fidelity Treasury (2)	0	50,900	50,900	62,069	726	4.7%	19%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 356**	**$ 261,510**	**$ 261,866**	**$ 301,476**	**$ 3,036**	**4.0%**	**100%**				

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

(2) The Fund invests in U.S. Treasury bills, notes, trust receipts and direct obligations of 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, 2024. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

Historical Data
(In 000s)

1971 - 2025

($ with 000s omitted)

	GROSS						NET				
YEAR	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES RESIDENTIAL	RATE CHANGES COMMERCIAL	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	CRTF BALANCE END OF PERIOD
1971-1987	$ 35,367,740	$ 788,610			$ 164,538	$ 187,465	$ 113,518	$ 187,465	$ 35,926	$ (109,874)	
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	95,677,314	247,531	0.0%	0.0%	653,043	91,367	371,366	91,373	140,022	139,972	283,006
2024	113,745,440	272,567	0.0%	0.0%	758,845	634,413	311,911	634,413	161,578	(484,080)	466,330
2025	117,187,159	276,220	0.0%	0.0%	160,308	13,232	188,498	13,232	38,129	137,137	8,426
TOTAL*					**9,443,920**	**6,733,112**	**6,272,318**	**5,261,538**	**2,089,049**	**(1,078,269)**	

*2025 data through 3/31/2025

7C. Investment Plan Review

MEMORANDUM

DATE: March 25, 2025

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 apply to 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 objectives of the Investment Plan are 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.

MEMORANDUM

TEXAS WINDSTORM INSURANCE ASSOCIATION

Below please find the most recent evaluation of our financial institutions based on certain of the criteria listed above.

Evaluation of Counterparty Relationships as of 12/31/2024						
	Moody's	S&P				
Financial Institution	N.A. Bank Credit Rating		N.A. Bank Credit Rating (as of 12/31/24)	N.A. Tier 1 Capital Ratio (as of 12/31/24)	N.A. Regulatory Capital (as of 12/31/24)	Holding Company Level Market Capitalization ($ in Billions as of 12/31/24)
JPMorgan Chase, N.A.	P-1	A-1	Superior	16.0%	$276	$675
Bank of America, N.A.	P-1	A-1	Superior	13.5%	$194	$337
Citibank, N.A.	P-1	A-1	Superior	14.0%	$156	$133

Currently we are not recommending any changes to the investment plan. Due to the elevated interest rates over the past 24 months, the Association shifted available investments into US Treasury Money Market Mutual funds to maximize interest income. This strategy continues as we approach the 2025 hurricane season to benefit from relatively high interest yields and maintain liquidity in the event of a catastrophic event.

We will be seeking a resolution at the May 6, 2025, board meeting regarding the 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

.

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.

7D. 2025 Hurricane Season Line of Credit

MEMORANDUM

DATE: April 18, 2025

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: Texas Windstorm 2025 Line of Credit

As we approach the 2025 Hurricane Season, it is time to reinstate the TWIA line of credit to provide short-term liquidity for claim payments after a catastrophic storm event.

Staff is proposing 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.

This year I have worked with our Chase bankers to include what is called an "accordion" clause for an additional $200 million of liquidity given the almost full depletion of the CRTF to pay losses associated with hurricane Beryl. Drawing on the additional $200 million would still require credit approval at the time of request, however this structure would reduce the time needed to obtain the funds versus starting with a new credit agreement. There is no incremental fee associated with establishing the accordion structure.

The proposed pricing for the 2025 line of credit includes a commitment fee of 42.5 basis points per annum on the unused portion of the revolving credit line and an upfront fee of 10 basis points or $500,000. The $500 million credit line amount and the proposed pricing are consistent with the terms obtained for the 2024 line of credit. It is anticipated that this line of credit, if unused, would be terminated on December 29, 2025, which is the earliest cancellation date allowable under the contract terms.

MEMORANDUM

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.

Thank you,

Stuart

J.P.Morgan

Texas Windstorm Insurance Association

JPMorgan's Financing Proposal for the 2025 Windstorm Credit Facility | April 2025

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

April 16, 2025

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

Elizabeth Gonzalez, Treasury Analyst
Texas Windstorm Insurance Association
egonzalez@twia.org

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

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, 2024.

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 April 17, 2025. 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

Janice Fong

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

Janice Fong, Vice President
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Texas Windstorm Insurance Association's dedicated team at JPMorgan

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Alexander Klos
Analyst
alexander.klos@jpmorgan.com

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
Accordion Option:	Up to $200.0 million, subject to lender consent. Amounts committed under the accordion will be allocated on a pro rata basis to all participating banks.
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 29, 2026.
Amortization:	N/A
Pricing Grid:	See pricing grid below
Conditions Precedent to Closing / Advances:	• Receipt and satisfactory review of the 2024 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 / Reduction Option:	May be exercised by TWIA on either of the following dates: December 29, 2025 and March 27, 2026 at no penalty.
Covenants:	The covenants will remain consistent with the Credit Agreement between the Bank and TWIA, dated June 1, 2024.
Upfront Fee:	10.0 bps on Total Senior Credit Facility commitments at closing and any additional amounts committed through the accordion on the date of extension, allocated on a pro rata basis to all participating banks.
Lender Counsel:	Troutman Pepper Locke LLP. Legal fees are estimated at $40,000 and capped at $50,000.

Pricing Grid:

Level	Tenor of Fundings [1]	Commitment Fee (bps)	Drawn Spread (Adjusted Term SOFR + bps)
I	**< 150 days**	**42.5**	**200.0**
II	≥ 150 days	42.5	325.0

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

RESOLUTIONS OF THE BOARD OF DIRECTORS
OF
TEXAS WINDSTORM INSURANCE ASSOCIATION

May 6, 2025

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 that are signatories thereto or that 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, which may be increased up to $700,000,000 with the Lenders' written consent (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 (other than those expressly contemplated in the Credit Agreement), 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 (except as expressly contemplated in the Credit Agreement), 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)

7E. Financial Audit by Calhoun, Thomson + Matza

7E1. Audit Wrap-Up Reports

Texas Windstorm Insurance Association

December 31, 2024

Audit Wrap Up

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

This presentation was prepared as part of our audit, has consequential limitations, is restricted to those charged with governance and, if appropriate, management, and is not intended and should not be used by anyone other than those specified parties.

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

May 1, 2025

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 July 11, 2024, 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, 2024, 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, 2024. 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 May 1, 2025.
- 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 2024.

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 2024.

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 July 11, 2024 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.

7E2. Statutory Report

Texas Windstorm Insurance Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2024 and 2023

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

Texas Windstorm Insurance Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2024 and 2023

Texas Windstorm Insurance Association

Contents

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
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www.ctmllp.com

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, 2024 and 2023, and have issued our report thereon dated May 1, 2025. 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 director, who is a certified public accountant, has 20 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 2024, 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 director has served in that capacity with respect to the Association since 2023, 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

May 1, 2025

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, 2024 and 2023, 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, 2024 and 2023, and the results of its operations, changes in its surplus and other funds, 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, 2024 and 2023, or the results of its operations, changes in its surplus and others funds, 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, 2024 and 2023 total assets were lower by approximately $26.6 million and $31.6 million, respectively. The differences identified above reduced total net position as of December 31, 2024 and 2023 by approximately $13.3 million and $18.4 million, respectively. The effects on change in net position for the years ended December 31, 2024 and 2023 were immaterial.

Emphasis of Matters

As of December 31, 2024, the Association had approximately $100.5 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, 2024, the balance in the CRTF was approximately $466.3 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 and Hurricane Beryl were estimated to be $1.655 billion and $480 million, respectively, by the Association's appointed actuary as of December 31, 2024. 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, 2024, 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

May 1, 2025

Texas Windstorm Insurance Association

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

December 31,		**2024**		2023
Admitted Assets				
Cash and cash equivalents	**$**	**261,866**	$	647,820
Uncollected premiums and agents' balances in the course of collection		**8,234**		5,782
Deferred premiums, agents' balances and installments booked but deferred		**46,297**		37,447
Other assets		**3,254**		3,604
Total admitted assets	**$**	**319,651**	$	694,653
Liabilities, Surplus and Other Funds				
Liabilities:				
Loss and loss adjustment expenses	**$**	**161,475**	$	44,784
Underwriting expenses payable		**18,521**		14,582
Unearned premiums		**390,888**		341,024
Ceded reinsurance premiums payable, net of ceding commissions		**143,271**		77,739
Statutory fund payable		**-**		156,000
Other liabilities		**19,007**		14,671
Total liabilities		**733,162**		648,800
Commitments and contingencies (Notes 6, 7, 8, 12 and 13)				
Surplus and other funds:				
Unassigned (deficit) surplus		**(413,511)**		45,853
Total liabilities and surplus and other funds	**$**	**319,651**	$	694,653

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,		**2024**		2023
Underwriting income:				
Premiums earned	**$**	**708,981**	$	589,353
Premiums ceded		**(397,070)**		(217,987)
Net premiums earned		**311,911**		371,366
Deductions:				
Losses and loss expenses incurred		**634,413**		91,373
Underwriting expenses incurred		**161,235**		140,015
Total underwriting deductions		**795,648**		231,388
Net underwriting (loss) gain		**(483,737)**		139,978
Investment gain:				
Net investment gain		**21,010**		21,016
Other income:				
Other income		**-**		6
Total other income		**-**		6
Net (loss) income before statutory fund cost federal income tax expense		**(462,727)**		161,000
Statutory fund cost		**-**		156,000
Net (loss) income before federal income tax expense		**(462,727)**		5,000
Federal income taxes incurred		**-**		-
Net (loss) income	**$**	**(462,727)**	$	5,000

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)/Surplus
Balance at January 1, 2023	$	38,643
Net income		5,000
Change in nonadmitted assets		791
Other		1,419
Balance at December 31, 2023		45,853
Net loss		(462,727)
Change in nonadmitted assets		4,974
Other		(1,611)
Balance at December 31, 2024	$	(413,511)

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,	**2024**	2023
Cash from operations:		
Premiums collected, net of reinsurance	**$ 419,076**	$ 462,889
Net investment gain	**22,875**	19,297
Miscellaneous income	**-**	6
Benefit and loss related payments	**(418,758)**	(82,656)
Commissions, expenses paid and aggregate write-ins for deductions	**(412,630)**	(237,210)
Net cash from operations	**(389,437)**	162,326
Cash from financing and miscellaneous sources:		
Other cash provided	**3,483**	1,624
Net cash from financing and miscellaneous sources	**3,483**	1,624
Net change in cash and cash equivalents	**(385,954)**	163,950
Cash and cash equivalents, beginning of year	**647,820**	483,870
Cash and cash equivalents, end of year	**$ 261,866**	$ 647,820

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 $6.5 billion in funding was secured for the 2024 hurricane season. SB 900, passed by the 84th Texas Legislature, took effect during 2015, and changed the Association's funding structure. $6.5 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 2024 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
- $4.05 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 of all authorized property carriers, 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 is still in effect as of December 31, 2024. Zero private market insurers participated in the 2024-2025 and 2023-2024 programs. Approximately 16,000 policies have been novated through December 31, 2024 since the inception of the 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 (loss) income and policyholders' (deficit) surplus between the amounts reported in the accompanying financial statements (Texas basis) and NAIC statutory accounting practices ("SAP") follow:

Years ended December 31,		**2024**		2023
Net (loss) income, Texas basis	**$**	**(462,727)**	$	5,000
Effect of Texas prescribed practices		**-**		-
Effect of Texas permitted practices		**-**		-
Net (loss) income, NAIC SAP basis	**$**	**(462,727)**	$	5,000

December 31,		**2024**		2023
Statutory (deficit) surplus, Texas basis	**$**	**(413,511)**	$	45,853
Effect of Texas prescribed practices		**-**		-
Effect of Texas permitted practices		**-**		-
Policyholders' (deficit) surplus, NAIC SAP basis	**$**	**(413,511)**	$	45,853

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.

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.

Cash and Cash Equivalents
Cash consists of demand deposits at financial institutions. Cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

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, 2024, the statute of limitations remains open for the 2021 to 2024 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.

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 following methods and assumptions were used by the Association to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash: The carrying values approximate fair value.

Cash equivalents: Valued at the Net Asset Value ("NAV") of units held by the Association at year end.

The following methods and assumptions were used by the Association to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

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,		2024		2023
Cash	**$**	**102,511**	$	69,635
Cash equivalents:				
Money market mutual funds		**159,355**		578,185
Total cash equivalents		**159,355**		578,185
	$	**261,866**	$	647,820

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 $159,355 and $578,185 as of December 31, 2024 and 2023, respectively. The admitted value of money market mutual funds was $159,355 and $578,185 as of December 31, 2024 and 2023, respectively.

2. Furniture and Equipment

Furniture and equipment consist of the following:

December 31,		2024		2023
Furniture and equipment	**$**	**768**	$	768
Electronic data processing equipment and software		**25,670**		25,670
Leasehold improvements		**1,994**		1,994
		28,432		28,432
Less: accumulated depreciation		**(19,710)**		(16,426)
		8,722		12,006
Less: non-admitted furniture and equipment		**(8,722)**		(12,006)
	$	**-**	$	-

Depreciation and amortization expense was approximately $3,284 and $3,303 for the years ended December 31, 2024 and 2023.

3. Reinsurance

During 2024 and 2023, the Association entered into reinsurance agreements. These traditional 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"). The other reinsurance agreements are part of 3-year catastrophe bonds placements.

Effective June 1, 2024, 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 these contracts, or written or renewed during the term of these contracts by or on behalf of the Association. The reinsurers, whether through the traditional or catastrophe bond placements, shall be liable in the aggregate in respect of losses occurring during the term of these contracts of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,450,000, subject to a limit of liability to the reinsurers of $4,050,000.

Effective June 1, 2023, 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 these contracts, or written or renewed during the term of these contracts by or on behalf of the Association. The reinsurers, whether through the traditional or catastrophe bond placements, shall be liable in the aggregate in respect of losses occurring during the term of these contracts of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,265,000, subject to a limit of liability to the reinsurers of $2,243,000.

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 11).

The Association has no unsecured reinsurance recoverables that exceeded 3% of the Association's surplus as of December 31, 2024 and 2023.

(Amounts in Thousands)

The effect of reinsurance on premiums written and earned for the years ended December 31, 2024 and 2023 is as follows:

	2024		2023	
	Written	**Earned**	Written	Earned
Direct premium	**$ 758,845**	**$ 708,981**	$ 653,043	$ 589,353
Excess of loss ceded premium	**(397,070)**	**(397,070)**	(217,987)	(217,987)
Net	**$ 361,775**	**$ 311,911**	$ 435,056	$ 371,366

Ceded premiums include premiums ceded to companies that assume policies pursuant to the Assumption Program (see Note 11).

As of December 31, 2024 and 2023, 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 net of ceded unearned premiums as follows:

December 31,	**2024**	2023
Gross unearned premiums	**$ 390,888**	$ 341,024
Ceded unearned premiums	**-**	-
	$ 390,888	$ 341,024

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, 2024 and 2023.

(Amounts in Thousands)

5. 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,	**2024**	2023
Beginning balance	**$ 44,784**	$ 58,181
Less: reinsurance recoverable	**-**	6
Beginning net balance	**44,784**	58,175
Incurred related to:		
Current loss year	**630,398**	99,140
Prior loss years	**4,015**	(7,767)
Losses and loss adjustment expense incurred	**634,413**	91,373
Paid related to:		
Current loss year	**486,671**	74,725
Prior loss years	**31,051**	30,039
Paid losses and loss adjustment expense	**517,722**	104,764
Ending net balance	**161,475**	44,784
Plus: reinsurance recoverable	**-**	-
Ending balance	**$ 161,475**	$ 44,784

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 $634,413 had unfavorable prior year development due to the increase in reserve strengthening of loss adjustment expenses. Current year losses are attributable to an active storm season the first half of the year in addition to results from Hurricane Beryl in July 2024. Ultimate loss and LAE from Hurricanes Harvey and Beryl are estimated to be approximately $1,655,000 and 480,000, respectively, as of December 31, 2024. 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, 2024 and 2023 make a reasonable provision for the Association's claim liabilities.

6. 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, 2024 and 2023, statutory fund costs were $0 and $156,000, 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 Texas Treasury Safekeeping Trust Company ("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 amounts of $0 and $156,000 has been accrued as of December 31, 2024 and 2023, respectively.

For the years ended December 31, 2024 and 2023, the CRTF held $466,330 and $283,006, 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 $1,655,000. 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, 2024, $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, 2024 and 2023. 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.

In July 2024 the Texas coverage area insured by the Association was struck by Hurricane Beryl. The ultimate loss and loss adjustment expenses from Hurricane Beryl are estimated to be approximately $480,000.

As of December 31, 2024 and 2023, the Association had a (deficit) surplus of $(413,511) and $45,853, respectively. The Association received approximately $462,728 from the CRTF on March 10, 2025 corresponding to the net loss from operations.

(Amounts in Thousands)

7. 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, 2024 and 2023, 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,	**2024**	2023
Change in Projected Benefit Obligations (PBO) (Underfunded):		
Benefit obligation at beginning of year	**$ 31,839**	$ 27,936
Service cost	**1,881**	1,631
Interest cost	**1,794**	1,587
Actuarial (gain) loss	**(717)**	1,426
Benefits paid	**(1,004)**	(741)
Projected benefit obligation at end of year	**33,793**	31,839
Change in Plan Assets:		
Fair value of plan assets at beginning of year	**29,916**	22,890
Actual (loss) return on plan assets	**(527)**	4,098
Employer contributions	**3,039**	3,669
Benefits paid	**(1,004)**	(741)
Fair value of plan assets at end of year	**31,424**	29,916
Funded status	**$ (2,369)**	$ (1,923)

(Amounts in Thousands)

December 31,		**2024**		2023
Funded Status:				
Assets (non-admitted):				
Prepaid benefit costs	**$**	**645**	$	-
Total assets (non-admitted)		**645**		-
Liabilities recognized:				
Accrued benefit costs		**-**		520
Liability for pension benefits		**3,014**		1,403
Total liabilities recognized		**3,014**		1,923
Unrecognized liabilities as a component of net periodic benefit cost		**-**		-
Funded status	**$**	**(2,369)**	$	(1,923)
Accumulated benefit obligation	**$**	**28,893**	$	27,850

Years ended December 31,		**2024**		2023
Components of Net Periodic Benefit Costs:				
Service costs	**$**	**1,881**	$	1,631
Interest costs		**1,794**		1,587
Expected return on plan assets		**(1,845)**		(1,298)
Loss amortization		**-**		-
Prior service cost		**44**		44
Total net periodic benefit cost	**$**	**1,874**	$	1,964

(Amounts in Thousands)

Years ended December 31,	**2024**	2023
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	**$ 1,403**	$ 2,821
Net transition asset or obligation recognized	**-**	-
Net prior service cost or credit arising during the period	**-**	-
Net prior service cost recognized	**(44)**	(44)
Net loss (gain) arising during the period	**1,655**	(1,374)
Net gain recognized	**-**	-
Items not yet recognized as a component of net periodic cost – current year	**$ 3,014**	$ 1,403

Years ended December 31,	**2024**	2023
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	**$ -**	$ -

Years ended December 31,	**2024**	2023
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	**89**	134
Net loss	**$ 2,924**	$ 1,269

(Amounts in Thousands)

Pension Assumptions:

December 31,	**2024**	2023
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	**5.50%**	5.75%
Rate of compensation increase	**3.50%**	3.00%
Expected long-term rate of return of plan assets	**6.00%**	5.25%
Weighted-average assumptions used to determine projected benefit obligations:		
Weighted-average discount rate	**6.00%**	5.50%
Rate of compensation increase	**3.50%**	3.50%

The amount of accumulated benefit obligation for the defined benefit pension plan was approximately \$28,893 and \$27,850 as of December 31, 2024 and 2023, respectively.

Measurement Date
A measurement date of December 31, 2024 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,	**2024**	2023
Equity securities	**36.2%**	36.7%
Debt securities	**57.0%**	58.0%
Real estate	**4.8%**	4.8%
Other	**2.0%**	0.5%
	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
2025	$	1,098
2026		1,277
2027		1,442
2028		1,602
2029		1,759
2030 and thereafter		11,168

Planned Contributions

The Association expects to make contributions of $3,459 during 2025.

(Amounts in Thousands)

Fair value measurements of Plan assets as of December 31, 2024 and 2023:

	Fair Value Measurements at December 31, 2024			
	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	**$ 329**	**$ -**	**$ -**	**$ 329**
Large cap equity	**5,935**	**-**	**-**	**5,935**
Small cap equity	**1,008**	**-**	**-**	**1,008**
Mid cap equity	**2,010**	**-**	**-**	**2,010**
International equity	**2,465**	**-**	**-**	**2,465**
Realty fund	**1,505**	**-**	**-**	**1,505**
Fixed income	**-**	**18,172**	**-**	**18,172**
Total plan assets	**$ 13,252**	**$ 18,172**	**$ -**	**$ 31,424**

	Fair Value Measurements at December 31, 2023			
	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	$ 234	$ -	$ -	$ 234
Large cap equity	5,855	-	-	5,855
Small cap equity	963	-	-	963
Mid cap equity	1,982	-	-	1,982
International equity	2,553	-	-	2,553
Realty fund	1,495	-	-	1,495
Fixed income	6,416	10,418	-	16,834
Total plan assets	$ 19,498	$ 10,418	$ -	$ 29,916

(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 $1,098 and $1,067 (before allocation to Texas FAIR Plan Association ("TFPA")) were made for the years ended December 31, 2024 and 2023, respectively. The Association's portion was approximately $716 and $705 for the years ended December 31, 2024 and 2023, respectively.

8. 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, 2024:

Years ending December 31,		Amount
2025	$	905
2026		930
2027		955
2028		981
2029 and thereafter		4,859
	$	8,630

Rental expense under the non-cancelable operating lease was approximately $1,372 and $1,460 for the years ended December 31, 2024 and 2023, respectively.

9. 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.

10. 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 2024 and 2023, the Association paid expenses for TFPA under its management contract and was reimbursed $22,973 and $15,270, respectively. As of December 31, 2024 and 2023, the Association incurred or paid expenses for which it has not been reimbursed of $2,603 and $1,087, 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.

11. 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 it is still in effect as of December 31, 2024. Zero private market insurers participated in the 2024-2025 and 2023-2024 programs. Approximately 16,000 policies have been novated through December 31, 2024 since the inception of the program.

As of December 31, 2024 and 2023, funds held by company under reinsurance treaties was $0.

During 2024 and 2023, the Association recognized ceded written premiums of $0 as a result of the Assumption Program.

12. 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 2024. The line of credit agreement was entered into June 3, 2024 subsequent to the Association's Board of Directors approval on May 21, 2024. 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 0.425% commitment fee against the unused portion of the line of credit. The commitment was originally set to mature on May 30, 2025, however, the line of credit was terminated by the Association as of December 27, 2024 without penalty.

The Association obtained a $500,000 committed line of credit with two of its primary financial institutions during 2023. The line of credit agreement was entered into June 1, 2023 subsequent to the Association's Board of Directors approval on May 23, 2023. 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, 2024, however, the line of credit was terminated by the Association as of December 27, 2023 without penalty.

13. 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 $100,500,000 and $106,000,000 of insurance exposure as of December 31, 2024 and 2023, respectively.

(Amounts in Thousands)

14. Nonadmitted Assets

Nonadmitted assets consisted of the following:

December 31,		**2024**		2023
Prepaid expenses and receivables	**$**	**2,456**	$	4,148
Member assessment receivable		**2,199**		2,199
Electronic data processing equipment and software		**8,722**		12,006
Total nonadmitted assets	**$**	**13,377**	$	18,353

15. 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, 2024											
		Aggregate Fair Value		**Net Asset Value**		**Admitted Assets**		**Level 1**		**Level 2**		**Level 3**
Cash	**$**	**102,511**	**$**	**-**	**$**	**102,511**	**$**	**102,511**	**$**	**-**	**$**	**-**
Cash equivalents*		**-**		**159,355**		**159,355**		**-**		**-**		**-**
	$	**102,511**	**$**	**159,355**	**$**	**261,866**	**$**	**102,511**	**$**	**-**	**$**	**-**

	Fair Value Measurements at December 31, 2023											
		Aggregate Fair Value		Net Asset Value		Admitted Assets		Level 1		Level 2		Level 3
Cash	$	69,635	$	-	$	69,635	$	69,635	$	-	$	-
Cash equivalents*		-		578,185		578,185		-		-		-
	$	69,635	$	578,185	$	647,820	$	69,635	$	-	$	-

* 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.

16. Reconciliation with Annual Statement

There were no differences between the 2024 and 2023 annual statements as filed with the TDI and the 2024 and 2023 audited statutory financial statements.

17. Subsequent Events

The Association has evaluated subsequent events occurring after December 31, 2024, the date of the most recent statutory statements of admitted assets, liabilities, surplus, and other funds through May 1, 2025, the date the statutory financial statements were issued.

The Association received approximately $462,728 from the CRTF on March 10, 2025 corresponding to the net loss from operations in 2024.

The Association does not believe any other 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, 2024

(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, 2024
(Amounts in Thousands)

Investment categories	Gross Investment Holdings * Amount	%	Admitted Assets as Reported in the Annual Statement ** Amount	%
Cash, cash equivalents and short-term investments:				
Cash (Schedule E, Part 1)	102,511	39.15	102,511	39.15
Cash equivalents (Schedule E, Part 2)	159,355	60.85	159,355	60.85
Short-term investments (Schedule DA)	-	-	-	-
Total cash, cash equivalents and short-term investments	261,866	100.00	261,866	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	$ 261,866	100.00	$ 261,866	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, 2024.*

See accompanying independent auditors' report on supplemental information.

Texas Windstorm Insurance Association

Supplemental Investment Risk Interrogatories
December 31, 2024
(Amounts in Thousands)

1)	Reporting entity's total admitted assets as reported in the accompanying financial statements.	$	319,651

Questions 2 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.

7E3. GASB

Texas Windstorm Insurance Association December 31, 2024

Audit Wrap Up

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

This presentation was prepared as part of our audit, has consequential limitations, is restricted to those charged with governance and, if appropriate, management, and is not intended and should not be used by anyone other than those specified parties.

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

May 1, 2025

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 financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On July 11, 2024, we presented an overview of our plan for the audit of the financial statements of Texas Windstorm Insurance Association (the "Association") as of and for the year ended December 31, 2024, 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, 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 Financial Statements

We have completed our audit of the financial statements as of and for the year ended December 31, 2024. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the 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 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 financial statements on May 1, 2025.
- Our responsibility for other information in documents containing the Association's audited 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 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 Financial Statement Disclosures

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

The Association's significant accounting practices and policies are included within the financial statements. These accounting practices and policies are appropriate, comply with accounting principles generally accepted in the United States of America, were consistently applied, and are adequately described within the summary of significant accounting policies in the financial statements.

- There were no changes in significant accounting policies and practices during 2024.

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 in the 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 2024.

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 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 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 financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the 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*
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.
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.
Auditor's judgment about the quality of the Association's accounting policies, estimates and 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 financial statement disclosures.
Critical accounting policies and practices	Refer to the Accounting Practices, Policies, Estimates, and Financial Statement Disclosures section on page 2 for all critical accounting policies and practices used by the Association.
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.
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 financial statements or to our auditor's report.

Required Communications

Requirement	*Discussion Points*
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 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 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 dated July 11, 2024 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.

Texas Windstorm Insurance Association

Financial Statements and Required Supplementary Information

For the Years Ended December 31, 2024 and 2023

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

Texas Windstorm Insurance Association

Financial Statements and Required Supplementary Information

For the Years Ended December 31, 2024 and 2023

Texas Windstorm Insurance Association

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Calhoun, Thomson + Matza LLP
Certified Public Accountants

Austin, Texas
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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, 2024 and 2023, 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, 2024 and 2023, 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 2024 and 2023, 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 13, as of December 31, 2024, the Association had approximately $100.5 billion of insurance exposure in certain designated counties located in the gulf coast region of the State of Texas. As discussed in Note 8, by state statute, any net gain from operations must be paid to the Catastrophe Reserve Trust Fund ("CRTF"). As of December 31, 2024, the balance in the CRTF was approximately $466.3 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 and Hurricane Beryl were estimated to be $1.655 billion and $480 million, respectively, by the Association's appointed actuary as of December 31, 2024. 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 14, schedules of changes in net pension liability and related ratios, on page 42, and schedules of employer contributions on page 43 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.

Cahn, Thomas & Matza, LLP

May 1, 2025

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, 2024 and 2023. 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,		**2024**		2023
Cash and cash equivalents	**$**	**261,866**	$	647,820
Premiums receivable		**55,025**		43,702
Assessment receivable		**2,199**		2,199
Capital assets		**15,902**		19,748
Other assets		**4,571**		7,277
Total assets		**339,563**		720,746
Deferred outflows of resources		**6,711**		5,519
	$	**346,274**	$	726,265
Other liabilities	**$**	**742,019**	$	500,373
Statutory fund payable		**-**		156,000
Total liabilities		**742,019**		656,373
Deferred inflows of resources		**4,514**		5,599
Total liabilities and deferred inflows of resources		**746,533**		661,972
Net position:				
Investment in capital assets		**15,902**		19,748
Unrestricted		**(416,161)**		44,545
Total net position		**(400,259)**		64,293
	$	**346,274**	$	726,265

(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,		**2024**		2023
Operating revenues:				
Net premiums earned	**$**	**311,911**	$	371,366
Operating expenses:				
Losses and loss adjustment expenses		**634,413**		91,373
Underwriting expenses		**162,740**		140,720
Total expenses		**797,153**		232,093
Operating (loss) income		**(485,242)**		139,273
Nonoperating income (expense), net		**20,690**		(135,314)
(Decrease) increase in net position before federal income tax expense		**(464,552)**		3,959
Federal income tax expense		**-**		-
Change in net position		**(464,552)**		3,959
Net position at beginning of year		**64,293**		60,334
Net position at end of year	**$**	**(400,259)**	$	64,293

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, 2024, cash and cash equivalents totaled $261,866, a decrease of $385,954 from December 31, 2023. The decrease is due to losses associated with Hurricane Beryl. As of December 31, 2023, cash and cash equivalents totaled $647,820, an increase of $163,950 from December 31, 2022. The increase is partially attributable to the increase in written premium in 2023.

Liabilities

The liability for the statutory fund expense payment to the CRTF was $0 and $156,000 as of December 31, 2024 and 2023, respectively, based on the TDI's interpretation of the relevant statutes.

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

Net Loss and LAE reserves as of December 31, 2024 totaled $161,475, an increase of approximately $116,691 from the same period ended in 2023. The increase in reserves is attributable to an active storm season the first half of the year in addition to results from Hurricane Beryl in July 2024. The Association believes that the loss and LAE reserves as of December 31, 2024 make a reasonable provision for the Association's claim liabilities.

Net Loss and LAE reserves as of December 31, 2023 totaled $44,784, a decrease of approximately $13,397 from the same period ended in 2022. 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 $5,000 in 2023. The Association believes that the loss and LAE reserves as of December 31, 2023 make a reasonable provision for the Association's claim liabilities.

Capital and Surplus

The net gains 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, 2024 and 2023, statutory fund costs were $0 and $156,000, respectively.

Reinsurance

During 2024 and 2023, the Association entered into reinsurance agreements. These traditional 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"). The other reinsurance agreements are part of 3-year catastrophe bond placements.

Effective June 1, 2024, the reinsurance program is to indemnify the Association in respect to 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 these contracts, or written or renewed during the term of these contracts by or on behalf of the Association. These reinsurers, whether through traditional or catastrophe bond placements, shall be liable in the aggregate in respect of losses occurring during the term of these contracts of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,450,000, subject to a limit of liability to the reinsurers of $4,050,000.

Effective June 1, 2023, 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 these contracts, or written or renewed during the term of these contracts by or on behalf of the Association. These reinsurers, whether through the traditional or catastrophe bond placements, shall be liable in the aggregate in respect of losses occurring during the term of these contracts of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,265,000, subject to a limit of liability to the reinsurers of $2,243,000.

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 the 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.

(Amounts in Thousands)

The effect of reinsurance on premiums written and earned for the years ended December 31, 2024 and 2023 is as follows:

	2024		2023	
	Written	**Earned**	Written	Earned
Direct premium	**$ 758,845**	**$ 708,981**	$ 653,043	$ 589,353
Excess of loss ceded premium	**(397,070)**	**(397,070)**	(217,987)	(217,987)
Net	**$ 361,775**	**$ 311,911**	$ 435,056	$ 371,366

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

December 31,	**2024**	2023
Gross unearned premiums	**$ 390,888**	$ 341,024
Ceded unearned premiums	**-**	-
	$ 390,888	$ 341,024

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, 2024 is 9 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 $831 and $849 for the years ended December 31, 2024 and 2023, respectively, and are included in underwriting expenses in the statements of revenues, expenses and changes in net position.

Lease liability maturities as of December 31, 2024, are as follows:

Years ending December 31,	Financing Leases
2025	$ 905
2026	930
2027	955
2028	981
2029 and thereafter	4,859
Total lease payments	8,630
Less: imputed interest	(1,450)
Total lease liabilities	$ 7,180

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, 2024. Zero private market insurers participated in the 2024-2025 and 2023-2024 programs. Approximately 16,000 policies have been novated through December 31, 2024 since the inception of the program.

As of December 31, 2024 and 2023, funds held by company under reinsurance treaties was $0.

During 2024 and 2023, 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 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 2024 and 2023, the Association paid expenses for TFPA under its management contract and was reimbursed $22,973 and $15,270, respectively. As of December 31, 2024 and 2023, the Association incurred or paid expenses for which it has not been reimbursed of $2,603 and $1,087, 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.

RESULTS OF OPERATIONS

Revenues

Direct written premium was $758,845 and $653,043 for the years ended December 31, 2024 and 2023, respectively. The 16% increase in gross premium was attributed to steady growth in property values and in policy counts. Direct written premium was $653,043 and $518,299 for the years ended December 31, 2023 and 2022, respectively. The 26% increase in gross premium was attributed to steady growth in property values and in policy counts.

Net earned premium was $311,911 and $371,366 for the years ended December 31, 2024 and 2023, respectively. The 16% decrease from 2023 to 2024 was attributable to the increase in ceded earned premium costs growing at a faster rate than direct earned premiums. Net earned premium was $371,366 and $311,395 for the years ended December 31, 2023 and 2022, respectively. The 19% increase from 2022 to 2023 was attributable to steady growth in property values and in policy counts.

Net investment income was $21,009 and $21,017 for the years ended December 31, 2024 and 2023, respectively. The decrease in net investment income is due to the Association's investments earning consistent yields with higher earnings in the first half of 2024 with decrease in earnings during the second half of 2024 as funds were used to pay Hurricane Beryl claims. Net investment income was $21,017 and $1,806 for the years ended December 31, 2023 and 2022, respectively. The increase in net investment income is due to the Association's investments in money market mutual funds that provided high yields as the Federal Reserve raised interest rates to combat inflation.

In July 2024, the Texas coverage area insured by the Association was struck by Hurricane Beryl. The ultimate loss and LAE from Hurricane Beryl are estimated to be approximately $480,000. As of December 31, 2024 and 2023, the net position of the Association is $(400,259) and $64,293, respectively. As of December 31, 2023 and 2022, the net position of the Association is $64,293 and $60,335, respectively. The Association received approximately $462,728 from the CRTF on March 10, 2025 corresponding to the negative change in net position. The ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,655,000 as of December 31, 2024 and December 31, 2023. Further assessments will be requested if needed as Hurricane Harvey paid loss development matures.

Net Loss and Loss Adjustment Expenses

Net loss and LAE was $634,413 and $91,373 for the years ended December 31, 2024 and 2023, respectively. The increase in reserves is attributable to reserves associated with 2024 Hurricane Beryl. Reserves associated with Hurricane Beryl were $101,000 as of December 31, 2024. Net loss and LAE was $91,373 and $51,248 for the years ended December 31, 2023 and 2022, respectively. In 2023, the Association's policyholders experienced a relatively calm hurricane season along the Texas coast. These results were positively impacted by favorable development from the closure of Hurricane Ike claims and the $5,000 reduction in the Hurricane Harvey gross ultimate.

Underwriting Expenses

Underwriting expenses were $162,740 and $140,720 for the years ended December 31, 2024 and 2023, respectively. Underwriting expenses increased from 2023 to 2024 by 16% driven by the increase in commissions and premium taxes. Underwriting expenses were $140,720 and $121,700 for the years ended December 31, 2023 and 2022, respectively. Underwriting expenses increased from 2022 to 2023 by 16% driven by the increase in commissions and premium taxes.

Texas Windstorm Insurance Association

Statements of Net Position
(Amounts in Thousands)

December 31,		**2024**		2023
Assets and deferred outflows of resources				
Assets				
Cash and cash equivalents	**$**	**261,866**	$	647,820
Premiums receivable		**55,025**		43,702
Assessment receivable		**2,199**		2,199
Capital assets, net		**15,902**		19,748
Other assets		**4,571**		7,277
Total assets		**339,563**		720,746
Deferred outflows of resources related to pensions				
Differences between expected and actual experience		**1,067**		487
Changes in assumptions		**1,308**		1,198
Net difference between projected and actual earnings on plan investments		**4,336**		3,834
Total deferred outflows of resources		**6,711**		5,519
	$	**346,274**	$	726,265

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

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

December 31,		**2024**		2023
Liabilities, deferred inflows of resources and net position				
Liabilities				
Losses and loss adjustment expense reserves	**$**	**161,475**	$	44,784
Unearned premiums		**390,888**		341,024
Ceded reinsurance premiums payable, net of ceding commissions		**143,271**		77,739
Statutory fund payable		**-**		156,000
Lease liability		**7,180**		7,742
Other liabilities		**39,205**		29,084
Total liabilities		**742,019**		656,373
Deferred inflows of resources related to pensions				
Net difference between projected and actual earnings on plan investments		**-**		-
Differences between expected and actual experience		**203**		261
Changes in assumptions		**4,311**		5,338
Total deferred inflows of resources		**4,514**		5,599
Total liabilities and deferred inflows of resources		**746,533**		661,972
Net position				
Investment in capital assets		**15,902**		19,748
Unrestricted		**(416,161)**		44,545
Total net position		**(400,259)**		64,293
	$	**346,274**	$	726,265

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,	**2024**	2023
Operating revenues		
Premiums earned	**$ 708,981**	$ 589,353
Premiums ceded	**(397,070)**	(217,987)
Total operating revenues	**311,911**	371,366
Operating expenses		
Losses and loss adjustment expenses	**634,413**	91,373
Underwriting expenses	**162,740**	140,720
Total operating expenses	**797,153**	232,093
Operating (loss) income	**(485,242)**	139,273
Nonoperating revenues and (expenses)		
Net investment income	**21,009**	21,017
Statutory fund costs	**-**	(156,000)
Lease expense	**(319)**	(337)
Other income	**-**	6
Total nonoperating revenue (expenses)	**20,690**	(135,314)
(Decrease) increase in net position before federal income tax expense	**(464,552)**	3,959
Federal income tax expense	**-**	-
Change in net position	**(464,552)**	3,959
Net position:		
Net position, beginning of year	**64,293**	60,334
Change in net position	**(464,552)**	3,959
Net position, end of year	**$ (400,259)**	$ 64,293

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

Texas Windstorm Insurance Association

Statements of Cash Flows
(Amounts in Thousands)

Years ended December 31,	**2024**	2023
Cash flows from operating activities:		
Premiums collected, net of reinsurance	**$ 418,557**	$ 462,580
Losses and loss adjustment expense paid	**(517,722)**	(104,758)
Underwriting expenses paid	**(151,319)**	(137,481)
Receivable from affiliate	**(1,515)**	127
Net cash (used in) provided by operating activities	**(251,999)**	220,468
Cash flows from noncapital financing activities:		
Financing costs paid	**(1,777)**	(2,011)
Statutory fund paid	**(156,000)**	(74,962)
Other	**-**	6
Net cash used in noncapital financing activities	**(157,777)**	(76,967)
Cash flows from capital and related financing activities:		
Capital assets	**(512)**	(512)
Lease interest	**(319)**	(337)
Net cash used in capital and related financing activities	**(831)**	(849)
Cash flows from investing activities:		
Net investment income	**24,653**	21,298
Net cash provided by investing activities	**24,653**	21,298
Net (decrease) increase in cash and cash equivalents	**(385,954)**	163,950
Cash and cash equivalents, beginning of year	**647,820**	483,870
Cash and cash equivalents, end of year	**$ 261,866**	$ 647,820

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

Texas Windstorm Insurance Association

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

Years ended December 31,	**2024**	2023
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:		
Operating (loss) income	**$ (485,242)**	$ 139,273
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	**3,796**	3,815
Changes in assets and liabilities:		
Losses and loss adjustment expense reserves	**116,691**	(13,391)
Unearned premiums	**49,864**	63,690
Ceded reinsurance premiums payable	**65,532**	44,409
Premiums receivable	**(11,323)**	(18,243)
Other liabilities	**9,036**	(1,221)
Other assets	**(353)**	2,136
Net cash (used in) provided by operating activities	**$ (251,999)**	$ 220,468

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 counties designated as catastrophe area 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 are 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 $6,500,000 in funding was secured for the 2024 hurricane season. SB 900, passed by the 84th Texas Legislature, took effect during 2015, and changed the Association's funding structure. $6,500,000 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 2024 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
- \$4,050,000 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 of all authorized property carriers, 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 is still in effect as of December 31, 2024. Zero private market insurers participated in the 2024-2025 and 2023-2024 programs. Approximately 16,000 policies have been novated through December 31, 2024 since the inception of the 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.

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.

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, 2024, the statute of limitations remains open for the 2021 to 2024 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,		**2024**		2023
Cash	**$**	**102,511**	$	69,635
Cash equivalents:				
Money market mutual funds		**159,355**		578,185
Cash equivalents		**159,355**		578,185
	$	**261,866**	$	647,820

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 $159,355 and $578,185 as of December 31, 2024 and 2023, respectively.

(Amounts in Thousands)

2. **Capital assets**

Capital assets consist of the following:

December 31,		**2024**		2023
Furniture and fixtures	**$**	**768**	$	768
Electronic data processing equipment and software		**25,670**		25,670
Intangible right-of-use asset – office buidling		**8,246**		8,296
Leasehold improvements		**1,994**		1,994
		36,678		36,728
Less: accumulated depreciation		**(20,776)**		(16,980)
	$	**15,902**	$	19,748

Depreciation and amortization expense was $3,796 and $3,815 for the years ended December 31, 2024 and 2023, respectively.

3. **Reinsurance**

During 2024 and 2023, the Association entered into reinsurance agreements. These traditional 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"). The other reinsurance agreements are part of 3-year catastrophe bonds placements.

Effective June 1, 2024, 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 these contracts, or written or renewed during the term of these contracts by or on behalf of the Association. The reinsurers, whether through the traditional or catastrophe bond placements, shall be liable in the aggregate in respect of losses occurring during the term of these contracts of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,450,000, subject to a limit of liability to the reinsurers of $4,050,000.

Effective June 1, 2023, 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 these contracts, or written or renewed during the term of these contracts by or on behalf of the Association. The reinsurers, whether through the traditional or catastrophe bond placements, shall be liable in the aggregate in respect of losses occurring during the term of these contracts of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,265,000, subject to a limit of liability to the reinsurers of $2,243,000.

(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 9).

The effect of reinsurance on premiums written and earned for the years ended December 31, 2024 and 2023 is as follows:

	2024		2023	
	Written	**Earned**	Written	Earned
Direct premium	**$ 758,845**	**$ 708,981**	$ 653,043	$ 589,353
Excess of loss ceded premium	**(397,070)**	**(397,070)**	(217,987)	(217,987)
Net	**$ 361,775**	**$ 311,911**	$ 435,056	$ 371,366

Ceded premiums include premiums ceded to companies that assume policies pursuant to the Assumption Program (see Note 9).

As of December 31, 2024 and 2023, 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,	**2024**	2023
Gross unearned premiums	**$ 390,888**	$ 341,024
Ceded unearned premiums	**-**	-
	$ 390,888	$ 341,024

(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,	**2024**	2023
Beginning balance	**$ 44,784**	$ 58,181
Less: reinsurance recoverable	**-**	6
Beginning net balance	**44,784**	58,175
Incurred related to:		
Current loss year	**630,398**	99,140
Prior loss years	**4,015**	(7,767)
Losses and loss adjustment expense incurred	**634,413**	91,373
Paid related to:		
Current loss year	**486,671**	74,725
Prior loss years	**31,051**	30,039
Paid losses and loss adjustment expense	**517,722**	104,764
Ending net balance	**161,475**	44,784
Plus: reinsurance recoverable	**-**	-
Ending balance	**$ 161,475**	$ 44,784

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 revenues, expenses and changes in net position of $634,413 had unfavorable prior year development due to the increase in reserve strengthening of loss adjustment expenses. Current year losses are attributable to an active storm season the first half of the year in addition to results from Hurricane Beryl in July 2024. Ultimate loss and LAE from Hurricanes Harvey and Beryl are estimated to be approximately $1,655,000 and 480,000, respectively, as of December 31, 2024. 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, 2024 and 2023 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 2024 and 2023, the Association paid expenses for TFPA under its management contract and was reimbursed $22,973 and $15,270, respectively. As of December 31, 2024 and 2023, the Association incurred or paid expenses for which it has not been reimbursed of $2,603 and $1,087, 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. 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, 2024 and 2023, statutory fund costs were $0 and $156,000, 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 amounts of $0 and $156,000 has been accrued as of December 31, 2024 and 2023, respectively.

For the years ended December 31, 2024 and 2023, the CRTF held $466,330 and $283,006, 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 $1,655,000. 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, 2024, $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.

In July 2024 the Texas coverage area insured by the Association was struck by Hurricane Beryl. The ultimate loss and loss adjustment expenses from Hurricane Beryl are estimated to be approximately $480,000.

As of December 31, 2024 and 2023, the Association had a (negative) positive net position of $(400,259) and $44,545, respectively. The Association received approximately $462,728 from the CRTF on March 10, 2025 corresponding to the negative change in net position in 2024.

9. 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 it is still in effect as of December 31, 2024. Zero private market insurers participated in the 2024-2025 and 2023-2024 programs. Approximately 16,000 policies have been novated through December 31, 2024 since the inception of the program.

As of December 31, 2024 and 2023, funds held by company under reinsurance treaties was $0.

During 2024 and 2023, the Association recognized ceded written premiums of $0 as a result of the Assumption Program.

(Amounts in Thousands)

10. 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, 2024 and 2023, the following employees were covered by the benefit terms:

December 31,	**2024**	2023
Inactive employees or beneficiaries currently receiving benefits	**64**	66
Inactive employees entitled to but not yet receiving benefits	**72**	68
Active employees	**217**	215
Total	**353**	349

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 15.46 percent and 20.07 percent of covered payroll for the years 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

December 31,	**2024**	2023
Inflation	**3.00%**	2.50%
Salary increases	**3.50%**	3.50%
Investment rate of return	**6.00%**	5.25%

As of December 31, 2024 and 2023, 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 3.36% and 3.18% during 2024 and 2023, respectively. The overall 20-year geometric median portfolio real return is 3.29% and 3.05% during 2024 and 2023, respectively. The overall 20-year geometric 75th percentile portfolio real return is 4.21% and 4.08% during 2024 and 2023, 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 3.5% in 2024 and 2.5% thereafter. 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 2024 are summarized in the following table:

Asset Class	Target Allocation	Expected geometric mean returns
Large cap U.S. equity	19.0%	4.37%
Mid cap U.S. equity	6.3%	4.37%
Small cap U.S. equity	3.3%	3.92%
Real estate	4.8%	3.34%
International equity	8.2%	4.37%
Fixed income	57.9%	2.04%
Cash	0.5%	1.30%
Total	100.0%	

The target allocation and best estimates of expected geometric mean returns for each major asset class during 2023 are summarized in the following table:

Asset Class	Target Allocation	Expected geometric mean returns
Large cap U.S. equity	19.7%	4.30%
Mid cap U.S. equity	6.8%	4.30%
Small cap U.S. equity	3.1%	3.92%
Real estate	4.8%	3.26%
International equity	8.9%	4.30%
Fixed income	55.7%	0.68%
Cash	1.0%	0.92%
Total	100.0%	

Discount Rate: The discount rate used to measure the total pension liability was 6.0 percent during 2024 and 2023. Willis Towers Watson used their firm's proprietary capital market assumptions as of January 2024 for the various asset classes and applied those to the asset allocation of the PPIO as of January 1, 2024 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, 2024 and 2023 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, January 1, 2024	**$ 31,670**	**$ 29,916**	**$ 1,754**
Changes for the year:			
Service cost	**1,804**	**-**	**1,804**
Interest	**1,978**	**-**	**1,978**
Demographic gains	**884**	**-**	**884**
Contributions - employer	**-**	**3,039**	**(3,039)**
Net investment income	**-**	**(343)**	**343**
Assumption changes	**783**	**-**	**783**
Benefit payments	**(1,004)**	**(1,004)**	**-**
Administrative expenses	**-**	**(183)**	**183**
Balance, December 31, 2024	**$ 36,115**	**$ 31,425**	**$ 4,690**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, January 1, 2023	$ 32,225	$ 22,890	$ 9,335
Changes for the year:			
Service cost	1,893	-	1,893
Interest	1,772	-	1,772
Demographic gains	(134)	-	(134)
Contributions - employer	-	3,669	(3,669)
Net investment loss	-	4,263	(4,263)
Assumption changes	(3,345)	-	(3,345)
Benefit payments	(741)	(741)	-
Administrative expenses	-	(165)	165
Balance, December 31, 2023	$ 31,670	$ 29,916	$ 1,754

(Amounts in Thousands)

<u>*Sensitivity of the net pension liability to changes in the discount rate:*</u> The following presents the net pension liability of the Association as of December 31, 2024 and 2023, respectively, calculated using the discount rate of 6.0 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 (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current rate:

December 31, 2024	1% Increase (7.0%)	Current Discount Rate (6.0%)	1% Decrease (5.0%)
Net pension liability	**$ 282**	**$ 4,690**	**$ 10,016**

December 31, 2023	1% Increase (7.0%)	Current Discount Rate (6.0%)	1% Decrease (5.0%)
Net pension liability	$ (2,120)	$ 1,754	$ 6,445

<u>*Pension Plan Fiduciary Net Position:*</u> 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, 2024 and 2023, the Association recognized pension expense of $3,698 and $3,007, respectively. During 2024 and 2023, the Association allocated pension expense of $633 and $665, respectively, to TFPA. Net pension expense included in underwriting expenses in the statements of revenues, expenses and changes in net position was $3,064 and $2,341 for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2024		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	**$**	**1,067**	**$**	**203**
Changes in assumptions		**1,308**		**4,311**
Net difference between projected and actual earnings on plan investments		**4,336**		**-**
Total	**$**	**6,711**	**$**	**4,514**

December 31, 2023		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	487	$	261
Changes in assumptions		1,198		5,338
Net difference between projected and actual earnings on plan investments		3,834		-
Total	$	5,519	$	5,599

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

Years ending December 31,		Amount
2025	$	1,770
2026		1,563
2027		(907)
2028		(297)
2029		(60)
Thereafter		128
	$	2,197

(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 $1,098 and $1,067 (before allocation to TFPA) were made for the years ended December 31, 2024 and 2023, respectively. The Association's portion was approximately $716 and $705 for the years ended December 31, 2024 and 2023, respectively.

11. 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 $831 and $849 for the years ended December 31, 2024 and 2023, respectively, and are included in underwriting expenses in the statements of revenues, expenses and changes in net position.

Lease liability maturities as of December 31, 2024, are as follows:

Years ending December 31,		Financing Leases
2025	$	905
2026		930
2027		955
2028		981
2029 and thereafter		4,859
Total lease payments		8,630
Less: imputed interest		(1,450)
Total lease liabilities	$	7,180

The weighted average lease term related to the Association's lease liability as of December 31, 2024 and 2023 is 8.58 years and 9.58 years, respectively.

The weighted-average discount rate related to the Association's lease liabilities as of December 31, 2024 and 2023 was 4.3%. The Association uses the incremental borrowing rate to discount future lease payments.

As of December 31, 2024 and 2023, the Association had no additional leases that had not yet commenced.

The Association had $0 termination penalties or residual value guarantees during 2024 or 2023.

12. 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 2024. The line of credit agreement was entered into June 3, 2024 subsequent to the Association's Board of Directors approval on May 21, 2024. 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 0.425% commitment fee against the unused portion of the line of credit. The commitment was originally set to mature on May 30, 2025, however, the line of credit was terminated by the Association as of December 27, 2024 without penalty.

The Association obtained a $500,000 committed line of credit with two of its primary financial institutions during 2023. The line of credit agreement was entered into June 1, 2023 subsequent to the Association's Board of Directors approval on May 23, 2023. 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, 2024, however, the line of credit was terminated by the Association as of December 27, 2023 without penalty.

13. 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 $100,500,000 and $106,000,000 of insurance exposure as of December 31, 2024 and 2023, respectively.

14. 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.

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, 2024 and 2023 are as follows:

- Money market mutual funds of $159,355 and $578,185, respectively, are valued using NAV per share of $1.

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

15. Subsequent Events

The Association has evaluated subsequent events occurring after December 31, 2024, the date of the most recent statements of net position through May 1, 2025, the date the financial statements were issued.

The Association received approximately $462,728 from the CRTF on March 10, 2025 approximating the negative change in net position in 2024.

The Association does not believe any other 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,	**2024**	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:										
Service cost	$ **1,804**	$ 1,893	$ 2,238	$ 2,106	$ 1,606	$ 1,396	$ 1,378	$ 1,116	$ 1,043	$ 880
Interest	**1,978**	1,772	1,561	1,407	1,366	1,233	1,109	1,018	951	848
Plan amendments	**-**	-	-	-	-	-	-	-	-	398
Demographic losses (gains)	**884**	(134)	(193)	347	373	317	133	(105)	58	146
Assumption changes	**783**	(3,345)	(3,503)	78	743	2,377	221	(113)	1,046	481
Benefit payments	**(1,004)**	(741)	(670)	(625)	(663)	(597)	(578)	(506)	(511)	(428)
Net change in total pension liability	**4,445**	(555)	(567)	3,313	3,425	4,726	2,263	1,410	2,587	2,325
Total pension liability – beginning	**31,670**	32,225	32,792	29,479	26,054	21,328	19,065	17,655	15,068	12,743
Total pension liability – ending	$ **36,115**	$ 31,670	$ 32,225	$ 32,792	$ 29,479	$ 26,054	$ 21,328	$ 19,065	$ 17,655	$ 15,068
Plan fiduciary net position:										
Contributions – employer	$ **3,039**	$ 3,669	$ 3,516	$ 2,961	$ 2,568	$ 2,360	$ 2,180	$ 1,594	$ 1,024	$ 931
Net investment income (loss)	**(343)**	4,263	(9,904)	1,983	2,426	3,702	(959)	1,870	869	(134)
Benefit payments	**(1,004)**	(741)	(670)	(625)	(663)	(597)	(578)	(506)	(511)	(428)
Administrative expenses	**(183)**	(165)	(179)	(148)	77	(88)	(69)	(72)	(75)	(53)
Net change in plan fiduciary net position	**1,509**	7,026	(7,237)	4,171	4,408	5,377	574	2,886	1,307	316
Plan fiduciary net position – beginning	**29,916**	22,890	30,127	25,956	21,548	16,171	15,597	12,711	11,404	11,088
Plan fiduciary net position – ending	$ **31,425**	$ 29,916	$ 22,890	$ 30,127	$ 25,956	$ 21,548	$ 16,171	$ 15,597	$ 12,711	$ 11,404
Net pension liability - ending	$ **4,690**	$ 1,754	$ 9,335	$ 2,665	$ 3,523	$ 4,506	$ 5,157	$ 3,468	$ 4,944	$ 3,664
Plan fiduciary net position as a percentage of the total pension liability	**87.01%**	94.46%	71.03%	91.87%	88.05%	82.71%	75.82%	81.81%	72.00%	75.68%
Covered payroll	$ **19,655**	$ 18,282	$ 17,698	$ 16,960	$ 15,730	$ 15,388	$ 15,086	$ 12,747	$ 13,214	$ 13,847
Net pension liability as a percentage of covered payroll	**23.86%**	9.59%	52.75%	15.71%	22.40%	29.28%	34.18%	27.21%	37.41%	26.46%

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
2024	$ 3,039	$ 3,039	$ -	$ 19,655	15.46%
2023	3,669	3,669	-	18,282	20.07%
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%

See accompanying independent auditors' report.

7E4. Internal Control Letter

Calhoun, Thomson + Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

May 1, 2025

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, 2024, 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

The engagement director, Scott Weiss, has served in that capacity with respect to the Association since 2023.

8. Actuarial

8A. Policy Counts/Exposures

Texas Windstorm Insurance Association
Statistical Report
As of March 31, 2025

County	Policies In-Force 3/31/24	Policies In-Force 3/31/25	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 3/31/24	Exposure In-Force 3/31/25	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 3/31/24	YTD Written Premium 3/31/25	Premium Growth Actual	Premium Growth Percentage
Aransas	7,873	8,738	865	11.00%	3,452,455,400	4,126,102,700	$673,647,300	19.50%	5,646,124	5,860,609	$214,485	3.80%
Brazoria	46,496	53,624	7,128	15.30%	17,830,421,500	22,565,542,100	$4,735,120,600	26.60%	24,252,481	30,323,299	$6,070,818	25.00%
Calhoun	4,499	4,690	191	4.20%	1,474,318,200	1,685,577,500	$211,259,300	14.30%	2,058,879	2,343,991	$285,112	13.80%
Cameron	11,361	11,548	187	1.60%	4,717,264,900	5,084,510,100	$367,245,200	7.80%	6,179,746	6,819,580	$639,834	10.40%
Chambers	6,949	8,198	1,249	18.00%	2,989,354,600	3,838,862,200	$849,507,600	28.40%	3,803,249	4,752,517	$949,268	25.00%
Galveston	79,107	84,394	5,287	6.70%	34,005,160,100	39,329,181,700	$5,324,021,600	15.70%	48,664,499	54,985,740	$6,321,241	13.00%
Harris	4,350	4,528	178	4.10%	1,794,758,600	1,985,172,300	$190,413,700	10.60%	1,669,048	1,779,995	$110,947	6.60%
Jefferson	30,832	33,895	3,063	9.90%	9,813,002,800	11,630,795,400	$1,817,792,600	18.50%	13,364,127	15,988,048	$2,623,921	19.60%
Kenedy	33	37	4	12.10%	6,853,300	10,014,900	$3,161,600	46.10%	6,308	11,191	$4,883	77.40%
Kleberg	1,001	1,087	86	8.60%	322,174,600	381,710,000	$59,535,400	18.50%	453,029	566,336	$113,307	25.00%
Matagorda	5,376	5,748	372	6.90%	1,750,785,500	2,035,779,200	$284,993,700	16.30%	2,659,097	3,059,942	$400,845	15.10%
Nueces	45,356	49,486	4,130	9.10%	17,920,896,000	20,692,122,000	$2,771,226,000	15.50%	26,257,069	28,559,078	$2,302,009	8.80%
Refugio	427	488	61	14.30%	133,044,900	162,448,600	$29,403,700	22.10%	186,891	258,915	$72,024	38.50%
San Patricio	8,388	9,353	965	11.50%	2,913,681,400	3,505,529,400	$591,848,000	20.30%	4,143,747	4,859,672	$715,925	17.30%
Willacy	385	406	21	5.50%	132,040,000	153,811,300	$21,771,300	16.50%	138,650	139,355	$705	0.50%
Total	252,433	276,220	23,787	9.40%	99,256,211,800	117,187,159,400	$17,930,947,600	18.10%	139,482,944	160,308,268	$20,825,324	14.90%

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2025

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	138	138	1,007,941	1,007,941	540,704,400	15,277,625	435	1,011
Manufactured Home	54	54	54	54	105,440	105,440	16,792,500	0	226	226
Residential	1,603	1,603	1,603	1,603	4,747,228	4,747,228	3,568,605,800	322,204,180	8,077	8,077
Total	1,736	1,736	1,795	1,795	5,860,609	5,860,609	4,126,102,700	337,481,805	8,738	9,314
Brazoria										
Commercial	183	183	341	341	2,558,332	2,558,332	827,534,200	25,934,125	848	1,524
Manufactured Home	105	105	105	105	234,949	234,949	33,576,500	0	436	436
Residential	11,573	11,573	11,573	11,573	27,530,018	27,530,018	21,704,431,400	3,049,023,400	52,340	52,340
SUM:	11,861	11,861	12,019	12,019	30,323,299	30,323,299	22,565,542,100	3,074,957,525	53,624	54,300
Calhoun										
Commercial	46	46	94	94	301,263	301,263	186,274,000	4,863,510	210	467
Manufactured Home	16	16	16	16	32,656	32,656	5,768,600	0	79	79
Residential	864	864	864	864	2,010,072	2,010,072	1,493,534,900	135,295,800	4,401	4,401
SUM:	926	926	974	974	2,343,991	2,343,991	1,685,577,500	140,159,310	4,690	4,947
Cameron										
Commercial	177	177	397	397	3,119,408	3,119,408	2,014,686,400	22,216,585	838	2,265
Manufactured Home	16	16	16	16	33,424	33,424	5,706,900	0	99	99
Residential	1,976	1,976	1,976	1,976	3,666,748	3,666,748	3,064,116,800	284,298,540	10,611	10,611
SUM:	2,169	2,169	2,389	2,389	6,819,580	6,819,580	5,084,510,100	306,515,125	11,548	12,975

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2025

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	26	26	48	48	375,973	375,973	120,562,700	2,789,085	132	212
Manufactured Home	36	36	36	36	65,172	65,172	9,551,400	0	129	129
Residential	1,687	1,687	1,687	1,687	4,311,372	4,311,372	3,708,748,100	532,923,340	7,937	7,937
SUM:	1,749	1,749	1,771	1,771	4,752,517	4,752,517	3,838,862,200	535,712,425	8,198	8,278
Galveston										
Commercial	422	422	921	921	8,373,462	8,373,462	3,626,087,500	85,685,560	2,169	4,342
Manufactured Home	62	62	62	62	115,980	115,980	19,965,900	0	285	285
Residential	17,816	17,816	17,816	17,816	46,496,298	46,496,298	35,683,128,300	4,389,658,820	81,940	81,940
SUM:	18,300	18,300	18,799	18,799	54,985,740	54,985,740	39,329,181,700	4,475,344,380	84,394	86,567
Harris										
Commercial	17	17	28	28	168,824	168,824	192,363,000	4,721,000	88	243
Manufactured Home	1	1	1	1	2,227	2,227	510,000	0	8	8
Residential	906	906	906	906	1,608,944	1,608,944	1,792,299,300	248,944,940	4,432	4,432
SUM:	924	924	935	935	1,779,995	1,779,995	1,985,172,300	253,665,940	4,528	4,683
Jefferson										
Commercial	153	153	248	248	1,389,016	1,389,016	969,888,000	25,112,314	873	1,629
Manufactured Home	31	31	31	31	57,136	57,136	8,722,800	0	118	118
Residential	6,582	6,582	6,582	6,582	14,541,896	14,541,896	10,652,184,600	1,439,768,940	32,904	32,904
SUM:	6,766	6,766	6,861	6,861	15,988,048	15,988,048	11,630,795,400	1,464,881,254	33,895	34,651

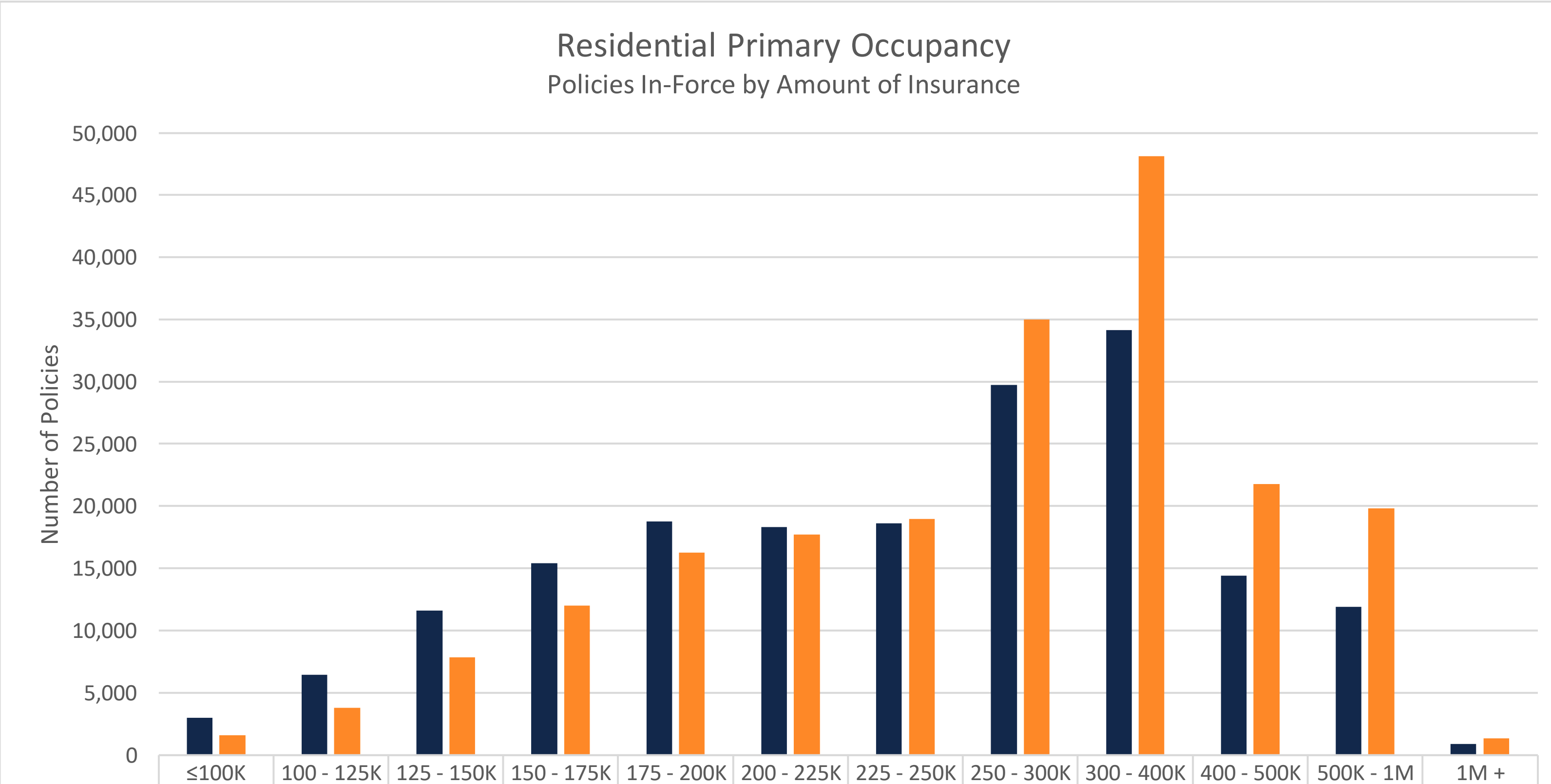
Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2025

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	2	2	2	2	3,579	3,579	901,500	0	3	3
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	6	6	6	6	7,612	7,612	9,113,400	104,200	34	34
SUM:	8	8	8	8	11,191	11,191	10,014,900	104,200	37	37
Kleberg										
Commercial	15	15	19	19	102,321	102,321	64,416,900	910,020	55	83
Manufactured Home	0	0	0	0	0	0	364,500	0	4	4
Residential	250	250	250	250	464,015	464,015	316,928,600	34,926,060	1,028	1,028
SUM:	265	265	269	269	566,336	566,336	381,710,000	35,836,080	1,087	1,115
Matagorda										
Commercial	35	35	109	109	510,717	510,717	164,877,000	6,092,850	183	380
Manufactured Home	12	12	12	12	25,901	25,901	5,165,300	0	60	60
Residential	1,157	1,157	1,157	1,157	2,523,324	2,523,324	1,865,736,900	203,633,040	5,505	5,505
SUM:	1,204	1,204	1,278	1,278	3,059,942	3,059,942	2,035,779,200	209,725,890	5,748	5,945
Nueces										
Commercial	498	498	1,030	1,030	6,398,273	6,398,273	3,723,488,300	87,775,720	2,312	5,133
Manufactured Home	13	13	13	13	25,776	25,776	5,329,900	0	76	76
Residential	10,225	10,225	10,225	10,225	22,135,029	22,135,029	16,963,303,800	1,958,885,680	47,098	47,098
SUM:	10,736	10,736	11,268	11,268	28,559,078	28,559,078	20,692,122,000	2,046,661,400	49,486	52,307

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2025

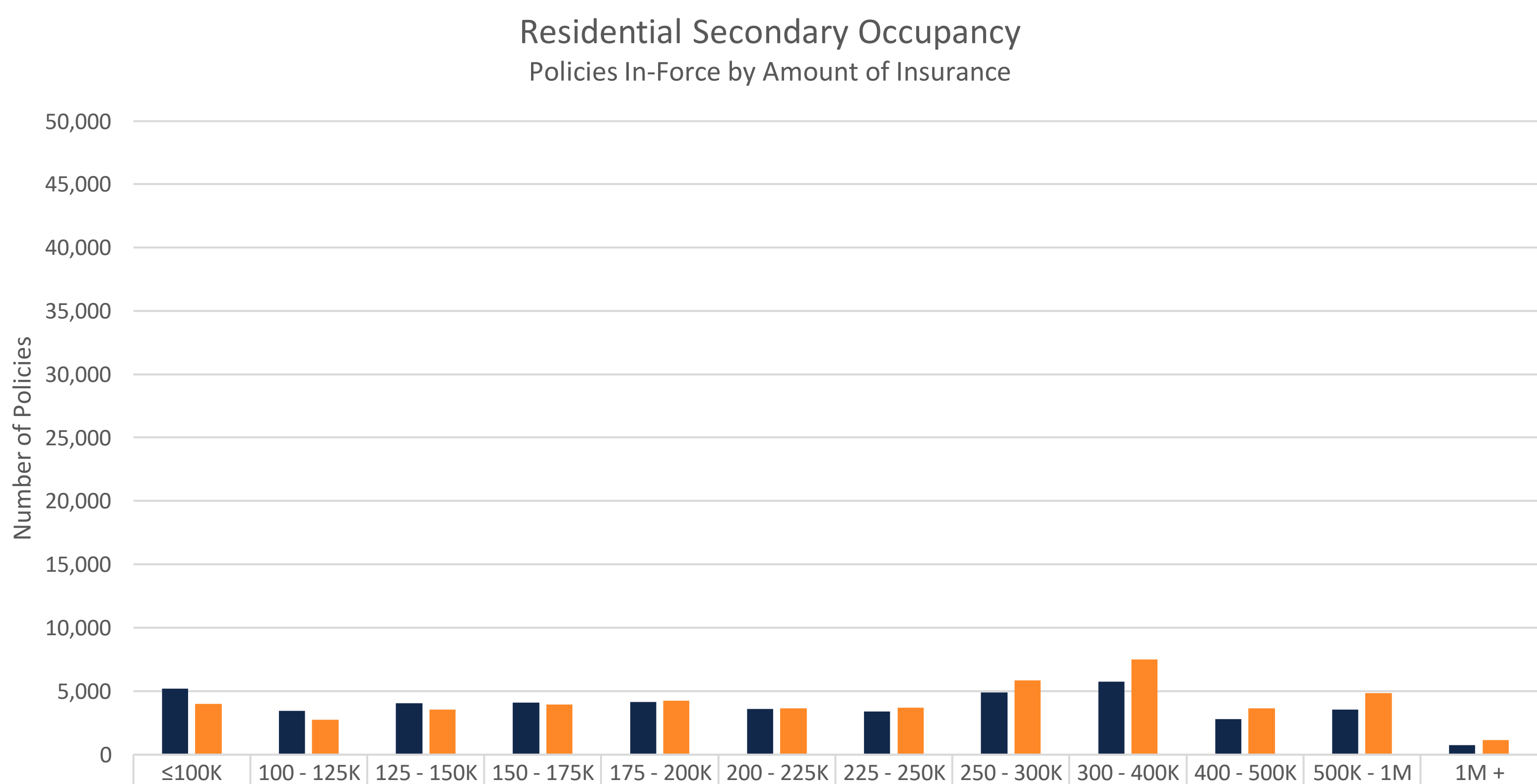
Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Refugio										
Commercial	2	2	6	6	28,336	28,336	23,475,000	247,800	32	59
Manufactured Home	2	2	2	2	3,773	3,773	2,768,000	0	34	34
Residential	105	105	105	105	226,806	226,806	136,205,600	14,397,900	422	422
SUM:	109	109	113	113	258,915	258,915	162,448,600	14,645,700	488	515
San Patricio										
Commercial	55	55	101	101	613,623	613,623	233,052,200	5,338,410	299	611
Manufactured Home	17	17	17	17	38,801	38,801	6,263,200	0	77	77
Residential	1,870	1,870	1,870	1,870	4,207,248	4,207,248	3,266,214,000	417,540,460	8,977	8,977
SUM:	1,942	1,942	1,988	1,988	4,859,672	4,859,672	3,505,529,400	422,878,870	9,353	9,665
Willacy										
Commercial	4	4	5	5	9,022	9,022	26,856,000	99,900	30	69
Manufactured Home	1	1	1	1	1,048	1,048	732,100	0	10	10
Residential	59	59	59	59	129,285	129,285	126,223,200	8,710,400	366	366
SUM:	64	64	65	65	139,355	139,355	153,811,300	8,810,300	406	445
Total All Counties										
Commercial	1,714	1,714	3,487	3,487	24,960,090	24,960,090	12,715,167,100	287,064,504	8,507	18,031
Manufactured Home	366	366	366	366	742,283	742,283	121,217,600	0	1,641	1,641
Residential	56,679	56,679	56,679	56,679	134,605,895	134,605,895	104,350,774,700	13,040,315,700	266,072	266,072
SUM:	58,759	58,759	60,532	60,532	160,308,268	160,308,268	117,187,159,400	13,327,380,204	276,220	285,744

Texas Windstorm Insurance Association
Analysis of Growth
Distribution of Structure Limits
Residential Primary Occupancy
Policies In-Force as of 12/31/2023 vs 12/31/2024



	≤100K	100 - 125K	125 - 150K	150 - 175K	175 - 200K	200 - 225K	225 - 250K	250 - 300K	300 - 400K	400 - 500K	500K - 1M	1M +
2023	2,981	6,416	11,596	15,386	18,765	18,335	18,596	29,753	34,131	14,389	11,921	858
2024	1,567	3,767	7,819	12,006	16,264	17,694	18,968	35,008	48,099	21,778	19,823	1,336

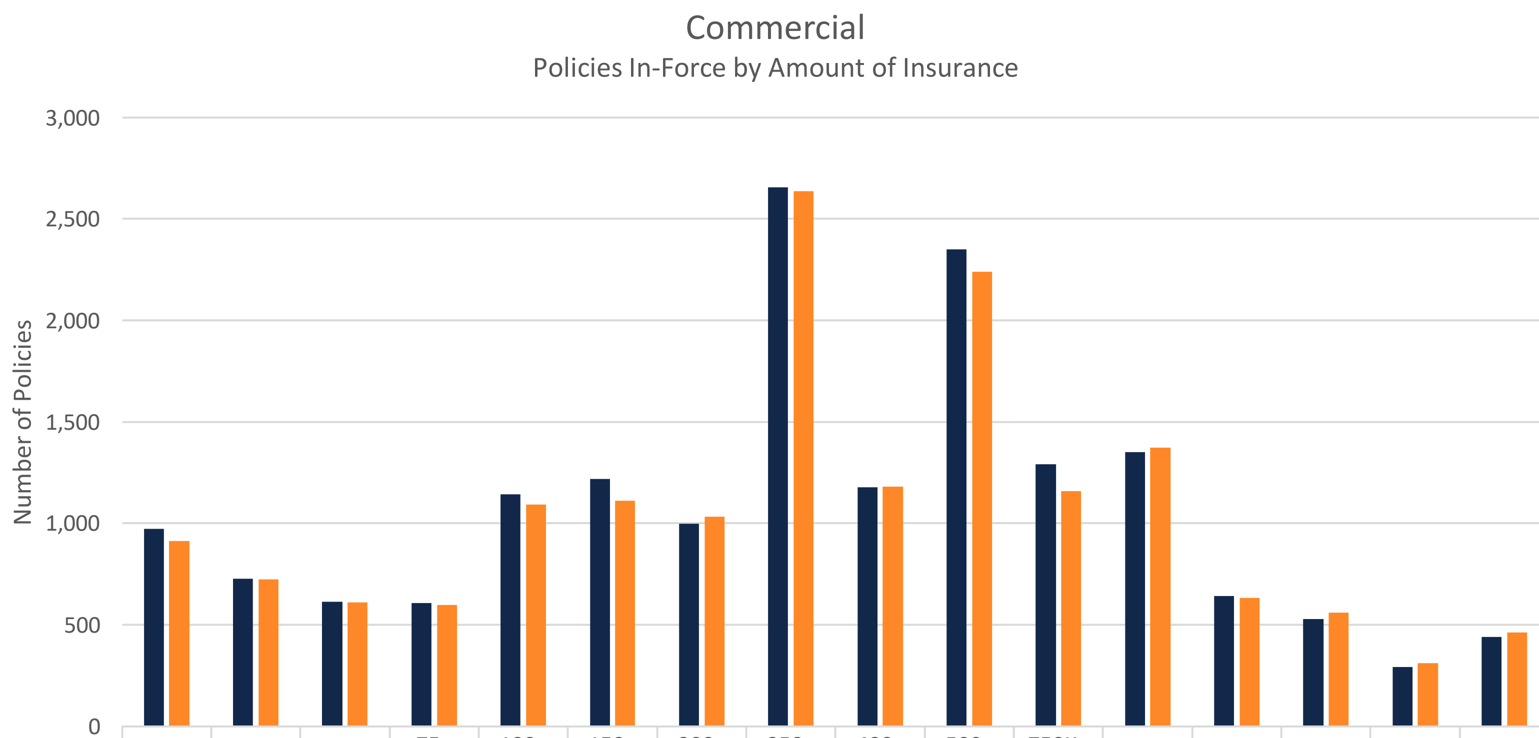
Texas Windstorm Insurance Association
Analysis of Growth
Distribution of Structure Limits
Residential Secondary Occupancy
Policies In-Force as of 12/31/2023 vs 12/31/2024



	≤100K	100 - 125K	125 - 150K	150 - 175K	175 - 200K	200 - 225K	225 - 250K	250 - 300K	300 - 400K	400 - 500K	500K - 1M	1M +
2023	5,169	3,445	4,038	4,084	4,122	3,561	3,381	4,884	5,753	2,779	3,551	721
2024	4,002	2,734	3,545	3,954	4,209	3,609	3,678	5,842	7,467	3,650	4,818	1,114

Amount of Insurance (000s)

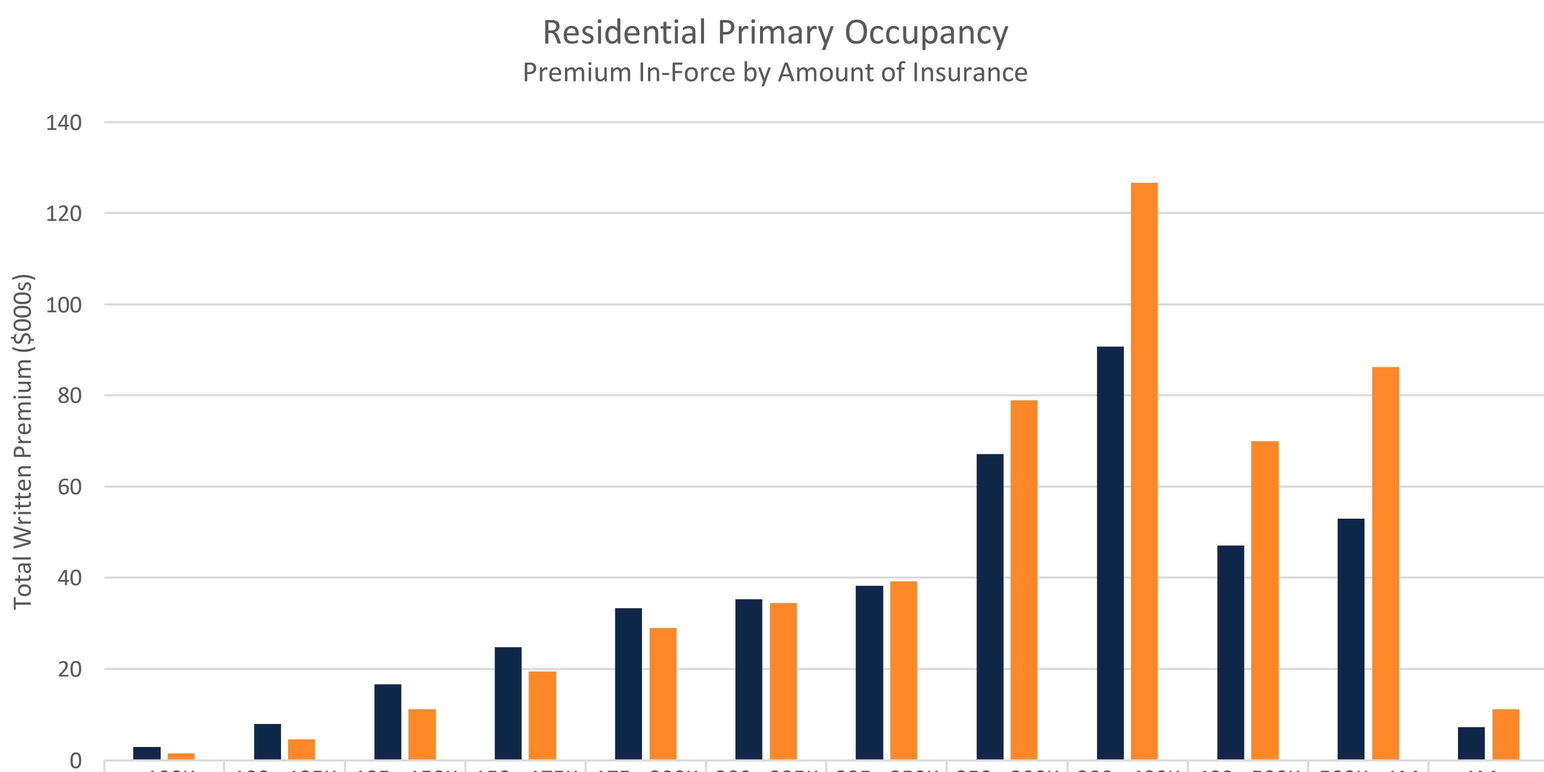
Texas Windstorm Insurance Association
Analysis of Growth
Distribution of Structure Limits
Commercial
Policies In-Force as of 12/31/2023 vs 12/31/2024



	≤25K	25 - 50K	50 - 75K	75 - 100K	100 - 150K	150 - 200K	200 - 250K	250 - 400K	400 - 500K	500 - 750K	750K - 1M	1 - 1.5M	1.5 - 2M	2 - 3M	3 - 4M	4M +
2023	972	728	612	608	1,144	1,217	998	2,656	1,178	2,348	1,291	1,350	641	527	292	439
2024	914	723	611	598	1,093	1,112	1,034	2,636	1,179	2,238	1,157	1,373	632	560	311	463

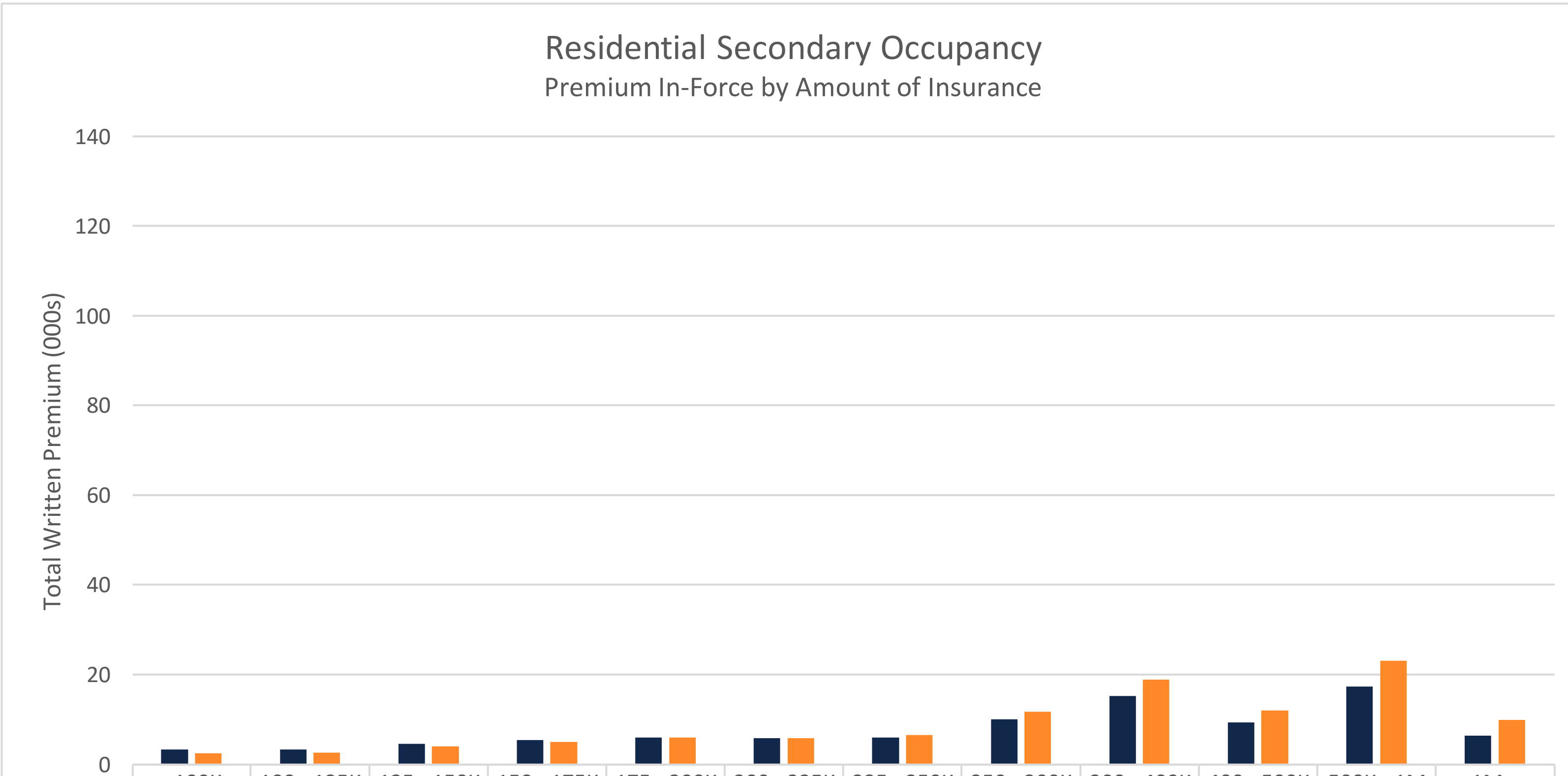
Amount of Insurance (000s)

Texas Windstorm Insurance Association
Analysis of Growth
Distribution of Structure Limits
Residential Primary Occupancy
Premium In-Force as of 12/31/2023 vs 12/31/2024



	≤100K	100 - 125K	125 - 150K	150 - 175K	175 - 200K	200 - 225K	225 - 250K	250 - 300K	300 - 400K	400 - 500K	500K - 1M	1M +
2023	2,811	7,871	16,685	24,802	33,354	35,343	38,159	67,143	90,758	47,034	52,894	7,244
2024	1,436	4,555	11,142	19,400	29,021	34,438	39,258	78,900	126,632	69,951	86,168	11,173

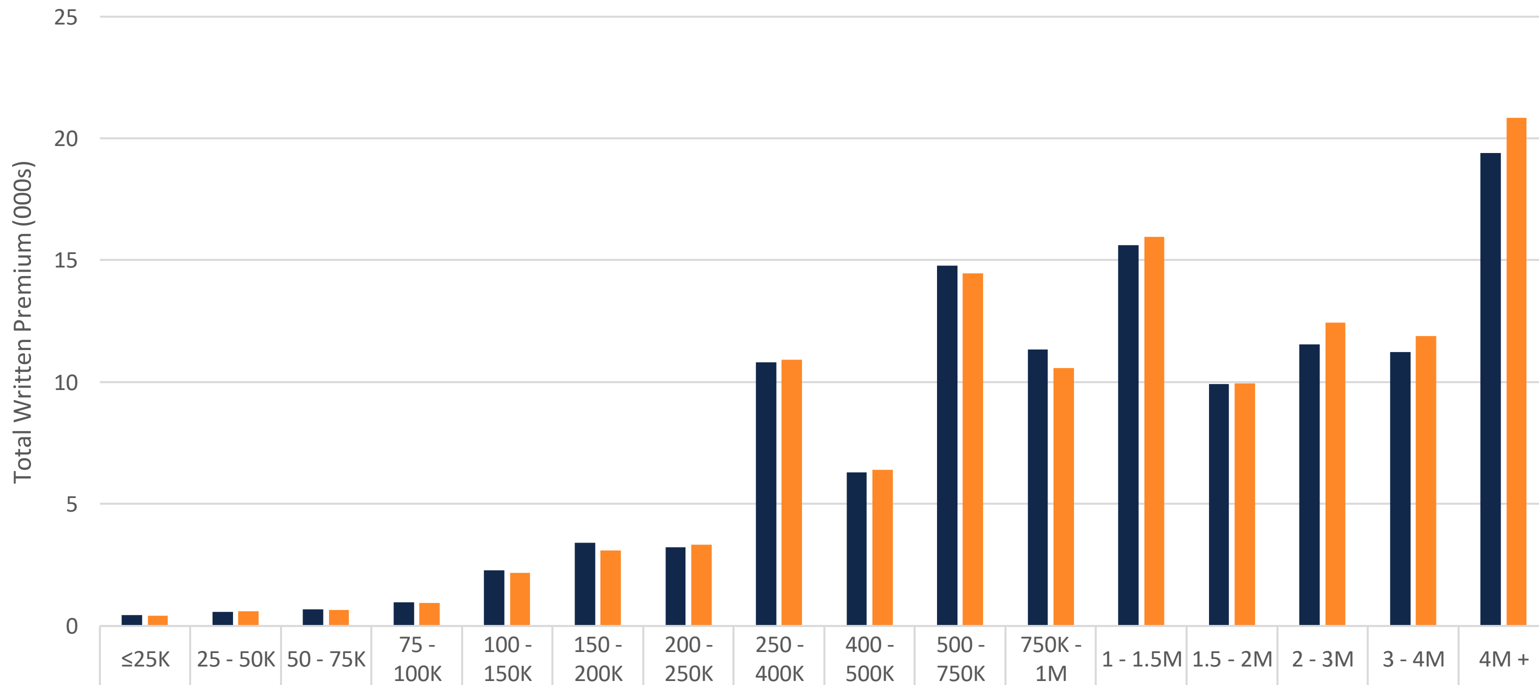
Texas Windstorm Insurance Association
Analysis of Growth
Distribution of Structure Limits
Residential Secondary Occupancy
Premium In-Force as of 12/31/2023 vs 12/31/2024



	≤100K	100 - 125K	125 - 150K	150 - 175K	175 - 200K	200 - 225K	225 - 250K	250 - 300K	300 - 400K	400 - 500K	500K - 1M	1M +
2023	3,279	3,343	4,566	5,349	6,000	5,790	6,024	10,063	15,165	9,320	17,375	6,330
2024	2,516	2,597	3,971	5,042	5,993	5,857	6,450	11,654	18,892	11,990	23,125	9,836

Amount of Insurance (000s)

Texas Windstorm Insurance Association
Analysis of Growth
Distribution of Structure Limits
Commercial
Premium In-Force as of 12/31/2023 vs 12/31/2024



	≤25K	25 - 50K	50 - 75K	75 - 100K	100 - 150K	150 - 200K	200 - 250K	250 - 400K	400 - 500K	500 - 750K	750K - 1M	1 - 1.5M	1.5 - 2M	2 - 3M	3 - 4M	4M +
2023	438	583	685	967	2,282	3,393	3,224	10,819	6,303	14,783	11,327	15,623	9,919	11,541	11,227	19,383
2024	422	591	651	947	2,184	3,088	3,330	10,917	6,409	14,468	10,576	15,948	9,941	12,429	11,875	20,828

8B. Reserve Adequacy

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: April 18, 2025

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, 2025

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of March 31, 2025.

As of March 31, 2025, TWIA carried $116.3 million in total gross loss and loss adjustment expense reserves. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Harvey, Hurricane Beryl, and all other outstanding claims.

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

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

JM

8C. 2025 Funding; Reinsurance

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: April 18, 2025

TO: David Durden
General Manager

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

RE: 2025 Reinsurance Program

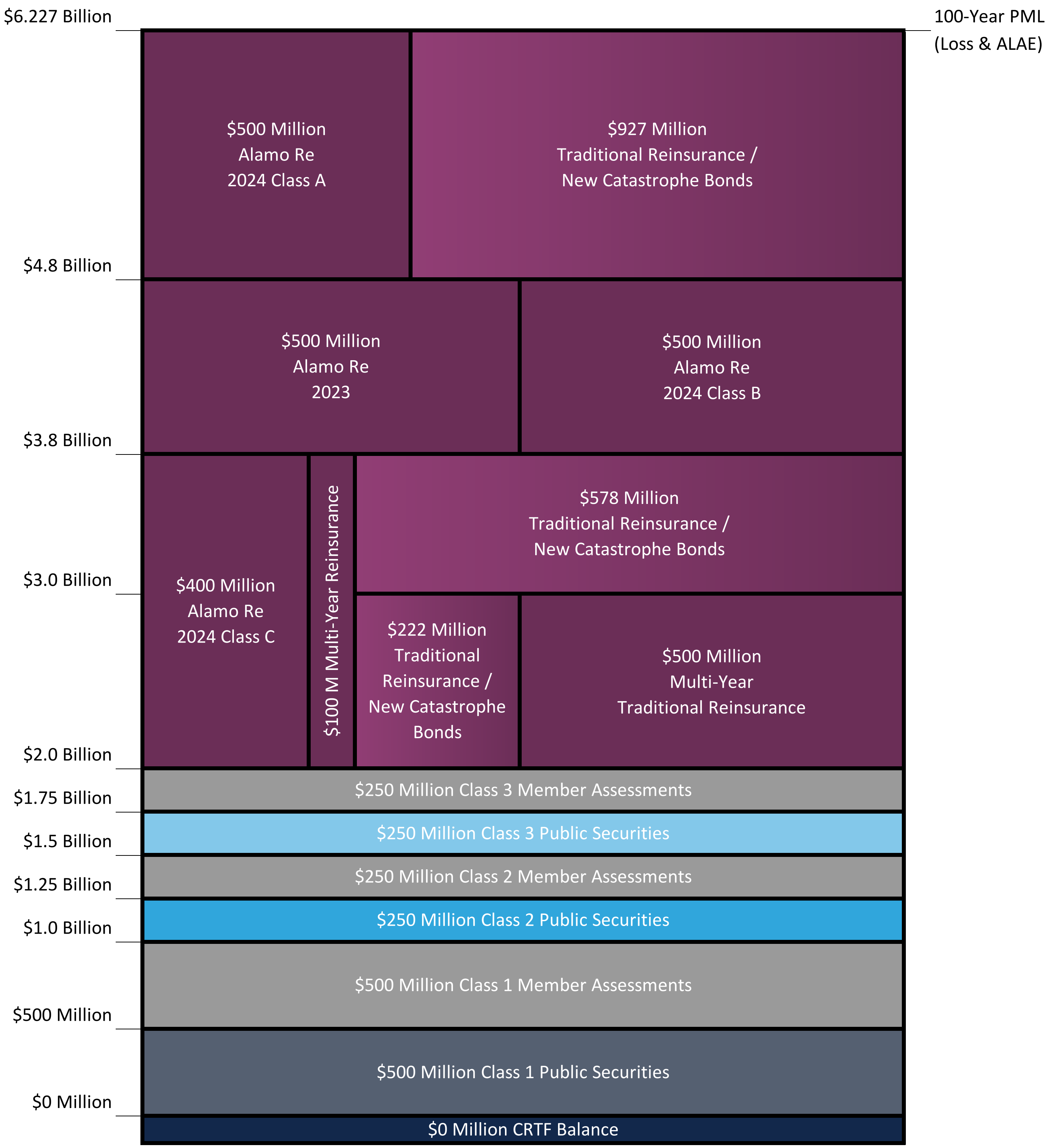
The TWIA Board of Directors established at its February 25, 2025 meeting the 100-year probable maximum loss (PML) for the 2025 hurricane season at $6.227 billion. In order to satisfy the minimum funding level required by statute, the Association is in the process of securing $4.227 billion total reinsurance coverage, comprising $1.9 billion in existing catastrophe bonds originally issued in 2023 and 2024, $600 million in multi-year traditional reinsurance originally placed in 2024, and $1.727 billion in new traditional reinsurance and catastrophe bonds as shown in the attached exhibit.

We are in the process of placing the $1.727 billion of new coverage now, which is expected to be provided by a combination of the traditional reinsurance market and catastrophe bonds. We are on track to have the complete reinsurance program placed in advance of the June 1 effective date.

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
Preliminary 2025 Funding
$6.227 Billion in Total Funding
Reinsurance Effective 6/1/25 - 5/31/26



9. Internal Audit Status & Update

MEMORANDUM

TO:	The Board of Directors - Texas Windstorm Insurance Association
FROM:	Dan Graves, Weaver - Internal Audit
DATE:	May 6, 2025
SUBJECT:	Status of Internal Audit Activities

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

- **Current Activities:**

Activity Description	Status
Follow-Up Quarterly Discussion	Complete
Claims Processing	In progress, fieldwork
HR Administration & Talent Retention	In progress, fieldwork

- **Upcoming Audits and Activities:**

Activity Description	Timing
Executive Management	Q2 2025
Information Security	Q2 2025
IT Services	Q2 2025

- **Summary of Open Findings:**

Cash Management 2021

- Review and evaluation of System Organization Controls Reports
- Development and approval of a documented Wire Transfer Policy

Underwriting and Policy Services 2023

- Tracking and monitoring issues and resolutions from agent compliance audits

AP & Expense Policy Services 2023

- User access reviews within the Accounts Payable module of Great Plains

Accounts Receivable 2023

- Timely write-off of uncollectable AR

Depopulation 2023

- User access review of Depopulation Portal

Legal and Compliance 2024

- Documenting the review and updates of Association policy manuals

Financial Close and Reporting 2024

- Documenting the review and approval of Chart of Accounts modifications

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

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

L - Limited Annual Procedures

I - In Process

10. Underwriting Operational Review Update

MEMORANDUM

DATE: April 14, 2025

TO: David Durden, General Manager

FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

First Quarter 2025 Results

TWIA Underwriting Metrics	Monthly Summary				Quarterly Summary					YTD		
	Jan-25	Feb-25	Mar-25		Q1 2025					2025	2025 Goal	▲
Transaction Issuance	99.98%	99.95%	99.98%		99.97%					99.97%	90%	9.97
Internal Underwriting QA	98.95%	99.24%	99.13%		99.11%					99.11%	95%	4.11
Phone Service Level	88.01%	91.94%	87.62%		89.19%					89.19%	80%	9.19
Internal Telephone QA	97.40%	96.20%	96.70%		96.77%					96.77%	95%	1.77

I. Overview:

- 99.97% of transactions were issued within 10 days of receiving the application and payment
    a. 98% of the transactions were straight through processed by the system
    b. 2% of the transactions were referred by the system to Underwriting for additional information, review, and approval prior to issuance
- Out of 89,827 calls for the quarter, 89.19% of the calls were answered under 20 seconds

II. Agency Compliance Audits:

A standard sample of agencies (10) were selected in the first quarter of 2025 to verify compliance with the Texas Windstorm Insurance Association (TWIA) declination of coverage and flood insurance requirements.

- 9 out of 10 agencies (90%) were compliant with declination provisions.
- All 10 agencies were compliant with flood provisions.
- All 10 agencies selected have active property and casualty insurance licenses.

11. Claims
11A. Claims Operations

TWIA Claims Operations 2025

TWIA Claims - 2025 Q1 Results (year-to-date)					
Key Cycle Times (In days)	**Industry Average, TX**	**TWIA**	**TWIA Plan**	**Variance to Plan**	**% Variance to Plan**
Avg. Days - FNOL to TWIA Receipt - Daily	9.5	5.2	<7	-1.8	-26%
Avg. Days - FNOL to TWIA Receipt - Cat	9.5	4.9	<14	-9.1	-65%
Avg. Days - FNOL to ACV Payment - Daily	N/A	8.6	<12	-3.4	-28%
Avg. Days - FNOL to ACV Payment - CAT	N/A	8.9	<21	-12.1	-58%
TDI Complaint Ratio					
2024	0.14% - 61 complaints from 43,012 new claims				
2025	0.90% - 16 complaints from 1,783 new claims				

Year	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Actual Volume	832	684	1,734	1,612	2,060	1,456	27,571	3,766	1,432	807	522	585	620	481	682
Actuarial Projected	809	569	574	2,092	2,112	591	596	872	880	880	431	435	1,395	334	1.484
Staffing Plan	703	703	703	703	703	703	703	703	703	703	703	703	578	578	578
Open Inventory	3,799	3,940	5,131	5,889	7,259	7,645	7,645	33,335	31,854	27,202	25,379	23,857	22,921	22,107	20,545

Historical TWIA Claim Volume	
Year	**Claims**
2005	**12,783**
2006	**1,862**
2007	**4,195**
2008	**99,813**
2009	**4,812**
2010	**4,801**
2011	**10,608**
2012	**8,601**
2013	**10,541**
2014	**2,843**
2015	**18,889**
2016	**8,393**
2017	**80,257**
2018	**7,242**
2019	**6,704**
2020	**14,432**
2021	**12,535**
2022	**5,066**
2023	**8,867**
2024	**43,012**
2025	**1,783**

TWIA - Claim Severity by Accident Year and LOB

Reported Claims by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Claims	% Δ	Claims	% Δ	Claims	% Δ
2021	12,269	-	286	-	12,555	-
2022	4,413	-64.0%	60	-79.0%	4,473	-64.4%
2023	9,385	112.7%	173	188.3%	9,558	113.7%
2024	42,163	349.3%	939	442.8%	43,102	351.0%
2025	618	-	25	-	643	-

Paid Amounts by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2021	$ 58,122,131	-	$ 8,162,442	-	$ 66,284,573	-
2022	$ 27,419,234	-52.8%	$ 1,447,225	-82.3%	$ 28,866,459	-56.5%
2023	$ 70,250,010	156.2%	$ 6,038,143	317.2%	$ 76,288,153	164.3%
2024	$ 403,147,429	473.9%	$ 37,227,919	516.5%	$ 440,375,347	477.3%
2025	$ 1,660,200	-	$ 57,356	-	$ 1,717,556	-

Paid Claim Severity by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Severity	% Δ	Severity	% Δ	Severity	% Δ
2021	$ 4,737	-	$ 28,540	-	$ 5,280	-
2022	$ 6,213	31.2%	$ 24,120	-15.5%	$ 6,453	22.2%
2023	$ 7,485	20.5%	$ 34,903	44.7%	$ 7,982	23.7%
2024	$ 9,562	27.7%	$ 39,646	13.6%	$ 10,217	28.0%
2025	$ 2,686	-	$ 2,294	-	$ 2,671	-

*Paid amounts exclude loss adjustment expenses and IBNR reserves

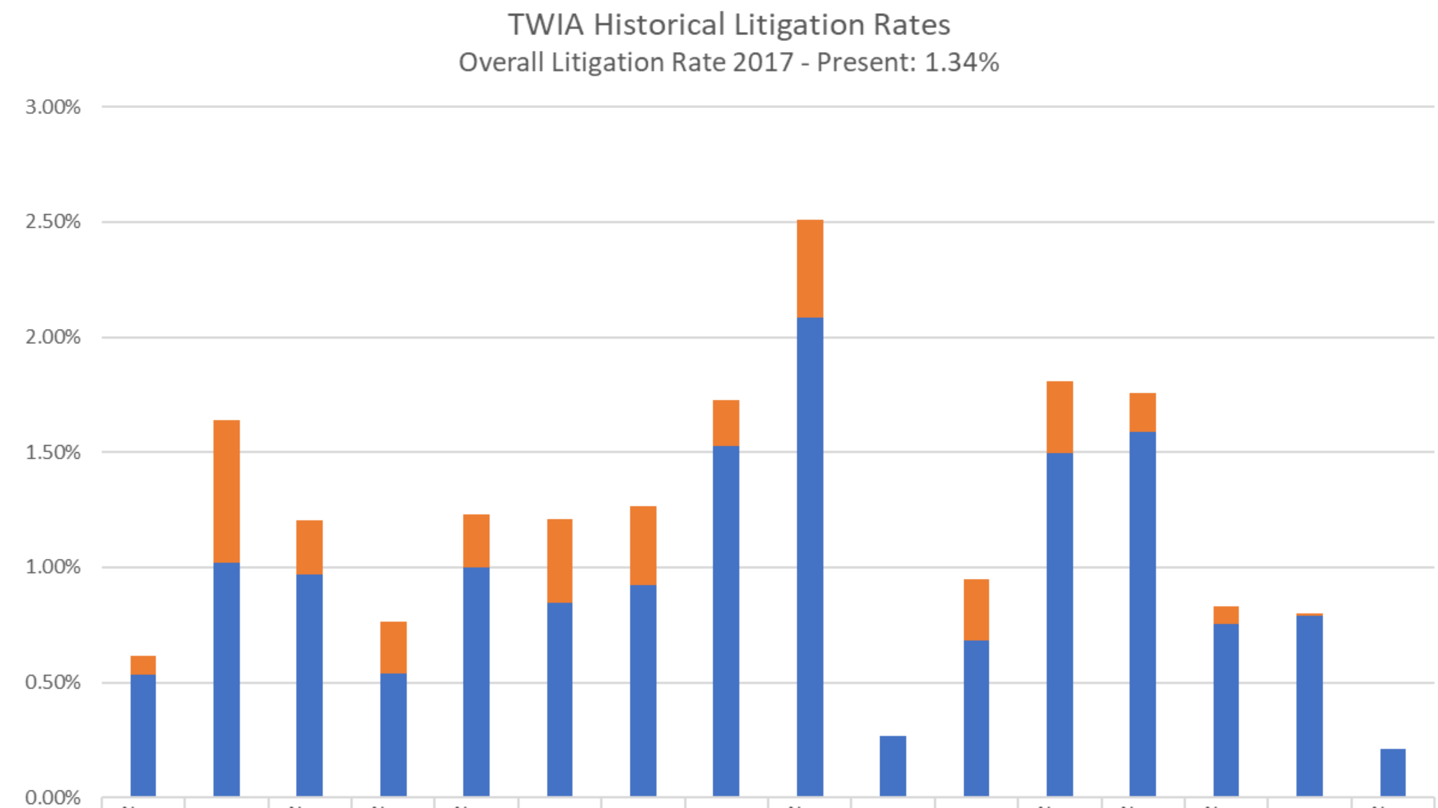
A single disputed claim may have more than one “type of dispute.”

TWIA Beryl	As of 2/2/25	As of 4/4/25	Change	% Change
Claims	32,158	32,520	362	1.1%
Open	17,798	15,397	-2,401	-13.5%
Closed	14,360	17,123	2,763	19.2%
% Closed	44.7%	52.7%	8.0%	8.0%
Paid Indemnity	$319,852,095	$336,346,179	$16,494,084	5.2%
Paid Expense	$39,165,640	$43,119,775	$3,954,135	10.1%

TFPA Beryl	As of 2/2/25	As of 4/4/25	Change	% Change
Claims	10,170	10,297	127	1.2%
Open	1,964	1,612	-352	-17.9%
Closed	8,206	8,685	479	5.8%
% Closed	80.7%	84.30%	3.6%	3.6%
Paid Indemnity	$81,447,826	$83,520,309	$2,072,483	2.5%
Paid Expense	$9,284,838	$9,548,300	$263,462	2.8%

11B. Claims Litigation

TWIA Litigation Summary



	Non-CAT (2017)	Harvey (2017)	Non-CAT (2018)	Non-CAT (2019)	Non-CAT (2020)	Hanna (2020)	Laura (2020)	Delta (2020)	Non-CAT (2021)	Uri (2021)	Nicholas (2021)	Non-CAT (2022)	Non-CAT (2023)	Non-CAT (2024)	Beryl (2024)	Non-CAT (2025)
% Suit	0.08%	0.62%	0.24%	0.22%	0.23%	0.36%	0.35%	0.20%	0.42%	0.00%	0.27%	0.31%	0.17%	0.08%	0.01%	0.00%
% NOIS	0.53%	1.02%	0.97%	0.54%	1.00%	0.85%	0.92%	1.53%	2.08%	0.27%	0.68%	1.49%	1.59%	0.75%	0.79%	0.21%
Total Claims	6,181	76,730	4,648	6,689	4,790	1,650	4,345	4,057	5,424	376	6,755	4,484	9,627	10,504	33,413	471

***NOIS: Notice of Intent to Sue**

TEXAS WINDSTORM INSURANCE ASSOCIATION

TWIA Litigation Tracking Activity

Litigation Quarter Summary
First Quarter 2025

1st Quarter 202	Summary of TWIA Claims in Suit			
		New	Settled	Closed
	January	1	0	3
	February	7	0	2
	March	4	0	3
		12	0	8

1st Quarter 2025	Summary of TWIA Claims with LORs			
		New	Settled	Closed
	January	78	0	10
	February	70	2	25
	March	60	10	49
		208	12	84

TWIA Claims Litigation

March 2025

	TWIA Claims in Suit			
	Beginning Inventory	New	Closed	Ending Inventory
Mar-25	78	4	3	79
	Breakdown			
	Beryl 2024	3	0	
	Nicholas 2021	0	2	
	Normal	1	1	

	TWIA Claims with LORs				
	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
Mar-25	842	60	49	4	849
	Breakdown				
	Normal	14	33	1	
	Beryl 2024	46	11	3	
	Nicholas 2021	0	3	0	

	TWIA Active Claims with Suits/LORs: Breakdown by Storm					
	Event	Total claims	Total Suits	Active Suits	Total LORs	Active LORS
Mar-25	Harvey 082517	76,730	483	9	1,102	0
	Nicholas 2021	6,755	21	13	114	5
	Laura 2020	4,345	17	1	180	1
	Delta 2020	4,057	11	3	152	0
	Beryl 2024	33,476	4	4	605	561

	TWIA Active Claims with Suits/LORs: Breakdown by County												
		Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Kleberg	Matagorda	Nueces	Willacy	Grand Total
Mar-25	3	270	2	81	6	374	32	52	1	33	16	1	871

Mar-25	TWIA Claims with Suits/LORs: Detail of Ending Inventory				
	Active Unsettled Claims				
	Suits		LORS		Total
	Residential	Commercial	Residential	Commercial	
	44	19	762	46	871

Mar-25	TWIA Claims with Suits/LORs: Detail of Ending Inventory				
	Settled & Funded (closing documents and final invoices pending)				
	Suits		LORS		Total
	Residential	Commercial	Residential	Commercial	
	15	1	41	0	57

12. TWIA Operations
12A. IT Operations Update

TEXAS WINDSTORM INSURANCE ASSOCIATION

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: April 15, 2025

TO: David Durden, General Manager

FROM: Michael Eleftheriades, Interim CIO / VP IT

RE: TWIA Information Technology Status

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

Cloud Migration Update

- The project has completed the formal testing phases for the core Insurance Suite Components (Billing Center, Policy Center, and Claims Center), Digital Engagement Portals (agents and policyholders) and the Enterprise Data Warehouse.
- Practice Dry Runs have been completed, the second and final Rehearsal is currently in play.
- Go-live date still planned and on target for Q2 2025 (weekend of April 25).

On premise and Remote User Workstations

- The upgrade from Microsoft Windows 10 (which is being deprecated by Microsoft later this year) to Windows 11 for all the Association workstations is an on-going project for TWIA.

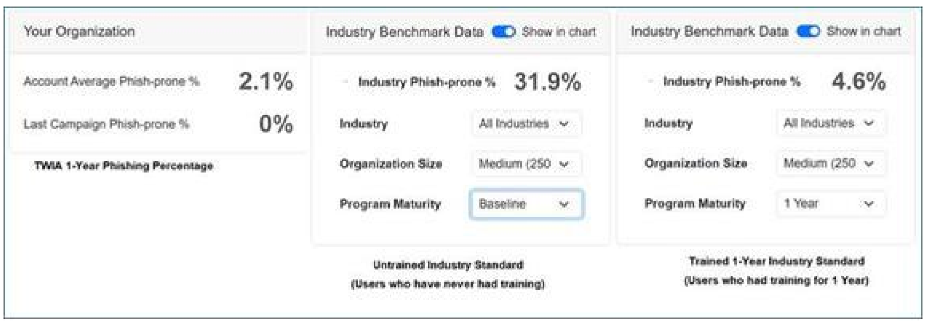
AI Proof of Concept Project.

- First feedback milestone was reached from the rollout of Microsoft Copilot to a very select few users in December (this is to evaluate functionality and applicability to the organization). Subsequent feedback milestone will be later in Q2.

Phishing Email Statistics

Summary of results: TWIA is well below industry metrics for a medium sized organization (see chart below), measuring the failure to identify phishing attempts. We send out about 500 simulated emails a month via our Security Training Software (KnowBe4).

Note: Independent pen testing and security assessments have confirmed the metrics during their testing as well. These reports are vetted by auditors every year.



General Status:

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

12B. Communications and Legislative Affairs Update

MEMORANDUM

DATE: April 16, 2025

TO: David Durden, General Manager

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

RE: Legislative & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) 89th Legislative Session

i. The Association's Legislative & External Affairs team continues to monitor developments in the 89th Legislative Session and to provide information to legislators and other stakeholders on bills that may affect Association operations. We have kept Board members informed of legislative activity via scheduled and ad hoc email updates.

ii. Bills affecting the Association have been moving through the committee process. Below are committee meetings since the February Board meeting at which TWIA bills and issues have been considered. To date, no TWIA bills have been considered on the House or Senate floor.

1. **House Insurance Committee Organizational Hearing, March 5, 2025:** The Committee held a hearing at which representatives of the Texas Department of Insurance, the Office of Public Insurance Counsel, and the Association presented invited testimony and answered questions from Committee members. Vice President of Legal & Compliance Jessica Crass testified primarily on TWIA's catastrophe funding structure challenges. No legislation was considered at this hearing.

2. **House Insurance Committee Hearing, April 2, 2025:** The Committee held a hearing on several bills, including the following TWIA bills. TWIA attended the hearing and was available as a resource witness.

   - House Bill 3689 by Rep. Todd Hunter (Nueces County), *relating to funding of excess losses and operating expenses of the Texas Windstorm Insurance Association; authorizing an assessment; authorizing a surcharge.* The General Manager answered questions from Committee members on the impact of this bill on TWIA's catastrophe funding structure and reinsurance costs.

   - House Bill 2213 by Rep. Ann Johnson (Harris County), *relating to the composition of the board of directors of the Texas Windstorm Insurance Association.*

   - House Bill 2517 by Rep. Jeff Barry (Brazoria County), *relating to the applicability of premium and maintenance taxes to Texas Windstorm Insurance Association and*

Texas FAIR Plan Association. This bill would implement one of the Board's Biennial Report recommendations.

- **House Bill 2518** by Rep. Barry, *relating to the use of installment premium payment plans on Texas Windstorm Insurance Association policies.* This bill would implement one of the Board's Biennial Report recommendations.
- **House Bill 2841** by Rep. John Smithee (Potter County), *relating to Texas Windstorm Insurance Association underwriting standards for new structures constructed in accordance with certain construction standards.*
- **House Bill 1576** by Rep. Tom Oliverson (Harris County), *relating to a grant program for hurricane and windstorm loss mitigation for single-family residential property.* This bill would apply one of the Board's Biennial Report recommendations to the insurance industry throughout the state.

3. **House Insurance Committee Formal Meeting, April 3, 2025:** The Committee met and voted to report House Bill 3689 by Rep. Hunter favorably to the full House.
4. **Senate Business & Commerce Committee Hearing, April 8, 2025:** The Committee heard testimony on the following bills by Sen. Mayes Middleton (Galveston County). TWIA attended the hearing and was available as a resource witness.
    - **Senate Bill 2530**, *relating to the Texas Windstorm Insurance Association.*
    - **Senate Bill 2571**, *relating to funding of excess losses and operating expenses of the Texas Windstorm Insurance Association; authorizing an assessment.*
5. **House Insurance Committee Hearing, April 9, 2025:** The Committee reported favorably to the full House on the following bills heard in a previous Committee meeting:
    - **House Bill 1576** by Rep. Oliverson, **House Bill 2517** by Rep. Barry, and **House Bill 2518** by Rep. Barry.
    - **House Bill 2213** by Rep. Johnson and **House Bill 2841** by Rep. Smithee were amended by the Committee and reported favorably to the full House.

b) **Legislative Meetings:** Association staff held 30 meetings with legislative offices from January through March, primarily to provide information in response to questions on legislation affecting TWIA operations and funding.

c) **Stakeholder Inquiries:** From January 1 to March 31, TWIA received and responded to 15 legislative and stakeholder inquiries on the following.

- Four policyholder complaints from legislative offices and one from TDI

- Three routine/recurring litigation data requests from a legislative office.
- One request for data related to Hurricane Beryl claims from TDI.
- Four requests from legislative offices for information related to legislation.
- Two requests from the Governor's office related to legislation.

II. Agent Advisory Group (AAG):

I. The first-quarter AAG meeting was held on February 19 and included discussions about the Association's 89th legislative session activities, the remaining implementation of legislative changes from the 88th legislative session, system functionality updates focused on the Association's transition to the cloud, and the status of TWIA's Board membership.

II. The AAG also conducted its annual AAG Chair election at the February meeting, selecting Travis McDavid as the new AAG Chair.

III. The second-quarter AAG meeting will be held on May 7. Discussion topics for the meeting include:

- An update on the 89th legislative session;
- An update on 2025 storm season funding and potential policyholder surcharges;
- The completion of the Association's transition to the cloud; and
- The annual AAG member nominations process.

16. Future Meetings
August 5, 2025 –Tremont House – Galveston, TX
November 4, 2025 – Omni Hotel – Corpus Christi, TX