

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

Tremont House
2300 Ships Mechanic Row
Galveston, TX 77550
August 8, 2023
9:00 a.m.



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Interested parties can attend the meeting in person or 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 offer public comment in person at the Tremont House or virtually via Zoom Webinar.

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

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

2. Approve the Minutes from Prior Board of Directors Meeting 5 minutes
– *Chandra Franklin Womack* – **Action/Vote Likely***

3. TWIA Operational Dashboard – *David Durden* 10 minutes

4. Public Comment 60 minutes

5. Financial 20 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*
 - C. Investment of Trust Fund Balances (Sec. 2210.4521) – *Stuart Harbour* – **Action/Vote Likely***
 - D. Selection of Auditors/Accountants for 2023 and Authorization of Non-Audit Services – *Stuart Harbour* – **Action/Vote Likely***

6. Agent Commission Study Update – *David Durden* 10 minutes

7. Actuarial – *Jim Murphy* 60 minutes
 - A. Policy Counts/Exposures
 - B. Reserve Adequacy
 - C. Aon Contract – Notice of Termination – **Action/Vote Likely***
 - D. Statutory Maximum Limits of Liability – **Action/Vote Likely***

- E. Review of TWIA Staff Rate Adequacy Analysis and Actuarial & Underwriting Committee Recommendations
- F. Required 2023 Annual Rate Filing – **Action/Vote Likely***
8. Internal Audit Status & Update – *Jeff Jones – Weaver* 5 minutes
9. Underwriting Operational Review Update – *Michael Ledwik* 10 minutes
10. Claims and Litigation 20 minutes
- A. Claims Operations – *Dave Williams*
- B. Claims Litigation – *Jessica Crass*
11. TWIA Operations 20 minutes
- A. IT Systems Update – *Camron Malik*
- B. Legislative Affairs Update and Legislative Implementation – *David Durden*
12. Closed Session (**Board Only**) 10 minutes
- A. Personnel Issues
- B. Legal Advice
13. Consideration of Issues Related to Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors 5 minutes
- **Action/Vote Likely***
14. Committees; Including Filling Actuarial & Underwriting Committee Vacancy(ies) – *Chandra Franklin Womack* – **Action/Vote Likely*** 15 minutes
15. Future Meetings – *David Durden* 5 minutes
- December 12, 2023 – Omni Hotel – Corpus Christi, TX
 - February 20, 2024 – Moody Gardens Hotel – Galveston, TX
16. Adjourn
- Estimated Total Length of Meeting 4 hours 20 minutes

1. Anti-Trust Statement



ANTI-TRUST COMPLIANCE STATEMENT

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

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

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

TWIA Anti-Trust Compliance Statement

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

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

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

Texas Windstorm Insurance Association

4801 Southwest Parkway, Building 1, Suite 200, Austin, Texas 78735
512-899-4900

2. Approve the Minutes

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

Marriott Austin South
4415 South I-35 Frontage Road
Austin, TX 78744

May 23, 2023

The Following Board Members were Present:

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

Absent: Chandra Franklin Womack 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. JD Lester, VP Human Resources | TWIA |
| 6. Michael Ledwik, VP Underwriting | TWIA |
| 7. Jim Murphy, Chief Actuary | TWIA |
| 8. Camron Malik, Chief Information Officer | TWIA |
| 9. Amy Koehl, Senior Project Administrator | TWIA |
| 10. Kristina Donley, Senior Instructional Designer | TWIA |
| 11. Mike Perkins, Association Counsel | Perkins Law Group PLLC |

The Following Guests Were Present:

- | | |
|---------------------|--------|
| 1. Jessica Davidson | TWIA |
| 2. Bruce Zaret | Weaver |

The Following In Person Attendees Were Present:

- | | |
|-----------------------|--------------------------|
| 1. Scott Weiss | Calhoun, Thomson + Matza |
| 2. Clark Thomson | Calhoun, Thomson + Matza |
| 3. Bill Dubinsky | Gallagher Re |
| 4. Allen Cashin | Gallagher Re |
| 5. Joey Walker | Gallagher Re |
| 6. Paul Hosni | Guy Carpenter |
| 7. Jonna Kay Hamilton | Nationwide |

8. David Bolduc	Office of Public Insurance Counsel
9. Eleanor Kitzman	Resolute Underwriters
10. George Taylor	Taylor Insurance
11. David Mueckerheide	Texas Department of Insurance
12. Marianne Baker	Texas Department of Insurance
13. Brian Leventhal	Texas Department of Insurance
14. Elizabeth Ret	Texas Department of Insurance
15. Andy Deskins	Wells Fargo
16. Brenda Pollard	Wells Fargo

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

1. Lori Beyer	12. Minchong Mao
2. Shirley Bowler	13. Travis McDavid
3. Dan Dick	14. Glenn Morris
4. Alexis Eakes	15. Dan Paschal
5. Steve Evans	16. Kenisha Schuster
6. Angela Fang	17. Megan Smith
7. Bill Fink	18. Kyoungson Song
8. Josephine Freitag	19. Steve Stockwill
9. Keith Gilbert	20. Jocelyn Strong
10. Rubi Harman	21. Aaron Taylor
11. Rhonda Kleine	

1. Call to Order: Ms. Neblett called the meeting to order at 9:01 a.m. and announced that Ms. Franklin Womack could not attend the meeting. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Mr. Perkins presented the required conflict-of-interest disclosures on behalf of each board member. Kristina Donley reviewed the housekeeping items.
2. Approval of Minutes: Mr. Walenta moved to approve the minutes from the February 14, 2023 TWIA Board of Directors meeting. Ms. Guard seconded the motion. The motion passed unanimously.
3. Public Comment: Ms. Donley reviewed the submitted written public comment. One comment addressed rates and the other commented on the cost of and requirements for underwriting TWIA policies. There was no verbal public comment.
4. TWIA Operational Highlights: Mr. Durden outlined the new operational scorecard document. This document is meant to provide at a glance the status of the Association with respect to important metrics. A list of enterprise projects was also included as well as an explanation of the project timeframes. Ms. Neblett commended the new format and the information presented.

5. Financial:

- A. Report of the Secretary/Treasurer: Ms. Guard reviewed the Treasurer's Report. Mr. Walenta moved to approve the report. Mr. Garrett seconded the motion. The motion passed.
- B. Financial Statement Review by Staff: Direct written premiums for the three months ended March 31, 2023 totaled \$116.5 million, which was \$29.3 million (33.6%) above the \$87.2 million for the same period in 2022. Direct written premium was \$13.0 million (12.5%) higher than the budgeted \$103.6 million. Policies in force as of March 31, 2023 of 228,577 were 4,219 (1.9%) higher than the budgeted number of 224,358.

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

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

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

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

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

Year-to-date commission expense of \$18.6 million and premium taxes of \$2.1 million were over budget by \$2.0 million and \$216,000 respectively as direct written premium was higher than the budgeted amount.

Gross investment income for the three months ended March 31, 2023 totaled \$4.3 million, which was \$3.4 million higher than the budgeted amount of \$970,000. Operating account balances have been reduced to increase amounts invested in Money Market Mutual Funds, which provide a higher rate of interest earnings. Yields on the Association's investments in Money Market Mutual Funds have increased as the Federal Reserve raised interest rates to combat the high levels of inflation.

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

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

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

Currently, staff is not recommending any changes to the investment plan. Mr. Garrett moved that 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. Mr. Walenta seconded the motion. The motion passed unanimously.

- D. 2023 Hurricane Season Line of Credit: Staff proposes to obtain a credit line of \$500 million with \$400 million provided by JP Morgan Chase and the remaining \$100 million from Bank of America. The purpose for maintaining the line of credit is to ensure cash is readily available to pay claims pending collection of

debt proceeds and/or a member assessment below the reinsurance attachment, if needed. The line of credit would serve as a liquidity bridge to permanent funding.

The proposed pricing for the 2023 line of credit includes a commitment fee of 47.5 basis points per annum on the unused portion of the credit line and an upfront fee of 10 basis points or \$500,000. This \$500 million facility amount and proposed pricing is consistent with the terms from the prior line of credit that was effective June 1, 2022. It is anticipated that this line of credit, if unused, would be terminated on December 27, 2023 which is the earliest cancellation date allowable under the contract terms. Ms. Neblett moved to approve the line of credit. Ms. Guard seconded the motion. The motion passed unanimously.

- E. Financial Audit by Calhoun, Thomson + Matza: Clark Thomson reviewed the results of the financial audit conducted by Calhoun, Thomson + Matza. Mr. Gerik moved to accept the audit report. Mr. Garrett seconded the motion. The motion passed unanimously.

6. Actuarial:

- A. Policy Count/Exposures: There is growth in policies and exposures across the coast. A little under half of the growth year over year is due to company insolvencies. Policy counts are up about 3% from December to March.
- B. Reserve Adequacy: TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of March 31, 2023.

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

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

In Mr. Murphy's 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.

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

TWIA staff has worked with its reinsurance broker, Gallagher Re, to reposition the existing catastrophe bonds within the reinsurance program and it issue \$500 million in new catastrophe bonds for 2023. The process of placing the remaining \$1 billion of coverage has started and is expected to include both traditional reinsurance and an additional new catastrophe bond issuance.

- D. Aon Contract – Notice of Termination: Mr. Murphy noted that TWIA initially entered into a Statement of Work (SOW) with Aon Re, Inc. on February 2, 2022 to perform catastrophe modeling and other related services. This contract renews each calendar year. In order to terminate the contract, TWIA would need to notify Aon prior to December 1. This item was added to the agenda at the request of a board member.

Mr. Walenta offered the following motion: the TWIA Board of Directors authorizes and instructs the general manager to notify Aon that TWIA seeks to modify the terms of the existing agreement. The board anticipates that this will result in a significant cost reduction, that any new fee will be on a “not to exceed” cost basis and that the term of any revised agreement shall be for one year. The revised agreement shall allow two, one-year extensions at the sole discretion of the board.

If the general manager and Aon are unable to agree on revised terms by July 15, 2023, then this motion shall serve as notification under Sec. II of the Statement of Work that TWIA will not be renewing the current consulting agreement.

If the general manager and Aon reach an agreement regarding a revised Statement of Work, the revised SOW shall be presented to this board on August 8, 2023 for final approval. If the board does not approve the revised agreement, such action shall serve as notice of TWIA’s intent not to renew the current consulting agreement. Mr. Gerik seconded the motion.

Mr. Durden asked Mr. Walenta to provide more detail regarding his motion. Mr. Walenta said he wants to make the contract for a set amount of time, not evergreen as it currently stands. He would also like a revised Statement of Work. Ms. Neblett said she would like to renegotiate the Statement of Work and the fees but she is not on board for terminating the contract in July. She would like a full report from staff at the August meeting before making a

decision. Mr. Durden said the Association can license modelers directly and hire someone to provide the content on the data the board members would like to see. Mr. Harbour and Mr. Murphy don't feel they have the expertise to interpret data from the models.

A roll call vote was conducted.

Ron Walenta – Yes
 Esther Grossman – No
 Karen Guard – No
 Mike Gerik – Yes
 Tony Schrader – Yes
 Tim Garrett – No
 Georgia Neblett – No
 Peggy Gonzalez – Yes

The motion failed. Mr. Garrett requested more information on the modeling contract, conducting meetings with Aon to renegotiate the Statement of Work and costs. This information will be brought back to the board at the August meeting.

7. Internal Audit Status & Update: Mr. Zaret reported that current internal audit activities include reinsurance, continuity of operations – business operations, human resources and payroll, claims, facilities, accounts receivable, depopulation and accounts payable and expense processing.

Upcoming audits include plan of operation, communications, model audit rule, underwriting, reinsurance funding and actuarial.

8. Underwriting Operational Review Update: Mr. Ledwik reported that 97% of transactions were issued within 10 days and 70% of the transactions were straight through processed by the system within 1 day. Transactions referred by the system to underwriting due to complex issues requiring additional information from agencies and renewal migration data updates.

Out of 88,328 calls for the quarter, 76% of the calls were answered in under 20 seconds. On January 6, 2023, there was a data connectivity issue with the Waco data center. On February 16-17, 2023, there was a two-day internal outage with the phone provider.

Standard audits were completed for a sample of agencies doing business with TWIA in the first quarter of 2023 to verify compliance with the declination of coverage and flood insurance requirements. All policies reviewed were compliant with the requirement for proof of declination of coverage. Of the policies/properties selected, 20% required flood insurance. All agents audited have an active property and casualty

insurance license.

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

9. Claims:

- A. Claims Operations: First notice of loss to property inspection is averaging 3.2 days versus an industry average of 5.9 days. Total cycle time of first notice of loss to payment is averaging 9.1 days daily and 8.8 days in a catastrophe. Historical claim volume for 2023 is 2,094. Total TDI complaints for 2023 are 0.10%, which is two complaints from 2,094 new claims.
- B. Litigation Report: For the first quarter of 2023, five new TWIA claims in suit were received and 35 were closed. For TWIA claims with letters of representation, 41 were received and 112 were closed. The Furlow Law firm and the Baker Law Firm hold the majority of suits.

10. TWIA Operations:

- A. IT Systems Update: After the board's approval of the cloud program, staff negotiated the contract with Guidewire for their portion of the cloud effort and also awarded the system integration contract to Zensar. Staff is currently finalizing the Statement of Work with Zensar and expects to have it signed by the middle of June. This work is planned to start in January 2024.

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

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

Staff has deployed several changes over the last six months which have partially improved some of the issues and will continue to address the agents needs through our monthly production releases. Staff is committed to resolving these issues within the next three months. Staff also plans to visit agent offices to obtain a better understanding of how agents use the TWIA systems. This will assist in efforts to provide a better performing solution and better understand and optimize system processes used by agents.

Overall, TWIA systems continue in production support mode with a monthly cadence of releases and the infrastructure and operations team continues to

support remote work with excellent quality. All technological efforts are on track.

- B. Legislative Affairs Update: The legislative session continues through May 29. All bills based on recommendations in TWIA’s Biennial Report have been passed by the House of Representatives. Senate Bill 2232 (related to requirements for insurance agents offering windstorm and hail policies by TWIA) and Senate Bill 2233 (relating to automatic renewal of certain policies issued by TWIA) have passed both chambers and have been sent to the governor for his signature or veto.

11. Closed Session: There was no closed session.

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

13. Committees: There was nothing to discuss.

14. Future Meetings:

- August 8, 2023 – Tremont House – Galveston
- December 12, 2023 – Omni Hotel – Corpus Christi

15. Adjourn: The meeting adjourned at 10:22 am.

Prepared by: Amy Koehl
Senior Project Administrator

Approved by: Chandra Franklin Womack
TWIA Chair

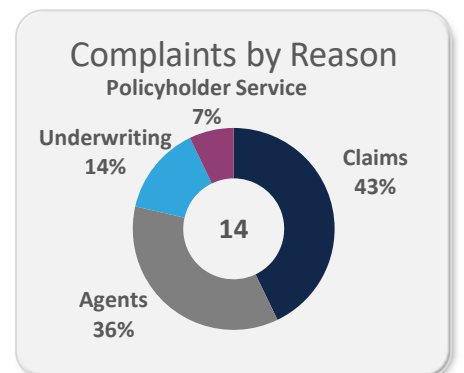
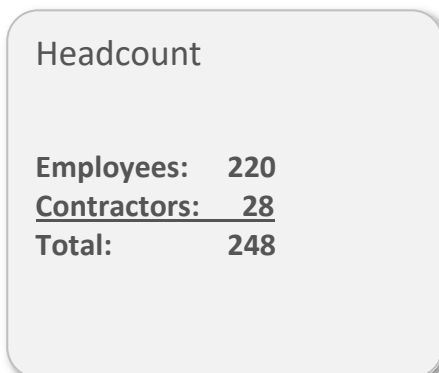
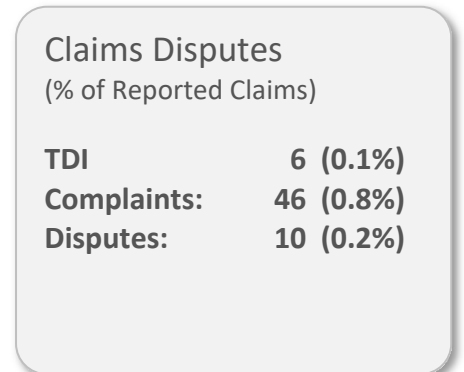
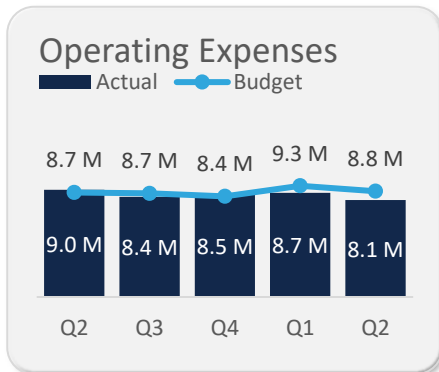
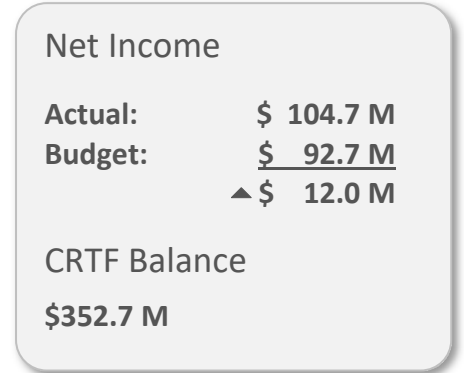
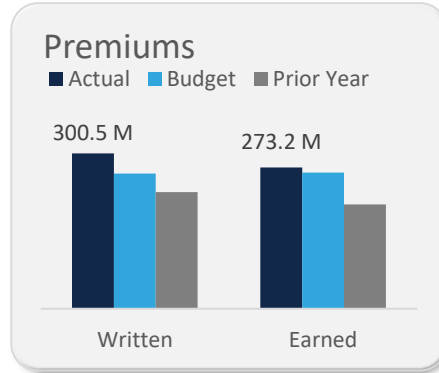
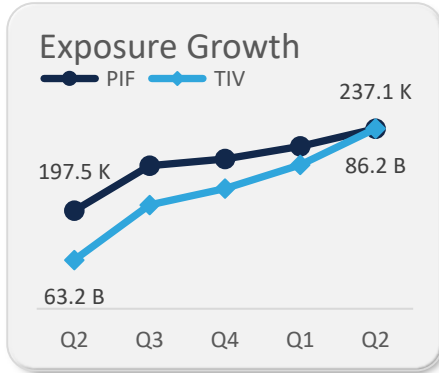
Approved by: Georgia Neblett
TWIA Vice Chair

3. TWIA Operational Dashboard



Operational Dashboard

Reporting as of June 30, 2023



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

CY 2022 Gross Premium to Surplus Ratio 1.96: 1



Enterprise Projects

Status Update as of June 30, 2023



Enterprise Projects	Initiative Type	2022				2023				2024			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
● Chase Digital Bill Pay - TWIA	Required					■	■	■					
● Chase Digital Bill Pay - TFPA	Required								■				
● Agent Commission Study	High Priority	■	■	■	■								
● Association Surcharge for GW9	Mandatory					■	■	■	■				
● Strategy Management & Planning	Discretionary Planned			■	■	■	■	■	■				
● TWIA Leadership Development Program	Discretionary Planned			■	■	■	■	■	■				
● TFPA Automatic Adjustment to Limits	High Priority					■	■	■	■				
● Crisis Communication Plan	Discretionary Planned	■	■	■	■	■	■	■	■				
● Transforming Customer Experience (CX)	Discretionary Planned						■						
● TWIA Website Redesign	Discretionary Planned					■	■	■	■				
● HIVE Program - Program Set Up	Discretionary Unplanned						■	■	■				
● Legislative Implementation Program (LIP88)	Mandatory						■	■	■	■	■	■	■
● Conversational AI - Chatbot for Claims	Discretionary Planned						■	■	■				
● Guidewire Cloud Migration (PC9)	Discretionary Planned									■	■	■	■



Enterprise Projects

Reporting Definitions



Initiative Types

Mandatory - Driven by Legislature, Regulations, Rules, or Governor or Commissioner Order

Required - Required for continuity of operations or contractual commitments

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

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

Discretionary Unplanned - Elective efforts without advanced planning

Project Status / Health

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

Project health report represents scope and schedule

Sources referenced: PMO Study Circle/Project Management Institute (PMI)

5. Financial

5A. Report of the Secretary/Treasurer

5A1. Income Statement

TEXAS WINDSTORM INSURANCE ASSOCIATION		
Statutory Income Statement - Treasurer's Report		
for the six months ended June 30,		
(000's omitted)		
	2023	2022
Direct Premiums Written	<u>\$ 300,469</u>	<u>\$ 225,574</u>
Premiums Earned:		
Direct Premiums Earned	\$ 273,217	\$ 201,722
Ceded Reinsurance Premiums	(34,059)	(20,472)
Ceded Reinsurance Premiums - Depopulation	-	-
Net Premiums Earned	<u>239,157</u>	<u>181,251</u>
Deductions:		
Direct Losses and LAE Incurred	80,853	32,238
Direct Losses and LAE Incurred - Harvey	-	-
Direct Losses and LAE Incurred - Ike & Dolly	-	-
Ceded Losses and LAE Incurred - Depopulation	(1)	(3)
Operating Expenses	16,818	16,479
Commission Expense	47,999	36,060
Ceding commissions / brokerage	(8,511)	(4,612)
Ceding commissions / brokerage - Depopulation	-	-
Premium / Maintenance Tax	5,487	4,186
Total Deductions	<u>142,646</u>	<u>84,348</u>
Net Underwriting Gain or (Loss)	<u>96,511</u>	<u>96,903</u>
Other Income or (Expense):		
Gross Investment Income	9,079	459
Debt Issuance & Other Investment Expenses	(58)	(240)
Line of Credit Fees	(728)	(698)
Interest Expense on Class 1 Bonds	-	(5,192)
Interest Expense on Short Term Debt	-	(229)
CRTF Funds Received	-	-
Member Assessment Income	-	-
Premium Charge off/Write off	(126)	-
Miscellaneous Income (Expense)	6	-
Total Other Income or (Expense)	<u>8,174</u>	<u>(5,900)</u>
Net Income (Loss)	<u>\$ 104,685</u>	<u>\$ 91,002</u>
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	38,643	(24,584)
Net Income (Loss)	104,685	91,002
Change in Provision for Reinsurance	-	-
Change in nonadmitted assets	(1,571)	(1,874)
Unassigned Funds - Unrecognized Pension Expense	-	-
Statutory Fund Cost	(80,200)	(53,150)
Ending Surplus (Deficit)	<u>\$ 61,557</u>	<u>\$ 11,393</u>

5A2. Management Discussion and Analysis

**Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results for the
Six Months Ended June 30, 2023**

Written and Earned Premiums

Actual vs Budget	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$/count Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 300.5 M	\$ 261.7 M	\$ 38.8 M	14.8%
Direct Earned Premiums	\$ 273.2 M	\$ 263.5 M	\$ 9.7 M	3.7%
Policies in Force	237,112	226,944	10,168	4.5%

Actual vs Prior Year	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$/count Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 300.5 M	\$ 225.6 M	\$ 74.9 M	33.2%
Direct Earned Premiums	\$ 273.2 M	\$ 201.7 M	\$ 71.5 M	35.4%
Policies in Force	237,112	197,474	39,638	20.1%

Reinsurance Costs

- The 2023-2024 reinsurance program incepted on June 1, 2023. Coverage for the 2023 hurricane season consists of \$1.2 billion of collateralized catastrophe bonds and \$1.043 billion of traditional reinsurance. Gross ceded premiums associated with the \$2.243 billion in coverage totaled \$204.4 million compared to a budgeted estimate of \$225.5 million. This total reflects an overall rate-on-line (ROL) of 9.1% compared to the 6.5% ROL for the 2022 program. The net cost of the reinsurance program after ceding commission was \$195.8 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

Depopulation Program

- The one carrier (SafePoint) that signed up to participate in round 6 of depopulation selected approximately 32,000 policies for potential novation from TWIA. The agents review period closed on June 31, 2022, with a total of 79 policies still eligible for transfer. Owners of the remaining 79 policies had until January 31 to opt out and remain with TWIA or be transferred to SafePoint. The novation occurred effective 2/28/2023 and 46 active policies were transferred. There will not be a round 7 depopulation program in 2023/2024 as no carriers registered to participate in the upcoming depopulation period.

Loss and Loss Adjustment Expense Incurred

Actual vs Budget	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Direct Losses and LAE	\$ 80.9 M	\$ 78.2 M	\$ 2.7 M	3.5%
Loss and LAE Ratio	29.6%	29.7%		(0.1%)

Actual vs Prior Year	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Direct Losses and LAE	\$ 80.9 M	\$ 32.2 M	\$48.7 M	151.2%
Loss and LAE Ratio	29.6%	16.0%		13.6%

- The ultimate loss and loss adjustment expense estimate for Hurricane Harvey remains at \$1.66 billion.

Operating Expenses

Actual vs Budget	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 16.8 M	\$ 18.1 M	(\$ 1.3 M)	(7.2%)
Operating Expense Ratio	6.2%	6.9%		(0.7%)

Actual vs Prior Year	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 16.8 M	\$ 16.5 M	\$ 0.3 M	2.1%
Operating Expense Ratio	6.2%	8.2%		(2.0%)

- Notable expense items under budget include Personnel Expenses (\$928,000), Other Professional Services (\$260,000), and Software Purchases and Licensing (\$357,000).

Commission Expense and Premium Taxes

Actual vs Budget	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 48.0 M	\$ 41.9 M	\$ 6.1 M	14.6%
Premium Taxes	\$ 5.5 M	\$ 4.9 M	\$ 0.6 M	13.1%

Actual vs Prior Year	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 48.0 M	\$ 36.1 M	\$ 11.9 M	33.1%
Premium Taxes	\$ 5.5 M	\$ 4.2 M	\$ 1.3 M	31.1%

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.

Actual vs Budget	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 9.1 M	\$ 2.0 M	\$ 7.1 M	360.4%

Actual vs Prior Year	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 9.1 M	\$ 0.5 M	\$ 8.6 M	1,720.0%

Net Income

Actual vs Budget	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Net Income	\$104.7 M	\$ 92.7 M	\$ 12.0 M	13.0%

Actual vs Prior Year	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Net Income	\$104.7 M	\$ 91.0 M	\$ 13.7 M	15.0%

Surplus/(Deficit)

Actual June 2023 vs Dec 2022	June 2023 Actual	Dec 2022 Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	\$ 61.6 M	\$ 38.6 M	\$ 23.0 M	60.0%

- The amount in surplus improved over the prior year end amount due to the year-to-date net income of \$104.7 million. The increase in surplus was offset by \$80.2 million for the CRTF accrual and an increase of \$1.6 million in non-admitted assets which consists primarily of prepaid expenses and reinsurance.

5B. Financial Statement Review

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Income Statement (000's omitted)
For the six months ended June 30,

	Actuals - 2023	Budget - 2023	Variance - 2023	Actuals - 2022
1 Premiums Written:				
Direct	\$ 300,469	\$ 261,668	\$ 38,801	\$ 225,574
Ceded	(204,356)	(225,544)	21,188	(122,830)
Ceded - Depopulation	-	-	-	-
Net	<u>96,112</u>	<u>36,124</u>	<u>59,989</u>	<u>102,745</u>
10 Premiums Earned:				
Direct	\$ 273,217	\$ 263,457	\$ 9,760	\$ 201,722
Ceded	(34,059)	(37,591)	3,531	(20,472)
Ceded - Depopulation	-	-	-	-
Net	<u>239,157</u>	<u>225,866</u>	<u>13,291</u>	<u>181,251</u>
16 Deductions:				
Direct Losses and LAE Incurred	80,853	78,232	2,621	32,238
Direct Losses and LAE Incurred - Harvey	-	-	-	-
Direct Losses and LAE Incurred - Ike & Dolly	-	-	-	-
Ceded Losses and LAE Incurred - Depopulation	(1)	-	(1)	(3)
Operating Expenses	16,818	18,148	(1,330)	16,479
Commission Expense	47,999	41,867	6,133	36,060
Ceding commissions / brokerage	(8,511)	(8,849)	338	(4,612)
Ceding commissions / brokerage - Depopulation	-	-	-	-
Premium / Maintenance Tax	5,487	4,850	637	4,186
Total Deductions	<u>142,646</u>	<u>134,248</u>	<u>8,398</u>	<u>84,348</u>
28 Net Underwriting Gain or (Loss)	<u>96,511</u>	<u>91,619</u>	<u>4,893</u>	<u>96,903</u>
30 Other Income or (Expense):				
Gross Investment Income	9,079	1,972	7,107	459
Debt Issuance/Maintenance Fees & Other Investment Expense	(58)	(216)	158	(240)
Line of Credit Fees	(728)	(704)	(24)	(698)
Interest Expense on Class 1 Bonds	-	-	-	(5,192)
Interest Expense on Short Term Debt	-	-	-	(229)
Premium Charge offs/Write offs	(126)	-	(126)	-
Miscellaneous Income (Expense)	6	-	6	-
Total Other Income or (Expense)	<u>8,174</u>	<u>1,052</u>	<u>7,122</u>	<u>(5,900)</u>
40 Net Income (Loss)	<u>\$ 104,685</u>	<u>\$ 92,670</u>	<u>\$ 12,015</u>	<u>\$ 91,002</u>
42 Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	38,643	38,643	-	(24,584)
Net Income (Loss)	104,685	92,670	12,015	91,002
Change in Provision for Reinsurance	-	(2,000)	2,000	-
Change in nonadmitted assets	(1,571)	(3,428)	1,857	(1,874)
Unassigned Funds - Unrecognized Pension Expense	-	-	-	-
Statutory Fund Cost	(80,200)	(50,073)	(30,127)	(53,150)
Ending Surplus (Deficit)	<u>\$ 61,557</u>	<u>\$ 75,813</u>	<u>\$ (14,256)</u>	<u>\$ 11,393</u>
51 Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	29.6%	29.7%	(0.1%)	16.0%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	<u>29.6%</u>	<u>29.7%</u>	<u>(0.1%)</u>	<u>16.0%</u>
UW Expense Ratio:				
Acquisition	17.8%	17.9%	(0.1%)	17.8%
Non Acquisition	6.2%	6.9%	(0.7%)	8.2%
UW Expense Ratio	<u>24.0%</u>	<u>24.7%</u>	<u>(0.8%)</u>	<u>26.0%</u>
Combined Ratio	<u>53.5%</u>	<u>54.4%</u>	<u>(0.9%)</u>	<u>42.0%</u>

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statutory Expense Report (000's omitted)
for the six months ended June 30,

	Description	Actuals - 2023	Budget - 2023	Variance - 2023	Actuals - 2022
6	Personnel Expenses				
7	Salaries & Wages - Permanent	\$ 6,931	\$ 7,670	\$ (739)	\$ 6,901
8	Contractor & Temporary Help	2,361	2,931	\$ (570)	4,809
9	Payroll Taxes	524	609	\$ (85)	504
10	Employee Benefits	2,278	2,419	\$ (141)	2,540
11	Recruiting, Training & Other	51	218	\$ (167)	119
12	Subtotal	<u>\$ 12,144</u>	<u>\$ 13,847</u>	<u>\$ (1,703)</u>	<u>\$ 14,873</u>
14	Professional & Consulting Services				
15	Legal	\$ 325	\$ 236	\$ 89	\$ 210
16	Accounting & Auditing	143	167	\$ (23)	150
17	Information Technology	920	660	\$ 260	1,590
18	Actuarial Services	68	39	\$ 29	25
19	Ombudsman Program	93	113	\$ (20)	113
20	Surveys & Inspections	681	653	\$ 28	640
21	Disaster Recovery Services	7	10	\$ (3)	119
22	Other Services (1)	2,693	3,004	\$ (310)	2,495
23	Subtotal	<u>\$ 4,931</u>	<u>\$ 4,882</u>	<u>\$ 49</u>	<u>\$ 5,342</u>
25	Hardware/Software Purchases & Licensing	\$ 1,723	\$ 2,100	\$ (377)	\$ 1,841
26	Rental & Maintenance - Office/Equipment	449	515	\$ (66)	605
27	Travel Expenses	69	90	\$ (21)	50
28	Postage, Telephone and Express	612	605	\$ 7	390
29	Capital Management Expenses	-	-	\$ -	6
30	Depreciation & Amortization	1,557	1,534	\$ 23	641
31	Other Operating Expenses	780	971	\$ (191)	760
32	Total Operating Expenses	<u>\$ 22,266</u>	<u>\$ 24,545</u>	<u>\$ (2,279)</u>	<u>\$ 24,507</u>
34	Capitalization of Fixed Assets	-	-	\$ -	(1,533)
35	Reimbursement of Depop Servicing Expense	(3)	-	\$ (3)	(4)
36	Allocation To ULAE	(5,388)	(6,270)	\$ 883	(6,355)
37	Allocation To Investing & Other Expense	(58)	(126)	\$ 68	(136)
38	Net Operating Expense - UW Operations	<u>\$ 16,818</u>	<u>\$ 18,148</u>	<u>\$ (1,330)</u>	<u>\$ 16,479</u>

(1) Summary Details for Other Services:

<u>VENDOR</u>	<u>Amount</u>	<u>Department</u>
Accenture LLP	\$ 1,031	Expert Panel
Marshall & Swift/Boeckh	304	Underwriting
AON Re Inc	300	Actuary
Clear Point Claims LLC	278	Underwriting
EagleView Technologies Inc	124	Claims
Xactware Solutions Inc	123	Claims
Risk Management Solutions Inc	115	Expert Panel
ISO Services Inc	108	Claims
Accenture LLP (Customer Experience)	67	Corporate
LYNX Services LLC	62	Claims
Insurity LLC	34	Claims
McLean and Company	22	Human Resources
*Other Outside Services below \$20K	127	Various Departments
Total Other Services	<u>\$ 2,693</u>	

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

	<u>June 2023</u>	<u>December 2022</u>	
1			1
2 Admitted Assets			2
3 Cash and short term investments:			3
4 Unrestricted	\$ 517,547	\$ 483,870	4
5 Restricted - Funds Held at TTSTC	-	-	5
6 Restricted - Funds Held at TTSTC (Non Admitted)	-	-	6
7 Total cash and short term investments	<u>517,547</u>	<u>483,870</u>	7
8 Premiums receivable & other	36,213	26,983	8
9 Assessment receivable	-	-	9
10 Amounts recoverable from reinsurers	-	-	10
11 Total admitted assets	<u><u>\$ 553,760</u></u>	<u><u>\$ 510,852</u></u>	11
12			12
13 Liabilities, Surplus and other funds			13
14 Liabilities:			14
15 Loss and Loss adjustment expenses	73,630	58,175	15
16 Underwriting expenses payable	18,932	14,701	16
17 Unearned premiums, net of ceded unearned premiums	134,289	277,334	17
18 Ceded reinsurance premiums payable	159,460	33,331	18
19 Short Term Debt	-	-	19
20 Interest Payable on Short Term Debt	-	-	20
21 Principal Outstanding on Class 1 Pre Event Bonds	-	-	21
22 Interest Payable on Class 1 Pre Event Bonds	-	-	22
23 Provision for reinsurance	-	-	23
24 Other payables	25,692	13,707	24
25 Statutory fund payable	80,200	74,962	25
26 Total liabilities	<u><u>492,203</u></u>	<u><u>472,209</u></u>	26
27			27
28 Surplus and others funds			28
29 Unassigned surplus (deficit)	61,557	38,643	29
30 Total liabilities, surplus and other funds	<u><u>\$ 553,760</u></u>	<u><u>\$ 510,852</u></u>	30
31			31
32			32
33 Balance in CRTF	<u><u>\$ 272,534</u></u>	<u><u>\$ 190,004</u></u>	33
34			34
35 Balance in CRTF including Statutory fund payable	<u><u>\$ 352,733</u></u>	<u><u>\$ 264,966</u></u>	35
36			36

TEXAS WINDSTORM INSURANCE ASSOCIATION
Statement of Cash Flows (000's omitted)
As of June 30, 2023

1	Actual - 2023	Budget - 2023	Variance - 2023	1
2				2
3				3
4 Cash flows from operating activities:				4
5 Premiums collected, net of reinsurance	\$ 225,654	\$ 222,760	\$ 2,894	5
6 Losses and loss adjustment expense paid (1) (2)	(67,245)	(20,414)	(46,830)	6
7 Underwriting expenses paid	(57,337)	(52,544)	(4,794)	7
8 CRTF funds received	-	-	-	8
9 Member assessment received	-	-	-	9
10 Other	(225)	-	(225)	10
11 Net cash provided by operating activities	<u>100,847</u>	<u>149,801</u>	<u>(48,954)</u>	11
12 Cash flows from nonoperating activities:				12
13 Statutory fund received/paid	(74,962)	(93,088)	18,126	13
14 Other	-	-	-	14
15 Net cash provided by nonoperating activities	<u>(74,962)</u>	<u>(93,088)</u>	<u>18,126</u>	15
16 Cash flows from investing activities:				16
17 Sales and maturities of investments	-	-	-	17
18 Net investment income	7,792	1,972	5,821	18
19 Net cash provided by investing activities	<u>7,792</u>	<u>1,972</u>	<u>5,821</u>	19
20 Cash flows from financing activities:				20
21 Borrowed funds	-	(920)	920	21
22 Borrowed funds repaid	-	-	-	22
23 Net cash provided by financing activities	<u>-</u>	<u>(920)</u>	<u>920</u>	23
24				24
25 Net increase (decrease) in cash and short-term investments	33,678	57,765	(24,087)	25
26 Cash and short-term investments, Beginning	483,870	483,870	-	26
27 Cash and short-term investments, Ending	<u>\$ 517,547</u>	<u>\$ 541,635</u>	<u>\$ (24,087)</u>	27
28				28
29 Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.				29

Texas Windstorm Insurance Association
Unrestricted Cash and Short Term Investments (\$ in 000's)
June 30, 2023

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Average Annual Yield	Total Deposit % of TWIA's Portfolio	N.A. Bank Credit Rating	N.A Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital?
							< 40%	Superior or Strong	> 10%	> \$25B	> .2% of N.A. Reg Capital
Balances as of 06/30/2023:											
Bank of America, Operating	\$ 162	\$ 52,132	\$ 52,294	\$ 55,238	\$ 503	3.6%	10%	Superior	13.4%	\$185	No
Citibank	197	115	312	5,736	40	2.8%	0%	Superior	14.8%	\$154	No
JP Morgan Chase	63,707	0	63,707	0	0	0.0%	12%	Superior	17.3%	\$274	No
BlackRock Liquidity Funds (1)	0	0	0	0	0	0.0%	0%	N/A	N/A	N/A	N/A
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	132,767	132,767	132,227	1,605	4.9%	26%	N/A	N/A	N/A	N/A
Chase Goldman Sachs (2)	0	89,032	89,032	88,689	1,042	4.7%	17%	N/A	N/A	N/A	N/A
BOA Morgan Stanley (1)	0	46,253	46,253	46,081	529	4.6%	9%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury (1)	0	116,098	116,098	92,335	934	4.0%	22%	N/A	N/A	N/A	N/A
Fidelity Treasury (1)	0	17,085	17,085	11,446	88	3.1%	3%	N/A	N/A	N/A	N/A
Total of all financial institutions	\$ 64,066	\$ 453,482	\$ 517,547	\$ 431,751	\$ 4,740	4.4%	100%				
Balances as of 03/31/2023:											
Bank of America, Operating	\$ 162	\$ 46,056	\$ 46,218	\$ 73,536	\$ 542	2.9%	11%	Superior	13.1%	\$181	No
Citibank	197	17,140	17,337	17,115	74	1.7%	4%	Superior	15.1%	\$152	No
JP Morgan Chase	24,640	0	24,640	0	0	0.0%	6%	Superior	16.9%	\$270	No
BlackRock Liquidity Funds (1)	0	0	0	68,643	711	4.1%	0%	N/A	N/A	N/A	N/A
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	131,073	131,073	165,505	1,773	4.3%	30%	N/A	N/A	N/A	N/A
Chase Goldman Sachs (2)	0	88,145	88,145	47,992	383	3.2%	20%	N/A	N/A	N/A	N/A
BOA Morgan Stanley (1)	0	45,739	45,739	32,970	355	4.3%	11%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury (1)	0	80,197	80,197	45,845	500	4.4%	19%	N/A	N/A	N/A	N/A
Fidelity Treasury (1)	0	0	0	0	0	0.0%	0%	N/A	N/A	N/A	N/A
Total of all financial institutions	\$ 24,999	\$ 408,349	\$ 433,348	\$ 451,607	\$ 4,338	3.8%	100%				

(1) The Fund invests in U.S. Treasury bills, notes, trust receipts and direct obligations of the U.S. Treasury.

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

Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of March 31, 2023. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

TEXAS WINDSTORM INSURANCE ASSOCIATION												
HISTORICAL DATA												
1971 - 2023												
(\$ with 000's omitted)												
YEAR	GROSS						NET				CRTF BALANCE END OF PERIOD	
	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES		WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)		
			RESID	COMML								
1971	\$ 278,710	13,415			\$ 2,393	\$ 92	\$ 868	\$ 92	\$ 385	\$ 391		
1972	739,983	33,577			4,138	214	3,468	214	849	2,405		
1973	1,017,048	45,743			4,286	1,427	4,286	1,427	1,099	1,763		
1974	1,064,772	45,901			4,512	452	4,378	452	1,106	2,819		
1975	1,169,763	46,365			6,036	592	5,263	592	1,417	3,254		
1976	1,387,252	48,747			8,130	231	6,953	231	1,878	4,844		
1977	1,616,220	51,382			9,922	203	9,080	203	2,258	6,619		
1978	1,633,521	48,820			10,523	296	10,249	296	2,329	7,624		
1979	1,816,410	46,128			11,045	2,370	11,039	2,370	2,178	6,490		
1980	1,936,388	43,613			9,675	14,217	10,245	14,217	2,079	(6,051)		
1981	2,105,244	42,495			9,137	2,715	9,313	2,715	2,097	4,501		
1982	2,285,594	51,034			8,641	982	9,106	982	2,095	6,029		
1983	2,165,231	44,894			6,900	157,112	7,585	157,112	1,937	(151,463)		
1984	3,178,079	51,311			9,450	1,294	7,989	1,294	2,493	4,202		
1985	4,061,660	57,181			18,232	1,510	3,534	1,510	3,638	(1,614)		
1986	4,510,378	60,028			20,987	1,202	5,229	1,202	3,997	30		
1987	4,401,486	57,976			20,532	2,555	4,931	2,555	4,091	(1,715)		
1988	4,266,615	56,773	-5.4%	-15.0%	19,061	2,509	3,551	2,509	4,066	(3,024)		
1989	4,236,600	55,401	-	-	18,066	14,176	5,330	14,176	4,037	(12,883)		
1990	4,248,611	56,155	3.1%	-2.1%	18,244	1,590	16,761	1,590	4,171	11,000		
1991	4,346,209	54,145	25.0%	-2.0%	20,504	1,783	7,167	1,783	4,343	1,042		
1992	5,155,790	55,471	-20% (I)/-75% (B)	-22.9%	11,495	1,321	4,014	1,321	4,220	(1,527)		
1993	6,500,165	56,921	30.0%	-	19,377	4,778	123,515	4,778	5,161	113,576		
1994	7,645,176	63,348	-	-	26,545	1,572	25,692	1,572	6,982	17,138	124,847	
1995	8,828,140	69,807	25.0%	-	32,419	4,033	29,016	4,033	8,119	16,864	151,284	
1996	10,001,843	72,977	-	-	40,359	1,484	37,153	1,484	10,627	25,042	179,020	
1997	10,907,937	75,361	-	-	42,463	4,133	41,045	4,133	11,038	25,874	216,896	
1998	11,633,935	77,261	0.2%	-3.0%	44,411	27,235	28,256	27,235	12,181	(11,160)	238,221	
1999	11,972,502	75,947	-9.4%	-	44,581	11,320	28,702	11,320	11,524	5,858	250,403	
2000	12,052,604	73,815	-	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	321,771	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	86,248,091	237,112	0.0%	0.0%	300,469	80,853	239,157	80,852	61,794	96,511	272,534	
TOTAL*					8,172,192	6,074,952	5,639,700	4,603,371	1,811,114	(774,785)		

*2023 data through 06/30/2023.

5C. Investment of Trust Fund Balances



MEMORANDUM

DATE: July 17, 2023
TO: David Durden, General Manager
FROM: Stuart Harbour
RE: **Investment of Trust Fund Balances (Sec. 2210.4521)**

Hi David, SB 900 added the following requirement regarding the Catastrophe Reserve Trust Fund (CRTF):

Sec. 2210.4521. INVESTMENT OF TRUST FUND BALANCES.

(a) The comptroller shall invest in accordance with the investment standard described by Section 404.024(j), Government Code, the portion of the trust fund balance that exceeds the amount of the sufficient balance determined under Subsection (b). The comptroller's investment of that portion of the balance is not subject to any other limitation or other requirement provided by Section 404.024, Government Code.

(b) At least once each 12-month period, the board of directors shall determine a balance for the trust fund that the board considers to be sufficient to meet the cash flow requirements of the fund in funding the payment of insured losses as provided by Section

2210.452(a). [Emphasis added] After determining that sufficient balance, the board shall provide notice of the sufficient balance to the comptroller.

The TWIA Board of Directors last reviewed this provision as required in 2022 at the August Board of Directors Meeting.

This statutory provision requires the Comptroller to invest excess CRTF funds in a less restrictive manner using a “prudent investor” standard and it requires the TWIA board to provide an annual notification to the Comptroller regarding the excess funds/sufficient balance amount in the CRTF. The CRTF Balance is approximately \$272.5 M as of June 30, 2023. The CRTF is utilized for funding losses and expenses in excess of current year premiums and other revenue. Since there is a reasonable possibility that all of the funds in the CRTF may be required to be utilized in the event of a catastrophic event, TWIA staff believes that all the funds in the CRTF are necessary to meet the potential cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a). Thus, there are **no excess funds** in the CRTF at this time to be invested by the Comptroller under the prudent investor standard set forth in Chapter 424 of the Government Code.



Suggested language for a resolution by the TWIA board of directors at the August 8, 2023 meeting is as follows:

Resolved, that based on association staff analysis and recommendation, the Board of Directors hereby determines that at this time the entire balance of the Catastrophe Reserve Trust Fund is required to be kept available to meet the cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a) of the Texas Insurance Code. Thus, staff is directed to notify the Texas Comptroller's Office that the fund balance does not exceed the sufficient balance as defined in statute.

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

Thank you,
Stuart Harbour
Chief Financial Officer

5D. Selection of Auditors/Accountants for
2023 and Authorization of
Non-Audit Services



MEMORANDUM

DATE: July 17, 2023
TO: David Durden, General Manager
FROM: Stuart Harbour, Chief Financial Officer
RE: **Selection of Auditors/Accountants for 2023 and Authorization of Non-Audit Services**

Each year the association retains an accounting firm to conduct an independent audit of the association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2021, Calhoun Thomson + Matza ("CTM") was selected to continue in their role as the association's independent auditor. I have attached the Statutory and GASB engagement letters from CTM for use in connection with the audit of the association's 2023 financial statements. Counsel has reviewed the letters and reports that they are the same as last year with no changes in terms or fee amounts. Staff recommends to the Board of Directors that the engagements be approved and the letters executed. Staff also requests authority to use CTM as needed over the coming year for assistance with certain tax related items and for non-audit services associated with the issuance of catastrophe bonds. Resolution language follows.

The Board of Directors of the association, acting as the audit committee, authorizes and directs that the firm of Calhoun, Thomson + Matza be engaged to conduct the upcoming annual audits of the association's financial statements on the terms set forth in the Statutory and GASB engagement letters included in the board book. The staff of the association is further authorized to engage Calhoun, Thomson + Matza to provide permitted tax related non-audit services and certain non-audit services in connection with the issuance of catastrophe bonds during the coming year as needed.

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

Stuart Harbour

Agreement to provide services

July 13, 2023

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
4801 Southwest Pkwy Building One, Suite 200
Austin, Texas 78735

Dear Ms. Franklin-Womack:

This agreement to provide services (the “Agreement”) is intended to describe the nature and scope of our services.

Statutory Audit

As agreed, Calhoun, Thomson + Matza, LLP (“CTM” or “we”) will audit the statutory statement of admitted assets, liabilities, surplus and other funds of Texas Windstorm Insurance Association (the “Association” or “you”) as of December 31, 2023 and the related statutory statements of income, changes in surplus and other funds, and cash flows for the year then ending, in accordance with auditing standards generally accepted in the United States of America. The financial records and financial statements are the responsibility of the Association’s management. In that regard, management is responsible for establishing and maintaining effective internal control over financial reporting, establishing and maintaining proper accounting records, selecting appropriate accounting principles, safeguarding the Association’s assets, designing and implementing programs and controls to prevent and detect fraud, complying with relevant laws and regulations, and making all financial records and related information available to us.

Also, the supplementary information accompanying the statutory financial statements, as listed below, which are presented to comply with the National Association of Insurance Commissioners’ Accounting Practices and Procedures Manual and Texas state law, will be subjected to the auditing procedures applied in our audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditors’ report will provide an opinion on it in relation to the statutory financial statements as a whole.

- Summary Investment Schedule as of December 31, 2023.

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
July 13, 2023
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- Supplemental Investment Risk Interrogatories as of December 31, 2023.
- Reinsurance Interrogatories as of December 31, 2023.

You acknowledge and understand your responsibility for the preparation of the supplementary information in accordance with the applicable criteria. You also agree to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. You also agree to present the supplementary information with the audited financial statements, or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and our report thereon.

Our responsibility is to express an opinion on the statutory financial statements based on our audit. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statutory financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We are also responsible for communicating with those charged with governance what our responsibilities are under generally accepted auditing standards, an overview of the planned scope and timing of the audit, and significant findings from the audit. The term “those charged with governance” is defined as the person(s) with responsibility for overseeing the strategic direction of the Association and obligations related to the accountability of the Association, including overseeing the financial reporting process. For the Association, we agree that the Audit Committee meets that definition.

At the conclusion of our audit, we will submit to you a report containing our opinion as to whether the statutory financial statements, taken as a whole, are fairly presented based on accounting principles prescribed or permitted by the Texas Department of Insurance. If, during the course of our work, it appears for any reason that we will not be in a position to render an unqualified opinion on the statutory financial statements, or that our report will require an explanatory paragraph, we will discuss this with you. It is possible that, because of unexpected circumstances, we may determine that we cannot render a report or otherwise complete the engagement. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If, in our professional judgment, the circumstances require, we may resign from the engagement prior to completion.

We will design our audit, in accordance with auditing standards generally accepted in the United States of America, to obtain reasonable assurance about whether the statutory financial statements are free of material misstatements, whether caused by error or fraud. Our work will be based primarily upon selected tests of evidence

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
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supporting the amounts and disclosures in the statutory financial statements and, therefore, will not include a detailed check of all of the Association's transactions for the period. Accordingly, an audit performed in accordance with auditing standards generally accepted in the United States of America is not a guarantee of the accuracy of the statutory financial statements, and there is a risk that material errors or fraud may exist and not be detected by us. Also, an audit is not designed to detect errors or fraud that are immaterial to the statutory financial statements. However, we will promptly inform you of any material errors or any fraud, whether material or not, that come to our attention. We will also inform you of possible illegal acts that come to our attention. In addition, during the course of our audit, statutory financial statement misstatements may be identified, either through our audit procedures or through communication by the Association's employees to us, and we will bring these misstatements to your attention as proposed adjustments. Management is responsible for recording such adjustments in the statutory financial statements, after evaluating their propriety based on a review of both the applicable authoritative literature and the underlying supporting evidence from the Association's files; or otherwise concluding and confirming in a representation letter provided to us at the conclusion of our audit that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the statutory financial statements taken as a whole. At the conclusion of our audit we will communicate to those charged with governance all such uncorrected misstatements.

An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we will express no such opinion. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses in internal control. However, we are responsible for ensuring that you are aware of any significant deficiencies or material weaknesses that come to our attention during our engagement.

CTM is retaining the Association as a client in reliance on information obtained during the course of our continuing client reacceptance procedures. Scott Weiss has been assigned the role of engagement partner and is responsible for directing the engagement and issuing the appropriate report on the Association's statutory financial statements.

Responsibility to Communicate with the Audit Committee

Although the objective of our audit of the statutory financial statements is not to report on the Association's internal control and we are not obligated to search for reportable conditions as part of our audit, we will communicate reportable conditions to you to the extent they come to our attention.

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We will report to you, in writing, the following matters:

1. Audit adjustments detected during the audit that could, in our judgment, either individually or in aggregate have a significant effect on the Association's financial reports. Audit adjustments, whether or not recorded by the Association, are proposed corrections of the financial statements that may not have been detected except through the auditing procedures.
2. Uncorrected misstatements aggregated during the current engagement that were determined by management to be immaterial.
3. Any disagreements with management or other serious difficulties encountered during the audit.
4. Any other matter that is required to be communicated by generally accepted auditing standards.

We will also read the minutes of Audit Committee meetings for consistency with our understanding of the communications made to you and determine that you have received copies of all material written communications between ourselves and management.

E-mail Communication

In connection with this engagement, we may communicate with you or others via e-mail transmission. As e-mails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that e-mails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of e-mail transmissions, or for the unauthorized use or failed delivery of e-mails transmitted by us in connection with the performance of this engagement. In that regard, the Association agrees that we shall have no liability for any loss or damage from the use of e-mail, including any punitive, consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure of confidential information.

Ownership of Working Papers

The working papers prepared in conjunction with our audit are the property of our Firm, constitute confidential information, and will be retained by us in accordance with our Firm's policies and procedures. However, we may be required to make certain working papers available to State insurance regulators pursuant to authority given them by law

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or regulation. Access to the requested working papers will be provided to the State insurance regulators pursuant to a request under Chapter 401 of the Texas Insurance Code.

Reproduction of Audit Report

If the Association plans any reproduction or publication of our report, or any portion of it, copies of masters' or printers' proofs of the entire document, or if there is no proof, a copy of the entire document in its final form, should be submitted to us in sufficient time for our review and written approval before printing. You also agree to provide us with a copy of the final reproduced material for our written approval before it is distributed. If, in our professional judgment, the circumstances require, we may withhold our written approval.

Posting of Audit Report and Statutory Financial Statements on Your Web Site

You agree that, if you plan to post an electronic version of the statutory financial statements and audit report on your Web site, you will ensure that there are no differences in content between the electronic version of the statutory financial statements and audit report on your Web site and the signed version of the statutory financial statements and audit report provided to management by CTM.

Review of Documents for Sale of Securities

The audited statutory financial statements and our report thereon should not be provided or otherwise made available to recipients of any document to be used in connection with the sale of securities (including securities offerings on the Internet) without first submitting copies of the document to us in sufficient time for our review and written approval. If, in our professional judgment, the circumstances require, we may withhold our written approval.

Management Representations and Indemnification

As required by auditing standards generally accepted in the United States of America, we will request certain written representations from the Association's management at the close of our audit to confirm oral representations given to us and to indicate and document the continuing appropriateness of such representations and reduce the possibility of misunderstanding concerning matters that are the subject of the representations.

Availability of Records and Personnel

The Association agrees that all records, documentation, and information we request in connection with our audit will be made available to us (including those pertaining to

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related parties), that all material information will be disclosed to us, and that we will have the full cooperation of, and unrestricted access to, the Association's personnel during the course of the engagement.

You also agree to ensure that any third party valuation reports and/or actuarial reports that the Association provides to us to support amounts or disclosures in the statutory financial statements a) indicate the purpose for which they were intended, which is consistent with your actual use of such reports; and b) do not contain any restrictive language that would preclude us from using such reports as audit evidence.

Assistance by the Association's Personnel and Internet Access

We also ask that the Association's personnel prepare various schedules and analyses for our staff. However, except as otherwise noted by us, no personal information other than names related to the Association's employees and/or customers should be provided to us. In addition, we ask that the Association provides high-speed Internet access to our engagement team, if practicable, while working on the Association's premises. This assistance will serve to facilitate the progress of our work and minimize costs to the Association.

Other Services

We are always available to meet with you or other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting the Association. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas. We will also be pleased, at your request, to attend your director's meetings.

Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the Association in the performance of our services. Any discussions that you have with personnel of our Firm regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence. In addition, if you hire one of our personnel, you agree to pay us a fee of 20% of that individual's base compensation at your Association 90 days from the first day of employment.

Provisions of the National Association of Insurance Commissioners' Model Audit Rule also require the Association's audit committee to pre-approve all permissible non-attest services. We agree not to perform any services without audit committee pre-approval and you agree to implement appropriate policies and procedures to ensure that the

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audit committee pre-approves any services that we or other independent auditors are asked to perform.

Dispute Resolution Procedure

If any dispute, controversy, or claim arises out of, relates to, or results from the performance or breach of this Agreement, excluding claims for non-monetary or equitable relief (collectively, the “Dispute”), either party may, upon written notice to the other party, request non-binding mediation. A recipient party of such notice may waive its option to resolve such Dispute by non-binding mediation by providing written notice to the party requesting mediation and then such parties hereto shall resolve such Dispute by binding arbitration as described below. Such mediation shall be assisted by a neutral mediator acceptable to both parties and shall require the commercially reasonable efforts of the parties to discuss with each other in good faith their respective positions and different interests to finally resolve such Dispute. If the parties are unable to agree on a mediator within twenty (20) days from delivery of the written notice, either party may invoke the mediation service of the American Arbitration Association (the “AAA”).

Each party may disclose any facts to the other party or to the mediator that it, in good faith, considers reasonably necessary to resolve the Dispute. However, all such disclosures shall be deemed in furtherance of settlement efforts and shall not be admissible in any subsequent proceeding against the disclosing party. Except as agreed to in writing by both parties, the mediator shall keep confidential all information disclosed during mediation. The mediator shall not act as a witness for either party in any subsequent proceeding between the parties.

Unless waived, such mediation shall conclude after the parties have engaged in good faith settlement negotiations, but nonetheless are unable to resolve the Dispute through the mediation process. The attorneys’ fees and costs incurred by each party in such mediation shall be borne solely by such party, except that the fees and expenses of the mediator, if any, shall be borne equally by the parties.

Any Dispute not resolved first by mediation between the parties (or if the mediation process is waived as provided herein) shall be decided by binding arbitration. The arbitration proceeding shall take place in Austin, Texas, unless the parties agree in writing to a different locale. The arbitration shall be governed by the provisions of the laws of the state in which the arbitration is to take place (except if there is no applicable state law providing for such arbitration, then the Federal Arbitration Act shall apply) and the substantive law of such state shall be applied without reference to conflicts of law rules. In any arbitration instituted hereunder, the proceedings shall proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that the Arbitration Panel (as defined below) shall permit discovery that is consistent with the scope of discovery typically permitted by the

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Federal Rules of Civil Procedure and/or is otherwise customary in light of the complexity of the Dispute and the amount in controversy. Any Dispute regarding discovery, or the relevance or scope thereof, shall be determined by the Arbitration Panel (as defined below).

The arbitration shall be conducted before a panel of three persons, one selected by each party, and the third selected by the two party-selected arbitrators (the "Arbitration Panel"). The party-selected arbitrators shall be treated as neutrals. The Arbitration Panel shall have no authority to award non-monetary or equitable relief, but nothing herein shall be construed as a prohibition against a party from pursuing non-monetary or equitable relief in a state or federal court. The parties also waive the right to punitive damages and the arbitrators shall have no authority to award such damages or any other damages that are not strictly compensatory in nature. In rendering their award, the Arbitration Panel shall issue in writing findings of fact and conclusions of law. The Arbitration Panel shall not have authority to grant an award that is not supported by substantial evidence or that is based on an error of law, and such absence of substantial evidence or such error of law may be reviewed on appeal to vacate an award based on the standard of review otherwise applicable in the Federal Appellate Court responsible for the jurisdiction in which the arbitration is venued, and without regard to any heightened standard of review otherwise applicable to an arbitration decision rendered by the AAA. The confidentiality provisions applicable to mediation shall also apply to arbitration. The award issued by the Arbitration Panel may be confirmed in a judgment by any federal or state court of competent jurisdiction. No payment of any award or posting of any bond of any kind whatsoever is required to be made or posted until such Dispute is finally determined.

In no event shall a demand for arbitration be made after the date on which the initiation of the legal or equitable proceeding on the same Dispute would be barred by the applicable statute of limitations or repose. For the purposes of applying the statute of limitations or repose, receipt of a written demand for arbitration by the AAA shall be deemed the initiation of the legal or equitable proceeding based on such Dispute.

Fees

Our charges to the Association for the audit services described above will be \$75,000 all-inclusive except for out-of-town travel to Board meetings (if attendance is requested).

Our hourly rates are as follows:

Partner	\$225
Senior Manager	\$175
Senior Associate	\$135
Audit Associate	\$115

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This engagement includes only those services specifically described in this letter; any additional services not specified herein will be agreed to in a separate letter. Reasonable costs and time spent in legal matters or proceedings arising from our engagement (other than litigation to which we are a party), such as subpoenas, testimony, or consultation involving private litigation or arbitration, or government regulatory inquiries at your request or by subpoena, will be billed to the Association separately and the Association agrees to pay the same.

Bills will be rendered on a semi-monthly or other periodic basis, with payment terms of net due upon receipt. If payments are not received promptly, we reserve the right to stop work on the engagement.

If we elect to terminate our services for nonpayment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all of our time expended, and to reimburse us for all of our out-of-pocket expenses and internal charges incurred, through the date of termination.

Miscellaneous

This Agreement is only intended to cover the services specified herein, although we look forward to many more years of pleasant association with the Association. This engagement is a separate and discrete event and any future services will be covered by a separate agreement to provide services.

Many banks have engaged a third party to electronically process cash or debt audit confirmation requests, and a few of those banks have mandated the use of this service. To the extent applicable, the Association hereby authorizes CTM to participate in this electronic confirmation process through the third party's Web site (e.g., by entering the Association's bank account information to initiate the process and then accessing the bank's confirmation response) and agrees that CTM shall have no liability in connection therewith.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, or published interpretations, but if any provision of this Agreement shall be deemed prohibited, invalid, or otherwise unenforceable for any reason under such applicable laws, regulations, or published interpretations, such provisions shall be ineffective only to the extent of such prohibition, invalidity, or unenforceability and such revised provision shall be made a part of this Agreement as if it was specifically set forth herein. Furthermore, the provisions of the foregoing sentence shall not invalidate the remainder of such provision or the other provisions of this Agreement.

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This Agreement may be transmitted in electronic format and shall not be denied legal effect solely because it was formed or transmitted, in whole or in part, by electronic record; however, this Agreement must then remain capable of being retained and accurately reproduced, from time to time, by electronic record by the parties to this Agreement and all other persons or entities required by law. An electronically transmitted signature to this Agreement will be deemed an acceptable original for purposes of consummating this Agreement and binding the party providing such electronic signature.

Assignability

This Agreement is nonassignable.

Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto with regard to the subject matter hereof and supersedes all other agreements relating to the subject matter hereof. There are no agreements, understandings, specific restrictions, warranties or representations relating to said subject matter between the parties other than those set forth herein or herein provided.

Amendment and Modification

This Agreement may only be amended or modified by the mutual written agreement of the parties.

Public Information

Notwithstanding any provision herein to the contrary, the parties hereby acknowledge and agree that TWIA is subject to the Texas Public Information Act, Tex. Gov't Code §552.001 et seq. ("Public Information Act") and Attorney General Opinions issued under that statute and must comply with the provisions of Texas law including the Public Information Act. Within three (3) days of receipt, CTM will refer to TWIA any third party requests, received directly by CTM, for information to which CTM has access as a result of or in the course of performing services under this Agreement.

Confidential Information and Subpoenas

CTM will not disclose to anyone, directly or indirectly, any work-papers, data, databases, materials, information or reports in any form that are designated as confidential or that are or could be construed as confidential or subject to restrictions on disclosure under applicable law ("Confidential Information") and received from TWIA or such Confidential Information to which CTM has access as a result of or in the course

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
July 13, 2023
Page 11

of performing services under this Agreement without the prior written consent of TWIA. This confidentiality provision does not apply to information required to be disclosed by law, legal process, and applicable professional standards or to information disclosed in connection with litigation relating to the Agreement or CTM's performance. Each party will protect the confidentiality of the Confidential Information in the same manner that it protects the confidentiality of its own proprietary and confidential information of like kind. Nothing in this Agreement shall prohibit or limit either party's use or disclosure of information (including, but not limited to, ideas, concepts, know-how, techniques, and methodologies) (i) previously known to it without obligation of confidence, (ii) independently developed by it, (iii) acquired by it from a third party which is not, to its knowledge, under an obligation of confidence with respect to such information, or (iv) which is or becomes publicly available through no breach of the Agreement. In the event either party receives a subpoena or other validly issued administrative or judicial process requesting Confidential Information, it shall provide prompt notice to the other of such receipt. The party receiving the subpoena shall thereafter be entitled to comply with such subpoena or other process to the extent permitted by law.

Very truly yours,



Acknowledged:

By _____

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee

Date _____

(Please sign and return to us one copy; retain the other copy for your files)

Agreement to provide services

July 13, 2023

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
4801 Southwest Pkwy Building One, Suite 200
Austin, Texas 78735

Dear Ms. Franklin-Womack:

This agreement to provide services (the "Agreement") is intended to describe the nature and scope of our services.

Audit

As agreed, Calhoun, Thomson + Matza, LLP ("CTM" or "we") will audit the statement of net position of Texas Windstorm Insurance Association (the "Association" or "you") as of December 31, 2023 and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ending, in accordance with auditing standards generally accepted in the United States of America. The financial records and financial statements are the responsibility of your Association's management. In that regard, management is responsible for establishing and maintaining effective internal control over financial reporting, establishing and maintaining proper accounting records, selecting appropriate accounting principles, safeguarding Association assets, designing and implementing programs and controls to prevent and detect fraud, complying with relevant laws and regulations, and making all financial records and related information available to us.

Also, the supplementary information accompanying the financial statements, as listed below, will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditors' report will not provide an opinion or any assurance on such supplementary information.

- Management's discussion and analysis
- Schedule of changes in net pension liability and related ratio's
- Schedule of employer contributions

You acknowledge and understand your responsibility for the preparation of the supplementary information in accordance with the applicable criteria. You also agree to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. You also agree to present the supplementary information with the audited financial statements, or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
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information no later than the date of issuance of the supplementary information and our report thereon.

Our responsibility is to express an opinion on the financial statements based on our audit. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We are also responsible for communicating with those charged with governance what our responsibilities are under generally accepted auditing standards, an overview of the planned scope and timing of the audit, and significant findings from the audit. The term “those charged with governance” is defined as the person(s) with responsibility for overseeing the strategic direction of the Association and obligations related to the accountability of the Association, including overseeing the financial reporting process. For the Association, we agree that the Board of Directors meets that definition.

At the conclusion of our audit, we will submit to you a report containing our opinion as to whether the financial statements, taken as a whole, are fairly presented based on accounting principles generally accepted in the United States of America. If, during the course of our work, it appears for any reason that we will not be in a position to render an unqualified opinion on the financial statements, or that our report will require an explanatory paragraph, we will discuss this with you. It is possible that, because of unexpected circumstances, we may determine that we cannot render a report or otherwise complete the engagement. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If, in our professional judgment, the circumstances require, we may resign from the engagement prior to completion.

We will design our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. Our work will be based primarily upon selected tests of evidence supporting the amounts and disclosures in the financial statements and, therefore, will not include a detailed check of all of your Association’s transactions for the period. Accordingly, an audit performed in accordance with auditing standards generally accepted in the United States of America is not a guarantee of the accuracy of the financial statements, and there is a risk that material errors or fraud may exist and not be detected by us. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. However, we will promptly inform you of any material errors or any fraud, whether material or not, that come to our attention. We will also inform you of possible illegal acts that come to our attention. In addition, during the course of our audit, financial statement misstatements may be identified, either through our audit procedures or through communication by your employees to us, and we will bring these misstatements to your attention as proposed adjustments. Management is responsible for recording such adjustments in the financial statements, after evaluating their propriety based on a review of both the applicable authoritative literature and the underlying supporting evidence from the Association’s files; or otherwise concluding and confirming in a representation letter provided to us at the conclusion of our audit that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the financial statements taken as a whole. At the conclusion of our audit we will communicate to those charged with governance all such uncorrected misstatements.

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
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Page 3

An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we will express no such opinion. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses in internal control. However, we are responsible for ensuring that you are aware of any significant deficiencies or material weaknesses that come to our attention during our engagement.

CTM is retaining the Association as a client in reliance on information obtained during the course of our continuing client reacceptance procedures. Scott Weiss has been assigned the role of engagement partner and is responsible for directing the engagement and issuing the appropriate report on the Association's financial statements.

Responsibility to Communicate with the Audit Committee

Although the objective of our audit of the financial statements is not to report on the Association's internal control and we are not obligated to search for reportable conditions as part of our audit, we will communicate reportable conditions to you to the extent they come to our attention.

We will report to you, in writing, the following matters:

1. Audit adjustments detected during the audit that could, in our judgment, either individually or in aggregate have a significant effect on the Association's financial reports. Audit adjustments, whether or not recorded by the Association, are proposed corrections of the financial statements that may not have been detected except through the auditing procedures.
2. Uncorrected misstatements aggregated during the current engagement that were determined by management to be immaterial.
3. Any disagreements with management or other serious difficulties encountered during the audit.
4. Any other matter that is required to be communicated by generally accepted auditing standards.

We will also read the minutes of Audit Committee meetings for consistency with our understanding of the communications made to you and determine that you have received copies of all material written communications between ourselves and management.

E-mail Communication

In connection with this engagement, we may communicate with you or others via email. As e-mails can be intercepted, disclosed, used, and/or otherwise communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed, we cannot

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
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Page 4

ensure that emails from us will be properly delivered and read only by the addressee. Therefore, we disclaim and waive any liability for interception or unintentional disclosure of e-mail transmissions, or for the unauthorized use or failed delivery of e-mails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage arising from the use of email, including any punitive, consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure of confidential information.

Ownership of Working Papers

The working papers prepared in conjunction with our audit are the property of our Firm, constitute confidential information, and will be retained by us in accordance with our Firm's policies and procedures. However, we may be required to make certain working papers available to State insurance regulators pursuant to authority given them by law or regulation. Access to the requested working papers will be provided to the State insurance regulators pursuant to a request under Chapter 401 of the Texas Insurance Code.

Reproduction of Audit Report

If the Association plans any reproduction or publication of our report, or any portion of it, copies of masters' or printers' proofs of the entire document, or if there is no proof, a copy of the entire document in its final form, should be submitted to us in sufficient time for our review and written approval before printing. You also agree to provide us with a copy of the final reproduced material for our written approval before it is distributed. If, in our professional judgment, the circumstances require, we may withhold our written approval.

Posting of Audit Report and Financial Statements on Your Web Site

You agree that, if you plan to post an electronic version of the financial statements and audit report on your Web site, you will ensure that there are no differences in content between the electronic version of the financial statements and audit report on your Web site and the signed version of the financial statements and audit report provided to management by CTM. You also agree to indemnify CTM from any and all claims that may arise from any differences between the electronic and signed versions.

Review of Documents for Sale of Securities

The audited financial statements and our report thereon should not be provided or otherwise made available to recipients of any document to be used in connection with the sale of securities (including securities offerings on the Internet) without first submitting copies of the document to us in sufficient time for our review and written approval. If, in our professional judgment, the circumstances require, we may withhold our written approval.

Management Representations and Indemnification

As required by auditing standards generally accepted in the United States of America, we will request certain written representations from management at the close of our audit to confirm oral representations given to us and to indicate and document the continuing appropriateness of

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
July 13, 2023
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such representations and reduce the possibility of misunderstanding concerning matters that are the subject of the representations.

Availability of Records and Personnel

You agree that all records, documentation, and information we request in connection with our audit will be made available to us (including those pertaining to related parties), that all material information will be disclosed to us, and that we will have the full cooperation of, and unrestricted access to, your personnel during the course of the engagement.

You also agree to ensure that any third party valuation reports that you provide to us to support amounts or disclosures in the financial statements a) indicate the purpose for which they were intended, which is consistent with your actual use of such reports; and b) do not contain any restrictive language that would preclude us from using such reports as audit evidence.

Assistance by Your Personnel and Internet Access

We also ask that your personnel prepare various schedules and analyses for our staff. However, except as otherwise noted by us, no personal information other than names related to Association employees and/or customers should be provided to us. In addition, we ask that you provide high-speed Internet access to our engagement team, if practicable, while working on the Association's premises. This assistance will serve to facilitate the progress of our work and minimize costs to you.

Other Services

We are always available to meet with you and other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting your Association. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas. We will also be pleased, at your request, to attend your directors' meetings.

Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to your Association in the performance of our services. Any discussions that you have with personnel of our Firm regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence. In addition, if you hire one of our personnel, you agree to pay us a fee of 20% of that individual's base compensation at your Association 90 days from the first day of employment.

Dispute Resolution Procedure

If any dispute, controversy, or claim arises out of, relates to, or results from the performance or breach of this Agreement, excluding claims for non-monetary or equitable relief (collectively, the "Dispute"), either party may, upon written notice to the other party, request non-binding mediation. A recipient party of such notice may waive its option to resolve such Dispute by non-binding mediation by providing written notice to the party requesting mediation and then such

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
July 13, 2023
Page 6

parties hereto shall resolve such Dispute by binding arbitration as described below. Such mediation shall be assisted by a neutral mediator acceptable to both parties and shall require the commercially reasonable efforts of the parties to discuss with each other in good faith their respective positions and different interests to finally resolve such Dispute. If the parties are unable to agree on a mediator within twenty (20) days from delivery of the written notice, either party may invoke the mediation service of the American Arbitration Association (the "AAA").

Each party may disclose any facts to the other party or to the mediator that it, in good faith, considers reasonably necessary to resolve the Dispute. However, all such disclosures shall be deemed in furtherance of settlement efforts and shall not be admissible in any subsequent proceeding against the disclosing party. Except as agreed to in writing by both parties, the mediator shall keep confidential all information disclosed during mediation. The mediator shall not act as a witness for either party in any subsequent proceeding between the parties.

Unless waived, such mediation shall conclude after the parties have engaged in good faith settlement negotiations, but nonetheless are unable to resolve the Dispute through the mediation process. The attorneys' fees and costs incurred by each party in such mediation shall be borne solely by such party, except that the fees and expenses of the mediator, if any, shall be borne equally by the parties.

Any Dispute not resolved first by mediation between the parties (or if the mediation process is waived as provided herein) shall be decided by binding arbitration. The arbitration proceeding shall take place in Austin, Texas, unless the parties agree in writing to a different locale. The arbitration shall be governed by the provisions of the laws of the state in which the arbitration is to take place (except if there is no applicable state law providing for such arbitration, then the Federal Arbitration Act shall apply) and the substantive law of such state shall be applied without reference to conflicts of law rules. In any arbitration instituted hereunder, the proceedings shall proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that the Arbitration Panel (as defined below) shall permit discovery that is consistent with the scope of discovery typically permitted by the Federal Rules of Civil Procedure and/or is otherwise customary in light of the complexity of the Dispute and the amount in controversy. Any Dispute regarding discovery, or the relevance or scope thereof, shall be determined by the Arbitration Panel (as defined below).

The arbitration shall be conducted before a panel of three persons, one selected by each party, and the third selected by the two party-selected arbitrators (the "Arbitration Panel"). The party-selected arbitrators shall be treated as neutrals. The Arbitration Panel shall have no authority to award non-monetary or equitable relief, but nothing herein shall be construed as a prohibition against a party from pursuing non-monetary or equitable relief in a state or federal court. The parties also waive the right to punitive damages and the arbitrators shall have no authority to award such damages or any other damages that are not strictly compensatory in nature. In rendering their award, the Arbitration Panel shall issue in writing findings of fact and conclusions of law. The Arbitration Panel shall not have authority to grant an award that is not supported by substantial evidence or that is based on an error of law, and such absence of substantial evidence or such error of law may be reviewed on appeal to vacate an award based on the standard of review otherwise applicable in the Federal Appellate Court responsible for the jurisdiction in which the arbitration is venued, and without regard to any heightened standard of review otherwise applicable to an arbitration decision rendered by the AAA. The confidentiality provisions

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
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July 13, 2023
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applicable to mediation shall also apply to arbitration. The award issued by the Arbitration Panel may be confirmed in a judgment by any federal or state court of competent jurisdiction. No payment of any award or posting of any bond of any kind whatsoever is required to be made or posted until such Dispute is finally determined.

In no event shall a demand for arbitration be made after the date on which the initiation of the legal or equitable proceeding on the same Dispute would be barred by the applicable statute of limitations or repose. For the purposes of applying the statute of limitations or repose, receipt of a written demand for arbitration by the AAA shall be deemed the initiation of the legal or equitable proceeding based on such Dispute.

Fees

Our charges to the Association for the audit services described above will be \$13,525 all-inclusive except for out-of-town travel to Board meetings (if attendance is requested).

Our hourly rates are as follows:

Partner	\$225
Senior Manager	\$175
Senior Associate	\$135
Audit Associate	\$115

This engagement includes only those services specifically described in this Agreement; any additional services not specified herein will be agreed to in a separate letter. In the event you request us to, or we are required to, respond to a subpoena, court order, government regulatory inquiries, or other legal process against the Association or its management for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this or any prior engagements, you agree to compensate us for all time we expend in connection with such response, at our regular rates, and to reimburse us for all related out-of-pocket costs that we incur.

Bills will be rendered on a semi-monthly or other periodic basis, with payment terms of net due upon receipt. If payments are not received promptly, we reserve the right to stop work on the engagement.

If we elect to terminate our services for nonpayment, or for any other reason provided for in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all of our time expended, and to reimburse us for all of our out-of-pocket expenses and internal charges incurred, through the date of termination.

Miscellaneous

This Agreement is only intended to cover the services specified herein, although we look forward to many more years of pleasant association with the Association. This engagement is a separate and discrete event and any future services will be covered by a separate agreement to provide services.

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
July 13, 2023
Page 8

Many banks have engaged a third party to electronically process cash or debt audit confirmation requests, and a few of those banks have mandated the use of this service. To the extent applicable, the Association hereby authorizes CTM to participate in this electronic confirmation process through the third party's Web site (e.g., by entering the Association's bank account information to initiate the process and then accessing the bank's confirmation response) and agrees that CTM shall have no liability in connection therewith.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, or published interpretations, but if any provision of this Agreement shall be deemed prohibited, invalid, or otherwise unenforceable for any reason under such applicable laws, regulations, or published interpretations, such provisions shall be ineffective only to the extent of such prohibition, invalidity, or unenforceability and such revised provision shall be made a part of this Agreement as if it was specifically set forth herein. Furthermore, the provisions of the foregoing sentence shall not invalidate the remainder of such provision or the other provisions of this Agreement.

This Agreement may be transmitted in electronic format and shall not be denied legal effect solely because it was formed or transmitted, in whole or in part, by electronic record; however, this Agreement must then remain capable of being retained and accurately reproduced, from time to time, by electronic record by the parties to this Agreement and all other persons or entities required by law. An electronically transmitted signature to this Agreement will be deemed an acceptable original for purposes of consummating this Agreement and binding the party providing such electronic signature.

Assignability

This Agreement is nonassignable.

Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto with regard to the subject matter hereof and supersedes all other agreements relating to the subject matter hereof. There are no agreements, understandings, specific restrictions, warranties or representations relating to said subject matter between the parties other than those set forth herein or herein provided.

Amendment and Modification

This Agreement may only be amended or modified by the mutual written agreement of the parties.

Public Information

Notwithstanding any provision herein to the contrary, the parties hereby acknowledge and agree that TWIA is subject to the Texas Public Information Act, Tex. Gov't Code §552.001 et seq. ("Public Information Act") and Attorney General Opinions issued under that statute and must comply with the provisions of Texas law including the Public Information Act. Within three (3)

Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee
Texas Windstorm Insurance Association
July 13, 2023
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days of receipt, CTM will refer to TWIA any third party requests, received directly by CTM, for information to which CTM has access as a result of or in the course of performing services under this Agreement.

Confidential Information and Subpoenas

CTM will not disclose to anyone, directly or indirectly, any work-papers, data, databases, materials, information or reports in any form that are designated as confidential or that are or could be construed as confidential or subject to restrictions on disclosure under applicable law (“Confidential Information”) and received from TWIA or such Confidential Information to which CTM has access as a result of or in the course of performing services under this Agreement without the prior written consent of TWIA. This confidentiality provision does not apply to information required to be disclosed by law, legal process, and applicable professional standards or to information disclosed in connection with litigation relating to the Agreement or CTM’s performance. Each party will protect the confidentiality of the Confidential Information in the same manner that it protects the confidentiality of its own proprietary and confidential information of like kind. Nothing in this Agreement shall prohibit or limit either party’s use or disclosure of information (including, but not limited to, ideas, concepts, know-how, techniques, and methodologies) (i) previously known to it without obligation of confidence, (ii) independently developed by it, (iii) acquired by it from a third party which is not, to its knowledge, under an obligation of confidence with respect to such information, or (iv) which is or becomes publicly available through no breach of the Agreement. In the event either party receives a subpoena or other validly issued administrative or judicial process requesting Confidential Information, it shall provide prompt notice to the other of such receipt. The party receiving the subpoena shall thereafter be entitled to comply with such subpoena or other process to the extent permitted by law.

Very truly yours,


Acknowledged:

By _____
Ms. Chandra Franklin-Womack, Chair of the Board of Directors/Audit Committee

Date _____

(Please sign and return to us one copy; retain the other copy for your files)

6. Agent Commission Study Update



TEXAS WINDSTORM
INSURANCE ASSOCIATION

MEMORANDUM

DATE: July 21, 2023
TO: Anna Stafford, Senior Legislative & External Affairs Manager
FROM: David Durden, General Manager
RE: Agent Commission Study Status Update

Staff are on track to provide the TWIA Board with an update on the Agent Commission Study at the December 12 quarterly Board meeting.

We have selected a vendor, Information Technology Services (ITS) Consulting, Inc., to complete an agent policy issuance time study before the December Board meeting. The time study will involve in person visits to key agency stakeholders to measure their efforts to submit new and renewal residential policy applications following the implementation of the ELEVATE systems upgrade project in 2022. The conclusions of the time study will be reported to the Board at the December 2023 meeting.

Staff also plan to provide updated data and policy system changes related to the ELEVATE systems upgrade, legislation passed in the recent legislative session which may impact agency workflows, and other information relevant to the Agent Commission Study for the Board's consideration.

7. Actuarial

7A. Policy Counts/Exposures

Texas Windstorm Insurance Association
Statistical Report
As of June 30, 2023



County	<u>Policies In-Force</u>		<u>PIF Growth</u>		<u>Exposure In-Force</u>		<u>Exposure Growth</u>		<u>YTD Written Premium</u>		<u>Premium Growth</u>	
	6/30/22	6/30/23	Actual	Percentage	6/30/22	6/30/23	Actual	Percentage	6/30/22	6/30/23	Actual	Percentage
Aransas	5,856	7,414	1,558	26.60%	2,102,443,217	3,080,825,129	\$978,381,912	46.50%	8,233,851	12,361,453	\$4,127,602	50.10%
Brazoria	31,322	41,994	10,672	34.10%	9,712,770,592	14,831,666,354	\$5,118,895,762	52.70%	32,073,538	45,436,771	\$13,363,233	41.70%
Calhoun	3,842	4,435	593	15.40%	1,103,436,027	1,372,519,684	\$269,083,657	24.40%	4,188,457	5,195,837	\$1,007,380	24.10%
Cameron	9,353	10,485	1,132	12.10%	3,028,529,099	4,082,605,603	\$1,054,076,504	34.80%	9,676,511	16,380,791	\$6,704,280	69.30%
Chambers	4,299	6,095	1,796	41.80%	1,538,024,225	2,438,273,791	\$900,249,566	58.50%	4,949,511	6,967,607	\$2,018,096	40.80%
Galveston	65,011	74,923	9,912	15.20%	23,317,120,496	29,962,327,765	\$6,645,207,269	28.50%	85,059,430	105,157,600	\$20,098,170	23.60%
Harris	3,725	4,174	449	12.10%	1,303,712,257	1,591,683,228	\$287,970,971	22.10%	3,569,942	4,427,543	\$857,601	24.00%
Jefferson	24,266	29,661	5,395	22.20%	5,995,597,689	8,633,477,742	\$2,637,880,053	44.00%	22,434,339	30,070,677	\$7,636,338	34.00%
Kenedy	22	28	6	27.30%	5,574,741	6,649,400	\$1,074,659	19.30%	31,425	5,517	-\$25,908	-82.40%
Kleberg	690	909	219	31.70%	165,626,743	281,884,000	\$116,257,257	70.20%	652,669	1,578,335	\$925,666	141.80%
Matagorda	4,601	5,180	579	12.60%	1,247,467,539	1,554,523,024	\$307,055,485	24.60%	4,506,152	5,729,223	\$1,223,071	27.10%
Nueces	37,858	43,108	5,250	13.90%	11,747,770,802	15,599,129,589	\$3,851,358,787	32.80%	43,180,631	57,681,595	\$14,500,964	33.60%
Refugio	319	397	78	24.50%	93,896,769	115,930,040	\$22,033,271	23.50%	375,929	427,858	\$51,929	13.80%
San Patricio	5,980	7,932	1,952	32.60%	1,702,653,202	2,575,835,893	\$873,182,691	51.30%	6,244,833	8,532,359	\$2,287,526	36.60%
Willacy	330	377	47	14.20%	91,302,632	120,759,872	\$29,457,240	32.30%	397,664	515,480	\$117,816	29.60%
Total	197,474	237,112	39,638	20.10%	63,155,926,030	86,248,091,114	\$23,092,165,084	36.60%	225,574,882	300,468,646	\$74,893,764	33.20%

Texas Windstorm Insurance Association
Quarterly Liability Report
As of June 30, 2023



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
Aransas										
Commercial	176	255	417	695	2,135,374	3,911,181	534,875,464	14,964,540	444	1,023
Manufactured Home	78	120	78	120	136,069	199,315	11,800,300	0	183	183
Residential	1,979	3,285	1,979	3,285	4,977,660	8,250,957	2,534,149,365	218,291,790	6,787	6,798
Total	2,233	3,660	2,474	4,100	7,249,103	12,361,453	3,080,825,129	233,256,330	7,414	8,004
Brazoria										
Commercial	222	385	476	779	2,641,346	4,779,374	679,415,511	22,281,729	793	1,418
Manufactured Home	82	142	82	142	164,806	290,662	17,881,000	0	236	236
Residential	11,402	19,773	11,402	19,773	23,380,407	40,366,735	14,134,369,843	1,904,856,163	40,965	40,987
SUM:	11,706	20,300	11,960	20,694	26,186,559	45,436,771	14,831,666,354	1,927,137,892	41,994	42,641
Calhoun										
Commercial	54	98	117	207	858,746	1,078,300	167,200,631	4,454,590	212	474
Manufactured Home	23	38	23	38	38,387	62,970	4,783,800	0	77	77
Residential	1,242	2,015	1,242	2,015	2,537,799	4,054,567	1,200,535,253	103,675,179	4,146	4,160
SUM:	1,319	2,151	1,382	2,260	3,434,932	5,195,837	1,372,519,684	108,129,769	4,435	4,711
Cameron										
Commercial	267	436	1,045	1,352	6,741,515	9,150,339	1,755,612,086	22,566,035	788	2,135
Manufactured Home	25	36	25	36	26,345	40,343	3,036,200	0	67	67
Residential	2,999	4,840	2,999	4,840	4,385,648	7,190,109	2,323,957,317	225,421,280	9,630	9,635
SUM:	3,291	5,312	4,069	6,228	11,153,508	16,380,791	4,082,605,603	247,987,315	10,485	11,837

Texas Windstorm Insurance Association
 Quarterly Liability Report
 As of June 30, 2023



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
Chambers										
Commercial	30	47	45	67	334,789	483,184	86,948,264	2,188,965	115	179
Manufactured Home	16	31	16	31	32,673	63,297	4,557,200	0	61	61
Residential	1,721	2,914	1,721	2,914	3,839,420	6,421,126	2,346,768,327	321,365,389	5,919	5,929
SUM:	1,767	2,992	1,782	3,012	4,206,882	6,967,607	2,438,273,791	323,554,354	6,095	6,169
Galveston										
Commercial	680	1,138	1,343	2,223	12,083,003	19,797,551	3,403,821,309	78,566,430	2,248	4,347
Manufactured Home	88	134	88	134	145,817	223,240	15,800,700	0	246	246
Residential	21,901	37,389	21,901	37,389	50,681,011	85,136,809	26,542,705,756	3,092,921,375	72,429	72,488
SUM:	22,669	38,661	23,332	39,746	62,909,831	105,157,600	29,962,327,765	3,171,487,805	74,923	77,081
Harris										
Commercial	36	45	192	212	1,030,083	1,163,597	171,171,000	4,594,160	84	284
Manufactured Home	1	1	1	1	524	524	192,000	0	4	4
Residential	1,308	2,153	1,308	2,153	1,972,129	3,263,422	1,420,320,228	189,889,769	4,086	4,090
SUM:	1,345	2,199	1,501	2,366	3,002,736	4,427,543	1,591,683,228	194,483,929	4,174	4,378
Jefferson										
Commercial	274	410	458	695	2,930,482	4,120,121	720,287,755	20,271,854	787	1,489
Manufactured Home	27	40	27	40	51,394	75,859	4,930,800	0	64	64
Residential	8,775	14,226	8,775	14,226	15,847,191	25,874,697	7,908,259,187	1,030,337,360	28,810	28,823
SUM:	9,076	14,676	9,260	14,961	18,829,067	30,070,677	8,633,477,742	1,050,609,215	29,661	30,376

Texas Windstorm Insurance Association
 Quarterly Liability Report
 As of June 30, 2023



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
Kenedy										
Commercial	0	1	0	5	-28,015	-13,960	0	0	0	0
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	11	15	11	15	13,791	19,477	6,649,400	260,800	28	28
SUM:	11	16	11	20	-14,224	5,517	6,649,400	260,800	28	28
Kleberg										
Commercial	15	27	31	69	775,369	912,909	64,558,000	2,055,450	51	106
Manufactured Home	2	2	2	2	3,786	3,786	144,500	0	2	2
Residential	241	397	241	397	402,992	661,640	217,181,500	23,310,686	856	858
SUM:	258	426	274	468	1,182,147	1,578,335	281,884,000	25,366,136	909	966
Matagorda										
Commercial	55	87	183	259	716,321	1,019,854	136,874,803	1,931,145	179	383
Manufactured Home	16	22	16	22	32,880	43,717	2,729,000	0	35	35
Residential	1,527	2,583	1,527	2,583	2,805,002	4,665,652	1,414,919,221	146,295,588	4,966	4,972
SUM:	1,598	2,692	1,726	2,864	3,554,203	5,729,223	1,554,523,024	148,226,733	5,180	5,390
Nueces										
Commercial	766	1,222	1,843	2,773	11,613,107	17,181,935	3,145,494,664	74,233,275	2,209	4,824
Manufactured Home	15	19	15	19	26,455	34,837	2,483,700	0	44	44
Residential	12,738	21,168	12,738	21,168	24,731,371	40,464,823	12,451,151,225	1,404,894,895	40,855	40,867
SUM:	13,519	22,409	14,596	23,960	36,370,933	57,681,595	15,599,129,589	1,479,128,170	43,108	45,735

Texas Windstorm Insurance Association
Quarterly Liability Report
As of June 30, 2023



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
Refugio										
Commercial	10	13	10	17	52,056	59,117	18,558,000	71,700	28	48
Manufactured Home	13	15	13	15	27,061	31,463	1,662,700	0	21	21
Residential	111	203	111	203	178,375	337,278	95,709,340	9,855,180	348	350
SUM:	134	231	134	235	257,492	427,858	115,930,040	9,926,880	397	419
San Patricio										
Commercial	96	154	191	291	1,014,111	1,463,005	203,397,869	4,557,070	276	474
Manufactured Home	23	33	23	33	42,495	61,337	4,301,700	0	61	61
Residential	2,245	3,746	2,245	3,746	4,171,028	7,008,017	2,368,136,324	293,029,285	7,595	7,599
SUM:	2,364	3,933	2,459	4,070	5,227,634	8,532,359	2,575,835,893	297,586,355	7,932	8,134
Willacy										
Commercial	9	16	28	37	152,535	167,963	26,469,472	99,900	33	74
Manufactured Home	6	8	6	8	8,958	11,578	441,900	0	7	7
Residential	105	163	105	163	225,327	335,939	93,848,500	6,317,420	337	338
SUM:	120	187	139	208	386,820	515,480	120,759,872	6,417,320	377	419
Total All Counties										
Commercial	2,690	4,334	6,379	9,681	43,050,822	65,274,470	11,114,684,828	252,836,843	8,247	17,258
Manufactured Home	415	641	415	641	737,650	1,142,928	74,745,500	0	1,108	1,108
Residential	68,305	114,870	68,305	114,870	140,149,151	234,051,248	75,058,660,786	8,970,722,158	227,757	227,922
SUM:	71,410	119,845	75,099	125,192	183,937,623	300,468,646	86,248,091,114	9,223,559,001	237,112	246,288

7B. Reserve Adequacy



MEMORANDUM

DATE: July 21, 2023
TO: David Durden
General Manager
FROM: James C. Murphy, FCAS, MAAA
Chief Actuary, Vice President – Enterprise Analytics
RE: TWIA Reserve Adequacy as of June 30, 2023

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of June 30, 2023.

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

As of June 30, 2023, TWIA carried \$73.6 million in total gross loss and loss adjustment expense reserves with approximately \$6,000 of the total gross reserve ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. The total gross loss and loss adjustment expense reserves include the reserves for Hurricanes Harvey, Delta, Laura, Hanna, Nicholas, and all other outstanding claims. Collectability risk has been reviewed and found to be immaterial relative to total gross reserves.

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

JM

7C. Aon Contract – Notice of Termination



MEMORANDUM

DATE: July 21, 2023

TO: David Durden
General Manager

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

RE: Catastrophe Modeling Services

After discussion at its May 23, 2023 meeting, the TWIA Board of Directors instructed TWIA to discuss contractual provisions contained in the Aon Statement of Work (SOW) under which they provide catastrophe modeling services to the Association. Specifically, the Board asked staff to discuss the cost of the services provided, the automatic renewal provisions of the contract, and the potential treatment of out-of-pocket expenses. You and I met with Aon on June 27, 2023 to discuss these issues. I have provided a summary of the discussion below.

Contractual Provisions

The SOW allows for compensation for out-of-pocket expenses incurred by Aon to perform the services contained therein. Aon maintains that no out of pocket expenses are necessary under the current statement of work and has not invoiced TWIA for any expenses to date. The inclusion of this clause in the original contract was due to the then uncertain scope of services that would be required. Aon does not expect to incur any out-of-pocket expenses that would be invoiced to TWIA under this clause unless additional services were added to the SOW at a later date.

Aon believes that the option for either party to terminate the agreement annually allows for the regular review of services provided and can encourage any necessary adjustments.

Cost of Services

Aon maintains that the current cost of services provided is appropriate given the licensing fees Aon incurs in running the four different catastrophe models for TWIA, the potential for multiple model runs in a given year (Aon ran models twice in 2023), and the detailed model output information TWIA requires both for documentation and ratemaking purposes.

TWIA also contacted the four modeling firms with catastrophe models currently in use to research the costs of licensing the models directly. Based on preliminary conversations with each of Aon, CoreLogic, RMS, and Verisk, the total licensing fees to maintain the same approximate level of modeling capabilities provided by Aon would be approximately \$645,000, in excess of their current annual fee. The costs for each model vary, with licensing fees generally \$100,000 to \$250,000 annually for each of the four models.



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Staff Recommendation

Staff agrees that the current contractual provisions are reasonable and does not recommend any changes at this time. Staff also concludes that the cost of the services provided by Aon is appropriate and preferable to the costs of licensing the four models directly. Based on this, staff recommends no change to the current Aon engagement at this time, with another Request For Proposal (RFP) process to take place in 2026, five years after the initial RFP.

If the Board chooses not to renew the Aon contract for 2024, staff will immediately begin the process of either reissuing an RFP for similar services or contracting with the modeling firms directly in order for model results to be available to the Board in early 2024 for its determination of the 100-year Probable Maximum Loss (PML). An RFP process would be expected to take between 60 and 90 days from developing the RFP to selecting the vendor.

JM

7D. Statutory Maximum Limits of Liability



MEMORANDUM

DATE: July 20, 2023
TO: Jim Murphy
FROM: Angela Fang, Senior Actuarial Analyst
RE: Texas Windstorm Insurance Association Adjustments to Maximum Liability Limits

Section 2210.502(a) of the Texas Insurance Code states that the Texas Windstorm Insurance Association shall propose to the Commissioner inflation adjustments to its maximum liability limits at a rate that reflects any change in the BOECKH index.

TWIA Actuarial staff has completed its review of Texas Windstorm Insurance Association adjustments to its maximum liability limits. These indicated limits are as follows:

	Current 2022	Proposed 2023	% Change
Dwellings and individually owned townhouses	\$1,773,000	\$1,773,000	0%
Manufactured Home	\$115,800	\$115,800	0%
Contents of an apartment, condominium, or townhouse	\$374,000	\$374,000	0%
Commercial structures and associated contents	\$4,424,000	\$4,424,000	0%

Supporting documents are attached.

Sincerely,

Angela Fang

July 20, 2023

Texas Windstorm Insurance Association
Calculation of Indicated Limits of Liability
To Be Effective January 1, 2024
Using Marshall & Swift / Boeckh Building Cost Index Numbers



Type of Construction	Ratio of Total TWIA Business	<u>Boeckh Index as of May/June 2022</u>			<u>Boeckh Index as of May/June 2023</u>		
		Corpus Christi	Houston	Average	Corpus Christi	Houston	Average
<u>Dwelling, including individually owned townhouse unit, & associated corporeal movable property</u>							
Frame	96.98%	3384.5	3530.1	3457.3	3292.7	3404.4	3348.6
Brick	3.02%	3310.0	3540.9	3425.5	3315.3	3508.8	3412.1
Weighted Average Factor				3456.3			3350.5
Indicated Change							-3.1%
Current Limit							1,773,000
Indicated Limit of Liability							1,719,000
Proposed Limit of Liability							1,773,000
<u>Manufactured Homes*</u>							
Residential Dwelling Frame	100%	3384.5	3530.1	3457.3	3292.7	3404.4	3348.6
Indicated Change							-3.1%
Current Limit							115,800
Indicated Limit of Liability							112,200
Proposed Limit of Liability							115,800
<u>Individually-owned corporeal movable property located in an owner-occupied apartment, residential condominium, or townhouse unit</u>							
Frame	60.91%	3384.5	3530.1	3457.3	3292.7	3404.4	3348.6
Brick	39.09%	3310.0	3540.9	3425.5	3315.3	3508.8	3412.1
Weighted Average Factor				3444.8			3373.4
Indicated Change							-2.1%
Current Limit							374,000
Indicated Limit of Liability							366,000
Proposed Limit of Liability							374,000
<u>Structure other than a dwelling or public building and the corporeal movable property located in that structure</u>							
Apartments - Brick, Wood	33.40%	3449.0	3587.0	3518.0	3436.5	3518.7	3477.6
Apartments - Brick, Concrete	4.06%	3394.9	3832.0	3613.5	3373.6	3770.9	3572.3
Apartments - Brick, Steel	8.05%	3663.7	4300.5	3982.1	3497.2	4065.2	3781.2
Commercial - Frame	21.81%	3670.1	3951.6	3810.9	3639.6	3900.2	3769.9
Commercial - Steel	17.19%	3593.4	3979.6	3786.5	3574	3946.6	3760.3
Commercial - Brick, Wood	0.40%	3756.2	3968.9	3862.6	3658.3	3839.5	3748.9
Commercial - Brick, Steel	0.43%	3601.3	4507.7	4054.5	3765.3	4635.3	4200.3
Commercial - Brick, Concrete	14.65%	3107.6	3701.7	3404.7	3207.3	3787.4	3497.4
Weighted Average Factor				3656.0			3625.0
Indicated Change							-0.8%
Current Limit							4,424,000
Indicated Limit of Liability							4,386,000
Proposed Limit of Liability							4,424,000

* Manufactured Homes indexed based on Residential Frame Building Cost Index

Texas Windstorm Insurance Association
Proposed Limits of Liability
To Be Effective January 1, 2024
Impact on Exposures In-Force as of 6/30/23



Statutory Limits of Liability

	Current	Proposed	Increase
Dwelling	1,773,000	1,773,000	0
Manufactured Home	115,800	115,800	0
Contents	374,000	374,000	0
Non-Dwelling	4,424,000	4,424,000	0

	Risks at Statutory Limits	<u>Exposure</u> Current	Proposed	Increase
Dwelling	329	583,317,000	583,317,000	0
Manufactured Home	27	3,126,600	3,126,600	0
Contents	90	33,660,000	33,660,000	0
Non-Dwelling	441	1,950,984,000	1,950,984,000	0
Total	887	2,571,087,600	2,571,087,600	0
Total TWIA Exposure				86,248,091,114
% Increase in TWIA Exposure				0.00%

**MS/B BUILDING COST
INDEX NUMBERS**

MSB

May - June 2023

LOCATION	RESIDENCES		APARTMENTS, HOTEL and OFFICE BUILDING			COMMERCIAL and FACTORY BUILDINGS				
	Frame	Brick	Brick Wood	Brick Conc.	Brick Steel	Frame	Steel	Brick Wood	Brick Steel	Brick Conc.
SOUTH CAROLINA										
CHARLESTON	3810.2	3915.5	3286.3	3378.0	3690.0	3467.7	3812.0	3671.8	4198.2	3591.6
COLUMBIA	3578.7	3593.3	3081.4	3208.5	3561.8	3410.2	3691.5	3325.8	4133.4	3425.1
GREENVILLE	3387.6	3432.1	3238.6	3301.7	3555.7	3425.6	3635.8	3554.5	3974.0	3393.8
SOUTH DAKOTA										
PIERRE	3259.6	3597.5	3699.2	3755.2	3597.1	3414.4	3559.4	3788.6	3996.7	3873.1
RAPID CITY	3353.9	3727.5	3818.5	3881.4	3705.0	3494.0	3678.8	3916.6	4157.8	4043.6
SIOUX FALLS	3488.6	3617.5	3665.7	3833.9	3974.6	3682.7	3921.4	3846.3	4550.0	4152.4
TENNESSEE										
CHATTANOOGA	3212.5	3367.2	3303.9	3496.1	3475.8	3473.8	3891.8	3588.9	4224.4	3753.2
KNOXVILLE	2987.2	3159.0	3146.1	3436.2	3623.6	3368.0	3723.5	3355.9	4165.8	3646.8
MEMPHIS	3233.2	3302.3	3268.6	3546.0	3980.0	3487.0	3914.8	3624.0	4482.1	3755.0
NASHVILLE	3393.6	3413.6	3384.0	3548.8	4055.2	3585.8	4038.0	3661.5	4741.8	3750.0
TEXAS										
ABILENE	3262.9	3381.9	3241.7	3225.4	3398.7	3461.2	3443.4	3679.7	3791.9	3446.7
AMARILLO	3221.4	3314.4	3236.4	3229.8	3525.7	3448.2	3500.1	3610.9	3984.9	3376.2
AUSTIN	3348.7	3469.5	3475.6	3449.3	3813.4	3663.1	3801.1	3813.2	4193.2	3528.3
CORPUS CHRISTI	3292.7	3315.3	3436.5	3373.6	3497.2	3639.6	3574.0	3658.3	3765.3	3207.3
DALLAS	3442.2	3581.7	3588.8	3618.5	3967.5	3676.6	3668.7	3972.8	4307.7	3778.5
EL PASO	3040.1	3166.2	3268.8	3226.7	3445.6	3423.3	3522.9	3530.8	3820.5	3280.3
FORT WORTH	3372.0	3512.1	3520.8	3537.6	3881.6	3608.1	3628.8	3771.7	4316.2	3676.5
HOUSTON	3404.4	3508.8	3518.7	3770.9	4065.2	3900.2	3946.6	3839.5	4635.3	3787.4
LONGVIEW	3339.3	3413.6	3407.7	3443.7	3795.0	3584.8	3675.3	3759.0	4239.8	3579.9
LUBBOCK	3137.6	3245.0	3309.4	3380.1	3630.2	3422.4	3540.6	3542.3	3927.2	3317.7
ODESSA	3111.0	3314.4	3250.3	3239.8	3574.2	3475.0	3609.0	3569.8	3977.0	3223.1
SAN ANTONIO	3272.9	3421.1	3458.8	3432.5	3592.1	3672.5	3769.3	3672.4	4053.1	3492.0
WACO	3304.6	3382.7	3298.0	3336.8	3649.0	3400.5	3643.2	3566.0	4103.4	3353.1
WICHITA FALLS	3467.0	3580.9	3347.4	3303.7	3496.4	3539.8	3473.5	3612.7	3947.7	3399.8
UTAH										
SALT LAKE CITY	4035.7	4295.5	3982.0	4282.5	4479.0	4070.2	4327.3	4214.0	5467.7	4479.2
VERMONT										
BURLINGTON	3805.5	3892.4	4012.0	4140.9	4427.7	4071.8	4247.7	4359.5	5041.0	4315.8
MONTPELIER	3816.7	3955.3	4040.8	4186.6	4386.3	4053.0	4236.9	4361.1	5039.5	4375.6

MS/B BUILDING COST INDEX NUMBERS		MSB					May - June 2022				
		RESIDENCES		APARTMENTS, HOTEL and OFFICE BUILDING			COMMERCIAL and FACTORY BUILDINGS				
LOCATION	Frame	Brick	Brick Wood	Brick Conc.	Brick Steel	Frame	Steel	Brick Wood	Brick Steel	Brick Conc.	
SOUTH CAROLINA											
CHARLESTON	3931.8	3952.1	3343.9	3450.6	3877.5	3510.5	3841.1	3819.1	4071.0	3493.8	
COLUMBIA	3783.3	3711.3	3192.9	3297.0	3814.2	3514.7	3793.7	3494.0	4056.4	3405.0	
GREENVILLE	3505.6	3470.4	3291.6	3355.3	3703.8	3460.5	3677.4	3659.8	3804.6	3287.4	
SOUTH DAKOTA											
PIERRE	3376.2	3634.0	3733.0	3774.4	3767.1	3455.9	3628.1	3920.0	3840.8	3781.6	
RAPID CITY	3470.6	3780.5	3865.4	3921.0	3911.5	3544.0	3776.7	4060.8	4035.9	3948.4	
SIOUX FALLS	3606.5	3683.6	3744.4	3896.5	4217.5	3754.1	4033.9	3988.4	4483.2	4124.2	
TENNESSEE											
CHATTANOOGA	3320.9	3364.6	3334.6	3496.9	3647.5	3491.7	3908.8	3702.6	4072.1	3593.4	
KNOXVILLE	3135.8	3220.7	3217.8	3475.5	3812.4	3419.9	3781.7	3504.7	4023.8	3522.6	
MEMPHIS	3369.2	3369.3	3355.4	3582.3	4132.6	3557.9	3944.2	3772.6	4304.1	3677.6	
NASHVILLE	3526.8	3456.0	3475.2	3592.9	4334.3	3573.4	4077.4	3793.6	4631.6	3691.9	
TEXAS											
ABILENE	3370.3	3389.7	3278.8	3239.2	3545.6	3510.9	3531.8	3808.1	3594.2	3325.9	
AMARILLO	3327.0	3318.2	3283.0	3282.2	3689.4	3462.6	3491.8	3743.9	3891.5	3303.4	
AUSTIN	3468.6	3508.3	3528.7	3512.3	4038.1	3715.1	3901.7	3961.6	4049.5	3438.1	
CORPUS CHRISTI	3384.5	3310.0	3449.0	3394.9	3663.7	3670.1	3593.4	3756.2	3601.3	3107.6	
DALLAS	3459.8	3542.8	3567.8	3611.5	4151.2	3644.0	3699.0	4025.2	4172.8	3605.8	
EL PASO	3121.3	3185.8	3306.1	3263.0	3656.8	3417.3	3616.5	3617.7	3742.1	3180.7	
FORT WORTH	3416.2	3487.8	3510.5	3548.3	4061.0	3601.0	3655.2	3852.0	4180.9	3522.3	
HOUSTON	3530.1	3540.9	3587.0	3832.0	4300.5	3951.6	3979.6	3968.9	4507.7	3701.7	
LONGVIEW	3394.7	3377.5	3392.2	3455.2	3916.6	3593.4	3662.2	3844.1	4083.0	3461.5	
LUBBOCK	3231.9	3266.4	3312.0	3425.7	3793.0	3387.6	3518.5	3619.5	3824.6	3230.9	
ODESSA	3219.4	3334.8	3303.6	3302.6	3812.0	3517.8	3712.7	3705.3	3954.4	3173.0	
SAN ANTONIO	3401.8	3470.4	3530.8	3495.8	3804.8	3725.1	3881.3	3824.0	3906.9	3399.5	
WACO	3378.4	3389.6	3318.1	3360.4	3840.8	3410.8	3666.2	3663.9	3978.6	3238.1	
WICHITA FALLS	3565.7	3598.9	3374.5	3320.5	3687.6	3586.3	3558.5	3738.1	3790.2	3303.1	
UTAH											
SALT LAKE CITY	4130.7	4266.5	3987.1	4249.4	4677.6	4054.9	4420.2	4326.0	5255.3	4321.7	
VERMONT											
BURLINGTON	3938.3	3916.3	4025.8	4170.7	4633.0	4109.3	4334.5	4493.3	4878.9	4222.7	
MONTPELIER	3937.6	3971.5	4078.2	4216.5	4603.2	4110.6	4327.6	4499.1	4891.8	4281.0	

7E. Review of TWIA Staff Rate Adequacy
Analysis and Actuarial & Underwriting
Committee Recommendations



TEXAS WINDSTORM
INSURANCE ASSOCIATION



Actuarial & Underwriting Committee

TWIA Actuarial Department – 2023 Rate Indications

July 11, 2023

Contents

- **Actuarial Principles**
- **Statutory Language**
- **Recent Legislative Changes**
- **Overview of Rate Adequacy Analysis**
- **Rate Adequacy Analysis**
- **Reconciliation of Changes in Rate Indications**
- **Historical Rate Indications vs Rate Changes**

Actuarial Principles

Casualty Actuarial Society Statement of Principles

1. A rate is an estimate of the expected value of future costs
2. A rate provides for all costs associated with the transfer of risk
3. A rate provides for the costs associated with an individual risk transfer
4. A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer

Statutory Language

Sec. 2210.001

“The association shall function in such a manner as to not be a direct competitor in the private market;...”

Sec. 2210.355 (b) In adopting rates under this chapter, the following must be considered:

- (1) the past and prospective loss experience within and outside this state of hazards for which insurance is made available through the plan of operation, if any;
- (2) expenses of operation, including acquisition costs;
- (3) a reasonable margin for profit and contingencies;
- (4) payment of public security obligations issued under this chapter, including the additional amount of any debt service coverage determined by the association to be required for the issuance of marketable public securities; and
- (5) all other relevant factors, within and outside this state.

Sec. 2210.355 (c) Rates must be reasonable, adequate, not unfairly discriminatory, and nonconfiscatory as to any class of insurer.

Recent Legislative Changes

HB 769

SECTION 1. Subchapter H, Chapter 2210, Insurance Code, is amended by adding Section 2210.3512 to read as follows:

Sec. 2210.3512. REQUIREMENT FOR VOTE ON RATE FILING. The board of directors may not vote on a proposed rate increase if:

- (1) there is a vacancy on the board; and
- (2) the vacancy has existed for at least 60 days at the time the vote is to be taken.

SECTION 2. The heading to Section 2210.453, Insurance Code, is amended to read as follows:

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

SECTION 3. Section 2210.453, Insurance Code, is amended by adding Subsection (f) to read as follows:

(f) The association may not purchase reinsurance under this section from an insurer or broker involved in the execution of a catastrophe model on which the association relies in:

- (1) determining the probable maximum loss applicable for the period covered by the reinsurance; or
- (2) adopting rates under Section 2210.355.

Recent Legislative Changes

SB 1448

SECTION 1. Section 2210.351, Insurance Code, is amended by amending Subsection (d) and adding Subsection (f) to read as follows:

(d) The association may use a rate filed by the association without prior commissioner approval if:

(1) the filing is made not later than the 30th day before the date of any use or delivery for use of the rate;

(2) the filed rate does not exceed ~~[105 percent of]~~ the rate in effect on the date on which the filing is made; and

(3) ~~[the filed rate does not reflect a rate change for an individual rating class that is 10 percent higher than the rate in effect for that rating class on the date on which the filing is made; and~~

~~[-4-]~~ the commissioner has not disapproved the filing in writing, advising of the reasons for the disapproval and the criteria the association is required to meet to obtain approval.

(f) The association may not file a rate under this section that exceeds the rate in effect on the date on which the filing is made unless two-thirds of the board of directors votes to approve the rate.

Recent Legislative Changes

SB 1448

SECTION 2. Section 2210.352, Insurance Code, is amended by amending Subsection (a-1) and adding Subsection (a-3) to read as follows:

(a-1) The association may use a rate filed by the association under this section without prior commissioner approval if:

(1) the filing is made not later than the 30th day before the date of any use or delivery for use of the rate; and

(2) the filed rate does not exceed [~~105 percent of~~] the rate used by the association in effect on the date on which the filing is made[~~;~~ and

~~[(3) the filed rate does not reflect a rate change for an individual rating class that is 10 percent higher than the rate in effect for that rating class on the date on which the filing is made].~~

(a-3) The association may not file a rate under this section that exceeds the rate in effect on the date on which the filing is made unless two-thirds of the board of directors votes to approve the rate.

Overview of Rate Adequacy Analysis

TWIA employs the “Loss Ratio Method” to determine rate level indications.

- This approach compares the estimated percentage of each premium dollar needed to cover future losses, loss adjustment expense and other fixed expenses for a prospective accident year to the amount of each premium dollar that is available to pay for such costs (referred to as the permissible loss ratio).
- This relationship is defined as:

$$\text{Indicated Rate Change Factor} = \frac{(\text{Loss \& LAE Ratio} + \text{Fixed Expense Ratio})}{(1 - \text{Variable Expense Ratio})}$$

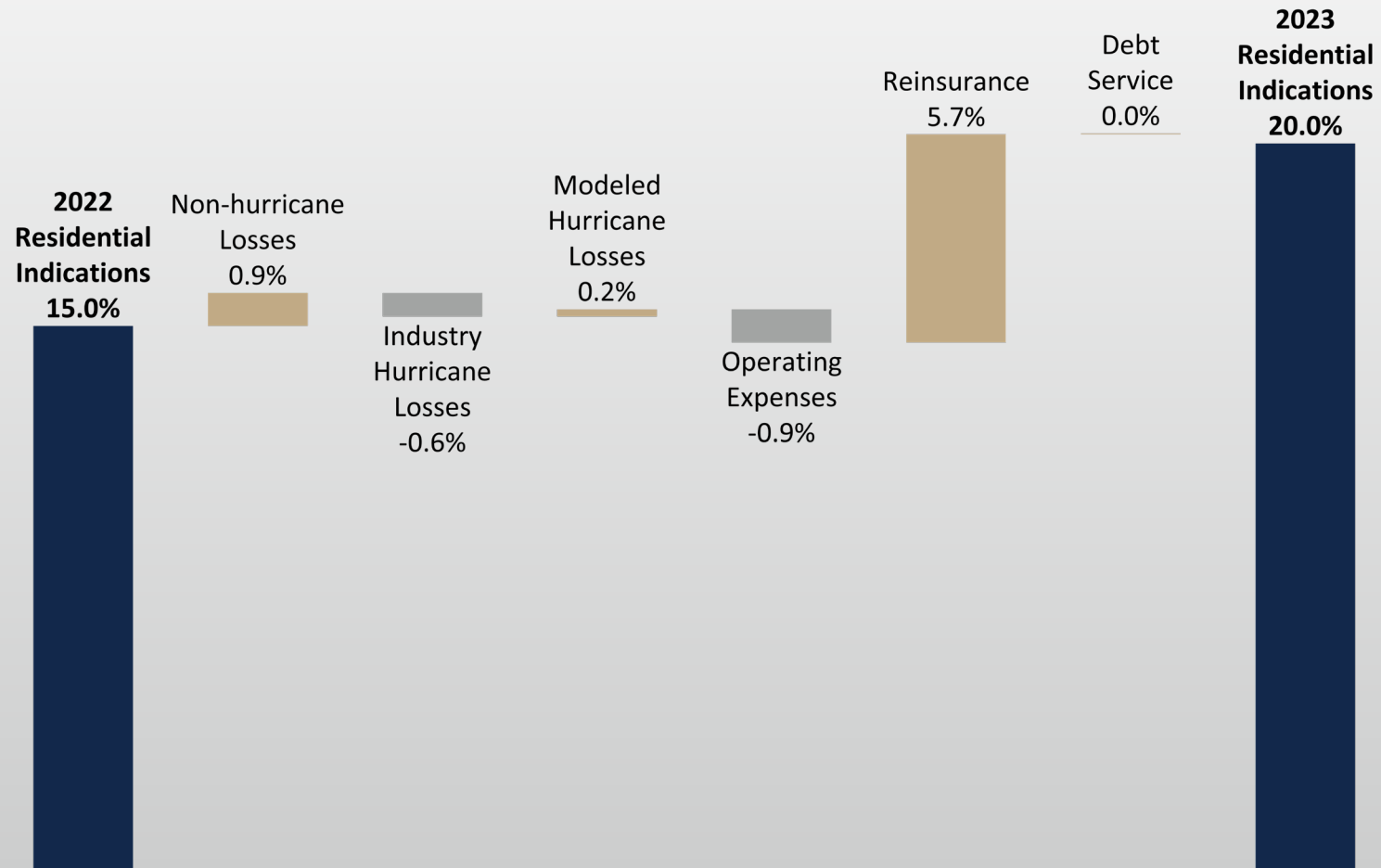
Overview of Rate Adequacy Analysis

- The Loss and LAE Ratio includes provisions for:
 - Hurricane losses and loss adjustment expenses
 - Non-hurricane losses and loss adjustment expenses
- The Fixed Expense Ratio includes:
 - General operating expenses
 - Net cost of reinsurance
(total premiums less expected average annual recoveries)
 - Any debt service outstanding on public securities
(no debt service is included in the 2023 indications)
- The Variable Expense Ratio includes:
 - Commissions, taxes, licenses and fees
 - Provisions for CRTF and contingencies

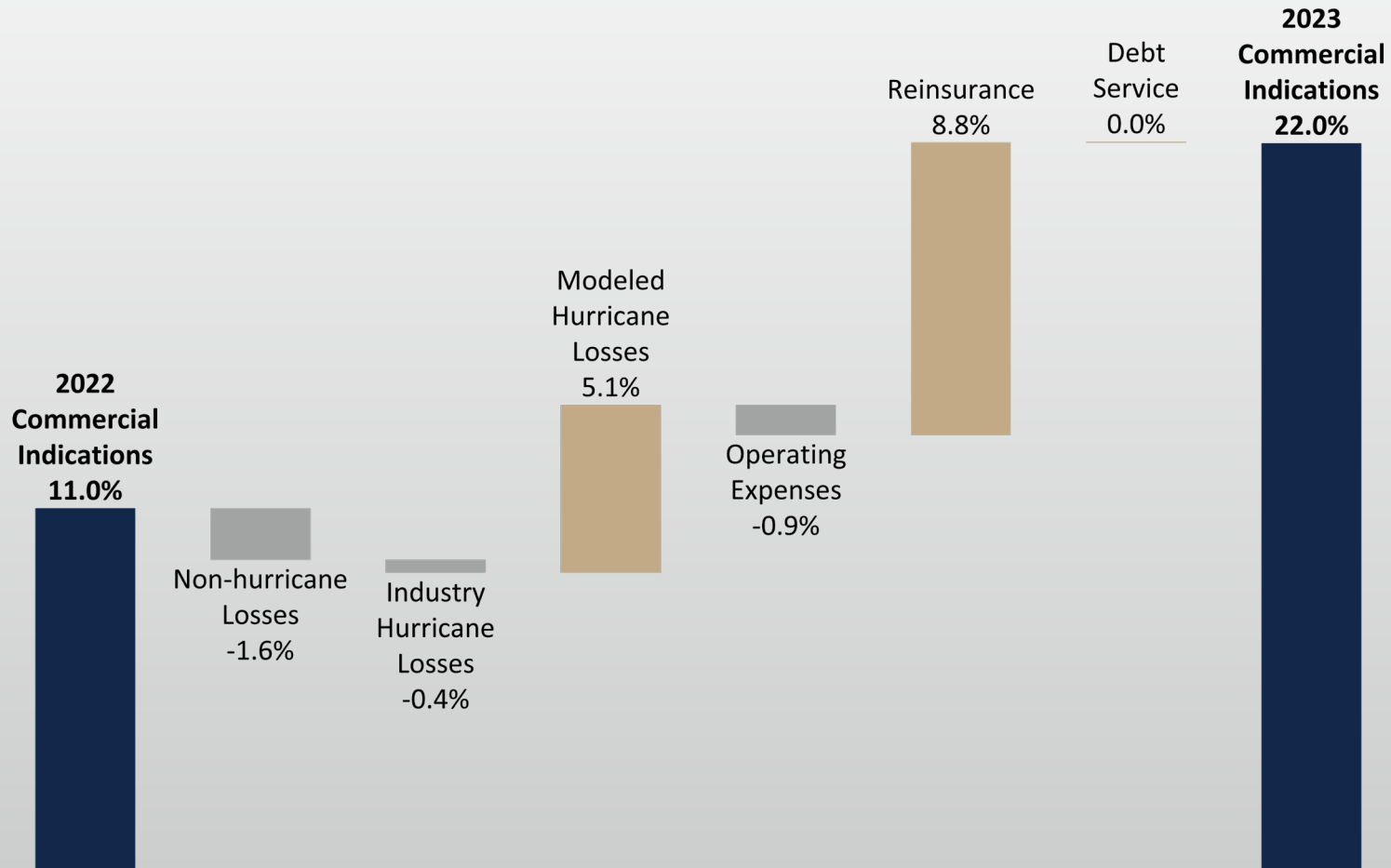
2023 Rate Adequacy Analysis

Rate Element	Residential					Commercial				
	2020 Review	2021 Review	2022 Review	2023 Review	2023 vs. 2022	2020 Review	2021 Review	2022 Review	2023 Review	2023 vs. 2022
Non-Hurricane Loss Provision	14.6%	14.9%	14.7%	15.4%	0.7%	9.0%	8.1%	6.7%	5.5%	-1.2%
Hurricane Loss Provision										
Experience	42.5%	41.5%	40.2%	39.2%	-1.0%	54.3%	51.7%	48.7%	48.1%	-0.6%
Modeled	55.1%	52.2%	52.7%	53.0%	0.3%	62.1%	64.4%	53.3%	61.1%	7.8%
Combined	48.8%	46.8%	46.5%	46.1%	-0.4%	58.2%	58.1%	51.0%	54.6%	3.6%
Fixed Expenses										
Operating	8.5%	8.1%	8.2%	7.5%	-0.7%	8.5%	8.1%	8.2%	7.5%	-0.7%
Reinsurance	19.5%	18.6%	19.1%	23.5%	4.4%	19.5%	19.7%	19.6%	26.4%	6.8%
Outstanding Debt Service	19.7%	18.6%	0.0%	0.0%	0.0%	19.7%	18.6%	0.0%	0.0%	0.0%
Total	47.7%	45.3%	27.3%	31.0%	3.7%	47.9%	46.4%	27.8%	33.9%	6.1%
(A) Total Loss Provision plus Fixed Expenses	111.1%	107.1%	88.4%	92.5%	4.1%	114.9%	112.5%	85.5%	94.0%	8.5%
Variable Expenses										
Commissions	16.0%	16.0%	16.0%	16.0%	0.0%	16.0%	16.0%	16.0%	16.0%	0.0%
Taxes and Fees	1.9%	1.9%	1.9%	1.9%	0.0%	1.9%	1.9%	1.9%	1.9%	0.0%
CRTF Funding & Contingencies	5.0%	5.0%	5.0%	5.0%	0.0%	5.0%	5.0%	5.0%	5.0%	0.0%
(B) Total Variable Expenses	22.9%	22.9%	22.9%	22.9%	0.0%	22.9%	22.9%	22.9%	22.9%	0.0%
(C) Permissible Loss Ratio (1 - B)	77.1%	77.1%	77.1%	77.1%	0.0%	77.1%	77.1%	77.1%	77.1%	0.0%
(D) Rate Indication (A / C - 1)	44.0%	39.0%	15.0%	20.0%	5.0%	49.0%	46.0%	11.0%	22.0%	11.0%

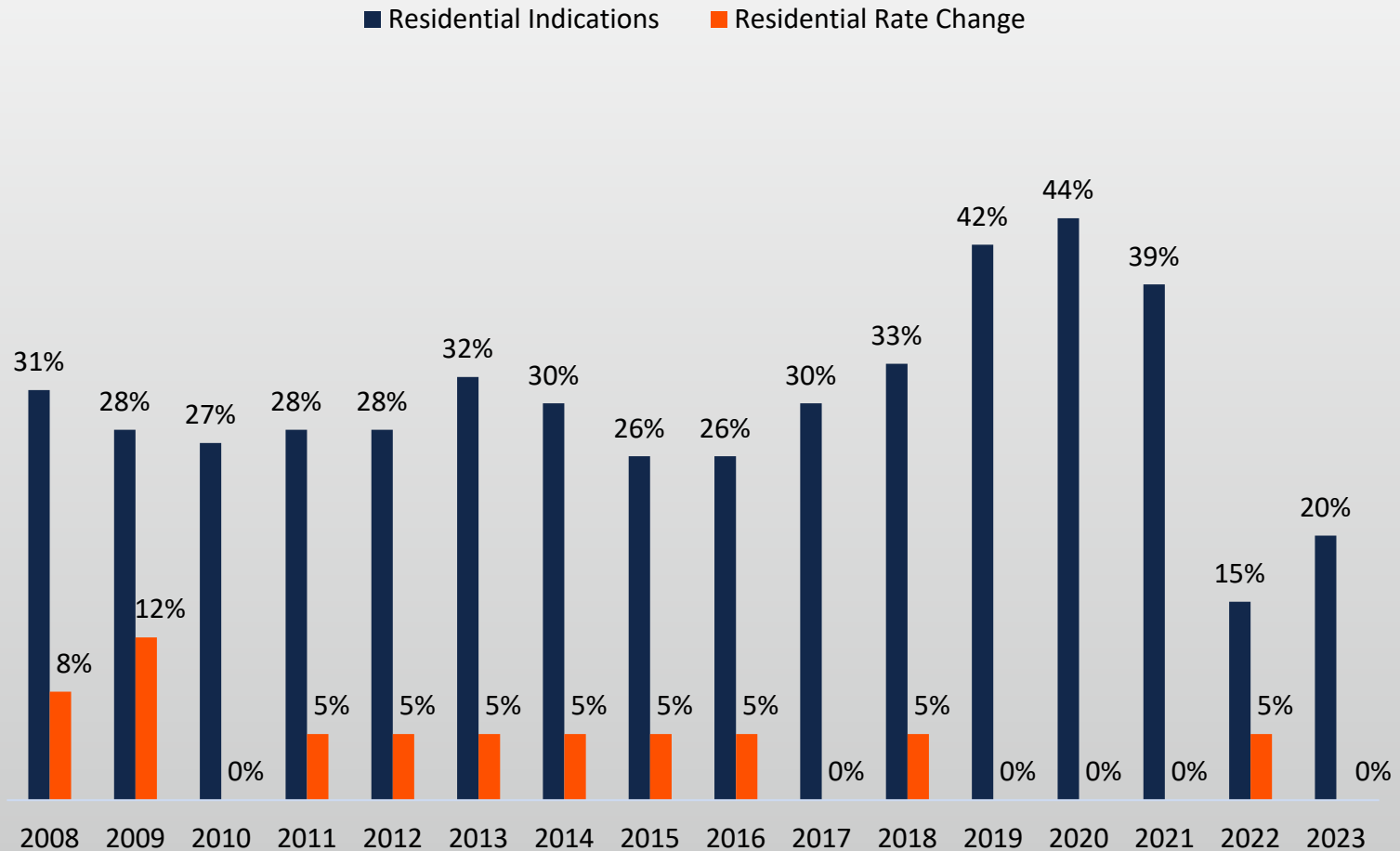
Reconciliation of Change in Rate Indications Residential 2023 vs 2022



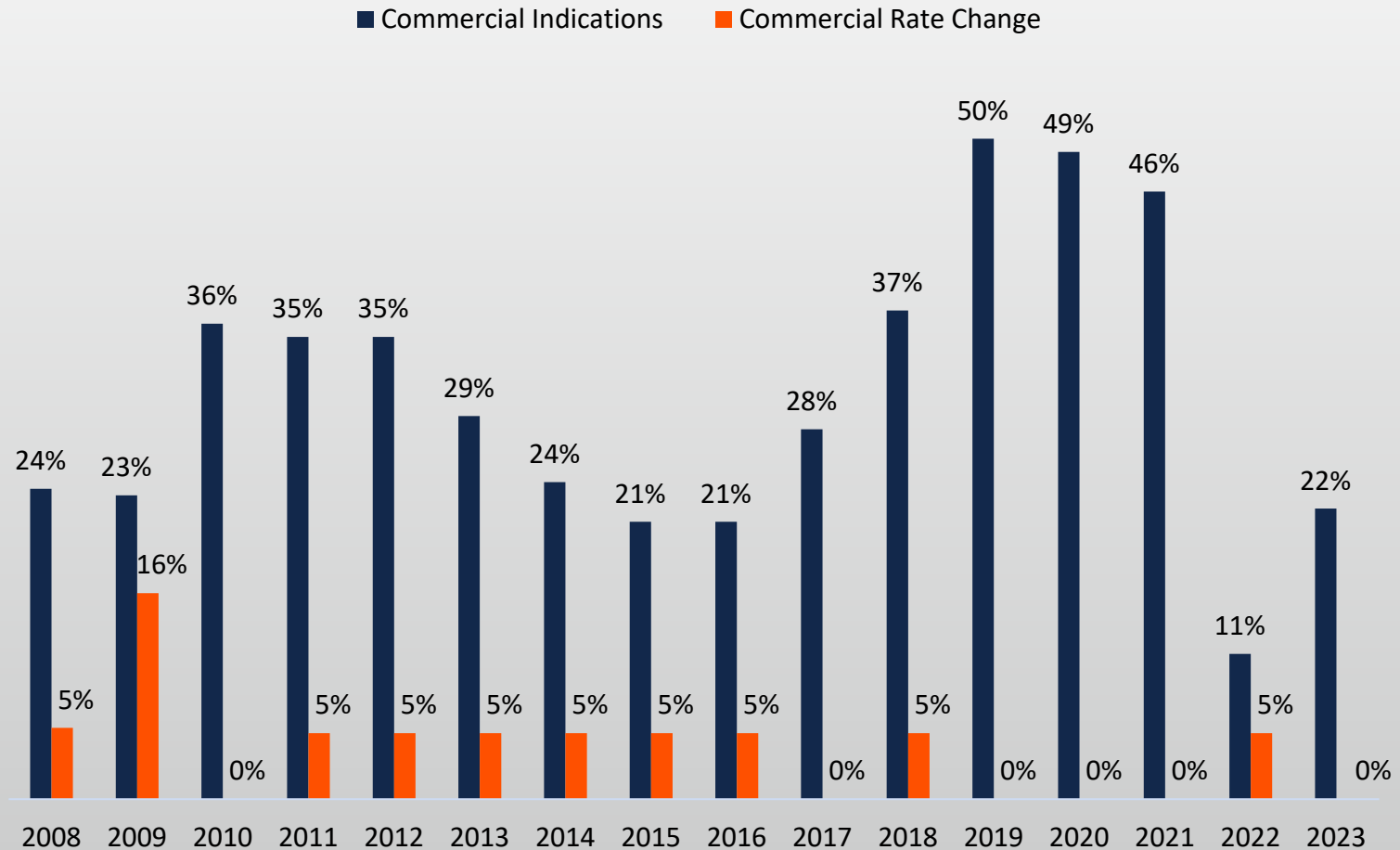
Reconciliation of Change in Rate Indications Commercial 2023 vs 2022



Residential Rate Indications vs Rate Changes 2008-2023



Commercial Rate Indications vs Rate Changes 2008-2023



Questions

7F. Required 2023 Annual Rate Filing

There is no exhibit for this topic

8. Internal Audit Status & Update

MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: August 8, 2023

SUBJECT: Status of Internal Audit Activities

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

➤ **Current Activities:**

Activity Description	Status
Facilities and Services	Report Issued
Accounts Payable and Expense Processing	Reporting in progress
Accounts Receivable	Review in progress
Depopulation	Review in progress
CAT Plan Tabletop Exercises	Attended all sessions
Underwriting	Fieldwork in progress
App Development & Database Access	Fieldwork in progress
Model Audit Rule	Planning in progress
Reinsurance Funding	Planning in progress

➤ **Upcoming Audits and Activities:**

Activity Description	Timing
Actuarial	3 rd /4 th Quarter
Communications	4 th Quarter
Legal and Compliance	4 th Quarter
Plan of Operation	1 st Quarter 2024 (moved back from Q2 2023)

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

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

Process Area	Last Report Date	2022 Inherent Risk Rating	2021	2022	2023	2024	2025
Reinsurance	Nov. 2020	High		x	x		
Information Security	Apr. 2022	High		x		x	
Emergency Planning/COOP	Nov. 2022	High		x			x
Customer Experience	N/A	High				x	
Underwriting	June 2020	High			x		x
Claims Processing	Dec. 2022	High		x		x	
Strategic Communications	Mar. 2021	High	x		x		x
Actuarial (Pricing and Reserving)	Sept. 2021	High	x		x		x
Governance	May 2021	High	x			x	
Database and Application Administration	Oct. 2020	Moderate			x		
Legal & Compliance	Mar. 2021	Moderate	x		x		
Plan of Operation	N/A	Moderate				x	
Financial Close and Reporting	Dec. 2020	Moderate				x	
Accounts Payable and Expense Processing	Oct. 2019	Moderate			x		
Application Development	N/A	Moderate			x		x
Information Technology Services	Apr. 2022	Moderate		x			x
Vendor Management	Nov. 2021	Moderate	x			x	
Accounts Receivable	May 2020	Moderate			x		
Facilities and Services	Oct. 2020	Moderate			x		
Cash Management	Aug. 2021	Low	x			x	
Premium Taxes	July. 2021	Low	x				x
Funding – reinsurance, other sources	N/A	Not Rated					

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

9. Underwriting Operational Review Update



MEMORANDUM

DATE: July 19, 2023
TO: David Durden, General Manager
FROM: Michael Ledwik, Vice President, Underwriting
RE: Update on Underwriting Operational Results

Second Quarter 2023 Results

TWIA Underwriting Metrics	Monthly Summary			Quarterly Summary			YTD		
	Apr-23	May-23	Jun-23	Q1 2023	Q2 2023	Q3 2023	2023	2023 Goal	▲
Transaction Issuance	98.64%	97.52%	97.39%	97%	97.85%		97.43%	90%	7.43
Internal Underwriting QA	99.20%	99.87%	99.31%	99.48%	99.46%		99.47%	99%	0.47
Phone Service Level	84.98%	82.48%	80%	76%	82.49%		79.24%	80%	0.76
Internal Telephone QA	94.90%	98.50%	96%	95.67%	96.47%		96.07%	95%	1.07

I. Overview:

- 97.85% of transactions were issued within 10 days of receiving the application and payment
 - a. 73% of the transactions were straight through processed by the system
 - b. 27% of the transactions were referred by the system to Underwriting for additional information, review, and approval prior to issuance
- Out of 99,326 calls for the quarter, 82.49% of the calls were answered under 20 seconds

II. Agency Compliance Audits:

A standard sample of agencies (20) were selected for review in the second quarter of 2023 to verify compliance with the Texas Windstorm Insurance Association (TWIA) declination of coverage and flood insurance requirements. One hundred percent (100%) of agencies have completed their responses.

- All policies/agents reviewed were one hundred percent (100%) compliant with the requirement for proof of declination of coverage.



- All policies/agents reviewed were one hundred (100%) percent compliant with the flood coverage requirements. Noting that only 4.5% of the policies selected/reviewed required flood insurance.
- All agents selected have an active property and casualty insurance license.

Claims and Litigation

10A. Claims Operations

TWIA Claims Operations 2023

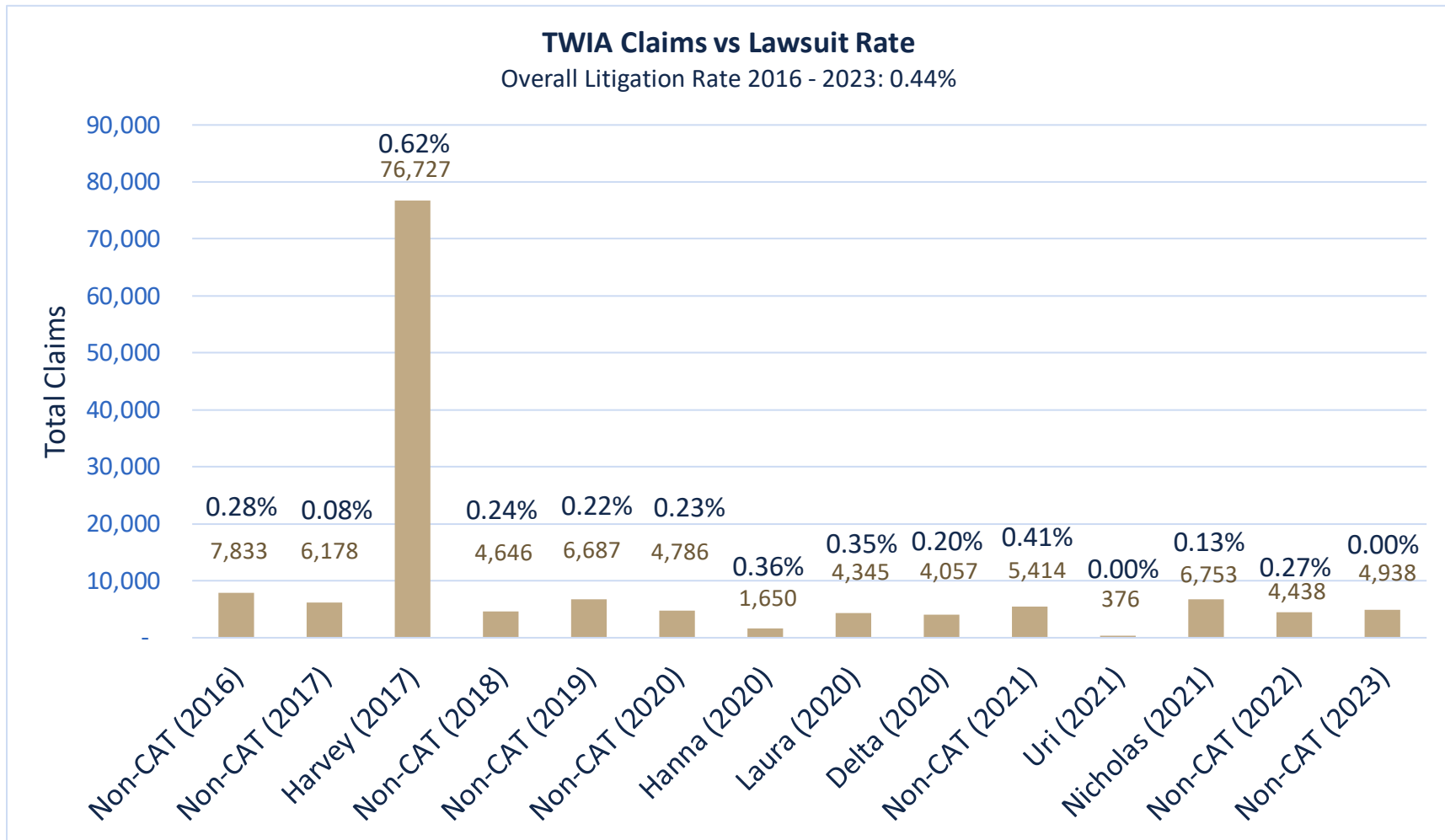
TWIA Claims - 2023 Results (through Q2)					
Key Cycle Times (In days)	Industry Average, TX	TWIA	TWIA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	5.9	3.4	<3	0.4	13%
Inspect Property to Receipt by TWIA	4.2	1.8	<8	-6.2	-78%
Total Cycle Time FNOL to Payment - Daily	N/A	9.3	<12	-2.7	-17%
Total Cycle Time FNOL to Payment - Cat	N/A	9.4	<12	-2.6	-16%
TDI Complaint Ratio					
2022	0.29% - 14 complaints from 5,066 new claims				
2023	0.11% - 6 complaints from 5,558 new claims				

Year	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Actual Volume	396	313	613	483	534	383	323	472	466	324	410	349	834	567	693	924	1,257	1,238
Actuarial Projected	639	445	445	1,622	1,622	450	454	651	651	658	319	319	669	467	467	1,698	1,698	471
Staffing Plan	546	546	546	546	546	546	546	546	546	546	546	546	572	572	572	572	572	572
Open Inventory	6,520	6,120	5,511	4,834	4,446	3,865	3,521	3,248	3,068	3,010	2,973	2,892	3,217	3,402	3,465	3,453	3,756	4,252

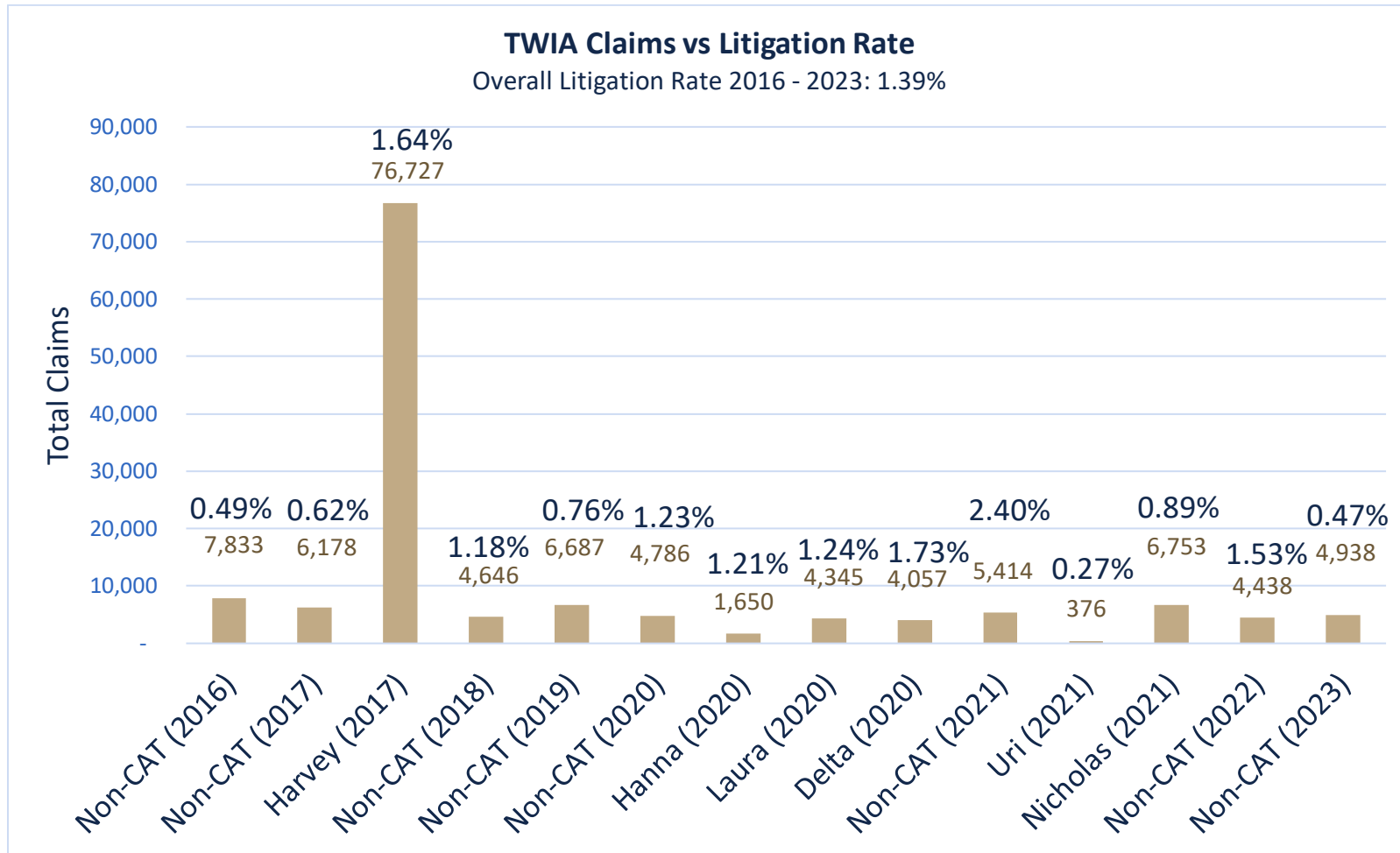
Historical TWIA Claim Volume	
Year	Claims
2005	12,783
2006	1,862
2007	4,195
2008	99,813
2009	4,812
2010	4,801
2011	10,608
2012	8,601
2013	10,541
2014	2,843
2015	18,889
2016	8,393
2017	80,257
2018	7,242
2019	6,704
2020	14,432
2021	12,535
2022	5,066
2023	5,558

10B. Claims Litigation

TWIA Litigation Activity



TWIA Litigation Activity





TWIA Litigation Activity

Litigation Quarterly Summary Second Quarter 2023

2nd Quarter 2023	Summary of TWIA Claims in Suit						
		New		Settled		Closed	
	April	0	3	0	0	0	7
	May	0	2	0	0	1	5
	June	0	0	0	0	0	4
	0	5	0	0	1	16	

2nd Quarter 2023	Summary of TWIA Claims with LORs						
		New		Settled		Closed	
	April	0	19	0	0	0	41
	May	0	38	0	0	0	62
	June	0	17	0	0	0	20
	0	74	0	0	0	123	



TWIA Litigation Activity

TWIA Claims Litigation June 2023

Jun-23	TWIA Claims in Suit				
	Category	Beginning Inventory	New	Closed	Ending Inventory
	Pre-HB3	0	0	0	0
	HB3	119	0	(4)	115
TOTAL	119	0	(4)	115	

Jun-23	TWIA Claims with LORs					
	Category	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
	Pre-HB3	0	0	0	0	0
	HB3	324	17	(20)	0	321
TOTAL	324	17	(20)	0	321	

Jun-23	TWIA Claims with Suits/LORs: Detail of Ending Inventory											
	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
		Suits		LORs		Total	Suits		LORs		Total	
		Res	Comm	Res	Comm		Res	Comm	Res	Comm		
Pre-HB3	0	0	0	0	0	0	0	0	0	0	0	
HB3	92	23	304	17	436	0	0	0	0	0	436	
TOTAL	92	23	304	17	436	0	0	0	0	0	436	



TWIA Litigation Activity

Jun-23	TWIA Active HB3 Claims with Suits/LORs: Breakdown by County													Grand Total
	Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Kleberg	Matagorda	Nueces	Refugio	San Patricio	
	7	70	3	131	5	76	13	73	1	13	36	1	7	436

Jun-23	TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	#
	Furlow Law Firm	99
	Baker Law	87
	Chad T. Wilson	41
	Palker Law Firm	39
	Daly & Black	22
	Hodge Law Firm	19
	Carrigan & Anderson	11
	Brasher Law Firm	8
	Omar Ochoa Law Firm	8
	Scott Law Offices	7
	Omar Ochoa Law Firm PC & Victor Rodriguez Law Firm PLLC	6
	Remaining 57 firms	89
	TOTAL	436

11. TWIA Operations

11A. IT Systems Update



MEMORANDUM

DATE: July 18, 2023
TO: David Durden, General Manager
FROM: Camron Malik, CIO / VP IT
RE: TWIA Information Technology status

We have started early preparations for the cloud effort with individuals taking cloud training on Guidewire core applications. The team is in on-going discussions on infrastructure, such as tools and technologies, that will change with the move to the cloud. The project is still on track to start January 2024.

Since the last update to the board we have been focused on the issues which impact agent productivity and efficiency of the policy issuance process. The performance of print quote and commercial policy workflow have been improved and we have received positive feedback. This involved software and hardware changes, including code changes to PolicyCenter, portals and document processing systems. Additional hardware was added to support more concurrent processing. The plan is to monitor the performance and work on additional changes as needed.

We have added self-service capabilities for identity management to allow agents to perform certain functions without calling for assistance from the support team. This has led to an 80% reduction in expired password errors and reduced support calls to retrieve forgotten user names.

The team also continues to work with agents to get a better understanding of the usage scenarios and evaluate features requested by users. An example is the ability to generate multiple quotes with varying options.

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

11B. Legislative Affairs Update and Legislative Implementation



MEMORANDUM

DATE: July 19, 2023
TO: David Durden, General Manager
FROM: Anna Stafford, Senior Manager, Legislative & External Affairs
RE: Legislative Affairs & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

- a) 88th Legislative Session: The regular session of the 88th Legislature concluded on May 29. The following bills affecting TWIA have been signed by the governor and will go into law.

Five bills based on recommendations by the Board in the TWIA Biennial Report to the Legislature:

- House Bill 3310 by Rep. J.M. Lozano (San Patricio County) relating to deadlines for the claims appraisal process of the Texas Windstorm Insurance Association.
- House Bill 3311 by Rep. Lozano relating to the process of selecting representatives of the insurance industry to serve on the board of directors of the Texas Windstorm Insurance Association.
- House Bill 3208 by Rep. Ed Thompson (Brazoria County) relating to the refund of premiums on the cancellation of Texas Windstorm Insurance Association policies by insureds.
- Senate Bill 2232 by Sen. Morgan LaMantia (Cameron County) relating to requirements for insurance agents offering windstorm and hail insurance policies issued by the Texas Windstorm Insurance Association.
- Senate Bill 2233 by Sen. LaMantia relating to automatic renewal of certain policies issued by the Texas Windstorm Insurance Association.

House Bill 1900 by Rep. John Smithee (Potter County) applies to the property-casualty insurance industry generally, including TWIA. The bill extends notice requirements for nonrenewal of a property or casualty policy from 30 to 60 days and will require us to implement a process change to non-renewal notices and renewal offers with changes in coverage.

Association staff will also be tasked with implementation of House Bill 998 by Rep. Dennis Paul (Harris County). This bill allows the Insurance Commissioner to designate areas within 10 miles of TWIA's coverage area where property owners' associations would be eligible for FAIR Plan coverage.



- b) OPIC: David Bolduc was confirmed by the Senate on April 19 as Public Counsel for the Office of Public Insurance Counsel for a term to expire in February 2025.
- c) Legislative Implementation: Staff have launched a Legislative Implementation Program for the 88th Session (LIP 88) to put into effect the new laws impacting Association operations. The implementation program, guided by the Enterprise Portfolio Management team within People & Business Operations and supported by the Legislative & External Affairs team, will follow the outline below:
 - 30 Days: Identify the scope of changes and begin stakeholder communications. [Status: Complete]
 - 60 Days: Initiate the program, conduct stakeholder impact analyses, and identify timelines. [Status: Underway]
 - 90 Days: Complete change management strategy activities, monitor progress, and validate compliance understanding based on effective dates and other deadlines. [Status: Pending]
- d) Special Sessions: Since the conclusion of the regular session, the governor has called two special sessions, and is expected to call further special sessions this biennium. We do not expect any TWIA-related legislation to be considered in these sessions.
- e) Legislative Meetings: Association staff held five meetings with legislative offices during Q2 2023 to discuss TWIA and TFPA legislation filed during the 88th session and provide information in response to requests.
- f) Stakeholder Inquiries: From April 1 through June 30, 2023, we received and responded to six legislative/TDI and policyholder inquiries on TWIA litigation, premium costs, and claim decisions.
- g) Operational Updates: We continue to provide regular email updates to the Board, the Texas Department of Insurance (TDI), legislative staff, and coastal elected officials and stakeholders about TWIA's operational activities.

II. Agent Advisory Group

- a) The Agent Advisory Group met on July 20 for its third quarterly meeting of 2023.
- b) Discussion topics for the meeting included:
 - i. TWIA's 2023 Rate Adequacy Analysis and the Actuarial & Underwriting Committee's rate filing recommendation;
 - ii. Information about an agent policy issuance time study being completed as part of the agent commission study;
 - iii. The outcome of the 88th Legislative Session and next steps for implementing TWIA legislation;



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- iv. The upcoming launch of the redesigned TWIA.org website;
- v. IT updates about changes to the Agent Portal intended to improve performance and simplify the login process; and
- vi. A discussion about how to communicate information about TWIA's Expert Panel Program to agents and policyholders.

15. Future Meetings

December 12, 2023 – Omni Hotel

Corpus Christi, TX

February 20, 2024 – Moody Gardens Hotel

Galveston, TX