

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

February 14, 2023
Moody Gardens Hotel
7 Hope Blvd.
Galveston, TX
9:00 a.m.



TEXAS WINDSTORM
INSURANCE ASSOCIATION

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

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

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

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|--|------------|
| 1. Call to Order | 5 minutes |
| A. Welcoming Remarks – <i>Chandra Franklin Womack</i> | |
| B. Anti-Trust Statement and Conflict of Interest Disclosure – <i>Counsel</i> | |
| C. Meeting Format Information – <i>Kristina Donley</i> | |
| 2. Approve the Minutes from Prior Board of Directors’ Meetings | 5 minutes |
| – <i>Chandra Franklin Womack</i> – Action/Vote Likely* | |
| 3. Public Comment | 30 minutes |
| 4. TWIA Operational Highlights – <i>David Durden</i> | 5 minutes |
| 5. Financial | 20 minutes |
| A. Report of the Secretary/Treasurer – <i>Karen Guard</i> – Action/Vote Likely* | |
| 1. Income Statement | |
| 2. Management Discussion and Analysis | |
| B. Financial Statement Review by Staff – <i>Stuart Harbour</i> | |
| 1. Income Statement and Expense Statement | |
| 2. Balance Sheet | |
| 3. Cash & Short-Term Investments | |
| 4. Cash Flow Statement | |
| 5. Historical Data | |
| 6. Actuarial – <i>Jim Murphy</i> | 20 minutes |
| A. Reserve Adequacy | |
| B. Policy Count/Exposures | |
| C. 2023 Funding | |
| D. Appointment of Actuary and Qualification Documentation – Action/Vote Likely* | |
| 7. Internal Audit Status & Update – <i>Bruce Zaret – Weaver</i> | 15 minutes |

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|---|-------------------|
| 8. Underwriting – <i>Michael Ledwik</i> | <i>10 minutes</i> |
| A. Operational Review Update | |
| B. Depopulation | |
| C. Weston and FedNat Payment Plan Update | |
| 9. Claims | <i>20 minutes</i> |
| A. Claims Operations – Overview – <i>Dave Williams</i> | |
| B. Litigation Summary – <i>Jessica Crass</i> | |
| 10. TWIA Operations | <i>30 minutes</i> |
| A. IT Systems Update – <i>Camron Malik</i> | |
| B. Legislative Affairs Update – <i>David Durden</i> | |
| C. 1099 Tax Form Distribution Update – <i>Stuart Harbour</i> | |
| 11. Closed Session (Board Only) | <i>20 minutes</i> |
| A. Personnel Issues | |
| B. Legal Advice | |
| 12. Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors – Action/Vote Likely* | <i>5 minutes</i> |
| 13. Committees – <i>Chandra Franklin Womack</i> | <i>5 minutes</i> |
| 14. Future Meetings – <i>David Durden</i> | <i>5 minutes</i> |
| • May 23, 2023 – Marriott South – Austin | |
| • August 8, 2023 – Tremont House – Galveston | |
| • December 2023 – TBD | |
| 15. Adjourn | |

Estimated Total Length of Meeting

3 hours 15 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.

Texas Windstorm Insurance Association

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

TWIA Anti-Trust Compliance Statement

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

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

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

Texas Windstorm Insurance Association

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

2. Approve the Minutes

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

Omni Hotel
900 North Shoreline Blvd.
Corpus Christi, TX

December 13, 2022

The Following Board Members were Present:

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

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

- | | |
|--|------------------------|
| 1. David Durden, General Manager | TWIA |
| 2. John Polak, Outgoing General Manager | TWIA |
| 3. Stuart Harbour, CFO | TWIA |
| 4. Dave Williams, VP Claims | TWIA |
| 5. Jessica Crass, VP Underwriting | TWIA |
| 6. JD Lester, VP Human Resources | TWIA |
| 7. Jim Murphy, Chief Actuary | TWIA |
| 8. Cindy Watkins, Acting VP Legal | TWIA |
| 9. Amy Koehl, Senior Project Administrator | TWIA |
| 10. Kristina Donley, Senior Instructional Designer | TWIA |
| 11. Camron Malik, Chief Information Officer | TWIA |
| 12. Mike Perkins, Association Counsel | Perkins Law Group PLLC |

The Following Guests Were Present:

- | | |
|------------------|--------------|
| 1. Allen Cashin | Gallagher Re |
| 2. Bill Dubinsky | Gallagher Re |
| 3. Alicia Gerte | Gallagher Re |
| 4. Joey Walker | Gallagher Re |
| 5. Brett Nabors | Weaver |
| 6. Bruce Zaret | Weaver |

The Following In Person Attendees Were Present:

- | | |
|------------------|------------------------|
| 1. Dan Dick | Aon |
| 2. Tammy Embry | City of Corpus Christi |
| 3. David Parsons | City of Port Aransas |
| 4. George Taylor | F.B. Taylor Insurance |

5. Stephanie Waterman	Farmers Insurance
6. Alex Hinojosa	Farmers Insurance
7. Claudia Flores	Guest
8. Veronda Durden	Guest
9. J.K. Davis	Guest
10. Travis McDavid	Guest
11. Art Granado	Guest
12. Priscilla Quintanilla	Nueces County Commissioner's Office
13. Mo Jenkins	Rep. Herrero's Office
14. Cindie Gonzalez	Rep. Herrero's Office
15. Chrissy Romero	Rep. Hunter's Office
16. Angie Flores	Rep. Hunter's Office
17. Isabela Huerta	Rep. Hunter's Office
18. Miguel Rivera	Sen. Hinojosa's Office
19. Beaman Floyd	TCAIS
20. Ginny Cross	United Corpus Christi Chamber of Commerce

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

1. Neeraj Agrawal	14. Luke Gallin
2. Marianne Baker	15. Afton Gillard
3. David Bolduc	16. Ninad Gokhale
4. Shirley Bowler	17. Jeff Jones
5. Ryan Brannan	18. Richard Meister
6. Ed Cantu	19. Rep. Mayes Middleton
7. Eric Casas	20. Danny Pringle
8. Triston Crossland	21. Rachel Shann
9. Brenda Diaz	22. Frank Smith
10. Michael Eleftheriades	23. Anna Stafford
11. Theresa Elliott	24. Aaron Taylor
12. Steve Evans	25. David Walling
13. Josephine Freitag	26. Thomas Wilkes

1. Call to Order: Ms. Franklin Womack called the meeting to order at 9:01 a.m. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Mr. Perkins presented the required conflict-of-interest disclosures on behalf of each board member. Kristina Donley reviewed the housekeeping items.
2. Approval of Minutes: The minutes from the August 2, 2022, August 31, 2022, September 14, 2022, September 21, 2022 and November 2, 2022 meetings were reviewed. Ms. Neblett moved to approve the minutes as presented. Mr. Garrett

seconded the motion. The motion passed. Mr. Garrett moved to approve the September 8, 2022 minutes. Ms. Guard seconded the motion. The motion passed.

3. Public Comment: Public comment was offered by Rep. Todd Hunter, Greg Smith, Barbara Canales, Cindy Barrere and David Parsons.
4. Election of TWIA Board Officer: With the retirement of Corise Morrison, a new secretary/treasurer must be selected. Ms. Neblett moved to nominate Karen Guard for the secretary/treasurer position. Mr. Garrett seconded the motion. The motion passed unanimously. Ms. Guard will take on the role at the next meeting.
5. TWIA Operational Highlights: Mr. Durden reported that the Association worked closely with TDI to respond to the Weston and FedNat (Maison) insolvencies and identify solutions to most quickly assist impacted policyholders seeking TWIA coverage. More than 12,100 policies were issued to former Weston and FedNat policyholders as of November 10. The 2022 biennial report was submitted to Texas legislators in August ahead of the December 31 due date. The Association remained below plan on operating expenses and above plan on net income in Q3 2022. All enterprise projects are on track to be completed by the scheduled deadlines. Underwriting and claim service levels exceeded turnaround time and quality standards. Litigated claims and complaints remain below plan in Q3 2022. Mr. Durden said there will probably be some changes to the format and data that is presented at future meetings; probably beginning in May. Mr. Gerik requested to see the premium-to-surplus ratio on the scorecard going forward.
6. Financial:
 - A. Report of the Secretary/Treasurer: Mr. Harbour reviewed the Treasurer's Report as the board does not have a secretary/treasurer. Ms. Neblett moved to approve the report. Mr. Garrett seconded the motion. The motion passed unanimously.
 - B. Financial Statement Review by Staff: Direct written premiums for the nine months ended September 30, 2022 totaled \$410.3 million, which was \$99.3 million (31.9%) above the \$311.1 million for the same period in 2021. Direct written premium was \$69.0 million (20.2%) higher than the budgeted \$341.4 million. Policies in force as of September 30, 2022 of 219,219 were 19,212 (9.6%) higher than the budgeted number of 200,007. The growth in policy count is primarily attributable to new policies that migrated to TWIA after the insolvency of Florida based carrier Weston.

The TWIA 2022-2023 reinsurance program was successfully placed effective June 1, 2022 and will remain in effect until May 31, 2023. The gross ceded premium associated with the \$2.036 billion in coverage consisting of traditional reinsurance and catastrophe bonds was increased in September to recognize the higher exposures associated with the increased policy count from Weston and recent growth trends. The new estimated ceded premiums

(reinsurance cost) for 2022 total \$131.4 million compared to a budgeted amount of \$102.1 million. The net cost of the reinsurance program after ceding commission was \$125.8 million. The ceded premium for the traditional reinsurance is adjusted to account for increases or decreases in the Total Insurable Value (TIV) of the subject properties. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 each year.

Direct premiums earned through September 2022 totaled \$315.8 million compared to \$279.9 million for the prior year (an increase of \$35.9 million or 12.8%). Direct premium earned was \$12.5 million higher than the budget of \$303.3 million.

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

Direct losses and LAE incurred for the nine months ended September 30, 2022 totaled \$35.7 million which was \$28.1 million below the budgeted amount. A relatively mild spring storm season coupled with no hurricane activity was the primary cause for the better than budgeted results. This savings was slightly offset by adverse development associated with the 2021 Hurricane Nicholas. TWIA reported a YTD direct loss & LAE ratio of 11.3% versus a budgeted ratio of 21.0%. The ultimate loss and loss adjustment expense estimate for Hurricane Harvey was reduced by \$10 million to \$1.66 billion after actuarial analysis of inputs from claim and legal experts.

Operating expenses for the nine months ended September 30, 2022 of \$24.9 million were under budget by \$430,000 (1.7%). Notable expense items under budget included software and hardware (\$493,000), salaries and wages (\$180,000), recruiting (\$63,000) and rental and maintenance (\$364,000). These amounts were partially offset by over budget expenses in contractor and temporary help (\$146,000), IT consulting services (\$147,000), professional services (\$380,000) and other expenses (\$216,000). The year-to-date operating expense ratio of 7.9% was slightly below the budgeted 8.3%.

Year to date commission expense of \$65.6 million and premium taxes of \$7.6 million were over budget by \$11.0 million and \$1.3 million respectively as direct written premium was higher than the budgeted amount.

Gross investment income for the nine months ended September 30, 2022 was \$1.6 million, which was \$1.4 million higher than the budgeted amount of

\$160,000. Interest rates on the Association's investments in money market mutual funds have increased recently to slightly above 2% as the Federal Reserve raises interest rates to combat the current high levels of inflation. Interest expense on Class 1 bonds was \$4.6 million lower than the budgeted amount. The early redemption of the remaining \$177 million of Class 1 bonds was completed on May 9, 2022.

Net income for the nine months ended September 30, 2022 was \$94.4 million or \$18.3 million (24.0%) above the budgeted income of \$76.2 million.

The surplus as of September 30, 2022 was \$2.5 million compared to the deficit of \$24.6 million as of December 31, 2021. The deficit improved due to the year-to-date net income of \$94.4 million. The improvement in the deficit was partially offset by \$66.0 million in statutory fund cost for the year-to-date CRTF accrual and an increase of \$1.4 million in non-admitted assets which consists primarily of prepaid expenses and capitalized software.

7. Actuarial:

- A. Reserve Adequacy: TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of September 30, 2022.

The ultimate loss and loss adjustment expense estimate for Hurricane Harvey has been reviewed based on information available as of September 30, 2022. Consistent favorable loss and expense development has been observed since first quarter of 2022. The ultimate loss and loss adjustment expense estimate is adjusted down by \$10 million to \$1.66 billion after careful consideration of inputs from claim and legal experts.

The actual ultimate costs of Hurricane Harvey may differ substantially from the selected \$1.66 billion. This variability arises from the assumptions made regarding the adequacy of case reserves for open claims and the outcome of disputed claims. The actuarial team will continue to monitor current case reserve adequacy and litigation/disputes to ensure all outstanding obligations are properly reserved.

As of September 30, 2022, TWIA carried \$77.6 million in total gross loss and loss adjustment expense reserves with \$41K of the total gross ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Ike, Harvey, Delta, Laura, Hanna, Nicholas and other outstanding claims. Collectability risk has been reviewed and found to be immaterial relative to total gross reserves.

In the opinion of the senior actuary, the Association's reserves met the requirements of the insurance laws of Texas, were consistent with reserves

computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements.

- B. Policy Count/Exposures: Policy counts are up by 15% year over year. Exposures are up 25%.
- C. Status of Filings: TWIA made its annual rate filing on August 5th for no change in TWIA rates. Because this filing was for no change in rate, no specific approval from TDI was required. TWIA also filed proposed increases to its maximum statutory limits on August 5th. On September 2nd, TDI issued an order initially modifying the filing to only approve an increase in the statutory limit for manufactured homes while keeping all other limits at their current amounts. After a hearing held on September 27th, TDI issued a final order on October 3rd setting the maximum limits for -manufactured homes at a 19.9% increase.

TWIA is in the process of implementing the systems changes required to expand eligibility for retrofit credits to structures that have replaced all glazed openings (windows). All filings and required changes are expected to be complete in December 2022.

- D. 2023 Reinsurance Capacity, Pricing & Timing Issues: Staff has been working closely with TWIA's reinsurance broker, Gallagher Re, and their securities/catastrophe bond affiliate in preparation for the upcoming 2023 reinsurance placement. Given the hardening market conditions, Gallagher is recommending that the reinsurance planning and purchasing process begin as soon as possible. To that end, they recommend the TWIA board meet to set the 1:100 probable maximum loss amount in advance of its regular February meeting and authorize commencement of the reinsurance placement process at the December 13 meeting, at least in terms of a catastrophe bond transaction to replace the expiring 2020 Alamo Re bonds a few months early. Ms. Neblett moved that TWIA staff is authorized and directed to engage Gallagher securities and others as recommended by the broker to begin the process of placement of the June 1, 2023 – May 31, 2024 reinsurance program and work with the board members to set an interim board meeting in January to further move the process along by selecting the annual 1:100 probable maximum loss as required by law. Staff is also authorized and directed to move forward to seek to replace expiring catastrophe bonds early using a replacement transaction as presented to the board by Gallagher representatives. Mr. Garrett seconded the motion. The motion passed unanimously.

8. Internal Audit:

- A. Internal Audit Status Report: Mr. Zaret reported the current internal audit activities, including information security, business continuity of operations – information technology, reinsurance, model audit rule, continuity of operations plan – business operations, human resources and payroll, claims,

risk assessment and audit plan update and findings follow up. Upcoming audits include plan of operation, accounts payable and expense processing and accounts receivable.

- B. Internal Audit Risk Assessment: The risk assessment has been completed for the purpose of developing an internal audit plan. The risk assessment is not an enterprise-wide risk assessment which may consider other risk characteristics.
- C. Continuity of Operations Review Results: Brett Nabors stated the assessment objects were to determine whether the COOP aligns with industry and/or other practices over business continuity management and verify several elements are sufficiently incorporated into the COOP document.

9. Underwriting:

- A. Weston and FedNat Update: Ms. Crass reported that 12,089 total policies were issued to former Weston policyholders; totaling approximately \$4.5 billion in insured value and \$29.6 million in written premium. There are 3,205 policies on the Weston Receivership Pay Plan. A total of 58 policies were issued, all residential, to former FedNat policyholders. There is approximately \$21.1 million in insured value and \$131,600 in written premium. Ten policies are on the FedNat pay plan. Ms. Franklin Womack commended the underwriting team for how they handled the influx of policies. She stated the board received excellent communication on what was happening. Mr. Durden agreed, stating it was a great effort by underwriting and the entire Association.
- B. Operational Review Update: Underwriting met and exceeded its goals with consistent turnaround time on all transactions. The goal is to issue 90% of new business submissions, endorsements, renewals and cancellations within 10 days. Staff is surpassing this standard with over 98% of transactions processed within 10 days. Over 86% of applications/renewals were processed within one day. Quality assurance results on underwriting decisions continue to exceed established goals. Telephone service response times for the quarter met expectations. Standards include answering 80% of calls in under 20 seconds. Results were heavily impacted by a substantial increase in customer inquiries following the events related to Weston Property & Casualty Insurance Company's insolvency and liquidation proceedings in August, combined with the annual seasonal swell of business. However, the overall department results still exceeded goals at 81.6%.

The TWIA agent auditor vacancy was filled in October. Standard audits were subsequently completed for a sample of agencies doing business with TWIA in the third quarter of 2022 to verify compliance with the declination of coverage and flood insurance requirements. Ninety percent of agencies have now completed their responses. Staff is pursuing a response from the remaining agencies and escalating issues as necessary. Of the agencies who have responded, all policies reviewed were compliant with the requirement for proof of declination of coverage. Two percent of the policies/properties

selected for review required flood insurance and met the requirement. All agents audited have an active property and casualty insurance license.

- C. Depopulation: SafePoint is the only carrier participating in the sixth round of the depopulation program. Currently TWIA is in the policy holder opt out phase.

10. Claims:

- A. Claims Operations: First notice of loss to property inspection averages 2.9 days. Total cycle time from first notice of loss to payment is 7.7 days and 7.3 days in a catastrophe. As of September, there are 3,068 open claims. For 2022, the historical claim volume has been 3,983.
- B. Litigation Report: Thirty two new TWIA claims in suit were received in the third quarter of 2022 and 59 were closed. For the third quarter, 107 new claims with letters of representation were received and 111 were closed. The Barker Law Firm and the Furlow Law Firm hold the majority of the suits.

11. TWIA Operations:

- A. IT Systems Update: The TWIA systems continue in production support mode with all systems stable. The items identified by the board based on agent comments have been addressed. The last item, printable quotes, is set to deploy in the first week of December.

The infrastructure and operations team continues to support remote work with excellent quality. All technology efforts are on track.

- B. Proposal from Guidewire to Move Guidewire Insurance Systems to the Cloud: Mr. Malik went over a proposal from Guidewire to move TWIA systems to the cloud. Some of the benefits of moving to the cloud include no major upgrades to perform in the future, such as TFPA implementation or Elevate, a reduction in on-premises expenses, new features developed by Guidewire without investing TWIA resources, access to Guidewire features beneficial for the business and the Guidewire shared responsibility model saves on standard IT responsibilities. Mr. Gerik moved to approve the proposal. Mr. Garrett seconded the motion. Mr. Walenta asked what sort of protection Guidewire could provide in the case of a hack. Mr. Malik said Guidewire is responsible and liable for any damage from hacks. He added they have many more resources from a cybersecurity perspective than TWIA does. The motion passed unanimously.
- C. Communications and Legislative Update: Mr. Durden reported that all members of the coastal delegation, the House Insurance Committee and the Senate Business & Commerce Committee who ran for re-election won their contests in the midterm elections held on November 8. The 88th Legislative Session will begin on January 10th. Elected legislators begin pre-filing bills for the session on November 14. Bills may continue to be filed until the 60th day of the session, March 10.

- D. Review and Approval of 2023 Budget: Mr. Harbour reviewed the 2023 TWIA budget. Mr. Gerik asked what was budgeted for reinsurance in 2023. Mr. Harbour said \$225 million. Mr. Gerik asked about Gallagher Re's fee agreement. Mr. Murphy said it was a flat fee for traditional brokerage and cat bonds at \$2 million. Aon's fee is \$600,000 for the year. Mr. Gerik moved to approve the budget. Ms. Guard seconded the motion. The motion passed unanimously.

12. Closed Session: The meeting went into closed session at 11:26 am. The meeting was reconvened in open session at 12:05 pm.

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

14. Committees: Staff will assemble the TWIA Actuarial and Underwriting Committee for a meeting in January.

15. Future Meetings:

- February 14, 2023 – Moody Gardens Hotel – Galveston
- May 23, 2023 – Marriott South – Austin
- August 8, 2023 – Tremont House – Galveston

16. Adjourn: The meeting adjourned at 12:06 pm.

Prepared by: Amy Koehl
Senior Project Administrator

Approved by: Chandra Franklin Womack
TWIA Chair

Approved by: Georgia Neblett
TWIA Vice Chair



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

January 19, 2023

The Following Board Members Were Present:

- | | | |
|----|---------------------------------|---------------------------------------|
| 1. | Chandra Franklin Womack (Chair) | First Tier Coastal Representative |
| 2. | Peggy Gonzalez | First Tier Coastal Representative |
| 3. | Karen Guard | Industry Representative |
| 4. | Mike Gerik | Industry Representative |
| 5. | Tony Schrader | Non-Seacoast Territory Representative |
| 6. | Ron Walenta | Non-Seacoast Territory Representative |
| 7. | Tim Garrett | Non-Seacoast Territory Representative |

Absent: Georgia Neblett	First Tier Coastal Representative
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The Following TWIA Staff and Counsel Were Present:

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| 1. | David Durden, General Manager | TWIA |
| 2. | Jessica Crass, VP Underwriting | TWIA |
| 3. | Stuart Harbour, Chief Financial Officer | TWIA |
| 4. | Jim Murphy, Chief Actuary | TWIA |
| 5. | Cindy Watkins, Acting VP Legal and Compliance | TWIA |
| 6. | Michael Ledwik, Senior Underwriting Manager | TWIA |
| 7. | Amy Koehl, Senior Project Administrator | TWIA |
| 8. | Kristina Donley, Senior Instructional Designer | TWIA |
| 9. | Mike Perkins, Association Counsel | Perkins Law Group |

The Following Guests Were Present:

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| 1. | Debbie King | AmTrust |
| 2. | Dan Dick | Aon |
| 3. | Jim Conroy | Aon |
| 4. | Dan Schwietz | Aon |
| 5. | Allen Cashin | Gallagher Re |
| 6. | Bill Dubinsky | Gallagher Re |
| 7. | Alicia Gerte | Gallagher Re |
| 8. | Minchong Mao | Gallagher Re |
| 9. | Joey Walker | Gallagher Re |

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

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|-----------------------|--------------------------|
| 1. Stephen Alexander | 20. Barry Loggins |
| 2. Mamie Arbuckle | 21. Richard Meister |
| 3. Nancy Ayala | 22. Sen. Mayes Middleton |
| 4. Marianne Baker | 23. Jade Nguyen |
| 5. David Bolduc | 24. Ken Pantin |
| 6. Shirley Bowler | 25. Dan Paschal |
| 7. Sydia Cortez | 26. Caroline Pendergrast |
| 8. Janice Davis | 27. Dave Polito |
| 9. Theresa Elliott | 28. Clifford Rowell |
| 10. Randall Evans | 29. Kenisha Schuster |
| 11. Steve Evans | 30. Joelle Sewell |
| 12. Angela Fang | 31. Tom Tagliabue |
| 13. Josephine Freitag | 32. Aaron Taylor |
| 14. Shane Gallagher | 33. Ed Thompson |
| 15. Oscar Greak | 34. Tyler Traub |
| 16. Jacob Grow | 35. Alesa Ware |
| 17. Suzanna Gueldner | 36. Stephenie Weissinger |
| 18. Rep. Todd Hunter | 37. Dave Williams |
| 19. Jenny Loehr | |

1. Call to Order: Chair Chandra Franklin Womack called the meeting to order at 10:01 am. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the statement by counsel and the required conflict of interest disclosures were made. Kristina Donley went over the housekeeping details for the meeting.
2. Public Comment: Ms. Donley reviewed the written public comments received before the meeting. Verbal public comment was offered by Sen. Mayes Middleton and Rep. Todd Hunter.
3. Receive Report and Recommendations from the January 11, 2023 Meeting of the Actuarial and Underwriting Committee: Mr. Durden reviewed the recommendations from the January 11, 2023 TWIA Actuarial and Underwriting Committee meeting.

The committee recommends averaging the results from the catastrophe models presented as a reference point for making the board's determination of the 100-year PML using the following weighting: AIR 50%, RMS 50%, Impact Forecasting 0%, CoreLogic RQE 0%.

The committee recommends that the model results based on long term assumptions are preferable.

The committee recommends that the words, “total available loss funding” in statute contemplate inclusion of loss adjustment expenses in determining the probable maximum loss for the Association for a catastrophe year with a probability of one in one hundred.

The committee recommends, based on the foregoing and the information presented, that for catastrophe year 2023 the one in one hundred probable maximum loss amount is \$5.244 billion.

4. Determination of the 2023 Funding; Including Aon Modeling Update, Reinsurance Procurement and Determination of Probable Maximum Loss for a Catastrophe Year with a Probability of 1 in 100: Ms. Franklin Womack said she had not focused on the possibility that the PML could be considered a floor and it could be set at a lower level and reinsurance could be purchased above that level. Mr. Durden said the board has the option of setting the probable maximum loss for a 1:100 catastrophe year and then, if the board decides to purchase additional reinsurance coverage above that amount, they can direct staff and the broker to purchase additional reinsurance and the cost of the excess over the 1:100 probable maximum loss amount would be assessed to the member companies.

Mr. Gerik said what stands out for him is that a lot of money was paid to Aon to evaluate the models and come up with the appropriate PML. As the board, they are tasked with weighing these models. If the board is going to go with the lowest PML, then what is the purpose of contracting with Aon.

Mr. Walenta said there is a lot of exposure in Galveston and Nueces Counties due to the influx of former Weston policies. He isn't sure catastrophe bonds will be an option for TWIA. The Association will probably be looking solely at reinsurance. He doesn't favor reducing the total amount of funding. As hurricane season approaches, there will be more difficulty buying another layer of funding. Ms. Franklin Womack asked if Mr. Walenta is suggesting setting a lower PML but set the reinsurance buy to a higher number. Mr. Walenta said he would support that. Mr. Gerik said it is a compromise but he didn't agree with it as the cost will be pushed to the insurance companies. The expense is going to all the other policyholders in the state. Other companies will have to raise rates to pay for reinsurance for TWIA and he doesn't think that will be well received.

Mr. Walenta moved to set the 1:100 PML at the RMS catastrophe model level of \$3.9 billion dollars +15% loss adjustment expense for a total of \$4.5 billion. He also moved to instruct Gallagher Re to seek bids on purchasing a total amount of reinsurance protection to provide coverage to fund a \$5.2 billion catastrophe year and inform the board of what each level costs. The result will be that the policyholders will be paying for the premium costs of the \$3.9 billion 1:100 probable maximum loss amount (plus the 15% for loss adjustment expense). As required by statute, the difference will be assessed to insurance companies to pay for the remainder of the reinsurance purchase.

That incremental reinsurance amount will be \$700 million in coverage, which will increase the total funding for the 2023 catastrophe year to \$5.2 billion. Ms. Franklin Womack seconded the motion.

A roll call vote was conducted.

Tony Schrader – No
Mike Gerik – No
Peggy Gonzalez – Yes
Tim Garrett – Yes
Karen Guard – No
Ron Walenta – Yes
Chandra Franklin Womack – Yes

The motion passed by a vote of 4 to 3.

Allen Cashin from Gallagher Re stated he didn't have anything to add.

5. Adjourn: The meeting was adjourned at 10:41 am.

Prepared by: Amy Koehl
Senior Project Administrator















Approved by: Chandra Franklin Womack
TWIA Chairman

Approved by: Georgia Neblett
TWIA Vice Chairman

4. TWIA Operational Highlights

2022 TWIA Enterprise Scorecard

Reporting YTD as of December 31, 2022

	YTD	Trend	Goal	Δ	Performance
Operating Expense Ratio	7.5%		8.2%	-0.7%	
Net Income ¹	\$136.7 M		\$117.0 M	\$19.7 M	
Enterprise Projects	92%		90%	2%	
Policy Administration	99%		90%	9%	
Claims Handling	96%		90%	6%	
Litigated Claims	0.11%		0.50%	-0.39%	
Complaints	29		60	-31	

¹ Net Income equals YTD 2022 net income reduced by YTD monthly principal prepayments on public securities.

Reference Data

Policies In-Force	222,480
Exposures In-Force	\$75.7 billion
Written Premiums YTD	\$518.3 million
Claims Received YTD	8,275
Losses Incurred YTD ²	\$31.7 million
Premiums to Surplus Ratio ³	
Gross:⁴	2.3 to 1
Net:⁵	1.7 to 1

² Excludes IBNR

³ Includes CRTF

⁴ The gross premium ratio equals direct written premiums divided by policyholders' surplus. Normal range up to 9 to 1.

⁵ The net premium ratio excludes written premiums ceded to reinsurers. Normal range up to 3 to 1.

Key Quarterly Activities

- Hosted virtual agent training webinars in December, with more than 500 attendees, to provide updates on the new TWIA Agent Portal and policy payment options and processes.
- Resolved the top post-ELEVATE requests from agents in Q4 2022.
- Remain below plan on operating expenses and above plan on net income in Q4 2022.
- Exceeded turnaround time and quality standards on Underwriting and Claim service levels.
- Remain below plan on litigated claims and complaints in Q4 2022.

5. Financial

5A. Report of the Secretary/Treasurer

5A1. Income Statement

5A2. Management Discussion and Analysis

	TEXAS WINDSTORM INSURANCE ASSOCIATION		
	Statutory Income Statement - Treasurer's Report		
	for the twelve months ended December 31,		
	(000's omitted)		
	2022	2021	
Direct Premiums Written	<u>\$ 518,299</u>	<u>\$ 395,113</u>	
Premiums Earned:			
Direct Premiums Earned	\$ 443,490	\$ 378,504	
Ceded Reinsurance Premiums	(132,095)	(102,132)	
Ceded Reinsurance Premiums - Depopulation	-	-	
Net Premiums Earned	<u>311,395</u>	<u>276,372</u>	
Deductions:			
Direct Losses and LAE Incurred	61,213	58,026	
Direct Losses and LAE Incurred - Harvey	(10,000)	(30,000)	
Direct Losses and LAE Incurred - Ike & Dolly	-	(9,000)	
Ceded Losses and LAE Incurred - Depopulation	35	22	
Operating Expenses	33,395	27,826	
Commission Expense	82,854	63,161	
Ceding commissions / brokerage	(5,612)	(2,378)	
Ceding commissions / brokerage - Depopulation	-	-	
Premium / Maintenance Tax	9,456	7,325	
Total Deductions	<u>171,341</u>	<u>114,981</u>	
Net Underwriting Gain or (Loss)	<u>140,054</u>	<u>161,391</u>	
Other Income or (Expense):			
Gross Investment Income	4,372	297	
CRTF Funds Received	-	-	
Member Assessment Income	-	-	
Interest Expense on Class 1 Bonds	(5,192)	(16,673)	
Debt Issuance & Other Investment Expenses	(2,270)	(2,202)	
Interest Expense on Short Term Debt	(296)	-	
Miscellaneous Income (Expense)	35	-	
Total Other Income or (Expense)	<u>(3,351)</u>	<u>(18,578)</u>	
Net Income (Loss)	<u>\$ 136,703</u>	<u>\$ 142,813</u>	
Surplus (Deficit) Account:			
Beginning Surplus (Deficit)	\$ (24,584)	\$ (160,451)	
Net Income (Loss)	136,703	142,813	
Change in Provision for Reinsurance	-	-	
Change in nonadmitted assets	(1,633)	(8,984)	
Other	-	2,038	
Statutory Fund Cost	(74,918)	-	
Ending Surplus (Deficit)	<u>\$ 35,568</u>	<u>\$ (24,584)</u>	

**Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results for the
Twelve Months Ended December 31, 2022**

Direct Written Premium:

- Direct written premiums for the year ended December 31, 2022 totaled \$518.3 million, which was \$123.2 million (31.2%) above the \$395.1 million for the same period in 2021. Direct written premium was \$88.8 million (20.7%) higher than the budgeted \$430 million.
- Policies in force as of December 31, 2022 of 222,480 were 20,411 (10.1%) higher than the budgeted number of 202,069. The growth in policy count is primarily attributable to new policies that migrated to TWIA after the insolvency of Florida based carrier Weston.

Reinsurance Costs

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

Direct Premiums Earned:

- Direct premiums earned through December 2022 totaled \$443.5 million compared to \$378.5 million for the prior year (an increase of \$65.0 million or 17.2%).
- Direct premium earned was \$32.6 million higher than the budget of \$410.9 million.

Depopulation Program:

- The one carrier (SafePoint) that signed up to participate in round 6 of depopulation selected approximately 32,000 policies for potential novation from TWIA. The agents review period closed on May 31, 2022 with a total of 79 policies still eligible for transfer. Owners of the remaining 79 policies will make their decision regarding potential transfer to SafePoint following the close of hurricane season.

Loss and Loss Adjustment Expense Incurred:

- Direct losses and LAE incurred for the twelve months ended December 31, 2022 totaled \$51.2 million which was \$18.0 million below the budgeted amount. The lower than budgeted losses are attributable to the 2022 reduction in the estimated ultimate losses and LAE for Hurricane Harvey, the absence of any 2022 Texas hurricane events, and lower than anticipated losses from the 2022 spring storm season.
- TWIA reported a YTD direct loss & LAE ratio of 11.5% versus a budgeted ratio of 16.8%.
- The ultimate loss and loss adjustment expense estimate for Hurricane Harvey was reduced by \$10 million in September to \$1.66 billion after actuarial analysis of data provided by claim and legal experts.

Operating Expenses:

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

Commission Expense and Premium Taxes:

- Year-to-date Commission expense of \$82.9 million and Premium taxes of \$9.5 million were over budget by \$14.1 million and \$1.5 million respectively as Direct Written premium was higher than the budgeted amount.

Other Income (Expense):

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

Net Income

- Net income for the twelve months ended December 31, 2022 was \$136.7 million or \$19.7 million (16.81%) above the budgeted income of \$117.0 million.

Surplus/(Deficit):

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

5B. Financial Statement Review by Staff

5B1. Income Statement and
Expense Statement

5B2. Balance Sheet

5B3. Cash & Short-Term Investments

5B4. Cash Flow Statement

5B5. Historical Data

TEXAS WINDSTORM INSURANCE ASSOCIATION				
Statutory Income Statement (000's omitted)				
for the twelve months ended December 31,				
	Actuals - 2022	Budget - 2022	Variance - 2022	Actuals - 2021
Premiums Written:				
Direct	\$ 518,299	\$ 429,521	\$ 88,778	\$ 395,113
Ceded	(132,095)	(102,064)	(30,032)	(102,132)
Ceded - Depopulation	-	-	-	-
Net	386,204	327,457	58,746	292,981
Premiums Earned:				
Direct	\$ 443,490	\$ 410,923	\$ 32,567	\$ 378,504
Ceded	(132,095)	(102,064)	(30,032)	(102,132)
Ceded - Depopulation	-	-	-	-
Net	311,395	308,859	2,536	276,372
Deductions:				
Direct Losses and LAE Incurred	61,213	69,187	(7,974)	58,026
Direct Losses and LAE Incurred - Harvey	(10,000)	-	(10,000)	(30,000)
Direct Losses and LAE Incurred - Ike & Dolly	-	-	-	(9,000)
Ceded Losses and LAE Incurred - Depopulation	35	-	35	22
Operating Expenses	33,395	33,711	(316)	27,826
Commission Expense	82,854	68,723	14,131	63,161
Ceding commissions / brokerage	(5,612)	(2,365)	(3,248)	(2,378)
Ceding commissions / brokerage - Depopulation	0	0	0	-
Premium / Maintenance Tax	9,456	7,989	1,467	7,325
Total Deductions	171,341	177,246	(5,905)	114,981
Net Underwriting Gain or (Loss)	140,054	131,614	8,440	161,391
Other Income or (Expense):				
Gross Investment Income	4,372	212	4,160	297
Interest Expense on Class 1 Bonds	(5,192)	(12,359)	7,167	(16,673)
Debt Issuance/Maintenance & Other Investment Expenses	(2,270)	(2,440)	170	(2,202)
Interest Expense on Short Term Debt	(296)	-	(296)	-
Miscellaneous Income (Expense)	35	-	35	-
Total Other Income or (Expense)	(3,351)	(14,587)	11,236	(18,578)
Net Income (Loss)	\$ 136,703	\$ 117,027	\$ 19,677	\$ 142,813
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	(24,584)	(24,584)	-	(160,451)
Net Income (Loss)	136,703	117,027	19,677	142,813
Change in Provision for Reinsurance	-	-	-	-
Change in nonadmitted assets	(1,633)	(647)	(986)	(8,984)
Other	-	-	-	2,038
Statutory Fund Cost	(74,918)	(62,627)	(12,292)	-
Ending Surplus (Deficit)	\$ 35,568	\$ 29,169	\$ 6,399	\$ (24,584)
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	13.8%	16.8%	(3.0%)	15.3%
Hurricane Harvey	(2.3%)	0.0%	(2.3%)	(7.9%)
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	(2.4%)
Loss & LAE Ratio	11.5%	16.8%	(5.3%)	5.0%
UW Expense Ratio:				
Acquisition	17.8%	17.9%	(0.0%)	17.8%
Non Acquisition	7.5%	8.2%	(0.7%)	7.4%
UW Expense Ratio	25.3%	26.1%	(0.7%)	25.2%
Combined Ratio	36.9%	42.9%	(6.0%)	30.2%

1	TEXAS WINDSTORM INSURANCE ASSOCIATION						1
2	Statutory Expense Report (000's omitted)						2
3	for the twelve months ended December 31,						3
4							4
5	Description	Actuals - 2022	Budget - 2022	Variance - 2022	Actuals - 2021		5
6	Personnel Expenses						6
7	Salaries & Wages - Permanent	\$ 13,711	\$ 14,184	\$ (474)	\$ 14,039		7
8	Contractor & Temporary Help	7,935	12,342	(4,407)	11,872		8
9	Payroll Taxes	982	1,078	(97)	1,023		9
10	Employee Benefits	4,846	4,967	(121)	5,525		10
11	Recruiting, Training & Other	290	327	(37)	188		11
12	Subtotal	<u>\$ 27,764</u>	<u>\$ 32,899</u>	<u>\$ (5,135)</u>	<u>\$ 32,647</u>		12
13							13
14	Professional & Consulting Services						14
15	Legal	\$ 416	\$ 540	\$ (124)	\$ 478		15
16	Accounting & Auditing	238	312	(74)	231		16
17	Information Technology	2,399	3,092	(693)	5,438		17
18	Actuarial Services	25	39	(14)	145		18
19	Ombudsman Program	113	112	1	110		19
20	Surveys & Inspections	1,332	1,328	4	1,275		20
21	Disaster Recovery Services	369	257	112	229		21
22	Other Services (1)	4,709	4,249	460	4,346		22
23	Subtotal	<u>\$ 9,600</u>	<u>\$ 9,928</u>	<u>\$ (328)</u>	<u>\$ 12,251</u>		23
24							24
25	Hardware/Software Purchases & Licensing	\$ 3,776	\$ 4,099	\$ (323)	\$ 3,369		25
26	Rental & Maintenance - Office/Equipment	1,484	1,617	(133)	1,246		26
27	Travel Expenses	122	262	(140)	36		27
28	Postage, Telephone and Express	1,029	916	112	902		28
29	Capital Management Expenses	6	14	(8)	16		29
30	Depreciation	2,182	2,109	73	28		30
31	Other Operating Expenses	1,503	1,546	(43)	1,300		31
32	Total Operating Expenses	<u>\$ 47,466</u>	<u>\$ 53,391</u>	<u>\$ (5,925)</u>	<u>\$ 51,794</u>		32
33							33
34	Capitalization of Fixed Assets	(1,699)	(2,489)	790	(8,927)		34
35	Reimbursement of Depop Servicing Expense	(8)	(15)	7	(16)		35
36	Allocation To ULAE	(12,101)	(16,841)	4,740	(14,752)		36
37	Allocation To Investing & Other Expense	(262)	(335)	72	(273)		37
38	Net Operating Expense - UW Operations	<u>\$ 33,395</u>	<u>\$ 33,711</u>	<u>\$ (316)</u>	<u>\$ 27,826</u>		38

(1) Summary Details for Other Services:

<u>VENDOR</u>	<u>Amount</u>	<u>Department</u>
Accenture LLP	\$ 2,109	Expert Panel
AON Re Inc	\$ 600	Actuary
Clear Point Claims LLC	\$ 526	UW
Marshall & Swift/Boeckh	\$ 284	UW
Xactware Solutions Inc	\$ 251	Claims
EagleView Technologies Inc	\$ 222	Claims
Risk Management Solutions Inc	\$ 179	Expert Panel
ISO Services Inc	\$ 100	Claims
LYNX Services LLC	\$ 68	Claims
ADP Inc	\$ 42	HR
Cornerstone OnDemand Inc	\$ 41	HR
Iron Mountain Records Management	\$ 41	Operations
Kainos Worksmart Inc	\$ 34	Accounting
LogicGate Inc	\$ 29	Legal
Insurity LLC	\$ 32	Claims
*Other Outside Services below \$20K	\$ 150	Various departments
Total Other Services	<u><u>\$ 4,709</u></u>	

1	TEXAS WINDSTORM INSURANCE ASSOCIATION			1
2	Statutory Balance Sheet (000's omitted)			2
3				3
4				4
5		<u>December-22</u>	<u>December-21</u>	5
6	Admitted Assets			6
7	Cash and short term investments:			7
8	Unrestricted	\$ 483,870	\$ 424,825	8
9	Restricted - Funds Held at TTSTC	-	69,002	9
10	Restricted - Funds Held at TTSTC (Non Admitted)	-	-	10
11	Total cash and short term investments	<u>483,870</u>	<u>493,827</u>	11
12	Premiums receivable & other	27,104	3,108	12
13	Assessment receivable	-	-	13
14	Amounts recoverable from reinsurers	-	-	14
15	Total admitted assets	<u><u>\$ 510,974</u></u>	<u><u>\$ 496,935</u></u>	15
16				16
17	Liabilities, Surplus and other funds			17
18	Liabilities:			18
19	Loss and Loss adjustment expenses	\$ 58,175	\$ 77,585	19
20	Underwriting expenses payable	14,638	12,540	20
21	Unearned premiums, net of ceded unearned premiums	277,334	202,525	21
22	Ceded reinsurance premiums payable	33,331	25,951	22
23	Short Term Debt	-	-	23
24	Interest Payable on Short Term Debt	-	-	24
25	Principal Outstanding on Class 1 Pre Event Bonds	-	177,000	25
26	Interest Payable on Class 1 Pre Event Bonds	-	7,301	26
27	Provision for reinsurance	-	-	27
28	Other payables	17,009	18,617	28
29	Statutory fund payable	74,918	-	29
30	Total liabilities	<u><u>475,406</u></u>	<u><u>521,519</u></u>	30
31				31
32	Surplus and others funds			32
33	Unassigned surplus	35,568	(24,584)	33
34	Total liabilities, surplus and other funds	<u><u>\$ 510,974</u></u>	<u><u>\$ 496,935</u></u>	34
35				35
36				36
37	Balance in CRTF	<u><u>\$ 190,004</u></u>	<u><u>\$ 182,712</u></u>	37
38				38
39	Balance in CRTF including Statutory fund payable	<u><u>\$ 264,922</u></u>	<u><u>\$ 182,712</u></u>	39
40				40

Texas Windstorm Insurance Association
Unrestricted Cash and Short Term Investments (\$ in 000's)
December 31, 2022

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? > .2% of N.A. Reg Capital
Balances as of 12/31/2022:							< 40%	Superior or Strong	> 10%	> \$25B	
Bank of America, Operating	162	145,025	145,187	146,379	699	1.91%	30%	Superior	13.5%	\$185	No
BlackRock Liquidity Funds (1)	0	97,470	97,470	88,732	619	2.79%	20%	N/A	N/A	N/A	N/A
Citibank	198	17,066	17,264	17,041	75	1.76%	4%	Superior	14.3%	\$150	No
JP Morgan Chase	59,565	0	59,565	0	0	0.00%	12%	Superior	16.4%	\$264	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	164,384	164,384	163,950	1,382	3.37%	34%	N/A	N/A	N/A	N/A
Total of all financial institutions	59,925	423,945	483,870	416,102	2,774	2.67%	100%				
Balances as of 9/30/2022:											
Bank of America, Operating	162	143,596	143,758	146,891	165	0.45%	32%	Superior	13.5%	\$185	No
BlackRock Liquidity Funds (1)	0	89,163	89,163	115,933	285	0.98%	20%	N/A	N/A	N/A	N/A
Citibank	198	16,991	17,189	16,989	3	0.07%	4%	Superior	14.3%	\$150	No
JP Morgan Chase	35,779	0	35,779	0	0	0.00%	8%	Superior	16.4%	\$264	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	163,303	163,303	136,160	450	1.32%	36%	N/A	N/A	N/A	N/A
Total of all financial institutions	13,714	402,578	416,292	396,722	211	0.21%	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 September 30, 2022. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

1	TEXAS WINDSTORM INSURANCE ASSOCIATION	1
2	Statement of Cash Flows (000's omitted)	2
3	for the twelve months ended December 31,	3
4		4
5	Actuals - 2022 Budget - 2022 Variance - 2022	5
6		6
7	Cash flows from operating activities:	7
8	Premiums collected, net of reinsurance \$ 366,675 \$ 315,021 \$ 51,654	8
9	Losses and loss adjustment expense paid (70,658) (88,860) 18,203	9
10	Underwriting expenses paid (119,360) (107,856) (11,504)	10
11	CRTF funds received - - -	11
12	Member assessment received - - -	12
13	Other 1,869 - 1,869	13
14	Net cash provided by operating activities 178,526 118,305 60,222	14
15	Cash flows from nonoperating activities:	15
16	Statutory fund paid - (66,385) 66,385	16
17	Other - - -	17
18	Net cash provided by nonoperating activities - (66,385) 66,385	18
19	Cash flows from investing activities:	19
20	Sales and maturities of investments - - -	20
21	Net investment income (11,483) (16,831) 5,348	21
22	Net cash provided by investing activities (11,483) (16,831) 5,348	22
23	Cash flows from financing activities:	23
24	Borrowed funds - - -	24
25	Borrowed funds repaid (177,000) (54,400) (122,600)	25
26	Net cash provided by financing activities (177,000) (54,400) (122,600)	26
27		27
28	Net increase (decrease) in cash and short-term investments (9,957) (19,312) 9,354	28
29	Cash and short-term investments, Beginning 493,827 493,827 -	29
30	Cash and short-term investments, Ending \$ 483,870 \$ 474,515 \$ 9,354	30
31		31

TEXAS WINDSTORM INSURANCE ASSOCIATION													
HISTORICAL DATA													
1971 - 2022													
(\$ with 000's omitted)													
YEAR	GROSS						NET						CRTF BALANCE END OF PERIOD
	LIABILITY IN		RATE		WRITTEN	LOSS &	UNDERWRITING						
	FORCE	POLICY	CHANGES	COMM			EARNED	LOSS &	EXPENSES	UNDERWRITING			
	END OF PERIOD	COUNT	RESID	COMM	PREMIUMS	LAE INCURRED	PREMIUMS	LAE INCURRED	INCURRED	GAIN (LOSS)			
1971	\$ 278,710	13,415			\$ 2,393	\$ 92	\$ 868	\$ 92	\$ 385	\$ 391			
1972	739,983	33,577			4,138	214	3,468	214	849	2,405			
1973	1,017,048	45,743			4,286	1,427	4,288	1,427	1,099	1,763			
1974	1,064,772	45,901			4,512	452	4,378	452	1,106	2,819			
1975	1,169,763	46,365			6,036	592	5,263	592	1,417	3,254			
1976	1,387,252	48,747			8,130	231	6,953	231	1,878	4,844			
1977	1,616,220	51,382			9,922	203	9,080	203	2,258	6,619			
1978	1,633,521	48,820			10,523	296	10,249	296	2,329	7,624			
1979	1,816,410	46,128			11,045	2,370	11,039	2,370	2,178	6,490			
1980	1,936,388	43,613			9,675	14,217	10,245	14,217	2,079	(6,051)			
1981	2,105,244	42,495			9,137	2,715	9,313	2,715	2,097	4,501			
1982	2,285,594	51,034			8,641	982	9,106	982	2,095	6,029			
1983	2,165,231	44,894			6,900	157,112	7,585	157,112	1,937	(151,463)			
1984	3,178,079	51,311			9,450	1,294	7,989	1,294	2,493	4,202			
1985	4,061,660	57,181			18,232	1,510	3,534	1,510	3,638	(1,614)			
1986	4,510,378	60,028			20,987	1,202	5,229	1,202	3,997	30			
1987	4,401,486	57,976			20,532	2,555	4,931	2,555	4,091	(1,715)			
1988	4,266,615	56,773	-5.4%	-15.0%	19,061	2,509	3,551	2,509	4,066	(3,024)			
1989	4,236,600	55,401	-	-	18,066	14,176	5,330	14,176	4,037	(12,883)			
1990	4,248,611	56,155	3.1%	-2.1%	18,244	1,590	16,761	1,590	4,171	11,000			
1991	4,346,209	54,145	25.0%	-2.0%	20,504	1,783	7,167	1,783	4,343	1,042			
1992	5,155,790	55,471	-20% (I)/-75% (B)	-22.9%	11,495	1,321	4,014	1,321	4,220	(1,527)			
1993	6,500,165	56,921	30.0%	-	19,377	4,778	123,515	4,778	5,161	113,576			
1994	7,645,176	63,348	-	-	26,545	1,572	25,692	1,572	6,982	17,138	124,847		
1995	8,828,140	69,807	25.0%	-	32,419	4,033	29,016	4,033	8,119	16,864	151,284		
1996	10,001,843	72,977	-	-	40,359	1,484	37,153	1,484	10,627	25,042	179,020		
1997	10,907,937	75,361	-	-	42,463	4,133	41,045	4,133	11,038	25,874	216,896		
1998	11,633,935	77,261	0.2%	-3.0%	44,411	27,235	28,256	27,235	12,181	(11,160)	238,221		
1999	11,972,502	75,947	-9.4%	-	44,581	11,320	28,702	11,320	11,524	5,858	250,403		
2000	12,052,604	73,815	8.7%	9.0%	48,012	7,937	28,470	7,937	11,681	8,852	268,563		
2001	13,249,407	77,022	18.5%	4.0%	54,631	8,011	31,112	8,011	12,936	10,165	280,063		
2002	16,003,048	85,668	-	5.0%	72,968	32,359	44,516	32,359	16,584	(4,427)	303,185		
2003	18,824,457	96,420	-	10.0%	87,987	24,955	51,702	24,955	19,682	7,065	305,599		
2004	20,796,656	103,503	9.6%	10.0%	102,384	6,115	52,230	6,115	21,911	24,204	308,729		
2005	23,263,934	109,693	-	10.0%	113,928	178,370	65,438	178,370	25,277	(138,209)	311,508		
2006	38,313,022	143,999	3.1%	13.4%	196,833	5,188	85,467	5,188	37,138	43,141	361,823		
2007	58,641,546	216,008	4.2%	3.7%	315,139	17,985	135,843	17,985	51,768	66,090	388,542		
2008	58,585,060	215,537	8.2%	5.4%	331,049	2,587,123	(138,560)	1,117,123	53,759	(1,309,442)	-		
2009	61,700,891	230,545	12.3%	15.6%	382,342	(486,314)	389,600	(183,974)	87,899	485,675	-		
2010	67,452,357	242,664	-	-	385,550	555,025	351,730	252,685	85,598	13,447	76,334		
2011	71,083,333	255,945	5.0%	5.0%	403,748	202,539	321,781	202,539	81,665	37,577	146,650		
2012	74,186,949	266,726	5.0%	5.0%	443,480	401,873	321,122	401,873	93,583	(174,334)	178,902		
2013	76,921,369	270,814	5.0%	5.0%	472,739	30,975	295,130	30,975	100,524	163,631	186,184		
2014	78,763,302	275,626	5.0%	5.0%	494,036	(13,994)	367,555	(13,994)	109,189	272,360	216,813		
2015	78,551,742	272,219	5.0%	5.0%	503,824	178,886	377,594	178,886	114,973	83,736	487,170		
2016	73,393,573	254,346	5.0%	5.0%	487,354	38,669	370,404	38,625	109,756	222,023	587,860		
2017	65,023,810	231,567	-	-	423,074	1,476,861	347,354	1,475,302	97,878	(1,225,826)	1,220		
2018	58,041,760	202,208	5.0%	5.0%	395,552	175,718	301,515	175,998	96,399	29,118	5,986		
2019	55,189,815	189,203	-	-	372,017	113,513	287,477	113,398	92,415	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		
TOTAL*					7,871,723	5,994,099	5,400,542	4,522,519	1,749,320	(871,297)			
*2022 data through 12/31/2022.													

6. Actuarial

6A. Reserve Adequacy



TEXAS WINDSTORM
INSURANCE ASSOCIATION

MEMORANDUM

DATE: January 27, 2023

TO: David Durden
General Manager

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

RE: TWIA Reserve Adequacy as of December 31, 2022

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of December 31, 2022.

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

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

In 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

6B. Policy Count/Exposures

Texas Windstorm Insurance Association
Statistical Report
As of December 31, 2022



County	<u>Policies In-Force</u>		<u>PIF Growth</u>		<u>Exposure In-Force</u>		<u>Exposure Growth</u>		<u>YTD Written Premium</u>		<u>Premium Growth</u>	
	12/31/21	12/31/22	Actual	Percentage	12/31/21	12/31/22	Actual	Percentage	12/31/21	12/31/22	Actual	Percentage
Aransas	5,541	6,951	1,410	25.40%	1,924,155,899	2,643,584,789	\$719,428,890	37.40%	13,570,112	19,319,182	\$5,749,070	42.40%
Brazoria	30,464	38,313	7,849	25.80%	9,198,969,389	12,710,342,192	\$3,511,372,803	38.20%	57,579,333	81,487,550	\$23,908,217	41.50%
Calhoun	3,707	4,240	533	14.40%	1,036,992,402	1,242,546,730	\$205,554,328	19.80%	7,800,929	9,611,792	\$1,810,863	23.20%
Cameron	9,666	9,904	238	2.50%	2,949,619,273	3,395,625,437	\$446,006,164	15.10%	19,716,881	23,505,568	\$3,788,687	19.20%
Chambers	4,089	5,485	1,396	34.10%	1,423,887,931	2,089,653,087	\$665,765,156	46.80%	8,431,586	12,613,242	\$4,181,656	49.60%
Galveston	62,625	70,774	8,149	13.00%	21,781,453,789	26,820,885,107	\$5,039,431,318	23.10%	146,535,906	185,290,893	\$38,754,987	26.40%
Harris	3,582	3,915	333	9.30%	1,140,114,498	1,402,373,930	\$262,259,432	23.00%	5,155,779	6,920,885	\$1,765,106	34.20%
Jefferson	24,492	28,041	3,549	14.50%	5,891,299,748	7,636,901,287	\$1,745,601,539	29.60%	41,680,722	55,764,863	\$14,084,141	33.80%
Kenedy	17	25	8	47.10%	3,255,141	7,056,723	\$3,801,582	116.80%	33,593	56,331	\$22,738	67.70%
Kleberg	719	837	118	16.40%	165,510,788	218,873,032	\$53,362,244	32.20%	1,197,748	1,604,199	\$406,451	33.90%
Matagorda	4,458	4,947	489	11.00%	1,177,343,385	1,400,728,522	\$223,385,137	19.00%	7,823,400	9,693,082	\$1,869,682	23.90%
Nueces	37,263	41,032	3,769	10.10%	11,069,571,012	13,685,345,095	\$2,615,774,083	23.60%	73,498,910	95,335,251	\$21,836,341	29.70%
Refugio	306	372	66	21.60%	89,936,253	107,663,793	\$17,727,540	19.70%	728,589	889,956	\$161,367	22.10%
San Patricio	5,746	7,292	1,546	26.90%	1,605,186,301	2,233,586,232	\$628,399,931	39.10%	10,671,818	15,345,497	\$4,673,679	43.80%
Willacy	327	352	25	7.60%	86,299,945	103,366,001	\$17,066,056	19.80%	687,918	861,279	\$173,361	25.20%
Total	193,002	222,480	29,478	15.30%	59,543,595,754	75,698,531,957	\$16,154,936,203	27.10%	395,113,224	518,299,570	\$123,186,346	31.20%

Texas Windstorm Insurance Association
Quarterly Liability Report
As of December 31, 2022



Class of Business	<u>Policies Written</u>		<u>Risks Written</u>		<u>Premium Written</u>		<u>Liability at End of Quarter</u>		<u>In-Force at End of Quarter</u>	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
Aransas										
Commercial	68	453	131	852	567,083	3,535,986	348,499,963	8,766,120	387	762
Manufactured Home	22	179	22	180	27,311	267,945	10,171,627	0	165	166
Residential	1,189	6,668	1,189	6,798	2,724,031	15,515,251	2,284,913,199	196,754,856	6,399	6,521
Total	1,279	7,300	1,342	7,830	3,318,425	19,319,182	2,643,584,789	205,520,976	6,951	7,449
Brazoria										
Commercial	153	866	249	1,351	938,494	5,644,671	456,878,458	9,882,089	777	1,230
Manufactured Home	43	202	43	202	77,383	365,250	14,052,389	0	197	197
Residential	7,976	38,815	7,977	39,124	16,063,703	75,477,629	12,239,411,345	1,628,283,544	37,339	37,627
SUM:	8,172	39,883	8,269	40,677	17,079,580	81,487,550	12,710,342,192	1,638,165,633	38,313	39,054
Calhoun										
Commercial	42	245	116	505	372,681	1,675,047	130,967,942	2,953,390	214	457
Manufactured Home	14	77	14	77	25,545	119,205	4,569,394	0	76	76
Residential	833	4,149	833	4,277	1,492,782	7,817,540	1,107,009,394	95,446,945	3,950	4,075
SUM:	889	4,471	963	4,859	1,891,008	9,611,792	1,242,546,730	98,400,335	4,240	4,608
Cameron										
Commercial	143	836	347	1,691	3,506,205	10,308,806	1,318,756,741	11,374,220	709	1,550
Manufactured Home	9	65	9	65	11,357	72,614	2,782,800	0	60	60
Residential	1,835	9,569	1,835	9,612	2,529,523	13,124,148	2,074,085,896	206,622,588	9,135	9,178
SUM:	1,987	10,470	2,191	11,368	6,047,085	23,505,568	3,395,625,437	217,996,808	9,904	10,788

Texas Windstorm Insurance Association
Quarterly Liability Report
As of December 31, 2022



Class of Business	<u>Policies Written</u>		<u>Risks Written</u>		<u>Premium Written</u>		<u>Liability at End of Quarter</u>		<u>In-Force at End of Quarter</u>	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
Chambers										
Commercial	21	141	48	199	150,171	845,055	64,414,099	1,350,465	111	168
Manufactured Home	15	59	15	59	27,167	101,134	3,885,991	0	56	56
Residential	1,143	5,561	1,143	5,661	2,410,475	11,667,053	2,021,352,997	272,645,279	5,318	5,417
SUM:	1,179	5,761	1,206	5,919	2,587,813	12,613,242	2,089,653,087	273,995,744	5,485	5,641
Galveston										
Commercial	439	2,601	944	4,671	6,881,670	33,691,944	3,084,640,899	68,495,390	2,242	4,186
Manufactured Home	52	242	52	242	88,509	377,632	15,140,581	0	236	236
Residential	14,270	71,097	14,270	71,794	31,766,723	151,221,317	23,721,103,627	2,718,196,304	68,296	68,950
SUM:	14,761	73,940	15,266	76,707	38,736,902	185,290,893	26,820,885,107	2,786,691,694	70,774	73,372
Harris										
Commercial	14	81	28	240	201,099	1,288,327	126,049,122	2,685,845	72	212
Manufactured Home	0	4	0	4	0	5,002	192,000	0	4	4
Residential	843	3,980	843	4,001	1,257,506	5,627,556	1,276,132,808	168,191,545	3,839	3,858
SUM:	857	4,065	871	4,245	1,458,605	6,920,885	1,402,373,930	170,877,390	3,915	4,074
Jefferson										
Commercial	121	753	349	1,378	1,356,562	5,892,938	513,933,917	13,828,709	711	1,294
Manufactured Home	8	58	8	58	11,629	112,268	4,098,350	0	54	54
Residential	5,023	28,519	5,023	28,717	9,134,177	49,759,657	7,118,869,020	921,953,630	27,276	27,465
SUM:	5,152	29,330	5,380	30,153	10,502,368	55,764,863	7,636,901,287	935,782,339	28,041	28,813

Texas Windstorm Insurance Association
Quarterly Liability Report
As of December 31, 2022



Class of Business	<u>Policies Written</u>		<u>Risks Written</u>		<u>Premium Written</u>		<u>Liability at End of Quarter</u>		<u>In-Force at End of Quarter</u>	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
Kenedy										
Commercial	0	1	0	5	0	13,960	694,441	0	1	5
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	2	24	2	28	2,813	42,371	6,362,282	256,600	24	28
SUM:	2	25	2	33	2,813	56,331	7,056,723	256,600	25	33
Kleberg										
Commercial	13	50	18	83	54,551	281,837	23,884,413	924,150	43	72
Manufactured Home	0	2	0	2	0	3,785	144,500	0	2	2
Residential	165	842	165	858	248,553	1,318,577	194,844,119	20,590,001	792	807
SUM:	178	894	183	943	303,104	1,604,199	218,873,032	21,514,151	837	881
Matagorda										
Commercial	43	189	58	317	250,911	1,101,603	98,191,951	1,939,425	170	297
Manufactured Home	4	29	4	29	7,220	51,739	1,977,807	0	28	28
Residential	899	4,966	899	5,044	1,693,535	8,539,740	1,300,558,764	132,915,801	4,749	4,822
SUM:	946	5,184	961	5,390	1,951,666	9,693,082	1,400,728,522	134,855,226	4,947	5,147
Nueces										
Commercial	485	2,247	1,088	4,438	6,146,419	22,591,728	2,425,266,182	47,886,335	1,983	4,055
Manufactured Home	9	46	9	46	11,021	64,552	2,149,700	0	40	40
Residential	7,814	40,686	7,814	40,912	14,890,429	72,678,971	11,257,929,213	1,273,325,407	39,009	39,216
SUM:	8,308	42,979	8,911	45,396	21,047,869	95,335,251	13,685,345,095	1,321,211,742	41,032	43,311

Texas Windstorm Insurance Association
Quarterly Liability Report
As of December 31, 2022



Class of Business	<u>Policies Written</u>		<u>Risks Written</u>		<u>Premium Written</u>		<u>Liability at End of Quarter</u>		<u>In-Force at End of Quarter</u>	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
Refugio										
Commercial	5	33	9	55	38,780	241,206	18,490,730	60,000	30	50
Manufactured Home	3	20	3	22	4,281	38,305	1,462,000	0	19	21
Residential	46	340	46	358	100,311	610,445	87,711,063	8,981,816	323	341
SUM:	54	393	58	435	143,372	889,956	107,663,793	9,041,816	372	412
San Patricio										
Commercial	56	283	89	440	254,849	1,466,750	127,244,574	2,731,300	240	383
Manufactured Home	7	59	7	59	7,732	105,256	3,954,912	0	56	56
Residential	1,351	7,329	1,351	7,386	2,506,926	13,773,491	2,102,386,746	260,791,528	6,996	7,047
SUM:	1,414	7,671	1,447	7,885	2,769,507	15,345,497	2,233,586,232	263,522,828	7,292	7,486
Willacy										
Commercial	7	32	22	65	39,288	204,269	17,919,190	99,900	31	64
Manufactured Home	0	6	0	6	0	8,543	326,045	0	6	6
Residential	52	332	52	342	88,021	648,467	85,120,766	5,521,219	315	325
SUM:	59	370	74	413	127,309	861,279	103,366,001	5,621,119	352	395
Total All Counties										
Commercial	1,610	8,811	3,496	16,290	20,758,763	88,784,127	8,755,832,622	172,977,337	7,721	14,785
Manufactured Home	186	1,048	186	1,051	299,155	1,693,230	64,908,096	0	999	1,002
Residential	43,441	222,877	43,442	224,912	86,909,508	427,822,213	66,877,791,239	7,910,477,062	213,760	215,677
SUM:	45,237	232,736	47,124	242,253	107,967,426	518,299,570	75,698,531,957	8,083,454,399	222,480	231,464

6C. 2023 Funding



TEXAS WINDSTORM
INSURANCE ASSOCIATION

MEMORANDUM

DATE: January 27, 2023

TO: David Durden
General Manager

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

RE: TWIA Funding for the 2023 Hurricane Season

The TWIA Board of Directors established at its January 19, 2023 meeting the 100-year probable maximum loss (PML) for the 2023 hurricane season at \$4.508 billion. The Board also instructed staff to purchase additional reinsurance up to \$5.2 billion.

In order to satisfy the minimum funding level required by statute, the Association will secure approximately \$2.2 billion in traditional reinsurance and new and existing catastrophe bonds to be paid from policyholder premiums, and an additional \$700 million in reinsurance coverage to be paid from member company assessments.

TWIA staff has been working with our reinsurance broker, Gallagher Re, to begin work on resetting the existing catastrophe bonds, a new catastrophe bond issuance, and the renewal of the traditional reinsurance program. Gallagher has prepared a comparison of the 2022 and preliminary 2023 funding structures in the attached presentation. Our brokers will be in attendance at the Board meeting to discuss the current state of the reinsurance market and answer any questions from the Board.

JM



Texas Windstorm Insurance Association

Meeting of the TWIA Board of Directors

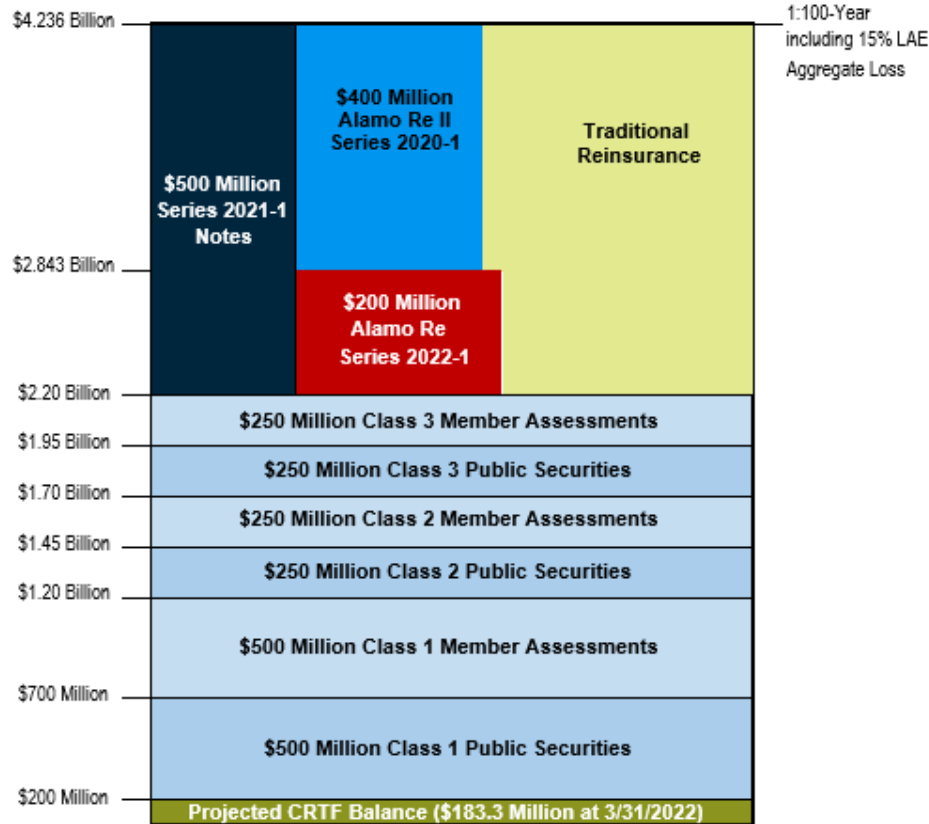
February 14, 2023



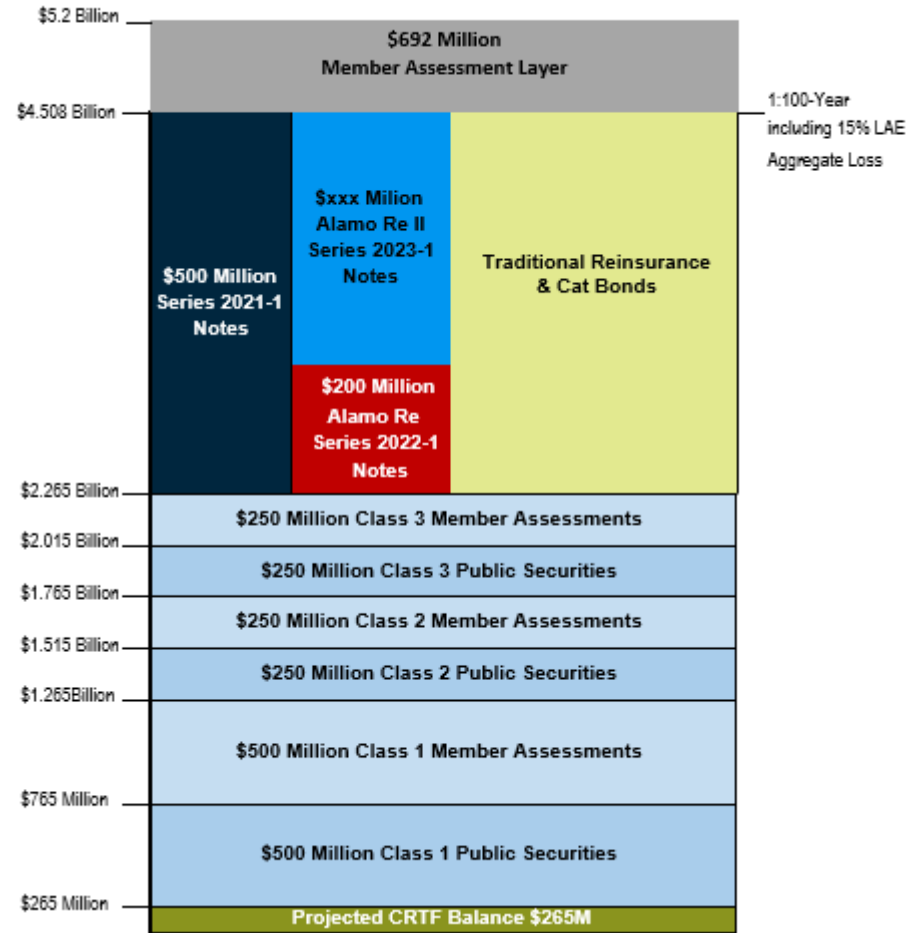
Gallagher Re

2022 Final & 2023 Preliminary Reinsurance Tower

2022 Final Funding Structure



2023 Preliminary Funding Structure Approved by TWIA Board



- 2023 allocation between Cat Bonds and Traditional Reinsurance to be finalized during reinsurance placement

- Alamo 2021 & 2022 will be reset by February 28, 2023, as approved by TWIA staff

6D. Appointment of Actuary and Qualification Documentation



TEXAS WINDSTORM
INSURANCE ASSOCIATION

MEMORANDUM

DATE: February 8, 2023

TO: David Durden
General Manager

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

RE: TWIA Appointment of Actuary

The Texas Windstorm Insurance Association's Appointed Actuary, Xiuyu Li, is no longer an employee of the Association and therefore is no longer available to serve in this role. I served as the Appointed Actuary prior to Ms. Li and recommend that I be reappointed as such.

Annual Statement instructions state that the Appointed Actuary be appointed by the Board by December 31 of the calendar year for which the opinion is rendered, although there is generally some leeway under extraordinary circumstances, such as Ms. Li's departure late in 2022. There were no disagreements between Ms. Li and Association management regarding the content of her actuarial opinions on matters of the risk of material adverse deviation, required disclosures, scopes, procedure, type of opinion issued, substantive wording of the opinion, data quality, or any other issue.

I graduated with a bachelor's degree in Mathematics from the University of Texas at Austin and have been a Member of the American Academy of Actuaries (MAAA) since 2004 and a Fellow of the Casualty Actuarial Society (FCAS) since 2005. I have over twenty-five years' experience in property and casualty insurance, including over fifteen years with TWIA. I have met all continuing education requirements under Section 3 of the U.S. Qualification Standards for issuing Actuarial Opinions for 2022 and will continue to meet those requirements in 2023 through a combination of physical and virtual attendance at organized actuarial conferences and seminars and self-study. A detailed log of my continuing education credit hours is available on request. I meet all Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States as promulgated by the American Academy of Actuaries as well as the requirements for a qualified actuary as set forth in the NAIC Annual Statement Instructions.

If acceptable to the Board of Directors, I would ask for a resolution appointing me as the Appointed Actuary for the Texas Windstorm Insurance Association. TWIA will make all required notifications to the Texas Department of Insurance regarding the change in Appointed Actuary.

JM

7. Internal Audit Status & Update

MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: February 14, 2023

SUBJECT: Status of Internal Audit Activities

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

➤ **Current Activities:**

Activity Description	Status
Follow-up Report	Report Issued
Reinsurance	Report Draft Issued
Continuity of Operations Plan – Business Operations	Reporting phase
HR and Payroll	Report Draft Issued
Claims Audit	Report Draft Issued
Accounts Receivable	Planning completed

➤ **Upcoming Audits and Activities:**

Activity Description	Timing
Depopulation	1 st / 2 nd Quarter
Facilities	2 nd Quarter
Plan of Operation	2 nd Quarter
Accounts Payable and Expense Processing	2 nd Quarter
Communications	2 nd /3 rd Quarter

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

Texas Windstorm Insurance Association

Internal Audit Plan – Lookback (2021-2022) and Prospective (2023-2025)

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

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

8. Underwriting

8A. Operational Review Update



MEMORANDUM

DATE: January 25, 2023
TO: David Durden, General Manager
FROM: Michael Ledwik, Acting Vice President, Underwriting
RE: Update on Underwriting Operational Highlights

Fourth Quarter 2022 Highlights

- I. Service Results:
 - a. Underwriting met and exceeded its goals with consistent turnaround time on all transactions. Our goal is to issue 90% of new business submissions, endorsements, renewals, and cancellations within 10 days; we are surpassing this standard with over 98% of transactions processed within 10 days. Over 86% of applications/renewals were processed within 1 day.
 - b. Quality Assurance results on underwriting decisions continue to exceed established goals.
 - c. Telephone service response times for the quarter met expectations. Our standards include answering 80% of calls in under 20 seconds.
 - d. Underwriting is operating below budget, in part due to managing headcount and inspections.
- II. Agency Compliance Audits:
 - a. Standard audits were completed for a sample of agencies doing business with TWIA in the fourth quarter of 2022 to verify compliance with the declination of coverage and flood insurance requirements.
 - i. One hundred percent of agencies have completed their responses.
 - ii. Of the agencies who have responded, all policies reviewed were compliant with the requirement for proof of declination of coverage.
 - iii. Two percent of the policies/properties selected for review required flood insurance. There is a single policy where the required proof of flood coverage has



not been provided, and the auditor is working with the agency and policyholder to resolve this.

- iv. All agents audited have an active property and casualty insurance license.

8B. Depopulation



TEXAS WINDSTORM
INSURANCE ASSOCIATION

MEMORANDUM

DATE: January 25, 2023
TO: David Durden, General Manager
FROM: Michael Ledwik, Acting Vice President, Underwriting
RE: Update on Depopulation

Depopulation Program Summary

Assumption Reinsurance Depopulation Program

Program Offer and Assumption Activity by Year

Program Year	Participating Carriers	Policies Selected by Carriers	Agent-Approved Offers	Policies Assumed
2016-2017	4	102,171	18,047	11,164
2017-2018	3	109,356	3,091	1,634
2018-2019	2	75,039	3,967	2,080
2019-2020	2	64,380	1,866	1,002
2021-2022	1	32,318	210	125
2022-2023	1	31,959	79	TBD
2023-2024	0	N/A	N/A	N/A

Carrier Participation by Year

Program Year	Maison Insurance Company	SafePoint Insurance Company	United Property & Casualty	Weston Insurance Company	The Woodlands Insurance Company
2016-2017	Y	N	Y	Y	Y
2017-2018	N	Y	Y	Y	N
2018-2019	N	Y	N	Y	N
2019-2020	N	Y	N	Y	N
2021-2022	N	Y	N	N	N
2022-2023	N	Y	N	N	N
2023-2024	N	N	N	N	N



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Carrier Assumption Totals

Program Year	Maison Insurance Company	SafePoint Insurance Company	United Property & Casualty	Weston Insurance Company	The Woodlands Insurance Company
2016-2017	849	N/A	2,810	5,886	1,659
2017-2018	N/A	289	459	786	N/A
2018-2019	N/A	130	N/A	1,962	N/A
2019-2020	N/A	340	N/A	660	N/A
2021-2022	N/A	187	N/A	N/A	N/A
2022-2023	N/A	79	N/A	N/A	N/A
Totals	849	1,025	3,269	9,294	1,659

Assumption Reinsurance Depopulation Program

Round 6: Status

One carrier, SafePoint Insurance Company, submitted an application to participate in Round 6 of the Assumption Program prior to the October 1, 2021 deadline. SafePoint informed TWIA in February that Commissioner's Order 2022-7147 was issued January 4, 2022, approving SafePoint Insurance Company's participation.

SafePoint submitted its list of policies selected for offers through the program in March. The 31,959 proposed offers on unique policies were available for agents' review and selection through TWIA's policy administration system during the Agent Period of Round 6 from April 1 through May 31, 2022. As a result, agents approved 79 offers. These offers went to policyholders after hurricane season, in December 2022. Policyholders have until January 31, 2023, to contact TWIA or their agent to opt out of the program and remain with TWIA. The policies will transfer effective March 1, 2023.

8C. Weston and FedNat Payment Plan Update



MEMORANDUM

DATE: February 2, 2023
TO: David Durden, General Manager
FROM: Michael Ledwik, Acting Vice President, Underwriting
RE: Update on Weston & FedNat Payment Plan

The Board requested an update on payments to TWIA regarding policyholders who chose the Weston & FedNat Payment Plan

As of February 2, 2023:

Weston and FedNat Combined	Total	% of Overall
Total Policies Cancelled	707	13%
Total Policies In-Force	4731	87%
Overall Total	5438	100%

A total of 5,438 policies were issued on the Weston & Federated National Payment Plan

- a. Of the 4,731 policies which are currently in force:
 - I. \$8,404,241.82 has been collected
 - II. \$3,432,140.18 is scheduled to be collected over the remaining payments on the in-force policies
- b. Of the 707 cancelled:
 - I. \$84,437.93 has been collected
 - II. \$262,349.07 is owed to TWIA



Weston and FedNat Combined	Total	% of Overall	Balance owed	Collected
Cancelled but made payment	326	6%	\$0.00	\$84,437.93
Cancelled and with no payment	381	7%	\$262,349.07	\$0.00
Overall Total	707	13%	\$262,349.07	\$84,437.93

Of the 707 policies cancelled on the Weston and FedNat payment plan:

- a. 326 policies made a payment but were cancelled by TWIA due to a policyholder either missing a payment or requesting the policy be cancelled.
 - I. TWIA received the minimum earn premium on these policies with no future balance owed to TWIA.
 - II. The total amount collected was \$84,437.93
- b. 381 policies were cancelled without TWIA receiving any premium.
 - I. There is a current balance of \$262,349.07 owed to TWIA that will likely be written off as unrecoverable.
 - II. Policyholders who are indebted to TWIA will not be eligible for new coverage until the balance is paid.

9. Claims

9A. Claims Operations

TWIA Claims Operations 2022

TWIA Claims - 2022 Results (through Q4)					
Key Cycle Times (In days)	Industry Average, TX	TWIA	TWIA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	5.9	2.9	<3	-0.1	-3%
Inspect Property to Receipt by TWIA	4.4	1.7	<8	-6.3	-79%
Total Cycle Time FNOL to Payment - Daily	N/A	7.8	<12	-4.2	-26%
Total Cycle Time FNOL to Payment - Cat	N/A	7.4	<12	-4.6	-29%
TDI Complaint Ratio					
2021	0.17% - 21 complaints from 12,535 new claims				
2022	0.29% - 14 complaints from 5,066 new claims				

Year	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Actual Volume	576	301	5,885	1,052	563	290	396	313	613	483	534	383	323	472	466	324	410	349
Actuarial Projected	428	615	615	615	298	298	639	445	445	1,622	1,622	450	454	651	651	658	319	319
Staffing Plan	521	521	521	521	521	521	546	546	546	546	546	546	546	546	546	546	546	546
Open Inventory	5,972	4,383	8,822	8,733	8,190	7,279	6,520	6,120	5,511	4,834	4,446	3,865	3,521	3,248	3,068	3,010	2,973	2,892

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

9B. Litigation Summary



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INSURANCE ASSOCIATION

TWIA Litigation Tracking Activity

Litigation Quarter Summary Fourth Quarter 2022

4th Quarter 2022	Summary of TWIA Claims in Suit			
		New	Settled	Closed
	October	6	0	6
	November	11	0	5
	December	11	0	11
		28	0	22

4th Quarter 2022	Summary of TWIA Claims with LORs			
		New	Settled	Closed
	October	15	0	14
	November	20	0	25
	December	15	0	24
		50	0	63



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INSURANCE ASSOCIATION

TWIA Claims Litigation December 2022

Dec-22	TWIA Claims in Suit				
	Category	Beginning Inventory	New	Closed	Ending Inventory
	Pre-HB3	7	0	0	7
	HB3	150	11	(11)	150
	TOTAL	157	11	(11)	157

Dec-22	TWIA Claims with LORs					
	Category	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
	Pre-HB3	0	0	0	0	0
	HB3	469	15	(24)	(9)	451
	TOTAL	469	15	(24)	(9)	451

Dec-22	TWIA Claims with Suits/LORs: Detail of Ending Inventory											
	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
		Suits		LORs			Suits		LORs			
		Res	Comm	Res	Comm	Total	Res	Comm	Res	Comm	Total	
	Pre-HB3	1	6	0	0	7	0	0	0	0	0	7
	HB3	122	27	429	22	600	1	0	0	0	1	601
TOTAL	123	33	429	22	607	1	0	0	0	1	608	



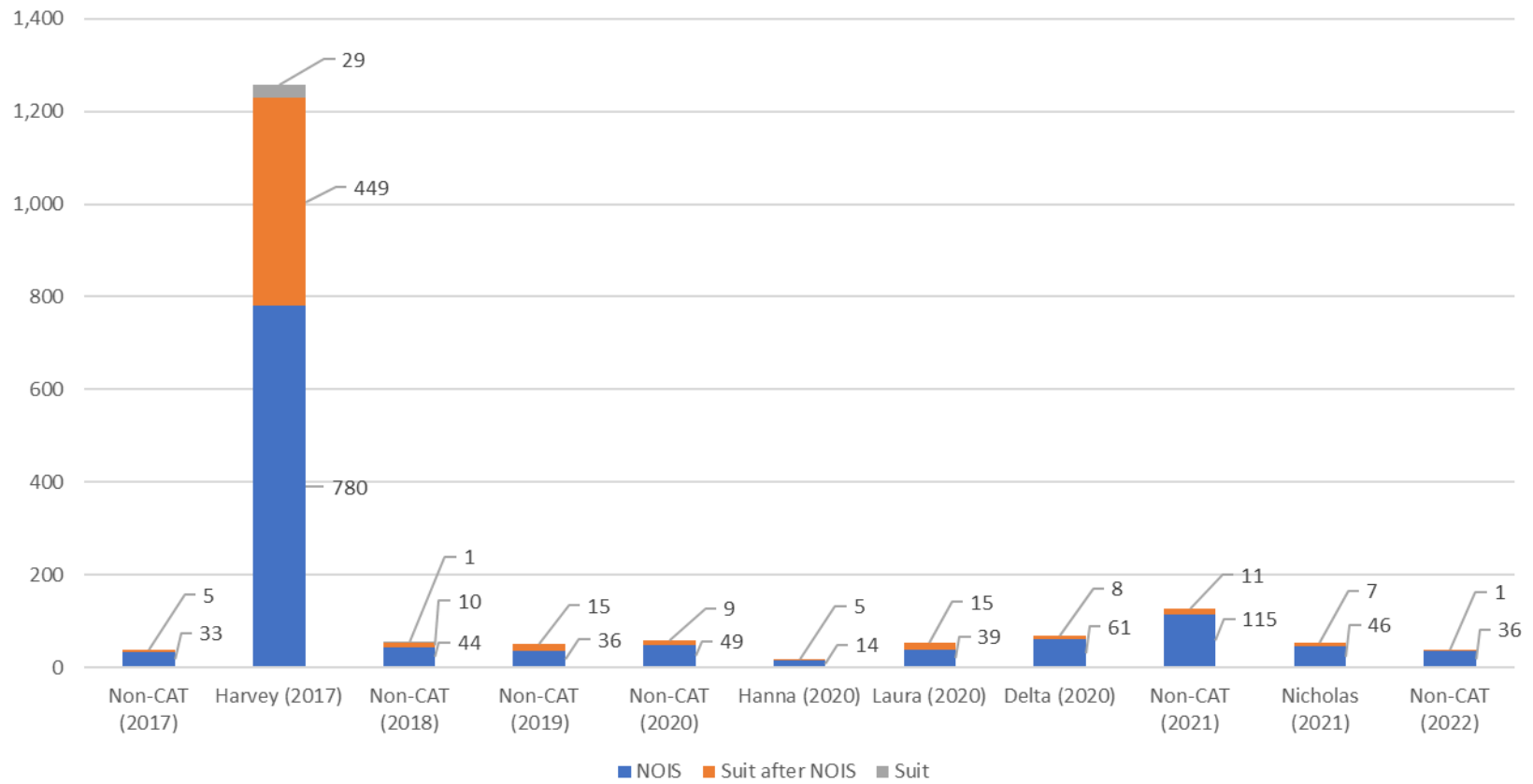
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Dec-22	TWIA Active Pre-HB3 Claims w/ Suits/LORs: Breakdown by Firm and County				
	Firm	Chambers	Galveston	Jefferson	Total
	Buzbee	2	4	0	6
	Hodge Law Firm	0	1	0	1
	TOTAL	2	5	0	7

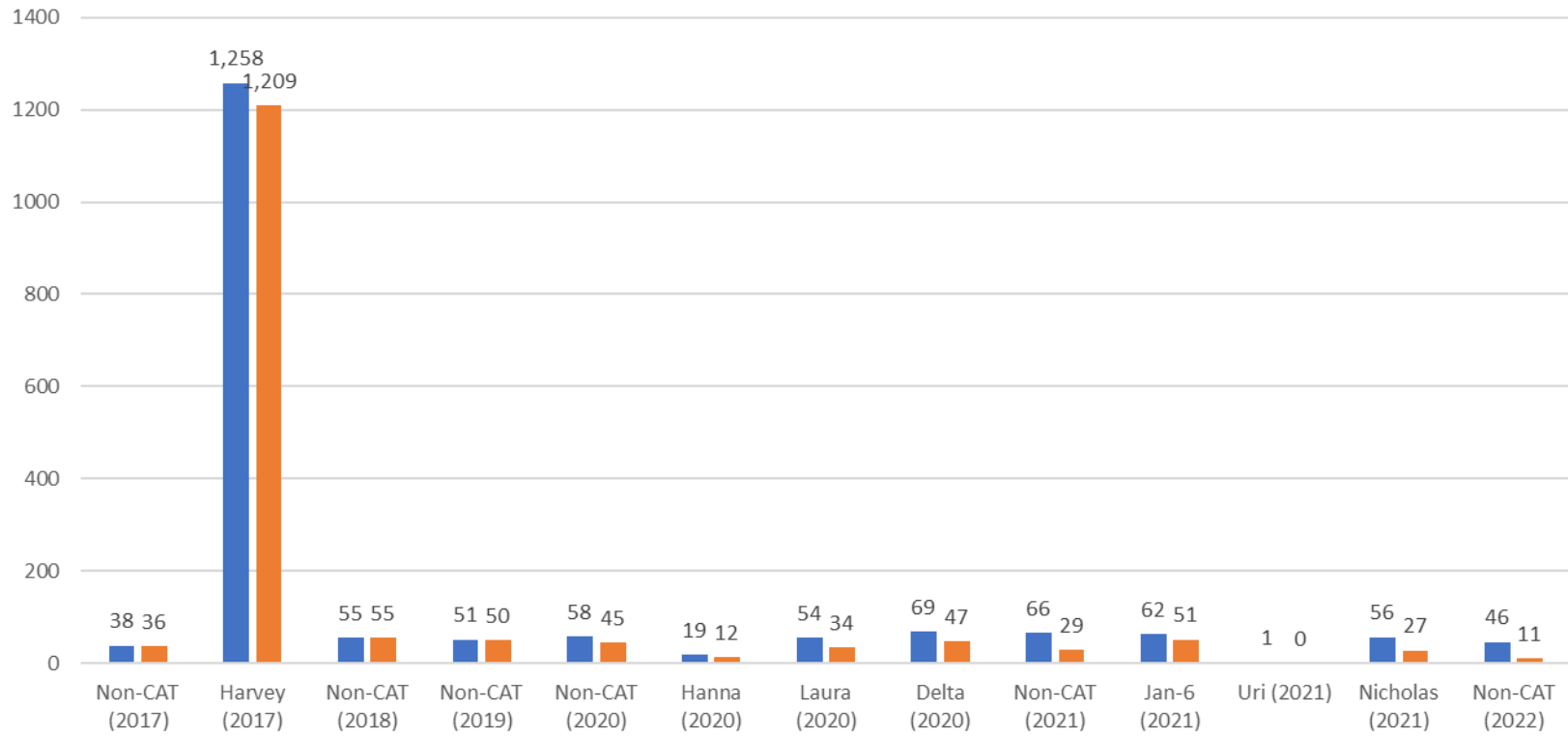
Dec-22	TWIA Active HB3 Claims with Suits/LORs: Breakdown by County													
	Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Kleberg	Matagorda	Nueces	Refugio	San Patricio	Grand Total
	9	68	3	137	1	119	16	177	1	14	44	2	9	600

Dec-22	TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	#
	Baker Law	109
	Furlow Law Firm	104
	Chad T. Wilson	77
	Palker Law Firm	43
	Daly & Black	30
	Scott Law Offices	24
	Lindsay, Lindsay & Parsons	22
	Hodge Law Firm	21
	McClenny Moseley & Associates	16
	Carrigan & Anderson	13
	Galindo Law	12
	Remaining 58 firms	129
	TOTAL	600

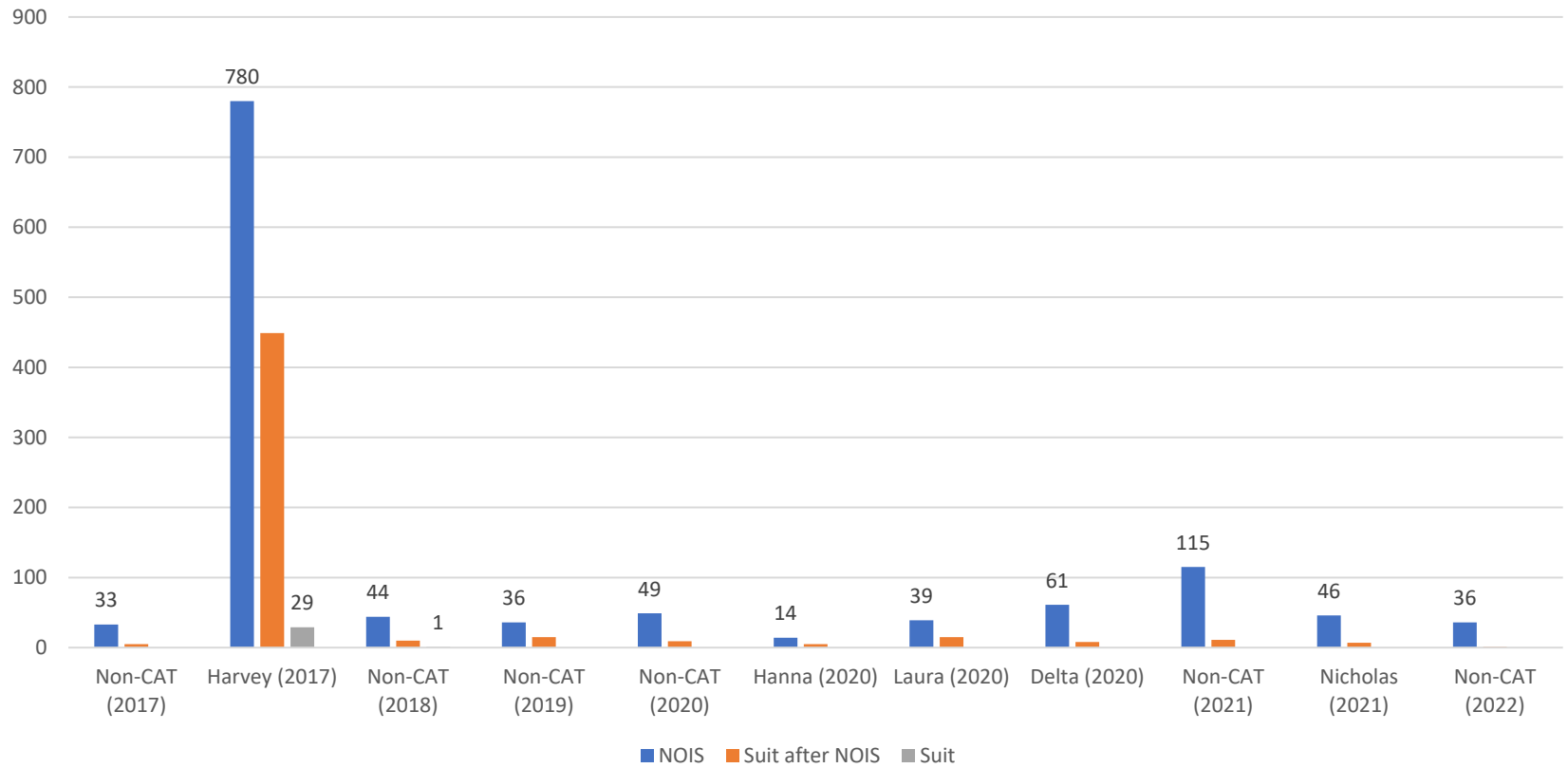
Matters Received by Storm



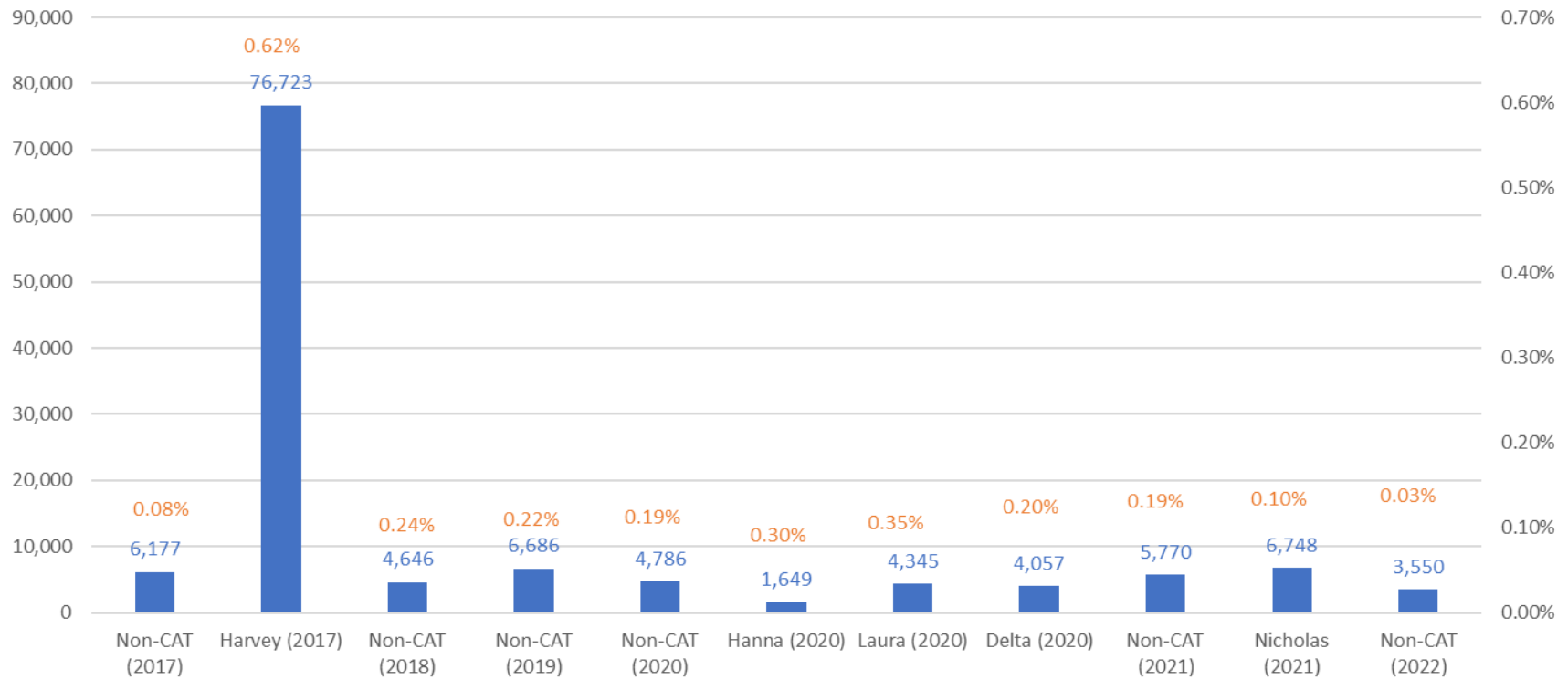
Matters Received vs. Matters Resolved



Lawsuits Received vs. Lawsuits Resolved



Total Claims versus Lawsuit Rate



10. TWIA Operations

10A. IT Systems Update



MEMORANDUM

DATE: February 1, 2023

TO: David Durden, General Manager

FROM: Camron Malik, CIO / VP IT

RE: TWIA Information Technology status

After the approval by the board and completing due diligence we signed the cloud agreement with Guidewire. We are currently reviewing proposals by the System Integrators who will help with the migration to the cloud and expect to sign an agreement in Q1. Additionally, we have started early planning discussions with Guidewire regarding the overall process of migrating to the cloud.

TWIA systems continue in production support mode with all systems stable. We continue with monthly cadence of releases and work on features for the business departments.

The Infrastructure and Operations team continues to support remote work with excellent quality. All technology efforts are on-track.

10B. Legislative Affairs Update

MEMORANDUM

DATE: February 2, 2023
TO: TWIA Board of Directors
FROM: David Durden, General Manager
RE: Legislative Affairs & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

- a) 88th Legislative Session: The 88th Regular Legislative Session began on January 10 and will run through May 29. As of this writing, Senate committees have been appointed, but House committees have not. TWIA's Legislative and External Affairs staff is tracking bills that may impact Association operations and will continue to include our Bill Tracker in our monthly email updates to you.
- b) Legislative Meetings: TWIA held several meetings with key legislators and legislative staff during Q4 2022 and into January to brief lawmakers on the Board's Biennial Report recommendations and discuss windstorm-related topics that may be addressed in the current legislative session. We also met with the new insurance policy staffer in the Governor's office.
- c) Stakeholder Inquiries: From October 1 through December 31, 2022, we received and responded to nine legislative/TDI inquiries.
- d) Operational Updates: We continue to provide regular email updates to the Board, the Texas Department of Insurance (TDI), legislative staff, and coastal elected officials and stakeholders about TWIA's operational activities.

II. Agent Advisory Group

- a) The Agent Advisory Group (AAG) met on February 1 for its first quarterly meeting of 2023.
- b) Discussion topics for the meeting included the January TWIA Board and Committee meetings to determine the Association's 1:100 probable maximum loss for the 2023 storm season, an update on the 88th Legislative Session and Association-related bills filed to date, a summary of claims received to date for the January 24 Upper Coast storms, and routine updates on Underwriting-related matters, including ELEVATE and the Assumption Reinsurance Depopulation Program.
- c) AAG member Chris Graham chose to resign from the group in early January. Terri Sturm is employed by the same insurance agency as Mr. Graham and has been appointed as his replacement.
- d) AAG member Clyde Neal also resigned from the group in January after selling his agency and retiring. Staff is onboarding Cory Hagan, the agency's new owner, as Mr. Neal's replacement.

10C. 1099 Tax Form Distribution Update



TEXAS WINDSTORM
INSURANCE ASSOCIATION

MEMORANDUM

DATE: February 3, 2023
TO: David Durden, General Manager
FROM: Stuart Harbour
RE: 2022 Distribution of IRS Form 1099

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

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

From the original group of forms released on January 16th, we identified 1,827 1099s that were understated, and corrected 1099s have been prepared and were mailed on February 2, 2023. An email communication to all parties that will receive a corrected 1099 is being finalized and expected to be sent either today or on Monday, February 6, 2023.

We will be certain to conduct an analysis to build in additional controls over the reconciliation process to avoid this occurring in the future.

Please let me know if you have any questions or need additional information.

Thank you,

Stuart

14. Future Meetings

May 23, 2023 – Marriott South
Austin

August 8, 2023 – Tremont House
Galveston

December 2023
TBD