**Meeting of the Board of Directors**
**Texas Windstorm Insurance Association**
**Teleconference/Web Conference**
Tremont House
2300 Ships Mechanic Row
Galveston, TX 77550
August 4, 2026
9:00 a.m.

Interested parties can attend the meeting in person or
listen to the meeting live by going to www.twia.org.
Go to "About Us/Board Meetings" and click on the webinar link.

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

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

1. Call to Order — *5 minutes*
   A. Welcoming Remarks – *Karen Guard*
   B. Anti-Trust Statement and Conflict of Interest Disclosure – *Counsel*
   *C.* Meeting Format Information – *Kristina Contardo*

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

3. Public Comment — *60 minutes*

4. Annual TWIA Rate Filing — *40 minutes*
   A. Review of TWIA Staff Rate Adequacy Analysis and Actuarial & Underwriting Committee Recommendations – *David Durden/Debbie King*
   B. Required 2026 Annual Rate Filing – *Jim Murphy* – ***Action/Vote Likely****

5. TWIA Operational Dashboard – *David Durden* — *10 minutes*

6. Public Comment: Agent Commission — *30 minutes*

7. Agent Commissions – *David Durden/Anna Stafford* — *20 minutes*

8. Financial — *20 minutes*
   A. Report of the Secretary/Treasurer – *Greg Smith* – ***Action/Vote Likely****
      1. Income Statement
      2. Management Discussion and Analysis
   B. Financial Statement Review – *Stuart Harbour*
   C. Investment of Trust Fund Balances (Sec. 2210.4521) – *Stuart Harbour* – ***Action/Vote Likely****
   D. Selection of Auditors/Accountants for 2026 and Authorization of Non-Audit Services – *Stuart Harbour* – ***Action/Vote Likely****

9. Actuarial – *Jim Murphy* *20 minutes*
   A. Policy Counts/Exposures
   B. Reserve Adequacy
   C. Reinsurance Broker RFP – ***Action/Vote Likely****
   D. Catastrophe Modeling Contract RFP
   E. Statutory Maximum Limits of Liability – ***Action/Vote Likely****
   F. Automatic Adjusted Building Cost Factors
   G. 2026 Hurricane Season Funding

10. Internal Audit Status & Update – *Dan Graves – Weaver* *5 minutes*

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

12. Claims and Litigation *20 minutes*
    A. Claims Operations – *David Williams*
    B. Litigation Summary – *Jessica Crass*

13. TWIA Operations *20 minutes*
    A. IT Systems Update – *Michael Eleftheriades*
    B. Legislative Affairs Update and Legislative Implementation – *David Durden*

14. Closed Session **(Board Only)** *10 minutes*
    A. Personnel Issues
    B. Legal Advice

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

16. Committees – *Karen Guard* *30 minutes*
    A. General Manager Performance Criteria Committee – ***Action/Vote Likely****
    B. Legislative and External Affairs Committee Update – *David Durden*

17. Future Meetings – *David Durden* *5 minutes*
    - October 8, 2026 – 2027 Budget Review Meeting
    - November 10, 2026 – Omni Hotel – Corpus Christi, TX
    - February 23, 2027 – Moody Gardens Hotel – Galveston, TX

18. Adjourn

# 1. Anti-Trust Statement

# ANTI-TRUST COMPLIANCE STATEMENT

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

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

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

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

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

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

**Texas Windstorm Insurance Association**
4801 Southwest Parkway, Building 1, Suite 200 Austin, Texas 78735 ● P.O. Box 99090, Austin, Texas 78709-9090
512-899-4900 / Fax 512-899-4950

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.

# 2. Approve the Minutes from the Prior Board of Directors Meeting

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

Hyatt Regency Hotel
208 Barton Springs Road
Austin, TX

**May 19, 2026**

The Following Board Members were Present:

| | |
|---|---|
| 1. Karen Guard (Chair) | Industry Representative |
| 2. Tim Garrett (Vice Chair) | Non-Seacoast Territory Representative |
| 3. Greg Smith (Secretary/Treasurer) | First Tier Coastal Representative |
| 4. Terrilyn Tarlton Shannon | First Tier Coastal Representative |
| 5. Rolando Rubiano | First Tier Coastal Representative |
| 6. John Todd | Industry Representative |
| 7. Dr. Etti Baranoff | Non-Seacoast Territory Representative |
| 8. Mark Shewmaker | Non-Seacoast Territory Representative |
| Absent: Jamie Carsey | Industry Representative |

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

| | |
|---|---|
| 1. David Durden, General Manager | TWIA |
| 2. Stuart Harbour, CFO | TWIA |
| 3. Jessica Crass, VP Legal and Compliance | TWIA |
| 4. Dave Williams, VP Claims | TWIA |
| 5. Michael Ledwik, VP Underwriting | TWIA |
| 6. Jim Murphy, Chief Actuary | TWIA |
| 7. Michael Eleftheriades, VP Technology | TWIA |
| 8. Amy Koehl, Senior Project Administrator | TWIA |
| 9. Kristina Donley, Manager, Training, QA and Agency Audit | TWIA |
| 10. Michelle Friesenhahn, VP People and Business Operations | TWIA |
| 11. Liana Pineda, Senior Manager, Underwriting Support Services | TWIA |
| 12. Jessica Davidson, Project Administrator | TWIA |
| 12. Mike Perkins, Association Counsel | Perkins Law Group PLLC |

The Following In Person Attendees Were Present:

| | |
|---|---|
| 1. Josh Carson | Aon |
| 2. Dan Dick | Aon |
| 3. Clark Thomson | Calhoun, Thomson + Matza |
| 4. Scott Weiss | Calhoun, Thomson + Matza |
| 5. George Taylor | F.B. Taylor Insurance |

6. Allen Cashin — Gallagher Re
7. Morgan Huhndorff — Gallagher Re
8. Alicia Robinson — Gallagher Re
9. Joey Walker — Gallagher Re
10. William Dubinsky — Gallagher Securities
11. Alex Donkervoet — Guy Carpenter
12. Paul Hosne — Guy Carpenter
13. Megan Perkins — Guy Carpenter
14. Brian O'Neill — Howden Re
15. Beaman Flloyd — TCAIS
16. Marianne Baker — TDI
17. Katelyn Boehm — TDI
18. Insurance Commissioner Amanda Crawford — TDI
19. David Muckerheide — TDI
20. Elizabeth Ret — TDI
21. Dan Graves — Weaver

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

1. David Bolduc
2. Patricia Bridges
3. Lou Cusano
4. Steve Evans
5. Angela Fang
6. David Garrelick
7. Jordan He
8. Rep. Todd Hunter
9. Shelina Jamani
10. Spencer Johnson
11. Travis McDavid
12. Larry Munoz
13. Mark Murphy
14. Anne O'Ryan
15. Dan Paschal
16. Kenisha Schuster
17. Joshua Warren
18. Peggy Zahler

1. Call to Order: Ms. Guard called the meeting to order at 9:10 a.m. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Mr. Perkins presented the required conflict-of-interest disclosures on behalf of each board member. Kristina Donley provided meeting logistics information to the attendees.

2. Approval of Minutes from Prior Board of Directors Meeting: Dr. Baranoff moved to approve the minutes of the February 24, 2026 meeting in Galveston. Mr. Garrett seconded the motion. The motion passed unanimously.

3. Public Comment: One written public comment was submitted regarding no rate increase and one from a policyholder expressing concern about policy prices, especially for seniors. Rep. Todd Hunter offered verbal public comment.

4. TWIA Operational Dashboard: Policy growth and policies in force are starting to slow down. Premiums and operating expenses are very close to budget as projected. Net

income is slightly above budget. Staffing has gone down due to a reduction in contractors. Mr. Rubiano asked if Mr. Durden could give some insight into his communications with the Comptroller. The start of hurricane season is a few weeks away and TWIA is now under a very different funding process. Mr. Durden said the agencies have been having regular meetings.

5. Financial:
   A. Report of the Secretary/Treasurer: Mr. Smith reviewed the Treasurer's Report. Mr. Garrett moved to approve the report. Mr. Smith seconded the motion. The motion passed unanimously.
   B. Financial Statement Review by Staff: Year-to-date direct written premiums totaled $162.0 million. Direct earned premiums were $202.1 million. Policies in force total 286,251.

      The 2025-2026 reinsurance program incepted on June 1, 2025. Coverage for the 2025 hurricane season consisted of $2.45 billion of collateralized catastrophe bonds and $1.777 billion of traditional reinsurance. Gross ceded premiums associated with the $4.227 billion in coverage totaled $432.1 million compared to a budgeted estimate of $485.0 million. This total reflects an overall rate-on-line (ROL) of 10.2% compared to 9.6% ROL for the 2024/2025 program. The final cost includes the December true-up to actual exposures as of September 30, 2025. The net cost of the reinsurance program after ceding commission was $422.3 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

      There will be no round 9 (2025-2026) or round 10 (2026-2027) of the Assumption Reinsurance Depopulation Program as no carriers applied to participate.

      Year-to-date total direct losses and loss adjustment expense incurred totaled $31.2 million.

      Year-to-date operating expenses were $10.4 million. Notable expenses under budget include personnel expenses ($619,000) and professional services ($434,000).
   C. Investment Plan Review: Annually, the TWIA Board of Directors reviews the adequacy and implementation of the Association's investment plan as reflected in the Statement of Investment Objectives and Guidelines. This document does not apply to investments in the Catastrophe Reserve Trust Fund or the assets previously held by the Texas Treasury Safekeeping Trust Company representing the proceeds and debt service payments of the Series 2014 Bonds.

      The primary objectives of the investment plan are asset preservation and liquidity, along with compliance with the Texas Insurance Code and Plan of Operation of the Association.

Currently, staff is not recommending any changes to the investment plan. Mr. Garrett moved the TWIA Board of Directors acknowledge its review of the adequacy and implementation of the Statement of Investment Objectives and Guidelines of the Association and accept staff's recommendation to make no changes to the investment plan at this time. Mr. Smith seconded the motion. The motion passed unanimously.

D. 2026 Hurricane Season Line of Credit: Staff are proposing to once again obtain a credit line of $500 million with $400 million provided by JP Morgan Chase and the remaining $100 million from Bank of America; and with an additional $200 million available if needed, subject to bank credit committee approval. The purpose of maintaining the line of credit is to ensure cash is readily available to pay claims pending collection of proceeds from a state financing arrangement and/or a member assessment below the reinsurance attachment if needed. The line of credit would serve as a liquidity bridge to our permanent funding. Mr. Garrett moved to approve of staff's pursuit of the line of credit. Mr. Smith seconded the motion. The motion passed unanimously.

E. CRTF Withdrawal: Association staff intend to file a request with the Texas Commissioner of Insurance to instruct the State Comptroller to make a withdrawal from the CRTF and transfer to TWIA the remaining 2024 and prior balance of $3,602,168.

Based on the estimated ultimate loss for Hurricane Beryl of $480 million as of December 31, 2024, TWIA requested and received approval from the Texas Commissioner of Insurance to withdraw $462.7 million from the CRTF which was completed in March of 2025. After this withdrawal, the remaining balance in the CRTF, applicable to 2024 and prior, is $3,602,168.

TWIA staff are currently in discussions with TDI to determine the best alternative to access the 2024 funding tower for the remaining $57.4 million in 2024 related losses.

F. Financial Audit by Calhoun, Thomson + Matza: Clark Thomson from Calhoun, Thomson + Matza reviewed the financial audit results. Dr. Baranoff moved to acknowledge review by the board members and to approve the audit report. Mr. Garrett seconded the motion. The motion passed unanimously.

6. Actuarial:

A. Policy Count/Exposures: New policy issuances are down 12% year over year and retention is steady at 88%. Top county growth is in Chambers and Brazoria. There is a gradual decline of policies in force and total insurance value growth over the last 12 months. New growth is projected to be flat through 2026.

B. Reserve Adequacy: TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of March 31, 2026.

As of March 31, 2026, TWIA carried $149.5 million in total gross loss and loss adjustment expense reserves. The total gross loss and loss adjustment expense reserves include the reserves for Hurricanes Harvey, Beryl and all other outstanding claims.

The estimate of ultimate gross loss & expense associated with Hurricane Beryl remains $545 million. TWIA actuarial staff will continue to monitor the development of claims associated with this event and update the ultimate estimate as necessary going forward. The selected ultimate gross loss & expense estimate for Hurricane Harvey remains at $1.655 billion.

C. 2026 Funding; Reinsurance: TWIA Board of Directors established at its February 24, 2026 meeting the 50-year probable maximum loss (PML) for the 2026 hurricane season at $4.3051 billion. In order to satisfy the minimum funding level required by statute, the Association is in the process of securing $2.2801 billion total reinsurance coverage, comprising $300 million in existing catastrophe bonds originally issued in 2025 and $1.9801 billion in new traditional reinsurance and catastrophe bonds as shown in exhibit provided in the meeting materials.

   Staff is now in the process of placing the $1.9801 billion of new coverage now, which is expected to be provided by a combination of the traditional reinsurance market and catastrophe bonds. The Association is on track to have the complete reinsurance program placed in advance of the June 1 effective date.

D. RFP for Reinsurance Broker and Modeler: Consistent with standard practice, TWIA staff intends to issue requests for proposals (RFPs) for both its reinsurance broker and catastrophe modeler after the 2026 reinsurance program has been finalized. TWIA last issued RFPs for these functions in 2021.

   Previously, TWIA coordinated the publication of the RFPs and identified finalists after an initial evaluation of responses received. Finalists then made presentations to the TWIA Actuarial and Underwriting Committee, which subsequently has made recommendations to the board for resolution.

   Staff propose streamlining the RFP process this year by having staff make a recommendation for each RFP directly to the board, without the interim step of involving the committee. This would make the RFP process more efficient and staff would have sufficient expertise to evaluate the candidates and develop sound recommendations for the board.

   The reinsurance broker RFP process will begin in June and will be presented at the August board meeting. Once completed, staff will issue an RFP for the catastrophe modeler. That will be presented at the November board meeting. Dr. Baranoff asked if Gallagher Re is still in the running for the next contract. Mr. Murphy said there was no obligation to make a change as there is no issue with the broker. This is just best practice. Mr. Smith approved the staff proposal to make a recommendation for each RFP directly to the board. Mr. Rubiano seconded the motion. The motion passed unanimously.

7. Internal Audit:
   A. Internal Audit Status Report: Mr. Graves reported the current internal audit activities include funding sources and reinsurance, accounts payable, underwriting and policy services, cash management and a risk assessment update.

8. Underwriting:
   A. Underwriting Operations: For the first quarter of 2026, 99.99% of new business/renewal policies were issued in 10 days. During the quarter, 9,796 new business policies and 50,764 renewal policies were issued. Phone calls were answered in 20 seconds, 89.33% of the time, with 63,127 calls being received for the quarter. Internal phone quality control is 98.67%.

      Mr. Rubiano asked about agent commission. It is currently 16%, which he indicated is higher than similar products in the property insurance market. He inquired whether there is anything that can be done to save on these costs that could hopefully be passed on to policyholders. Mr. Durden said that in terms of efficiencies, staff is looking at processes to make them more efficient and easier to use for agents and policyholders, which will reduce the time and burden of doing business with the Association. However, there was nothing specifically underway at this time to address agent commissions. An agent commission study was conducted in 2023 and it indicated that TWIA was at the upper end of the commission rate for what is paid across the market. Mr. Rubiano asked if there was a regular cadence in looking at agent commission amounts. Mr. Durden said there was no review cadence.

      Staff will distribute the 2023 agent commission report and will add this item to the August meeting agenda.
   B. Agent Audit Process: Several enhancements are being made to the agent audit program and Mr. Ledwik introduced Liana Pineda, a senior manager in the underwriting department who is leading those changes. Ms. Pineda said there will be four regulatory factors that shape the audit guidelines for the program, which are the Texas Administrative Code, the Texas Insurance Code, agent requirements and performance standards and TWIA underwriting guidelines.

      For the quarter, each agency audited had a minimum of at least one deficient policy. All the findings were administrative in nature; nothing was found where the policy written was ineligible. The main trend found by the audit team was agents failing to upload the certificate of compliance in the underwriting system.

      The auditing team did work with each agency, audited and provided training, corrective measures and remediation plans. Regarding remediation plans, that means each agency must come up with preventative measures to understand TWIA guidelines and not commit future deficiencies. In coming quarters, some of these agents will be reaudited and if the deficiencies show up again, those agencies could be subjected to new business suspension, depending on what the findings show.

9. Claims:
   A. Claims Operations: The total cycle time of first notice of loss to payment (daily) was 7.7 days. The total cycle time of first notice of loss to payment (cat) was 6.2 days. The historical claim volume for 2026 is 2181.
   B. Claims Litigation: For the first quarter of 2026, 9 new claims lawsuits were received, 12 were settled and 10 were closed. For TWIA claims with letters of representation, 114 were received for the quarter, 45 were settled and 253 were closed.

10. TWIA Operations:
   A. IT Systems Update: The Association is contractually mandated to maintain version currency with Guidewire cloud framework releases. In Q2, the Association team will test the latest Guidewire framework release version for compatibility. The current target for the release is July 2026 to deploy Guidewire applications using this latest version.

      The Association has identified artificial intelligence as a technology for review in its strategic plan. The plans include setting up an AI Committee identifying and reviewing both AI platforms and AI enhanced tools as part of the technology roadmap. Additional efforts include targeting general education for Association team members.

      The Association's first evaluation of any AI technology was the Microsoft Office 365 add-on tool called Microsoft Copilot. This tool is a conversational, AI powered assistant that helps boost productivity and streamline workflows by offering contextual assistance, automating routine tasks and analyzing data. This basic license offering for Copilot 365 has now been made available to all Association users.

      The Association is currently working on selecting an experienced vendor to review the foundation and ensure the configuration needed for the premium license of Microsoft Pilot 365. Due to the additional capabilities that are offered by the premium license, IT wants to make sure monitoring and permissions are in place to protect the interests and information of the Association.

      Staff is working on a replacement for the current on-premises authentication software used for validation of registration and logins to the external portals (used by agents and policyholders) with a comprehensive cloud-based customer identity solution. The project is in the execution phase.

      Mr. Shewmaker asked Mr. Eleftheriades to elaborate on the AI proof of concept project. Mr. Eleftheriades said Copilot is the only AI TWIA has access to at this point.

B. Communications and Legislative Affairs Update: Association staff continues to implement bills enacted during last year's legislative session, namely House Bill 2067 (Declinations, Cancellations and Non-Renewals) Rule and HB 3689 (TWIA Catastrophe Funding) Rules.

   The presiding officers of both chambers of the Texas Legislature Recently issued interim charges to committees for issues to investigate before the 90th legislative session begins next year. Committees can be expected to hold hearings on these issues over the next several months. Charges relevant to TWIA include monitoring the implementation and associated rulemaking of HB 3689 and studying cost drivers that impact property and casualty premiums for consumers and their impact on home affordability in Texas.

   From January 1 to March 31, Legislative and External Affairs staff received and responded to three legislative and key stakeholder inquiries.

   The Q3 AAG meeting is planned to be held in Galveston on August 3, prior to the TWIA board meeting.

   Dr. Baranoff asked about the call for ideas board members might have to put into the Legislative and External Affairs Committee recommendations. Mr. Durden said these items will be presented to the LEA Committee at their first meeting, which will probably take place in June.

C. Coastal Preparedness Expo: TWIA is planning a Coastal Preparedness Expo on Saturday, July 18 to be held in Galveston County. This free, in-person event will focus on hurricane preparedness, claims education and coordination with emergency response partners for both agents and policyholders.

   Policyholders and agents residing in Galveston, Brazoria and Chambers Counties, and the portion of Harris County east of Highway 146 will be invited. The expo is designed to help coastal residents and agents by bringing TWIA staff and key response partners together in one place prior to the heart of hurricane season.

   The location of the venue will be announced soon.

11. Closed Session: There was no closed session.

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

13. Committees:

   A. Actuarial and Underwriting Committee: Mr. Durden suggested charging the Actuarial and Underwriting Committee with developing a recommendation for the annual rate filing and presenting it at the August board meeting. Mr. Smith moved to approve the charge for the TWIA Actuarial and Underwriting Committee to develop a recommendation on rate to present to the board in August. Mr. Garrett seconded the motion. The motion passed unanimously.

B. General Manager Performance Criteria Committee Update: The General Manager Performance Criteria Committee met on April 13. The committee reviewed potential core GM evaluation standards and discussed each item for its relevance. Mr. Durden said staff will take the comments and additions and incorporate them into a new draft of standards. The committee requested staff identify which items are objective and subjective and determine success metrics. The document will be circulated to the committee for further refinement. Staff expect the committee to meet at least once more to refine the criteria and develop a recommendation for the TWIA Board's August or November meeting.

14. Future Meetings:
    - August 4, 2026 – Tremont House – Galveston
    - November 10, 2026 – Omni Hotel – Corpus Christi
    - February 23, 2027 – Moody Gardens Hotel – Galveston

15. Adjourn: The meeting adjourned at 11:41 a.m.

| | |
|---|---|
| ______________________________ | ___________________________ |
| Prepared by: Amy Koehl | Approved by: Karen Guard |
| Senior Project Administrator | TWIA Chair |

# 4. Annual TWIA Rate Filing
# 4A. Review of TWIA Staff Rate Adequacy Analysis and Actuarial & Underwriting Committee Recommendations

# MEMORANDUM

DATE: July 17, 2026

TO: David Durden
General Manager

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

RE: TWIA Actuarial & Underwriting Committee Meeting Summary

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The TWIA Actuarial & Underwriting Committee met on June 30, 2026. The Committee voted to recommend that the TWIA Board of Directors instruct staff to make an annual filing with the Texas Department of Insurance proposing a 0% change to both residential and commercial rates.

The Rate Adequacy Analysis prepared by TWIA actuarial staff indicates that TWIA rates are adequate by 9% for residential coverage and 4% for commercial coverage. The analysis continues to show significant improvement in TWIA's rate adequacy and can be directly attributed to legislation passed in the 2025 session of the Texas Legislature which reduced TWIA's expected costs related to reinsurance and premium & maintenance taxes.

The Committee heard public comments, received a presentation summarizing the rate adequacy analysis by TWIA staff, and after discussion voted 4 to 1 to recommend no change in TWIA rates.

The presentation received by the Committee is attached for reference. It is also published, along with the complete actuarial analysis and other related documents, on the TWIA website at https://www.twia.org/about-us/financial-reports/2026-rate-adequacy-analysis/.

JM

# Actuarial & Underwriting Committee

2026 Rate Indications

June 30, 2026

# Contents

# Actuarial Principles

**Casualty Actuarial Society Statement of Principles**

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

# Statutory Language

**Sec. 2210.001**

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

**Sec. 2210.355 (b)**

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

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

**Sec. 2210.355 (c)**

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

# Statutory Language

**Sec. 2210.3512. REQUIREMENT FOR VOTE ON RATE FILING**
The board of directors may not vote on a proposed rate increase if:
1. there is a vacancy on the board; and
2. the vacancy has existed for at least 60 days at the time the vote is to be taken.

**Sec. 2210.453. FUNDING LEVELS; REINSURANCE AND ALTERNATIVE RISK** FINANCING MECHANISMS; REINSURANCE FROM CERTAIN INSURER OR BROKER PROHIBITED.
The association may not purchase reinsurance under this section from an insurer or broker involved in the execution of a catastrophe model on which the association relies in:
1. Determining the probable maximum loss applicable for the period covered by the reinsurance; or
2. Adopting rates under section 2210.355.

# Statutory Language

**Sec. 2210.351. ASSOCIATION FILINGS.**

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

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

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

# Statutory Language

**Sec. 2210.352. MANUAL RATE FILINGS: ANNUAL FILING.**

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

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

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

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

# Recent Legislative Changes

**House Bill 3689**

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

**House Bill 2517**

- Exempt TWIA and TFPA from premium and maintenance tax

**House Bill 2213**

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

All the bills above have gone into effect on September 1, 2025

# Rate Adequacy Methodology

**TWIA employs the "Loss Ratio Method" to determine rate level indications**

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

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

# Rate Adequacy Methodology

- **The Loss and LAE Ratio includes provisions for:**
  - Hurricane losses and loss adjustment expenses
  - Non-hurricane losses and loss adjustment expenses

- **The Fixed Expense Ratio includes:**
  - General operating expenses
  - Net cost of reinsurance
    (total premiums less expected average annual recoveries)
  - Any debt service outstanding on public securities
    (no debt service is included in the 2026 indications)

- **The Variable Expense Ratio includes:**
  - Commissions, taxes, licenses and fees
  - Provisions for CRTF and contingencies

# 2026 Rate Adequacy Analysis

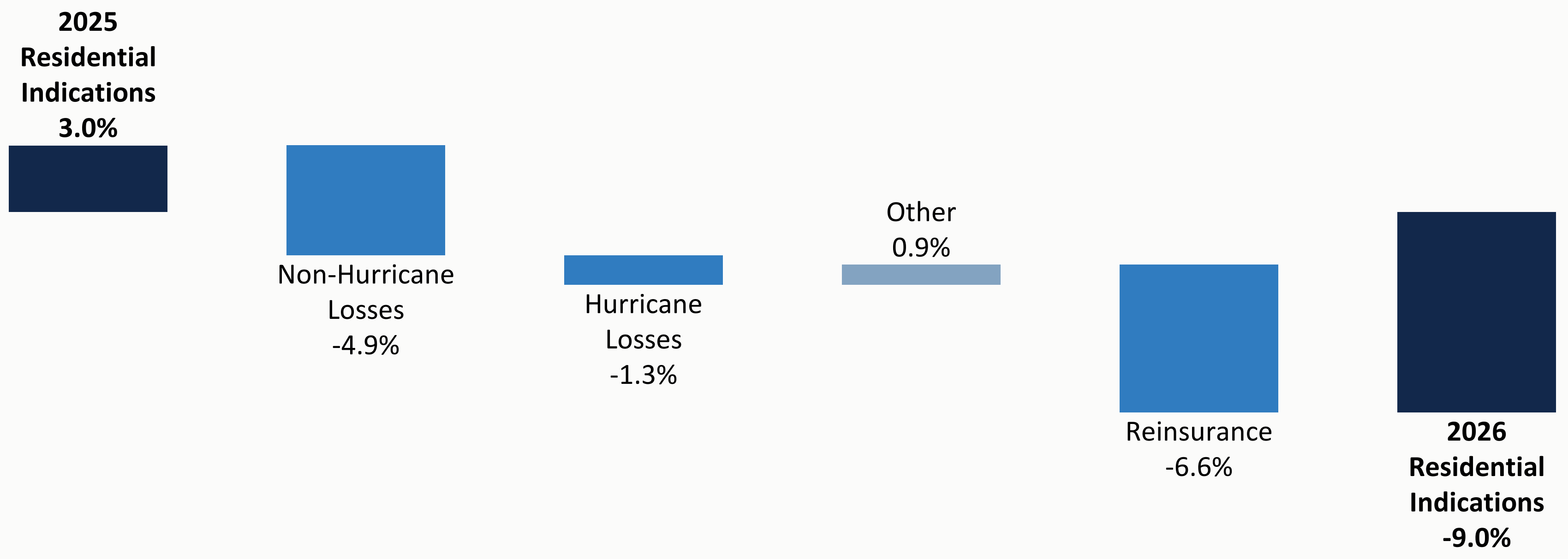
| Rate Element | Residential 2023 Review | Residential 2024 Review | Residential 2025 Review | Residential **2026 Review** | Residential 2026 vs. 2025 | Commercial 2023 Review | Commercial 2024 Review | Commercial 2025 Review | Commercial **2026 Review** | Commercial 2026 vs. 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Non-Hurricane Loss Provision | 15.4% | 13.9% | 15.0% | **11.1%** | -3.9% | 5.5% | 4.6% | 5.1% | **4.7%** | -0.4% |
| Hurricane Loss Provision | | | | | | | | | | |
| Experience | 39.2% | 38.2% | 38.5% | **38.2%** | -0.3% | 48.1% | 48.4% | 44.2% | **44.2%** | 0.0% |
| Modeled | 53.0% | 48.1% | 46.0% | **44.2%** | -1.8% | 61.1% | 55.1% | 50.4% | **49.9%** | -0.5% |
| Combined | 46.1% | 43.2% | 42.3% | **41.2%** | -1.1% | 54.6% | 51.8% | 47.3% | **47.1%** | -0.2% |
| Fixed Expenses | | | | | | | | | | |
| Operating | 7.5% | 5.2% | 5.2% | **5.4%** | 0.2% | 7.5% | 5.2% | 5.2% | **5.4%** | 0.2% |
| Reinsurance | 23.5% | 44.0% | 19.2% | **13.9%** | -5.2% | 26.4% | 50.4% | 25.4% | **18.5%** | -6.9% |
| Outstanding Debt Service | 0.0% | 0.0% | 0.0% | **0.0%** | 0.0% | 0.0% | 0.0% | 0.0% | **0.0%** | 0.0% |
| Total | 31.0% | 49.2% | 24.4% | **19.3%** | -5.0% | 33.9% | 55.6% | 30.6% | **23.9%** | -6.7% |
| Total Loss Provision plus Fixed Expenses | 92.5% | 106.3% | 81.6% | **71.6%** | -10.0% | 94.0% | 112.0% | 83.0% | **75.7%** | -7.3% |
| Variable Expenses | | | | | | | | | | |
| Commissions | 16.0% | 16.0% | 16.0% | **16.0%** | 0.0% | 16.0% | 16.0% | 16.0% | **16.0%** | 0.0% |
| Taxes and Fees | 1.9% | 1.8% | 0.0% | **0.0%** | 0.0% | 1.9% | 1.8% | 0.0% | **0.0%** | 0.0% |
| CRTF Funding & Contingencies | 5.0% | 5.0% | 5.0% | **5.0%** | 0.0% | 5.0% | 5.0% | 5.0% | **5.0%** | 0.0% |
| Total Variable Expenses | 22.9% | 22.8% | 21.0% | **21.0%** | 0.0% | 22.9% | 22.8% | 21.0% | **21.0%** | 0.0% |
| Permissible Loss Ratio (1 - B) | 77.1% | 77.2% | 79.0% | **79.0%** | 0.0% | 77.1% | 77.2% | 79.0% | **79.0%** | 0.0% |
| Rate Indication (A / C - 1) | 20.0% | 38.0% | 3.0% | **-9.0%** | -12.0% | 22.0% | 45.0% | 5.0% | **-4.0%** | -9.0% |

# How Catastrophe Models Compare

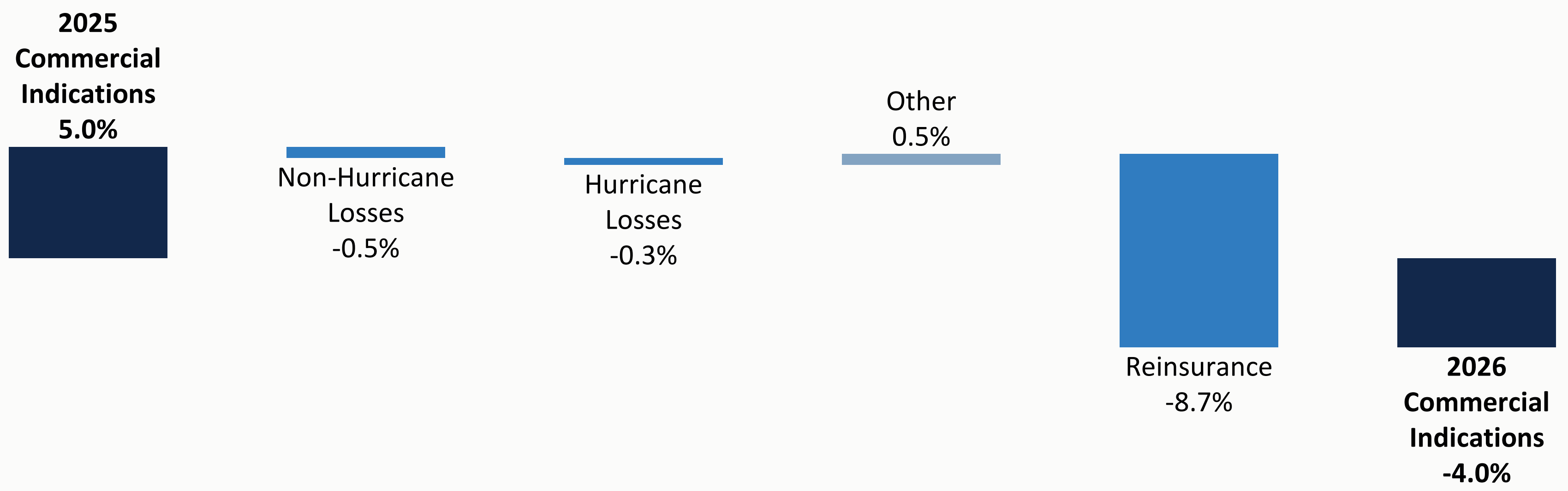
| Residential | Indicated Rate Change |
|---|---|
| Catastrophe model range | |
| - Verisk | **+4.0%** |
| - RMS | **-2.0%** |
| - Impact Forecasting | **-10.0%** |
| - Cotality RQE | **-14.0%** |
| Average across all models | **-6.0%** |
| | |
| Industry loss experience | **-13.0%** |
| Overall blended rate | **-9.0%** |

| Commercial | Indicated Rate Change |
|---|---|
| Catastrophe model range | |
| - Verisk | **+21.0%** |
| - RMS | **+14.0%** |
| - Impact Forecasting | **-24.0%** |
| - Cotality RQE | **-14.0%** |
| Average across all models | **-1.0%** |
| | |
| Industry loss experience | **-8.0%** |
| Overall blended rate | **-4.0%** |

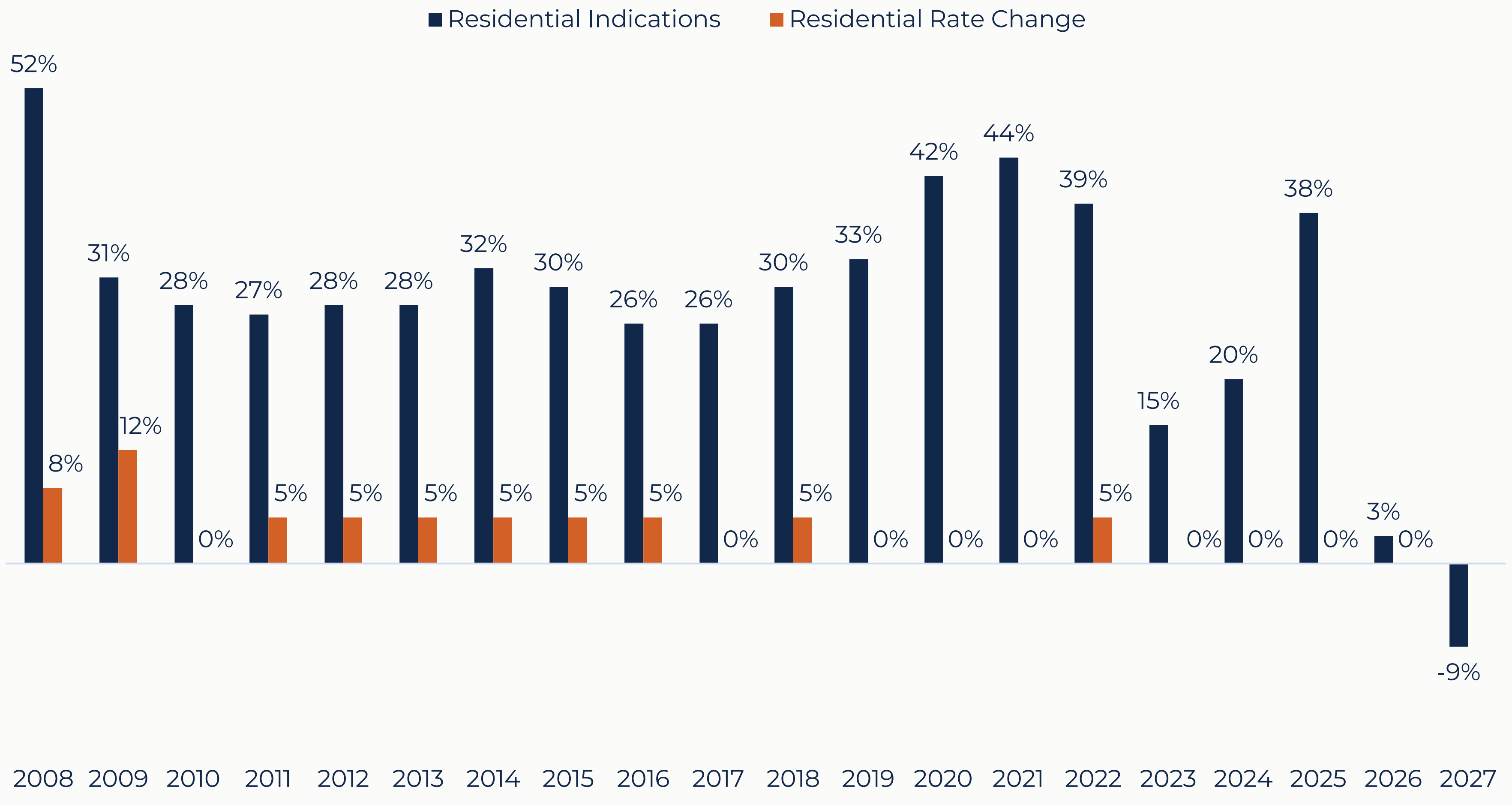
# Reconciliation of Change in Rate Indications Residential 2026 vs 2025



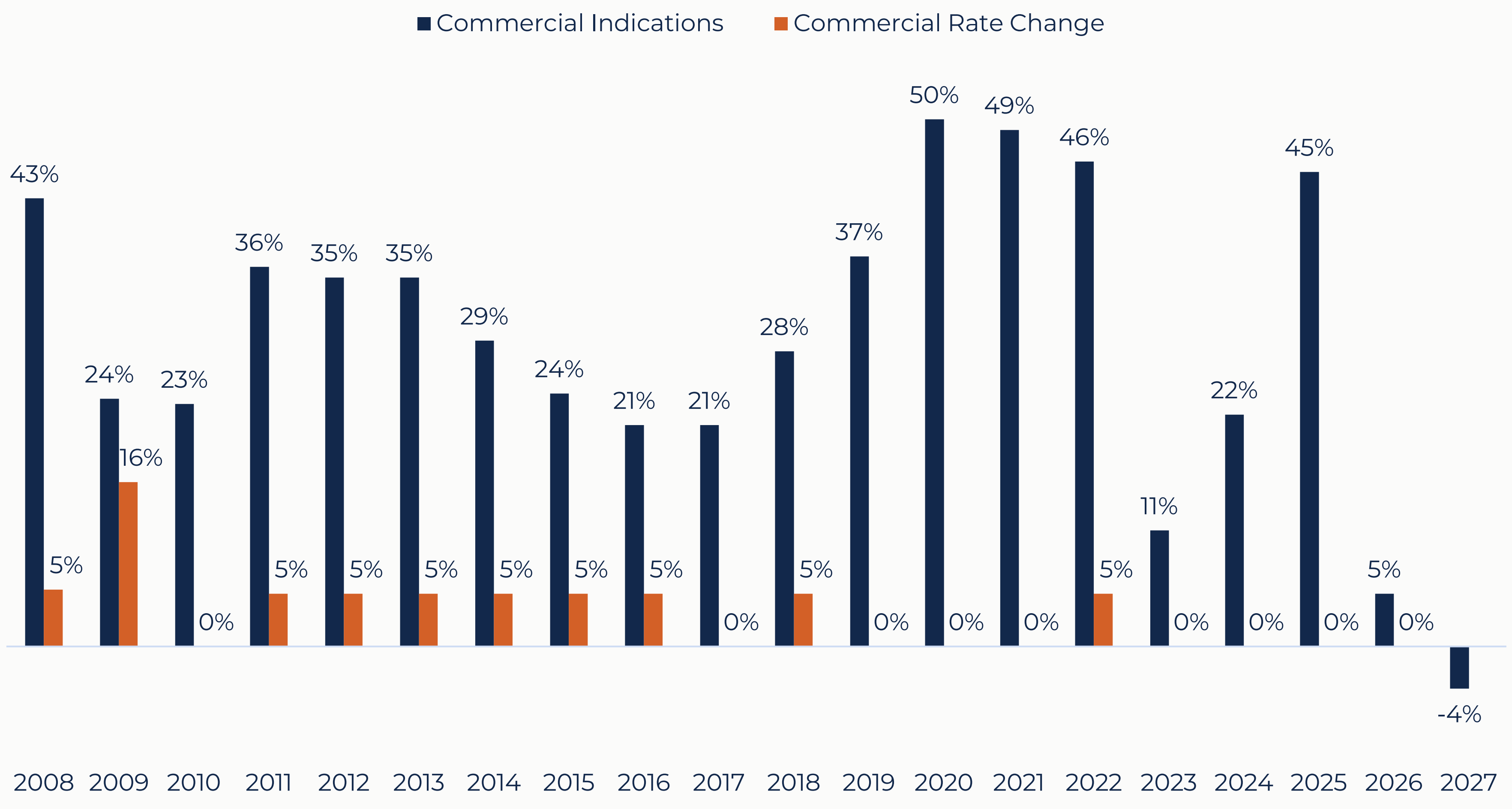
# Reconciliation of Change in Rate Indications Commercial 2026 vs 2025



# Residential Rate Indications vs Rate Changes 2008-2027



# Commercial Rate Indications vs Rate Changes 2008-2027



TWIA TEXAS WINDSTORM INSURANCE ASSOCIATION

# Questions

# 4B. Required 2026 Annual Rate Filing

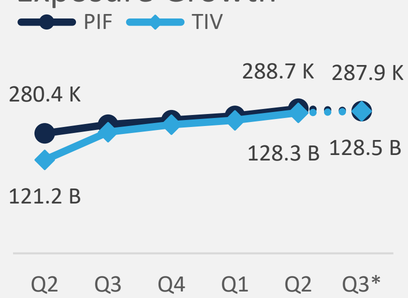
There is no exhibit for this item.

# 5. TWIA Operational Dashboard

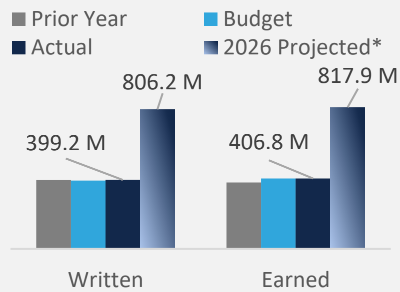
# Operational Dashboard

Reporting as of June 30, 2026

## Exposure Growth




## Premiums



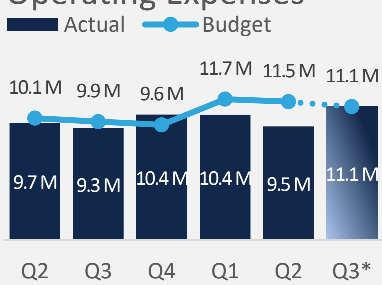

## Net Income

**Actual:** **$ 199.1 M**
**Budget:** **216.3 M**
**▼ 17.2 M**

## CRTF Balance

**$56.3 M**

## Operating Expenses




## Claims Activity

| | |
|---|---|
| **Reported Claims:** | **6,403** |
| **Incurred Loss & LAE:** | **$111.1 M** |
| **Loss Ratio:** | **27.3%** |

## Claims Disputes

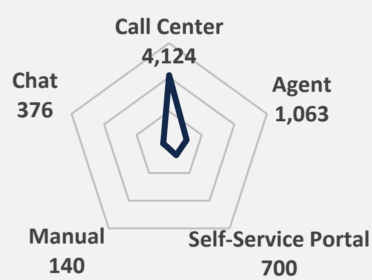
(% of Reported Claims)

| | | |
|---|---|---|
| **TDI Complaints:** | **15** | **(0.2%)** |
| **Disputes:** | **108** | **(1.7%)** |
| **Lawsuits:** | **20** | **(0.3%)** |

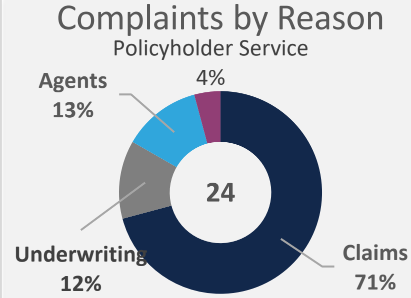
## Headcount

| | |
|---|---|
| **Employees:** | **255** |
| **Contractors:** | **80** |
| **Total:** | **335** |

## Claims Reporting




## Complaints by Reason




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

# Enterprise Projects

## Status Update as of June 30, 2026

| Enterprise Projects | Initiative Type | 2025 Q1 | 2025 Q2 | 2025 Q3 | 2025 Q4 | 2026 Q1 | 2026 Q2 | 2026 Q3 | 2026 Q4 |
|---|---|---|---|---|---|---|---|---|---|
| 89th Legislative Implementation Program (LIP89) | Mandatory | | | | | | | | |
| Project Enhance (Multifactor Authentication) | Discretionary Planned | | | | | | | | |
| Claims Electronic Indemnity Payment | Discretionary Planned | | | | | | | | |
| Centralized Info Ph2 - Scalable MS 365 - *On Hold* | Discretionary Planned | | | | | | | | |
| Learning Management System (LMS) Migration | Discretionary Planned | | | | | | | | |

Project Health Definitions - Scope, Schedule, Budget

- On Track
- On Hold
- At Risk
- Needs Action

# 7. Agent Commissions

TEXAS WINDSTORM INSURANCE ASSOCIATION

# Agent Commission Report

## August 2026 TWIA Board of Directors

# Agenda

- TWIA Agent Commission Information
- Agent Commission Project Overview & History
- TWIA System & Process Data
- Appendices

# TWIA Agent Commission Information

Statutory & Historical

# Texas Insurance Code 2210.203 (d)

**The statutory language related to agent commissions stipulates that:**

*(d) The commissioner, after receiving a recommendation from the board of directors, shall approve a commission structure for payment of an agent who submits an application for coverage to the association on behalf of a person who has an insurable interest in insurable property. The commission structure adopted by the commissioner must be fair and reasonable, taking into consideration the amount of work performed by an agent in submitting an application to the association and the prevailing commission structure in the private windstorm market.*

- **Agents receive a 16% commission on new and renewal residential and commercial policies**
- **Commissions for manufactured homes are 12%**

| TWIA Historical Commission Rates | | | |
|---|---|---|---|
| Date | Coastal | Beach | Notes |
| 5/14/71 | 13% | 7% | Beach defined as on an island or within 2500 feet of tidal waters; initial premium rates 150% / 300% of Manual Extended Coverage (EC) rates |
| 5/1/72 | 18% | 7% | Coastal premium rates reduced to 110% |
| 11/2/72 | 20% | 7% | Coastal premium rates reduced to 100% |
| 3/15/73 | 20% | 7% | Premium rates reduced to 90% / 270% |
| 12/29/77 | 10% | 4% | Commission change by TCPIA |
| 2/1/78 | 20% | 7% | Commission change suspended |
| 9/1/78 | 16% | 5% | Compromise between TCPIA, IIAT, and ICAT approved by SBI |
| 1/8/92 | 16% | | Premium rates set to 90% for all areas |

TEXAS WINDSTORM INSURANCE ASSOCIATION

# Project Overview and History

Timeline & Sunset Commission Recommendation

TEXAS WINDSTORM INSURANCE ASSOCIATION

# Agent Commission Study Timeline

### June 2019 | Sunset Commission Report Published

Recommended separate commission rates for new and renewal applications after certain policy renewal changes

### November 2020 | All Sunset Requirements Completed

Allowed policyholders to renew and pay their policy directly to TWIA and pay in installments and by credit card

### April 2021 | Study Initiated

Agent Commission Study project initiated at TWIA Board Rate Workshop to evaluate impact of commission changes on expenses

### December 2021 | First Project Status Report

Provided Board with initial information on TWIA's agent-facing systems and processes, and feedback from agents

### August 2022 | Second Project Status Report

Provided Board with additional information and agent feedback following major policy system upgrade

### December 2023 | Third Project Status Report

Included information from a third-party agent policy issuance workflow time study and agent survey on TWIA's quoting and renewal processes; Board took no action on commissions

**See Appendices for links to and information on past Agent Commission Study reports.**

TWIA TEXAS WINDSTORM INSURANCE ASSOCIATION

# Agent Commission Study Timeline

**June 2019 I Sunset Commission Report Published**

Recommended separate commission rates for new and renewal applications after certain policy renewal changes

*"Separate rates for new applications and renewals would better allow TWIA to compensate insurance agents in a manner commensurate with the work required."*

\- TWIA Sunset Report

- The **Texas Sunset Advisory Commission** was created by the Legislature to review state agencies every 12 years.
- State agencies are automatically abolished unless re-authorized by the Legislature after Sunset review.
  - Chapter 2210 subjects TWIA to Sunset review, but not abolishment.
- The **Sunset Commission's Staff Report** recommended that TWIA establish a lower agent commission rate for renewal policies, but only after other recommended reforms were enabled by law.
  - Automatic renewal for policies with no changes
  - Direct policyholder billing for renewals
  - Allow payments in installments and by credit card
- **The above recommendations were enabled by TWIA's Sunset Bill (Senate Bill 615), effective September 2019.**

**2023 I Third ... tus Report**

...ation from a third- ...cy issuance workflow ...agent survey on ...and renewal ...d took no action on

See Appendices for links to and information on past Agent Commission Study reports.

# Agent Commission Study Timeline

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### August 2022 I Second Project Status Report

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### November 2020 I All Sunset Requirements Completed

Allowed policyholders to renew and pay their policy directly to TWIA and pay in installments and by credit card

### TWIA Implementation of SB 615 Requirements

***January 2020***

- Automatic renewal for policies with no changes
- Direct policyholder billing for renewals

***November 2020***

- Installment payment plans
- Credit card payments accepted

### I Third eport

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o action on
commissions

**See Appendices for links to and information on past Agent Commission Study reports.**

# Agent Commission Study Timeline

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**Sunset Requir**
**Completed**

Allowed policyholde
pay their policy dire
pay in installments
card

**April 2021 I Study Initiated**

Agent Commission Study project initiated at TWIA Board Rate Workshop to evaluate impact of commission changes on expenses

- The TWIA Board held a **rate workshop** in 2021 to evaluate several topics and their impact on Association rates, including a proposal to modernize the agent commission structure.
- The TWIA Board **directed staff to conduct a detailed study of agent commissions**, including information on how ongoing TWIA system improvements were affecting agent workloads.

**August 2022 I Second Project Status Report**

Provided Board with additional information and agent feedback following major policy system upgrade

**December 2023 I Third Project Status Report**

Included information from a third-party agent policy issuance workflow time study and agent survey on TWIA's quoting and renewal processes; Board took no action on commissions

**See Appendices for links to and information on past Agent Commission Study reports.**

# Agent C[…]neline

- **TWIA staff's first report to the Board included:**
  - Historical commission rates
  - Past reports from the Independent Insurance Agents of Texas (IIAT) on agents' experience submitting TWIA policy applications
  - Initial feedback and survey results from TWIA's Agent Advisory Group on their experience with TWIA policy transactions
- The Board directed staff to **provide additional information after TWIA's implementation of a policy system upgrade**.

**June 2019 I Sunset Commission Report Published**

Recommended separate commission rates for new and renewal applications after certa[…] policy renewal changes

[…]cond […]port

[…]ditional […]eedback […]stem

**November 2020 I All Sunset Requirements Completed**

Allowed policyholders to renew and pay their policy directly to TWIA and pay in installments and by credit card

**December 2021 I First Project Status Report**

Provided Board with initial information on TWIA's agent-facing systems and processes, and feedback from agents

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**See Appendices for links to and information on past Agent Commission Study reports.**

TEXAS WINDSTORM INSURANCE ASSOCIATION

# Agent Commission Study Timeline

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Agent Commission Study project initiated at TWIA Board Rate Workshop to evaluate impact of commission changes on expenses

**August 2022 I Second Project Status Report**

Provided Board with additional information and agent feedback following major policy system upgrade

**November 2020 I A Sunset Requireme Completed**

Allowed policyholders to re pay their policy directly to T pay in installments and by card

**3 I Third Report**

from a third- suance workflow t survey on renewal k no action on

- **TWIA staff's second report to the Board provided:**
  - Staff recommendations related to the agent commission project
  - A comparison of industry agent commissions and information about residual market plan agent commissions and requirements
  - Initial post-TWIA system upgrade information and usage data
  - Updated Agent Advisory Group feedback
- The Board **accepted staff recommendations for the project**, including conducting a time study of agent workflows.

**See Appendices for li**

# Agent Commission Study Timeline

**June 2019 I Sunset Commission Report Published**
Recommended separate commission rates for new and renewal applications after certain policy renewal changes

**April 2021 I Study Initiated**
Agent Commission Study project initiated at TWIA Board Rate Workshop to evaluate impact of commission changes on expenses

**August 2022 I Second Project Status Report**
Provided Board with additional information and agent feedback following major policy system upgrade

- **TWIA Staff's last report to the Board provided:**
  - A full list of changes made by TWIA's system upgrade project and feedback from agents about the changes
  - A report from a third-party vendor engaged to complete an agent time study of TWIA policy transactions.
  - Agent Advisory Group feedback on the time study and agent commission project.
- The Board **voted 7-2 against a motion to recommend a change** to TWIA's commission structure of 12.5% for new business and 10% for renewal business. The Board then **voted 8-0 (with one abstention) to leave the existing agent commission structure unchanged**.

**December 2023 I Third Project Status Report**
Included information from a third-party agent policy issuance workflow time study and agent survey on TWIA's quoting and renewal processes; Board took no action on commissions

**See Appendices for links to and information on past Agent Commission Study reports.**

# TWIA System and Process Information

Time Study Conclusions, Application Data, Agent & TDI Feedback

TEXAS WINDSTORM INSURANCE ASSOCIATION

# 2023 Agent Time Study

- TWIA engaged Insurance Technology Services (ITS) in 2023 to complete a time study of agency workflows related to processing new business, policy changes, and renewal transactions.
- The time study involved in-person visits to 10 agencies and 48 timed transactions related to residential policies only.
  - Timings were split by time inside and outside TWIA's agent portal.

**ITS Observations from the Time Study**

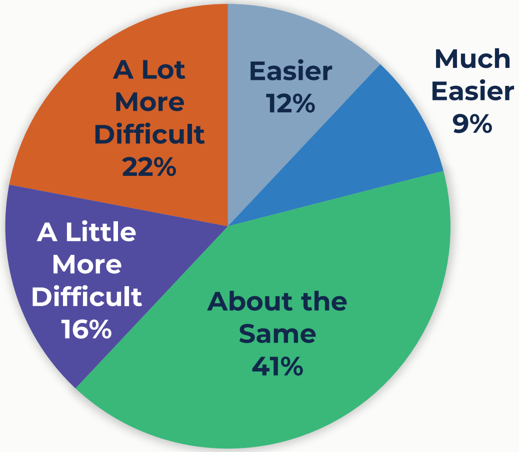
- *Work processes vary widely between agencies, ranging from very manual to more technically efficient.*
- *Much of the measured time reflected general agency work — updating an agency management system and quoting up to 4 deductibles — that likely applies to all carriers, not just TWIA.*
- *TWIA-only requirements add time, notably gathering and researching WPI-8 certificates, which can be difficult and time-consuming to obtain.*
- *Manual flood-zone lookups and carrier declinations are further TWIA-specific steps not required to be documented by other carriers, which adds time to processes.*

**ITS's full Agent Time Study report is included in the 2023 Agent Commission Study Report (see Appendices).**

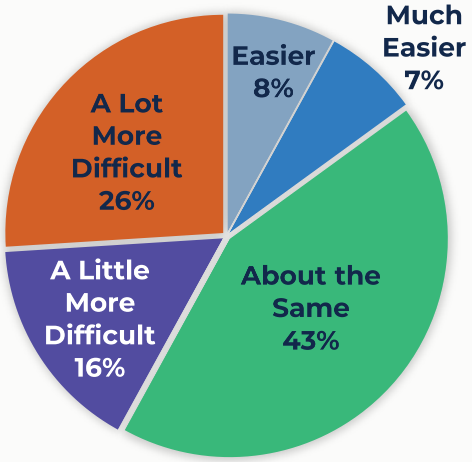
# 2023 Agent Survey

- TWIA also conducted an agent survey to collect feedback on the difficulty of Association quoting and renewal processes versus other carriers that agents work with, and if agents wanted TWIA to make changes to improve those processes.
- ITS analyzed the survey to calculate the percentage of positive, neutral, and negative responses and identify issue categories to develop a list of recommendations for TWIA's consideration.
  - The issue categories yielded training and communication recommendations, suggested enhancements to TWIA's agent portal, and changes to processes related to new business applications, policy changes, and policy renewals.
  - TWIA staff evaluated and worked with the Agent Advisory Group to determine the validity and feasibility of each recommendation and produce an implementation plan for the items selected to address.

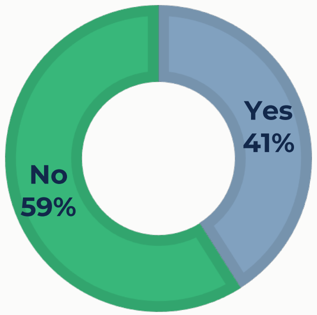
TWIA QUOTING AND ISSUANCE DIFFICULTY COMPARED TO OTHER CARRIERS



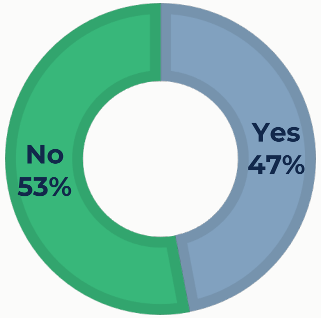

TWIA RENEWALS DIFFICULTY COMPARED TO OTHER CARRIERS




AGENTS RESPONDING IN FAVOR OF QUOTING & ISSUANCE PROCESS CHANGES




AGENTS RESPONDING IN FAVOR OF RENEWAL PROCESS CHANGES



TWIA TEXAS WINDSTORM INSURANCE ASSOCIATION

TWIA's Sunset Bill (SB 615) allowed policyholders to renew their policy directly with the Association. TWIA implemented auto renewal for policies with no changes in January 2020.

Agents are not required to act on a renewal unless:

1) A change needs to be made to the policy coverage/information

**OR**

2) The renewal needs to be requalified, which occurs every three years and requires an updated proof of declination submission and flood insurance attestation.

- **In 2025, TWIA initiated renewals on 264,490 policies.**
  - TWIA's policy administration system recorded agent activity on 114,503 renewals (or 43%).
  - The remaining 57% of policy renewals went into effect without any agent activity in TWIA's system*.
- **Agents created 173,775 new policy applications or quotes in 2025.**
  - 48,343 of those applications or quotes resulted in policies issued by the Association.

*TWIA does not have information on agents' renewal efforts/activities outside the system.

TEXAS WINDSTORM INSURANCE ASSOCIATION

# Private Market Commission Rates

| Private Market Commission Rates | | |
|---|---|---|
| Top 2025 Homeowners Carriers* | | Commission Rate |
| 1 | State Farm Lloyds | N/A – Direct Writer |
| 2 | Allstate Vehicle and Property Insurance Co | 11.9% |
| 3 | Travelers Personal Insurance Co | 15.0% |
| 4 | Homesite Insurance Co | 13.2% |
| 5 | United Services Automobile Association | N/A – Direct Writer |
| 6 | USAA Casualty Insurance Co | N/A – Direct Writer |
| 7 | American Economy Insurance Co | 15.5% |
| 8 | Mid-Century Insurance Co of Texas | 14.2% |
| 9 | Texas Farmers Insurance Co | 13.0% |
| 10 | ASI Lloyds | 16.8% |
| 11 | USAA General Indemnity Co | N/A – Direct Writer |
| 12 | Texas Farm Bureau Mutual Insurance Co | N/A – Direct Writer |
| 13 | Auto Club Indemnity Co | N/A – Direct Writer |
| 14 | Chubb Lloyds Insurance Co of Texas | 19.0% |
| 15 | Garrison Property and Casualty Insurance Co | N/A – Direct Writer |
| 16 | Surechoice Underwriters Reciprocal Exchange | 24.2% |
| 17 | Allstate Texas Lloyd's | 11.4% |
| 18 | Homeowners of America Mutual Insurance Co | 12.0% |
| 19 | Nationwide Mutual Insurance Co | 14.0% |
| 20 | Mercury Insurance Co of Texas | 13.7% |
| Average Commission Rate | | **14.9%** |

****From TDI's 2025 Exhibits of Premiums and Losses***

| List of Carriers Submitted by IIAT** | |
|---|---|
| Company | Commission Rate |
| **Columbia** | 15.00% |
| **United Fire** | 14.00% |
| **Zurich** | 25.30% |
| **Chubb** | 15.20% |
| **Travelers** | 15.10% |
| **Hartford** | 13.00% |
| **Homeowners of America** | 20.10% |
| **Nationwide** | 15.00% |
| **Progressive** | 15.00% |
| **Safeco** | 14.10% |
| **Cincinnati** | 19.10% |
| **Insurors Indemnity** | 15.00% |
| **Average Base Commission** | 16.33% |

***** Data compiled by IIAT from member agents via current agency financial records.***

| National Flood Insurance Program | |
|---|---|
| **Direct Servicing Agent Program** | **Commission Rate** |
| First $2,000 Premium | 15% |
| Excess of $2,000 | 5% |
| **Write Your Own Program** | **Commission Allowance** |
| Percentage of Written Premium | 15-22% |

# Agent Representatives Feedback

**TWIA staff met with the Agent Advisory Group (AAG) on July 23, 2026, to solicit their feedback on Association agent commissions and the information in this report.**

- **Changes to commercial policy commissions should not be considered, as the 2023 ITS Time Study only included residential policy transactions, and commercial policies do not undergo the automatic renewal process.**
- **The AAG believes the Board should follow the language in Texas Insurance Code 2210.203(d) and focus on the 3 facts below:**
  1. **TWIA's 2023 Agent Survey, which ITS analyzed, concluded that quoting and issuing a policy with TWIA was more difficult for agents, or about the same, 79% of the time. Renewals were more difficult for agents, or about the same, 85% of the time.**
  2. **Blending the average commission rates with data collected from TDI (14.9%), the Independent Insurance Agents of Texas (16.3%), and the NFIP program (18.5%) nets a 16.6% Private Market commission rate.**

     **(Note: Total compensation, in addition to commission, is paid by most of the Private Market and is not reflected.)**
  3. **Items 1 and 2 support the current TWIA commission rate of 16% for new and renewal business as being fair and reasonable.**

**What is the Agent Advisory Group?** The Agent Advisory Group (AAG) was created in 2014 to foster the exchange of ideas and solicit feedback on TWIA's activities and operational processes affecting agents. It is composed of nine members who represent both independent and exclusive agents of varying-sized books of business across different geographic areas in TWIA's coverage area.

**Independent Insurance Agents of Texas (IIAT) Feedback**

- TWIA does not offer contingent commission, bonus commission or profit sharing. The voluntary market does
- TWIA policies require substantially greater agency servicing/overhead, including specialized pre-underwriting, manual processing/data entry, and statutory eligibility requirements and limitations.
- Following storm events, agents must provide extensive post-loss assistance, coordinating with insureds and TWIA adjusters due to the complex nature of the TWIA statutory mechanism and coverage nuances.
- Writing TWIA business carries additional professional liability exposure due to eligibility requirements, statutory requirements, coordination with companion flood coverage, and the increase in litigation after a storm event, further increasing agent overhead expenses.

TWIA TEXAS WINDSTORM INSURANCE ASSOCIATION

# 2024 TDI Commissioner's Order

In October 2024, the Insurance Commissioner issued an order* disapproving TWIA's annual rate filing to increase Association policies by 10%, citing agent commissions as one of the considerations.

*Agent Commissions and Other Expenses*

45. As noted in Finding of Fact 25, TWIA agents earn 16.0% of the premium for residential policies (except for manufactured homes) and commercial policies and 12.0% of the premium for manufactured home policies.

46. This is higher than the industry average of 13% of the premium for private market commissions.

47. Even if agent commissions were to be dropped to the industry average, rate indications would still be greater than 10%. However, the fact that TWIA pays commissions in excess of the industry average should be considered in assessing whether asking TWIA policyholders to pay for a rate increase is fair or just.

48. There may be other areas in which TWIA can cut expenses before asking policyholders to pay higher rates.

***Order Link:** [TWIA 2024 Annual Rate Filing Order No. 2024-8911]

**2024-8911**
Commissioner's Order
Texas Windstorm Insurance Association 2024 Annual Rate Filing
Page 9 of 12

40. Legislators who commented, both in person and in writing, consistently pointed out that the 89th Legislature will begin in a few months and asked for the opportunity to address TWIA's funding issues then.

*Hurricane Beryl Recovery*

41. As of October 11, 2024, TWIA received 31,163 claims arising from Hurricane Beryl and has paid $258.7 million in claims from that hurricane.

42. TWIA anticipates that paying claims arising from Hurricane Beryl will exhaust the CRTF, the balance of which was $451.4 million as of June 30, 2024.

43. TWIA's chief actuary stated at the August 6, 2024, board meeting that at current premium levels, a 10% rate increase would yield approximately $75 million per year for the CRTF. He stated that while a 10% rate increase would be a step in the right direction, it would not establish rate adequacy.

44. TDI recognizes that coastal Texans are still recovering from Hurricane Beryl and increases in rates at this time would exacerbate the burdens they are facing.

*Agent Commissions and Other Expenses*

45. As noted in Finding of Fact 25, TWIA agents earn 16.0% of the premium for residential policies (except for manufactured homes) and commercial policies and 12.0% of the premium for manufactured home policies.

46. This is higher than the industry average of 13% of the premium for private market commissions.

47. Even if agent commissions were to be dropped to the industry average, rate indications would still be greater than 10%. However, the fact that TWIA pays commissions in excess of the industry average should be considered in assessing whether asking TWIA policyholders to pay for a rate increase is fair or just.

48. There may be other areas in which TWIA can cut expenses before asking policyholders to pay higher rates.

# Appendices

Past Agent Commission Reports & Residual Market Comparison

TEXAS WINDSTORM INSURANCE ASSOCIATION

# Past Agent Commission Study Reports

| December 2021 Report (Report Link) | August 2022 Report (Report Link) | December 2023 Report (Report Link) |
|---|---|---|
| • Historical TWIA Commission Rates<br>• Past Reports from the Independent Insurance Agents of Texas (IIAT)<br>• Evolution of TWIA System & Process Changes<br>• Agent Advisory Group (AAG) Input<br>• Agent Experience Survey Results<br>• Metrics for Changes Required by Sunset Commission<br>• Initial Beach and Fair Plan Comparisons | • Summary Beach and FAIR Plan Commission Data<br>• Interviews with Gulf Coast Beach Plans<br>• Summary of Private Market Commission Data<br>• Initial AAG Feedback 4 Months Post-ELEVATE Implementation<br>• System Usage & Payment Data Pre- and 2.5 Months Post-ELEVATE<br>• Pre-ELEVATE AAG Workflow & Claims Surveys<br>• Staff Recommendations for Agent Commission Study | • Staff Recommendations for Agent Commission Study<br>• Agent Commission Study Timeline<br>• Past Agent Commission Study Report Components<br>• ELEVATE System Changes<br>• 2023 YTD ELEVATE Payment Data<br>• 88th Legislative Session Changes<br>• ITS Consulting Agent Time Study & Survey Presentation and Report<br>• AAG Feedback on the Time Study and Agent Commission Study Report<br>• Sunset Commission Recommendation<br>• Sunset Requirements vs. ELEVATE Changes<br>• Summary of Private Market Commission Data |

**Report Link:** June 2019 Sunset Advisory Commission Staff Report with Final Results

# Residual Market Plan Comparisons

| Agent Commissions and Application Requirements | Florida Citizens | Georgia UW Association | Louisiana Citizens | Mississippi FAIR | Mississippi Windpool | North Carolina NCJUA & NCIUA | South Carolina SCWHUA |
|---|---|---|---|---|---|---|---|
| **Commission Rate(s)** | 10% Residential Wind<br>14% Commercial Wind<br>New & Renewal | 10% Residential & Commercial<br>New & Renewal | 10% Residential & Commercial<br>New & Renewal | 10% Residential<br>New & Renewal | 8% Residential<br>New & Renewal | 15% (NCJUA) / 13% (NCIUA), if certified & submit apps online<br>8%, if certified only<br>5%, if not certified | 10% Residential & Commercial<br>New & Renewal |
| **Last Commission Change** | 2013 | Unknown | 2003 | N/A | 2026 | 2011 | 2007 |
| **Agent Requirements** | Required training for new agents. License and carrier appointment requirements. | Registration and license requirements. | Registration and license requirements. At least $1M in E&O insurance. | Registration and license requirements. | Registration and license requirements. | Required training for new agents and every 3 years to retain full commission. Registration and license requirements. | License requirement. |
| **Agents Have Binding Authority** | Yes, for most new business risks. | No | Yes, if application submitted in policy sys. | No | No | Yes, if app complete and correct. | No |
| **Required Policy Administration System** | Yes, Guidewire (GW). | No | Yes, proprietary system for residential and GW for commercial. | Yes, GW. | Yes, GW. | Yes, RPM. | No |
| **Agency Management System (AMS) Integration** | Basic policy info download via IVANS. | Yes, one AMS system. | Only for commission payments. | No | No | Yes | No |
| **Specific Replacement Cost Estimator Required** | Yes | No | Yes, for RCV policies. | No, do not offer RCV policies. | No | No | No |
| **Declination Required** | Yes | No | Must attest to being declined on application. | Yes | No | No | No |
| **Companion Policy Required** | No | No | No | No | No | No, but may request info. | Yes, in force homeowners. |
| **Flood Insurance Required** | Yes | No | Yes | No | Yes | No | Yes, for RCV. |
| **Building Code Certification Required** | No | No | No | No | No | No | No |

# 8. Financial
## 8A. Report of the Secretary/Treasurer
### 8A1. Income Statement

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

| | | For the six months ended June 30, | | |
|---|---|---|---|---|
| 2 | | Actuals - 2026 | Actuals - 2025 | 2 |
| 3 | | | | 3 |
| 4 | **Premiums Written:** | | | 4 |
| 5 | Direct | $ 399,239 | $ 397,671 | 5 |
| 6 | Ceded | (209,925) | (416,548) | 6 |
| 7 | Net | 189,314 | (18,877) | 7 |
| 8 | | | | 8 |
| 9 | **Premiums Earned:** | | | 9 |
| 10 | Direct | 406,847 | 384,002 | 10 |
| 11 | Ceded | (34,988) | (69,425) | 11 |
| 12 | Net | 371,859 | 314,578 | 12 |
| 13 | | | | 13 |
| 14 | **Deductions:** | | | 14 |
| 15 | Direct Losses and LAE Incurred | 111,054 | 37,401 | 15 |
| 16 | Direct Losses and LAE Incurred - Beryl | 0 | 35,000 | 16 |
| 17 | Direct Losses and LAE Incurred - Harvey | 0 | 0 | 17 |
| 18 | Operating Expenses | 19,881 | 19,413 | 18 |
| 19 | Commission Expense | 63,776 | 63,584 | 19 |
| 20 | Ceding commissions / brokerage | (10,537) | (9,325) | 20 |
| 21 | Premium / Maintenance Tax | 1 | 6,907 | 21 |
| 22 | Total Deductions | 184,175 | 152,980 | 22 |
| 23 | | | | 23 |
| 24 | **Net Underwriting Gain or (Loss)** | 187,684 | 161,598 | 24 |
| 25 | | | | 25 |
| 26 | **Other Income or (Expense):** | | | 26 |
| 27 | Gross Investment Income | 12,039 | 10,086 | 27 |
| 28 | Debt Related & Other Investment Fees | (35) | (42) | 28 |
| 29 | Line of Credit Fees | (602) | (671) | 29 |
| 30 | Premium Charge offs/Write offs | 0 | (1) | 30 |
| 31 | Billing Fees | 0 | 0 | 31 |
| 32 | Miscellaneous Income (Expense) | 0 | 0 | 32 |
| 33 | Total Other Income or (Expense) | 11,401 | 9,372 | 33 |
| 34 | | | | 34 |
| 35 | **Net Income (Loss)** | **$ 199,086** | **$ 170,969** | 35 |
| 36 | | | | 36 |
| 37 | **Surplus (Deficit) Account:** | | | 37 |
| 38 | Beginning Surplus (Deficit) | (17,445) | (413,511) | 38 |
| 39 | Net Income (Loss) | 199,086 | 170,969 | 39 |
| 40 | Change in Provision for Reinsurance | 0 | 0 | 40 |
| 41 | Change in nonadmitted assets | 5,144 | (1,683) | 41 |
| 42 | Statutory Fund Cost | (166,610) | 383,355 | 42 |
| 43 | **Ending Surplus (Deficit)** | **$ 20,175** | **$ 139,131** | 43 |

# 8A2. Management Discussion and Analysis

# Texas Windstorm Insurance Association
# **Management's Discussion and Analysis of Financial Results**
# For the Six Months Ended June 30, 2026

**Written and Earned Premiums**

| **Actual vs Budget** | Jun-2026 YTD Actual | Jun-2026 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Direct Written Premiums | $ 399.2 M | $ 394.3 M | $ 4.9 M | 1.2% |
| Direct Earned Premiums | $ 406.8 M | $ 406.5 M | $ 0.3 M | 0.1% |
| Policies In-Force | 288,676 | 282,740 | 5,936 | 2.1% |

| **Current Yr vs Prior Yr Actual** | Jun-2026 YTD Actual | Jun-2025 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Direct Written Premiums | $ 399.2 M | $ 397.7 M | $ 1.6 M | 0.4% |
| Direct Earned Premiums | $ 406.8 M | $ 384.0 M | $ 22.8 M | 5.9% |
| Policies In-Force | 288,676 | 280,376 | 8,300 | 3.0% |

**Reinsurance Costs**

- The 2026-2027 reinsurance program incepted on June 1, 2026. Coverage for the 2026 hurricane season consisted of $1.05 billion of collateralized catastrophe bonds and $1.23 billion of traditional reinsurance. Gross ceded premiums associated with the $2.28 billion in coverage totaled $209.9 million compared to a budgeted estimate of $237.0 million. This total reflects an overall rate-on-line (ROL) of 9.21% compared to 10.2% ROL for the 2025/2026 program. The net cost of the reinsurance program after ceding commission was $199.4 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

**Depopulation Program**

- There will be no round 9 (2025-2026) or round 10 (2026-2027) of the Assumption Reinsurance Depopulation Program as no carriers applied to participate.

**Loss and Loss Adjustment Expense Incurred**

| Actual vs Budget | Jun-2026 YTD Actual | Jun-2026 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Direct Losses Incurred | $ 81.8 M | $ 74.4 M | $ 7.5 M | 10.0% |
| Direct LAE Incurred | $ 29.2 M | $ 11.7 M | $ 17.5 M | 150.2% |
| **Total Direct Losses & LAE** | **$ 111.1 M** | **$ 86.1 M** | **$ 25.0 M** | **29.0%** |
| **Loss & LAE Ratio** | **27.3%** | **21.2%** | | **6.1%** |

| Current Yr vs Prior Yr Actual | Jun-2026 YTD Actual | Jun-2025 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Direct Losses Incurred | $ 81.8 M | $ 40.4 M | $ 41.4 M | 102.5% |
| Direct LAE Incurred | $ 29.2 M | $ 32.0 M | ($ 2.8 M) | (8.6%) |
| **Total Direct Losses & LAE** | **$ 111.1 M** | **$ 72.4 M** | **$ 38.7 M** | **53.4%** |
| **Loss & LAE Ratio** | **27.3%** | **18.9%** | | **8.4%** |

- The ultimate loss and loss adjustment expense estimate for Hurricane Beryl is $545 million as of June 30, 2026.

**Operating Expenses**

| Actual vs Budget | Jun-2026 YTD Actual | Jun-2026 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Operating Expenses | $ 19.9 M | $ 23.2 M | ($ 3.4 M) | (14.4%) |
| Operating Expense Ratio | 4.9% | 5.7% | | (0.8%) |

| Current Yr vs Prior Yr Actual | Jun-2026 YTD Actual | Jun-2025 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Operating Expenses | $ 19.9 M | $ 19.4 M | $ 0.5 M | 2.4% |
| Operating Expense Ratio | 4.9% | 5.1% | | (0.2%) |

- Net operating expenses shown above and on the statutory income statement exclude claims related expenses which are recorded in losses and loss adjustment expense. Expenses under budget included Personnel Expenses ($1,484,000), Professional & Consulting Services ($1,228,000), Hardware & Software ($263,000), and Other Operating Expenses ($104,000).

## Commission Expense and Premium / Other Taxes

| Actual vs Budget | Jun-2026 YTD Actual | Jun-2026 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Commission Expense | $ 63.8 M | $ 63.1 M | $ 0.7 M | 1.1% |
| Premium / Other Taxes | $ 0.0 M | $ 0.1 M | ($ 0.1 M) | (98.6%) |

| Current Yr vs Prior Yr Actual | Jun-2026 YTD Actual | Jun-2025 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Commission Expense | $ 63.8 M | $ 63.6 M | $ 0.2 M | 0.3% |
| Premium / Other Taxes | $ 0.0 M | $ 6.9 M | ($ 6.9 M) | (100.0%) |

- Premium taxes recorded in 2025 were later reversed due to HB 2517 which exempted TWIA from premium and maintenance tax for calendar year 2025 and forward.

## Other Income (Expense)

| Actual vs Budget | Jun-2026 YTD Actual | Jun-2026 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Gross Investment Income | $ 12.0 M | $ 10.7 M | $ 1.3 M | 12.6% |

| Current Yr vs Prior Yr Actual | Jun-2026 YTD Actual | Jun-2025 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Gross Investment Income | $ 12.0 M | $ 10.1 M | $ 2.0 M | 19.4% |

## Net Income (Loss)

| Actual vs Budget | Jun-2026 YTD Actual | Jun-2026 YTD Budget | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Net Income (Loss) | $ 199.1 M | $ 216.3 M | ($ 17.2 M) | (8.0%) |

| Current Yr vs Prior Yr Actual | Jun-2026 YTD Actual | Jun-2025 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Net Income (Loss) | $ 199.1 M | $ 171.0 M | $ 28.1 M | 16.4% |

**Surplus (Deficit)**

| **Current Period vs. Prior Year End Actual** | Jun-2026 YTD Actual | Dec-25 YTD Actual | Variance Inc (Dec) | Variance % Inc (Dec) |
|---|---|---|---|---|
| Surplus (Deficit) | $ 20.2 M | ($ 17.4 M) | $ 37.6 M | 215.6% |

- The Association's deficit of $17.4 million at December 31, 2025, improved to a surplus of $20.2 million as of June 30, 2026, due primarily to the year-to-date net income of $199.1 million which was partially offset by 2026 accrued CRTF expense of $166.6 million.

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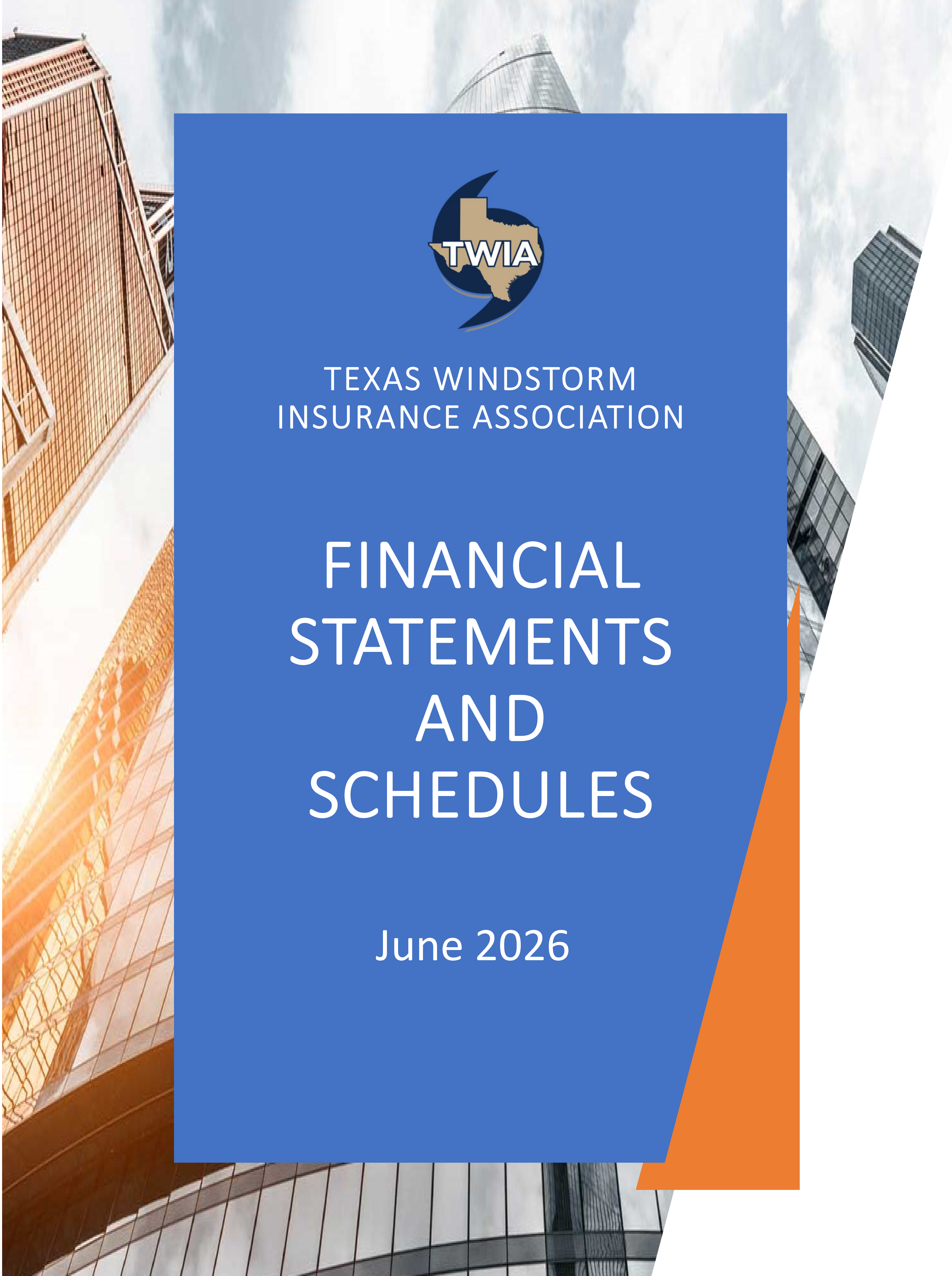
# 8B. Financial Statement Review



TEXAS WINDSTORM INSURANCE ASSOCIATION

# FINANCIAL STATEMENTS AND SCHEDULES

June 2026

# Statutory Income Statement
# (In 000s)

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | | For the six months ended June 30, | | | | 1 |
| 2 | | Actuals - 2026 | Budget - 2026 | Variance - 2026 | Actuals - 2025 | 2 |
| 3 | | | | | | 3 |
| 4 | **Premiums Written:** | | | | | 4 |
| 5 | Direct | $ 399,239 | 394,340 | $ 4,899 | $ 397,671 | 5 |
| 6 | Ceded | (209,925) | (237,000) | 27,075 | (416,548) | 6 |
| 7 | Net | 189,314 | 157,340 | 31,974 | (18,877) | 7 |
| 8 | | | | | | 8 |
| 9 | **Premiums Earned:** | | | | | 9 |
| 10 | Direct | 406,847 | 406,506 | 341 | 384,002 | 10 |
| 11 | Ceded | (34,988) | (39,500) | 4,512 | (69,425) | 11 |
| 12 | Net | 371,859 | 367,006 | 4,853 | 314,578 | 12 |
| 13 | | | | | | 13 |
| 14 | **Deductions:** | | | | | 14 |
| 15 | Direct Losses and LAE Incurred | 111,054 | 86,057 | 24,996 | 37,401 | 15 |
| 16 | Direct Losses and LAE Incurred - Beryl | 0 | 0 | 0 | 35,000 | 16 |
| 17 | Direct Losses and LAE Incurred - Harvey | 0 | 0 | 0 | 0 | 17 |
| 18 | Operating Expenses | 19,881 | 23,235 | (3,354) | 19,413 | 18 |
| 19 | Commission Expense | 63,776 | 63,094 | 682 | 63,584 | 19 |
| 20 | Ceding commissions / brokerage | (10,537) | (11,850) | 1,313 | (9,325) | 20 |
| 21 | Premium / Maintenance Tax | 1 | 58 | (57) | 6,907 | 21 |
| 22 | Total Deductions | 184,175 | 160,594 | 23,580 | 152,980 | 22 |
| 23 | | | | | | 23 |
| 24 | **Net Underwriting Gain or (Loss)** | 187,684 | 206,411 | (18,727) | 161,598 | 24 |
| 25 | | | | | | 25 |
| 26 | **Other Income or (Expense):** | | | | | 26 |
| 27 | Gross Investment Income | 12,039 | 10,691 | 1,348 | 10,086 | 27 |
| 28 | Debt Related & Other Investment Fees | (35) | (72) | 37 | (42) | 28 |
| 29 | Line of Credit Fees | (602) | (714) | 111 | (671) | 29 |
| 30 | Premium Charge offs/Write offs | 0 | 0 | 0 | (1) | 30 |
| 31 | Billing Fees | 0 | 0 | 0 | 0 | 31 |
| 32 | Miscellaneous Income (Expense) | 0 | 0 | 0 | 0 | 32 |
| 33 | Total Other Income or (Expense) | 11,401 | 9,905 | 1,496 | 9,372 | 33 |
| 34 | | | | | | 34 |
| 35 | **Net Income (Loss)** | $ 199,086 | $ 216,317 | $ (17,231) | $ 170,969 | 35 |

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

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | **Actuals - 2026** | **Budget - 2026** | **Variance - 2026** | **Actuals - 2025** |
| **Surplus (Deficit) Account:** | | | | |
| Beginning Surplus (Deficit) | (17,445) | (17,445) | 0 | (413,511) |
| Net Income (Loss) | 199,086 | 216,317 | (17,231) | 170,969 |
| Change in nonadmitted assets | 5,144 | (959) | 6,103 | (1,683) |
| Statutory Fund Cost | (166,610) | (161,066) | (5,543) | 383,355 |
| Ending Surplus (Deficit) | $ 20,175 | $ 36,846 | $ (16,671) | $ 139,131 |
| | | | | |
| **Key Operating Ratios:** | | | | |
| Direct: | | | | |
| Loss & LAE Ratio: | | | | |
| Non Hurricane | 27.3% | 21.2% | 6.1% | 9.7% |
| Hurricane Beryl | 0.0% | 0.0% | 0.0% | 9.1% |
| Hurricane Harvey | 0.0% | 0.0% | 0.0% | 0.0% |
| Loss & LAE Ratio | 27.3% | 21.2% | 6.1% | 18.9% |
| UW Expense Ratio: | | | | |
| Acquisition | 16.0% | 16.0% | (0.0%) | 17.7% |
| Non Acquisition | 4.9% | 5.7% | (0.8%) | 5.1% |
| UW Expense Ratio | 20.9% | 21.7% | (0.9%) | 22.8% |
| | | | | |
| Combined Ratio | 48.2% | 42.9% | 5.3% | 41.6% |
| | | | | |
| Net: | | | | |
| Loss & LAE Ratio: | | | | |
| Non Hurricane | 29.9% | 23.4% | 6.4% | 11.9% |
| Hurricane Beryl | 0.0% | 0.0% | 0.0% | 11.1% |
| Hurricane Harvey | 0.0% | 0.0% | 0.0% | 0.0% |
| Loss & LAE Ratio | 29.9% | 23.4% | 6.4% | 23.0% |
| UW Expense Ratio: | | | | |
| Acquisition | 16.6% | 16.7% | (0.1%) | 21.3% |
| Non Acquisition | 5.3% | 6.3% | (1.0%) | 6.2% |
| UW Expense Ratio | 21.9% | 23.0% | (1.1%) | 27.5% |
| | | | | |
| Combined Ratio | 51.8% | 46.5% | 5.3% | 50.5% |

**Note: Beginning budgeted deficit adjusted to actual for comparative purposes.**

# Statutory Expense Statement
# (In 000s)

| | Description | Actuals - 2026 | Budget - 2026 | Variance - 2026 | Actuals - 2025 | |
|---|---|---|---|---|---|---|
| 1 | | For the six months ended June 30, | | | | 1 |
| 2 | **Description** | **Actuals - 2026** | **Budget - 2026** | **Variance - 2026** | **Actuals - 2025** | 2 |
| 3 | Personnel Expenses | | | | | 3 |
| 4 | Salaries & Wages - Permanent | $ 8,732 | $ 9,134 | $ (402) | $ 8,046 | 4 |
| 5 | Contractor & Temporary Help | 7,355 | 11,170 | (3,814) | 14,069 | 5 |
| 6 | Payroll Taxes | 676 | 667 | 9 | 602 | 6 |
| 7 | Employee Benefits | 2,472 | 2,705 | (233) | 2,283 | 7 |
| 8 | Recruiting, Training & Other | 62 | 233 | (172) | 32 | 8 |
| 9 | Subtotal | 19,297 | 23,908 | (4,611) | 25,032 | 9 |
| 10 | | | | | | 10 |
| 11 | Professional & Consulting Services | | | | | 11 |
| 12 | Legal | 246 | 248 | (2) | 220 | 12 |
| 13 | Accounting & Auditing | 106 | 168 | (61) | 170 | 13 |
| 14 | Information Technology | 1,169 | 1,249 | (79) | 1,676 | 14 |
| 15 | Actuarial Services | 37 | 102 | (65) | 89 | 15 |
| 16 | Omsbudsman Program | 130 | 110 | 20 | 105 | 16 |
| 17 | Surveys & Inspections | 159 | 608 | (449) | 171 | 17 |
| 18 | Disaster Recovery Services | 8 | 7 | 1 | 6 | 18 |
| 19 | Other Services [(1)] | 3,120 | 3,776 | (656) | 3,268 | 19 |
| 20 | Subtotal | 4,976 | 6,266 | (1,290) | 5,704 | 20 |
| 21 | | | | | | 21 |
| 22 | Hardware/Software Purchases & Licensing | 4,155 | 4,495 | (339) | 3,377 | 22 |
| 23 | Rental & Maintenance - Office/Equipment | 518 | 608 | (89) | 510 | 23 |
| 24 | Travel Expenses | 135 | 212 | (78) | 81 | 24 |
| 25 | Postage, Telephone and Express | 778 | 923 | (144) | 780 | 25 |
| 26 | Capital Management Expenses | 0 | 0 | 0 | 0 | 26 |
| 27 | Depreciation & Amortization | 1,543 | 1,543 | 0 | 1,543 | 27 |
| 28 | Other Operating Expenses | 879 | 1,037 | (158) | 790 | 28 |
| 29 | **Total Operating Expenses** | **$ 32,282** | **$ 38,992** | **$ (6,710)** | **$ 37,818** | 29 |
| 30 | | | | | | 30 |
| 31 | Capitalization of Fixed Assets | 0 | 0 | 0 | 0 | 31 |
| 32 | Reimbursement of Depop Servicing Expense | 0 | 0 | 0 | 0 | 32 |
| 33 | Allocation To ULAE | (12,365) | (15,715) | 3,350 | (18,362) | 33 |
| 34 | Allocation To Investing & Other Expense | (35) | (42) | 7 | (42) | 34 |
| 35 | Net Operating Expense - UW Operations | **$ 19,881** | **$ 23,235** | **$ (3,354)** | **$ 19,413** | 35 |

[(1)] **Summary Details for Other Services:**

| VENDOR | Amount | Department |
|---|---|---|
| Moody's Analytics Inc. | $ 523 | Slab Claim Evaluation Program |
| Accenture LLP | 370 | Slab Claim Evaluation Program |
| AON Re Inc | 300 | Actuary |
| Marshall & Swift/Boeckh | 285 | Underwriting |
| Clear Point Claims LLC | 253 | Underwriting |
| Xactware Solutions Inc | 223 | Claims |
| ISO Services Inc | 210 | Claims |
| Nearmap US, Inc | 149 | Claims |
| Risk Management Solutions Inc | 144 | Slab Claim Evaluation Program |
| LexisNexis Risk Solutions FL Inc | 106 | Underwriting |
| LYNX Services LLC | 74 | Claims |
| Floatbot, Inc | 66 | Claims |
| Gartner Inc | 64 | The People Team |
| *Other Outside Services below $50K | 353 | Various Departments |
| **Total Other Services** | **$ 3,120** | |

# Statutory Balance Sheet
# (In 000s)

| | | Jun-2026 | Dec-2025 | |
|---|---|---|---|---|
| 1 | | | | 1 |
| 2 | **Admitted Assets** | | | 2 |
| 3 | Cash and short term investments: | | | 3 |
| 4 | Unrestricted | $ 754,463 | $ 735,549 | 4 |
| 5 | Restricted - Funds Held at TTSTC | 0 | 0 | 5 |
| 6 | Restricted - Funds Held at TTSTC (Non Admitted) | 0 | 0 | 6 |
| 7 | Total cash and short term investments | 754,463 | 735,549 | 7 |
| 8 | Premiums receivable & other | 69,787 | 66,901 | 8 |
| 9 | Assessment receivable | 0 | 0 | 9 |
| 10 | Amounts recoverable from reinsurers | 0 | 0 | 10 |
| 11 | **Total admitted assets** | **$ 824,249** | **$ 802,449** | 11 |
| 12 | | | | 12 |
| 13 | **Liabilities, Surplus and other funds** | | | 13 |
| 14 | **Liabilities:** | | | 14 |
| 15 | Loss and Loss adjustment expenses | 176,688 | 169,589 | 15 |
| 16 | Underwriting expenses payable | 18,515 | 12,252 | 16 |
| 17 | Unearned premiums, net of ceded unearned premiums | 234,613 | 417,158 | 17 |
| 18 | Ceded reinsurance premiums payable | 177,349 | 158,756 | 18 |
| 19 | Provision for reinsurance | 0 | 0 | 19 |
| 20 | Other payables | 30,301 | 23,060 | 20 |
| 21 | Statutory fund payable | 166,610 | 39,080 | 21 |
| 22 | **Total liabilities** | **804,075** | **819,895** | 22 |
| 23 | | | | 23 |
| 24 | **Surplus and other funds** | | | 24 |
| 25 | Unassigned surplus (deficit) | 20,175 | (17,445) | 25 |
| 26 | **Total liabilities, surplus and other funds** | **$ 824,249** | **$ 802,449** | 26 |
| 27 | | | | 27 |
| 28 | | | | 28 |
| 29 | **Balance in CRTF** | **$ 56,315** | **$ 14,125** | 29 |
| 30 | | | | 30 |
| 31 | **Balance in CRTF including Statutory fund payable** | **$ 222,924** | **$ 53,204** | 31 |

# Statement of Cash Flows
# (In 000s)

| | | For the six months ended June 30, | | | |
|---|---|---|---|---|---|
| 2 | | Actual - 2026 | Budget - 2026 | Variance - 2026 | 2 |
| 3 | | | | | 3 |
| 4 | **Cash flows from operating activities:** | | | | 4 |
| 5 | Premiums collected, net of reinsurance | $ 209,754 | $ 259,562 | $ (49,808) | 5 |
| 6 | Losses and loss adjustment expense paid [(1)] [(2)] | (103,954) | (66,774) | (37,180) | 6 |
| 7 | Underwriting expenses paid | (59,447) | (69,891) | 10,443 | 7 |
| 8 | Member assessment received | 0 | 0 | 0 | 8 |
| 9 | Other | (926) | 0 | (926) | 9 |
| 10 | Net cash provided by operating activities | 45,427 | 122,897 | (77,470) | 10 |
| 11 | **Cash flows from non-operating activities:** | | | | 11 |
| 12 | Statutory fund received/(paid) | (39,080) | (173,000) | 133,920 | 12 |
| 13 | Other | 0 | 0 | 0 | 13 |
| 14 | Net cash provided by non-operating activities | (39,080) | (173,000) | 133,920 | 14 |
| 15 | **Cash flows from investing activities:** | | | | 15 |
| 16 | Sales and maturities of investments | 0 | 0 | 0 | 16 |
| 17 | Net investment income | 13,169 | 10,691 | 2,478 | 17 |
| 18 | Net cash provided by investing activities | 13,169 | 10,691 | 2,478 | 18 |
| 19 | **Cash flows from financing activities:** | | | | 19 |
| 20 | Borrowed funds | 0 | 0 | 0 | 20 |
| 21 | Borrowed funds repaid | 0 | 0 | 0 | 21 |
| 22 | Debt and Credit Agreement Fees | (602) | (786) | 183 | 22 |
| 23 | Net cash provided by financing activities | (602) | (786) | 183 | 23 |
| 24 | | | | | 24 |
| 25 | Net increase (decrease) in cash and short-term investments | 18,914 | (40,198) | 59,112 | 25 |
| 26 | Cash and short-term investments, Beginning | 735,549 | 735,549 | 0 | 26 |
| 27 | **Cash and short-term investments, Ending** | **$ 754,463** | **$ 695,351** | **$ 59,112** | 27 |
| 28 | | | | | 28 |
| 29 | [(1)] Direct Beryl Loss/LAE payments | $ 15,928 | | | 29 |
| 30 | [(2)] Direct Harvey Loss/LAE payments | $ 7 | | | 30 |
| 31 | | | | | 31 |
| 32 | **Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.** | | | | 32 |

# Cash and Short-Term Investments
# (In 000s)

**Unrestricted Cash and Short Term Investments ($ in 000s)**
**June 30, 2026**

| Bank | Non Interest Bearing | Interest Bearing | Total Amount of Deposits | Average Daily Balance for the Quarter | Investment Income during the Quarter | Average Annual Yield | Total Deposit % of TWIA's Portfolio | N.A. Bank Credit Rating | N.A Tier 1 Capital Ratio | N.A. Regulatory Capital | Are funds in excess of the N.A. Regulatory Capital? |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | **< 40%** | **Superior or Strong** | **> 10%** | **> $25B** | **> .2% of N.A. Reg Capital** |
| **Balances as of 06/30/2026:** | | | | | | | | | | | |
| Bank of America, Operating | $ 162 | $ 30,741 | $ 30,903 | $ 48,611 | $ 297 | 2.4% | 4% | Superior | 12.2% | $187 | No |
| JP Morgan Chase | 0 | 31,401 | 31,401 | 55,342 | 251 | 1.8% | 4% | Superior | 15.1% | $296 | No |
| JP Morgan U.S. Treasury Plus Money Market Fund [(1)] | 0 | 200,385 | 200,385 | 185,229 | 1,631 | 3.5% | 27% | N/A | N/A | N/A | N/A |
| Chase Goldman Sachs [(1)] | 0 | 130,349 | 130,349 | 144,758 | 1,269 | 3.5% | 17% | N/A | N/A | N/A | N/A |
| BOA Morgan Stanley [(2)] | 0 | 53,071 | 53,071 | 52,780 | 461 | 3.5% | 7% | N/A | N/A | N/A | N/A |
| BOA Dreyfus Treasury [(2)] | 0 | 75,027 | 75,027 | 74,614 | 654 | 3.5% | 10% | N/A | N/A | N/A | N/A |
| Fidelity Treasury [(2)] | 0 | 233,327 | 233,327 | 174,806 | 1,553 | 3.6% | 31% | N/A | N/A | N/A | N/A |
| **Total of all financial institutions** | **$ 162** | **$ 754,301** | **$ 754,463** | **$ 736,141** | **$ 6,116** | **3.3%** | **100%** | | | | |
| **Balances as of 03/31/2026:** | | | | | | | | | | | |
| Bank of America, Operating | $ 162 | $ 47,880 | $ 48,042 | $ 25,799 | $ 153 | 2.4% | 7% | Superior | 12.5% | $191 | No |
| JP Morgan Chase | 0 | 22,103 | 22,103 | 59,634 | 264 | 1.8% | 3% | Superior | 15.3% | $295 | No |
| JP Morgan U.S. Treasury Plus Money Market Fund [(1)] | 0 | 178,809 | 178,809 | 158,134 | 1,393 | 3.5% | 26% | N/A | N/A | N/A | N/A |
| Chase Goldman Sachs [(1)] | 0 | 173,933 | 173,933 | 173,427 | 1,516 | 3.5% | 26% | N/A | N/A | N/A | N/A |
| BOA Morgan Stanley [(2)] | 0 | 52,468 | 52,468 | 52,316 | 455 | 3.5% | 8% | N/A | N/A | N/A | N/A |
| BOA Dreyfus Treasury [(2)] | 0 | 74,163 | 74,163 | 104,315 | 915 | 3.5% | 11% | N/A | N/A | N/A | N/A |
| Fidelity Treasury [(2)] | 0 | 131,421 | 131,421 | 138,232 | 1,225 | 3.5% | 19% | N/A | N/A | N/A | N/A |
| **Total of all financial institutions** | **$ 162** | **$ 680,778** | **$ 680,940** | **$ 711,857** | **$ 5,922** | **3.3%** | **100%** | | | | |

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

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

Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of March 31, 2026. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

# Historical Data
# ($ in 000s)

**1971 - 2026**

**($ with 000s omitted)**

| | GROSS | | | | | | NET | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| YEAR | LIABILITY IN FORCE END OF PERIOD | POLICY COUNT | RATE CHANGES RESIDENTIAL | RATE CHANGES COMMERCIAL | WRITTEN PREMIUMS | LOSS & LAE INCURRED | EARNED PREMIUMS | LOSS & LAE INCURRED | UNDERWRITING EXPENSES INCURRED | UNDERWRITING GAIN (LOSS) | CRTF BALANCE END OF PERIOD |
| 1971-1987 | $ 4,401,486 | 57,976 | | | $ 164,538 | $ 187,465 | $ 113,518 | $ 187,465 | $ 35,926 | $ (109,874) | |
| 1988 | 4,266,615 | 56,773 | -5.4% | -15.0% | 19,061 | 2,509 | 3,551 | 2,509 | 4,066 | (3,024) | |
| 1989 | 4,236,600 | 55,401 | - | - | 18,066 | 14,176 | 5,330 | 14,176 | 4,037 | (12,883) | |
| 1990 | 4,248,611 | 56,155 | 3.1% | -2.1% | 18,244 | 1,590 | 16,761 | 1,590 | 4,171 | 11,000 | |
| 1991 | 4,346,209 | 54,145 | 25.0% | -2.0% | 20,504 | 1,783 | 7,167 | 1,783 | 4,343 | 1,042 | |
| 1992 | 5,155,790 | 55,471 | -20% (I)/-75% (B) | -22.9% | 11,495 | 1,321 | 4,014 | 1,321 | 4,220 | (1,527) | |
| 1993 | 6,500,165 | 56,921 | 30.0% | - | 19,377 | 4,778 | 123,515 | 4,778 | 5,161 | 113,576 | |
| 1994 | 7,645,176 | 63,348 | - | - | 26,545 | 1,572 | 25,692 | 1,572 | 6,982 | 17,138 | $ 124,847 |
| 1995 | 8,828,140 | 69,807 | 25.0% | - | 32,419 | 4,033 | 29,016 | 4,033 | 8,119 | 16,864 | 151,284 |
| 1996 | 10,001,843 | 72,977 | - | - | 40,359 | 1,484 | 37,153 | 1,484 | 10,627 | 25,042 | 179,020 |
| 1997 | 10,907,937 | 75,361 | - | - | 42,463 | 4,133 | 41,045 | 4,133 | 11,038 | 25,874 | 216,896 |
| 1998 | 11,633,935 | 77,261 | 0.2% | -3.0% | 44,411 | 27,235 | 28,256 | 27,235 | 12,181 | (11,160) | 238,221 |
| 1999 | 11,972,502 | 75,947 | -9.4% | - | 44,581 | 11,320 | 28,702 | 11,320 | 11,524 | 5,858 | 250,403 |
| 2000 | 12,052,604 | 73,815 | 8.7% | 9.0% | 48,012 | 7,937 | 28,470 | 7,937 | 11,681 | 8,852 | 268,563 |
| 2001 | 13,249,407 | 77,022 | 18.5% | 4.0% | 54,631 | 8,011 | 31,112 | 8,011 | 12,936 | 10,165 | 280,063 |
| 2002 | 16,003,048 | 85,668 | - | 5.0% | 72,968 | 32,359 | 44,516 | 32,359 | 16,584 | (4,427) | 303,185 |
| 2003 | 18,824,457 | 96,420 | - | 10.0% | 87,987 | 24,955 | 51,702 | 24,955 | 19,682 | 7,065 | 305,599 |
| 2004 | 20,796,656 | 103,503 | 9.6% | 10.0% | 102,384 | 6,115 | 52,230 | 6,115 | 21,911 | 24,204 | 308,729 |
| 2005 | 23,263,934 | 109,693 | - | 10.0% | 113,928 | 178,370 | 65,438 | 178,370 | 25,277 | (138,209) | 311,508 |
| 2006 | 38,313,022 | 143,999 | 3.1% | 13.4% | 196,833 | 5,188 | 85,467 | 5,188 | 37,138 | 43,141 | 361,823 |
| 2007 | 58,641,546 | 216,008 | 4.2% | 3.7% | 315,139 | 17,985 | 135,843 | 17,985 | 51,768 | 66,090 | 388,542 |
| 2008 | 58,585,060 | 215,537 | 8.2% | 5.4% | 331,049 | 2,587,123 | (138,560) | 1,117,123 | 53,759 | (1,309,442) | - |
| 2009 | 61,700,891 | 230,545 | 12.3% | 15.6% | 382,342 | (486,314) | 389,600 | (183,974) | 87,899 | 485,675 | - |
| 2010 | 67,452,357 | 242,664 | - | - | 385,550 | 555,025 | 351,730 | 252,685 | 85,598 | 13,447 | 76,334 |
| 2011 | 71,083,333 | 255,945 | 5.0% | 5.0% | 403,748 | 202,539 | 321,781 | 202,539 | 81,665 | 37,577 | 146,650 |
| 2012 | 74,186,949 | 266,726 | 5.0% | 5.0% | 443,480 | 401,873 | 321,122 | 401,873 | 93,583 | (174,334) | 178,902 |
| 2013 | 76,921,369 | 270,814 | 5.0% | 5.0% | 472,739 | 30,975 | 295,130 | 30,975 | 100,524 | 163,631 | 186,184 |
| 2014 | 78,763,302 | 275,626 | 5.0% | 5.0% | 494,036 | (13,994) | 367,555 | (13,994) | 109,189 | 272,360 | 216,813 |
| 2015 | 78,551,742 | 272,219 | 5.0% | 5.0% | 503,824 | 178,886 | 377,594 | 178,886 | 114,973 | 83,736 | 487,170 |
| 2016 | 73,393,573 | 254,346 | 5.0% | 5.0% | 487,354 | 38,669 | 370,404 | 38,625 | 109,756 | 222,023 | 587,860 |
| 2017 | 65,023,810 | 231,567 | - | - | 423,074 | 1,476,861 | 347,354 | 1,475,302 | 97,878 | (1,225,826) | 1,220 |
| 2018 | 58,041,760 | 202,208 | 5.0% | 5.0% | 395,552 | 175,718 | 301,515 | 175,998 | 96,399 | 29,118 | 5,986 |
| 2019 | 55,189,815 | 189,203 | - | - | 372,017 | 113,513 | 287,477 | 113,398 | 92,415 | 81,664 | 122,496 |
| 2020 | 55,009,638 | 184,890 | - | - | 369,600 | 118,669 | 261,574 | 118,470 | 90,594 | 52,510 | 179,174 |
| 2021 | 59,543,596 | 193,002 | - | - | 395,113 | 19,026 | 276,372 | 19,048 | 95,623 | 161,701 | 182,712 |
| 2022 | 75,698,532 | 222,480 | 5.0% | 5.0% | 518,299 | 51,213 | 311,395 | 51,248 | 120,093 | 140,054 | 190,004 |
| 2023 | 95,677,314 | 247,531 | - | - | 653,043 | 91,367 | 371,366 | 91,373 | 140,022 | 139,972 | 283,006 |
| 2024 | 113,745,440 | 272,567 | - | - | 758,845 | 634,413 | 311,911 | 634,413 | 161,578 | (484,080) | 466,330 |
| 2025 | 126,455,725 | 284,846 | - | - | 820,865 | 246,190 | 362,489 | 246,190 | 160,579 | (44,280) | 14,125 |
| 2026 | 128,252,110 | 288,676 | - | - | 399,239 | 111,054 | 371,859 | 111,054 | 73,121 | 187,684 | 56,315 |
| **TOTAL*** | | | | | $ 10,503,715 | $ 7,077,123 | $ 6,818,167 | $ 5,605,549 | $ 2,284,620 | $ (1,072,001) | |

*2026 data through 6/30/2026

# 8C. Investment of Trust Fund Balances

TEXAS WINDSTORM INSURANCE ASSOCIATION

# MEMORANDUM

DATE: July, 15, 2026

TO: David, Durden, General Manager

FROM: Stuart, Harbour, Chief Financial Officer

RE: Investment of Catastrophe Reserve Trust Fund Balances

---

Hi David, SB 900 and certain amendments included in H.B. 3689, added the following requirement regarding the Catastrophe Reserve Trust Fund (CRTF):

> Sec. 2210.4521. INVESTMENT OF TRUST FUND BALANCES.
> (a) The comptroller shall invest in accordance with the investment standard described by Section 404.024(j), Government Code, the portion of the trust fund balance that exceeds the amount of the sufficient balance determined under Subsection (b). (a-1) The comptroller's investment of that portion of the balance is not subject to any other limitation or other requirement provided by Section 404.024, Government Code. The comptroller and board of directors may recommend investments to protect the trust fund and create investment income.
> **(b) At least once each 12-month period, the board of directors shall determine a balance for the trust fund that the board considers to be sufficient to meet the cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a). [Emphasis added]** After determining that sufficient balance, the board shall provide notice of the sufficient balance to the comptroller.

The TWIA Board of Directors last reviewed this provision in 2025 at the August Board of Directors Meeting.

This statutory provision allows the Comptroller to invest excess CRTF funds in a less restrictive manner using a "prudent investor" standard and it requires the TWIA board to provide an annual notification to the Comptroller regarding the excess funds/sufficient balance amount in the CRTF. The CRTF Balance is approximately $56.3 M as of June 30, 2026. The CRTF is utilized for funding losses and expenses in excess of current year premiums and other revenue. Since there is a high probability that all of the funds in the CRTF may be required to be utilized in the event of a catastrophic event, TWIA staff believes that all the funds in the CRTF are necessary to meet the potential cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a). Thus, there are **no excess funds** in the CRTF at this time to be invested by the Comptroller under the prudent investor standard set forth in Chapter 424 of the Government Code.

Suggested language for a resolution by the TWIA board of directors at the August 4, 2026 meeting is as follows:

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

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

Thank you,
Stuart

# 8D. Selection of Auditors/Accountants for 2026 and Authorization of Non-Audit Services

# MEMORANDUM

DATE: July 15, 2026

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: **Selection of Auditors/Accountants for 2026 and Authorization of Non-Audit Services**

Each year the association retains an accounting firm to conduct an independent audit of the association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2021, Calhoun Thomson + Matza ("CTM") was selected to continue in their role as the association's independent auditor. I have attached the Statutory and GASB engagement letters from CTM for use in connection with the audit of the association's 2026 financial statements. Counsel has reviewed the letters and reports that the terms are unchanged from last year except for an increase of $2,350 for the statutory audit and $400 for the GASB/GAAP audit. Staff recommends to the Board of Directors that the engagements be approved, and the letters executed. Staff also requests authority to use CTM as needed over the coming year for assistance with certain tax related items and for non-audit services associated with the issuance of catastrophe bonds. Resolution language is provided below.

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

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

Thank you,

Stuart



PO Box 99090, Austin, TX 78709-9090 | Call 1-800-788-8247 | twia.org

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

**Agreement to provide services**

July 13, 2026

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

Dear Ms. Guard:

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

**Statutory Audit**

As agreed, Calhoun, Thomson + Matza, LLP ("CTM" or "we") will audit the statutory statement of admitted assets, liabilities, surplus and other funds of Texas Windstorm Insurance Association (the "Association" or "you") as of December 31, 2026 and the related statutory statements of income, changes in surplus and other funds, and cash flows for the year then ending, in accordance with auditing standards generally accepted in the United States of America. The financial records and financial statements are the responsibility of the Association's management. In that regard, management is responsible for establishing and maintaining effective internal control over financial reporting, establishing and maintaining proper accounting records, selecting appropriate accounting principles, safeguarding the Association's assets, designing and implementing programs and controls to prevent and detect fraud, complying with relevant laws and regulations, and making all financial records and related information available to us.

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

- Summary Investment Schedule as of December 31, 2026.
- Supplemental Investment Risk Interrogatories as of December 31, 2026.

- Reinsurance Interrogatories as of December 31, 2026.

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

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

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

We will design our audit, in accordance with auditing standards generally accepted in the United States of America, to obtain reasonable assurance about whether the statutory financial statements are free of material misstatements, whether caused by error or fraud. Our work will be based primarily upon selected tests of evidence supporting the amounts and disclosures in the statutory financial statements and, therefore, will not include a detailed check of all of the Association’s transactions for the period.

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

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

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

**Responsibility to Communicate with the Audit Committee**

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

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

1. Audit adjustments detected during the audit that could, in our judgment, either

individually or in aggregate, have a significant effect on the Association's financial reports. Audit adjustments, whether or not recorded by the Association, are proposed corrections of the financial statements that may not have been detected except through the auditing procedures.

2. Uncorrected misstatements aggregated during the current engagement that were determined by management to be immaterial.

3. Any disagreements with management or other serious difficulties encountered during the audit.

4. Any other matter that is required to be communicated by generally accepted auditing standards.

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

**E-mail Communication**

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

**Ownership of Working Papers**

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

**Reproduction of Audit Report**

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

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

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

**Review of Documents for Sale of Securities**

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

**Management Representations and Indemnification**

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

**Availability of Records and Personnel**

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

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

**Assistance by the Association's Personnel and Internet Access**

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

**Other Services**

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

**Independence**

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

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

**Dispute Resolution Procedure**

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

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

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

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

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

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

**Fees**

Our charges to the Association for the audit services described above will be $81,100 all-inclusive except for out-of-town travel to Board meetings (if attendance is requested).

Our hourly rates are as follows:

| | |
|---|---|
| Partner | $300 |
| Senior Manager | $225 |
| Senior Associate | $175 |
| Audit Associate | $145 |

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

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

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

**Miscellaneous**

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

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

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

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

**Assignability**

This Agreement is nonassignable.

**Entire Agreement**

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

**Amendment and Modification**

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

**Public Information**

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

**Confidential Information and Subpoenas**

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

Very truly yours,

Calhoun, Thomas & Matza, LLP

Acknowledged:

By________________________________

Ms. Karen Guard, Chair of the Board of Directors/Audit Committee

Date______________________________

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

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

**Agreement to provide services**

July 13, 2026

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

Dear Ms. Guard:

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

**Audit**

As agreed, Calhoun, Thomson + Matza, LLP ("CTM" or "we") will audit the statement of net position of Texas Windstorm Insurance Association (the "Association" or "you") as of December 31, 2026 and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ending, in accordance with auditing standards generally accepted in the United States of America. The financial records and financial statements are the responsibility of your Association's management. In that regard, management is responsible for establishing and maintaining effective internal control over financial reporting, establishing and maintaining proper accounting records, selecting appropriate accounting principles, safeguarding Association assets, designing and implementing programs and controls to prevent and detect fraud, complying with relevant laws and regulations, and making all financial records and related information available to us.

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

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

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

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

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

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

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

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

**Responsibility to Communicate with the Audit Committee**

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

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

1. Audit adjustments detected during the audit that could, in our judgment, either individually or in aggregate, have a significant effect on the Association's financial reports. Audit adjustments, whether or not recorded by the Association, are proposed corrections of the financial statements that may not have been detected except through the auditing procedures.

2. Uncorrected misstatements aggregated during the current engagement that were determined by management to be immaterial.

3. Any disagreements with management or other serious difficulties encountered during the audit.

4. Any other matter that is required to be communicated by generally accepted auditing standards.

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

**E-mail Communication**

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

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

**Ownership of Working Papers**

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

**Reproduction of Audit Report**

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

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

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

**Review of Documents for Sale of Securities**

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

**Management Representations and Indemnification**

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

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

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

**Assistance by Your Personnel and Internet Access**

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

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

**Dispute Resolution Procedure**

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

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

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

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

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

**Fees**

Our charges to the Association for the audit services described above will be $14,600 all-inclusive except for out-of-town travel to Board meetings (if attendance is requested).

Our hourly rates are as follows:

| | |
|---|---|
| Partner | $300 |
| Senior Manager | $225 |
| Senior Associate | $175 |
| Audit Associate | $145 |

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

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

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

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

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

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**Assignability**

This Agreement is nonassignable.

**Entire Agreement**

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

**Amendment and Modification**

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

**Public Information**

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

**Confidential Information and Subpoenas**

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

Very truly yours,

Calhoun, Thomson & Matza, LLP

Acknowledged:

By________________________________

Ms. Karen Guard, Chair of the Board of Directors/Audit Committee

Date______________________________

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

# 9. Actuarial

## 9A. Policy Counts/Exposures

TEXAS WINDSTORM INSURANCE ASSOCIATION

# Executive Summary

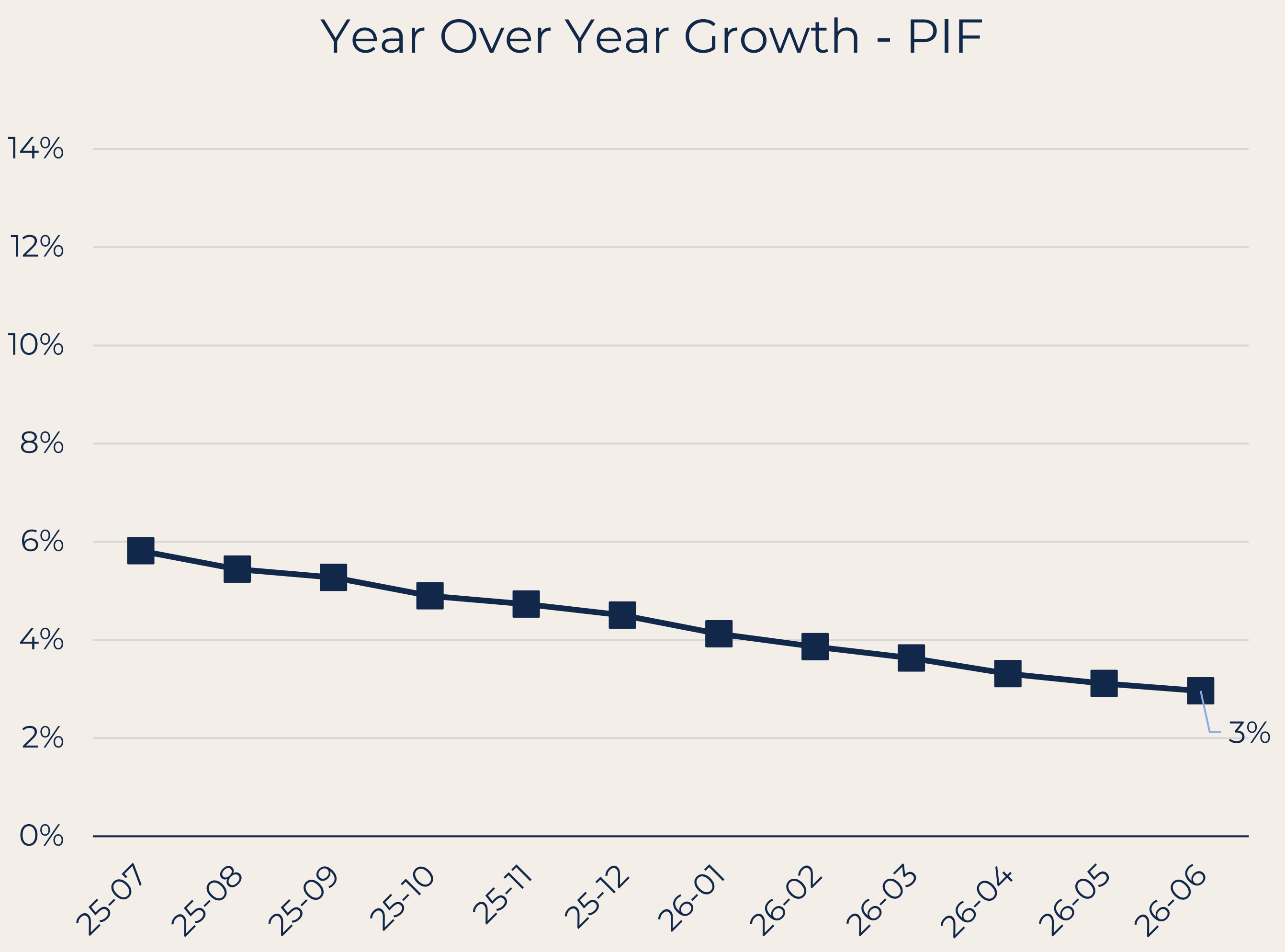
- Gradual decline in PIF and TIV growth over the last 12 months
- Growth projected to be flat through 2026
- **New Policy Issuances**: Down 12% year-over-year
- **Retention**: Steady at 87%
- **Top County Growth**: Chambers (+10%), Brazoria (+9%)

| TWIA | | |
|---|---|---|
| | 06/30/2026 | YOY Growth |
| Policies In-Force | 288,676 | +3% |
| Total Insured Value | 128.3B | +6% |
| YTD Written Premium | 399M | +0% |

Detailed reports available on the TWIA website at: https://www.twia.org/about-us/financial-reports/

# YOY Summary

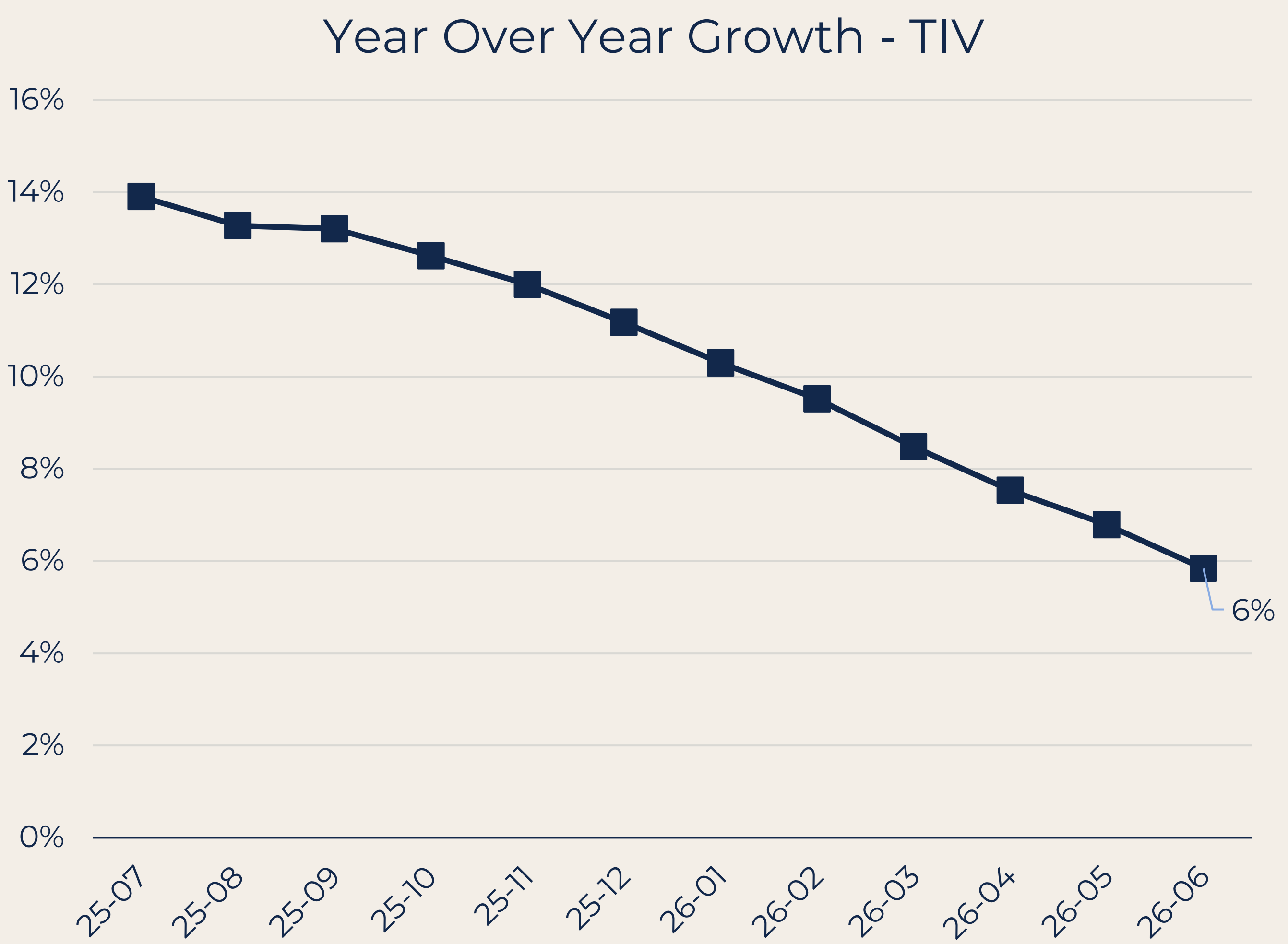
- **Gradual decline in PIF growth over the last 12 months**




| Year/Month | 2025-07 | 2025-08 | 2025-09 | 2025-10 | 2025-11 | 2025-12 | 2026-01 | 2026-02 | 2026-03 | 2026-04 | 2026-05 | 2026-06 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PIF | 281,817 | 282,632 | 283,333 | 283,740 | 284,148 | 284,846 | 284,694 | 285,338 | 286,251 | 287,046 | 287,578 | 288,676 |

# YOY Summary

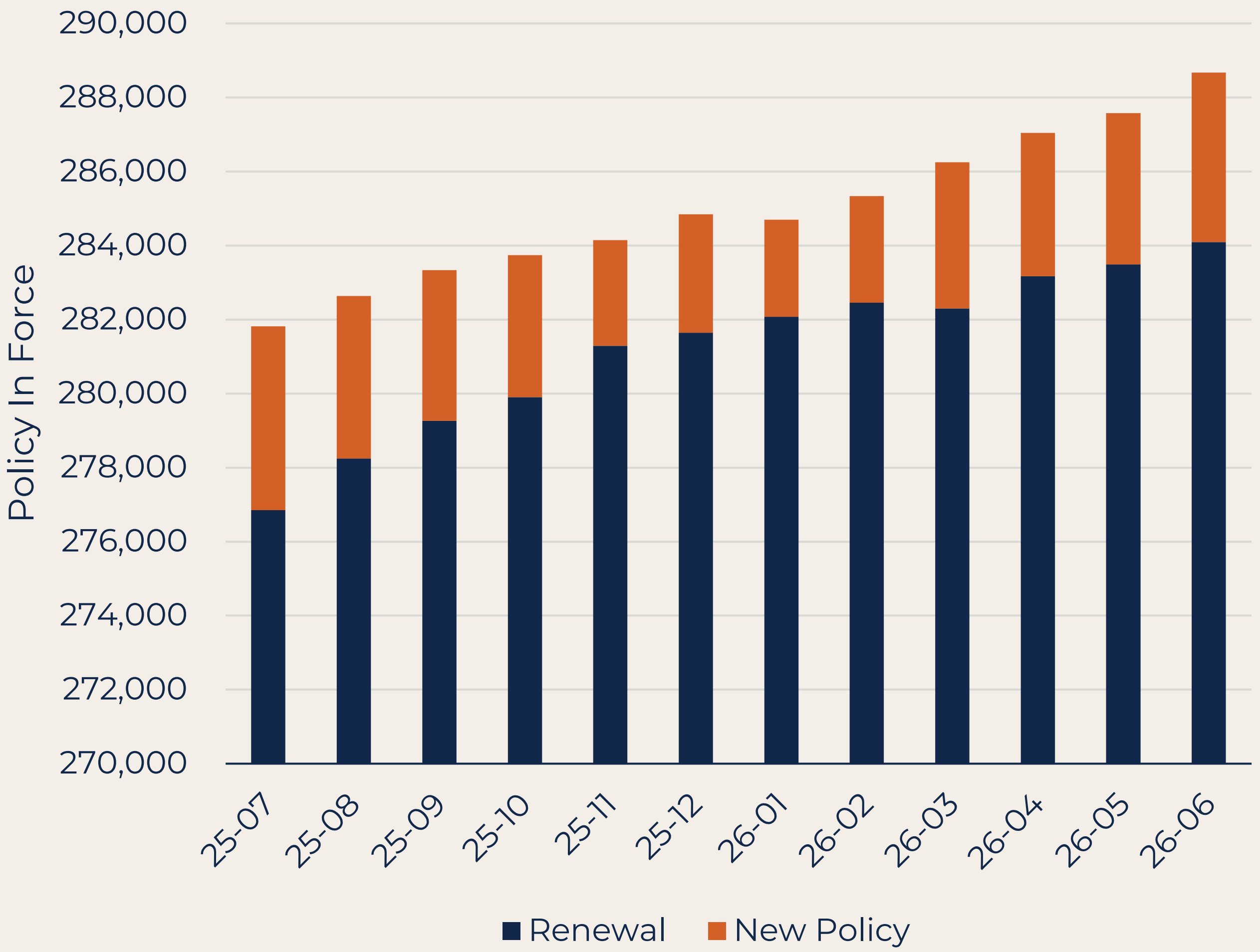
- **Gradual decline in TIV growth over the last 12 months**




| Year/Month | 2025-07 | 2025-08 | 2025-09 | 2025-10 | 2025-11 | 2025-12 | 2026-01 | 2026-02 | 2026-03 | 2026-04 | 2026-05 | 2026-06 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIV (000,000s) | 122,479 | 123,768 | 125,337 | 126,057 | 126,282 | 126,456 | 126,508 | 126,784 | 127,128 | 127,531 | 127,694 | 128,252 |

# New Business versus Renewal

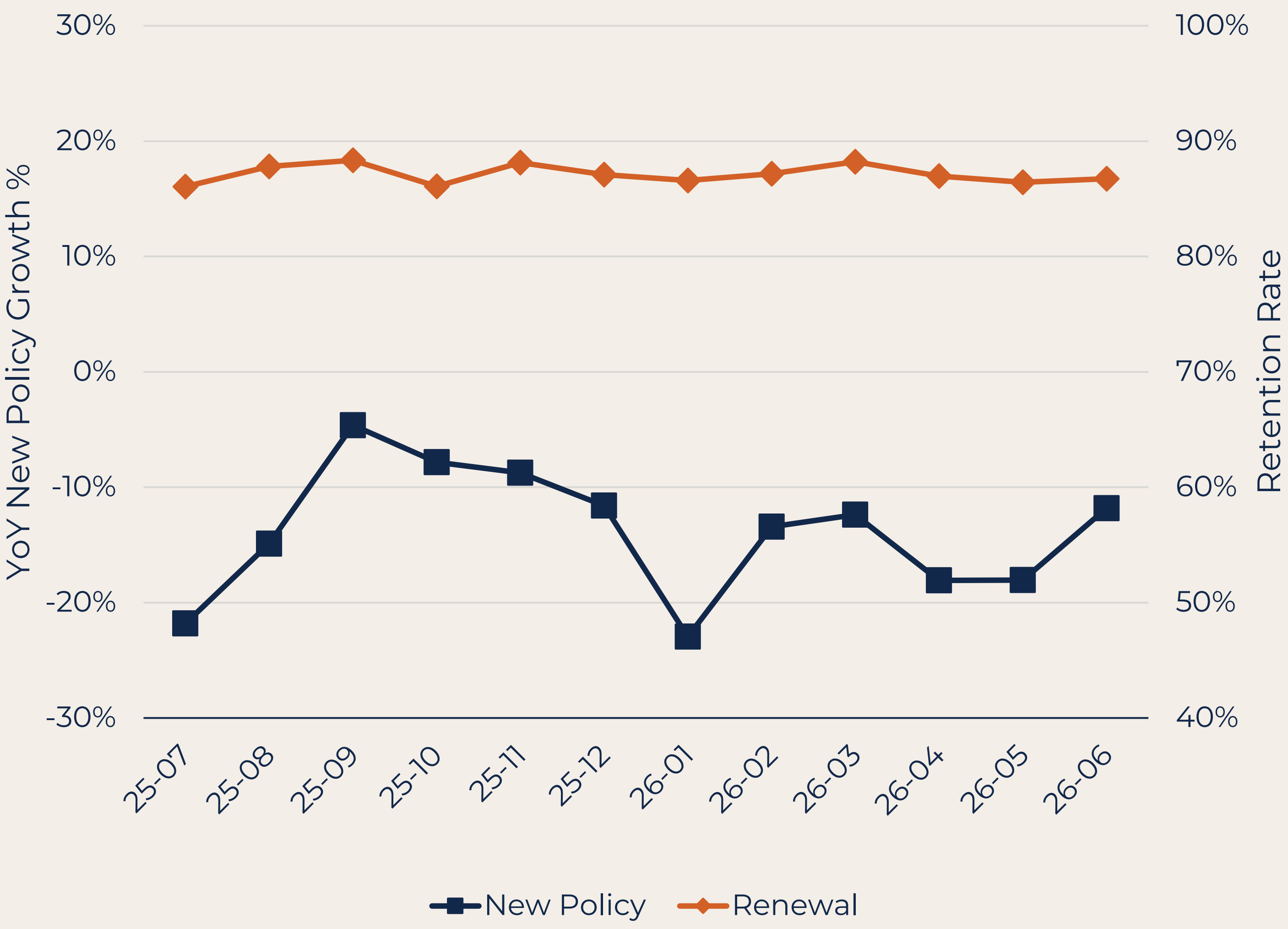
- **New policies account for roughly 1-2% of total PIF each month**




| Year/Month | 2025-07 | 2025-08 | 2025-09 | 2025-10 | 2025-11 | 2025-12 | 2026-01 | 2026-02 | 2026-03 | 2026-04 | 2026-05 | 2026-06 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| New Policy | 4,966 | 4,384 | 4,066 | 3,835 | 2,859 | 3,200 | 2,618 | 2,883 | 3,952 | 3,873 | 4,088 | 4,584 |
| Renewal | 276,851 | 278,248 | 279,267 | 279,905 | 281,289 | 281,646 | 282,076 | 282,455 | 282,299 | 283,173 | 283,490 | 284,092 |

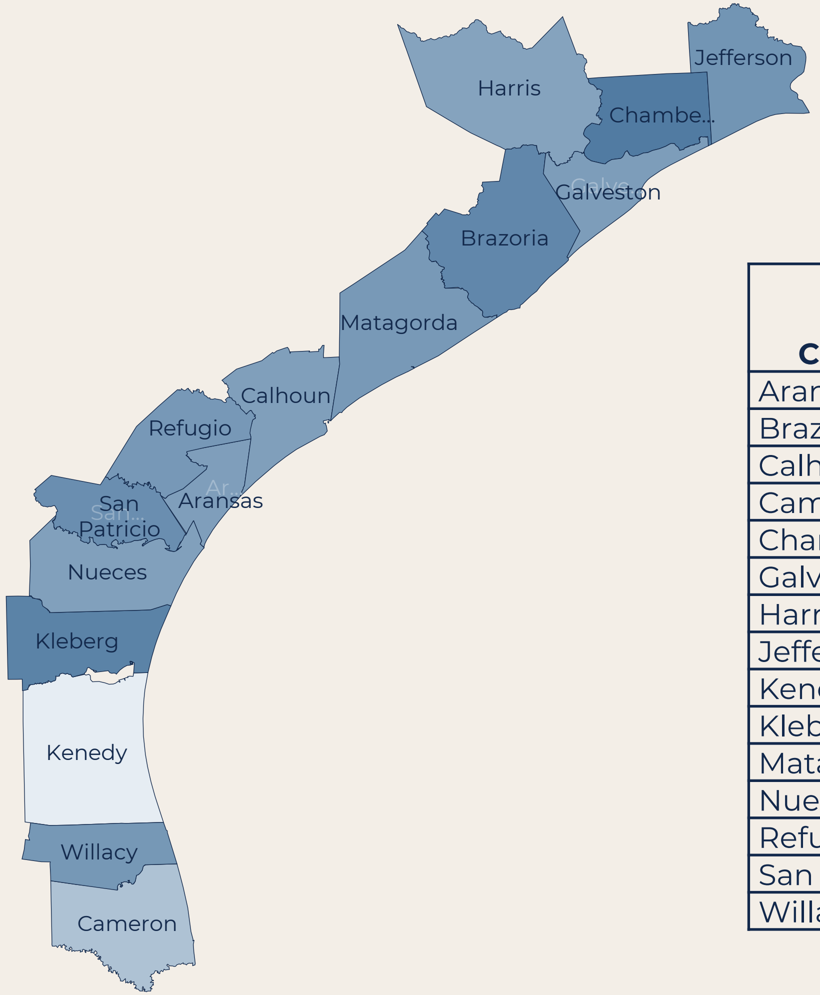
# New Business versus Renewal

- New policy issuance is down 12% YoY
- Retention rate consistent at 87%



# TIV Growth by County

- **Overall growth of 6% YOY**




| County | TIV (in millions) | YoY Growth % |
|---|---|---|
| Aransas | 4,449 | 5.0% |
| Brazoria | 5,724 | 8.5% |
| Calhoun | 1,817 | 4.8% |
| Cameron | 5,105 | -0.5% |
| Chambers | 4,484 | 10.3% |
| Galveston | 42,685 | 5.2% |
| Harris | 2,073 | 4.2% |
| Jefferson | 12,860 | 6.4% |
| Kenedy | 10 | -7.1% |
| Kleberg | 429 | 9.1% |
| Matagorda | 2,225 | 5.7% |
| Nueces | 22,148 | 4.7% |
| Refugio | 181 | 5.8% |
| San Patricio | 3,896 | 7.4% |
| Willacy | 166 | 5.9% |

# 9B. Reserve Adequacy

TEXAS WINDSTORM INSURANCE ASSOCIATION

# MEMORANDUM

DATE: July 17, 2026

TO: David Durden
General Manager

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

RE: TWIA Reserve Adequacy as of June 30, 2026

---

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of June 30, 2026.

As of June 30, 2026, TWIA carried $177.0 million in total gross loss and loss adjustment expense reserves. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Harvey, Hurricane Beryl, and all other outstanding claims.

The estimate of ultimate gross loss & expense associated with Hurricane Beryl remains $545 million. TWIA actuarial staff will continue to monitor the development of claims associated with this event and update the ultimate estimate as necessary going forward. The selected ultimate gross loss & expense estimate for Hurricane Harvey remains at $1.655 billion.

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

JM

# 9C. Reinsurance Broker RFP

TEXAS WINDSTORM INSURANCE ASSOCIATION

# MEMORANDUM

DATE: July 17, 2026

TO: David Durden
General Manager

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

RE: Request for Proposals for Reinsurance Broker

As discussed at the May 19, 2026 TWIA Board of Directors meeting, TWIA has completed a request for proposals (RFP) for its reinsurance broker. As a result of that process, TWIA recommends that the TWIA Board of Directors formally award the reinsurance broker role to Gallagher Re.

The RFP was issued on May 26, 2026, with a response deadline of June 26, 2026. TWIA received two responses, from Gallagher Re and Guy Carpenter. An evaluation committee comprising members of the executive leadership team and other subject matter experts evaluated the responses across three areas: the experience and background of the proposed vendor team, the services provided as part of the response, and the overall cost of each proposal. The evaluation committee found:

- Both respondents currently or have previously served as TWIA's reinsurance broker;
- Both proposals exceeded the minimum standards across all three evaluation areas; and
- Either respondent would be able to provide reinsurance brokerage services at an exceptional level

The evaluation committee overall scored the response from Gallagher Re slightly higher than the response from Guy Carpenter. This, coupled with recent successful reinsurance placements and an acknowledgement of the potential disruption a change in vendor could cause, led the evaluation committee to unanimously recommend that Gallagher Re continue in its role as reinsurance broker for TWIA. The proposal review process, findings, and recommendation have been reviewed and approved by TWIA General Manager David Durden.

JM

# 9D. Catastrophe Modeling Contract RFP

# MEMORANDUM

DATE: July 17, 2026

TO: David Durden
General Manager

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

RE: Requests for Proposals for Catastrophe Modeler

With the anticipated decision on a reinsurance broker at the August 4, 2026, TWIA Board of Directors meeting, TWIA staff intends to continue the vendor selection process by issuing a request for proposals (RFP) for catastrophe modeler after the 2026 reinsurance program has been finalized. TWIA last issued an RFP for this function in 2021.

Staff will evaluate all responses received and make a recommendation to the Board at its November 10, 2026, meeting to allow for the timely modeling of exposures in advance of the 2027 probable maximum loss (PML) determination.

JM

# 9E. Statutory Maximum Limits of Liability

# MEMORANDUM

DATE: July 17, 2026

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

FROM: Jordan He, FCAS, MAAA
Senior Actuary

RE: Texas Windstorm Insurance Association Adjustments to Maximum Liability Limits

---

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

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

| | Current 2025 | Proposed 2026 | % Change |
|---|---|---|---|
| Dwellings and individually owned townhouses | $1,773,000 | $1,809,000 | 2.0% |
| Manufactured Home | $116,700 | $119,000 | 2.0% |
| Contents of an apartment, condominium, or townhouse | $374,000 | $382,000 | 2.1% |
| Commercial structures and associated contents | $4,424,000 | $4,547,000 | 2.8% |

Supporting documents are attached.

Sincerely,

Jordan He

**Texas Windstorm Insurance Association**
**Calculation of Indicated Limits of Liability**
**To Be Effective January 1, 2027**
Using Marshall & Swift / Boeckh Building Cost Index Numbers

| Type of Construction | Ratio of Total TWIA Business | Boeckh Index as of May/June 2025 Corpus Christi | Houston | Average | Boeckh Index as of May/June 2026 Corpus Christi | Houston | Average |
|---|---|---|---|---|---|---|---|
| Dwelling, including individually owned townhouse unit, & associated corporeal movable property | | | | | | | |
| Frame | 97.53% | 3411.4 | 3475.4 | 3443.4 | 3490.6 | 3627.2 | 3558.9 |
| Brick | 2.47% | 3473.0 | 3672.8 | 3572.9 | 3550.1 | 3810.4 | 3680.3 |
| Weighted Average Factor | | | | 3446.6 | | | 3561.9 |
| Indicated Change | | | | | | | 3.3% |
| Current Limit | | | | | | | 1,773,000 |
| Indicated Limit of Liability | | | | | | | 1,832,000 |
| Proposed Limit of Liability | | | | | | | 1,832,000 |
| Manufactured Homes* | | | | | | | |
| Residential Dwelling Frame | 100% | 3411.4 | 3475.4 | 3443.4 | 3490.6 | 3627.2 | 3558.9 |
| Indicated Change | | | | | | | 3.4% |
| Current Limit | | | | | | | 119,000 |
| Indicated Limit of Liability | | | | | | | 123,000 |
| Proposed Limit of Liability | | | | | | | 123,000 |
| Individually-owned corporeal movable property located in an owner-occupied apartment, residential condominium, or townhouse unit | | | | | | | |
| Frame | 62.35% | 3411.4 | 3475.4 | 3443.4 | 3490.6 | 3627.2 | 3558.9 |
| Brick | 37.65% | 3473.0 | 3672.8 | 3572.9 | 3550.1 | 3810.4 | 3680.3 |
| Weighted Average Factor | | | | 3492.2 | | | 3604.6 |
| Indicated Change | | | | | | | 3.2% |
| Current Limit | | | | | | | 374,000 |
| Indicated Limit of Liability | | | | | | | 386,000 |
| Proposed Limit of Liability | | | | | | | 386,000 |
| Structure other than a dwelling or public building and the corporeal movable property located in that structure | | | | | | | |
| Apartments - Brick, Wood | 31.79% | 3,525.4 | 3,588.6 | 3557.0 | 3,592.9 | 3,719.5 | 3656.2 |
| Apartments - Brick, Concrete | 4.46% | 3,538.3 | 3,904.4 | 3721.4 | 3,642.0 | 4,038.8 | 3840.4 |
| Apartments - Brick, Steel | 8.59% | 3,738.1 | 4,167.3 | 3952.7 | 3,805.8 | 4,310.8 | 4058.3 |
| Commercial - Frame | 21.51% | 3,790.5 | 4,013.6 | 3902.1 | 3,921.0 | 4,143.6 | 4032.3 |
| Commercial - Steel | 19.70% | 3,725.7 | 4,049.5 | 3887.6 | 3,846.4 | 4,188.9 | 4017.7 |
| Commercial - Brick, Wood | 0.16% | 3,821.1 | 3,947.5 | 3884.3 | 3,929.3 | 4,083.4 | 4006.4 |
| Commercial - Brick, Steel | 0.07% | 4,032.4 | 4,775.7 | 4404.1 | 4,129.9 | 4,925.5 | 4527.7 |
| Commercial - Brick, Concrete | 13.72% | 3,367.1 | 3,905.3 | 3636.2 | 3,472.6 | 4,067.7 | 3770.2 |
| Weighted Average Factor | | | | 3749.7 | | | 3867.9 |
| Indicated Change | | | | | | | 3.2% |
| Current Limit | | | | | | | 4,424,000 |
| Indicated Limit of Liability | | | | | | | 4,563,000 |
| Proposed Limit of Liability | | | | | | | 4,563,000 |

* Manufactured Homes indexed based on Residential Frame Building Cost Index

**Texas Windstorm Insurance Association**
**Proposed Limits of Liability**
**To Be Effective January 1, 2027**
Impact on Exposures In-Force as of 6/30/26

Statutory Limits of Liability

| | Current | Proposed | Increase |
|---|---|---|---|
| Dwelling | 1,773,000 | 1,832,000 | 59,000 |
| Manufactured Home | 119,000 | 123,000 | 4,000 |
| Contents | 374,000 | 386,000 | 12,000 |
| Non-Dwelling | 4,424,000 | 4,563,000 | 139,000 |

| | Risks at Statutory Limits | Exposure Current | Proposed | Increase |
|---|---|---|---|---|
| Dwelling | 1,007 | 1,785,411,000 | 1,844,824,000 | 59,413,000 |
| Manufactured Home | 50 | 5,950,000 | 6,150,000 | 200,000 |
| Contents | 134 | 50,116,000 | 51,724,000 | 1,608,000 |
| Non-Dwelling | 332 | 1,468,768,000 | 1,514,916,000 | 46,148,000 |
| Total | 1,523 | 3,310,245,000 | 3,417,614,000 | 107,369,000 |
| Total TWIA Exposure | | | | 128,252,109,500 |
| % Increase in TWIA Exposure | | | | 0.08% |

# 9F. Automatic Adjusted Building Cost Factors

TEXAS WINDSTORM INSURANCE ASSOCIATION

# MEMORANDUM

DATE: July 17, 2026

TO: David Durden
General Manager

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

RE: Update to TWIA 220 Automatic Adjusted Building Cost Endorsement

The TWIA 220 Automatic Adjusted Building Cost (ABC) Endorsement automatically revises the limit of liability on residential policies each year at renewal by a percentage established by a building cost index.

The percentages used to revise policy limits vary by the first three digits of the insured location's ZIP code. Since 2021, TWIA has applied a two-year average of changes in building cost indices to mitigate the immediate impact of increasing building costs on policyholders. Following are the current and updated percentages:

| 3-Digit ZIP Code | Current 2025 | 2026 |
|---|---|---|
| 774 | 0.3% | 2.9% |
| 775 | 0.3% | 2.9% |
| 776 | 0.8% | 3.1% |
| 777 | 0.8% | 3.1% |
| 779 | 0.6% | 3.0% |
| 783 | 1.3% | 3.2% |
| 784 | 1.6% | 3.2% |
| 785 | 1.0% | 3.1% |
| Average | 0.8% | 3.1% |

The updated percentages will apply to all residential policies renewing on or after September 1, 2026.

JM

# 9G. 2026 Hurricane Season Funding

TEXAS WINDSTORM
INSURANCE ASSOCIATION

# MEMORANDUM

DATE: July 17, 2026

TO: David Durden
General Manager

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

RE: 2026 Funding, Reinsurance Program

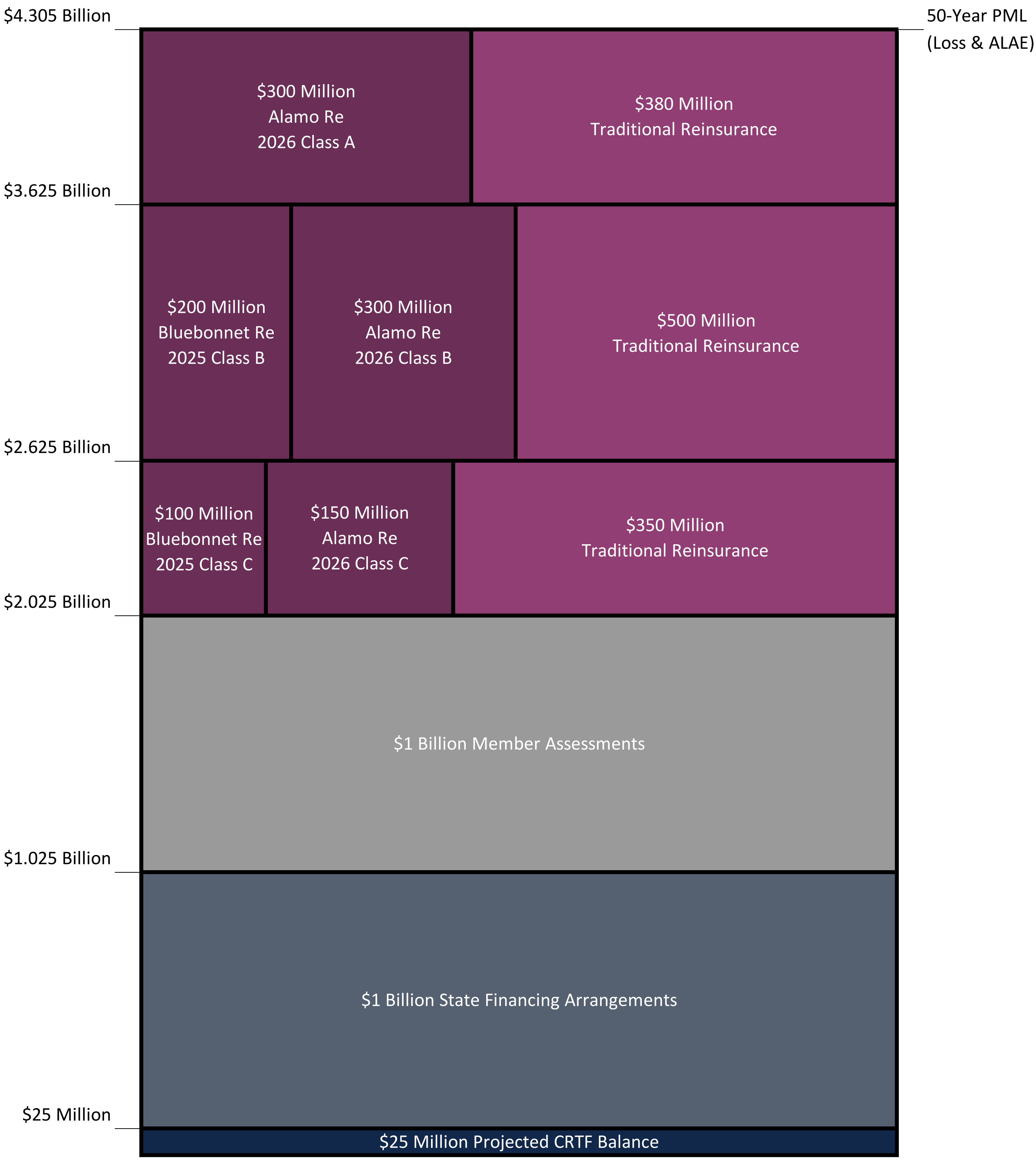
TWIA staff, with the assistance of our reinsurance broker Gallagher Re, has finalized its 2026 reinsurance program effective June 1, 2026.

The program consists of $300 million in continuing catastrophe bonds originally issued in 2025, $750 million in new catastrophe bonds issued in 2026, and $1.23 billion in traditional reinsurance. Total funding for the 2026 hurricane season is $4.305 billion across all statutory funding sources, which equals the 50-year probable maximum loss (PML) set by the Board earlier this year and satisfies the minimum funding level required by statute.

The net cost of the reinsurance program is $199.4 million, well under the budget of $225.2 million. The favorable budget variance is a result of the PML being set slightly below the initial estimate incorporated into the budget as well as a softening of the global reinsurance market, resulting in lower reinsurance costs overall.

JM

**Texas Windstorm Insurance Association**
**2026 Funding**
$4.305 Billion in Total Funding
Reinsurance Effective 6/1/26 - 5/31/27



# 10. Internal Audit Status & Update

# Texas Windstorm Insurance Association
# Proposed Internal Audit Plan

## MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association
FROM: Dan Graves, Weaver - Internal Audit
DATE: August 4, 2026
SUBJECT: Status of Internal Audit Activities

---

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

- **Upcoming Audits and Activities:**

| Activity Description | Status |
|---|---|
| Funding Sources and Reinsurance | In progress |
| Accounts Payable | In progress |
| Follow-Up Procedures | In progress |
| Underwriting and Policy Services | Q3 2026 |
| Cash Management – Limited Annual Procedures | Q3 2026 |
| Risk Assessment Update | Q4 2026 |

- **Summary of Open Findings:**

Weaver will perform validation procedures to evaluate whether corrective actions taken by management sufficiently remediate the following open findings:

Actuarial 2023

- Document management review of the Schedule P reconciliation and establish defined variance thresholds
- Establish and retain documented evidence of management review and approval of quarterly IBNR calculations prior to financial posting
- Establish a documented reconciliation process with variance thresholds, explanations, and management sign-offs for differences between internal actuarial estimates and the independent actuary's report

# 11. Underwriting Operational Review Update

TWIA TEXAS WINDSTORM INSURANCE ASSOCIATION

## MEMORANDUM

DATE: July 13, 2026

TO: David Durden, General Manager

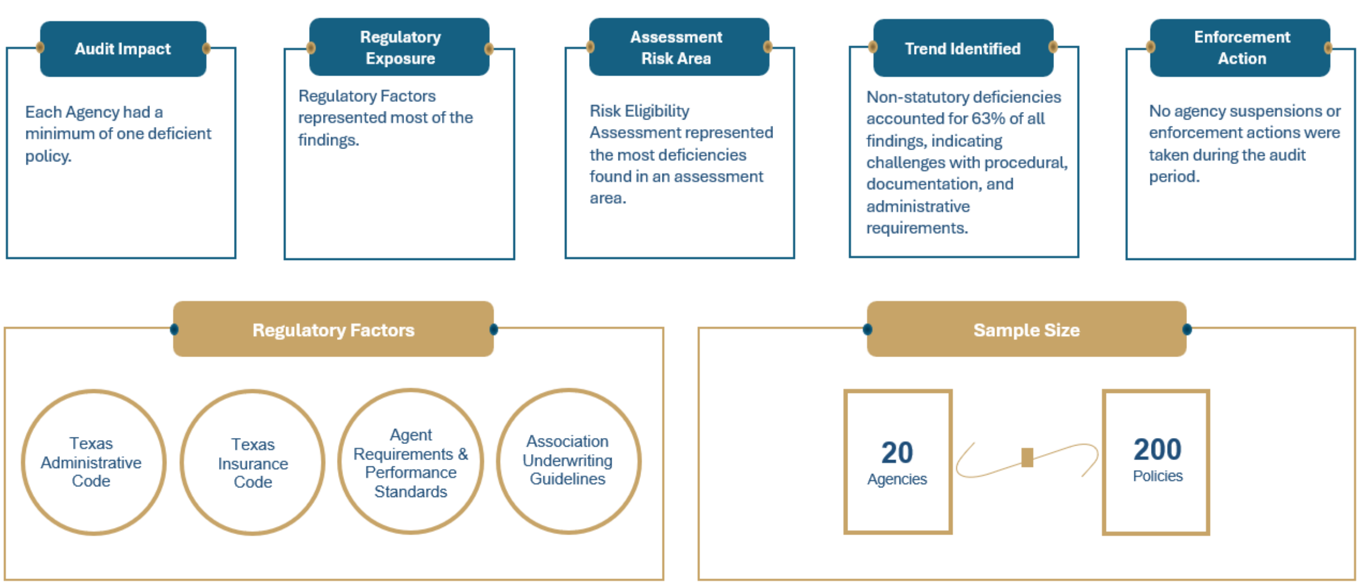
FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

## Second Quarter 2026 Results

| TWIA Underwriting Metrics | Monthly Summary | | | | Quarterly Summary | | | YTD | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Apr-26 | May-26 | Jun-26 | | Q1 2026 | Q2 2026 | | 2026 | 2026 | ▲ |
| % of New Business/Renewal policies issued in 10 Days | 100.00% | 99.84% | 99.74% | | 99.99% | 99.86% | | 99.93% | 90% | 9.93 |
| New Business Policies Issued | 3,972 | 4,271 | 4,584 | | 9,796 | 12,827 | | 22,623 | | |
| Renewal Policies Issued | 21,326 | 24,351 | 27,124 | | 50,764 | 72,801 | | 123,565 | | |
| Internal Underwriting Quality Control | 99.00% | 100.00% | 100.00% | | 99.38% | 99.00% | | 99.19% | 95% | 4.19 |
| Phone Service Level (calls answered in 20 seconds) | 87.00% | 87.00% | 86.00% | | 89.33% | 86.67% | | 88.00% | 80% | 8.00 |
| Number of Calls | 15,358 | 14,734 | 15,772 | | 63,127 | 45,864 | | 108,991 | | |
| Internal Telephone Quality Control | 98.00% | 98.00% | 98.00% | | 98.67% | 98.00% | | 98.34% | 95% | 3.34 |

### TWIA Agent Audit Executive Summary



# 12. Claims and Litigation

## 12A. Claims Operations

# TWIA Claims Operations 2026

| TWIA Claims - 2026 Q2 Results (year-to-date) | | | | | |
|---|---|---|---|---|---|
| **Key Cycle Times (In days)** | **Industry Average, TX** | **TWIA** | **TWIA Plan** | **Variance to Plan** | **% Variance to Plan** |
| Avg. Days - FNOL to TWIA Receipt - Daily | 9.1 | 4.2 | <7 | -2.8 | -40% |
| Avg. Days - FNOL to TWIA Receipt - Cat | 9.1 | 4.2 | <14 | -9.8 | -70% |
| Avg. Days - FNOL to ACV Payment - Daily | N/A | 8.1 | <12 | -3.9 | -33% |
| Avg. Days - FNOL to ACV Payment - CAT | N/A | 7.9 | <21 | -13.1 | -62% |
| **TDI Complaint Ratio** | | | | | |
| 2025 | 0.52% - 53 complaints from 10,248 new claims | | | | |
| 2026 | 0.23% - 15 complaints from 6,403 new claims | | | | |

| Apr-25 | May-25 | Jun-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-26 | Feb-26 | Mar-26 | Apr-26 | May-26 | Jun-26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 730 | 759 | 811 | 540 | 415 | 376 | 436 | 3,782 | 608 | 603 | 806 | 772 | 587 | 2,358 | 1,277 |
| 1,311 | 2,411 | 1,264 | 227 | 706 | 320 | 311 | 449 | 413 | 1,743 | 338 | 1,436 | 1,521 | 2,771 | 1,529 |
| 578 | 578 | 578 | 578 | 578 | 578 | 578 | 578 | 578 | 950 | 950 | 950 | 950 | 950 | 950 |
| 19,637 | 19,257 | 18,657 | 17,257 | 15,618 | 14,230 | 13,628 | 15,696 | 14,886 | 11,904 | 9,154 | 8,196 | 7,601 | 8,951 | 9,078 |

| Historical TWIA Claim Volume | |
|---|---|
| **Year** | **Claims** |
| **2005** | **12,783** |
| **2006** | **1,862** |
| **2007** | **4,195** |
| **2008** | **99,813** |
| **2009** | **4,812** |
| **2010** | **4,801** |
| **2011** | **10,608** |
| **2012** | **8,601** |
| **2013** | **10,541** |
| **2014** | **2,843** |
| **2015** | **18,889** |
| **2016** | **8,393** |
| **2017** | **80,257** |
| **2018** | **7,242** |
| **2019** | **6,704** |
| **2020** | **14,432** |
| **2021** | **12,535** |
| **2022** | **5,066** |
| **2023** | **8,867** |
| **2024** | **43,012** |
| **2025** | **10,248** |
| **2026** | **6,403** |

## TWIA - Claim Severity by Accident Year and LOB

### Reported Claims by LOB

| Year | Residential | | Commercial | | GRAND TOTAL | |
|---|---|---|---|---|---|---|
| | Claims | % Δ | Claims | % Δ | Claims | % Δ |
| 2022 | 4,414 | - | 59 | - | 4,473 | - |
| 2023 | 9,398 | 112.9% | 174 | 194.9% | 9,572 | 114.0% |
| 2024 | 43,255 | 360.3% | 952 | 447.1% | 44,207 | 361.8% |
| 2025 | 8,993 | -79.2% | 210 | -77.9% | 9,203 | -79.2% |
| 2026 | 4,242 | - | 55 | - | 4,297 | - |

### Paid Amounts by LOB

| Year | Residential | | Commercial | | GRAND TOTAL | |
|---|---|---|---|---|---|---|
| | Incurred | % Δ | Incurred | % Δ | Incurred | % Δ |
| 2022 | $ 27,419,234 | - | $ 1,447,225 | - | $ 28,866,459 | - |
| 2023 | $ 70,920,459 | 158.7% | $ 6,634,350 | 358.4% | $ 77,554,809 | 168.7% |
| 2024 | $ 447,621,450 | 531.2% | $ 51,081,121 | 669.9% | $ 498,702,571 | 543.0% |
| 2025 | $ 116,575,063 | -74.0% | $ 14,396,785 | -71.8% | $ 130,971,847 | -73.7% |
| 2026 | $ 29,287,285 | - | $ 457,154 | - | $ 29,744,439 | - |

### Paid Claim Severity by LOB

| Year | Residential | | Commercial | | GRAND TOTAL | |
|---|---|---|---|---|---|---|
| | Severity | % Δ | Severity | % Δ | Severity | % Δ |
| 2022 | $ 6,212 | - | $ 24,529 | - | $ 6,453 | - |
| 2023 | $ 7,546 | 21.5% | $ 38,128 | 55.4% | $ 8,102 | 25.5% |
| 2024 | $ 10,348 | 37.1% | $ 53,657 | 40.7% | $ 11,281 | 39.2% |
| 2025 | $ 12,963 | 25.3% | $ 68,556 | 27.8% | $ 14,231 | 26.2% |
| 2026 | $ 6,904 | - | $ 8,312 | - | $ 6,922 | - |

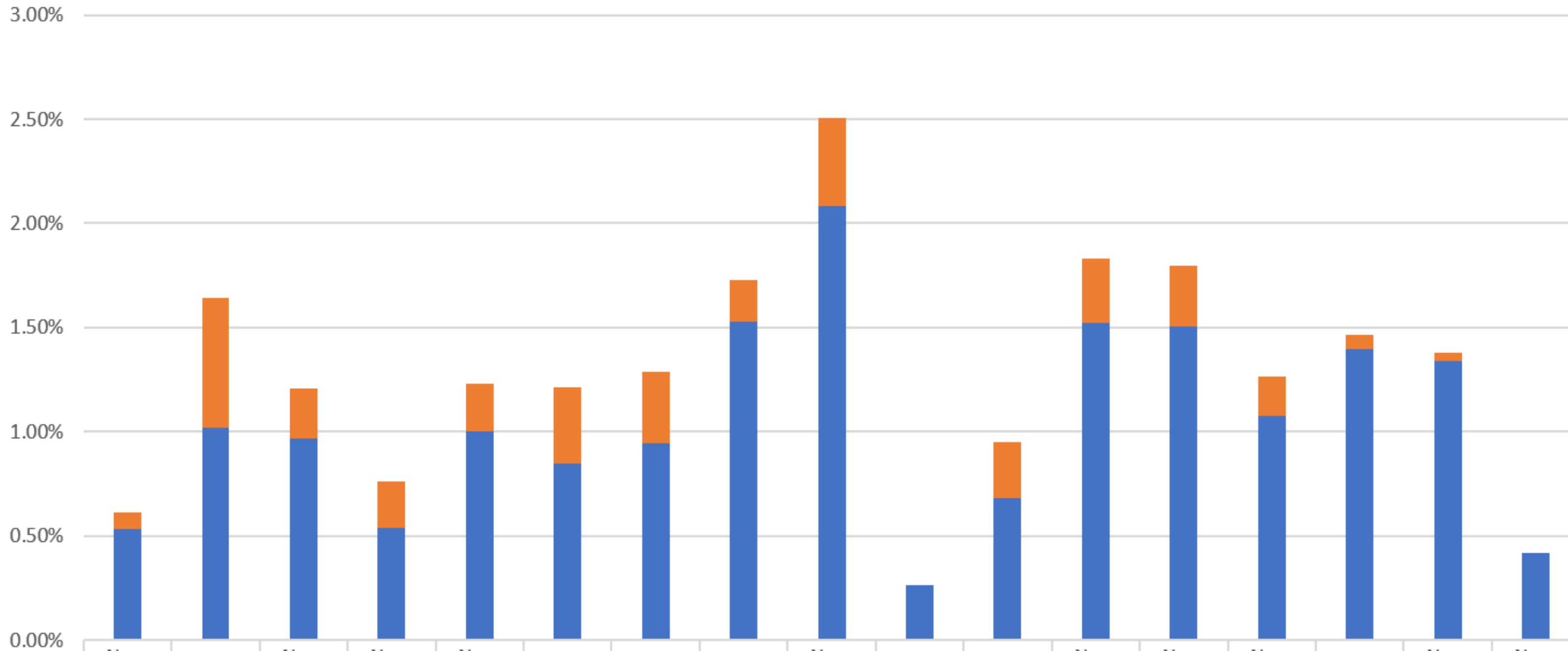
*Paid amounts exclude loss adjustment expenses and IBNR reserves

# 12B. Litigation Summary

# TWIA Litigation Summary

TWIA Litigation Rate by Storm 2017 - Present

Historical Litigation Rate: 1.47%




| | Non-CAT (2017) | Harvey (2017) | Non-CAT (2018) | Non-CAT (2019) | Non-CAT (2020) | Hanna (2020) | Laura (2020) | Delta (2020) | Non-CAT (2021) | Uri (2021) | Nicholas (2021) | Non-CAT (2022) | Non-CAT (2023) | Non-CAT (2024) | Beryl (2024) | Non-CAT (2025) | Non-CAT (2026) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Suit Rate | 0.08% | 0.62% | 0.24% | 0.22% | 0.23% | 0.36% | 0.35% | 0.20% | 0.42% | 0.00% | 0.27% | 0.31% | 0.29% | 0.19% | 0.07% | 0.04% | 0.00% |
| NOIS Rate | 0.53% | 1.02% | 0.97% | 0.54% | 1.00% | 0.85% | 0.94% | 1.53% | 2.08% | 0.27% | 0.68% | 1.52% | 1.50% | 1.08% | 1.40% | 1.34% | 0.42% |
| Total Claims | 6,181 | 76,730 | 4,648 | 6,689 | 4,790 | 1,650 | 4,345 | 4,057 | 5,424 | 376 | 6,755 | 4,473 | 9,572 | 11,153 | 33,054 | 9,203 | 4,297 |

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

TEXAS WINDSTORM INSURANCE ASSOCIATION

# TWIA Litigation Tracking Activity

## Litigation Summary
## Second Quarter 2026

| 2nd Quarter 2026 | Summary of TWIA Claims in Suit | | | |
|---|---|---|---|---|
| | | New | Settled | Closed |
| | April | 2 | 2 | 6 |
| | May | 4 | 2 | 2 |
| | June | 5 | 1 | 5 |
| | | 11 | 5 | 13 |

| 2nd Quarter 2026 | Summary of TWIA Claims with LORs | | | |
|---|---|---|---|---|
| | | New | Settled | Closed |
| | April | 27 | 23 | 32 |
| | May | 35 | 18 | 37 |
| | June | 50 | 8 | 53 |
| | | 112 | 49 | 122 |

# TWIA Claims Litigation

## June 2026

| | TWIA Claims in Suit | | | |
|---|---|---|---|---|
| Jun-26 | Beginning Inventory | New | Closed | Ending Inventory |
| | 56 | 5 | 5 | 56 |
| | Breakdown | | | |
| | Normal | 3 | 4 | |
| | Beryl 2024 | 2 | 1 | |

| | TWIA Claims with LORs | | | | |
|---|---|---|---|---|---|
| Jun-26 | Beginning Inventory | New | Closed | Converted to Suit | Ending Inventory |
| | 784 | 50 | 53 | 5 | 776 |
| | Breakdown | | | | |
| | Normal | 35 | 15 | 3 | |
| | Beryl 2024 | 15 | 35 | 2 | |
| | Delta 2020 | 0 | 1 | 0 | |
| | Hanna 2020 | 0 | 1 | 0 | |
| | Harvey 2017 | 0 | 1 | 0 | |

| | TWIA Active Claims with Suits/LORs: Breakdown by Storm | | | | | |
|---|---|---|---|---|---|---|
| Jun-26 | Event | Total claims | Total Suits | Active Suits | Total LORs | Active LORS |
| | Harvey 082517 | 76,730 | 483 | 1 | 1,111 | 0 |
| | Nicholas 2021 | 6,755 | 21 | 6 | 115 | 2 |
| | Laura 2020 | 4,345 | 17 | 0 | 181 | 0 |
| | Delta 2020 | 4,057 | 11 | 1 | 154 | 0 |
| | Beryl 2024 | 34,337 | 20 | 12 | 857 | 447 |

| Jun-26 | TWIA Claims with Suits/LORs: Detail of Ending Inventory | | | | |
|---|---|---|---|---|---|
| | Active Unsettled Claims | | | | |
| | Suits | | LORS | | Total |
| | Residential | Commercial | Residential | Commercial | |
| | 26 | 21 | 668 | 51 | 766 |

| Jun-26 | TWIA Claims with Suits/LORs: Detail of Ending Inventory | | | | |
|---|---|---|---|---|---|
| | Settled & Funded (closing documents and final invoices pending) | | | | |
| | Suits | | LORS | | Total |
| | Residential | Commercial | Residential | Commercial | |
| | 6 | 3 | 55 | 2 | 66 |

| Jun-26 | TWIA Active Claims with Suits/LORs: Breakdown by County | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Aransas | Brazoria | Calhoun | Cameron | Chambers | Galveston | Harris | Jefferson | Kleberg | Matagorda | Nueces | San Patricio | Willacy | Grand Total |
| | 2 | 175 | 0 | 51 | 12 | 345 | 22 | 52 | 0 | 14 | 22 | 70 | 1 | 766 |

# 13. TWIA Operations
## 13A. IT Systems Update

TEXAS WINDSTORM INSURANCE ASSOCIATION

TEXAS FAIR PLAN ASSOCIATION

# MEMORANDUM

DATE: July 21, 2026

TO: David Durden, General Manager

FROM: Michael Eleftheriades, CIO / VP IT

RE: TWIA Information Technology Status

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

**Guidewire Application Version Upgrade**

- The Association is contractually mandated to maintain version currency with Guidewire cloud framework releases.
- In Q2 the Association team tested and released the upgrade to the latest Guidewire "Palisade" (P) version for our Guidewire applications.
- The next upgrade will occur in Q1 of 2027, avoiding an upgrade cycle during the 2026 storm season.

**Artificial Intelligence (AI)**

- The Association has identified Artificial Intelligence as a technology for review in our Strategic Plans. A continuing AI Committee will identify and review both AI Platforms and AI enhanced tools as part of the technology roadmap. These efforts also include targeting general education for all Association team members as a part of our new Learning Management System. Additionally, there will be a focus on AI introduction and training for the senior management and executive teams.

**Authentication Software**

- This project will replace the current on-premises authentication software, used for validation of registration and logins to the external portals (used by Agents and Policyholders), with a comprehensive cloud-based customer identity solution. This project is in the execution phase. There will be a hold placed on deployment during the 2026 storm season. The target to go live is the end of Q4 2026.

**NAIC Homeowners Market Data Call**

- The Enterprise Data Warehouse team, as directed by the Texas Department of Insurance (TDI), has provided the data requested by the nationwide NAIC Homeowners Market Data Call.

**General Status:**

- Systems are functioning well with monthly releases with business-critical items selected and curated by the respective departments. These monthly maintenance releases also continue to include functional changes that support the 89th Texas Legislation session.

# 13B. Legislative Affairs Update and Legislative Implementation

TEXAS WINDSTORM INSURANCE ASSOCIATION

# MEMORANDUM

DATE: July 15, 2026

TO: David Durden, General Manager

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

RE: Legislative & External Affairs Operational Highlights

## I. Legislative & Regulatory Affairs

a) **Legislative Implementation Program:** Association staff continues efforts to implement bills enacted during last year's legislative session:

i. **House Bill 2067 (Declinations, Cancellations, and Non-Renewals) Rule:** TWIA successfully made its first statistical data submission to TDI in June on declinations, cancellations, and non-renewals of residential policies under **House Bill 2067**. TDI is developing rules to require similar statistical reporting for commercial policies. The Department held a hearing on June 15 to receive public comments on the draft rules.

ii. **HB 3689 (TWIA Catastrophe Funding) Rules:** Association staff continues meeting with representatives from the Comptroller's office, Texas Treasury Safekeeping Trust Company, and the Texas Department of Insurance to discuss TDI's development of rules implementing the bill, as well as the mechanics of accessing and repaying the state financing arrangement under the new law. Staff is currently working with these stakeholders to draft template finance arrangement documents for use in the event a storm requires the Association to access this funding source.

b) **Texas Legislature Interim Activity**

i. **Senate Interim Hearing:** The Senate Business & Commerce Committee held an interim hearing on property insurance costs (among other issues) on June 24. At the Committee's invitation, I testified on Texas FAIR Plan's role in the state's insurance market. A homebuilder testifying at the hearing discussed building code requirements for homes built in TWIA's coverage area.

We later received and responded to a question from Committee staff about whether TWIA provides mandatory discounts for properties built to the FORTIFIED construction standard.

c) **Statutory Reporting:** As required by Texas Insurance Code Sections 2210.107 and 2210.455, TWIA submitted the Association's Annual Report to the Legislature and its Catastrophe Incident Response Plan on June 1 to state leaders, including the Legislature and the Insurance Commissioner. These documents are available for review on TWIA's website.

TEXAS WINDSTORM INSURANCE ASSOCIATION

d) **Stakeholder Inquiries:** From April 1 to June 30, Legislative & External Affairs staff received and responded to five TWIA-related legislative and key stakeholder inquiries. Three inquiries were from legislators seeking assistance for their constituents, one from the TDI Ombudsman regarding a claim denial and one legislative inquiry regarding TWIA funding and a recommendation from the 2024 TWIA Biennial Report.

## II. Agent Advisory Group (AAG)

a) The AAG will hold an interim meeting on July 23 to provide input to staff on agent commissions pursuant to the information requested on this topic by the Board.

b) The Q3 AAG meeting is scheduled for August 3 in Galveston, and is expected to include discussion on the following topics:

- The implementation status of legislative changes from the 2025 session;
- The 2026 Biennial Report process;
- Update on the agent commissions report;
- The 2026 rate filing process; and
- Recap of the TWIA Coastal Preparedness Expo.

# 16. Committees
## 16A. General Manager Performance Criteria Committee

# GM Performance Review Criteria

## Rating Scale

**5 = Outstanding:** Consistently exceeds expectations; demonstrates exceptional leadership, judgment, and results

**4 = Exceeds Expectations:** Frequently exceeds expectations; strong performance with minor gaps

**3 = Meets Expectations:** Fully meets expectations; solid and reliable performance

**2 = Needs Improvement:** Inconsistently meets expectations; improvement required in key areas

**1 = Unsatisfactory:** Does not meet expectations; significant performance gaps and risk

**Evaluation Period:** Click to enter period

**GM Name:** Click to enter name

**Board Reviewer:** Click to enter your name

## 1. Catastrophe Readiness and Resources (40%)

**Ensures catastrophe readiness by:**

1.1 Executing the Board's reinsurance strategy
1.2 Securing funding for the storm season
1.3 Ensuring readiness of staff and resources for catastrophe response
1.4 Explains downside scenarios clearly
1.5 Pursues and recommends prudent financial actions
1.6 Obtains funding as directed in compliance with Board's directives
1.7 Ensures Association is ready to respond to a major windstorm event in the Association's coverage area (includes contracts with field adjusters, ability to deploy mobile claims centers, ability to on-board desk adjusters)

**NEEDS IMPROVEMENT (EXAMPLES)**

- Inaccurate projections
- Does not make prudent financial decisions
- Short-term focus only
- Fails to obtain funding as directed
- Does not secure sufficient resources for hurricane season

**GM Score (1–5):** Choose 1–5

**GM Comments / Evidence**

Click and type your comments

**Board Score (1–5):** Choose 1-5

**Board Comments / Evidence**

Click and type your comments

## 2. Operations, Leadership & Governance (20%)

**Ensures effective and efficient operational performance by:**

2.1 Developing leadership bench strength
2.2 Meeting staff and Association budget and performance metrics
2.3 Demonstrates awareness of and familiarity with Association operations
2.4 Leads effectively
2.5 Ensures appropriately trained staff
2.6 Delegates appropriately
2.7 Association metrics demonstrate efficient performance
2.8 Meets strategic plan objectives for review period
2.9 Keeps the TWIA Board of Directors abreast of issues affecting TWIA
2.10 Ensures employees follow core values

**NEEDS IMPROVEMENT (EXAMPLES)**

- Demonstrates poor decision-making
- Operational metrics lag industry standards
- Disengaged from Association operations
- Repeats mistakes

**GM Score (1–5):** Choose 1–5

**GM Comments / Evidence**

Click and type your comments

**Board Score (1–5):** Choose 1-5

**Board Comments / Evidence**

Click and type your comments

## 3. Regulatory, Legislative & External Relations (20%)

**Fosters and maintains healthy relationships with regulators, legislators and external stakeholders.**

3.1 Navigates regulatory and political dynamics effectively
3.2 Clearly and credibly communicates key issues
3.3 Provides timely, accurate and thorough responses to requests
3.4 Keeps the TWIA Board of Directors abreast of legislative and regulatory issues affecting TWIA
3.5 Viewed as a trustworthy and unbiased source of information on windstorm insurance

**NEEDS IMPROVEMENT (EXAMPLES)**

- Provides inaccurate information
- Fails to respond to requests for information
- Inconsistent messaging
- Erodes trust

**GM Score (1–5):** Choose 1–5

**GM Comments / Evidence**

Click and type your comments

**Board Score (1–5):** Choose 1-5

**Board Comments / Evidence**

Click and type your comments

## 4. Association Mission & Market Stability (10%)

**Executes the Association's responsibilities as the insurer of last resort by:**

4.1 Ensuring consistent services to policyholders, agents and claimants

4.2 Addressing shifts in the voluntary market

4.3 Holding self and others accountable for commitments and outcomes

4.4 Efficient operations for policyholders, agents and claimants

4.5 Low volume of complaints and timely resolution of complaints (metrics for normal year and year with a catastrophe event) **Formula for expected TDI complaints for claims is .25% of the total claims received*

4.6 Market shifts affecting TWIA identified and explained. Market shifts include changing trends seen in the Actuarial department relating to reinsurance and trends in underwriting relating to incoming policies, renewals, and changes in the TWIA portfolio

4.7 Clearly articulates possible scenarios and associated reactions to the TWIA Board of Directors

**NEEDS IMPROVEMENT (EXAMPLES)**

- Repeated disruptions in operations
- Services provided inconsistently
- High volume of complaints

**GM Score (1–5):** Choose 1–5

**GM Comments / Evidence**

Click and type your comments

**Board Score (1–5):** Choose 1-5

**Board Comments / Evidence**

Click and type your comments

## 5. Compliance and Controls (10%)

**Ensure that the Association complies with statutory and regulatory requirements and controls by:**

5.1 Operating in accordance with all applicable laws and Commissioner rules
5.2 Remediating audit findings promptly
5.3 Identifying and mitigating risks proactively
5.4 Statutory reporting and requirements are met timely
5.5 Operations comply with governing rules and regulations

**NEEDS IMPROVEMENT (EXAMPLES)**

- Reactive risk management
- Repeated audit findings
- Delayed remediation

**GM Score (1–5):** Choose 1–5

**GM Comments / Evidence**

Click and type your comments

**Board Score (1–5):** Choose 1-5

**Board Comments / Evidence**

Click and type your comments

## GM Overall Evaluation

**Overall Score:** Enter overall score

**Top Strengths**

Click and type

**Key Risks**

Click and type

**Development Priorities**

Click and type

## Board Overall Evaluation

**Overall Score:** Enter overall score

**Top Strengths**

Click and type

**Key Risks**

Click and type

**Development Priorities**

Click and type

## Expectations for the Coming Year

*For each performance category, note the board's focus areas and expectations for the coming year.*

**1. Catastrophe Readiness and Resources**

Click and type

**2. Regulatory, Legislative & External Relations**

Click and type

**3. Operations, Leadership & Governance**

Click and type

**4. Association Mission & Market Stability**

Click and type

**5. Compliance and Controls**

Click and type

# 16B. Legislative and External Affairs Committee Update

There is no exhibit for this item.

17. Future Meetings
October 8, 2026 – 2027 Budget Review Meeting
November 10, 2026 – Omni Hotel
Corpus Christi, TX
February 23, 2027 – Moody Gardens Hotel
Galveston, TX