



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Actuarial & Underwriting Committee

2025 Rate Indications
July 14, 2025

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Actuarial Principles

Casualty Actuarial Society Statement of Principles

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

Statutory Language

Sec. 2210.001

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

Sec. 2210.355 (b)

In adopting rates under this chapter, the following must be considered:

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

Sec. 2210.355 (c)

Rates must be reasonable, adequate, not unfairly discriminatory, and nonconfiscatory as to any class of insurer.

Statutory Language

Sec. 2210.3512. REQUIREMENT FOR VOTE ON RATE FILING

The board of directors may not vote on a proposed rate increase if:

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

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

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

1. Determining the probable maximum loss applicable for the period covered by the reinsurance; or
2. Adopting rates under section 2210.355.

Statutory Language

Sec. 2210.351. ASSOCIATION FILINGS.

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

1. the filing is made not later than the 30th day before the date of any use or delivery for use of the rate;
2. the filed rate does not exceed the rate in effect on the date on which the filing is made; and
3. the commissioner has not disapproved the filing in writing, advising of the reasons for the disapproval and the criteria the association is required to meet to obtain approval.

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

Statutory Language

Sec. 2210.352. MANUAL RATE FILINGS: ANNUAL FILING.

(a) Not later than August 15 of each year, the association shall file with the department a proposed manual rate for all types and classes of risks written by the association.

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

1. the filing is made not later than the 30th day before the date of any use or delivery for use of the rate; and
2. the filed rate does not exceed the rate used by the association in effect on the date on which the filing is made.

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

Recent Legislative Changes

House Bill 3689

- Change the requirement for the Probable Maximum Loss (PML) to be determined from 1-in-100 to 1-in-50

House Bill 2517

- Exempt TWIA and TFPA from premium and maintenance tax

House Bill 2213

- Change the geographic requirement for TWIA inland Board members from 100 miles from the coast to outside of TWIA's catastrophe area, requires industry Board members to be Texas residents, includes those who write or sell insurance in first-tier coastal counties as industry representatives, and explicitly allows more than one agent on the Board

All the bills above will go into effect on September 1, 2025

Rate Adequacy Methodology

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

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

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

Rate Adequacy Methodology

- **The Loss and LAE Ratio includes provisions for:**
 - Hurricane losses and loss adjustment expenses
 - Non-hurricane losses and loss adjustment expenses
- **The Fixed Expense Ratio includes:**
 - General operating expenses
 - Net cost of reinsurance
(total premiums less expected average annual recoveries)
 - Any debt service outstanding on public securities
(no debt service is included in the 2025 indications)
- **The Variable Expense Ratio includes:**
 - Commissions, taxes, licenses and fees
 - Provisions for CRTF and contingencies

Reinsurance Provision

Previous Methodology

- Reflects the 1-in-100 year PML for reinsurance placement
- Actual exposures as of November 30, 2024
- Assumes the net cost of reinsurance will scale proportionally with the in-force premium as exposures increase

$$\text{Reinsurance Expense \%} = \frac{\text{Reinsurance Premium} - \text{Average Annual Loss}}{\text{In-Force Premium}}$$

Revised Methodology

- Reflects the updated 1-in-50 year PML standard for reinsurance placement, assuming the board applies consistent weighting to various models, limited to the 1-in-50 year threshold.
- Projected exposures as of September 30, 2025
- Recognizes the premium adjustment built into the reinsurance contract using actual TWIA exposures as of September 30, 2025

$$\text{Reinsurance Expense \%} = \frac{\text{Reinsurance Premium (adjusted for growth)} - \text{Average Annual Loss (adjusted for growth)}}{\text{Prospective CY 2025 Premium}}$$



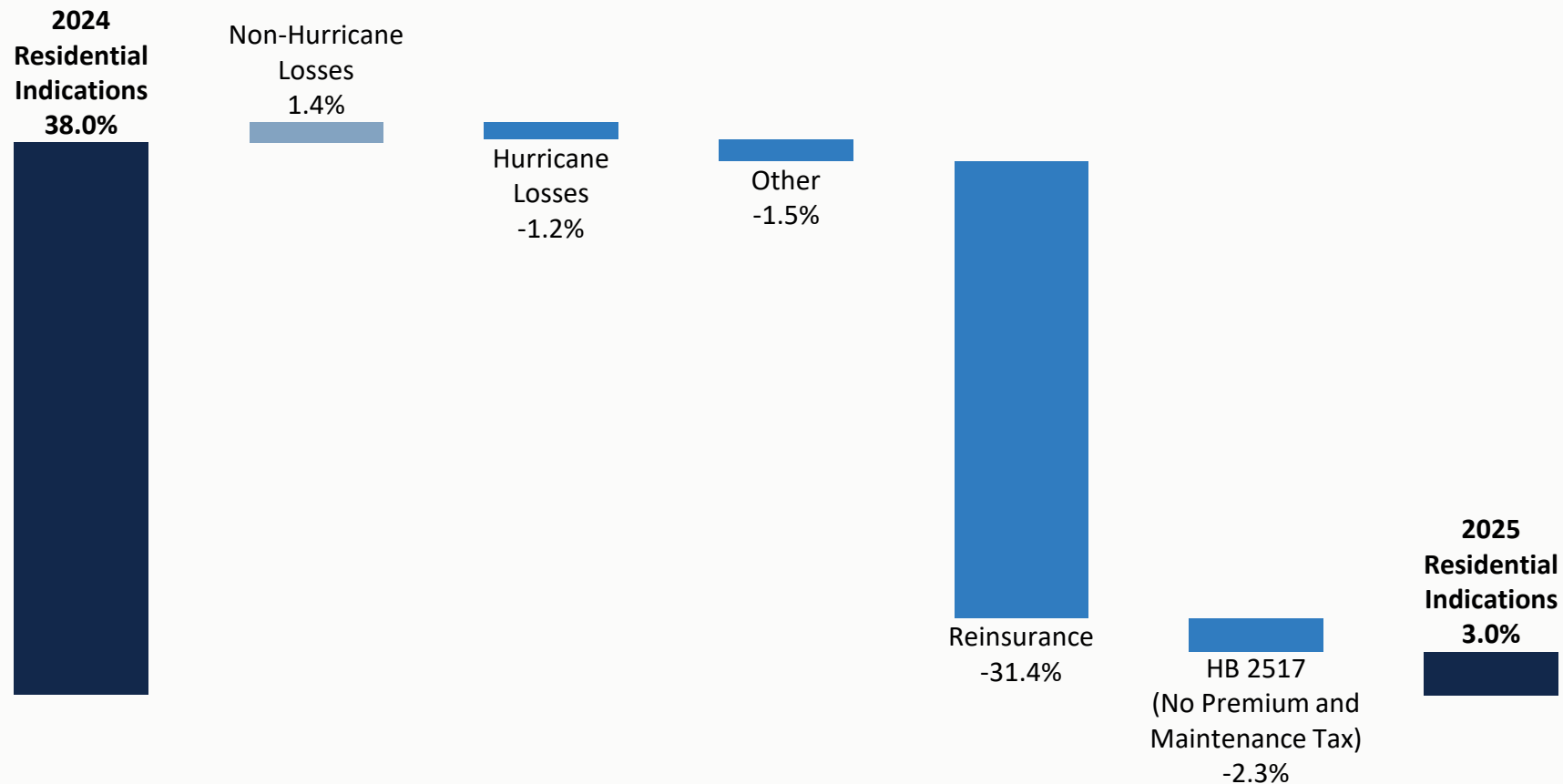
2025 Rate Adequacy Analysis

Rate Element	Residential					Commercial				
	2022 Review	2023 Review	2024 Review	2025 Review	2025 vs. 2024	2022 Review	2023 Review	2024 Review	2025 Review	2025 vs. 2024
Non-Hurricane Loss Provision	14.7%	15.4%	13.9%	15.0%	1.1%	6.7%	5.5%	4.6%	5.1%	0.5%
Hurricane Loss Provision										
Experience	40.2%	39.2%	38.2%	38.5%	0.3%	48.7%	48.1%	48.4%	44.2%	-4.2%
Modeled	52.7%	53.0%	48.1%	46.0%	-2.1%	53.3%	61.1%	55.1%	50.4%	-4.7%
Combined	46.5%	46.1%	43.2%	42.3%	-0.9%	51.0%	54.6%	51.8%	47.3%	-4.5%
Fixed Expenses										
Operating	8.2%	7.5%	5.2%	5.2%	0.0%	8.2%	7.5%	5.2%	5.2%	0.0%
Reinsurance	19.1%	23.5%	44.0%	19.2%	-25.4%	19.6%	26.4%	50.4%	25.4%	-25.0%
Outstanding Debt Service	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	27.3%	31.0%	49.2%	24.4%	-25.4%	27.8%	33.9%	55.6%	30.6%	-25.0%
(A) Total Loss Provision plus Fixed Expenses	88.5%	92.5%	106.3%	81.6%	-25.2%	85.5%	94.0%	112.0%	83.0%	-29.0%
Variable Expenses										
Commissions	16.0%	16.0%	16.0%	16.0%	0.0%	16.0%	16.0%	16.0%	16.0%	0.0%
Taxes and Fees	1.9%	1.9%	1.8%	0.0%	-1.8%	1.9%	1.9%	1.8%	0.0%	-1.8%
CRTF Funding & Contingencies	5.0%	5.0%	5.0%	5.0%	0.0%	5.0%	5.0%	5.0%	5.0%	0.0%
(B) Total Variable Expenses	22.9%	22.9%	22.8%	21.0%	-1.8%	22.9%	22.9%	22.8%	21.0%	-1.8%
(C) Permissible Loss Ratio (1 - B)	77.1%	77.1%	77.2%	79.0%	1.8%	77.1%	77.1%	77.2%	79.0%	1.8%
(D) Rate Indication (A / C - 1)	15.0%	20.0%	38.0%	3.0%	-35.0%	11.0%	22.0%	45.0%	5.0%	-40.0%

July 14, 2025

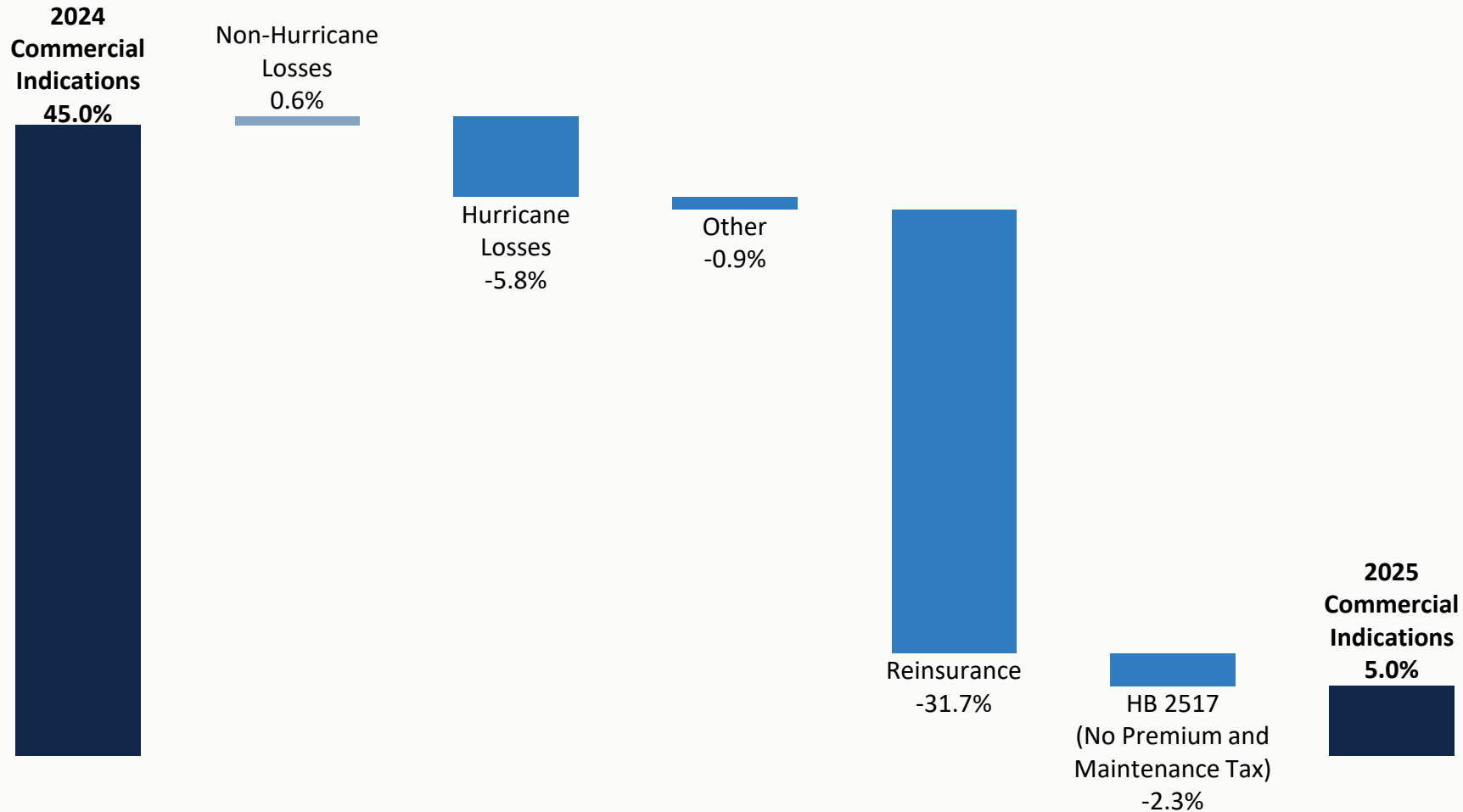


Reconciliation of Change in Rate Indications Residential 2025 vs 2024

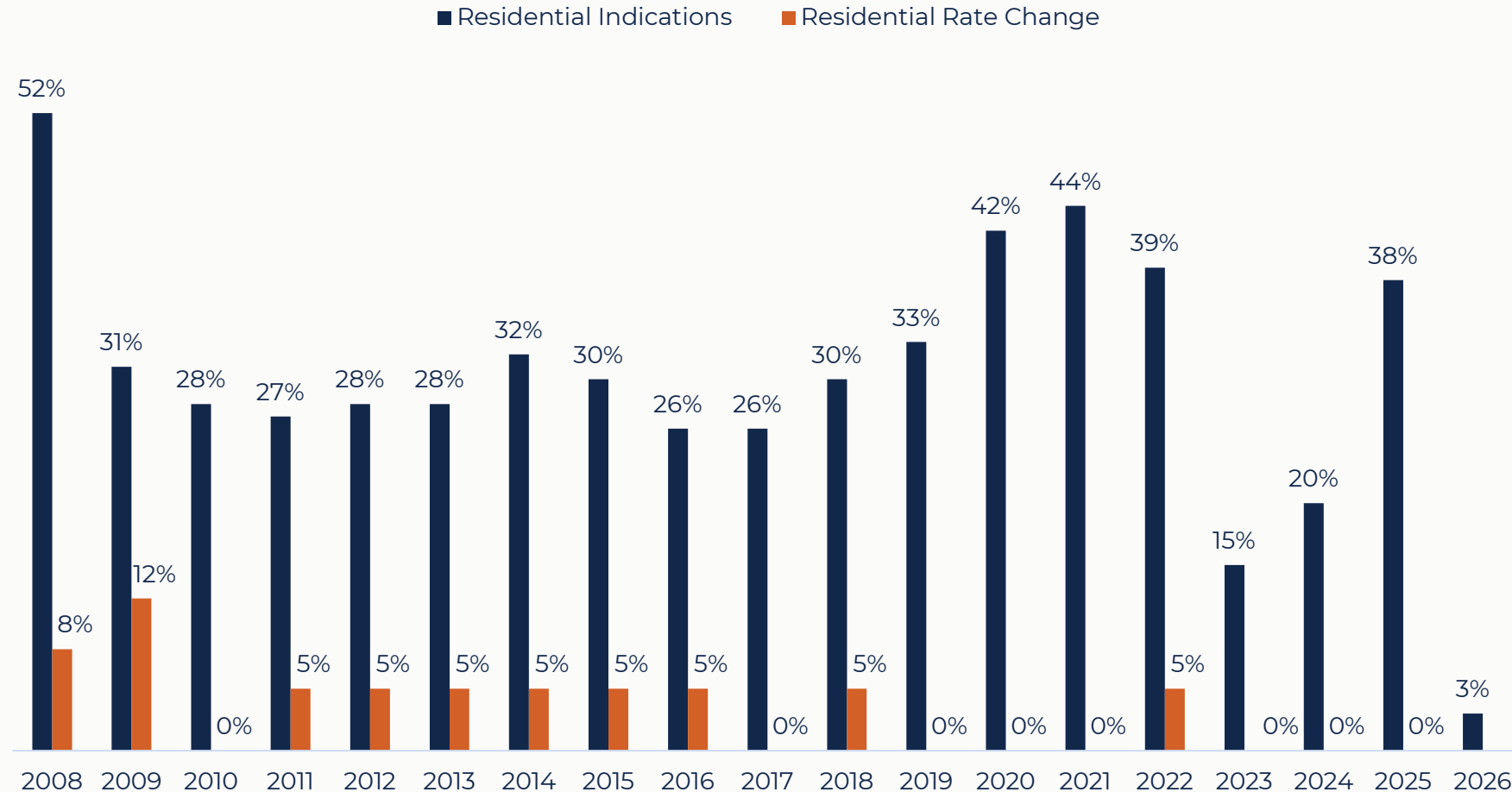




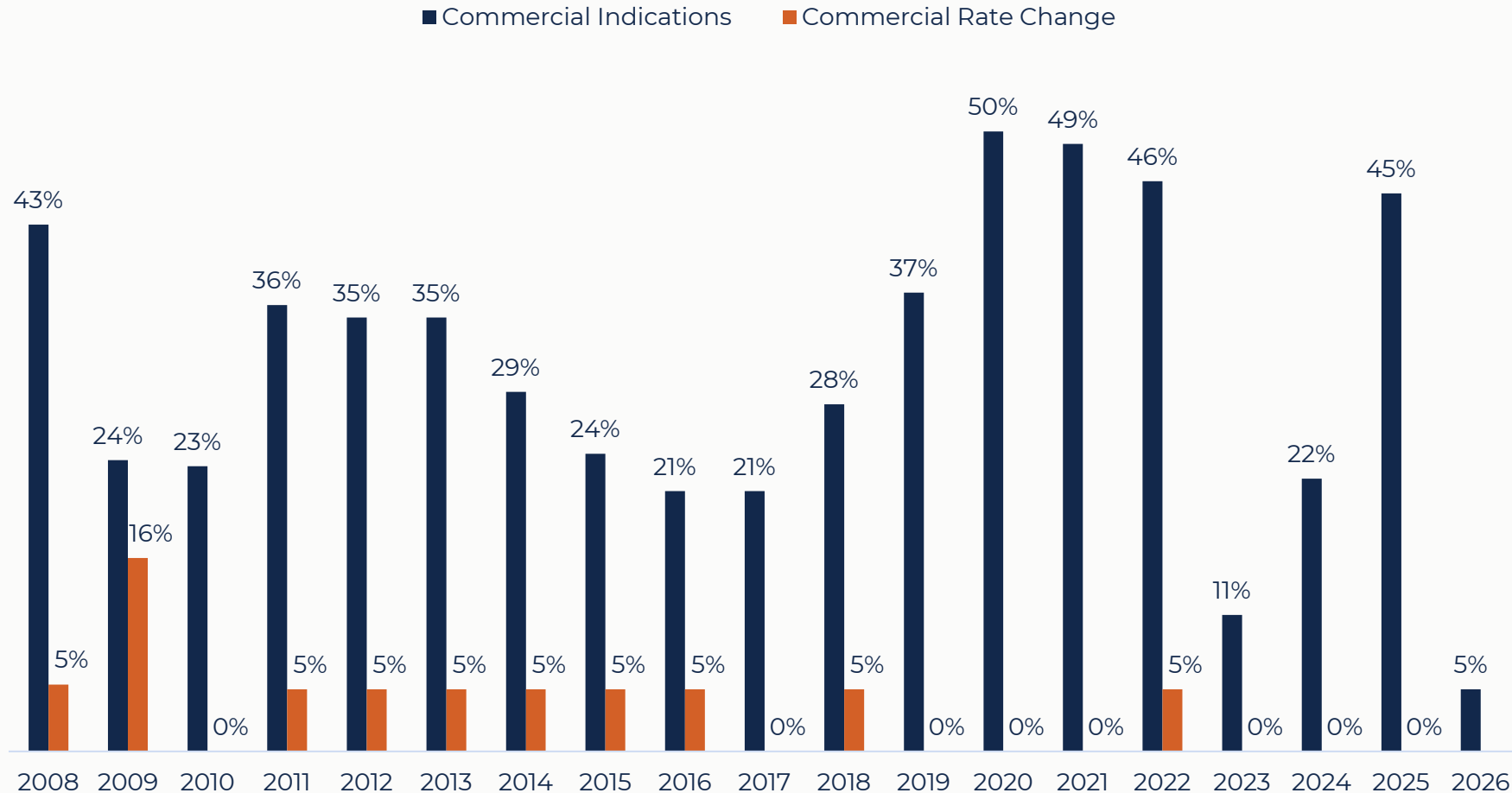
Reconciliation of Change in Rate Indications Commercial 2025 vs 2024



Residential Rate Indications vs Rate Changes 2008-2026



Commercial Rate Indications vs Rate Changes 2008-2026





TEXAS WINDSTORM
INSURANCE ASSOCIATION

Questions