

**Meeting of Board of Directors  
Texas Windstorm Insurance Association  
Teleconference**

December 10, 2019

Omni Hotel

900 North Shoreline Blvd.

Corpus Christi, TX 78401

8:30 a.m.



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

Interested parties can listen to the meeting live by going to [www.twia.org](http://www.twia.org).

Go to “About Us/Board Meetings” and click on the audio link.

1. Call to Order – Reminder of the Anti-Trust Statement and Disclosure of and Statement Regarding Potential Conflicts of Interest – *Bryan Shofner* *5 minutes*
2. Introductions – *Bryan Shofner* *5 minutes*
3. Consideration and Action to:  
Approve the Minutes from Prior Board of Directors’ Meetings – *Bryan Shofner\** *5 minutes*
4. TWIA Operational Highlights – *John Polak* *5 minutes*
5. Financial *20 minutes*  
Consideration and Possible Action on the Following Financial Topics:
  - A. Report of the Secretary/Treasurer – *Corise Morrison\**
    1. Income Statement
    2. Management Discussion and Analysis
  - B. Financial Statement Review by Staff – *Jerry Fadden*
    1. Income Statement and Expense Statement
    2. Balance Sheet
    3. Cash & Short-Term Investments
    4. Cash Flow Statement
    5. Historical Data
  - C. Funding
    1. Hurricane Harvey Funding – Member Assessment\*
    2. Series 2014 Bond Refinancing
    3. 2020-2021 Reinsurance Program
6. Public Comment *30 minutes*
7. Presentation and Review of TWIA Actuarial and Underwriting Committee Recommendation Regarding Rate Adequacy – *Debbie King\** *20 minutes*

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|---|--------------------|
| 8. Actuarial – <i>Jerry Fadden</i><br>Consideration and Possible Action on the Following Actuarial Topics:<br>A. Reserve Adequacy<br>B. Policy Count/Exposures<br>C. Maximum Liability Limits Filing - Update   | <i>20 minutes</i>  |
| 9. Internal Audit – <i>Bruce Zaret - Weaver</i><br>Consideration and Possible Action on the Following Audit Topics:<br>A. Internal Audit Status Report  | <i>10 minutes</i>  |
| 10. Underwriting – <i>Denise Larzalere</i><br>A. Operational Review Update  | <i>10 minutes</i>  |
| 11. Claims<br>Consideration and Possible Action on the Following Claims Topics:<br>A. Claims Operations – Overview – <i>Dave Williams</i><br>B. Claims Litigation – <i>David Durden</i>   | <i>20 minutes</i>  |
| 12. TWIA Operations<br>Consideration and Possible Action on the Following Operations Topics:<br>A. IT Systems Update – <i>John Polak</i><br>B. Depopulation – <i>John Polak</i><br>C. Communications Update – <i>Jennifer Armstrong</i><br>D. Review and Approval of 2020 Budget – <i>John Polak*</i> | <i>60 minutes</i>  |
| 13. Closed Session ( <b>Board Only</b> )<br>A. Personnel Issues<br>B. Legal Advice  | <i>60 minutes</i>  |
| 14. Consideration of Issues Related to Matters Deliberated in Closed Session<br>That May Require Action, if any, of the Board of Directors*   | <i>5 minutes</i>   |
| 15. Committees – <i>Bryan Shofner</i>   | <i>5 minutes</i>   |
| 16. Future Meetings – <i>John Polak</i> <ul style="list-style-type: none"> <li>• February 18, 2020 – Marriott South – Austin</li> <li>• May 12, 2020 – Hyatt Regency – Austin</li> <li>• August 4, 2020 – Tremont House – Galveston</li> </ul>  | <i>5 minutes</i>   |
| 17. Lunch break   | <i>30 minutes</i>  |
| 18. Board Training Program  | <i>120 minutes</i> |
| 19. Adjourn   |                    |

Estimated Total Length of Meeting 7 hours 15 minutes

\*Indicates item on which General Manager believes the Board of Directors may take action.

## 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**

## **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**

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512-899-4900 / Fax 512-899-4950

### 3. Approve the Minutes



**Minutes of the Texas Windstorm Insurance Association**  
**Board of Directors Meeting**  
**Tremont House**  
2300 Ship's Mechanic Row  
Galveston, Texas 77550

August 6, 2019

1. Call to Order: Mr. Fields called the meeting to order at 9:00 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.

The following Board members were present, representing:

- |    |                                    |                                       |
|----|------------------------------------|---------------------------------------|
| 1. | Joshua Fields (Chairman)           | First Tier Coastal Representative     |
| 2. | Chandra Franklin Womack            | First Tier Coastal Representative     |
| 3. | Georgia Neblett                    | First Tier Coastal Representative     |
| 4. | Mike Gerik                         | Industry Representative               |
| 5. | Debbie King (Secretary/Treasurer)  | Industry Representative               |
| 6. | Karen Guard                        | Industry Representative               |
| 7. | Tony Schrader (via teleconference) | Non-Seacoast Territory Representative |
| 8. | Bryan Shofner (Vice Chairman)      | Non-Seacoast Territory Representative |

The following TWIA staff, counsel, and agents were present:

- |    |   |                        |
|----|---|------------------------|
| 1. | John Polak, General Manager                                   | TWIA                   |
| 2. | Jerry Fadden, Chief Financial Officer                         | TWIA                   |
| 3. | Dave Williams, VP Claims                                      | TWIA                   |
| 4. | David Durden, VP Legal  | TWIA                   |
| 5. | Jennifer Armstrong, VP Communications and Legislative Affairs | TWIA                   |
| 6. | Amy Koehl, Executive Assistant                                | TWIA                   |
| 7. | Jessica Crass, Sr. Manager Underwriting                       | TWIA                   |
| 8. | Mike Perkins, Association Counsel                             | Perkins Law Group PLLC |

The following were also present:

- |                |   |
|----------------|---|
| Ginny Cross    | United Corpus Christi Chamber of Commerce |
| Catrina Wilson | Guest                                     |
| Alan Wilson    | Charter Bank                              |
| Ryan Brannan   | Coastal Windstorm Insurance Coalition     |
| Tim Peterson   | JP Morgan                                 |
| Bill Sargent   | Guest                                     |
| Dennis Isaacs  | Beaumont Chamber of Commerce              |
| Bill Allen     | Beaumont Chamber of Commerce              |
| Desiree Castro | Sen. Juan Hinojosa's Office               |

Joan Polak	Guest
John Ferguson	GCDN
Victory Pierson	Moody National Bank
Gigi Heffernan	Coastal Windstorm Insurance Coalition
Matt Stillwell	ICT
Edward Brown	UPC
David Muckerheide	TDI
Fred Strauss	Holborn Corporation
Chairman Todd Hunter	State Representative
Angie Flores	Rep. Hunter's Office
Pat Avery	Greater Port Arthur Chamber of Commerce
Craig Fegley	JP Morgan Chase
Beaman Floyd	TCAIS
Marti Luparello	Texas Farm Bureau Insurance
George Taylor	F.B. Taylor Insurance
John LaRue	Corpus Christi Chamber of Commerce
Diane LaRue	Melaluca Industry Executive
David Stanowski	Guest
Henry Freudenburg	Coastal Windstorm Insurance Coalition
Wes Hoskins	First Community Bank
Manuel Villarreal	TDI
John Cornelius	Guest
Mary Branem	Short Term Rental Owners Association of Galveston
Lee Branem	Short Term Rental Owners Association of Galveston
Michael Jenkins	Rep. Middleton's Office
Terrilyn Tarlton	Insurance Junction
Tad Delk	Guy Carpenter
Carlos Garcia	Guy Carpenter
Derek Shobridge	Guest
Linda Erdman	Guest
Corise Morrison	TFPA – Industry Member
Alicia Gerte	Willis Re
Beverly Jackson – Brown	Guest
Carmela Cancino	Safe Point Insurance
Don Rundle	Guest
Melissa Rundle	Guest
Mark Williams	Sen. Taylor's Office
Jennifer Reynolds	Galveston County Daily News
Thom Heldt	Guest
Pete Perkins	City of Ingleside
Foster Edwards	San Patricio County Economic Development Corporation

Justin Till	Rep. Greg Bonnen's Office
Lloyd Criss	Guest
Lesley Sence	Sinton Chamber of Commerce
Jane Gimler	Ingleside Chamber of Commerce
Gayle Smith	Tyson Real Estate
Bruce Zaret	Weaver
Patti Reyna	Weaver
Sally Bakko	City of Galveston
Ben Molina	City of Corpus Christi
Donna Graham	Farmers Insurance
Luke Bolman	Farmers Insurance
Terry Mohn	Guest
Zach Johnson	Rep. Dade Phelan's Office
Sergio Cavazos	Rep. Lucio's Office
Jaime Villarreal	Rep. Lucio's Office
Jimmy Fullen	Constables Office – Precinct 2
Ruben O'Bell	Rep. Lucio's Office
Theresa Elliot	Guest
Rosemary Vega	Aransas Pass Chamber of Commerce
Shelly Stuart	Portland Chamber of Commerce
Ram Gomez	Mayor – Aransas Pass
Eric Anderson	Guest
Lesley Sommer	Galveston Association of Realtors
Billie Hoskins	Guest
Cari Christman	Sen. Taylor's Office
Susan Syle	Guest
Clark Thomson	Calhoun, Thomson + Matza
Joe Giusti	Galveston County
Jessica Davidson	TWIA
Xiuyu Li	TWIA

2. Introductions: Meeting attendees introduced themselves.
3. Election of Officers: Ms. Neblett moved to recommend Mr. Shofner move up to chair, Ms. King become vice chair and Mr. Fields become secretary/treasurer. Ms. Franklin-Womack seconded the motion. The motion passed. Mr. Fields chaired the remainder of the meeting and Mr. Shofner will take over at the December board meeting.
4. Approval of Minutes: The minutes from the May 7, 2019 meeting in Austin, Texas were reviewed. Ms. Neblett moved to approve the minutes as presented. Mr. Shofner seconded the motion. The motion passed.
5. Public Comment: Public comment was offered by Rep. Mayes Middleton, Rep. Briscoe Cain, Chairman Todd Hunter, Ben Molina, Joe Giusti, Susan Crissen, Ramiro Gomez, Pat Avery, Donna Graham, George Taylor and Bill Sargent.
6. TWIA Operational Highlights: Mr. Polak reviewed the enterprise scorecard. The Association secured \$4.2 billion in total funding for the 2019 hurricane season. It

depopulated approximately 2,100 policies as a result of the 2018-2019 Assumption Reinsurance depopulation program. TWIA kept operating expenses below plan in Q2. Some strategic initiatives were reprioritized in Q2 to meet legislative implementation requirements. Underwriting and claims service levels exceeded turnaround time and quality standards in the second quarter. TWIA remains well below plan on litigated claims and complaints for the quarter.

7. Financial:

- A. Report of the Secretary/Treasurer: Ms. King reviewed the Treasurer's Report. Mr. Shofner moved to approve the report. Ms. Guard seconded the motion. The motion passed.
- B. Financial Statement Review by Staff: Mr. Fadden reported TWIA's financial results for the six months ended June 2019 reflect net income of \$12.8 million, compared to a budget of \$56.6 million. Year to date June 2019 gross direct written premiums of \$190.7 million reflect a decrease of \$13.6 million (6.6%) from the reported \$204.3 million for June last year (2018) due to continued policy and exposure declines as well as the depopulation of 1,600 policies on June 1, 2018 and 2,080 on June 1, 2019. Direct written premium was \$8.7 million more than the budgeted \$182.0 million. Direct premiums earned decreased to \$192.5 million compared to \$207.2 million in the same period last year. Direct premium earned was \$4.4 million more than budget of \$188.1 million.

There was \$1.46 million premium ceded for year to date through June. Year to date ceded premium written is \$90.2 million, reflecting the gross costs of the 2019-2020 reinsurance program before commissions. On a net basis after discounted brokerage and expenses, the cost was \$87.7 million, compared to the budget of \$86.0 million. This amount will be earned over the next six months; \$15.0 million of ceded earned premium was recorded in June.

The year to date non-hurricane direct loss and loss adjustment expense (LAE) incurred of \$16.7 million reflects the actuarial analysis as of the second quarter. This reflects a relatively benign costal spring storm season such that the non-hurricane loss ratio was 8.7% compared to the budgeted 28.8%. The year to date incurred losses for Hurricane Harvey reflects a \$90 million revision to the actuarial estimate of ultimate loss and loss adjustment expense bringing the ultimate to \$1.7 billion from \$1.61 billion. This adjustment is based on adverse development of case reserves experienced in the second quarter and the exhaustion of the initial reserve established for unallocated loss adjustment expense.

The total operating expenses for six months of \$14.0 million are below budget by \$4.7 million or 25.1%. The variance is mostly attributed to IT project costs that have not been incurred as of this date.

Commission expense (\$30.5 million) and premium taxes (\$3.6 million) were below budget by \$1.4 million or 4.3%. Gross investment income for YTD June was \$5.0 million, compared to the budget of \$4.1 million, reflecting an improved

rate environment. Interest expense on Class 1 bonds was as budgeted at \$15.2 million.

The accrual for the CRTF will not begin unless/until accident year earnings exceed scheduled principal payments later in the year. The ending deficit was \$267.9 million, compared to \$227.9 million at December 31, 2018.

- C. 2019 Hurricane Season Funding: As directed by the TWIA Board of Directors at its February 5<sup>th</sup> and May 7<sup>th</sup>, 2019 meetings, TWIA staff, Guy Carpenter, its reinsurance broker and Guy Carpenter Securities, as placement agent, completed the placement of \$2.1 billion in traditional reinsurance and catastrophe bonds for the 2019 hurricane season. At \$4.2 billion in total funding, the 2019 funding structure provides total available loss funding in an amount not less than the probable maximum loss for the Association for a catastrophe year with a probability of 1 in 100 as prescribed by Sec. 2210.453. The total net cost of the program is \$87.7 million, slightly over the \$86 million target, but well under the \$106.2 million spent on the 2018 program.

On July 1, 2019, TWIA closed on a new \$500 million bank line of credit to provide for liquidity in the event of a catastrophic event. JP Morgan Chase (JPM) again served as the administrative agent and Bank of America/Merrill Lynch (BAML) as a co-lender. It is the intent of TWIA that, if TWIA draws on the liquidity facility to fund claims from a catastrophic event, the facility would be repaid from the proceeds of new post-event Class 1 Public Securities.

The arrangement, which makes the credit available through May 31, 2020, with JPM and BAML included an upfront fee of 10 basis points (reduced from 20 bps in 2018) and a 40bps commitment fee on the unused portion of the commitment. The agreement provides for an early termination option on December 29, 2019 and March 27, 2020 at no penalty. This provision allows TWIA to avoid paying commitment fees following the end of the hurricane season.

- D. Refinancing of 2014 Public Securities: On June 13, 2019, TWIA staff submitted a request to the Commissioner of Insurance for the issuance of Class 1 Public Securities by the Texas Public Finance Authority (TFPA) to issue new public securities on behalf of TWIA to refinance the outstanding Series 2014 bonds. On July 3, 2019, the commissioner approved TWIA's request for TFPA to issue public securities, conditioned on an interest rate not to exceed 7.5% and a term not to exceed five years.

TWIA staff promptly conveyed this information to the TFPA staff after which the TPFA Board of Directors approved a resolution at its July 11, 2019 meeting authorizing TPFA staff to proceed with the proposed transaction. In addition, the board of TPFA approved the selection of a syndicate of underwriters and other service providers including bond counsel and disclosure counsel. TWIA staff and its outside counsel are engaged in discussion with the Attorney General's office with respect to certain structural issues in connection with the new public securities. The working group is actively engaged in the process with the goal of completing the transaction in the fourth quarter of 2019.

- E. Investment Trust Fund Balances: Ms. Neblett moved that based on Association staff analysis and recommendation, the TWIA Board of Directors hereby determines that at this time the entire balance of the Catastrophe Reserve Trust Fund is required to be kept available to meet the cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a) of the Texas Insurance Code. Thus, staff is directed to notify the Texas Comptroller's Office that the fund balance does not exceed the sufficient balance as defined in statute. Mr. Gerik seconded the motion. The motion passed.
- F. Selection of Auditors/Accountants for 2019 and Authorization of Non-Audit Services: Each year, the Association retains an accounting firm to conduct an audit of the Association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2013, Calhoun Thomson + Matza (CTM) was selected to continue in their role as the Association's independent auditor. Mr. Shofner moved the TWIA Board of Directors, acting as the audit committee, authorizes and directs that the firm of Calhoun, Thomson + Matza be engaged to conduct the upcoming annual audits of the Association's financial statements on the terms set forth in the Statutory and GASB engagement letters included in the meeting materials. The staff of the Association is further authorized to engage CTM to provide permitted tax related non-audit services and certain specific non-audit services in connection with the issuance of catastrophe bonds during the coming year as needed. Ms. Guard seconded the motion. The motion passed.
8. Actuarial:
- A. Reserve Adequacy/Harvey Ultimate Loss Estimate: The TWIA actuarial staff has completed a review of the Texas Windstorm Insurance Association's loss and loss adjustment expense reserves as of June 30, 2019.
- The actuarial estimate of ultimate loss and loss adjustment expenses for Hurricane Harvey is in a reasonable range of \$1.62 billion to \$1.72 billion. TWIA has selected to book the Hurricane Harvey ultimate loss and loss adjustment expense at \$1.7 billion, toward the high end of the range. The actual ultimate costs of Harvey may differ substantially from the selected \$1.7 billion. This variability arises from the assumptions made regarding the adequacy of case reserves for 1,422 open claims, the potential impact of future re-openings of closed claims as of June 30, 2019 and the outcome of disputed claims. Event though TWIA has booked and funded Harvey at a relatively conservative level, there remains a material risk of adverse development due to the large variability associated with outstanding and future disputed claims, including those claims subject to litigation. Potential future new claims are not expected to be a factor in the variability. The actuarial team will continue to monitor current case reserve adequacy, current and future litigation/disputes and future re-openings to ensure all outstanding obligations are properly reserved.
- As of June 30, 2019, TWIA carried \$233 million in total gross loss and loss adjustment expense reserves with \$94,046 of the total gross ceded to depopulation carriers. 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. Statutory Maximum Limits of Liability: Staff has proposed to revise the limits of liability used by TWIA as of June 30, 2019. As prescribed by Texas Insurance Code Section 2210.502(a), the liability limits are to be adjusted based on changes in the Boeckh Index. There is a 2% change in individually owned dwellings and townhouses, a 1.9% change in contents of an apartment, condominium or townhouse and a 2.1% change in commercial structures and associated contents. Ms. Neblett moved to approve the change as submitted. Mr. Shofner seconded the motion. The motion passed.
- C. Policy Count/Exposures: Policy counts are down year over year.
- D. 2019 Annual Rate Filing, Including Public Comments: Mr. Fadden reviewed a presentation found in the meeting materials regarding rate adequacy. Ms. Neblett asked with the absence of a TWIA Actuarial and Underwriting Committee meeting, was this all done in house. Mr. Fadden said that was correct. She asked why there was no meeting. Mr. Fields said with the changes in the legislation, they decided to hammer out the rate discussion at the board meeting instead. Mr. Fields said it was in the interest of transparency. Mr. Gerik asked about reinsurance. There have been some comments about the new law and TWIA's responsibility for repaying it. Under the current law, the TWIA board is required to buy reinsurance to a 1 in 100-year event. Under the new law, that continues and anything over that amount, the industry has to pay that cost. He asked if that was accurate. Mr. Perkins said it was. Mr. Gerik then asked for more discussion about why there was no actuarial committee meeting. Mr. Polak said a lot of it was timing, as there was a very short window of time to get anything done. There were some legislators who wanted to change the composition of the committee. There was not enough time to come up with names for a new committee.

Mr. Gerik said there were public comments made about this board and about board members not in attendance at the meeting. Mr. Gerik clarified that all the members of the TWIA board were in attendance. The member who was not in physical attendance had a very valid reason not to be here in person but called in for the meeting.

Ms. King said a big part of the indications is going to pay for the Class 1 bonds. That is a big addition to the rate indication. Mr. Gerik said the revenue generated is not covering the losses or the expenses the Association incurs. Until losses go down or expenses go down, that will lead to rate indications going down. The Association has other expenses it didn't have in the past. Ms. Neblett said with the rate indications being what they are, what is staff doing about some of those expenses and reducing exposure. The legislature has passed legislation to reduce exposure to lawsuits. She would like to know what is being done to lower expenses. Mr. Polak said the bonds are being refinanced. Mr. Fadden said staff goes through a fairly rigorous budget review, looking at places to cut costs on

department expenses, salaries and vendor costs. Mr. Polak said a line of credit is being pursued. Ms. Neblett asked if the bonds were factored into the indications. Mr. Fadden said the Association will be enjoying a savings over the next four and half years and the indications will reflect that. Mr. Shofner asked if TDI will do a rate analysis. Mr. Fadden said staff will a complete rate filing with TDI, but the department does not independently conduct a rate analysis.

The meeting went into the public comment portion. Public comment was offered by Theresa Elliot, Terrilyn Tarlton, Stephen Alexander, Lloyd Chris, Eric Anderson, Wes Hoskins, Sally Bakko, Richard Benson, John LaRue, John Cornelius, Beaman Floyd, Diane LaRue, Foster Edwards, Taylor Oldroyd, Mary Branem, Pete Perkins, Joe Woods, Alan Wilson, Greg Smith and Bill Allen.

Ms. Neblett said there were around 1,100 comments that came in on the website. She asked that those comments be a part of the meeting minutes. The public comment can be found on the TWIA website.

<https://www.twia.org/uncategorized/written-public-comment-on-twias-2019-rate-adequacy-analysis/>

Ms. King said there has been talk of delaying the decision. She would like to be clear on the process. TWIA needs to make a filing on the 15<sup>th</sup> of August. What happens if the filing doesn't happen? Mr. Perkins said the statute doesn't speak to what happens if the filing isn't made. He thinks it would be said the board didn't follow the letter of the law. A filing is required to be made.

Ms. Neblett moved to file a zero-rate change with TDI. If a storm hits, the rate can be reevaluated later in the year. Ms. Franklin-Womack seconded the motion.

A roll call vote was conducted.

Karen Guard: No

Mike Gerik: No

Chandra Franklin-Womack: Yes

Georgia Neblett: Yes

Debbie King: No

Bryan Shofner: Yes

Tony Schrader: No

Josh Fields: Yes

The motion tied, therefore it failed. Ms. King asked if the motion could be amended to reexamine the rates at the next meeting. Ms. Neblett moved to file a zero percent rate increase with TDI and review the rate analysis at a later date after the board has more time to examine the impact of the legislation and the legislative committee has more time to study it. Ms. Franklin – Womack seconded the motion. Mr. Gerik asked for clarification. Mr. Fields said he understood it to be the same as the previous motion but instead of needing a storm to look at rates, they will be looked at the next meeting.

A roll call vote was conducted.

Karen Guard: No  
 Mike Gerik: No  
 Chandra Franklin-Womack: Yes  
 Georgia Neblett: Yes  
 Debbie King: Yes  
 Bryan Shofner: Yes  
 Tony Schrader: No  
 Josh Fields: Yes

The motion passed. Mr. Gerik said the board passed a motion to address rates in the future. What exactly does that mean? Perhaps an actuarial committee meeting needs to take place and the board should meet before the December meeting. Mr. Gerik was thinking sometime in October. Mr. Fadden said the Harvey ultimate needs consideration if there will be an assessment. Mr. Fields asked if that will allow for enough time. He said a scheduling email would go out to board members for dates in October. Mr. Gerik moved to instruct staff to have an actuarial committee meeting to look at the rate indications and a reevaluation of the Harvey losses to see if an assessment is needed with the meeting taking place by the end of October. A board meeting will follow to review recommendations from the committee on rates and staff on Harvey. Ms. Neblett said there was discussion earlier looking at the makeup of the committee. Mr. Gerik added the full impact of the house bill on TWIA will be reviewed. Ms. Neblett asked who was on the current actuarial committee. Mr. Gerik said he would like to see representation from the public, industry and agents. Ms. Neblett said the executive committee could put together a new committee. Ms. Franklin-Womack asked if Ms. King could represent the board or the industry. Mr. Polak said staff can draw up a draft of the possible makeup of the actuarial and underwriting committee for consideration by the executive committee at its meeting. Mr. Shofner seconded the motion. The motion passed.

9. Internal Audit:

- A. Internal Audit Status & Update: Mr. Zaret provided an update on internal audit activity. Current audits include accounts payable and expense processing, human resources, vendor management, payroll, business continuity plan/continuity of operations, database and application administration. Upcoming audits include accounts receivables and claims. The risk assessment was revised in July with respect to the reinsurance activity.
- B. Updated Risk Assessment Scoring: Mr. Zaret pointed the committee members to the document regarding the risk assessment summary. He noted the risk assessment covers both TWIA and TFPA.

10. Underwriting:

- A. Operational Review Update: Ms. Crass reported underwriting continues to have consistent turnaround time on all transactions. The goal is to issue 90% of new business submissions, endorsements, renewals and cancellations within 10 days.

The department is surpassing this standard with over 95% processed within 10 days. Over 80% of new business renewals are processed within one day.

Quality assurance results on underwriting decisions continue to exceed established goals. Telephone service response time continues to meet and exceed expectations. Service quality scores have been in the meets category. Service observation is now standard procedure and as an Association, the departments are calibrating calls and have agreed upon standards for telephone service. The department is operating below budget, largely due to managing headcount and the inspection budget.

For the period of April 1, 2019 through June 30, 2019, 2,679 WPI-3 applications were received. The average turnaround time is four days and reroof is the number one reason for applications. Two engineering firms represent approximately one third of all applications. The confirmation of application review completed for applications received in the first quarter was sent to 92 engineers. One engineer responded to let staff know that a portion of the list of properties for which applications were submitted in his name were submitted without his knowledge. It was determined that the subject applications should be considered invalid and therefore withdrawn. TWIA reached out to impacted policyholders and reported the issue to TDI.

Underwriting has hired a temporary contractor to assist with telephone calls regarding WPI-8-C status and to upload certificates into Policy Center.

Audits were performed on 20 agents (200 policies) in the second quarter to verify compliance with the declination of coverage and flood insurance requirements. Only one of the policies/properties selected for review required flood insurance. All 20 agents and 200 policies were compliant with the requirement for proof of declination of coverage. The one policy requiring flood insurance was not compliant as the insured did not have flood insurance. TWIA advised the agency about the flood insurance requirement. Underwriting issued a notice of non-renewal to the insured allowing the insured more than two months to comply. Staff also reviewed the 197 policies that were auto-issued to confirm a copy of a WPI-8 had been provided where required. The review identified 24 policies requiring a WPI-8 that did not have the proper documentation uploaded by the agent. These have been referred to underwriting for research and follow up. All 20 agents have an active property and casualty insurance license. Mr. Fields asked when WPI-8's will go back to TDI. Ms. Crass said it would be June 1, 2020.

#### 11. Claims:

- A. Claims Operations: Projected new claim volume was 6,828 and actual claim volume was 3,579 or 48% lower than projected. Mr. Williams pointed the board members to the updated Harvey information update that was provided this morning. Currently 1,336 claims are open. TWIA has paid out almost \$22 million since the last board meeting report.

- B. Claims Litigation: Mr. Durden reported there were 33 new claims in suit for the quarter and 13 have closed. There are 90 new claims with LOR's and 121 have closed. Currently the law firm of Daly & Black has the majority of the suits.

12. TWIA Operations:

- A. IT System Update: Mr. Polak reported the inception phase of the TWIA program has concluded and the elaboration phase is set to start where the requirements and program plan will be fully defined. Once the changes are implemented, staff expects to see improvements in maintenance costs and improved resource flexibility as it moves off disparate legacy systems to a single instance platform based on common hardware and core applications.

The recent legislative session mandated changes for TWIA which need to be implemented on a shorter timeline and detailed planning for support of various features is underway.

The TFPA implementation is now in production support mode with policies successfully migrating off the legacy CGI platform on to the new Guidewire system daily. The production support and infrastructure for both TWIA and TFPA are being supported well by the IT teams and all commitments are on track.

- B. Depopulation: Ms. Crass reported the Association is in the fourth round of depopulation. Round three was completed on June 1 with just over 2,000 policies going to other carriers. The carriers will be making offers by August 25<sup>th</sup> and the agent period is September and October. Staff is awaiting rules from TDI for round 5.
- C. TWIA Examination Report Review: Mr. Polak said the report concerned claims processes and procedures. All the recommendations have been adopted and have been implemented. Mr. Polak reported there was no serious criticism. Ms. Neblett moved the board has reviewed the report and accepts it. Mr. Shofner seconded the motion. The motion passed.
- D. Communications Update: Ms. Armstrong provided updates on legislative and regulatory affairs, media relations, hurricane preparedness and coastal outreach and the Agent Advisory Group. Board training will take place after the December meeting. Ms. Neblett said in the materials there was mention of doing surveys in May and June. She asked who those names were selected. Ms. Armstrong said they were people in outreach groups. Ms. Neblett asked if anything of note took place at the Agent Advisory Group meeting. Ms. Armstrong will check on the meeting minutes from the last AAG meeting to make sure nothing came up.

13. Closed Session: There was no closed session.

14. Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, if any, of the Board of Directors: There were no items to consider.

15. Committees: There was nothing to discuss.

16. Future meetings:

- December 10, 2019 – Omni Hotel – Corpus Christi

- February 2020 – TBD
- May 2020 – TBD

Mr. Gerik asked for clarity on the actuarial committee meeting. He wanted to be told a committee meeting wasn't taking place. He wants to correct that for the future. He also isn't sure what will happen to determine the slate of officers. He would like to see more transparency. He would like to have a nomination committee. Ms. Franklin-Womack asked what the status was with naming a new board member. Mr. Polak said it was the commissioner's decision. He has heard they are still looking for a new member. With the legislature in session, it might not have been as high a priority.

17. Adjourn: The meeting adjourned at 1:06 p.m.

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Prepared by: Amy Koehl  
Executive Assistant

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Approved by: Joshua Fields  
TWIA Chairman

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Approved by: Bryan Shofner  
TWIA Vice Chairman

## 4. TWIA Operational Highlights

# 2019 TWIA Enterprise Scorecard

Reporting YTD as of September 30, 2019



	YTD	Trend	Goal	Δ	Performance
Operating Expenses	7.7%	→	9.8%	-2.1%	
Net Gain From Operations	-\$1.2 M	→	\$66.1 M	-\$67.3 M	
Enterprise Projects	100%	→	90%	10%	
Policy Administration	99%	→	90%	9%	
Claims Handling	98%	→	90%	8%	
Disputed Claims	2.40%	→	1.6%	0.80%	
Litigated Claims	0.02%	→	0.50%	-0.48%	
Complaints	39	→	110	-71	

## Reference Data

Policies In-Force	191,580
Exposures In-Force	\$55.8 billion
Written Premiums YTD	\$298.2 million
Claims Received YTD	5,517
Losses Incurred YTD <sup>1</sup>	\$85.9 million

<sup>1</sup> Excludes IBNR

## Quarterly Key Accomplishments

- Operationalized legislative changes that went into effect during Q3 by their required deadlines.
- On track to achieve Association objectives for all strategic initiatives.
- Maintained below plan operating expenses in Q3.
- Exceeded turnaround time and quality standards on Underwriting and Claim service levels.
- Remain below plan on litigated claims and complaints.

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

TEXAS WINDSTORM INSURANCE ASSOCIATION		
Statutory Income Statement - Treasurer's Report		
for the nine months ended September 30,		
(000's omitted)		
	2019	2018
<b>Direct Premiums Written</b>	<u>\$ 298,199</u>	<u>\$ 319,359</u>
<b>Premiums Earned:</b>		
Direct Premiums Earned	\$ 287,595	\$ 309,500
Ceded Reinsurance Premiums	(60,149)	(72,436)
Ceded Reinsurance Premiums - Depopulation	<u>(1,456)</u>	<u>(1,364)</u>
Net Premiums Earned	<u>225,990</u>	<u>235,699</u>
<b>Deductions:</b>		
Direct Losses and LAE Incurred	24,993	7,536
Direct Losses and LAE Incurred - Harvey	90,000	164,000
Direct Losses and LAE Incurred - Ike & Dolly	0	-
Ceded Losses and LAE Incurred - Depopulation	(118)	261
Operating Expenses	22,192	22,132
Commission Expense	47,675	51,076
Ceding commissions / brokerage	(2,569)	(2,458)
Ceding commissions / brokerage - Depopulation	(349)	(327)
Premium / Maintenance Tax	<u>5,686</u>	<u>6,223</u>
Total Deductions	<u>187,510</u>	<u>248,442</u>
<b>Net Underwriting Gain or (Loss)</b>	<u>38,480</u>	<u>(12,743)</u>
<b>Other Income or (Expense):</b>		
Gross Investment Income	7,020	4,700
CRTF Funds Received	-	-
Member Assessment Income	-	281,820
Interest Expense on Class 1 Bonds	(21,772)	(24,703)
Debt Issuance & Other Investment Expenses	(2,055)	(1,852)
Other Income (Expense)	<u>43</u>	<u>51</u>
Total Other Income or (Expense)	<u>(16,764)</u>	<u>260,016</u>
<b>Net Income (Loss)</b>	<u>\$ 21,716</u>	<u>\$ 247,274</u>
<b>Surplus (Deficit) Account:</b>		
Beginning Surplus (Deficit)	\$ (277,864)	\$ (461,390)
Net Income (Loss)	21,716	247,274
Change in Provision for Reinsurance	-	-
Change in nonadmitted assets - Other	(1,541)	7,650
Statutory Fund Cost	<u>(21,354)</u>	<u>(65,830)</u>
Ending Surplus (Deficit)	<u>\$ (279,043)</u>	<u>\$ (272,296)</u>

## 5A2. Management Discussion and Analysis

**Texas Windstorm Insurance Association**  
**Management's Discussion and Analysis of Financial Results for the**  
**Nine Months Ended September 30, 2019**

TWIA's financial results for the nine months ended September 30, 2019 reflect net income of \$21.7 million, compared to a budget of \$67.6 million. Excluding the impact of Hurricane Harvey reserve adjustments, net income would be \$111.7 million.

**Direct Written Premium:** September 2019 YTD direct written premiums of \$298.2 million reflect a decrease of \$21.2 million (6.6%) from the prior year total of \$319.4 million for the same period. The decrease resulted from year over year policy and exposure declines, and the depopulation of 1,600 policies on June 1, 2018 and 2,080 on June 1, 2019. Direct Written Premium was \$13.6 million higher than the budgeted \$284.6 million. The September policy count of 191,580 was 825 policies lower than the August 2019 policy count primarily due to a decrease in renewals from residential and commercial policies. However, policy counts at September 30, 2019 are 7,292 above budget.

**Direct Premiums Earned:** Direct premiums earned totaled \$287.6 million compared to \$309.5 million for the same period last year (a decline of \$21.9 million or 7.1%). Direct premium earned was \$8.9 million higher than the budget of \$278.7 million.

**Ceded Depop Premium:** TWIA has ceded \$1.46 million of depopulation premium through June 2019 and no additional depop premium has been ceded to date. The 2,080 policies were transferred to the two participating carriers on June 1, 2019.

**Reinsurance Costs:** Reinsurance costs incurred through September 2019 (ceded earned premium) totaled \$60.1 million (reflecting two-thirds of the ceded written premium from the June 1 reinsurance and cat bond renewal).

**Loss and Loss Adjustment Expense Incurred:** The year to date direct loss and LAE incurred of \$115.0 million reflects the actuarial analysis as of the third quarter that included a \$90.0 million increase to Hurricane Harvey reserves. This resulted in an increase in the Direct Loss and LAE ratio to 40.0% compared to the budgeted 21.0%. Non-hurricane loss and LAE expenses incurred totaled \$25.0 million compared to a budget of \$58.4 million, resulting in a Non-hurricane loss ratio of 8.7% compared to the budgeted 21.0%.

**Operating Expenses:** The year to date total operating expenses of \$22.3 million are below budget by \$5.1 million or 18.5%. The variance is mostly attributed to IT projects which are lagging anticipated expenditures as of September month end.

**Commission Expense and Premium Taxes:** Commission expense and premium taxes, totaling \$53.4 million were above budget by \$2.2 million or 4.3% as year to date Direct Written Premium exceeded budget.

**Other Income (Expense):** Gross investment income for YTD September was \$7.0 million, compared to the budget of \$6.0 million, reflecting an improved rate environment. Interest expense on Class 1 bonds was as budgeted at \$21.8 million. Please note that the year to date results do not include any member assessment income to offset the Hurricane Harvey reserve adjustment. Such income will be reported subject to the Board requesting and the Commissioner approving such a member assessment in the future.

**CRTF Contribution:** The liability for the annual CRTF contribution was increased to \$21.4 million based on the TDI methodology utilizing accident year results through September 30, 2019.

**Surplus/(Deficit):** The deficit as of September 30, 2019 is \$279.0 million, compared to \$277.9 million at December 31, 2018 as year to date net income of \$21.7 million was offset by required surplus adjustments for non-admitted assets (\$1.5 million) and Statutory Fund Cost (\$21.4 million).

**5B. Financial Statement Review by Staff**  
**5B1. Income Statement and Expense Statement**

TEXAS WINDSTORM INSURANCE ASSOCIATION				
Statutory Income Statement (000's omitted)				
for the nine months ended September 30,				
	Actuals - 2019	Budget - 2019	Variance - 2019	Actuals - 2018
<b>Premiums Written:</b>				
Direct	\$ 298,199	\$ 284,648	\$ 13,551	\$ 319,359
Ceded	(90,224)	(86,000)	(4,224)	(108,654)
Ceded - Depopulation	(1,456)	(1,741)	285	(1,364)
Net	<u>206,519</u>	<u>196,907</u>	<u>9,613</u>	<u>209,340</u>
<b>Premiums Earned:</b>				
Direct	\$ 287,595	\$ 278,662	\$ 8,933	\$ 309,500
Ceded	(60,149)	(57,332)	(2,817)	(72,436)
Ceded - Depopulation	(1,456)	(1,741)	285	(1,364)
Net	<u>225,990</u>	<u>219,589</u>	<u>6,402</u>	<u>235,699</u>
<b>Deductions:</b>				
Direct Losses and LAE Incurred	24,993	58,406	(33,413)	7,536
Direct Losses and LAE Incurred - Harvey	90,000	0	90,000	164,000
Direct Losses and LAE Incurred - Ike & Dolly	0	0	0	0
Ceded Losses and LAE Incurred	0	0	0	0
Ceded Losses and LAE Incurred - Depopulation	(118)	(577)	460	261
Operating Expenses	22,192	27,231	(5,040)	22,132
Commission Expense	47,675	45,545	2,130	51,076
Ceding commissions / brokerage	(2,569)	(1,946)	(623)	(2,458)
Ceding commissions / brokerage - Depopulation	(349)	(418)	68	(327)
Premium / Maintenance Tax	5,686	5,609	77	6,223
Total Deductions	<u>187,510</u>	<u>133,850</u>	<u>53,660</u>	<u>248,442</u>
<b>Net Underwriting Gain or (Loss)</b>	<u>38,480</u>	<u>85,739</u>	<u>(47,259)</u>	<u>(12,743)</u>
<b>Other Income or (Expense):</b>				
Gross Investment Income	7,020	5,976	1,044	4,700
CRTF Funds Received	0	0	0	0
Member Assessment Income	0	0	0	281,820
Interest Expense on Debt	(21,772)	(21,772)	0	(24,703)
Debt Issuance/Maintenance & Other Investment Expenses	(2,055)	(2,313)	258	(1,852)
Other Income (Expense)	43	0	43	51
Total Other Income or (Expense)	<u>(16,764)</u>	<u>(18,109)</u>	<u>1,344</u>	<u>260,016</u>
<b>Net Income (Loss)</b>	<u>\$ 21,716</u>	<u>\$ 67,630</u>	<u>\$ (45,914)</u>	<u>\$ 247,274</u>
<b>Surplus (Deficit) Account:</b>				
Beginning Surplus (Deficit)	(277,864)	(277,864)	0	(461,390)
Net Income (Loss)	21,716	67,630	(45,914)	247,274
Change in Provision for Reinsurance	0	0	0	0
Change in nonadmitted assets - Other	(1,541)	(1,572)	32	7,650
Other	0	0	0	0
Statutory Fund Cost	(21,354)	0	(21,354)	(65,830)
Ending Surplus (Deficit)	<u>\$ (279,043)</u>	<u>\$ (211,806)</u>	<u>\$ (67,237)</u>	<u>\$ (272,296)</u>
<b>Key Operating Ratios:</b>				
<b>Direct:</b>				
Loss & LAE Ratio:				
Non Hurricane	8.7%	21.0%	-12.3%	2.4%
Hurricane Harvey	31.3%	0.0%	31.3%	53.0%
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	<u>40.0%</u>	<u>21.0%</u>	<u>19.0%</u>	<u>55.4%</u>
UW Expense Ratio:				
Acquisition	17.9%	18.0%	-0.1%	17.9%
Non Acquisition	7.7%	9.8%	-2.1%	7.2%
UW Expense Ratio	<u>25.6%</u>	<u>27.7%</u>	<u>-2.1%</u>	<u>25.1%</u>
Combined Ratio	<u>65.6%</u>	<u>48.7%</u>	<u>16.9%</u>	<u>80.5%</u>
<b>Net:</b>				
Loss & LAE Ratio:				
Non Hurricane	11.0%	26.3%	-15.3%	3.3%
Hurricane Harvey	39.8%	0.0%	39.8%	69.6%
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	<u>50.8%</u>	<u>26.3%</u>	<u>24.5%</u>	<u>72.9%</u>
UW Expense Ratio:				
Acquisition	21.9%	22.0%	-0.2%	22.5%
Non Acquisition	9.8%	12.4%	-2.6%	9.4%
UW Expense Ratio	<u>31.7%</u>	<u>34.4%</u>	<u>-2.7%</u>	<u>31.9%</u>
Combined Ratio	<u>82.5%</u>	<u>60.8%</u>	<u>21.8%</u>	<u>104.8%</u>

TEXAS WINDSTORM INSURANCE ASSOCIATION				
Statutory Expense Report (000's omitted)				
for the nine months ended September 30,				
Description	Actuals - 2019	Budget - 2019	Variance - 2019	Actuals - 2018
Personnel Expenses				
Salaries & Wages - Permanent	8,596	8,929	(333)	7,908
Contractor & Temporary Help	11,210	15,886	(4,676)	31,311
Payroll Taxes	640	717	(77)	605
Employee Benefits	3,278	3,138	140	3,124
Recruiting, Training & Other	215	368	(153)	178
Subtotal	<u>23,939</u>	<u>29,038</u>	<u>(5,099)</u>	<u>43,126</u>
Professional & Consulting Services				
Legal	474	1,798	(1,324)	585
Accounting & Auditing	315	206	109	141
Information Technology	2,043	4,447	(2,404)	101
Actuarial Services	(20)	35	(55)	31
Ombudsman Program	132	111	21	111
Surveys & Inspections	1,163	1,468	(305)	1,425
Disaster Recovery Services	198	139	59	82
Other Services	2,874	3,399	(525)	6,193
Subtotal	<u>7,179</u>	<u>11,603</u>	<u>(4,424)</u>	<u>8,669</u>
Hardware/Software Purchases & Licensing	2,331	2,674	(343)	2,439
Rental & Maintenance - Office/Equipment	956	1,050	(94)	1,005
Travel Expenses	154	279	(125)	227
Postage, Telephone and Express	722	840	(118)	876
Capital Management Expenses	1,846	717	1,129	1,749
Depreciation	12	0	12	889
Other Operating Expenses	803	740	63	872
Total Operating Expenses	<u>37,941</u>	<u>46,941</u>	<u>(9,000)</u>	<u>59,852</u>
Capitalization of Fixed Assets	0	0	0	0
Reimbursement of Depop Servicing Expense	(89)	(113)	24	(220)
Allocation To ULAE	(13,606)	(18,880)	5,274	(35,648)
Allocation To Investing & Other Expense	(2,055)	(717)	(1,338)	(1,852)
Net Operating Expense - UW Operations	<u>22,192</u>	<u>27,231</u>	<u>(5,040)</u>	<u>22,132</u>

(1) Summary Details for Other Services:

Expert Panel	\$ 1,530	
Call Center Expense	\$ 259	
Xactware User Fees	\$ 224	
Marshall & Swift/Boeckh	\$ 194	Residential/RTC Annual & Com Building Insight - Express
EagleView Technologies Inc	\$ 152	
ISO Services Inc	\$ 104	
Xactware Weather Reports	\$ 59	
Cornerstone OnDemand	\$ 33	
ADP	\$ 28	
Pierpont Communications Inc	\$ 20	
*Other Outside Services	\$ 271	
<b>Total Other Services</b>	<b>\$ 2,874</b>	
<b>*Other Outside Services</b>		
Underwriting	0	
Claims	36	
Human Resources	88	
Communications & Legislative Affairs	34	
Corporate	13	
Operations	29	
Accounting	20	
Actuary	2	
Legal	48	
<b>Total</b>	<b>271</b>	

## 5B2. Balance Sheet

1	<b>TEXAS WINDSTORM INSURANCE ASSOCIATION</b>			1
2	<b>Statutory Balance Sheet (000's omitted)</b>			2
3				3
4				4
5		<u>September-19</u>	<u>December-18</u>	5
6	<b>Admitted Assets</b>			6
7	Cash and short term investments:			7
8	Unrestricted	\$ 451,348	\$ 563,554	8
9	Restricted - Funds Held at TTSTC	\$ 61,591	\$ 92,574	9
10	Restricted - Funds Held at TTSTC (Non Admitted)	-	-	10
11	Total cash and short term investments	<u>512,939</u>	<u>656,127</u>	11
12	Premiums receivable & other	1,467	1,707	12
13	Assessment receivable	-	-	13
14	Amounts recoverable from reinsurers	4	4	14
15	<b>Total admitted assets</b>	<u><b>\$ 514,410</b></u>	<u><b>\$ 657,839</b></u>	15
16				16
17	<b>Liabilities, Surplus and other funds</b>			17
18	<b>Liabilities:</b>			18
19	Loss and Loss adjustment expenses	\$ 202,876	\$ 200,780	19
20	Underwriting expenses payable	12,313	9,822	20
21	Unearned premiums, net of ceded unearned premiums	175,579	195,050	21
22	Ceded reinsurance funds payable	41,641	20,572	22
23	Principal Outstanding on Class 1 Pre Event Bonds	318,600	368,500	23
24	Interest Payable on Class 1 Pre Event Bonds	6,571	15,201	24
25	Provision for reinsurance	-	-	25
26	Other payables	14,519	15,189	26
27	Statutory fund payable	<u>21,354</u>	<u>110,590</u>	27
28	<b>Total liabilities</b>	<b>793,453</b>	<b>935,703</b>	28
29				29
30	<b>Surplus and others funds</b>			30
31	Unassigned surplus	(279,043)	(277,864)	31
32	<b>Total liabilities, surplus and other funds</b>	<u><b>\$ 514,410</b></u>	<u><b>\$ 657,839</b></u>	32
33				33
34				34
35	<b>Balance in CRTF</b>	<u><b>\$ 121,137</b></u>	<u><b>\$ 5,986</b></u>	35
36				36
37	<b>Balance in CRTF including Statutory fund payable</b>	<b>\$ 142,492</b>	<b>\$ 116,576</b>	37

### 5B3. Cash & Short Term Investments

Texas Windstorm Insurance Association  
 Unrestricted Cash and Short Term Investments (\$ in 000's)  
 September 30, 2019

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Blended Rate of Interest Bearing Investments	Investment Duration of Interest Bearing Investments (in months)	Total Deposit % of TWIA's Portfolio	N.A. Bank Credit Rating	N.A Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital?
						< 40%	Superior or Strong	> 10%	> \$25B	> .2% of N.A. Reg Capital
<b>Balances as of 9/30/19:</b>										
Bank of America	147	145,075	145,223	1.19%	0.0	32%	Superior	12.7%	\$155	No
BlackRock Liquidity Funds (1)	0	134,818	134,818	1.42%	0.0	30%	N/A	N/A	N/A	N/A
Citibank	5	46,830	46,835	1.55%	0.0	10%	Superior	12.8%	\$131	No
JP Morgan Chase	15,256	0	15,256	0.00%	0.0	3%	Superior	15.0%	\$218	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	109,216	109,216	1.92%	0.0	24%	N/A	N/A	N/A	N/A
Wells Fargo	0	0	0	0.00%	0.0	0%	Superior	12.8%	\$147	No
<b>Total of all financial institutions</b>	<b>15,408</b>	<b>435,939</b>	<b>451,348</b>	<b>1.49%</b>	<b>0.0</b>	<b>100%</b>				
<b>Balances as of 12/31/18:</b>										
Bank of America	153	188,842	188,994	1.26%	0.0	34%	Superior	12.2%	\$147	No
BlackRock Liquidity Funds (1)	0	91,854	91,854	1.46%	0.0	16%	N/A	N/A	N/A	N/A
Citibank	7	46,243	46,250	1.50%	0.0	8%	Superior	12.7%	\$129	No
JP Morgan Chase	39,364	0	39,364	0.00%	0.0	7%	Superior	13.9%	\$189	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	197,092	197,092	2.04%	0.0	35%	N/A	N/A	N/A	N/A
Wells Fargo	0	0	-	0.00%	0.0	0%	Superior	12.0%	\$141	No
<b>Total of all financial institutions</b>	<b>39,523</b>	<b>524,030</b>	<b>563,554</b>	<b>1.61%</b>	<b>-</b>	<b>100%</b>				

(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 June 30, 2019. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

## 5B4. Cash Flow Statement

1	<b>TEXAS WINDSTORM INSURANCE ASSOCIATION</b>			1	
2	<b>Statement of Cash Flows (000's omitted)</b>			2	
3	<b>for the nine months ended September 30,</b>			3	
4				4	
5		<b>Actuals - 2019</b>	<b>Budget - 2019</b>	<b>Variance - 2019</b>	5
6					6
7	<b>Cash flows from operating activities:</b>				7
8	Premiums collected, net of reinsurance	\$ 227,810	\$ 201,281	\$ 26,528	8
9	Losses and loss adjustment expense paid	(112,778)	(135,757)	22,979	9
10	Underwriting expenses paid	(70,065)	(77,193)	7,128	10
11	CRTF funds received	0	0	0	11
12	Member assessment received	0	0	0	12
13	Other	(928)	(270)	(658)	13
14	Net cash provided by operating activities	<u>44,038</u>	<u>(11,940)</u>	<u>55,978</u>	14
15	<b>Cash flows from nonoperating activities:</b>				15
16	Statutory fund paid	(110,590)	(112,142)	1,552	16
17	Other	0	0	0	17
18	Net cash provided by nonoperating activities	<u>(110,590)</u>	<u>(112,142)</u>	<u>1,552</u>	18
19	<b>Cash flows from investing activities:</b>				19
20	Sales and maturities of investments	0	0	0	20
21	Net investment income	(26,737)	(26,738)	2	21
22	Net cash provided by investing activities	<u>(26,737)</u>	<u>(26,738)</u>	<u>2</u>	22
23	<b>Cash flows from financing activities:</b>				23
24	Borrowed funds	0	0	0	24
25	Borrowed funds repaid	(49,900)	(49,900)	0	25
26	Net cash provided by financing activities	<u>(49,900)</u>	<u>(49,900)</u>	<u>0</u>	26
27					27
28	Net increase (decrease) in cash and short-term investments	(143,188)	(200,720)	57,531	28
29	Cash and short-term investments, Beginning	656,127	608,731	47,396	29
30	Cash and short-term investments, Ending	<u>\$ 512,939</u>	<u>\$ 408,012</u>	<u>\$ 104,927</u>	30
31					31

## 5B5. Historical Data

TEXAS WINDSTORM INSURANCE ASSOCIATION  
HISTORICAL DATA  
1971 - 2019  
(\$ with 000's omitted)

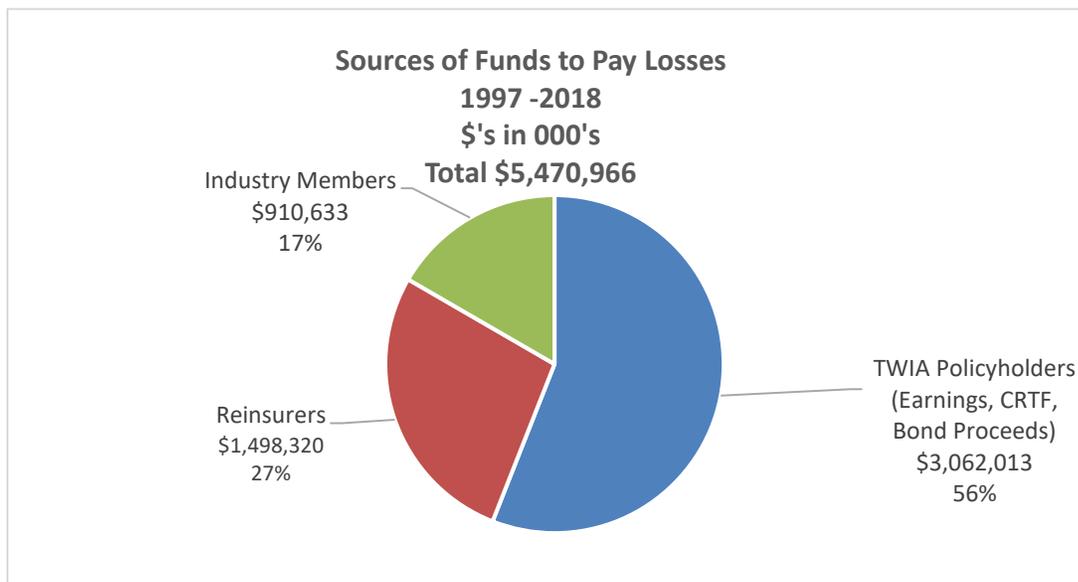
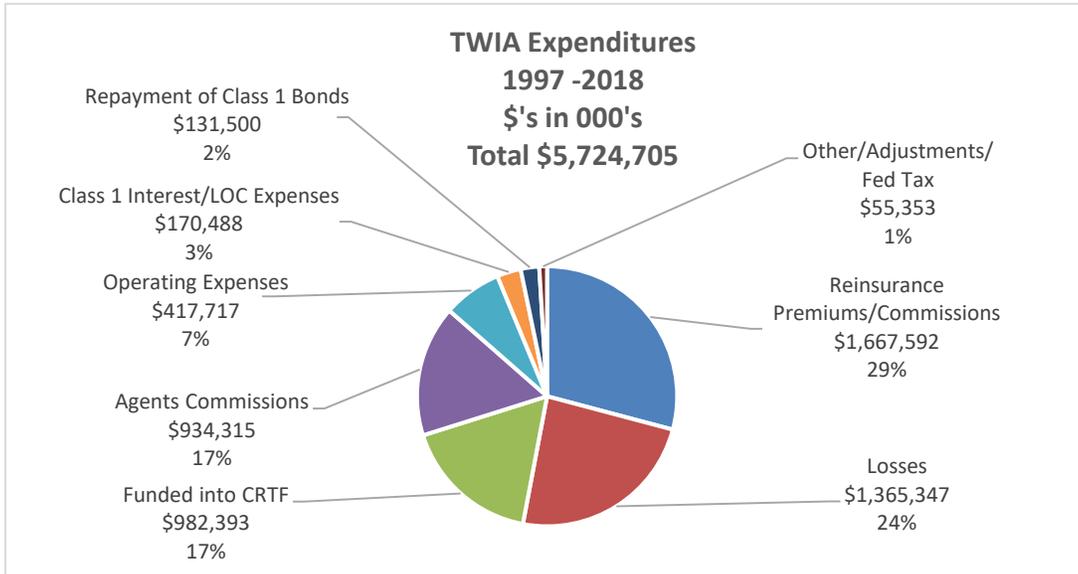
YEAR	GROSS					NET				CRTF BALANCE END OF PERIOD	
	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES		WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	EXPENSES INCURRED		UNDERWRITING GAIN (LOSS)
			RESID	COMML							
1971	\$ 278,710	13,415			\$ 2,393	\$ 92	\$ 868	\$ 92	\$ 385	\$ 391	
1972	739,983	33,577			4,138	214	3,468	214	849	2,405	
1973	1,017,048	45,743			4,286	1,427	4,288	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	-	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	55,820,754	191,580	-	-	298,199	114,993	225,990	114,876	72,635	38,480	121,137
<b>TOTAL</b>					<b>6,514,893</b>	<b>5,806,671</b>	<b>4,489,715</b>	<b>4,335,231</b>	<b>1,423,230</b>	<b>(1,268,746)</b>	

\*2019 data through 9/30/19.

**TEXAS WINDSTORM INSURANCE ASSOCIATION**  
**HISTORICAL DATA**  
**1997 - 2018 (22 Years)**  
**(\$ with 000's omitted)**



1	<b>Premium and Other Revenues</b>				1
2	<b>Direct Earned Premium</b>		<b>5,654,690</b>		2
3	Investment Income /Other		70,015		3
4	<b>Premium and Other Revenues</b>		<b>5,724,705</b>		4
5					5
6	<b>Expenditures</b>				6
7	Reinsurance Premiums/Commissions		(1,667,592)	29.1%	7
8	Losses		(1,365,347)	23.9%	8
9	Funded into CRTF	A	(982,393)	17.2%	9
10	Agents Commissions		(934,315)	16.3%	10
11	Operating Expenses		(417,717)	7.3%	11
12	Class 1 Bond Interest/LOC Expenses		(170,488)	3.0%	12
13	Repayment of Class 1 Bonds	B	(131,500)	2.3%	13
14	Other/Adjustments		(44,402)	0.8%	14
15	Federal Taxes		(10,951)	0.2%	15
16	<b>Total TWIA Expenditures</b>		<b>(5,724,705)</b>	100.0%	16
17					17
18	<b>Net</b>		<b>-</b>	<b>-</b>	18
19					19
20					20
21					21
22	<b>Payment of Losses:</b>				22
23	Reinsurers	D	1,498,320	}	2,408,953
24	Industry (Member Assessments)	E	910,633		
25	Proceeds of Class 1 Bonds	F	449,172	}	3,062,013
26	CRTF Distributions	G	1,247,494		
27	TWIA Direct Loss Payments	C	1,365,347		
28	<b>Total Losses</b>		<b>5,470,966</b>		<b>5,470,966</b>
29			-		-
30					
31	<b>CRTF Summary</b>				
32	Beginning Balance (12/31/1996)		179,020		
33	Contributions	A	982,393		
34	Payment of Losses	G	(1,247,494)		
35	Interest and Surcharges		202,657		
36	Ending Balance		<u>116,576</u>		
37					
38	<b>Class 1 Debt Summary</b>				
39	Proceeds of Offering		500,000		
40	Payment of Losses	F	(449,172)		
41	Net Proceeds Remaining - Debt Service Reserve Funds		<u>50,828</u>		
42					
43	<b>Class 1 Principal Outstanding</b>				
44	Original Principal Amount		500,000		
45	Principal Payments	B	(131,500)		
46	Remaining Outstanding (12/31/18)		<u>368,500</u>		



5C. Funding  
5C1. Hurricane Harvey Funding -  
Member Assessment



## MEMORANDUM

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DATE: November 15, 2019

TO: John Polak, General Manager

FROM: Jerry Fadden, Chief Financial Officer

RE: **TWIA Hurricane Harvey Funding – Proposed Additional Member Assessment**

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At the end of the 2<sup>nd</sup> quarter of 2019, TWIA’s actuarial staff increased its estimate of ultimate loss and loss adjustment expenses for Hurricane Harvey by \$90.0 million to total \$1.7 billion compared with the previous estimate of \$1.61 billion. This increase was primarily driven by an increase in supplemental claim payments above expectations in the 2<sup>nd</sup> quarter. At that time, we decided to postpone seeking approval for a commensurate increase in our funding sources until we had more experience to validate this estimate. In addition, at that time, cumulative loss and loss adjustment expense payments at \$1.5 billion were over \$100 million less than the ultimate loss estimate.

Based on the 3<sup>rd</sup> quarter actuarial review, the actuarial staff has maintained its estimate of Hurricane Harvey ultimate losses at \$1.7 billion. To date TWIA has secured \$1.61 billion in funding. Through October 31, 2019 TWIA has paid \$1.54 billion in loss and loss adjustment expenses, leaving \$65.4 million in remaining funds. Based on the average monthly payment for the last 3 months (\$10.6 million per month), these funds would be expected to be depleted in approximately 6 months. Additional detail supporting the proposed assessment is provided on the next page.

With changes passed in the latest legislative session, Section 2210.071 prevents the Association from paying losses resulting from a catastrophe such as Hurricane Harvey with premium and other revenue earned in a subsequent year. TWIA must ensure that adequate funds are available from its prescribed funding sources in advance and cannot rely on operating funds to bridge the receipt of this funding. Therefore, the Association staff is proposing that the Board approve a request of TDI to approve an additional assessment of member companies to pay Hurricane Harvey losses in the amount of \$90.0 million.

If approval is granted by the Board, TWIA staff would promptly submit a request for authorization of the member assessment to TDI for the Commissioner’s consideration.

Texas Windstorm Insurance Association  
Hurricane Harvey Sources of Funding  
Proposed Member Assessments  
As of October 31, 2019



Funding Sources:	Proposed Funding	10/31/2019 <sup>1</sup>	Change
TWIA Reserves/YTD Payable to CRTF/2017 Earnings	\$135,795,000	\$135,795,000	-
Catastrophe Reserve Trust Fund (CRTF)	743,212,952	743,212,952	-
Class 1 Bond Proceeds	449,172,270	449,172,270	-
<b>Member Assessments</b>	<b>371,819,778</b>	<b>281,819,778</b>	<b>90,000,000</b>
Sub-total:	<u>\$1,700,000,000</u>	<u>\$1,610,000,000</u>	<u>\$90,000,000</u>

Funding Uses:	Proposed Funding	10/31/2019 <sup>1</sup>	Change
Estimated Ultimate Loss and Loss Adjustment Expenses <sup>1</sup>	<u>\$1,700,000,000</u>	<u>\$1,610,000,000</u>	<u>\$90,000,000</u>

Paid Claims	10/31/2019
Loss	\$1,301,475,811
ALAE	140,411,637
ULAE	102,740,671
Total Payments	<u>\$1,544,628,119</u>
Remaining Funding	<u>\$65,371,881</u>

Estimated number of months of funding available based on average monthly loss and loss adjustment expense payments in Q3 2019 (\$10.6 million per month). 6.2 months

Footnote

(1) The funding at October 31, 2019 reflects the ultimate loss and loss adjustment expense prior to 2nd quarter 2019 reserve adjustments which increased the estimated ultimate loss and LAE to \$1.7 billion from \$1.61 billion.

**Texas Windstorm Insurance Association  
Hurricane Harvey Sources of Funding  
Proposed Member Assessments  
As of October 31, 2019**



**Member Assessment Detail**

	<u>Proposed Funding</u>
First Member assessment	\$175,000,000
Second member Assessment	<u>106,819,778</u>
Total	281,819,778
Proposed 2020 member Assessment	90,000,000
Pro Forma Total Member Assessments	<u><u>\$371,819,778</u></u>

**Member Assessment Timing**

Funding Evaluation Date	10/31/2019	
Board Resolution	12/10/2019	1 day
TWIA Prep and TDI Submission	12/15/2019	5 days
TDI Review	1/31/2020	47 days
Carrier Billing Prep	2/10/2020	10 days
Carrier Billing Mail Date	2/11/2020	1 day
Funds Received	3/17/2020	30 days + 5 days mail time

Number of Days/Months between evaluation date (10/31/19) and Funding date

138	days
4.6	months

## 5C2. Series 2014 Bond Refinancing

There is no exhibit for this topic

## 5C3. 2020-2021 Reinsurance Program

## **TWIA Loss Funding Rules**

### **Informal Working Draft and Request for Informal Comments**

Texas Administrative Code, Title 28, Chapter 5, Subchapter E, Sections 5.4102, 5.4114, 5.4133, 5.4134, 5.4160 – 5.4162, 5.4164, 5.4167, and 5.4171.

Posting date: July 18, 2019

Comments due: July 31, 2019

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TDI has prepared an informal working draft of rules relating to loss funding for the Texas Windstorm Insurance Association (TWIA). The rules would implement parts of House Bill 1900, which passed earlier this year.

HB 1900 requires that TWIA, with TDI Commissioner approval, assess its members to pay for any reinsurance it purchases above TWIA's statutory minimum funding level. TWIA must maintain total available loss funding in an amount at least equal to TWIA's probable maximum loss for a catastrophe year with a probability of one-in-100.

Some of the key changes in the informal working draft:

- Repeal rule text that allows a catastrophe reserve trust fund disbursement to buy reinsurance in an amount greater than TWIA's statutory minimum funding level.
- Require TWIA to:
  - annually determine its one-in-100-year probable maximum loss;
  - annually disclose to the Commissioner and the public that probable maximum loss, along with the method used to determine it;
  - determine the amount of reinsurance premium applicable to the reinsurance coverage that exceeds its one-in-100-year probable maximum loss; and
  - disclose to the Commissioner and the public the applicable amount of reinsurance premium.
- Apply the existing timeline for loss-paying assessments to reinsurance assessments.

### **Tell us what you think**

TDI invites your input on the informal working draft. This is an informal posting intended to gather comments and is not a formal publication for rulemaking.

The comment period for this informal working draft will close at 5:00 p.m., central time, on July 31, 2019. Submit comments to Brian Ryder in the Property and Casualty Actuarial Office at [PCActuarial@tdi.texas.gov](mailto:PCActuarial@tdi.texas.gov). For more information about this informal working draft, call 512-676-6709.

[Continue to informal working draft of TWIA Loss Funding Rules](#)

[Continue to current rules in 28 Tex. Admin. Code, Chapter 5, Subchapter E, Division 3](#)

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**§5.4160. Member Assessments to Pay for Reinsurance.**

(a) The association, with the Commissioner's approval, must assess members as provided by Insurance Code Chapter 2210.

(b) Not later than April 1 of each year, the association must disclose to the Commissioner its one-in-100-year probable maximum loss for the year and the association's method for determining that probable maximum loss.

(c) In disclosing its method for determining its one-in-100-year probable maximum loss, the association must include:

(1) the hurricane model or models it relied on, including the model vendors, the model names, and the versions of each model;

- 1           (2) the in-force date and the total amount of direct exposures in force for  
2 the policy data used as the input for each hurricane model the association relied on;  
3           (3) all user-selected hurricane model input assumptions used with each  
4 hurricane model the association relied on;  
5           (4) the one-in-100-year probable maximum loss model output produced by  
6 each hurricane model the association relied on;  
7           (5) if the association relied on more than one hurricane model, the  
8 methodology the association used to blend or average the hurricane model outputs,  
9 including all weighting factors used; and  
10           (6) any adjustments the association or another party made to the one-in-  
11 100-year probable maximum loss model outputs or the blended or averaged output,  
12 including any adjustments to include loss adjustment expenses.  
13           (d) The department will post the information disclosed under subsections (b) and  
14 (c) of this section on its website.  
15           (e) In its request to the Commissioner to approve an assessment under Insurance  
16 Code §2210.453, the association must submit the following information:  
17           (1) the portion of the association's reinsurance premium that provides  
18 coverage for losses and loss adjustment expenses above the association's one-in-100-  
19 year probable maximum loss; and  
20           (2) the methodology the association used to calculate the amount described  
21 in paragraph (1) of this subsection.  
22           (f) This section and §§5.4161 - 5.4167 of this title (relating to Member Assessment  
23 to Pay Claims; Amount of Assessment; Notice of Assessment; Payment of Assessment;  
24 Failure to Pay Assessment; Contest After Payment of Assessment; and Inability to Pay  
25 Assessment by Reason of Insolvency, respectively) are a part of the association's plan of

1 operation and will control over any conflicting provision in §5.4001 of this title (relating  
2 to Plan of Operation).

3 (g) Sections 5.4162 - 5.4167 of this title apply both to member assessments to pay  
4 for reinsurance and to §5.4161 of this title.

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7. Presentation and Review of TWIA Actuarial and  
Underwriting Committee Recommendation  
Regarding Rate Adequacy

There is no exhibit for this topic

8. Actuarial  
8A. Reserve Adequacy



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## MEMORANDUM

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REVIEW DATE: October 25, 2019

TO: Jerry Fadden, Chief Financial Officer

FROM: Xiuyu Li, Senior Actuary

RE: Reserve Adequacy as of September 30, 2019

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The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of September 30, 2019.

The actuarial estimate of ultimate loss and loss adjustment expenses for Hurricane Harvey is in a reasonable range of \$1.65 billion to \$1.75 billion. TWIA has selected to continue to record the Hurricane Harvey ultimate loss and loss adjustment expense at \$1.7 billion. The actual ultimate costs of Harvey may differ substantially from the selected \$1.7B. This variability arises from the assumptions we made regarding the adequacy of case reserves for 1,211 open claims, the potential impact of future re-openings of closed claims as of September 30, 2019 and the outcome of disputed claims. Even though TWIA has recorded the Hurricane Harvey estimate of ultimate loss and loss adjustment expenses at a level which it considers reasonable, there remains a material risk of adverse development due to the large variability associated with outstanding and future disputed claims, including those claims subject to litigation. Potential future new claims are not expected to be a factor in the variability. The Actuarial team will continue to monitor current case reserve adequacy, current & future litigation/disputes and future re-openings to ensure all outstanding obligations are properly reserved.

As of September 30, 2019, TWIA carried \$202.9 million in total gross loss and loss adjustment expense reserves with \$73,879 of the total gross ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. 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.

The complete actuarial analysis is available on request.

**MEMORANDUM**

DATE: December 2, 2019

TO: Jerry Fadden, Chief Financial Officer

RE: **Estimate of Ultimate Losses for Hurricane Harvey**

As of September 30, 2019, ultimate loss and loss adjustment expenses related to Hurricane Harvey were estimated to be in the range of \$1.65 to \$1.75 billion.

The following table outlines the details:

<b>Estimated Ultimate Loss &amp; LAE from Harvey</b>	<b>Low Estimate</b>	<b>High Estimate</b>
Paid Losses and Allocated Loss Adjustment Expenses	1,433,417,398	1,433,417,398
Paid Unallocated Loss Adjustment Expenses	101,673,193	101,673,193
Loss and Allocated Loss Adjustment Expense Case Reserves	65,006,000	65,006,000
Incurred But Not Reported Reserve	49,829,676	149,489,030
Estimated Ultimate Loss & LAE from Hurricane Harvey	1,649,926,267	1,749,585,620
<b>Selected Ultimate Loss &amp; LAE from Harvey</b>	<b>1,700,000,000</b>	

The determination of an estimate of ultimate liabilities for Hurricane Harvey is unusually difficult due to the hurricane's unique nature. Consequently, such an estimate is subject to significantly greater than normal variation and uncertainty. The actual ultimate costs of Hurricane Harvey may differ substantially from the selected \$1.7 billion estimate due to variability arising from the assumptions we made regarding the adequacy of case reserves for 1,211 open claims, the potential impact of future re-openings of closed claims as of September 30, 2019 and the outcome of disputed claims. There remains a material risk of adverse development due to the large variability associated with outstanding and future disputed claims, including those claims subject to litigation. The selected estimate of ultimate loss and loss adjustment expenses is \$1.7B which is our best estimate of the expected cost of Harvey based on all the information known as of September 30, 2019.

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## 8B. Policy Count/Exposures

**Texas Windstorm Insurance Association**  
**Statistical Report**  
As of September 30, 2019



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>	
	9/30/18	9/30/19	Actual	Percentage	9/30/18	9/30/19	Actual	Percentage	9/30/18	9/30/19	Actual	Percentage
Aransas	5,589	5,078	-511	-9.10%	1,880,642,593	1,684,291,885	-\$196,350,708	-10.40%	10,856,883	9,935,526	-\$921,357	-8.50%
Brazoria	35,282	31,395	-3,887	-11.00%	10,245,464,142	9,177,155,557	-\$1,068,308,585	-10.40%	50,587,923	45,254,739	-\$5,333,184	-10.50%
Calhoun	3,665	3,549	-116	-3.20%	951,907,427	936,045,736	-\$15,861,691	-1.70%	5,905,591	5,800,773	-\$104,818	-1.80%
Cameron	13,034	11,299	-1,735	-13.30%	3,372,197,855	3,064,301,008	-\$307,896,847	-9.10%	18,057,387	16,147,181	-\$1,910,206	-10.60%
Chambers	4,442	4,128	-314	-7.10%	1,426,789,526	1,327,050,947	-\$99,738,579	-7.00%	6,705,001	6,351,708	-\$353,293	-5.30%
Galveston	60,050	57,565	-2,485	-4.10%	19,622,677,957	19,042,933,780	-\$579,744,177	-3.00%	108,193,666	104,258,858	-\$3,934,808	-3.60%
Harris	3,419	3,358	-61	-1.80%	1,008,318,306	1,009,302,668	\$984,362	0.10%	3,771,841	3,721,311	-\$50,530	-1.30%
Jefferson	27,883	25,257	-2,626	-9.40%	6,478,738,298	5,872,929,954	-\$605,808,344	-9.40%	36,612,062	33,412,773	-\$3,199,289	-8.70%
Kenedy	17	16	-1	-5.90%	6,632,341	6,300,341	-\$332,000	-5.00%	42,940	39,815	-\$3,125	-7.30%
Kleberg	960	835	-125	-13.00%	205,431,534	184,805,346	-\$20,626,188	-10.00%	1,206,381	1,052,775	-\$153,606	-12.70%
Matagorda	4,705	4,315	-390	-8.30%	1,165,159,565	1,085,186,708	-\$79,972,857	-6.90%	6,544,751	5,988,614	-\$556,137	-8.50%
Nueces	41,122	38,145	-2,977	-7.20%	11,345,204,543	10,652,578,285	-\$692,626,258	-6.10%	60,034,679	56,451,992	-\$3,582,687	-6.00%
Refugio	369	334	-35	-9.50%	97,103,676	92,195,523	-\$4,908,153	-5.10%	639,865	646,937	\$7,072	1.10%
San Patricio	6,719	5,949	-770	-11.50%	1,815,567,785	1,599,283,094	-\$216,284,691	-11.90%	9,568,800	8,543,915	-\$1,024,885	-10.70%
Willacy	405	357	-48	-11.90%	94,361,121	86,392,945	-\$7,968,176	-8.40%	638,251	596,060	-\$42,191	-6.60%
<b>Total</b>	<b>207,661</b>	<b>191,580</b>	<b>-16,081</b>	<b>-7.70%</b>	<b>59,716,196,668</b>	<b>55,820,753,777</b>	<b>-\$3,895,442,891</b>	<b>-6.50%</b>	<b>319,366,021</b>	<b>298,202,977</b>	<b>-\$21,163,044</b>	<b>-6.60%</b>

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2019



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Aransas</b>										
Commercial	141	407	266	675	860,571	1,901,224	227,947,971	5,225,185	371	675
Manufactured Home	23	92	23	93	28,392	115,679	5,442,010	0	106	107
Residential	1,446	3,836	1,523	4,056	3,036,608	7,918,623	1,450,901,904	121,148,410	4,601	4,858
Total	1,610	4,335	1,812	4,824	3,925,571	9,935,526	1,684,291,885	126,373,595	5,078	5,640
<b>Brazoria</b>										
Commercial	274	767	421	1,189	1,270,784	3,917,664	427,794,344	8,656,590	843	1,333
Manufactured Home	44	122	44	122	71,692	190,344	8,787,290	0	139	139
Residential	8,907	24,847	9,123	25,540	15,063,273	41,146,731	8,740,573,923	1,124,465,095	30,413	31,274
SUM:	9,225	25,736	9,588	26,851	16,405,749	45,254,739	9,177,155,557	1,133,121,685	31,395	32,746
<b>Calhoun</b>										
Commercial	75	196	167	361	405,059	1,005,813	107,631,387	1,743,390	211	407
Manufactured Home	26	61	27	62	30,750	82,466	3,853,423	0	69	70
Residential	1,098	2,721	1,196	3,015	1,919,663	4,712,494	824,560,926	68,132,695	3,269	3,616
SUM:	1,199	2,978	1,390	3,438	2,355,472	5,800,773	936,045,736	69,876,085	3,549	4,093
<b>Cameron</b>										
Commercial	216	638	374	1,215	1,494,995	6,348,380	1,033,903,607	5,875,250	627	1,251
Manufactured Home	22	46	22	46	22,121	45,472	2,117,444	0	49	49
Residential	3,159	8,751	3,251	8,922	3,665,758	9,753,329	2,028,279,957	217,328,895	10,623	10,852
SUM:	3,397	9,435	3,647	10,183	5,182,874	16,147,181	3,064,301,008	223,204,145	11,299	12,152

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2019



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Chambers</b>										
Commercial	44	93	59	127	206,639	451,378	53,595,228	570,550	107	161
Manufactured Home	42	72	42	72	23,458	41,133	2,156,295	0	79	79
Residential	1,178	3,242	1,240	3,387	2,174,559	5,859,197	1,271,299,424	167,910,993	3,942	4,131
SUM:	1,264	3,407	1,341	3,586	2,404,656	6,351,708	1,327,050,947	168,481,543	4,128	4,371
<b>Galveston</b>										
Commercial	681	1,811	1,013	2,980	5,219,982	18,664,342	2,210,646,915	44,336,844	1,953	3,422
Manufactured Home	51	135	52	137	61,168	174,529	8,840,729	0	160	162
Residential	17,041	45,922	17,592	47,573	32,214,184	85,419,987	16,823,446,136	1,883,531,986	55,452	57,525
SUM:	17,773	47,868	18,657	50,690	37,495,334	104,258,858	19,042,933,780	1,927,868,830	57,565	61,109
<b>Harris</b>										
Commercial	18	52	38	95	120,728	306,675	34,928,515	555,630	57	99
Manufactured Home	2	4	2	4	2,670	3,383	135,300	0	4	4
Residential	1,033	2,690	1,055	2,761	1,310,157	3,411,253	974,238,853	124,634,837	3,297	3,379
SUM:	1,053	2,746	1,095	2,860	1,433,555	3,721,311	1,009,302,668	125,190,467	3,358	3,482
<b>Jefferson</b>										
Commercial	255	680	415	1,003	1,112,690	3,015,930	321,329,072	10,581,890	746	1,125
Manufactured Home	5	19	5	19	8,800	36,259	1,456,200	0	20	20
Residential	7,487	20,514	7,679	21,041	11,249,653	30,360,584	5,550,144,682	698,488,321	24,491	25,133
SUM:	7,747	21,213	8,099	22,063	12,371,143	33,412,773	5,872,929,954	709,070,211	25,257	26,278

**Texas Windstorm Insurance Association**  
 Quarterly Liability Report  
 As of September 30, 2019



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Kenedy</b>										
Commercial	0	1	0	5	0	12,438	694,441	0	1	5
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	7	13	8	23	8,853	27,377	5,605,900	35,400	15	29
SUM:	7	14	8	28	8,853	39,815	6,300,341	35,400	16	34
<b>Kleberg</b>										
Commercial	7	33	7	55	26,530	115,736	12,061,377	460,800	35	55
Manufactured Home	0	2	0	2	0	3,613	144,500	0	2	2
Residential	252	657	269	694	336,360	933,426	172,599,469	18,119,931	798	839
SUM:	259	692	276	751	362,890	1,052,775	184,805,346	18,580,731	835	896
<b>Matagorda</b>										
Commercial	60	166	82	269	256,261	776,985	84,974,952	2,129,985	185	291
Manufactured Home	5	13	5	13	6,725	16,997	1,095,907	0	18	18
Residential	1,297	3,487	1,336	3,620	1,945,509	5,194,632	999,115,849	101,331,575	4,112	4,262
SUM:	1,362	3,666	1,423	3,902	2,208,495	5,988,614	1,085,186,708	103,461,560	4,315	4,571
<b>Nueces</b>										
Commercial	644	1,775	1,019	2,961	2,794,537	9,668,628	1,351,992,424	39,746,369	1,876	3,330
Manufactured Home	7	17	7	17	8,617	22,160	894,000	0	19	19
Residential	10,786	30,214	11,142	31,419	17,098,316	46,761,204	9,299,691,861	1,041,901,348	36,250	37,559
SUM:	11,437	32,006	12,168	34,397	19,901,470	56,451,992	10,652,578,285	1,081,647,717	38,145	40,908

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2019



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Refugio</b>										
Commercial	9	37	22	64	126,760	238,512	22,886,229	80,820	35	66
Manufactured Home	1	9	2	12	1,600	15,963	785,300	0	11	14
Residential	108	258	115	284	177,454	392,462	68,523,994	6,812,360	288	315
SUM:	118	304	139	360	305,814	646,937	92,195,523	6,893,180	334	395
<b>San Patricio</b>										
Commercial	82	254	108	393	271,335	1,020,069	110,590,858	2,970,451	253	426
Manufactured Home	6	22	6	22	7,519	37,585	1,654,606	0	25	25
Residential	1,609	4,706	1,667	4,915	2,567,952	7,486,261	1,487,037,630	173,082,867	5,671	5,895
SUM:	1,697	4,982	1,781	5,330	2,846,806	8,543,915	1,599,283,094	176,053,318	5,949	6,346
<b>Willacy</b>										
Commercial	11	24	16	38	77,066	119,897	12,795,973	98,550	28	57
Manufactured Home	0	4	0	4	0	5,200	208,000	0	4	4
Residential	120	287	136	317	209,090	470,963	73,388,972	5,341,520	325	355
SUM:	131	315	152	359	286,156	596,060	86,392,945	5,440,070	357	416
<b>Total All Counties</b>										
Commercial	2,517	6,934	4,007	11,430	14,243,937	47,563,671	6,013,773,293	123,032,304	7,328	12,703
Manufactured Home	234	618	237	625	273,512	790,783	37,571,004	0	705	712
Residential	55,528	152,145	57,332	157,567	92,977,389	249,848,523	49,769,409,480	5,752,266,233	183,547	190,022
SUM:	58,279	159,697	61,576	169,622	107,494,838	298,202,977	55,820,753,777	5,875,298,537	191,580	203,437

## 8C. Maximum Liability Limits Filing - Update

No. 2017-5253

**Official Order**

*of the*

**Texas Commissioner of Insurance**

Date: OCT 16 2017

**Subject Considered:**

**Action on Proposed Adjustments to the Maximum Liability Limits Under Windstorm and Hail Insurance Policies Issued by the Texas Windstorm Insurance Association  
Docket No. 2802**

The commissioner of insurance considers the Texas Windstorm Insurance Association's (TWIA) proposal concerning adjustments to the maximum liability limits under TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2018, based on changes in the BOECKH Index, as required by Insurance Code §2210.502. TDI held a public hearing on the proposed adjustments on September 25, 2017.

Consideration has been given to TWIA's filing, the TDI staff analysis, all testimony presented at the hearing, and all other comments submitted in connection with the proposal. Further consideration has been given to the historical record and decisions by previous commissioners, to the extent relevant and appropriate. The commissioner adopts the following findings of fact and conclusions of law.

**FINDINGS OF FACT**

1. All statutory prerequisites have been met for the commissioner to consider and render an order on the TWIA proposal.
2. A staff analysis by TDI finds that the historical increases since 2004 in the TWIA policy maximum liability limits significantly exceeds the historical increases in the BOECKH index, as shown below:
  - (a) TWIA requests an increase of 0.9 percent, from \$1,773,000 to \$1,789,000, for a dwelling, including an individually owned townhouse unit, and the corporeal movable property located in or about the dwelling, and as

an extension of coverage, away from those premises, as provided under the policy. Had the historical increases tracked the BOECKH index since 2004, the maximum liability limit in 2017 would be \$607,000.

(b) TWIA requests an increase of 1.7 percent, from \$374,000 to \$380,000, for individually owned corporeal movable property located in an apartment unit, residential condominium unit, or townhouse unit that is occupied by the owner of that property, and as an extension of coverage, away from those premises, as provided under the policy. Had the historical increases tracked the BOECKH index since 2004, that maximum liability limit in 2017 would be \$219,000.

(c) TWIA requests an increase of 1.1 percent, from \$4,424,000 to \$4,474,000, for a commercial building and the corporeal movable property located in that structure, and as an extension of coverage, away from those premises, as provided under the policy. Had the historical increases tracked the BOECKH index since 2004, the maximum liability limit in 2017 would be \$2,675,000.

#### **CONCLUSIONS OF LAW**

1. The commissioner has jurisdiction over this matter under Insurance Code §2210.504.
2. TWIA's board of directors complied with all statutory prerequisites to proposing inflation adjustments to the maximum liability limits for its windstorm and hail insurance policies

Based on the above, the TWIA proposal to increase its current maximum limits of liability is denied for TWIA windstorm and hail insurance policies delivered, issued for delivery, or renewed on or after January 1, 2018.



Kent C. Sullivan  
Commissioner of Insurance

9. Internal Audit  
9A. Internal Audit Status Report

# MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association  
FROM: Bruce Zaret, Weaver - Internal Audit  
DATE: December 10, 2019  
SUBJECT: Status of Internal Audit Activities

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

➤ **Current Activities:**

Activity Description	Status
Payroll Audit	Report issued
Human Resources Audit	Report in review by process owner
Accounts Payable & Expense Processing Audit	Report drafting in process
Vendor Management Audit	Fieldwork complete – report drafting in process
Vendor Management Analytics Audit	Fieldwork in process
Business Continuity/Continuity of Operations	Fieldwork complete – report drafting in process
Accounts Receivable Audit	Fieldwork in final stages

➤ **Upcoming Audits:**

Activity Description	Timing
Claims Audit	First quarter 2020
Database and Application Administration	First quarter 2020
Underwriting	First/Second quarter 2020
Depopulation	First/Second quarter 2020

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

## Texas Windstorm Insurance Association Rolling Three-Year Internal Audit Plan (2019-2021)

2019	
Process Area	Risk Rating
Risk Assessment	N/A
Model Audit Rule (light)	N/A
Claims Processing	High
Database and Application Administration	High
Vendor Management	High
BCP/Continuity of Operations (COOP)	Moderate
Accounts Payable and Expense Processing	Moderate
Human Resources Administration	Low
Accounts Receivable <i>Including Agent Commissions</i>	Low
Payroll	Low

2020	
Process Area	Risk Rating
Model Audit Rule (light)	N/A
Information Security	High
Reinsurance	High
Disaster Recovery	High
Communications	High
Legal & Compliance	Moderate
Underwriting	Moderate
Depopulation	Moderate
Financial Close and Reporting	Moderate
Facilities and Services	Low

2021	
Process Area	Risk Rating
Model Audit Rule (light)	N/A
Risk Assessment	N/A
Application Development	Moderate
Information Technology Services	Moderate
Actuarial	Moderate
Executive Management, Management Planning & Reporting	Moderate
Taxes	Low
Cash Management	Low

10. Underwriting  
10A. Operational Review Update



## MEMORANDUM

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DATE: November 18, 2019  
TO: John Polak, General Manager  
FROM: Denise Larzalere, Vice President Underwriting  
RE: Update on Underwriting Operational Highlights

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### Third Quarter 2019 Highlights

- I. Service Results:
  - a. Underwriting continues to have 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 95% processed within 10 days. Over 80% of new business and renewals are processed within 1 day. See Attachment B containing monthly detail.
  - b. Quality Assurance results on underwriting decisions continue to exceed established goals.
  - c. Telephone service response time continues to meet and exceed expectations. Service quality scores have been in the meets expectations category. Service observation (listening to phone calls and scoring them) is now standard procedure and as an Association the departments are calibrating calls and have agreed upon service standards for telephone service.
  - d. Underwriting is operating below budget, largely due to managing headcount and the inspection budget.
  
- II. Underwriting Activities of Note:
  - a. TWIA Certificate of Compliance on Completed Improvements (WPI-8-Cs) status:
    - i. see Attachment A containing the numbers (totals and by quarter) since program inception;
    - ii. for the period of July 1, 2019 – September 30, 2019 we received 2,844 applications (WPI-3s);
    - iii. average turnaround time is three days;
    - iv. reroof is the number one reason (52% of certificates);



- v. two engineer firms represent approximately one third (33%) of all applications;
- vi. The Confirmation of Application review completed for applications (WPI-3s) received in the third quarter was sent to 88 engineers. No issues have been reported.
- vii. Underwriting continues to assist with telephone calls regarding WPI-8-C status and to upload certificates into Policy Center.

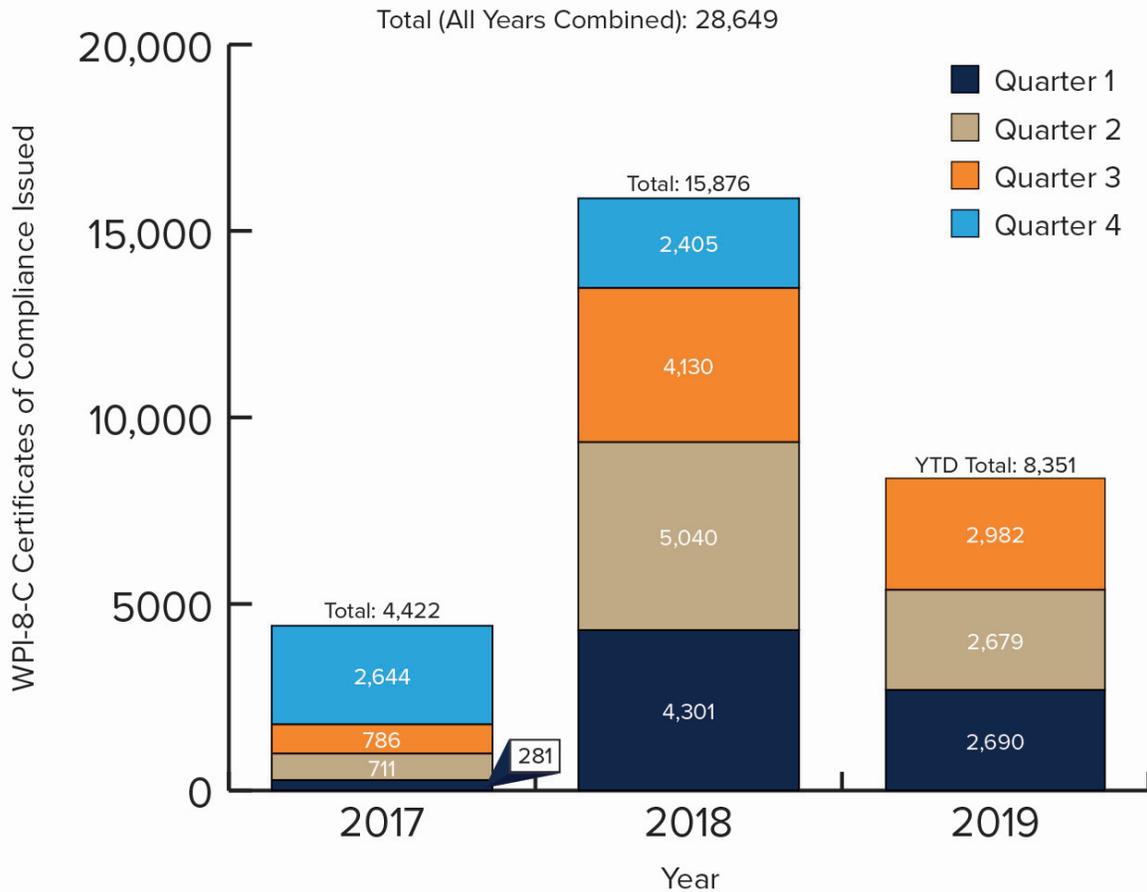
III. Agency Compliance Audits:

- a. Audits were performed on 20 agents (200 policies) in the third quarter to verify compliance with the declination of coverage and flood insurance requirements. None of the policies/properties selected for review required flood insurance.
  - i. All 20 agents (and 200 policies) were compliant with the requirement for proof of declination of coverage.
  - ii. We also reviewed the 190 policies that were auto-issued to confirm a copy of a WPI-8 had been provided where required. The review identified 16 policies requiring a WPI-8 that did not have the proper documentation uploaded by the agent. These have been referred to underwriting for research and follow-up.
- b. All 20 agents have an active property and casualty insurance license.



## Attachment A

### Windstorm Certificates of Compliance on Completed Improvements





## Attachment B

### Monthly transaction detail

Processing Times	2019												Year to Date
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
TWIA Res New Business (≤10 days)	97.4%	98.4%	96.7%	92.3%	100.0%	100.0%	100.0%	100.0%	99.8%	-	-	-	98.4%
		97.5%			97.6%			99.9%			-		
TWIA Res Renewals (≤10 days)	99.4%	99.9%	98.9%	97.0%	99.9%	100.0%	99.9%	100.0%	99.9%	-	-	-	99.4%
		99.4%			99.1%			99.9%			-		
TWIA Res Endorsements (≤10 days)	98.5%	99.9%	99.8%	99.8%	100.0%	99.9%	99.9%	99.9%	99.9%	-	-	-	99.8%
		99.4%			99.9%			99.9%			-		
TWIA Res Cancellations (≤5 days)	99.6%	99.4%	99.1%	99.1%	99.6%	99.8%	99.7%	99.7%	99.6%	-	-	-	99.6%
		99.4%			99.6%			99.7%			-		
TWIA Com New Business (≤10 days)	96.2%	100.0%	98.7%	97.8%	99.6%	97.0%	92.2%	99.5%	92.9%	-	-	-	96.9%
		98.2%			98.2%			94.7%			-		
TWIA Com Renewals (≤10 days)	99.8%	100.0%	99.8%	99.8%	99.7%	99.7%	97.1%	99.1%	93.7%	-	-	-	98.8%
		99.9%			99.8%			96.9%			-		
TWIA Com Endorsements (≤10 days)	100.0%	100.0%	99.6%	100.0%	100.0%	100.0%	97.2%	99.3%	98.3%	-	-	-	99.4%
		99.9%			100.0%			98.3%			-		
TWIA Com Cancellations (≤5 days)	97.8%	98.7%	97.4%	98.6%	98.5%	100.0%	100.0%	98.3%	100.0%	-	-	-	98.8%
		97.9%			99.2%			99.5%			-		

11. Claims  
11A. Claims Operations

# TWIA Claims Operations 2019

## Hurricane Harvey

Harvey Claims Storm Report	TWIA				
	082517 Harvey				
	TWIA Total	Commercial	Residential	Mobile Home	No Policy & Unverified
New Claims	76,689	2,671	68,514	342	5,162
Closed Claims	75,478	2,497	67,480	340	5,161
Open Inventory	1,211	174	1,034	2	1
% Closed	98.4%	93.5%	98.5%	99.4%	99.9%
Closed With Payment	47,234	1,532	45,442	260	-
% Closed With Payment	61.6%	57.4%	66.3%	76.0%	-
Closed Without Payment	28,244	965	22,038	80	5,161
% Closed Without Payment	36.8%	36.1%	32.2%	23.4%	99.9%
Open With Payment	1,084	151	931	2	-
% Open With Payment	1.4%	5.7%	1.4%	0.6%	-
Open Without Payment	127	23	103	-	1
% Open Without Payment	0.2%	0.9%	0.2%	-	0.02%
Paid Indemnity	\$ 1,294,359,325	\$ 374,733,208	\$ 915,735,895	\$ 3,890,222	\$ -
Paid Expense	\$ 139,760,310	\$ 23,312,189	\$ 115,887,581	\$ 557,855	\$ 2,685
Average Paid	\$ 26,804	\$ 222,658	\$ 19,760	\$ 14,848	-
Avg # Days - FNOL to Inspect	8.9	9.9	8.9	9.3	-
Avg # Days - Inspect to TWIA	6.8	12.3	6.6	6.6	-
Avg # Days - TWIA to Payment	39.1	53.7	38.5	36.8	-
Avg # Days - FNOL to Payment	50.7	73.2	50.1	52.4	-
TDI Claims Complaints	293	12	281	0	0
# TDI Complaints as a % of All Claims	0.382%	0.449%	0.410%	-	-

(1) Data current as of: 09/30/2019

(2) Data from daily claims system extracts

(3) Does not include IBNR

(4) Dates of Loss for Harvey: 08/25 - 09/01/2017

# Hurricane Harvey Disputed Claims

<b>TWIA - Harvey Disputed Claims</b>						
Dispute Frequency			Type of Dispute			
Total Claims	Disputed Claims	% of Disputed Claims	Appraisals	Notice of Intent	Suits	
76,689	4,253	5.55%	4,043	1,076	418	

<b>TWIA - Harvey Claims With Appraisal Invoked</b>						
Total	Open/Pending	Appraisal Complete	Appraisal Process Stopped			
Appraisals	Active Appraisals	Appraisal Award	Suspended by Policyholder	Settled with Supplement	Withdrawn	Ineligible
4,043	214	650	325	1,875	568	411
	5%	16%	8%	46%	14%	10%

<b>TWIA - Harvey Claims With Notice of Intent or Lawsuit</b>					
Total	Notices of Intent	Notices of Intent	Lawsuits	Lawsuits Resolved	
NoI / Suit	Received	Resolved	Received		
1,494	1,076	412	418	24	

\*data as of 09/30/2019

# 2019 TWIA Claims Operations

TWIA Claims - 2019 Results (year-to-date)					
Key Cycle Times (In days)	Industry Average, TX	TWIA	TWIA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	4.8	2.9	<3	-0.1	-3%
Inspect Property to Receipt by TWIA	3.5	2.4	<8	-5.6	-70%
Receipt by TWIA to Payment	N/A	4.2	<5	-0.8	-16%
Total Cycle Time FNOL to Payment	N/A	9.5	<16	-6.5	-41%
<b>TDI Complaint Ratio</b>					
2018	2.60% - 188 complaints from 7,242 new claims				
2019	0.60% - 33 complaints from 5,517 new claims				

Year	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Actual Volume	594	524	898	693	582	668	438	562	235	520	468	517	416	1,366	589	358	357	1,223
Actuarial Projected	2,464	2,543	5,391	396	297	287	296	562	296	390	316	502	2,493	2,564	266	274	272	262
Median Staffing	390	390	390	390	390	390	390	390	390	273	273	273	273	273	273	273	273	273
Open Inventory	4,250	4,360	4,234	3,809	3,657	3,264	3,264	2,834	2,474	2,182	1,999	2,034	1,962	2,250	2,004	1,806	1,791	2,405

## 2019 New Claim Volume

- Projected new claim volume was 7,636
- New claim volume was 5,517 or 2,119 (28%) lower than projected

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	5,517

TWIA Hurricane Events	
Hurricane	TWIA Claims
Rita - 2005	11,583
Dolly - 2008	8,374
Ike - 2008	93,046
Harvey 2017	76,689

### TWIA - 2019 Disputed Claims

Total Claims	Dispute Frequency		Type of Dispute		
	Disputed Claims	% of Disputed Claims	Appraisals	Notice of Intent	Suits
5,517	131	2.37%	120	14	1

### TWIA - 2019 Disputed Claims With Appraisal Invoked

Total	Open/Pending	Appraisal Complete	Appraisal Process Stopped			
HB3 Appraisals	Appraisal In Process	Appraisal Award	Suspended by Policyholder	Settled with Supplement	Withdrawn	Ineligible
120	1 1%	7 6%	21	70	14	7
			93%			

### TWIA - 2019 Claims With Notice of Intent or Lawsuit Served

Total Nol / Suit	Notices of Intent Received	Notices of Intent Resolved	Lawsuits Received	Lawsuits Resolved
15	14	2	1	1

- “Dispute Frequency” tracks number of HB3 claims and the number and percentage of all HB3 claims where the policyholder is disputing the claim disposition for any reason.
- A single disputed claim may have more than one “type of dispute.”

# Tropical Storm Imelda

Imelda Claims Storm Report	TWIA				
	Imelda				
	TWIA Total	Commercial	Residential	Mobile Home	No Policy & Unverified
New Claims	839	23	811	5	-
Closed Claims	82	0	82	0	-
Open Inventory	757	23	729	5	-
RCC	0	-	-	-	-
% Closed	9.8%	0.0%	10.1%	0.0%	-
Closed With Payment	24	-	24	-	-
% Closed With Payment	2.9%	-	3.0%	-	-
Closed Without Payment	58	-	58	-	-
% Closed Without Payment	6.9%	-	7.2%	-	-
Open With Payment	6	-	6	-	-
% Open With Payment	0.7%	-	0.7%	-	-
Open Without Payment	751	23	723	5	-
% Open Without Payment	89.5%	100.0%	89.2%	100.0%	-
Paid Indemnity	\$ 70,641	\$ -	\$ 70,641	\$ -	-
Paid Expense	\$ 43,371	\$ -	\$ 43,371	\$ -	-
Outstanding Indemnity	\$ 2,341,032	\$ 175,000	\$ 2,151,032	\$ 15,000	-
Outstanding Expense	\$ 469,000	\$ 55,000	\$ 411,250	\$ 2,750	-
Total Incurred	\$ 2,924,044	\$ 230,000	\$ 2,676,294	\$ 17,750	-
Average Paid	\$ 2,355	-	\$ 2,355	-	-
Avg # Days - FNOL to Inspect	2.9	1.6	3.0	1.1	-
Avg # Days - Inspect to TWIA	1.7	1.6	1.7	2.4	-
Avg # Days - TWIA to Payment	2.1	-	2.1	-	-
Avg # Days - FNOL to Payment	5.9	-	5.9	-	-
TDI Claims Complaints	0	0	0	0	0
# TDI Complaints as a % of All Claims	0.000%	0.000%	0.000%	-	-

(1) Data current as of: 09/30/2019

(2) Data from daily claims system extracts

(3) Does not include IBNR

(4) Dates of Loss for Imelda 09/17 - 09/22/2019

## 11B. Claims Litigation



## TWIA Litigation Tracking Activity

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### Litigation Quarter Summary Third Quarter 2019

3rd Quarter 2019	Summary of TWIA Claims In Suit					
	New		Settled		Closed	
	Pre-HB3	HB3	Pre-HB3	HB3	Pre-HB3	HB3
July	0	17	0	14	0	8
Aug	0	13	0	0	0	6
Sept	0	42	0	0	0	3
	<b>0</b>	<b>72</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>17</b>

3rd Quarter 2019	Summary of TWIA Claims With LORs					
	New		Settled		Closed	
	Pre-HB3	HB3	Pre-HB3	HB3	Pre-HB3	HB3
July	0	41	0	150	0	85
Aug	0	44	0	0	0	69
Sept	0	30	0	0	0	48
	<b>0</b>	<b>115</b>	<b>0</b>	<b>150</b>	<b>0</b>	<b>202</b>

\*LORs – Letters of Representation. A letter from an attorney advising that the attorney is representing the policyholder/claimant.



## TWIA Claims Litigation September 2019

Sep-19	TWIA Claims in Suit				
	Category	Beginning Inventory	New	Closed	Ending Inventory
	Pre-HB3	10	0	0	10
	HB3	400	42	(3)	439
	<b>TOTAL</b>	<b>410</b>	<b>42</b>	<b>(3)</b>	<b>449</b>

Sep-19	TWIA Claims with LORs					
	Category	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
	Pre-HB3	0	0	0	0	0
	HB3	503	30	(48)	(33)	452
	<b>TOTAL</b>	<b>503</b>	<b>30</b>	<b>(48)</b>	<b>(33)</b>	<b>452</b>

Sep-19	TWIA Claims with Suits/LORs: Detail of Ending Inventory											
	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
		Suits		LORs		Total	Suits		LORs		Total	
		Res.	Comm.	Res.	Comm.		Res.	Comm.	Res.	Comm.		
	Pre-HB3	2	8	0	0	10	0	0	0	0	0	10
HB3	382	47	301	48	778	4	6	88	15	113	891	
<b>TOTAL</b>	<b>384</b>	<b>55</b>	<b>301</b>	<b>48</b>	<b>788</b>	<b>4</b>	<b>6</b>	<b>88</b>	<b>15</b>	<b>113</b>	<b>901</b>	



Sep-19	TWIA Active Pre-HB3 Claims w/ Suits/LORs: Breakdown by Firm and County						
	Firm	Brazoria	Chambers	Galveston	Jefferson	Nueces	Total
	Buzbee		3	5			8
	Hodge Law Firm			1			1
	Mostyn				1		1
	TOTAL	0	3	6	1	0	10

Sep-19	TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	#
	Daly & Black	304
	Scott Law	78
	Furlow Law Firm	50
	Baker Law	31
	Carrigan & Anderson	27
	Brent Coon & Associates	19
	Hodge Law Firm	14
	Lindsay, Lindsay & Parsons	11
	Rocky Lawdermilk	10
	Crowell & Kucera	10
	Lee Murphy Law	9
	Remaining 105 firms	215
	TOTAL	778

Sep-19	TWIA Active HB3 Claims with Suits/LORs: Breakdown by County												
	Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Matagorda	Nueces	Refugio	San Patricio	Grand Total
	97	23	12	3	3	99	11	232	4	224	8	62	778

12. TWIA Operations  
12A. IT Systems Update



## MEMORANDUM

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DATE: December 9, 2019  
TO: John Polak, General Manager  
FROM: Camron Malik, CIO / VP IT  
RE: Information Technology status

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The TWIA program (Elevate) was put on hold due to the organizational focus on the legislative mandated changes. The expectation is to restart the effort in Q1 2020. Once the Elevate changes are deployed we expect to see improvements in maintenance costs and improved resource flexibility as we move off disparate legacy systems to a single instance platform based on common hardware and core applications. We project a reduction in IT operational expenses of approximately \$5.2 M on an ongoing basis.

The program to implement the legislatively mandated changes for TWIA is underway with deliverables spread over the next year.

The Marshall & Swift/Boeckh (MSB) project deployed on schedule and the Surcharge for Bonds Association surcharge project was deployed on November 20th.

The TFPA implementation is now in production support mode with policies successfully migrating off the legacy CGI platform on to the new Guidewire system daily. The migration is expected to be complete in summer 2020. IT operating expenses are coming down as predicted. Operating expenses in 2017 were \$10,102,996. In 2018 they were \$6,428,897. In 2019 the expenses, as of end of September, are \$3,373,336. The 2020 expenses are projected to be \$3,581,166.

The production support and infrastructure for both TWIA and TFPA are fully supported by the IT teams and all commitments are on track.

# Brief history of TWIA Program (Elevate)

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- **December 2017**
  - Moved program out to mid-2020 on roadmap due to organizational focus on Harvey
- **December 2018**
  - Presented TWIA program benefits and initial estimates (without Inception when requirements are identified)
- **February 2019**
  - Board updated on progress. Inception scheduled to start February 2019
- **May 2019**
  - Board updated on progress and major capabilities to be supported
    - Installment billing
    - Credit Card support
    - New self-service portal for Agents
    - New self-service portal for Policyholders
- **August 2019**
  - Board updated on progress. Concluded Inception. Set to start Elaboration phase. Program named **Elevate**
  - Impact of Legislatively mandated changes to organization assessed and Elevate put on hold
- **December 2019**
  - Board update on plans and inception-based sizing

# Benefits of TWIA Program (Elevate)

- **Reduced Operational Expenses**
  - Conservatively ~28% compared to 2018 IT budget considering people, consulting
  - Potentially allows more to be contributed to the CRTF
- **New self-service portal for policyholders**
  - Improved service for policyholders, including installments (>2-pay), self-pay
- **New portal for agents**
  - Improved service for agents, including renewals and legacy portal must be retired
- **Reduced training overhead**
  - Single interface to applications, similar workflows
- **Better service to policyholders and agents**
  - Process efficiency within business. e.g. single/similar processes
  - E.g. Eliminate customer IT issues with rendering documents (Farm Bureau and others)
- **Reduced recurring upgrade costs**
  - Single upgrade covers both associations
  - TWIA Policy Center, Billing Center now in extended support period with additional costs.
- **Easier and more efficient move to the cloud (additional savings in future)**
  - Guidewire intends future capabilities to be available only in the cloud

# Elevate Estimated IT Project Costs\*

**Estimated Program Cost:** \$15,292,330  
**Incurred to date:** \$ 1,562,907  
**Remaining:** \$13,729,423

Projects	Estimated Costs
Portals - CE	\$288,449
Portals - PE	\$1,847,400
Claims Center	\$676,732
Data Migration	\$1,197,652
Policy Center	\$5,237,145
Billing Center	\$2,528,491
EDW	\$2,366,462
<b>Project Total</b>	<b>\$14,142,330</b>
<b>Program Costs</b>	<b>\$1,150,000</b>
<b>TOTAL</b>	<b>\$15,292,330</b>

\*Assuming time bounded and feature bounded program to contain costs

# Elevate IT Operational Cost Savings Projection

	2018 Actual Expenses	Expenses after Elevate	Difference
IT Expenses	\$18,439,522	\$13,198,522	<b>(\$5,241,000)</b>
Headcount	66	54	<b>(12)</b>

IT expense savings from headcount reduction (contractors), services, misc licenses and consulting savings

Based on the 2018 actual of \$18,439,522 it would conservatively be a ~28% savings (\$5,241,000) and equates to a yearly budget of ~\$13,198,522.

Considering hardware, 2X upgrades (TWIA, TFPA) and other expenses there are opportunities for more long-term savings

- Hardware – Reduced size and number of stacks, future hardware upgrades, etc. due to single instance

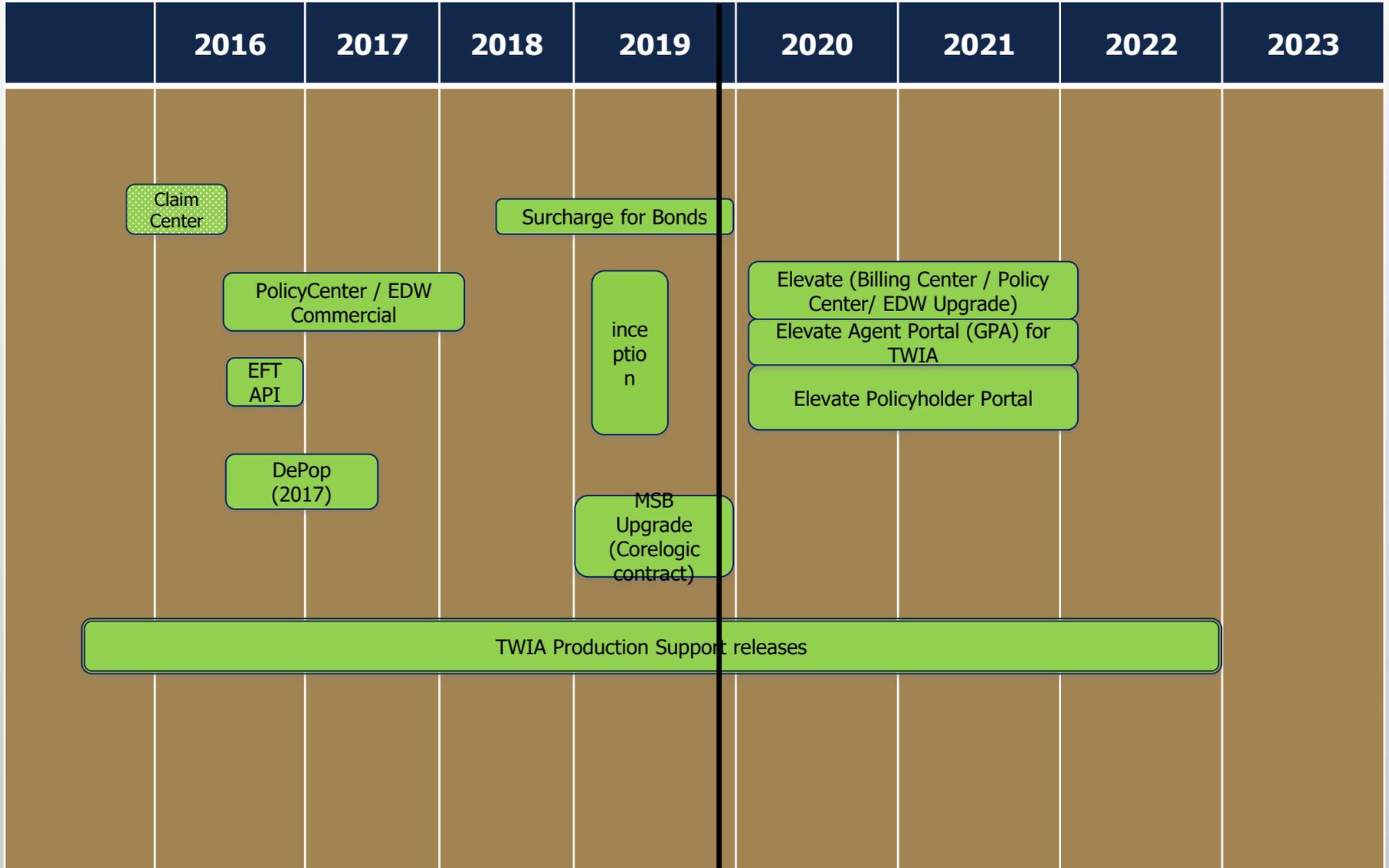
- IT Ops – Reduced maintenance effort

- Consulting – additional savings from single change for 2 systems

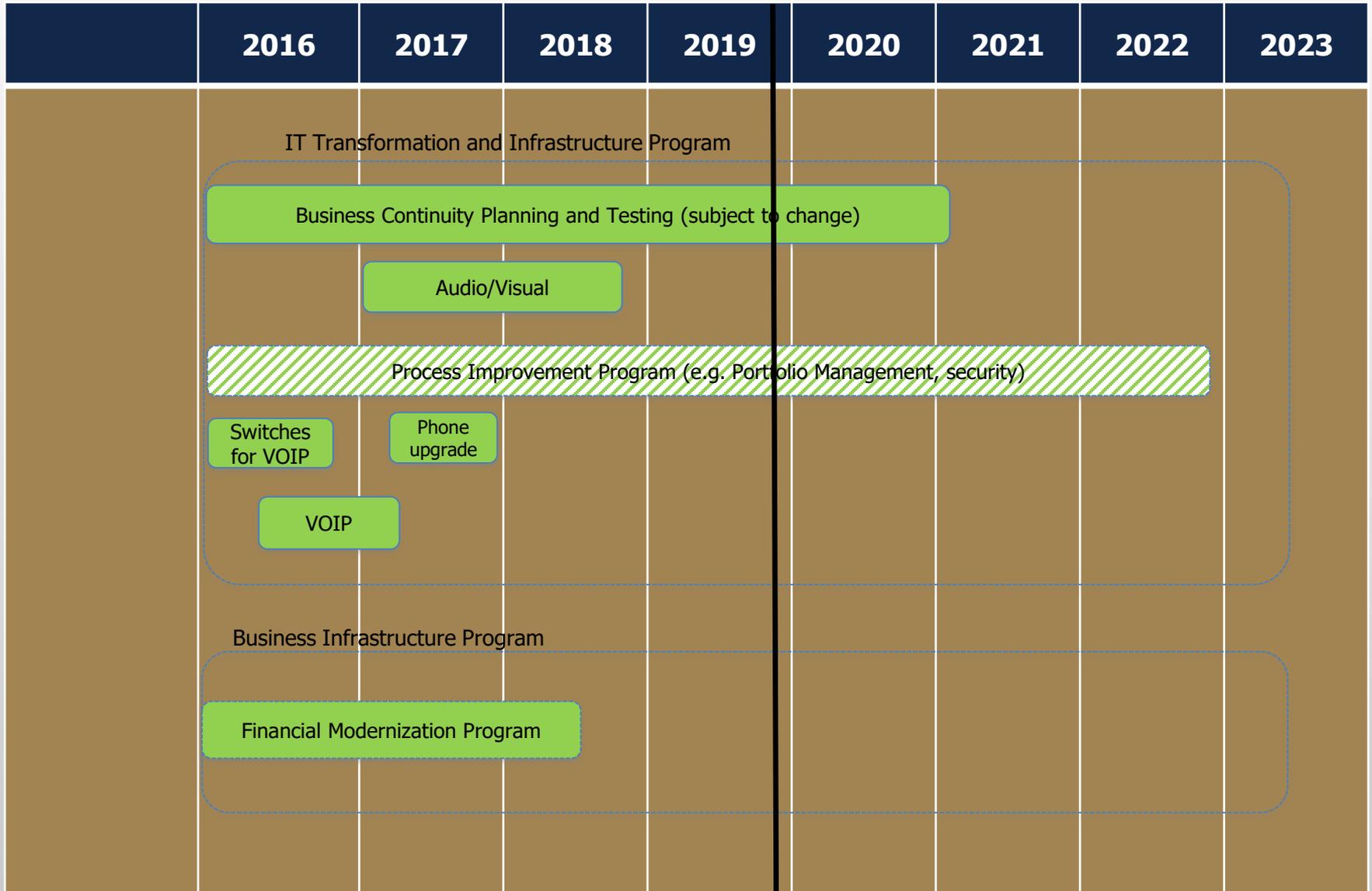
# Elevate IT Cost – Benefit Analysis

	Year 0 and 1 (Cost)/Benefit	Year 2 (Cost)/Benefit	Year 3 (Cost)/Benefit	Year 4 (Cost)/Benefit	Year 5 (Cost)/Benefit	Total Project (Cost)/Benefit
<b>Costs</b>						
IT implementation Costs	(\$15,292,330)	0	0	0	0	(\$15,292,330)
<b>Totals</b>	<b>(\$15,292,330)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(\$15,292,330)</b>
<b>Benefits</b>						
IT Expense reduction		\$5,241,000	\$5,241,000	\$5,241,000	\$5,241,000	
<b>Totals</b>		<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$20,964,000</b>
Annual (Cost) / Benefit	<b>(\$15,292,330)</b>	<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$5,241,000</b>	<b>\$5,671,670</b>
Total Project (Cost)/Benefit	<b>(\$15,292,330)</b>	<b>(\$10,051,330)</b>	<b>(\$4,810,330)</b>	<b>\$430,670</b>	<b>\$5,671,670</b>	

# TWIA IT Roadmap Projects



# TWIA IT Infrastructure Projects



## 12B. Depopulation

There is no exhibit for this topic

## 12C. Communications Update



## MEMORANDUM

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DATE: November 19, 2019  
TO: TWIA Board of Directors  
FROM: Jennifer Armstrong, Vice President, Communications & Legislative Affairs  
RE: Communications & Legislative Affairs Operational Highlights

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### **I. Legislative & Regulatory Affairs**

- a) In Q3 2019, we maintained regular contact with state legislators and regulatory officials, providing information on the TWIA Board and Committee meetings scheduled during the quarter and providing operational updates on the status of the implementation of legislative changes and TDI rules related to the legislative changes:
  - i. At the end of July 2019, we held a Board meeting materials briefing for interested legislative staff in advance of the August 6 Board meeting;
  - ii. We provided an overview on TWIA history and operations for Rep. Ed Thompson's new chief of staff;
  - iii. We met with our staff contact with the Senate Business & Commerce Committee to discuss the status of the implementation of legislative changes and to answer questions about TWIA Board appointments;
- b) From July 1 through September 30, 2019, we received and responded to 22 legislative, 9 regulatory (TDI and OPIC), and 5 coastal and industry stakeholder inquiries (agents and ICT).
- c) We continue to provide recurring claims and operational email updates to the Board, TDI and Legislative staff.

### **II. Legislative Implementation Planning**

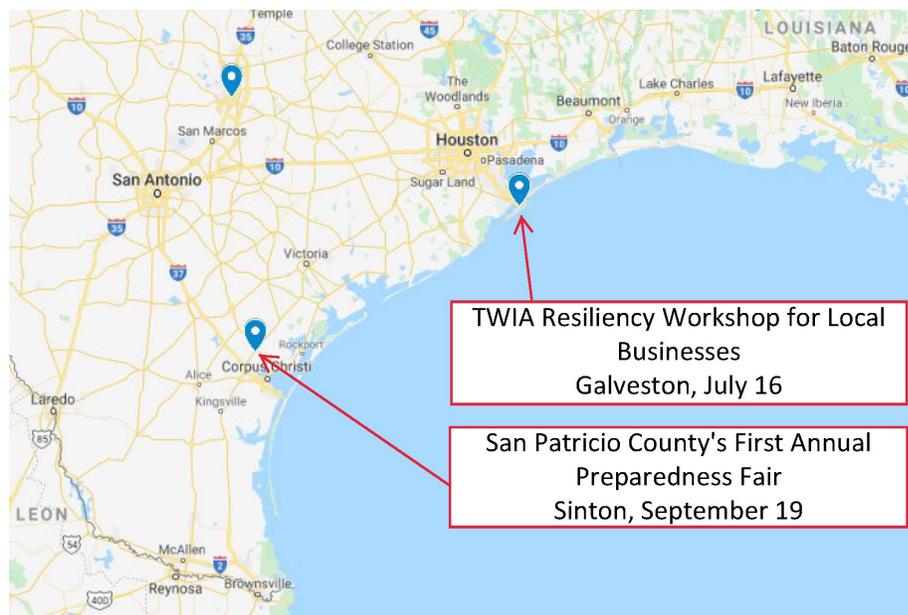
- a) The Legislative Implementation Program to operationalize the bill provisions from the 86<sup>th</sup> legislative session is our highest priority. The Program's project teams have met regularly since the end of the legislative session to ensure a smooth and successful integration of legislative changes into our daily operations and systems, while maintaining compliance with the effective dates of the bill provisions. Our efforts in Q3 2019 included:
  - i. A formalized Legislative Implementation Program team with roles and responsibilities defined by Association leadership and program managers.
  - ii. Development of a change management strategy for initiating communications to and training for stakeholders who will be impacted by the legislative changes.
  - iii. Facilitation of meetings between Association leadership and TDI to discuss plans for implementing the legislative changes into the Association's operations.



- Staff met with TDI three times between July and August 2019 to discuss our plans to operationalize the various legislative changes and ensure alignment with TDI rules.
- iv. Identification of policy form changes requiring TDI review and approval and working with the Legal & Compliance department to ensure timely filings beginning in August 2019.
- v. Recurring legislative implementation updates via email to the TWIA Board, employees, agents, and our legislative contacts to inform them of upcoming legislative changes and those changes that have already gone into effect.

### III. Hurricane Preparedness & Coastal Outreach

- a) The 2019 Hurricane Preparedness and Outreach Campaign is nearing its end. During Q3 2019, we participated in two outreach events.



- b) In July 2019, we hosted the first TWIA Resiliency Workshop for Local Businesses in Galveston, Texas. Geared toward commercial policyholders, the workshop provided actionable information on how businesses can be better prepared for a storm and what they can expect from the claims process.
- i. The event resulted in TWIA being invited to collaborate with and present to additional commercial clients and community business leaders.
- c) We created the 2019 Hurricane Preparedness Teacher Toolkit, which helps educators teach their students about hurricanes and how to prepare for them. To coincide with the peak of hurricane season in August 2019, we mailed 3,140 toolkits to schools in our coverage area.



#### **IV. Media Relations**

- a) We have finalized and are implementing an updated media relations strategy to cover the remainder of 2019 through to the end of 2020, which focuses on more proactive and productive media engagement. This includes a more robust use of communications plans, strategic messaging, and media alerts, allowing for more timely and effective messaging to our stakeholders across communications channels.
- b) Media coverage of TWIA was on average 53% positive or neutral in Q3 2019, which is significantly lower than in the previous quarter. 66% of the coverage in Q3 2019 was on the topic of rates, and almost all negative coverage during this period was related to this issue.
- c) We developed media outreach plans to quickly communicate activities relating to rates and the outcome of the Board's decision on an annual rate filing at the August 6 Board meeting, including four media alerts or media statements on this topic. As a result, most media outlets included TWIA messaging on this issue in their coverage, mitigating the level of negative coverage, and less effort was required to request corrections after publication.
- d) TWIA responded to 13 media inquiries in Q3 2019, which were primarily focused on the Association rate adequacy analysis and the Board's consideration of TWIA's annual rate filing at the August meeting.
- e) In July, the United Corpus Christi Chamber of Commerce and local Nueces County elected officials held a press conference to advocate against a TWIA rate increase at the August 6 Board meeting. The announcement of the event from the Chamber stated that TWIA "plan(s) to raise rates by 10 percent on policyholders." Immediately before the event, we issued a statement to Corpus Christi-area media and the Corpus Christi Chamber clarifying that a proposed amount for the annual rate filing had not been determined. During the press conference, speakers modified their remarks to exclude a supposed "plan" by the Association for a 10 percent rate increase and most of the media coverage of the event included TWIA messaging.

#### **V. Agent Advisory Group (AAG)**

- a) Highlights from the July and October meetings of the Agent Advisory Group are included as a separate exhibit in this section.



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## MEMORANDUM

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DATE: December 4, 2019

TO: TWIA Board of Directors

FROM: Jennifer Armstrong, Vice President, Communications & Legislative Affairs

RE: Agent Advisory Group Meeting Highlights

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### ***July AAG Meeting Highlights***

At the August 6 meeting, Board members requested information on highlights of the most recent meeting of the Agent Advisory Group (AAG). We utilize the AAG's insights and recommendations to implement positive changes within the Association. The group continues to express their appreciation for and value these touch points.

In addition to routine updates regarding outreach events, 2019 hurricane season funding, and Underwriting updates, the notable items of discussion were the Bond Surcharge Project and our Legislative Implementation Program:

- At the April Board meeting, we reported the status of the Association's bond surcharge project to assemble and implement the technical requirements to bill and collect policyholder surcharges, should they be needed in the future. We introduced the bond surcharge project to the AAG at the July meeting, explaining that statute provides for policyholder surcharges to repay issued Class 1, 2, or 3 public securities if premiums and other revenues are not sufficient. We provided a high-level overview of the requirements and milestones for collecting a surcharge from policyholders. This was a first step in familiarizing key stakeholders with a complex and fraught subject matter, and the group was concerned and inquisitive. The main message received and given was that we intend to utilize the AAG as a crucial avenue for vetting our messaging to ensure clarity and readability in the event surcharges ever need to be collected.
- You will recall that one of the recommendations included in TWIA's Biennial Report to the 86th Texas Legislature suggested a reasonable cap on policyholder surcharges, if needed for the issuance of public securities, and the consideration of adopting



additional non-premium, non-reinsurance hurricane loss funding mechanisms to support this cap. While this recommendation did not get picked up in any legislation introduced this past session, the Legislature included a provision in House Bill 1900 which directs a study of TWIA's funding and funding structure for the purpose of making recommendations to support TWIA's financial sustainability.

- The group received an overview of the legislative changes impacting TWIA from the recent session of the Legislature, including the effective dates of changes and our implementation plans. The AAG are extremely interested in remaining well-informed about updates to our processes as a result of the legislative changes, and we plan to provide regular opportunities to incorporate the group's input.

#### ***October AAG Meeting Highlights***

The 4th quarter AAG meeting was held October 1, focusing on the status of our legislative implementation program and those changes impacting agents that have recently or will soon be operationalized. We also provided routine operational updates on Underwriting Department projects and programs and the depopulation program.

- In response to their request from the last AAG meeting, we provided drafts of the planned communications that will be sent in the event we need to collect policyholder surcharges. The AAG provided positive feedback about the communications. They, additionally, suggested we proactively reach out to key stakeholders to discuss the bond surcharge project, especially the Legislature, to ensure a full understanding of the issue. We intend to pursue this effort as part of our legislative outreach and education efforts during the interim session.
- We provided the AAG with an update on the status of the implementation of the legislative changes from the 86<sup>th</sup> Legislative session, including how we plan to operationalize the new TWIA policy renewal process and the new endorsements that would be introduced as part of the process to determine replacement cost coverage at policy issuance. These two changes will most significantly impact agents' workflows related to the policy issuance process, and the AAG communicated they anticipate more work as they transition to the new policy renewal process.

## 12D. Review and Approval of 2020 Budget

**Texas Windstorm Insurance Association  
Management’s Discussion and Analysis of the  
Proposed Annual Budget  
for the year ended December 31, 2020**

The proposed annual budget for the year 2020 for the Texas Windstorm Insurance Association (the “2020 Budget”) is provided in the attached Exhibit A. A summary of the key assumptions and projected results is provided below.

**Policy Count:** The 2020 Budget reflects the key assumption that the number of policies in force will continue to decline in 2020, although at a lesser rate than experienced in 2019. Table 1 below shows the actual and projected policy count for 2017 through 2020. TWIA staff assumes that 2,000 policies will be transferred in June 2020 in connection with the Assumption/Reinsurance Depopulation Program.

**Table 1  
Policy Count - Actual and Budgeted  
2017 -2020**

	<b>Policy Count</b>	<b>% Change from Beginning of Period</b>
<b>12/31/17 Actual</b>	<b>227,012</b>	<b>-10.7%</b>
Attritional Policies Decline in 2018	(23,162)	-10.2%
Policies Novated via Depop Assumption	(1,642)	-0.7%
<b>12/31/18 Actual</b>	<b>202,208</b>	<b>-10.9%</b>
Attritional Policies Decline in 2019	(13,008)	-6.4%
Policies Novated via Depop Assumption	(2,093)	-1.0%
<b>12/31/19 Forecast</b>	<b>187,107</b>	<b>-7.5%</b>
Attritional Policies Decline in 2020	(8,407)	-4.5%
Policies Novated via Depop Assumption	(2,000)	-1.1%
<b>12/31/20 Budget</b>	<b>176,700</b>	<b>-5.6%</b>

**Rate Increases:** The 2020 budget does not assume any rate increase over the rate levels currently in effect at November 1, 2019.

**Direct Written and Earned Premium:** Based on the assumptions regarding rate and policy count, the 2020 Budget has Direct Written Premium at \$348.6 million, which reflects a \$23.9 million reduction (6.4%) from the forecasted 2019 Direct Written Premium of \$372.4 million. As a result, Earned Premium is also projected to decline, although on a lagged basis. Direct Earned Premium is budgeted at \$357.7 million in 2020 compared with \$381.7 million in 2019, a decline of \$23.9 million (6.3%). Table 2 includes information on actual and budgeted annual written and earned premium and policy counts from 2011 through 2020.

**Table 2**  
**Actual and Projected Written and Earned Premium, Policy Count and Metrics**  
**2011-2020**

Description	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Budget
<b>Premium Values:</b>										
Written Premium	403,748,164	443,479,702	472,739,475	494,036,010	503,824,316	487,353,537	423,074,137	395,556,176	372,437,267	348,586,525
Earned Premium	384,999,925	429,594,449	456,629,705	484,048,868	501,721,843	496,456,941	451,347,129	409,954,258	381,657,241	357,748,000
Policy Count - End of Year	255,945	266,726	270,814	275,626	272,219	254,346	227,012	202,208	187,107	176,700
<b>Premium Metrics:</b>										
Written Premium % Change	4.7%	9.8%	6.6%	4.5%	2.0%	-3.3%	-13.2%	-6.5%	-5.8%	-6.4%
Earned Premium % Change	0.4%	11.6%	6.3%	6.0%	3.7%	-1.0%	-9.1%	-9.2%	-6.9%	-6.3%
Annualized Rate Change	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	0.0%	5.0%	0.0%	0.0%
Policy Count % Change	5.5%	4.2%	1.5%	1.8%	-1.2%	-6.6%	-10.7%	-10.9%	-7.5%	-5.6%

**Reinsurance Costs:** Reinsurance costs are projected to equal \$93.1 million in 2020 based on a projected attachment point of \$2.22 billion and a total limit purchased of \$1.88 billion (subject to the Board’s final determination). This compares to the \$90.2 million spent in 2019. While the aggregate reinsurance purchased is reduced from \$2.1 billion to \$1.88 billion based on declining exposure and an increase in the CRTF, ceded premium is projected to increase based on an assumed increase in the rate on line (premium/limit) from 4.3% to 4.95% for the overall program. The 2020 Budgeted reinsurance expense does not reflect any assumptions regarding the future Board determination of the 1:100 aggregate loss threshold definition for purposes of assessing member companies for the portion above the threshold.

**Ceded Depop Premium:** The 2020 Budget assumes that 2,000 policies are ceded to participating carriers at December 1, 2019 and ultimately transferred to participating carriers on June 1. The overall impact of the depop program on revenues in 2020 is a reduction in earned premium of \$1.7 million and a transfer of unearned premium of approximately \$3.9 million.

**Net Earned Premium:** Based on the projected decline in written premium, the impact of ceded reinsurance costs and the depop program, Net Earned Premium is budgeted to decline to \$262.9 million in 2020, down \$26.8 million (9.2%) from the \$289.7 million projected earned premium in 2019.

**Loss and Loss Adjustment Expense Incurred:** The 2020 Budget includes loss and loss adjustment expense assumptions for non-hurricane (so-called attritional) losses. The projected 2020 annual loss ratio is set at 17.3%. The estimated ultimate loss provision for Hurricane Harvey is assumed to remain adequate at \$1.7 billion. As has been the practice, no provision is made for any hurricane losses in the 2020 Budget.

**Operating Expenses:** The 2020 Budget projects Operating Expenses, net of loss adjustment expense and investment expense at \$34.4 million. This amount reflects a \$3.5 million increase over forecasted 2019 expenses, largely driven by the commencement of Project ELEVATE (the implementation of the Guidewire system) and other expenses associated with projects that were mandated by the recent Legislative session. Net Operating Expenses are projected based on input from each department head. Executive management provided guidance with respect to certain assumptions to be used, including any staff additions and annual merit increases.

A summary of the major components of Gross Operating Expenses is provided below in Table 3.

**Table 3**  
**Gross Operating Expenses by Category**

Description	for the 12 months ended December 31,		
	Forecast-19	Budget-20	B2020 vs F2019
Personnel Costs	30,641	26,312	(4,329)
Professional Services	9,957	11,541	1,584
HW/SW & Licensing	3,217	3,273	56
Rental & Maintenance	1,386	1,368	(18)
Travel Expenses	259	335	77
Postage, Tele & Express	940	1,145	205
Capital Mgt Expenses	1,665	24	(1,641)
Other Operating Exp	1,199	1,192	(7)
<b>Gross Operating Expenses</b>	<b>49,263</b>	<b>45,190</b>	<b>(4,073)</b>
Capitalization of Fixed Assets	0	0	0
Reimbursement of Depopulation Servicing Expenses	(117)	(117)	0
Allocation To ULAE	(16,389)	(10,660)	5,728
Allocation To Investing	(1,852)	(24)	1,828
<b>Net Operating Expense</b>	<b>30,905</b>	<b>34,389</b>	<b>3,484</b>

Key assumptions and factors underlying the budgeted operating expenses are as follows:

*Personnel Costs:* The 2020 Budget anticipates a \$4.3 million reduction in total personnel costs, bringing the total personnel costs to \$26.3 million, compared to \$30.6 million for 2019. The 2020 Budget assumes a 2.5% overall merit increase for 2020. The overall salary level reflects the anticipated replacement of several vacant budgeted positions in the 4<sup>th</sup> quarter of 2019 and in early 2020.

The 2020 Budget reflects a substantial reduction in 2019 and 2020 in contractors and temporary employees that have been involved with Hurricane Harvey claims handling. Total permanent and temporary staff (including the staff whose cost is allocated to TFPA) is projected to decline from 280 at year end 2019 to 266 at year end 2020. Approximately 61% of the total salaries is allocated to TWIA, with the balance allocated to TFPA. The Association continues to try to effectively and economically balance the need of permanent staff versus the utilization of contractors and temporary help.

**Table 4**  
**Staffing Detail**  
**Permanent Employees, Contractors & Temporary**

	<b>Forecast</b>	<b>2019</b>	<b>Change</b>	<b>Forecast</b>	<b>2020</b>	<b>Change</b>
	<b>12/31/2019</b>	<b>Budget</b>	<b>Increase/(decrease)</b>	<b>12/31/2019</b>	<b>Budget</b>	<b>Increase/(decrease)</b>
CLAIMS	78	95	(17)	78	66	(12)
IT	65	68	(3)	65	65	0
UNDERWRITING	64	69	(5)	64	62	(2)
COMMUNICATIONS/LEGISLATIVE AFFAIRS	11	11	0	11	10	(1)
LEGAL/COMPLIANCE	7	6	1	7	7	0
ACTUARY	2	2	0	2	2	0
ACCOUNTING	22	23	(1)	22	23	1
EXECUTIVE	4	3	1	4	4	0
HR	8	8	0	8	8	0
OPERATIONS	19	20	(1)	19	19	0
CORPORATE	0	0	0	0	0	0
INTERNAL AUDIT	0	0	0	0	0	0
<b>Total</b>	<b>280</b>	<b>305</b>	<b>(25)</b>	<b>280</b>	<b>266</b>	<b>(14)</b>

**Table 5**  
**Staffing Detail**  
**Permanent Employees**

	<b>Forecast</b>	<b>2019</b>	<b>Variance</b>	<b>Forecast</b>	<b>2020</b>	<b>Variance</b>
	<b>12/31/2019</b>	<b>Budget</b>	<b>Over/(Under)</b>	<b>12/31/2019</b>	<b>Budget</b>	<b>Over/(Under)</b>
CLAIMS	49	52	(3)	49	49	0
IT	49	52	(3)	49	51	2
UNDERWRITING	62	68	(6)	62	61	(1)
COMMUNICATIONS/LEGISLATIVE AFFAIRS	10	10	0	10	10	0
LEGAL/COMPLIANCE	6	6	0	6	7	1
ACTUARY	2	2	0	2	2	0
ACCOUNTING	21	21	0	21	22	1
EXECUTIVE	4	3	1	4	4	0
HR	8	8	0	8	8	0
OPERATIONS	18	20	(2)	18	19	1
CORPORATE	0	0	0	0	0	0
INTERNAL AUDIT	0	0	0	0	0	0
<b>Total</b>	<b>229</b>	<b>242</b>	<b>(13)</b>	<b>229</b>	<b>233</b>	<b>4</b>

*Professional Services:* The 2020 Budget assumes that total Professional Services costs increase by \$1.5 million from \$10.0 million to \$11.5 million. Professional Services includes outside legal fees, underwriting surveys and inspections, outside auditors, disaster recovery vendors, claims consultants and Expert Panel Costs. This increase is largely attributable to the costs associated with the Guidewire implementation and additional actuarial consulting services, offset by reductions in underwriting surveys and inspections and other vendor expenditures.

**Table 6**  
**Professional Services**

Description	for the 12 months ended December 31,		
	Forecast-19	Budget-20	Bud 2020 vs Frcst 2019
<b>ALL DEPARTMENTS TOTAL</b>			
Other Services	3,601,772	3,708,647	106,875
Information Technology	3,411,283	5,057,218	1,645,935
Surveys & Inspections	1,588,498	1,525,600	(62,898)
Legal	632,816	610,358	(22,458)
Audit & Accounting	376,496	271,905	(104,591)
Disaster Recovery Services	231,068	156,998	(74,071)
Omsbudsman Program	132,297	114,000	(18,297)
Actuarial Services	(17,319)	95,802	113,121
Total Professional Services	9,956,912	11,540,528	1,583,616

Within the Professional Services expense category, Other Services includes our outside call center, MSB licenses, Eagleview aerial photo services and Expert Panel costs.

**Commission Expense:** The 2020 Budget applies the current commission rates (16.0%) and premium tax rates (2%) to the budgeted level of Direct Written Premium. As a result, commission expense declines to \$55.8 million in 2020 from the forecast 2019 level of \$59.6 million, a decrease of \$3.8 million. Premium tax declines to \$6.9 million in the 2020 budget from \$7.2 million in 2019.

**Other Income (Expense):** Other income for the 2020 Budget includes \$90 million in member assessment revenues associated with the 2019 increase in Hurricane Harvey estimated losses. In addition, the category includes interest expense of \$24.1 million on the Series 2014 bonds and fees and expenses in connection with the anticipated renewal of the \$500 million line of credit. Gross investment income, net of investment expenses in 2020 is forecasted at \$4.7 million based on projected cash balances and yields.

**Net Income:** The 2020 budget assumptions result in net income before the CRTF contribution of \$178.0 million, including the benefit of \$90 million in member assessment income. Excluding the member assessment, net income is projected to equal \$88.0 million.

**CRTF Contribution:** Based on 2019 projected financial results, TWIA projects a \$99.7 million contribution in Q1 2020 to the CRTF, bringing the balance to \$229.5 million by year end 2020. Based on the 2020 Budget, TWIA would accrue a \$41.1 million liability for the annual CRTF contribution in 2020, which would be funded in early 2021.

**Surplus/(Deficit):** The projected deficit at December 31, 2019 is \$321.6 million. Based on net income of \$178.0 million and an accrual of the CRTF contribution of \$41.1 million, the deficit is projected to decrease to \$184.7 million at December 31, 2020.

**Texas Windstorm Insurance Association  
Proposed Annual Budget  
for the year ended December 31, 2020  
Key Assumptions and Results**

The 2020 Budget was developed based on the following key assumptions:

1. Policy Count.
  - a. Forecasted December 31, 2019 Policies in Force: 187,107
  - b. Budgeted December 31, 2020 Policies in Force: 176,700
  - c. Annual decline (including Depop reduction) 5.6% or (10,407)
  - d. Policies transferred through Depopulation Program at 6/1/20 2,000
2. Rate increase
  - a. The 2020 Budget assumes no rate increase throughout the year
3. Exposure Growth
  - a. TIV is budgeted to decline from \$54.6 billion to \$51.6 billion
4. Direct Written and Earned Premium
  - a. Direct written premium is budgeted at: \$348.6 million
  - b. Direct earned premium is budgeted at: \$357.7 million
5. Reinsurance
  - a. The net cost of reinsurance is budgeted at: \$90.7 million
6. Losses
  - a. The 2020 budget assumes no hurricanes in 2020. The 2020 budget assumes the estimated ultimate loss from Hurricane Harvey remains at \$1.7 billion.
  - b. Losses are projected based on expected attritional loss ratios by month.
    - i. Direct loss ratio is assumed to equal 7.5% for January and February; 9% in March; 73% in April and May; and 5% for June through December of 2020.
  - c. Total incurred losses for 2020 are budgeted at \$61.9 million
7. Operating Expenses
  - a. Budgeted gross operating expenses are: \$45.2 million
  - b. Budgeted net operating expenses are \$34.4 million
  - c. The Budget assumes a 2.5% overall merit increase in 2020
  - d. Budgeted ULAE expenses: \$10.7 million
8. Commissions and Taxes
  - a. Commissions are budgeted at 16% on new and renewal policy premiums.
  - b. Premium tax rates are budgeted at 1.97% of direct written premium.
9. Other Income/Expenses
  - a. Budgeted investment income is based on an assumed investment yield of 1.40%
  - b. Interest expenses include interest on the outstanding 2014 bonds and line of credit Fees based on the current terms of the \$500.0 million line of credit with JP Morgan Chase and Bank of America. Commitment fees on unused balances equal 40 bps.
  - c. The 2020 budget assumes the approval of a \$90 million member assessment related to the 2019 revision in Hurricane Harvey estimated ultimate loss and loss adjustment expense.

10. Budgeted Net Income

- a. Based on the factors identified above the 2020 Budget reflects net income (before Statutory Fund Cost) of \$178.0 million.

11. Budgeted CRTF accruals and contributions

- a. Based on the 2020 budget, TWIA would accrue a \$41.1 million contribution by the end of 2020 for payment into the CRTF in Q1 2021.

12. Opportunities for a favorable variance to budgeted net income include:

- i. Rate increases above the 0% assumed
- ii. More favorable incurred losses compared to budget
- iii. Reduced actual expenses compared to budget

## Exhibit A

### TEXAS WINDSTORM INSURANCE ASSOCIATION Statutory Income Statement (000's omitted)

		for the twelve months ended December 31,				B2020 vs	B2020 vs
		Forecast - 2019	Budget - 2019	Variance - 2019	Budget - 2020	B2019	F2019
1	<b>Premiums Written:</b>						
2	Direct	\$ 372,437	\$ 348,634	\$ 23,803	\$ 348,587	\$ (47)	\$ (23,851)
3	Ceded	(90,224)	(86,000)	(4,224)	(93,109)	(7,109)	(2,886)
4	Ceded - Depopulation	(1,746)	(2,170)	424	(1,705)	465	41
5	Net	280,467	260,464	20,004	253,772	(6,691)	(26,695)
6	<b>Premiums Earned:</b>						
7	Direct	\$ 381,657	\$ 367,141	\$ 14,516	\$ 357,748	\$ (9,393)	\$ (23,909)
8	Ceded	(90,224)	(86,000)	(4,224)	(93,109)	(7,109)	(2,886)
9	Ceded - Depopulation	(1,746)	(2,170)	424	(1,705)	465	41
10	Net	289,687	278,971	10,717	262,934	(16,037)	(26,754)
11	<b>Deductions:</b>						
12	Losses and LAE Incurred	24,890	61,945	(37,055)	61,885	(60)	36,995
13	Losses and LAE Incurred - Harvey	90,000	0	90,000	0	-	(90,000)
14	Ceded Losses and LAE Incurred - Depopulation	(138)	(592)	454	(491)	102	(353)
15	Operating Expenses	30,905	35,328	(4,423)	34,389	(939)	3,484
16	Commission Expense	59,556	55,782	3,774	55,774	(8)	(3,782)
17	Ceding commissions / brokerage	(2,569)	(1,946)	(623)	(2,402)	(456)	167
18	Ceding commissions / brokerage - Depopulation	(419)	(521)	102	(409)	112	10
19	Premium / Maintenance Tax	7,170	6,870	300	6,866	(4)	(304)
20	Total Deductions	209,395	156,866	52,530	155,612	(1,254)	(53,783)
21	<b>Net Underwriting Gain or (Loss)</b>	<b>80,292</b>	<b>122,105</b>	<b>(41,813)</b>	<b>107,322</b>	<b>(14,783)</b>	<b>27,030</b>
22	<b>Other Income or (Expense):</b>						
23	Gross Investment Income and Other	6,326	4,929	1,398	4,729	(200)	(1,598)
24	CRTF Funds Received	0	0	0	0	-	-
25	Member Assessment Income	0	0	0	90,000	90,000	90,000
26	Interest Expense on Debt	(28,343)	(28,343)	0	(24,057)	4,286	4,286
27	Total Other Income or (Expense)	(22,016)	(23,414)	1,398	70,672	94,086	92,688
28	<b>Net Income (Loss)</b>	<b>\$ 58,276</b>	<b>\$ 98,691</b>	<b>\$ (40,415)</b>	<b>\$ 177,993</b>	<b>79,302</b>	<b>119,718</b>
29	<b>Surplus (Deficit) Account:</b>						
30	Beginning Surplus (Deficit)	(277,864)	(277,864)	0	(321,622)	(43,758)	(43,758)
31	Net Income (Loss)	58,276	98,691	(40,415)	177,993	79,302	119,718
32	Principal Funded on Class 1 Bonds (net)	0	0	0	0	-	-
33	Change in nonadmitted assets - Other	(2,303)	(0)	(2,303)	(0)	0	2,303
34	Other	0	0	0	0	-	-
35	Statutory Fund Cost	(99,730)	(50,715)	(49,015)	(41,075)	9,641	58,656
36	Ending Surplus (Deficit)	<b>\$ (321,622)</b>	<b>\$ (229,889)</b>	<b>\$ (91,733)</b>	<b>\$ (184,703)</b>	<b>45,185</b>	<b>136,919</b>
37	<b>Key Operating Ratios:</b>						
38	Direct:						
39	Loss & LAE Ratio	30.1%	16.9%	13.2%	17.3%	0.4%	-12.8%
40	UW Expense Ratio:						
41	Acquisition	17.9%	18.0%	-0.1%	18.0%	0.0%	0.1%
42	Non Acquisition	8.1%	9.6%	-1.5%	9.6%	0.0%	1.5%
43	UW Expense Ratio	26.0%	27.6%	-1.6%	27.6%	0.0%	1.6%
44	<b>Direct Combined Ratio</b>	<b>56.1%</b>	<b>44.5%</b>	<b>11.7%</b>	<b>44.9%</b>	<b>0.4%</b>	<b>-11.2%</b>
45	<b>Net Combined Ratio</b>	<b>45.7%</b>	<b>59.6%</b>	<b>-13.9%</b>	<b>59.9%</b>	<b>0.3%</b>	<b>14.2%</b>
46	Ending Balance in CRTF	122,997	1,220	121,777	229,454	228,234	106,457

Exhibit B

TEXAS WINDSTORM INSURANCE ASSOCIATION  
Statutory Expense Report (000's omitted)

	for the twelve months ended December 31,				B2020 vs B2019	B2020 vs F2019
	Forecast - 2019	Budget - 2019	Variance - 2019	Budget - 2020		
Personnel Expenses						
Salaries & Wages - Permanent	11,209	12,016	(808)	11,727	(289)	519
Contractor & Temporary Help	13,939	19,509	(5,569)	8,681	(10,828)	(5,259)
Payroll Taxes	885	934	(49)	1,114	179	229
Employee Benefits	4,276	4,236	40	4,415	179	139
Recruiting, Training & Other	332	476	(144)	376	(100)	44
Subtotal	30,641	37,171	(6,531)	26,312	(10,860)	(4,329)
Professional & Consulting Services						
Legal	633	1,985	(1,352)	610	(1,375)	(22)
Accounting & Auditing	376	273	104	272	(1)	(105)
Information Technology	3,411	5,669	(2,258)	5,057	(612)	1,646
Actuarial Services	(17)	35	(52)	96	61	113
Ombudsman Program	132	111	21	114	3	(18)
Surveys & Inspections	1,588	1,854	(266)	1,526	(328)	(63)
Disaster Recovery Services	231	169	62	157	(12)	(74)
Other Services	3,602	4,011	(409)	3,709	(302)	107
Subtotal	9,957	14,107	(4,150)	11,541	(2,567)	1,584
Hardware/Software Purchases & Licensing	3,217	3,486	(269)	3,273	(213)	56
Rental & Maintenance - Office/Equipment	1,386	1,398	(12)	1,368	(30)	(18)
Travel Expenses	259	376	(117)	335	(41)	77
Postage, Telephone and Express	940	1,010	(70)	1,145	135	205
Capital Management Expenses	1,665	1,224	441	24	(1,200)	(1,641)
Depreciation	19	0	19	28	28	9
Other Operating Expenses	1,180	1,061	119	1,164	102	(16)
Total Operating Expenses	49,263	59,835	(10,572)	45,190	(14,644)	(4,073)
Capitalization of Fixed Assets	0	0	0	0	0	0
Reimbursement of Depopulation Servicing Expenses	(117)	(161)	45	(117)	45	0
Allocation To ULAE	(16,389)	(23,121)	6,732	(10,660)	12,460	5,728
Allocation To Investing	(1,852)	(1,224)	(628)	(24)	1,200	1,828
Net Operating Expense - UW Operations	30,905	35,328	(4,423)	34,389	(939)	3,484

## 16. Future Meetings

February 18, 2020 – Marriott South – Austin

May 12, 2020 – Hyatt Regency – Austin

August 4, 2020 – Tremont House – Galveston