

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

December 12, 2023

Omni Hotel

900 North Shoreline Blvd.

Corpus Christi, TX 78401

9:00 a.m.



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

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

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

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

- |  |                   |
|--|-------------------|
| 1. Call to Order   | <i>5 minutes</i>  |
| A. Welcoming Remarks – <i>Chandra Franklin Womack</i>  |                   |
| B. Anti-Trust Statement and Conflict of Interest Disclosure – <i>Counsel</i>   |                   |
| C. Meeting Format Information – <i>Kristina Donley</i>   |                   |
|  |                   |
| 2. Approve the Minutes from Prior Board of Directors Meetings  | <i>5 minutes</i>  |
| – <i>Chandra Franklin Womack</i> – <b>Action/Vote Likely*</b>  |                   |
|  |                   |
| 3. Public Comment  | <i>30 minutes</i> |
|  |                   |
| 4. TWIA Operational Dashboard – <i>David Durden</i>  | <i>10 minutes</i> |
|  |                   |
| 5. Financial – <i>Stuart Harbour</i>   | <i>20 minutes</i> |
| A. Report of the Secretary/Treasurer – <b>Action/Vote Likely*</b>  |                   |
| 1. Income Statement  |                   |
| 2. Management Discussion and Analysis  |                   |
| B. Financial Statement Review by Staff   |                   |
| C. Review and Approval of 2024 Budget – <i>Stuart Harbour</i> – <b>Action/Vote Likely*</b>                               |                   |
|  |                   |
| 6. Agent Commission Study Report – <i>David Durden</i>   | <i>45 minutes</i> |
| A. TWIA Staff Presentation – <i>Anna Stafford</i>  |                   |
| B. Agent Time Study – <i>Insurance Technology Services (ITS)</i>   |                   |
| C. Agent Advisory Group (AAG) Response – <i>Garry Kaufman</i>  |                   |
| D. Agent Commission Public Comment   |                   |
| E. Consideration of Board Recommendation Regarding Agent<br>Commissions to the Commissioner – <b>Action/Vote Likely*</b> |                   |
|  |                   |
| 7. Actuarial – <i>Jim Murphy</i>   | <i>30 minutes</i> |
| A. Policy Count/Exposures  |                   |
| B. Reserve Adequacy  |                   |
| C. Status of Filings   |                   |
| D. Automatic Adjusted Building Cost Factors  |                   |
| E. 2024 Storm Season Funding – <b>Action/Vote Likely*</b>  |                   |

8. Internal Audit – <i>Bruce Zaret – Weaver</i>	<i>20 minutes</i>
A. Internal Audit Status Report	
B. Internal Audit Risk Assessment and Internal Audit Plan – <b>Action/Vote Likely*</b>	
9. Underwriting Operational Review Update – <i>Michael Ledwik</i>	<i>20 minutes</i>
10. Claims	<i>20 minutes</i>
A. Claims Operations – <i>Dave Williams</i>	
B. Claims Litigation – <i>Jessica Crass</i>	
11. TWIA Operations	<i>45 minutes</i>
A. IT Systems Update – <i>Camron Malik</i>	
B. Communications and Legislative Update – <i>David Durden</i>	
C. Performance Evaluation of General Manager – <i>Chandra Franklin Womack</i> <b>Action/Vote Likely*</b>	
12. Closed Session ( <b>Board Only</b> )	<i>60 minutes</i>
A. Personnel Issues	
B. Legal Advice	
13. Consideration of Issues Related to Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors – <b>Action/Vote Likely*</b>	<i>5 minutes</i>
14. Committees – <i>Chandra Franklin Womack</i>	<i>5 minutes</i>
A. Actuarial and Underwriting Committee	
15. Future Meetings – <i>David Durden</i>	<i>5 minutes</i>
• February 20, 2024 – Moody Gardens Hotel – Galveston	
• May 7, 2024 – Hyatt Regency – Austin	
• August 6, 2024 – Tremont House – Galveston	
16. Adjourn	
Estimated Total Length of Meeting	5 hours 25 minutes

# 1. Call to Order



## **ANTI-TRUST COMPLIANCE STATEMENT**

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

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

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

### **Texas Windstorm Insurance Association**

## **TWIA Anti-Trust Compliance Statement**

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

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

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

### **Texas Windstorm Insurance Association**

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

## 2. Approve the Minutes

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

October 31, 2023

The Following Board Members Were Present:

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

The Following TWIA Staff and Counsel Were Present:

1.	David Durden, General Manager	TWIA
2.	Camron Malik, Chief Information Officer	TWIA
3.	Jessica Crass, VP Legal and Compliance	TWIA
4.	Stuart Harbour, Chief Financial Officer	TWIA
5.	Jim Murphy, Chief Actuary	TWIA
6.	Dave Williams, VP Claims	TWIA
7.	JD Lester, VP Human Resources	TWIA
8.	Mike Ledwik, VP Underwriting	TWIA
9.	Amy Koehl, Senior Project Administrator	TWIA
10.	Kristina Donley, Training, QA and Agency Audit Manager	TWIA
11.	Clarisse Lilley, Senior Manager, Financial Planning	TWIA
12.	Rachel Shann, Senior Manager, Human Resources	TWIA
13.	Rubi Harman, Senior Financial Analyst	TWIA
14.	Mike Perkins, Association Counsel	Perkins Law Group

The Following Guests Were Present:

1.	Regan Ellmer	IIAT
2.	Bruce Zaret	Weaver

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

- |                   |                     |
|-------------------|---------------------|
| 1. Sally Bakko    | 9. Cathy Newsom     |
| 2. David Bolduc   | 10. Ruben O'Bell    |
| 3. Shirley Bowler | 11. Ronnie Perkins  |
| 4. Brandon Campos | 12. Aaron Taylor    |
| 5. Allen Cashin   | 13. Annika Vandayar |
| 6. Erin Douglas   | 14. Joey Walker     |
| 7. Alicia Gerte   | 15. Peggy Zahler    |
| 8. Travis McDavid |                     |

1. Call to Order: Chair Chandra Franklin Womack called the meeting to order at 10:00 am. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel and the required conflict of interest disclosures were made. Kristina Donley went over the housekeeping details for the meeting.
2. Public Comment: There was no public comment.
3. Review of 2024 TWIA Budget: Mr. Harbour reviewed several key assumptions including: the absence of a rate change for the coming year; the fact that the number of policies in force is projected to increase from the forecast of 247,220 policies at year end to 264,718 at year end 2024; exclusion of losses and loss adjustment expenses attributable to hurricanes from the budget projections; and that commissions are budgeted at \$130.5 million using the current rate of 16.0% for new and renewal policies. Merit increases for TWIA staff are budgeted at 3.5%.

The proposed headcount for 2024 is 273 with 257 as full-time employees and 16 contractors. Medical insurance rates are expected to increase by 17.8% on a high deductible plan and 32.8% on a traditional plan reflecting inflation and a high loss ratio for the current year. An increase in 401K, dental, life long-term disability, accidental death and dismemberment and other employee benefits are mainly due to projected increases in the number of enrollees.

Mr. Walenta stated he would like to see where commercial is concentrated in the direct liability in force. Ms. Franklin Womack asked if TFPA will have a dramatic increase in exposures. As FAIR Plan's growth is starting to grow even faster, will there be a need to bring in employees who will work 100% on FAIR Plan. Ms. Neblett asked how the office rental impacted the budget. Mr. Harbor said the square footage went down and the rental cost for this year is under the expenses for 2022 and 2021. The rent amount is now around where it was 10 years ago.

Ms. Neblett asked what the Association was getting for the \$2 million paid to the TWIA Expert Panel. Mr. Durden said the Expert Panel was something the legislature created to handle total loss/slab claims. TWIA gets speed, flexibility and predictability in terms of



how many slab claims could be expected before a storm hits. TWIA also gets a scientific methodology to adjust slab claims. Ms. Neblett asked how many slab claims TWIA has received since Hurricane Ike. Mr. Durden said the answer is none. There hasn't been a cause to activate the protocol. Ms. Neblett said there hasn't been a test to see if the speed is there. Mr. Durden said that was a fair assessment.

Ms. Neblett and Ms. Franklin Womack commended Mr. Harbour and his team for putting together an outstanding budget presentation.

4. Adjourn: The meeting was adjourned at 11:42 am.

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Prepared by: Amy Koehl  
Senior Project Administrator

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Approved by: Chandra Franklin Womack  
TWIA Chairman

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Approved by: Georgia Neblett  
TWIA Vice Chairman

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

Tremont House  
2300 Ships Mechanic Row  
Galveston, TX

**August 8, 2023**

The Following Board Members were Present:

- |                                      |                                       |
|--------------------------------------|---------------------------------------|
| 1. Chandra Franklin Womack (Chair)   | First Tier Coastal Representative     |
| 2. Georgia Neblett (Vice Chair)      | First Tier Coastal Representative     |
| 3. Peggy Gonzalez                    | First Tier Coastal Representative     |
| 4. Esther Grossman                   | Industry Representative               |
| 5. Mike Gerik                        | Industry Representative               |
| 6. Karen Guard (Secretary/Treasurer) | Industry Representative               |
| 7. Tony Schrader                     | Non-Seacoast Territory Representative |
| 8. Tim Garrett                       | Non-Seacoast Territory Representative |
| 9. Ron Walenta                       | Non-Seacoast Territory Representative |

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

- |  |                        |
|--|------------------------|
| 1. David Durden, General Manager                             | TWIA                   |
| 2. Stuart Harbour, CFO                                       | TWIA                   |
| 3. Dave Williams, VP Claims                                  | TWIA                   |
| 4. Jessica Crass, VP Legal                                   | TWIA                   |
| 5. Michael Ledwik, VP Underwriting                           | TWIA                   |
| 6. JD Lester, VP Human Resources                             | TWIA                   |
| 7. Jim Murphy, Chief Actuary                                 | TWIA                   |
| 8. Amy Koehl, Senior Project Administrator                   | TWIA                   |
| 9. Kristina Donley, Training, QA and Agency<br>Audit Manager | TWIA                   |
| 10. Camron Malik, Chief Information Officer                  | TWIA                   |
| 11. Mike Perkins, Association Counsel                        | Perkins Law Group PLLC |

The Following Guests Were Present:

- |               |        |
|---------------|--------|
| 1. Jeff Jones | Weaver |
|---------------|--------|

The Following In Person Attendees Were Present:

- |                     |  |
|---------------------|--|
| 1. Ryan Brannan     | Brannan Firm                                 |
| 2. Tammie Caballero | City Bank                                    |
| 3. Ryan Skrobarczyk | City of Corpus Christi                       |
| 4. Sally Bakko      | City of Galveston                            |
| 5. Marie Robb       | City of Galveston                            |
| 6. Miguel Rendon    | Corpus Christi Regional Transportation Auth. |
| 7. Joey Walker      | Gallagher Re                                 |
| 8. Erik Stramblad   | Galtex Pilots                                |

9. Jay Carnes	Galveston Chamber of Commerce
10. Jolene Kambhu	Galveston Chamber of Commerce
11. Darlene Lucchesi	Galveston Chamber of Commerce
12. Robert Evans	Galveston Chamber of Commerce
13. Gabrielle Maxwell	Galveston ISD
14. Keith Grey	GEDP
15. Linda Burton	Guest
16. Veronda Durden	Guest
17. Jim Wade	Guest
18. Mary Longoria	Guest
19. Abel Longoria	Guest
20. David Wilson	Guest
21. Paul Wendt	Guest
22. Tammy Malik	Guest
23. Paul Hosni	Guy Carpenter
24. Regan Ellmer	IIAT
25. Terrilyn Tarlton Shannon	Insurance Junction
26. E. Jay Sherlock	JS Edwards & Sherlock
27. Trace Finley	Port of Corpus Christi
28. Stacy Weber-Rubio	Realtor
29. Jesse Rubio	Realtor
30. Andrea Sunseri	Sand N' Sea Pearl Real Estate
31. Alicia Swartz	Sand N' Sea Pearl Real Estate
32. Julie Loreenwell	Sand N' Sea Pearl Real Estate
33. Alison Christensen	Sand N' Sea Pearl Real Estate
34. Andrew Herrell	Sen. Middleton's Office
35. Rep. Briscoe Cain	State Representative
36. Rep. Terri Leo-Wilson	State Representative
37. Chairman Todd Hunter	State Representative
38. Sen. Mayes Middleton	State Senator
39. George Taylor	Taylor Insurance
40. Beaman Floyd	TCAIS
41. Marianne Baker	TDI
42. David Muckerheide	TDI
43. Andy MacLarin	TDI

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

1. Geri Bentley	23. Minchong Mao
2. Katelyn Boehm	24. Travis McDavid
3. David Bolduc	25. Ruben O'Bell
4. Shirley Bowler	26. Leslie Olson
5. Brandon Campos	27. Anne ORyan
6. Jolene Chowdhury	28. Susan Parker
7. Ebony Cormier	29. Dan Paschal

- |                          |                        |
|--------------------------|------------------------|
| 8. Ginny Cross           | 30. Jennifer Prochaska |
| 9. Alex Donkervoet       | 31. Jeff Rech          |
| 10. Victoria Duncan      | 32. Kenisha Schuster   |
| 11. Nicole Elliott       | 33. Eric Shaffstall    |
| 12. Theresa Elliott      | 34. Anna Stafford      |
| 13. Allen Fulkerson      | 35. Jocelyn Strong     |
| 14. Jeff Gordon          | 36. Aaron Taylor       |
| 15. Sara Hays            | 37. Clark Thomson      |
| 16. Jarrett Hill         | 38. Lucy Tiblier       |
| 17. Kathy Kendrick       | 39. Rep. Cody Vasut    |
| 18. Randall Kopfer       | 40. Joey Walker        |
| 19. Rep. Morgan LaMantia | 41. Susan Zielke       |
| 20. Max Largent          |                        |
| 21. Lee Loftis           |                        |
| 22. Lauren Lumsden       |                        |

1. Call to Order: Ms. Franklin Womack called the meeting to order at 9:01 a.m. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Mr. Durden asked for a moment of silence to mark the passing of Otie Zapp. Mr. Perkins presented the required conflict-of-interest disclosures on behalf of each board member. Ms. Donley reviewed the housekeeping items.
2. Approval of Minutes: The minutes from the May 23, 2023 meeting were reviewed. Ms. Neblett moved to approve the minutes as presented. Mr. Garrett seconded the motion. The motion passed unanimously.
3. TWIA Operational Dashboard: Mr. Durden reported the operational dashboard is meant to give an “at a glance” look at the Association. Exposure growth and policy growth has increased over the last quarter. Written and earned premiums are up. Claims activity is a bit higher. There was an error in the formatting of the claims disputes section. There were six TDI complaints. The disputes section should have read 46 and there were 10 lawsuits received. Mr. Durden reviewed the status of enterprise projects.
4. Public Comment: Ms. Donley reviewed the written public comments received before the meeting. One comment concerned agent commissions and 456 concerned the required annual rate filing. Verbal public comment was offered by Sen. Morgan LaMantia, Rep. Cody Vasut, Sen. Mayes Middleton, Rep. Terri Leo-Wilson, Rep. Briscoe Cain, Chairman Todd Hunter, Linda Burton, Paul Wendt, Sally Bakko, Ryan Skrobarczyk, Regan Ellmer, Miguel Rendon, Terrilyn Tarlton Shannon, Marie Robb and Jim Wade.
5. Financial:

- A. Report of the Secretary/Treasurer: Ms. Guard reviewed the Treasurer's Report. Ms. Neblett moved to approve the report. Mr. Garrett seconded the motion. The motion passed unanimously.
- B. Financial Statement Review by Staff: Mr. Harbour reported that direct written premiums for the second quarter were \$300.5 million, a variance of \$38.8 million from the second quarter budget of \$261.7 million. Direct earned premiums were \$273.2 million, a variance of \$9.7 million over the second quarter budget of \$263.5 million.

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

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

Direct losses and LAE for the period January 1 to June 30 was \$80.9 million, a variance of \$2.7 million over the budget of \$78.2 million. Loss and LAE ratio was 29.6% with the budgeted amount being 29.7%. The ultimate loss and loss adjustment expense estimate for Hurricane Harvey remains at \$1.66 billion.

Operating expenses for the period January 1 to June 30 were \$16.8 million with the budgeted amount of \$18.1 million. The operating expense ratio for the quarter was 6.2%, which was slightly under the budgeted amount of 6.9%. Notable expense items under budget include personnel expenses (\$928,000), other professional services (\$260,000) and software purchases and licensing (\$357,000).

Commission expenses for the period January 1 to June 30 were \$48 million, a variance of \$6.1 million from the budgeted amount of \$41.9 million. Premium taxes were \$5.5 million, a variance of \$ 0.6 million over the budgeted amount of \$4.9 million.

Operating account balances have been reduced to maximize amounts invested in Money Market Mutual Funds, which provide a higher rate of interest earnings. Yields on the Association's investments in Money Market Mutual Funds have increased as the Federal Reserve raised interest rates to combat the high levels of inflation.

Gross investment income for the period January 1 to June 30 was \$9.1 million, which was \$7.1 million over the budgeted amount of \$2.0 million. Net income for the period January 1 to June 30 was \$104.7 million. The amount in surplus improved over the prior year end amount due to the year-to-date net income of \$104.7 million. The increase in surplus was offset by \$80.2 million for the CRTF accrual and an increase of \$1.6 million in non-admitted assets which consists primarily of prepaid expenses and reinsurance.

- C. Investment of Trust Fund Balances (Texas Insurance Code Sec. 2210.4521): Mr. Harbour reported that SB 900 added the following requirement regarding the Catastrophe Reserve Trust Fund (CRTF):

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).

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

- D. Selection of Auditors/Accountants for 2023 and Authorization of Non-Audit Services: Each year, the Association retains an accounting firm to conduct an independent audit of the Association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2021, Calhoun, Thomson + Matza (CTM) were selected to continue in their role as the Association's independent auditor. Staff recommends the TWIA Board of Directors engage CTM for the upcoming audits and use them 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. Mr. Garrett moved that the TWIA Board of Directors, acting as the audit committee, authorizes and directs that the firm of Calhoun, Thomson + Matza be engaged to conduct the upcoming annual audits of the Association's financial statements on the terms set forth in the statutory and GASB engagement

letters included in the 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. Ms. Neblett seconded the motion. The motion passed unanimously.

6. Agent Commission Study Update: Staff are on track to provide the TWIA Board of Directors with an update on the agent commission study at the December 12<sup>th</sup> board meeting.

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

Staff also plan to provide updated data and policy system changes related to the ELEVATE systems upgrade, legislation passed in the recent legislative session which may impact agency workflows and other information relevant to the agent commission study for the board's consideration. Ms. Neblett asked if the update will include a statement from the independent agents showing they had time to study, review and respond to the study. Mr. Durden said that will be the case and the report will be submitted to them for their comments.

7. Actuarial:

- A. Policy Counts/Exposures: Policy counts are up year over year are up just over 20%. The growth is spread pretty evenly across the coast. Policy exposures are up 36%. That reflects limits on the new business coming in and renewals. Premium growth is just over 33%.
- B. Reserve Adequacy: TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of June 30, 2023.

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

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

reviewed and found to be immaterial relative to total gross reserves.

In the opinion of the chief actuary, the Association's reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations to the Association under the terms of its contracts and agreements.

- C. Aon Contract – Notice of Termination: At the last TWIA Board of Directors meeting, staff was instructed to discuss contractual provisions contained in the Aon Statement of Work (SOW) under which they provide catastrophe modeling services to the Association. Specifically, the board asked staff to discuss the costs of the services provided, the automatic renewal provisions of the contract and the potential treatment of out-of-pocket expenses. Mr. Murphy and Mr. Durden met with representatives from Aon to discuss the contract. Ms. Neblett moved to continue with the contract as it is and make no changes. Mr. Garrett seconded the motion. Mr. Walenta said there is an issue as this is an evergreen contract. Mr. Murphy said the staff recommendation would be to do an RFP in 2026. Mr. Walenta asked if there is any way Aon will negotiate the contract, particularly for a lower fee. The motion passed with Mr. Walenta and Mr. Gerik voting no. The Aon contract review will be added to the August meeting agendas going forward.
- D. Statutory Maximum Limits of Liability: 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. There is a zero percent change across all structures because the indicated change for the period under review is negative. Mr. Garrett moved to accept the limits as presented. Ms. Neblett seconded the motion. The motion passed unanimously.
- E. Review of TWIA Staff Adequacy Analysis and Actuarial & Underwriting Committee Recommendations: Debbie King, Chair of the Actuarial & Underwriting Committee, provided a report of the committee's July meeting. The committee recommended a 5% increase for residential and an 8% increase for commercial to the TWIA Board of Directors.
- F. Required 2023 Annual Rate Filing: Mr. Walenta moved to accept the rate increases as proposed. Ms. Grossman seconded the motion. Ms. Grossman commented that she listened thoughtfully to the public comments but there is discussion to be had on economic impact on insurers. Companies have exited the market because of economic impact and paying for catastrophic losses. The board needs to consider what is happening in Louisiana and Florida, where carriers have exited the market. She believes the nominal increase is reasonable. The average premium is around \$2000, making a 5% increase \$100 to a policy. With that in mind, she is inclined to vote yes on the rate increase and thinks it is reasonable. Mr. Walenta said there is a need to start



capitalizing on the CRTF. Reinsurance is the life blood for TWIA and the CRTF needs to be repopulated. Ms. Neblett said there is still an increase to the premium even without a rate increase, whether it is MSB or increased value of homes.

A roll call vote was taken.

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

The motion did not pass due to a lack of a 2/3 majority, which is required for the board to initiate a TWIA rate increase filing with TDI. Ms. Neblett moved staff file for a zero percent rate increase. Mr. Garrett seconded the motion.

A roll call vote was taken.

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

The motion did not pass due to a lack of a simple majority, which is what is needed for the passage of this motion to proceed with the ministerial task of making a required filing with TDI consistent with the previous vote. Mr. Perkins said if anyone who voted no wants to change their vote, a motion could be put forth to reconsider the vote. The only path to staff making a rate filing is for someone on the winning side of the vote on the failed motion to make the filing to reconsider their vote. Staff will not be given any guidance on filing with TDI unless it comes through a board vote. With no instruction from the board there would be no basis for staff to make a filing. Mr. Garrett said the members need to do what is right as a board of directors. Mr. Gerik said he was willing to change his vote. Mr. Gerik moved to reconsider the motion that failed to instruct staff to make a zero percent rate filing with TDI. Ms.

Neblett seconded the motion.

A roll call vote was taken.

Georgia Neblett – Yes  
Esther Grossman – Yes  
Tim Garrett – Yes  
Tony Schrader – Yes  
Mike Gerik – Yes  
Karen Guard – Yes  
Peggy Guard – Yes  
Ron Walenta – Yes  
Chandra Franklin Womack – Yes

The motion passed unanimously.

Mr. Garrett moved to instruct staff to file for a zero percent rate increase by August 15. Ms. Neblett seconded the motion. Mr. Gerik asked that it be stated in the public record that five members voted initially for a rate increase and it is so noted here.

A roll call vote was taken.

Georgia Neblett – Yes  
Esther Grossman – Yes  
Tim Garrett – Yes  
Tony Schrader – Yes  
Mike Gerik – Yes  
Karen Guard – Yes  
Peggy Gonzalez – Yes  
Ron Walenta – Yes  
Chandra Franklin Womack – Yes

The motion passed unanimously.

8. Internal Audit & Status and Update: Mr. Jones reported that the current audit activities include facilities and services, accounts payable and expense processing, accounts receivable, depopulation, CAT plan tabletop exercises, underwriting, app development and database access, model audit rule and reinsurance funding. Upcoming audits include actuarial, communications, legal and compliance and plan of operation.
9. Underwriting Operational Review Update: For the second quarter, 97.85% of transactions were issued within 10 days of receiving the application and payment. Of those transactions, 73% were straight-through processed by the system and 27% were

referred by the system to underwriting for additional information, review and approval prior to issuance. Out of 99,326 calls for the quarter, 82.49% of the calls were answered under 20 seconds.

A standard sample of agencies (20) were selected for review in the second quarter of 2023 to verify compliance with the Texas Windstorm Insurance Association declination of coverage and flood insurance requirements. Of those selected agencies, 100% have completed their response. All policies/agents were compliant with the requirement for proof of declination of coverage. All policies/agents reviewed were 100% compliant with flood coverage requirements. Only 4.5% of policies selected/reviewed required flood insurance. All agents selected have an active property and casualty insurance agent license.

10. Claims:

- A. Claims Operations: First notice of loss to property inspection is averaging 3.4 days. Total cycle time of first notice of loss to payment for daily claims is 9.3 days and 9.4 days in a catastrophe. The historical claim volume for 2023 is 5,558. Mr. Walenta asked about the six complaints received in 2023. Mr. Williams thought they were from public adjusters or roof contractors and they are complaining about what TWIA paid or a possible denial.
- B. Claims Litigation: Ms. Crass reported that five new TWIA claims in suit were received during the second quarter and 16 were closed. For the second quarter, 74 new TWIA claims with letters of representation were received and 123 were closed. The majority of the active claims with suits and letters of representation were being held by the Furlow Law Firm and Baker Law. Ms. Grossman asked if staff is seeing new causes of action. Ms. Crass said her staff isn't seeing any new trends. They seem to be sticking with the traditional causes of action

11. TWIA Operations:

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

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

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

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

Overall, TWIA systems continue in production support mode with a monthly cadence of releases and the infrastructure and operations team continues to support remote work with excellent quality. All technological efforts are on track.

- B. Legislative Affairs Update and Legislative Implementation: The regular session of the 88<sup>th</sup> Legislature concluded on May 29. Five bills affecting TWIA have been signed by the governor and will become law.

The Agent Advisory Group met on July 20<sup>th</sup> for its third quarterly meeting of 2023. Discussion topics included TWIA's 2023 rate adequacy analysis and the Actuarial and Underwriting Committee's rate filing recommendation, information about an agent policy issuance time study being completed as part of the agent commission study and the outcome of the 88<sup>th</sup> Legislative Session and next steps for implementing TWIA legislation. Ms. Franklin Womack asked for the communications report to be added back to the meeting materials.

12. Closed Session: There was no closed session.

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

14. Committees; Including Filling Actuarial & Underwriting Committee Vacancy(ies): Two members of the actuarial committee resigned. There are currently five members of the committee. TDI's statute only mentions an executive committee so it is up to the board if they want to add additional members. Mr. Gerik asked if the statute requires an actuarial committee and it does not. Ms. Franklin Womack said the board could think about this item as it appears on every agenda. If any members have any suggestions or recommendations, she will consider them.

15. Future Meetings:

- December 12, 2023 – Omni Hotel – Corpus Christi, TX
- February 20, 2024 – Moody Gardens Hotel – Galveston, TX

16. Adjourn: The meeting adjourned at 12:11 pm.

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Prepared by: Amy Koehl  
Senior Project Administrator

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Approved by: Chandra Franklin Womack  
TWIA Chair

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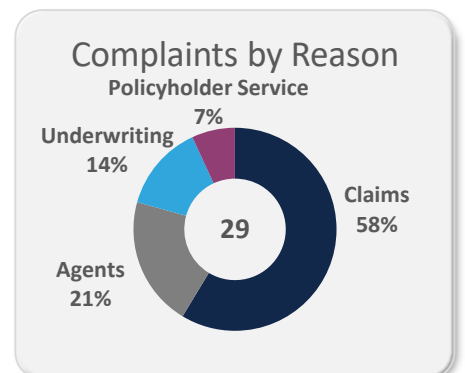
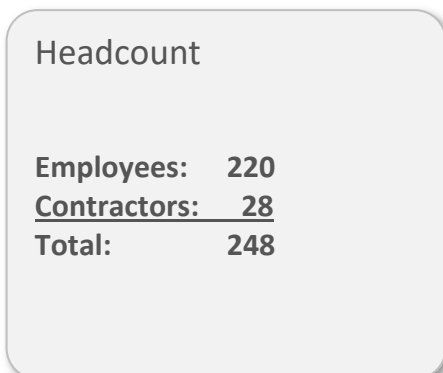
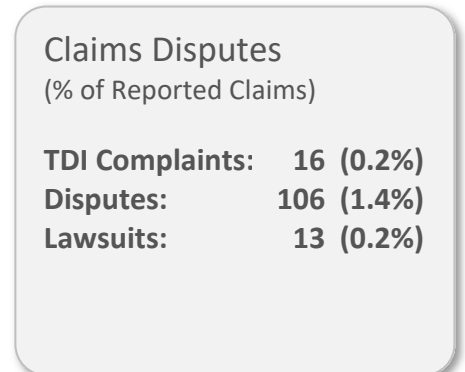
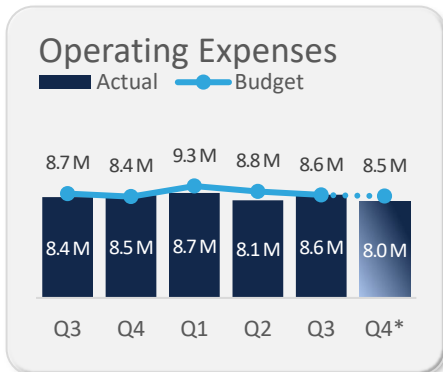
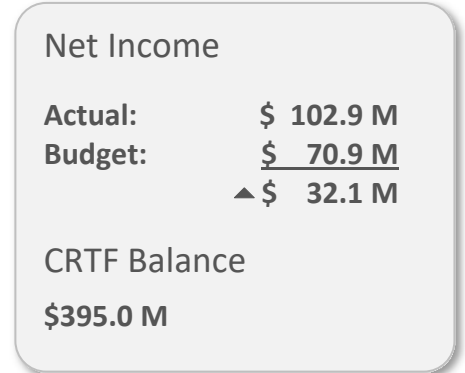
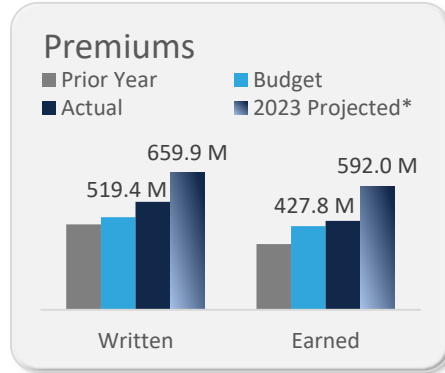
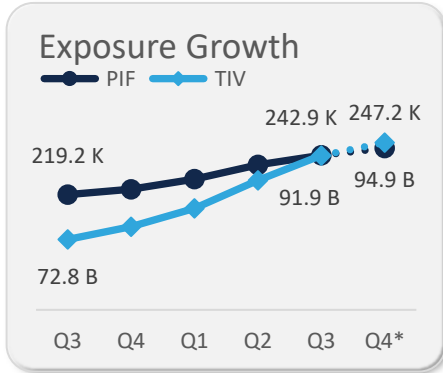
Approved by: Georgia Neblett  
TWIA Vice Chair

## 4. TWIA Operational Dashboard



# Operational Dashboard

Reporting as of September 30, 2023



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

CY 2022 Gross Premium to Surplus Ratio 1.96: 1





## 5. Financial

### 5A. Report of the Secretary/Treasurer

#### 5A1. Income Statement

#### 5A2. Management Discussion and Analysis

**TEXAS WINDSTORM INSURANCE ASSOCIATION**  
**Statutory Income Statement - Treasurer's Report**  
**for the nine months ended September 30,**  
**(000's omitted)**

	2023	2022
<b>Direct Premiums Written</b>	<u>\$ 519,439</u>	<u>\$ 410,332</u>
<b>Premiums Earned:</b>		
Direct Premiums Earned	\$ 427,815	\$ 315,783
Ceded Reinsurance Premiums	(142,904)	(87,578)
Ceded Reinsurance Premiums - Depopulation	-	-
Net Premiums Earned	<u>284,911</u>	<u>228,205</u>
<b>Deductions:</b>		
Direct Losses and LAE Incurred	87,418	45,673
Direct Losses and LAE Incurred - Harvey	-	(10,000)
Direct Losses and LAE Incurred - Ike & Dolly	-	-
Ceded Losses and LAE Incurred - Depopulation	(0)	35
Operating Expenses	25,399	24,859
Commission Expense	83,034	65,586
Ceding commissions / brokerage	(9,596)	(5,533)
Ceding commissions / brokerage - Depopulation	-	-
Premium / Maintenance Tax	9,477	7,606
Total Deductions	<u>195,732</u>	<u>128,228</u>
<b>Net Underwriting Gain or (Loss)</b>	<u>89,179</u>	<u>99,978</u>
<b>Other Income or (Expense):</b>		
Gross Investment Income	15,307	1,598
Debt Issuance & Other Investment Expenses	(83)	(358)
Line of Credit Fees	(1,335)	(1,305)
Interest Expense on Class 1 Bonds	-	(5,192)
Interest Expense on Short Term Debt	-	(296)
CRTF Funds Received	-	-
Member Assessment Income	-	-
Premium Charge off/Write off	(126)	-
Miscellaneous Income (Expense)	6	-
Total Other Income or (Expense)	<u>13,770</u>	<u>(5,552)</u>
<b>Net Income (Loss)</b>	<u>\$ 102,949</u>	<u>\$ 94,425</u>
<b>Surplus (Deficit) Account:</b>		
Beginning Surplus (Deficit)	38,643	(24,584)
Net Income (Loss)	102,949	94,425
Change in Provision for Reinsurance	-	-
Change in nonadmitted assets	1,522	(1,352)
Unassigned Funds - Unrecognized Pension Expense	-	-
Statutory Fund Cost	(117,184)	(66,021)
<b>Ending Surplus (Deficit)</b>	<u>\$ 25,930</u>	<u>\$ 2,467</u>

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

**Written and Earned Premiums**

<b>Actual vs Budget</b>	Sep-2023 YTD Actual	Sep-2023 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 519.4 M	\$ 445.2 M	\$ 74.2 M	16.7%
Direct Earned Premiums	\$ 427.8 M	\$ 402.3 M	\$ 25.5 M	6.3%
Policies In-Force	242,888	229,561	13,327	5.8%

<b>Current Yr vs Prior Yr Actuals</b>	Sep-2023 YTD Actual	Sep-2022 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 519.4 M	\$ 410.3 M	\$ 109.1 M	26.6%
Direct Earned Premiums	\$ 427.8 M	\$ 315.8 M	\$ 112.0 M	35.5%
Policies In-Force	242,888	219,219	23,669	10.8%

**Reinsurance Costs**

- The 2023-2024 reinsurance program inceptioned on June 1, 2023. Coverage for the 2023 hurricane season consists of \$1.2 billion of collateralized catastrophe bonds and \$1.043 billion of traditional reinsurance. Estimated gross ceded premiums of \$214.4 million associated with the \$2.243 billion in coverage have been recorded compared to a budgeted estimate of \$225.5 million. The final cost for the 2023-2024 program will be determined based on total insured value as of October 31, 2023. The current estimate reflects an overall developed rate-on-line (ROL) of 9.6% compared to the developed 6.5% ROL for the 2022-2023 program. The net cost of the reinsurance program after ceding commission was \$ 204.8 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

**Depopulation Program**

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

### Loss and Loss Adjustment Expense Incurred

<b>Actual vs Budget</b>	Sep-2023 YTD Actual	Sep-2023 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	\$ 74.8 M	\$ 65.7 M	\$ 9.1 M	13.9%
Direct LAE Incurred	\$ 12.7 M	\$ 19.5 M	(\$ 6.9 M)	(35.2%)
<b>Total Direct Losses &amp; LAE</b>	<b>\$ 87.4 M</b>	<b>\$ 85.2 M</b>	<b>\$ 2.2 M</b>	<b>2.6%</b>
<b>Loss &amp; LAE Ratio</b>	<b>20.4%</b>	<b>21.2%</b>		<b>(0.7%)</b>

<b>Current Yr vs Prior Yr Actuals</b>	Sep-2023 YTD Actual	Sep-2022 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	\$ 74.8 M	\$ 17.8 M	\$ 56.9 M	319.5%
Direct LAE Incurred	\$ 12.7 M	\$ 17.9 M	(\$ 5.2 M)	-29.1%
<b>Total Direct Losses &amp; LAE</b>	<b>\$ 87.4 M</b>	<b>\$ 35.7 M</b>	<b>\$ 51.7 M</b>	<b>145.1%</b>
<b>Loss &amp; LAE Ratio</b>	<b>20.4%</b>	<b>11.3%</b>		<b>9.1%</b>

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

### Operating Expenses

<b>Actual vs Budget</b>	Sep-2023 YTD Actual	Sep-2023 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 25.4 M	\$ 26.7 M	(\$ 1.3 M)	(4.9%)
Operating Expense Ratio	5.9%	6.6%		(0.7%)

<b>Current Yr vs Prior Yr Actuals</b>	Sep-2023 YTD Actual	Sep-2022 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 25.4 M	\$ 24.9 M	\$ 0.5 million	2.2%
Operating Expense Ratio	5.9%	7.9%		(1.9%)

- Notable expense items under budget include Personnel Expenses (\$1.2 M) and Software Purchases and Licensing (\$530,000).

### **Commission Expense and Premium Taxes**

<b>Actual vs Budget</b>	Sep-2023 YTD Actual	Sep-2023 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 83.0 M	\$ 71.2 M	\$ 11.8 M	16.6%
Premium Taxes	\$ 9.5 M	\$ 8.3 M	\$ 1.2 M	14.9%

<b>Current Yr vs Prior Yr Actuals</b>	Sep-2023 YTD Actual	Sep-2022 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 83.0 M	\$ 65.6 M	\$ 17.4 M	26.6%
Premium Taxes	\$ 9.5 M	\$ 7.6 M	\$ 1.9 M	24.6%

### **Other Income (Expense)**

- Operating account balances have been reduced to maximize amounts invested in Money Market Mutual Funds which provide a higher rate of interest earnings. Yields on the Association's investments in Money Market Mutual Funds have increased as the Federal Reserve raised interest rates to combat the high levels of inflation.

<b>Actual vs Budget</b>	Sep-2023 YTD Actual	Sep-2023 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 15.3 M	\$ 3.1 M	\$ 12.2 M	393.5%

<b>Current Yr vs Prior Yr Actual</b>	Sep-2023 YTD Actual	Sep-2022 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 15.3 M	\$ 1.6 M	\$ 13.7 M	858.0%

### **Net Income**

<b>Actual vs Budget</b>	Sep-2023 YTD Actual	Sep-2023 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	\$ 102.9 M	\$ 70.9 M	\$ 32.1 M	45.2%

<b>Current Yr vs Prior Yr Actual</b>	Sep-2023 YTD Actual	Sep-2022 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income	\$ 102.9 M	\$ 94.4 M	\$ 8.5 M	9.0%

**Surplus/(Deficit)**

<b>Actual vs Prior Yr End</b>	Sep-2023 YTD Actual	Dec-22 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	\$ 25.9 M	\$ 38.6 M	(\$ 12.7 M)	(32.9%)

- Ending surplus decreased from the prior year-end amount by \$12.7 million for the first nine months of 2023. Surplus increased due to year-to-date net income of \$ 102.9 million and a decrease in non-admitted assets of \$1.5 million, but these were more than offset by the \$117.2 million that has been accrued for the estimated 2023 contribution to the catastrophe reserve trust fund.

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## 5B. Financial Statement Review by Staff

**TEXAS WINDSTORM INSURANCE ASSOCIATION**  
**Statutory Income Statement (000's omitted)**  
**For the nine months ended September 30,**

	<u>Actuals - 2023</u>	<u>Budget - 2023</u>	<u>Variance - 2023</u>	<u>Actuals - 2022</u>
<b>Premiums Written:</b>				
Direct	\$ 519,439	\$ 445,249	\$ 74,190	\$ 410,332
Ceded	(214,356)	(225,544)	11,188	(131,367)
Ceded - Depopulation	-	-	-	-
Net	<u>305,083</u>	<u>219,705</u>	<u>85,378</u>	<u>278,965</u>
<b>Premiums Earned:</b>				
Direct	\$ 427,815	\$ 402,325	\$ 25,491	\$ 315,783
Ceded	(142,904)	(150,363)	7,459	(87,578)
Ceded - Depopulation	-	-	-	-
Net	<u>284,911</u>	<u>251,962</u>	<u>32,949</u>	<u>228,205</u>
<b>Deductions:</b>				
Direct Losses and LAE Incurred	87,418	85,174	2,244	45,673
Direct Losses and LAE Incurred - Harvey	-	-	-	(10,000)
Direct Losses and LAE Incurred - Ike & Dolly	-	-	-	-
Ceded Losses and LAE Incurred - Depopulation	(0)	-	(0)	35
Operating Expenses	25,399	26,706	(1,307)	24,859
Commission Expense	83,034	71,240	11,794	65,586
Ceding commissions / brokerage	(9,596)	(8,849)	(747)	(5,533)
Ceding commissions / brokerage - Depopulation	-	-	-	-
Premium / Maintenance Tax	9,477	8,251	1,226	7,606
Total Deductions	<u>195,732</u>	<u>182,521</u>	<u>13,211</u>	<u>128,228</u>
<b>Net Underwriting Gain or (Loss)</b>	<u>89,179</u>	<u>69,441</u>	<u>19,738</u>	<u>99,978</u>
<b>Other Income or (Expense):</b>				
Gross Investment Income	15,307	3,102	12,206	1,598
Debt Issuance/Maintenance Fees & Other Investment Expenses	(83)	(324)	241	(358)
Line of Credit Fees	(1,335)	(1,329)	(6)	(1,305)
Interest Expense on Class 1 Bonds	-	-	-	(5,192)
Interest Expense on Short Term Debt	-	-	-	(296)
Premium Charge offs/Write offs	(126)	-	(126)	-
Billing Fees	-	-	-	-
Miscellaneous Income (Expense)	6	-	6	-
Total Other Income or (Expense)	<u>13,770</u>	<u>1,449</u>	<u>12,321</u>	<u>(5,552)</u>
<b>Net Income (Loss)</b>	<u>\$ 102,949</u>	<u>\$ 70,890</u>	<u>\$ 32,060</u>	<u>\$ 94,425</u>
<b>Surplus (Deficit) Account:</b>				
Beginning Surplus (Deficit)	38,643	38,643	-	(24,584)
Net Income (Loss)	102,949	70,890	32,060	94,425
Change in Provision for Reinsurance	-	-	-	-
Change in nonadmitted assets	1,522	875	647	(1,352)
Unassigned Funds - Unrecognized Pension Expense	-	-	-	-
Statutory Fund Cost	(117,184)	(75,109)	(42,075)	(66,021)
Ending Surplus (Deficit)	<u>\$ 25,930</u>	<u>\$ 35,298</u>	<u>\$ (9,368)</u>	<u>\$ 2,467</u>
<b>Key Operating Ratios:</b>				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	20.4%	21.2%	(0.7%)	14.5%
Hurricane Harvey	0.0%	0.0%	0.0%	(3.2%)
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	<u>20.4%</u>	<u>21.2%</u>	<u>(0.7%)</u>	<u>11.3%</u>
UW Expense Ratio:				
Acquisition	17.8%	17.9%	(0.0%)	17.8%
Non Acquisition	5.9%	6.6%	(0.7%)	7.9%
UW Expense Ratio	<u>23.7%</u>	<u>24.5%</u>	<u>(0.7%)</u>	<u>25.7%</u>
Combined Ratio	<u>44.2%</u>	<u>45.7%</u>	<u>(1.5%)</u>	<u>37.0%</u>



TEXAS WINDSTORM INSURANCE ASSOCIATION					
Statutory Expense Report (000's omitted)					
for the nine months ended September 30,					
Description	Actuals - 2023	Budget - 2023	Variance - 2023	Actuals - 2022	
Personnel Expenses					
Salaries & Wages - Permanent	\$ 10,445	\$ 11,501	\$ (1,056)	\$ 10,244	
Contractor & Temporary Help	3,836	4,203	(366)	6,619	
Payroll Taxes	776	896	(120)	742	
Employee Benefits	3,336	3,628	(293)	3,746	
Recruiting, Training & Other	103	323	(219)	197	
Subtotal	<u>\$ 18,497</u>	<u>\$ 20,551</u>	<u>\$ (2,055)</u>	<u>\$ 21,548</u>	
Professional & Consulting Services					
Legal	\$ 426	\$ 395	\$ 31	\$ 307	
Accounting & Auditing	207	211	(4)	195	
Information Technology	1,378	993	386	2,023	
Actuarial Services	68	39	29	25	
Ombudsman Program	93	113	(20)	113	
Surveys & Inspections	1,030	993	37	990	
Disaster Recovery Services	7	10	(3)	273	
Other Services (1)	4,163	4,205	(43)	3,672	
Subtotal	<u>\$ 7,373</u>	<u>\$ 6,959</u>	<u>\$ 414</u>	<u>\$ 7,597</u>	
Hardware/Software Purchases & Licensing	\$ 2,449	\$ 3,020	\$ (572)	\$ 2,764	
Rental & Maintenance - Office/Equipment	705	761	(56)	906	
Travel Expenses	106	140	(34)	81	
Postage, Telephone and Express	1,051	912	140	761	
Capital Management Expenses	-	-	-	6	
Depreciation & Amortization	2,336	2,302	34	1,415	
Other Operating Expenses	1,199	1,338	(139)	1,132	
<b>Total Operating Expenses</b>	<u><b>\$ 33,715</b></u>	<u><b>\$ 35,982</b></u>	<u><b>\$ (2,267)</b></u>	<u><b>\$ 36,210</b></u>	
Capitalization of Fixed Assets	-	-	-	(1,699)	
Reimbursement of Depop Servicing Expense	(3)	-	(3)	(7)	
Allocation To ULAE	(8,230)	(9,088)	858	(9,446)	
Allocation To Investing & Other Expense	(83)	(189)	106	(199)	
<b>Net Operating Expense - UW Operations</b>	<u><b>\$ 25,399</b></u>	<u><b>\$ 26,706</b></u>	<u><b>\$ (1,307)</b></u>	<u><b>\$ 24,859</b></u>	

(1) Summary Details for Other Services:

VENDOR	Amount	Department
Accenture LLP	\$ 1,614	Expert Panel / Corporate
AON Re Inc	450	Actuary
Clear Point Claims LLC	428	Underwriting
Marshall & Swift/Boeckh	304	Underwriting
Xactware Solutions Inc	219	Claims
EagleView Technologies Inc	184	Claims
Risk Management Solutions Inc	174	Expert Panel
LexisNexis Risk Solutions FL Inc	162	Claims / Legal & Compliance
ISO Services Inc	108	Claims
LYNX Services LLC	98	Claims
*Other Outside Services below \$50K	421	Various Departments
<b>Total Other Services</b>	<u><b>\$ 4,163</b></u>	

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

	<u>September 2023</u>	<u>December 2022</u>	
1			1
2 <b>Admitted Assets</b>			2
3 Cash and short term investments:			3
4   Unrestricted	\$ 583,211	\$ 483,870	4
5   Restricted - Funds Held at TTSTC	-	-	5
6   Restricted - Funds Held at TTSTC (Non Admitted)	-	-	6
7   Total cash and short term investments	<u>583,211</u>	<u>483,870</u>	7
8 Premiums receivable & other	53,616	26,983	8
9 Assessment receivable	-	-	9
10 Amounts recoverable from reinsurers	-	-	10
11 <b>Total admitted assets</b>	<u><u>\$ 636,826</u></u>	<u><u>\$ 510,852</u></u>	11
12			12
13 <b>Liabilities, Surplus and other funds</b>			13
14 <b>Liabilities:</b>			14
15 Loss and Loss adjustment expenses	56,238	58,175	15
16 Underwriting expenses payable	19,286	14,701	16
17 Unearned premiums, net of ceded unearned premiums	297,506	277,334	17
18 Ceded reinsurance premiums payable	98,558	33,331	18
19 Short Term Debt	-	-	19
20 Interest Payable on Short Term Debt	-	-	20
21 Principal Outstanding on Class 1 Pre Event Bonds	-	-	21
22 Interest Payable on Class 1 Pre Event Bonds	-	-	22
23 Provision for reinsurance	-	-	23
24 Other payables	22,125	13,707	24
25 Statutory fund payable	<u>117,184</u>	<u>74,962</u>	25
26 <b>Total liabilities</b>	<u><b>610,896</b></u>	<u><b>472,209</b></u>	26
27			27
28 <b>Surplus and others funds</b>			28
29 Unassigned surplus (deficit)	25,930	38,643	29
30 <b>Total liabilities, surplus and other funds</b>	<u><u>\$ 636,826</u></u>	<u><u>\$ 510,852</u></u>	30
31			31
32			32
33 <b>Balance in CRTF</b>	<u><u>\$ 277,854</u></u>	<u><u>\$ 190,004</u></u>	33
34			34
35 <b>Balance in CRTF including Statutory fund payable</b>	<u><u>\$ 395,038</u></u>	<u><u>\$ 264,966</u></u>	35
36			36

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

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Average Annual Yield	Total Deposit % of TWIA's Portfolio	N.A. Bank Credit Rating	N.A Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital?
							< 40%	Superior or Strong	> 10%	> \$25B	> .2% of N.A. Reg Capital
<b>Balances as of 09/30/2023:</b>											
Bank of America, Operating	\$ 162	\$ 41,470	\$ 41,632	\$ 44,629	\$ 423	3.8%	7%	Superior	13.3%	\$185	No
Citibank	196	116	312	115	1	1.8%	0%	Superior	14.9%	\$153	No
JP Morgan Chase	54,734	0	54,734	0	0	0.0%	9%	Superior	17.3%	\$282	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	144,469	144,469	134,519	1,744	5.2%	25%	N/A	N/A	N/A	N/A
Chase Goldman Sachs (2)	0	145,468	145,468	129,798	1,677	5.2%	25%	N/A	N/A	N/A	N/A
BOA Morgan Stanley (1)	0	46,845	46,845	46,634	600	5.1%	8%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury (1)	0	132,449	132,449	120,020	1,561	5.2%	23%	N/A	N/A	N/A	N/A
Fidelity Treasury (1)	0	17,302	17,302	17,224	223	5.2%	3%	N/A	N/A	N/A	N/A
<b>Total of all financial institutions</b>	<b>\$ 55,093</b>	<b>\$ 528,118</b>	<b>\$ 583,211</b>	<b>\$ 492,939</b>	<b>\$ 6,229</b>	<b>5.1%</b>	<b>100%</b>				
<b>Balances as of 06/30/2023:</b>											
Bank of America, Operating	\$ 162	\$ 52,132	\$ 52,294	\$ 55,238	\$ 503	3.6%	10%	Superior	13.4%	\$185	No
Citibank	197	115	312	5,736	40	2.8%	0%	Superior	14.8%	\$154	No
JP Morgan Chase	63,707	0	63,707	0	0	0.0%	12%	Superior	17.3%	\$274	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	132,767	132,767	132,227	1,605	4.9%	26%	N/A	N/A	N/A	N/A
Chase Goldman Sachs (2)	0	89,032	89,032	88,689	1,042	4.7%	17%	N/A	N/A	N/A	N/A
BOA Morgan Stanley (1)	0	46,253	46,253	46,081	529	4.6%	9%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury (1)	0	116,098	116,098	92,335	934	4.0%	22%	N/A	N/A	N/A	N/A
Fidelity Treasury (1)	0	17,085	17,085	11,446	88	3.1%	3%	N/A	N/A	N/A	N/A
<b>Total of all financial institutions</b>	<b>\$ 64,066</b>	<b>\$ 453,482</b>	<b>\$ 517,547</b>	<b>\$ 431,751</b>	<b>\$ 4,740</b>	<b>4.4%</b>	<b>100%</b>				

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

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

Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of September 30, 2023. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

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

1	2	3	4	1
	<u>Actual - 2023</u>	<u>Budget - 2023</u>	<u>Variance - 2023</u>	
2				2
3				3
4				4
5				5
6				6
7				7
8				8
9				9
10				10
11				11
12				12
13				13
14				14
15				15
16				16
17				17
18				18
19				19
20				20
21				21
22				22
23				23
24				24
25				25
26				26
27				27
28				28

TEXAS WINDSTORM INSURANCE ASSOCIATION

HISTORICAL DATA

1971 - 2023

(\$ with 000's omitted)

YEAR	GROSS						NET				CRTF BALANCE END OF PERIOD
	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES		WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING		
			RESID	COMML					EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	
1971	\$ 278,710	13,415			\$ 2,393	\$ 92	\$ 868	\$ 92	\$ 385	\$ 391	
1972	739,983	33,577			4,138	214	3,468	214	849	2,405	
1973	1,017,048	45,743			4,286	1,427	4,288	1,427	1,099	1,763	
1974	1,064,772	45,901			4,512	452	4,378	452	1,106	2,819	
1975	1,169,763	46,365			6,036	592	5,263	592	1,417	3,254	
1976	1,387,252	48,747			8,130	231	6,953	231	1,878	4,844	
1977	1,616,220	51,382			9,922	203	9,080	203	2,258	6,619	
1978	1,633,521	48,820			10,523	296	10,249	296	2,329	7,624	
1979	1,816,410	46,128			11,045	2,370	11,039	2,370	2,178	6,490	
1980	1,936,388	43,613			9,675	14,217	10,245	14,217	2,079	(6,051)	
1981	2,105,244	42,495			9,137	2,715	9,313	2,715	2,097	4,501	
1982	2,285,594	51,034			8,641	982	9,106	982	2,095	6,029	
1983	2,165,231	44,894			6,900	157,112	7,585	157,112	1,937	(151,463)	
1984	3,178,079	51,311			9,450	1,294	7,989	1,294	2,493	4,202	
1985	4,061,660	57,181			18,232	1,510	3,534	1,510	3,638	(1,614)	
1986	4,510,378	60,028			20,987	1,202	5,229	1,202	3,997	30	
1987	4,401,486	57,976			20,532	2,555	4,931	2,555	4,091	(1,715)	
1988	4,266,615	56,773	-5.4%	-15.0%	19,061	2,509	3,551	2,509	4,066	(3,024)	
1989	4,236,600	55,401	-	-	18,066	14,176	5,330	14,176	4,037	(12,883)	
1990	4,248,611	56,155	3.1%	-2.1%	18,244	1,590	16,761	1,590	4,171	11,000	
1991	4,346,209	54,145	25.0%	-2.0%	20,504	1,783	7,167	1,783	4,343	1,042	
1992	5,155,790	55,471	-20% (I)/-75% (B)	-22.9%	11,495	1,321	4,014	1,321	4,220	(1,527)	
1993	6,500,165	56,921	30.0%	-	19,377	4,778	123,515	4,778	5,161	113,576	
1994	7,645,176	63,348	-	-	26,545	1,572	25,692	1,572	6,982	17,138	124,847
1995	8,828,140	69,807	25.0%	-	32,419	4,033	29,016	4,033	8,119	16,864	151,284
1996	10,001,843	72,977	-	-	40,359	1,484	37,153	1,484	10,627	25,042	179,020
1997	10,907,937	75,361	-	-	42,463	4,133	41,045	4,133	11,038	25,874	216,896
1998	11,633,935	77,261	0.2%	-3.0%	44,411	27,235	28,256	27,235	12,181	(11,160)	238,221
1999	11,972,502	75,947	-9.4%	-	44,581	11,320	28,702	11,320	11,524	5,858	250,403
2000	12,052,604	73,815	8.7%	9.0%	48,012	7,937	28,470	7,937	11,681	8,852	268,563
2001	13,249,407	77,022	18.5%	4.0%	54,631	8,011	31,112	8,011	12,936	10,165	280,063
2002	16,003,048	85,668	-	5.0%	72,968	32,359	44,516	32,359	16,584	(4,427)	303,185
2003	18,824,457	96,420	-	10.0%	87,987	24,955	51,702	24,955	19,682	7,065	305,599
2004	20,796,656	103,503	9.6%	10.0%	102,384	6,115	52,230	6,115	21,911	24,204	308,729
2005	23,263,934	109,693	-	10.0%	113,928	178,370	65,438	178,370	25,277	(138,209)	311,508
2006	38,313,022	143,999	3.1%	13.4%	196,833	5,188	85,467	5,188	37,138	43,141	361,823
2007	58,641,546	216,008	4.2%	3.7%	315,139	17,985	135,843	17,985	51,768	66,090	388,542
2008	58,585,060	215,537	8.2%	5.4%	331,049	2,587,123	(138,560)	1,117,123	53,759	(1,309,442)	-
2009	61,700,891	230,545	12.3%	15.6%	382,342	(486,314)	389,600	(183,974)	87,899	485,675	-
2010	67,452,357	242,664	-	-	385,550	555,025	351,730	252,685	85,598	13,447	76,334
2011	71,083,333	255,945	5.0%	5.0%	403,748	202,539	321,781	202,539	81,665	37,577	146,650
2012	74,186,949	266,726	5.0%	5.0%	443,480	401,873	321,122	401,873	93,583	(174,334)	178,902
2013	76,921,369	270,814	5.0%	5.0%	472,739	30,975	295,130	30,975	100,524	163,631	186,184
2014	78,763,302	275,626	5.0%	5.0%	494,036	(13,994)	367,555	(13,994)	109,189	272,360	216,813
2015	78,551,742	272,219	5.0%	5.0%	503,824	178,886	377,594	178,886	114,973	83,736	487,170
2016	73,393,573	254,346	5.0%	5.0%	487,354	38,669	370,404	38,625	109,756	222,023	587,860
2017	65,023,810	231,567	-	-	423,074	1,476,861	347,354	1,475,302	97,878	(1,225,826)	1,220
2018	58,041,760	202,208	5.0%	5.0%	395,552	175,718	301,515	175,998	96,399	29,118	5,986
2019	55,189,815	189,203	-	-	372,017	113,513	287,477	113,398	92,415	81,664	122,496
2020	55,009,638	184,890	-	-	369,600	118,669	261,574	118,470	90,594	52,510	179,174
2021	59,543,596	193,002	-	-	395,113	19,026	276,372	19,048	95,623	161,701	182,712
2022	75,698,532	222,480	5.0%	5.0%	518,299	51,213	311,395	51,248	120,093	140,054	190,004
2023	91,907,685	242,888	0.0%	0.0%	519,439	87,418	284,911	87,418	108,314	89,179	277,854
<b>TOTAL*</b>					<b>8,391,162</b>	<b>6,081,518</b>	<b>5,685,454</b>	<b>4,609,937</b>	<b>1,857,634</b>	<b>(782,118)</b>	

\*2023 data through 09/30/2023.

## 5C. Review and Approval of 2024 Budget

# Texas Windstorm Insurance Association



2024 Budget Summary to  
Board of Directors  
December 12, 2023



# 2023 Forecasted Income Statement w/ Reconciliation to Workshop

(In 000s)

	A			B			C			D			E		
	For the twelve months ended December 31,						Budget Workshop								
	FINAL						October 31								
	Forecast FY2023		Budget FY2023		Variance 2023		Forecast FY2023			CHANGE					
<b>Premiums Written:</b>															
1 Direct	\$	659,883	\$	560,179	\$	99,704	\$	659,881			2				
<b>Premiums Earned:</b>															
2 Direct	\$	592,019	\$	542,293	\$	49,726	\$	592,019			0				
3 Ceded		(214,356)		(225,544)		11,188		(214,356)			(0)				
4 Net		377,662		316,749		60,913		377,662			(0)				
<b>Deductions:</b>															
6 Losses and LAE Incurred		95,627		92,171		3,455		120,285			(24,658)				
7 Operating Expenses		33,446		35,171		(1,725)		33,446			0				
8 Commission Expense		105,505		89,629		15,877		105,505			(0)				
9 Ceding commissions / brokerage		(9,596)		(8,849)		(747)		(9,596)			0				
10 Premium / Maintenance Tax		12,040		10,402		1,638		12,047			(7)				
11 Total Deductions		237,022		218,523		18,499		261,686			(24,665)				
12 <b>Net Underwriting Gain or (Loss)</b>		140,641		98,226		42,415		115,976			24,665				
<b>Other Income or (Expense):</b>															
14 Gross Investment Income		21,751		4,278		17,473		21,497			254				
15 Line of Credit Fees and Other Investment Expenses		(2,030)		(2,359)		329		(2,047)			17				
16 Interest Expense on Debt		0		0		0		0			0				
17 Premium Charge Offs/Write Offs		(126)		0		(126)		(126)			0				
18 Other Income (Expense)		6		0		6		6			0				
19 Total Other Income or (Expense)		19,601		1,920		17,682		19,330			271				
20 <b>Net Income (Loss)</b>	\$	160,242	\$	100,145	\$	60,097	\$	135,306			24,936				
21															
22															
23															

## Discussion Notes

- Slight change in Direct Premiums to agree with September year-to-date actuals
- Losses and LAE reflects actuals from January to September vs January to June in the version presented in the budget workshop. September 2023 Losses and LAE was negative \$22.1 million.
- No change in Operating Expenses
- Investment Income is updated with July to September actuals.
- The decreases in Premium Tax and Investment expenses by \$7K and \$17K, respectively, are both due to the true up of July to September actuals.



# 2023 Forecasted Surplus & Key Ratios w/ Reconciliation to Workshop

(In 000s)

	A	B	C	D	E
	For the twelve months ended December 31,			Budget Workshop October 31	
	FINAL			Forecast FY2023	CHANGE
	Forecast FY2023	Budget FY2023	Variance 2023		
<b>1 Surplus (Deficit) Account:</b>					
<b>2</b> Beginning Surplus (Deficit)	\$ 38,643	\$ 27,859	\$ 10,784	\$ 38,643	0
<b>3</b> Net Income (Loss)	160,242	100,145	60,097	135,306	24,936
<b>4</b> Change in Provision for Reinsurance	0	0	0	0	0
<b>5</b> Change in Non-Admitted Assets	3,414	2,964	450	3,420	(6)
<b>6</b> Statutory Fund Cost	(160,242)	(100,145)	(60,097)	(135,306)	(24,936)
<b>7 Ending Surplus (Deficit)</b>	<b>\$ 42,057</b>	<b>\$ 30,823</b>	<b>\$ 11,234</b>	<b>\$ 42,063</b>	<b>\$ (6)</b>
<b>8</b>					
<b>9 Key Operating Ratios:</b>					
<b>10</b> Direct:					
<b>11</b> Loss & LAE Ratio	16.2%	17.0%	(0.8%)	20.3%	(4.2%)
<b>12</b> UW Expense Ratio:					
<b>13</b> Acquisition	17.8%	17.9%	(0.0%)	17.8%	(0.0%)
<b>14</b> Non Acquisition	5.6%	6.5%	(0.8%)	5.6%	0.0%
<b>15</b> UW Expense Ratio	23.5%	24.3%	(0.9%)	23.5%	(0.0%)
<b>16</b> Direct Combined Ratio	39.6%	41.3%	(1.7%)	43.8%	(4.2%)
<b>17</b>					
<b>18</b> Ending Balance in CRTF	\$ 282,898	\$ 292,071	\$ (9,173)	\$ 282,691	\$ 207

Note: Forecast reflects January to September 2023 actuals except for Operating Expenses and October to December forecasts.

# 2023 Updated Forecast w/ Reconciliation to Workshop – Expense Summary (000's)

	A			B			C			D			E		
	For the twelve months ended December 31,									Budget Workshop			CHANGE		
	FINAL									October 31					
	Forecast FY2023	Budget FY2023	Variance 2023	Forecast FY2023	Budget FY2023	Variance 2023	Forecast FY2023	Budget FY2023	Variance 2023	Forecast FY2023	Budget FY2023	Variance 2023	Forecast FY2023	Budget FY2023	Variance 2023
1 Personnel Expenses	\$ 24,543	\$ 26,928	\$ (2,385)	\$ 24,543	\$ 24,543	\$ 0	\$ 24,543	\$ 24,543	\$ 0	\$ 24,543	\$ 24,543	\$ 0	\$ 24,543	\$ 24,543	\$ 0
2 Professional & Consulting Services	9,113	8,849	263	9,113	9,113	0	9,113	9,113	0	9,113	9,113	0	9,113	9,113	0
3 Hardware/Software Purchases & Licensing	3,393	3,857	(465)	3,393	3,393	0	3,393	3,393	0	3,393	3,393	0	3,393	3,393	0
4 Rental & Maintenance - Office/Equipment	987	1,004	(17)	987	987	0	987	987	0	987	987	0	987	987	0
5 Travel Expenses	180	194	(14)	180	180	0	180	180	0	180	180	0	180	180	0
6 Postage, Telephone and Express	1,319	1,208	111	1,319	1,319	0	1,319	1,319	0	1,319	1,319	0	1,319	1,319	0
7 Capital Management Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Depreciation	3,115	3,069	46	3,115	3,115	0	3,115	3,115	0	3,115	3,115	0	3,115	3,115	0
9 Other Operating Expenses	1,588	1,891	(303)	1,590	1,590	(2)	1,590	1,590	(2)	1,590	1,590	(2)	1,590	1,590	(2)
10 <b>Gross Operating Expenses</b>	<b>44,237</b>	<b>47,002</b>	<b>(2,765)</b>	<b>44,239</b>	<b>44,239</b>	<b>(2)</b>	<b>44,239</b>	<b>44,239</b>	<b>(2)</b>	<b>44,239</b>	<b>44,239</b>	<b>(2)</b>	<b>44,239</b>	<b>44,239</b>	<b>(2)</b>
11 <b>Less: Adjustments/Allocations</b>															
12 Capitalization of Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Reimbursement of Depopulation Servicing Expense	(3)	0	(3)	(3)	(3)	0	(3)	(3)	0	(3)	(3)	0	(3)	(3)	0
14 Allocation To ULAE	(10,682)	(11,579)	897	(10,682)	(10,682)	0	(10,682)	(10,682)	0	(10,682)	(10,682)	0	(10,682)	(10,682)	0
15 Allocation To Investing	(107)	(252)	145	(109)	(109)	2	(109)	(109)	2	(109)	(109)	2	(109)	(109)	2
16 <b>Total Adjustments/Allocations</b>	<b>(10,791)</b>	<b>(11,831)</b>	<b>1,039</b>	<b>(10,793)</b>	<b>(10,793)</b>	<b>2</b>	<b>(10,793)</b>	<b>(10,793)</b>	<b>2</b>	<b>(10,793)</b>	<b>(10,793)</b>	<b>2</b>	<b>(10,793)</b>	<b>(10,793)</b>	<b>2</b>
17															
18 <b>Net Operating Expense - UW Operations</b>	<b>\$ 33,446</b>	<b>\$ 35,171</b>	<b>\$ (1,725)</b>	<b>\$ 33,446</b>	<b>\$ 33,446</b>	<b>(0)</b>	<b>\$ 33,446</b>	<b>\$ 33,446</b>	<b>(0)</b>	<b>\$ 33,446</b>	<b>\$ 33,446</b>	<b>(0)</b>	<b>\$ 33,446</b>	<b>\$ 33,446</b>	<b>(0)</b>

**Other Operating Expenses**

**The decrease of \$1.8K represents the updated actual Bank Charges from July to September 2023.**

# 2024 Budget - Income Statement w/ Reconciliation to Workshop

(In 000's)

	A	B	C	
	FINAL Budget FY2024	Budget Workshop October 31 Budget FY2024	CHANGE	
<b>Premiums Written:</b>				
1 Direct	\$ 815,861	\$ 815,861	0	1
<b>Premiums Earned:</b>				
2 Direct	\$ 743,860	\$ 743,860	0	2
3 Ceded	(298,000)	(298,000)	0	3
4 Net	445,860	445,860	0	4
5				5
<b>Deductions:</b>				
6 Losses and LAE Incurred	97,803	97,803	0	6
7 Operating Expenses	40,243	40,243	0	7
8 Commission Expense	130,538	130,538	0	8
9 Ceding commissions / brokerage	(13,340)	(13,340)	0	9
10 Premium / Maintenance Tax	14,889	14,889	0	10
11 Total Deductions	270,133	270,133	0	11
12				12
<b>Net Underwriting Gain or (Loss)</b>	175,727	175,727	0	13
<b>Other Income or (Expense):</b>				
14 Gross Investment Income	24,237	24,237	0	14
15 Line of Credit Fees and Other Investment Expenses	(2,065)	(2,065)	0	15
16 Interest Expense on Debt	0	0	0	16
17 Premium Charge Offs/Write Offs	0	0	0	17
18 Other Income (Expense)	0	0	0	18
19 Total Other Income or (Expense)	22,172	22,172	0	19
20				20
<b>Net Income (Loss)</b>	<b>\$ 197,899</b>	<b>\$ 197,899</b>	<b>0</b>	21
22				22
23				23

**No Change in the  
2024 Income  
Statement Budget**

# 2024 Budget – Surplus and Key Ratios with Reconciliation to Workshop

(In 000's)

	A	B	C
	FINAL Budget FY2024	Budget Workshop October 31 Budget FY2024	CHANGE
<b>1 Surplus (Deficit) Account:</b>			
<b>2</b> Beginning Surplus (Deficit)	\$ 42,057	\$ 42,063	(6)
<b>3</b> Net Income (Loss)	197,899	197,899	0
<b>4</b> Change in Provision for Reinsurance	0	-	0
<b>5</b> Change in Non-Admitted Assets	3,349	3,349	(0)
<b>6</b> Statutory Fund Cost	(197,899)	(197,899)	0
<b>7 Ending Surplus (Deficit)</b>	<b>\$ 45,406</b>	<b>\$ 45,412</b>	<b>\$ (6)</b>
<b>8</b>			
<b>9 Key Operating Ratios:</b>			
<b>10</b> Direct:			
<b>11</b> Loss & LAE Ratio	13.1%	13.1%	0.0%
<b>12</b> UW Expense Ratio:			
<b>13</b> Acquisition	17.8%	17.8%	0.0%
<b>14</b> Non Acquisition	5.4%	5.4%	0.0%
<b>15</b> UW Expense Ratio	23.2%	23.2%	0.0%
<b>16</b> Direct Combined Ratio	36.4%	36.4%	0.0%
<b>17</b>			
<b>18</b> Ending Balance in CRTF	<b>\$ 461,329</b>	<b>\$ 444,123</b>	<b>\$ 17,206</b>

## Beginning Surplus

The decrease is a carry forwarded balance from the 2023 revised forecast ending balance caused by the updated in the Change in Non-Admitted assets.

## CRTF Balance

The increase in CRTF by \$17.2 million is due to the true up of the July to September 2023 actuals.

# 2024 Budget – Expense Summary with Reconciliation to Workshop (In 000's)

	A	B	C	
	FINAL Budget FY2024	Budget Workshop October 31 Budget FY2024	CHANGE	
1 Personnel Expenses	27,358	27,358	0	1
2 Professional & Consulting Services	13,103	13,103	0	2
3 Hardware/Software Purchases & Licensing	4,047	4,047	0	3
4 Rental & Maintenance - Office/Equipment	1,060	1,060	0	4
5 Travel Expenses	203	203	0	5
6 Postage, Telephone and Express	1,420	1,420	0	6
7 Capital Management Expenses	0	0	0	7
8 Depreciation	3,096	3,096	0	8
9 Other Operating Expenses	1,657	1,657	0	9
10 <b>Gross Operating Expenses</b>	<b>51,943</b>	<b>51,943</b>	<b>0</b>	10
11 <b>Less: Adjustments/Allocations</b>				11
12 Capitalization of Fixed Assets	0	0	0	12
13 Reimbursement of Depopulation Servicing Expense	0	0	0	13
14 Allocation To ULAE	(11,604)	(11,604)	0	14
15 Allocation To Investing	(96)	(96)	0	15
16 <b>Total Adjustments/Allocations</b>	<b>(11,700)</b>	<b>(11,700)</b>	<b>0</b>	16
17				17
18 <b>Net Operating Expense - UW Operations</b>	<b>40,243</b>	<b>40,243</b>	<b>0</b>	18

**No Change in the  
2024 Operating  
Expenses Budget**

# Final TWIA 2024 Operating Expenses Budget

(In 000's)

	A	B	C	D	E	
	For the twelve months ended December 31,					
	Forecast FY2023	Budget FY2023	Variance 2023		Budget FY2024	
1	Personnel Expenses	24,543	26,928	(2,385)	27,358	1
2	Professional & Consulting Services	9,113	8,849	263	13,103	2
3	Hardware/Software Purchases & Licensing	3,393	3,857	(465)	4,047	3
4	Rental & Maintenance - Office/Equipment	987	1,004	(17)	1,060	4
5	Travel Expenses	180	194	(14)	203	5
6	Postage, Telephone and Express	1,319	1,208	111	1,420	6
7	Capital Management Expenses	0	0	0	0	7
8	Depreciation	3,115	3,069	46	3,096	8
9	Other Operating Expenses	1,588	1,891	(303)	1,657	9
10	<b>Gross Operating Expenses</b>	<b>44,237</b>	<b>47,002</b>	<b>(2,765)</b>	<b>51,943</b>	10
11	<b>Less: Adjustments/Allocations</b>					11
12	Capitalization of Fixed Assets	0	0	0	0	12
13	Reimbursement of Depopulation Servicing Expense	(3)	0	(3)	0	13
14	Allocation To ULAE	(10,682)	(11,579)	897	(11,604)	14
15	Allocation To Investing	(107)	(252)	145	(96)	15
16	<b>Total Adjustments/Allocations</b>	<b>(10,791)</b>	<b>(11,831)</b>	<b>1,039</b>	<b>(11,700)</b>	16
17						17
18	<b>Net Operating Expense - UW Operations</b>	<b>33,446</b>	<b>35,171</b>	<b>(1,725)</b>	<b>40,243</b>	18

# Final TWIA 2024 Income Statement Budget

(In 000's)

		A	B	C	D		
		For the twelve months ended December 31,					
		Forecast FY2023	Budget FY2023	Variance 2023	Budget FY2024		
1	<b>Premiums Written:</b>						
	Direct	\$ 659,883	\$ 560,179	\$ 99,704	\$ 815,861		1
2	<b>Premiums Earned:</b>						2
3	Direct	\$ 592,019	\$ 542,293	\$ 49,726	\$ 743,860		3
4	Ceded	(214,356)	(225,544)	11,188	(298,000)		4
5	Net	377,662	316,749	60,913	445,860		5
6	<b>Deductions:</b>						6
7	Losses and LAE Incurred	95,627	92,171	3,455	97,803		7
8	Operating Expenses	33,446	35,171	(1,725)	40,243		8
9	Commission Expense	105,505	89,629	15,877	130,538		9
10	Ceding commissions / brokerage	(9,596)	(8,849)	(747)	(13,340)		10
11	Premium / Maintenance Tax	12,040	10,402	1,638	14,889		11
12	Total Deductions	237,022	218,523	18,499	270,133		12
13	<b>Net Underwriting Gain or (Loss)</b>	140,641	98,226	42,415	175,727		13
14	<b>Other Income or (Expense):</b>						14
15	Gross Investment Income	21,751	4,278	17,473	24,237		15
16	Line of Credit Fees and Other Investment Expenses	(2,030)	(2,359)	329	(2,065)		16
17	Interest Expense on Debt	0	0	0	0		17
18	Premium Charge Offs/Write Offs	(126)	0	(126)	0		18
19	Other Income (Expense)	6	0	6	0		19
20	Total Other Income or (Expense)	19,601	1,920	17,682	22,172		20
21							21
22	<b>Net Income (Loss)</b>	<b>\$ 160,242</b>	<b>\$ 100,145</b>	<b>\$ 60,097</b>	<b>\$ 197,899</b>		22
23							23

# Final TWIA 2024 Budget – Surplus & Key Ratios

(In 000's)

		A	B	C	D	
		For the twelve months ended December 31,				
		Forecast FY2023	Budget FY2023	Variance 2023	Budget FY2024	
1	<b>Surplus (Deficit) Account:</b>					1
2	Beginning Surplus (Deficit)	38,643	27,859	10,784	42,057	2
3	Net Income (Loss)	160,242	100,145	60,097	197,899	3
4	Change in Provision for Reinsurance	0	0	0	0	4
5	Change in Non-Admitted Assets	3,414	2,964	450	3,349	5
6	Statutory Fund Cost	(160,242)	(100,145)	(60,097)	(197,899)	6
7	<b>Ending Surplus (Deficit)</b>	<b>\$42,057</b>	<b>\$30,823</b>	<b>\$11,234</b>	<b>\$45,406</b>	7
8						8
9	<b>Key Operating Ratios:</b>					9
10	Direct:					10
11	Loss & LAE Ratio	16.2%	17.0%	(0.8%)	13.1%	11
12	UW Expense Ratio:					12
13	Acquisition	17.8%	17.9%	(0.0%)	17.8%	13
14	Non Acquisition	5.6%	6.5%	(0.8%)	5.4%	14
15	UW Expense Ratio	23.5%	24.3%	(0.9%)	23.2%	15
16	<b>Direct Combined Ratio</b>	<b>39.6%</b>	<b>41.3%</b>	<b>(1.7%)</b>	<b>36.4%</b>	16
17						17
18	<b>Ending Balance in CRTF</b>	<b>282,898</b>	<b>292,071</b>	<b>(9,173)</b>	<b>461,329</b>	18



ANY  
QUESTIONS



## 6. Agent Commission Study Report



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TEXAS WINDSTORM  
INSURANCE ASSOCIATION

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# Agent Commission Study

December 2023 TWIA Board of Directors

# Agenda

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- **Project Overview**
- **Key Information to Facilitate Discussion**
  - TWIA System and Process Changes
  - ITS Consulting, Inc. Time Study Report
  - Updated Agent Advisory Group Feedback
- **Appendices**

PROJECT OBJECTIVES & TIMELINE

# PROJECT OVERVIEW



# Objectives

01



## **Provide an accurate picture of agent workflows**

Provide, to the extent possible, an accurate and complete picture of normalized agent system usage and workflows

02



## **Address the Sunset Commission recommendation**

Collect agent feedback and usage data on process changes required by Sunset legislation and enhanced with ELEVATE to enable the Board to evaluate a separate renewal commission as recommended by the Sunset Commission

03



## **Provide sufficient information to the Board**

Provide sufficient information for the Board to determine whether to recommend a change in agent commission rates to the Insurance Commissioner

See Appendix 1 for the Sunset Commission recommendation and Appendix 2 for the Statutory Commission Rate Requirements.

# 2022 Recommendations

01



## **Allow time for agents to adjust workflows**

Provide 12 months post-ELEVATE implementation for the system to mature and for agents to adjust their processes and workflows

02



## **Analyze 12 months of renewal data**

Analyze at least 12 months of renewal data for insights into post-ELEVATE system usage and user behavior

03



## **Evaluate workflows in new systems**

Replicate IIAT studies to see how long it takes to issue new business and renewals in new system – begin studies 12 months after implementation

# Agent Commission Study Timeline

## Sunset Commission Report Published

June 2019

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

## Last of Sunset Requirements Implemented

November 2020

Enabled policyholders to pay in installments and by credit card

## Staff's First Project Status Report

December 2021

Provided at Q4 2021 meeting; revisit at Q3 2022 meeting

## Staff's 2nd Project Status Report

August 2022

Status and interim recommendations; revisit at Q4 2023 meeting

## Quoting & Renewal Process Survey

October 2023

Survey to collect agent experience information

## First of Sunset Requirements Implemented

January 2020

Allowed TWIA to directly renew policies with and receive payment from policyholders

## Rate Workshop

April 2021

Study initiated; revisit after ELEVATE implementation

## "ELEVATE" Systems Upgrade Launched

April 2022

New Agent & Policyholder Portals, more pay plan options, and integrated MSB

## Workflow Analysis Time Study

August 2023

TWIA vendor began agency visits to complete policy issuance time study; Visits completed September 2023

## Staff's Final Report

December 2023

Deliver status and time study report at Q4 2023 meeting

See Appendix 3 for Sunset Requirements & ELEVATE Changes, Appendix 4 for Past Agent Commission Study Reports, and Appendix 5 for updated Private Market Commission Rates.



# December 2021 Agent Commission Study Report

## Report Components ([Link to Materials](#)):

- Historical TWIA Commission Rates
- Past Reports from the Independent Insurance Agents of Texas (IIAT)
- Evolution of TWIA System & Process Changes
- Agent Advisory Group (AAG) Input
- Agent Experience Survey Results
- Metrics for Changes Required by Sunset Commission
- Initial Beach and Fair Plan Comparisons

# August 2022 Agent Commission Study Report

## Report Components ([Link to Materials](#)):

- Summary Beach and FAIR Plan Commission Data
- Interviews with Gulf Coast Beach Plans
- Summary of Private Market Commission Data
- Initial AAG Feedback 4 Months Post-ELEVATE Implementation
- System Usage & Payment Data Pre- and 2.5 Months Post-ELEVATE
- Pre-ELEVATE AAG Workflow & Claims Surveys
- Staff Recommendations for Agent Commission Study

ELEVATE System and Process Changes and Updated Payment Data

# **TWIA SYSTEM & PROCESS CHANGES**

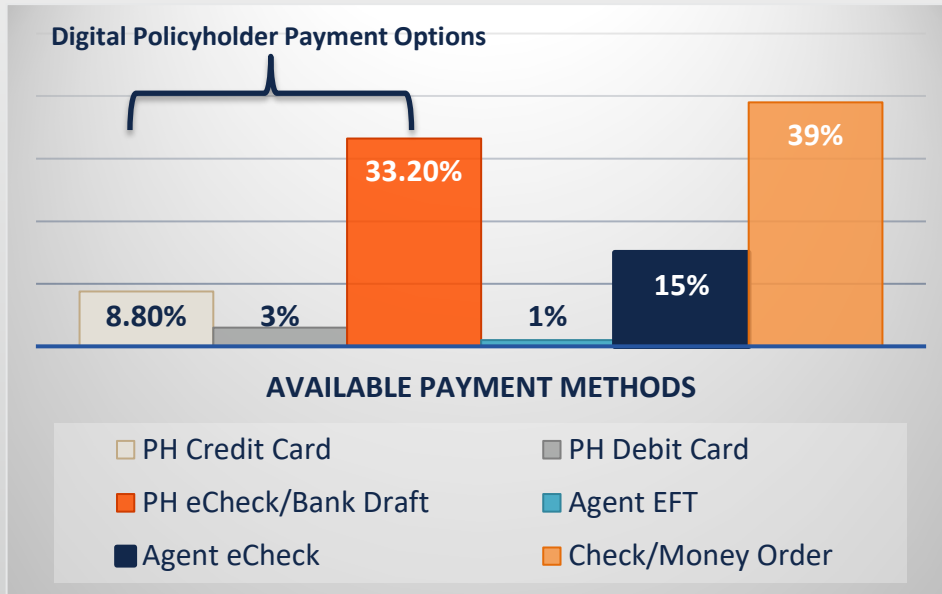
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# ELEVATE System Changes

## Addressed agent's ELEVATE system concerns from August 2022 Board meeting and made additional changes designed to improve agent processes

- Enabled agents to make online payments on behalf of their clients when signing them up for mortgagee escrow – *Released May 2022 (Resolved prior to Aug 2022 meeting)*
- Allowed agents to make payments for their clients' policy renewals in the 35-day window before expiration – *Released Aug 2022*
- Enabled agents to make coverage edits to renewal offers through the renewal period – *Released Sept 2022*
- Allowed agents to select the 10-Pay plan in the Agent Portal and make the first payment via EFT or eCheck – *Released Nov 2022*
- Added a feature to generate a printable quote for the agent to share with the policy applicant – *Released Dec 2022*
- Eliminated the requirement to include a policyholder's email address on an application for coverage – *Released Feb 2023*
- Increased the time between required agent password resets from every 45 days to every 180 days – *Released May 2023*
- Added Payment History sections to the Agent and Policyholder Portals – *Released Aug 2023*
- Added TWIA.org database enabling agents/property owners to search and request TWIA-issued WPI-8Cs – *Released Aug 2023*

# 2023 YTD ELEVATE Payment Data



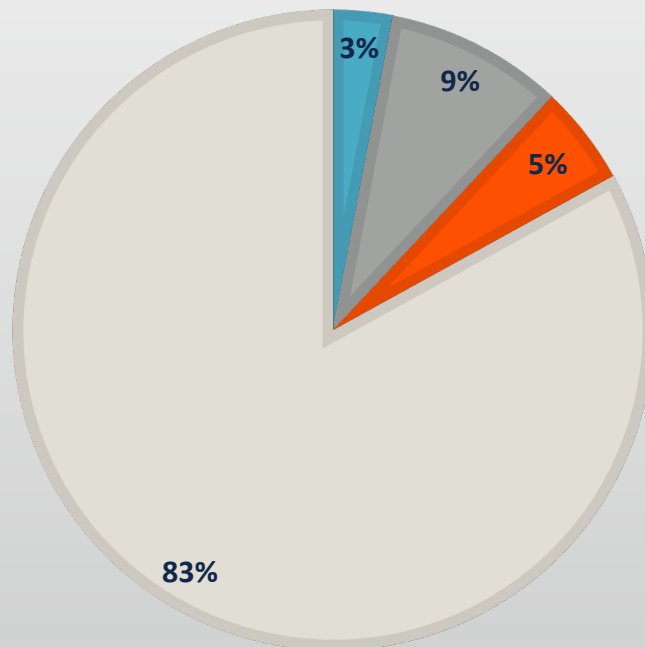
All payment metrics include data from 1/1/2023 to 9/30/2023.

- **73% of policies are paid directly by the policyholder or their mortgage company**
- **45% of all payments submitted to TWIA are made by policyholders using one of three digital payment options (credit card, debit card, eCheck/bank draft)**
  - Most policyholders (33.2%) choose eCheck/bank draft when paying digitally
- **The most popular payment method is check/money order (39%)**
  - Check/money order payments may be from policyholders, mortgage companies, agents, or any other party providing payment for a policy

# 2023 YTD ELEVATE Payment Data

## PAYMENT PLAN USAGE

■ 2-Pay ■ 4-Pay ■ 10-Pay ■ Full Pay



- TWIA offers three payment plan options (2-pay, 4-pay, 10-pay)
- When using a payment plan, most policyholders (9%) choose the 4-pay option
- 83% of policies are paid in full

All payment metrics include data from 1/1/2023 to 9/30/2023.

# 88<sup>th</sup> Legislative Session Changes

*Lawmakers passed several TWIA bills that will have some level of impact on agents' workflows*

## Senate Bill 2232

- Allows TWIA to establish requirements agents must comply with to offer or sell TWIA policies.
- **Implementation Status:** Staff is currently evaluating options and gathering input from stakeholders to determine next steps.

## Senate Bill 2233

- Limits requirement for automatic policy renewals to residential policies.
- **Implementation Status:** Staff is working to develop system requirements and process changes with a goal to implement this change by end of Q1 2024.

## House Bill 2208

Complete

- Requires TWIA to retain the entire annual premium on a policy cancelled by a policyholder unless the policy was cancelled for certain reasons.
- **Implementation Status:** System changes allowing TWIA to automatically calculate the fully earned premium were implemented in October.

## House Bill 3310

- Requires the Insurance Commissioner, with the advice of TWIA, to set deadlines for appraisals.
- Applies to appraisals demanded on or after January 1, 2024.
- **Implementation Status:** Staff is working with TDI on the rulemaking process for the new appraisal process deadlines.

ITS Consulting, Inc. Agent Time Study Report Presentation

# **AGENCY WORKFLOWS**



ITS Consulting's Agent Time Study report is included as Appendix 6.



# Agency Time Study

Presented by Vana Jones, ITS  
November 2023



TEXAS WINDSTORM  
INSURANCE ASSOCIATION





# Insurance Technology Services - ITS

Based in Dallas, Texas, ITS is an insurance consulting and services firm specializing in the design, implementation, and utilization of technology to optimize critical business processes and achieve exceptional results. ITS provides:

- system implementation support (including project management, business analysis, forms design, system development, testing, and legacy data conversion),
- process improvement services (including PMO establishment, quality assurance, and production support), and
- change management services (including end-user training, organizational change planning, and business process reengineering)

# Vana Jones

## Director of Training Services



- Over 25 years of experience in the P&C insurance industry
- Specializes in business process improvement, course development, and training delivery
- Over 10 years of experience with Guidewire's InsuranceSuite products

# Mardee Brosh

## Director of Special Projects



- Over 30 years of experience in the P&C insurance industry
- Specializes in business process design and system implementation
- She has completed many large process redesign projects

# Time Study Scope and Purpose

ITS conducted a time study of work processes by agency users to assess the efficiency of the processes and determine the time required to enter and process these transactions.

The scope of the project was limited to policy processing for new business, policy change, and renewal transactions.

The scope was also limited to residential policies.

# Time Study Methodology & Measurement

ITS visited 10 agencies and timed 48 transactions. Timings were split into time inside and outside the system.

A survey was also conducted to gather agents' opinions of TWIA's quoting and renewal processes versus other carriers they work with and changes to TWIA's processes they would like to see.

# Time Study Results – Benchmark

ITS's study was benchmarked against the 2021 agent experience survey conducted by TWIA.

The 2021 study included both commercial and residential policies, which will automatically increase the time since commercial policies, in general, take longer to process.

The 2021 study did not provide metrics for policy change transactions, so those transactions were not benchmarked.

# Time Study Results – Median/Average

## Median Times Benchmark

Transaction	2023 - Median	2021 - Median	Delta
New Business	9.2 minutes	34*	24.8
Renewal	1.2	28*	26.8
Policy Change	3.7	N/A	N/A

## Average Times

Transaction	2023 - Average
New Business	10.2 minutes
Renewal	6.2 minutes
Policy Change	4.7 minutes

\*These times include commercial policies and are not a true comparison to the 2023 study



# Time Study Results – Min/Max

## 2021 Range of Time Per Transaction (Minutes)

Transaction	2021 Minimum	2021 Maximum	Delta
New Business	5*	90*	85
Renewal	0*	62.5*	62.5
Policy Change	N/A	N/A	N/A

\*These times include commercial policies and are not a true comparison to the 2023 study

## 2023 Range of Time Per Transaction (Minutes)

Transaction	2023 Minimum	2023 Maximum	Delta
New Business	5	19.9	14.9
Renewal	.3	29.5	29.2
Policy Change	1	14.5	13.5

# Time Study Results – New Business By Agency

The chart below shows the 2023 average time spent inside and outside TWIA's system for each agency on new business quotes.

Row Labels	Average Time Inside System (Minutes)	Average Time Outside System (Minutes)	Average Total Time (Minutes)	Count of Transactions
Agency 1	9.2	3.3	12.5	1
Agency 2	4.9	3.8	8.7	3
Agency 3	7.2	2.9	10.1	3
Agency 4	5.2	3.5	8.6	2
Agency 5	6.2	2.4	8.6	2
Agency 6	6.1	6.2	12.3	2
Agency 7	7.2	8.0	15.2	2
Agency 8	5.5	5.0	10.5	3
Agency 9	4.8	3.0	7.8	2
Agency 10	6.6	6.4	13.0	1

# Time Study Results – Policy Change By Agency

The chart below shows the 2023 average time spent inside and outside TWIA's system for each agency on policy changes.

Row Labels	Average Time Inside System (Minutes)	Average Time Outside System (Minutes)	Average Total Time (Minutes)	Count of Transactions
Agency 2	3.0	3.0	6.0	1
Agency 3	1.0	1.5	2.5	1
Agency 4	2.2	0.3	2.5	1
Agency 5	1.9	3.2	5.1	3
Agency 7	1.8	1.3	3.2	2
Agency 8	2.0	7.1	9.1	2
Agency 9	1.3	0.0	1.3	1

# Time Study Results – Renewals By Agency

The chart below shows the 2023 average time spent inside and outside TWIA's system for each agency on renewals.

Row Labels	Average Time Inside System (Minutes)	Average Time Outside System (Minutes)	Average Total Time (Minutes)	Count of Transactions
Agency 1	1.3	0.4	1.7	3
Agency 2	0.5	0.6	1.1	1
Agency 4	2.3	1.0	3.4	1
Agency 5	0.5	0.6	1.1	4
Agency 6	2.0	1.0	3.0	1
Agency 7	0.4	15.5	16.0	3
Agency 8	0.8	10.7	11.5	3

# Time Inside TWIA's System

The agent's time spent inside the TWIA system for new business included:

- Creating an account and starting a quote
- Updating the MSB
  - Modifying the MSB took an average of 2.6 minutes, but it was observed to take as long as 5.4 minutes
- Quoting and then printing the quote
- Uploading documents to TWIA

# Time Outside TWIA's System

## Activities specific to TWIA

- Researching WPI-8s
- Saving WPI-8s as a PDF
- Looking up the flood zone
- These steps average 2.4 minutes
- If issues arise, it was observed to take an additional 12 minutes, or in some instances the quote could not be finished without further research.

# Time Outside TWIA's System

## All Carriers

- Creating a customer file in AMS for new business
- Updating AMS for renewals and policy changes
- Opening companion policy for information
- Researching home information on CAD or similar site



# ITS Observations from the Time Study

- Work processes vary significantly between agencies. Some are very manual, and others are more technical.
- Often the updates to the agency management system took as long or longer than entering the data into TWIA's system. This is a required action for independent agencies as it is key to managing their business. This time was included but is likely required for all carriers the agents work with and is not specific to TWIA.
- Many agents quoted new business with up to 4 different deductibles. Once again, this is a process that is likely used for all carriers the agents work with and is not specific to TWIA.



# ITS Observations from the Time Study

- Gathering the WPI-8 Certificates, can be a challenge in some circumstances and is only required by TWIA. WPI-8-Cs also are time-consuming to research and obtain from TWIA.
- Looking up the flood zone is a manual process that takes time and is not required to be documented by other carriers.
  - It was noted that some agencies would obtain a screen print of the flood map and upload that to the documents. However, this is not a TWIA requirement.
- Obtaining a carrier declination is another process that is only required by TWIA and not other carriers.

# Agent Survey and Results



# 2023 Agency Survey Scope and Purpose

The 2023 agency survey asked a combination of yes/no and open-ended questions to assess the agent's opinion of the usability and efficiency of the TWIA system.

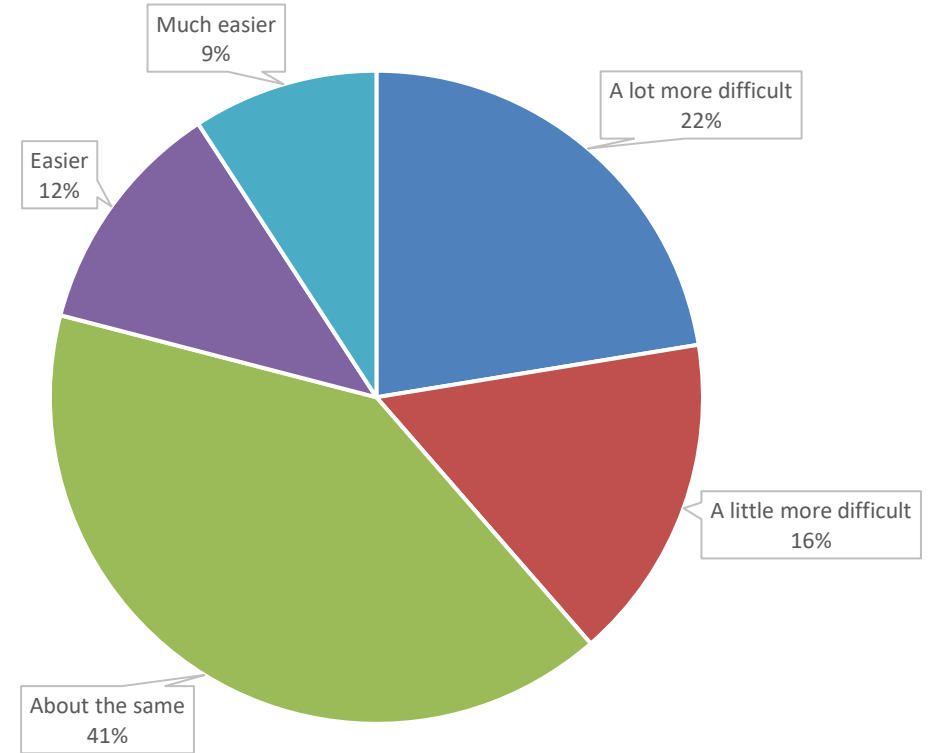
ITS analyzed the responses to the survey using a combination of keyword analysis, review of narrative responses, and calculating metrics on the yes/no questions.



# Agency Survey Results – New Business

Overall responses were positive or neutral when comparing TWIA's system to other carriers.

Quoting and Issuance--Difficulty Ratings

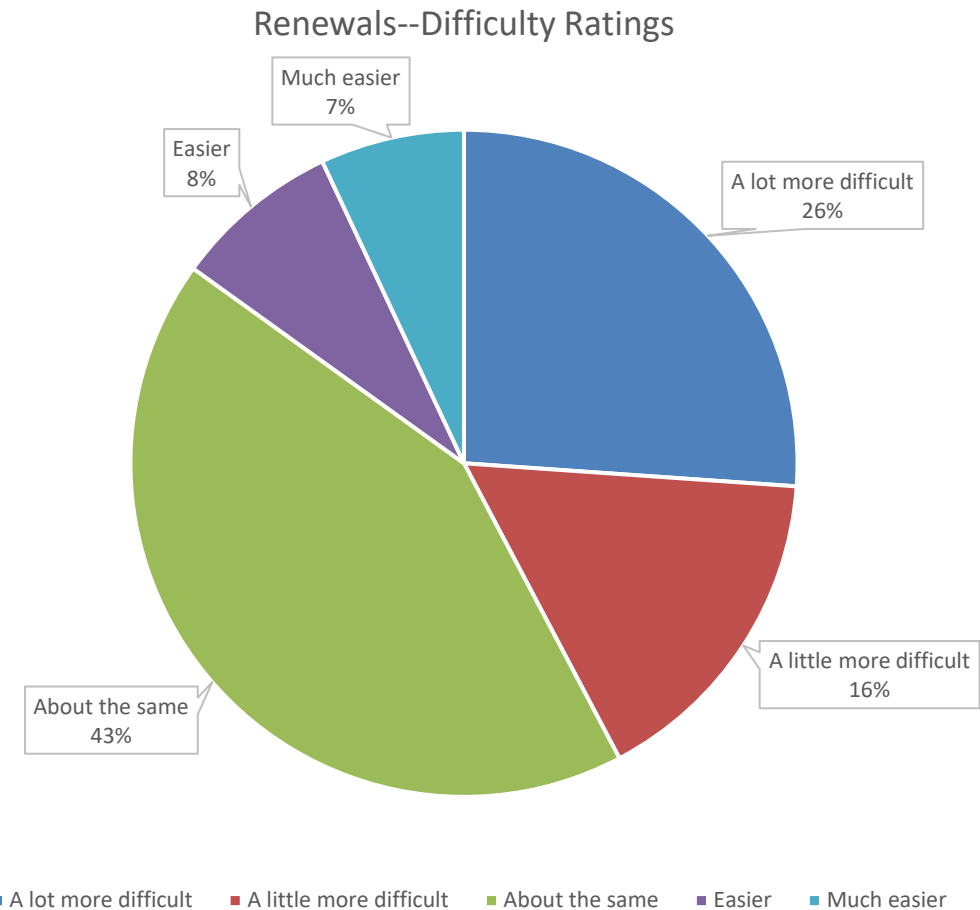


■ A lot more difficult ■ A little more difficult ■ About the same ■ Easier ■ Much easier



# Agency Survey Results – Renewals

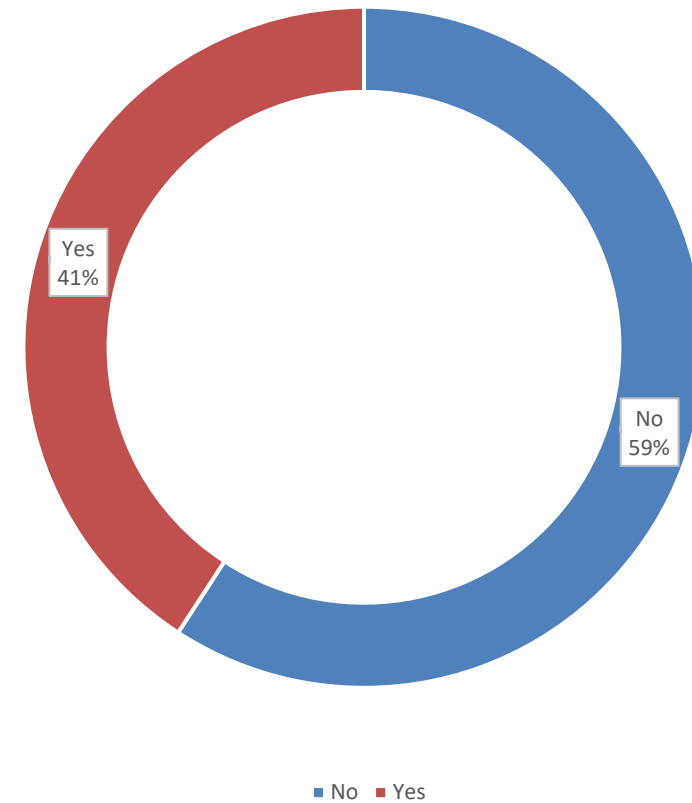
Overall responses were positive or neutral when comparing TWIA's system to other carriers.



# Agency Survey Results

The percentage of users wanting changes to the quoting process was overall positive.

Quote and Issue - Users Wanting Changes

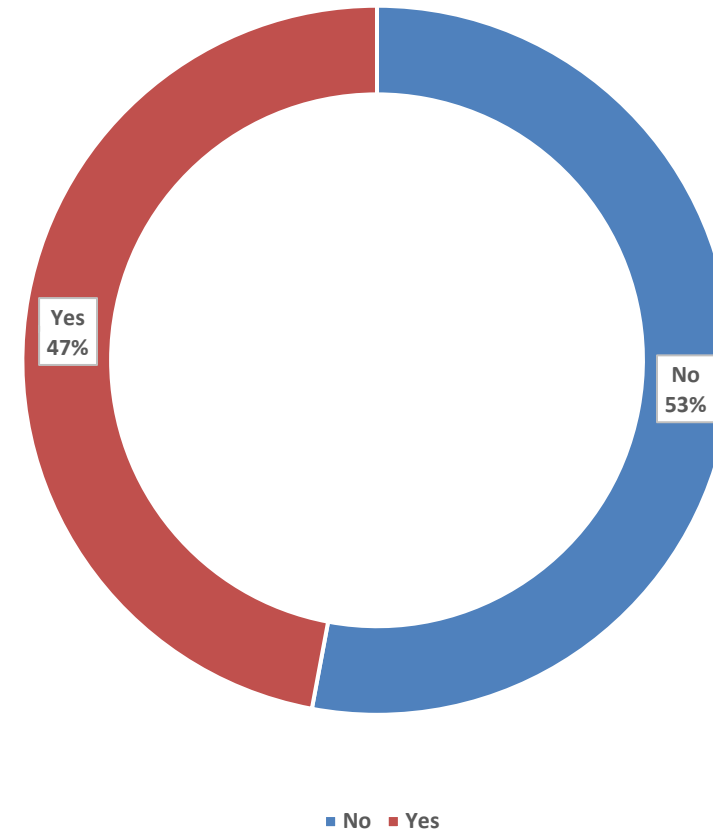




# Agency Survey Results

The percentage of users wanting changes to the renewal process was overall positive.

Renewals--Users Wanting Changes



# Agency Survey: Issue Categories

Number of issues reported by agents, by category.

ITS believes that there may be an undue negativity bias in the issues shown in the usability category.

Issues Ranked by # Reports		
Category	# Reports	% of Respondents Reporting
Usability	98	36%
Payment Plans and Online Payments Issues	83	31%
WPI-8 Issues	50	18%
Too Much Documentation Required	36	13%
Too Much Data Required	23	8%
Need Ability to Submit Changes After Renewal Offer	17	6%
Eliminate Requalification Process	12	4%
Quote Multiple Limit or Deductible Options	10	4%
Insureds w/o Email Addresses	9	3%
Wants Agency Download	6	2%



# ITS Recommendations





# ITS Recommendations

## Please Note:

- The recommendations contained in this section are based on information gathered from the site visits and agency survey, along with conversations held with TWIA staff to validate information where applicable.
- This presentation contains only the highlights of our recommendations. For full details of all recommendations, please refer to the written report.
- ITS recommends that TWIA conduct a cost/benefit analysis on any items before investing in changes.



# Key ITS Recommendations

## Training and Communication

- Create short videos and documents to make it faster for users to find the information that they need
- Training should include the processes for flood zone lookup and WPI-8 retrieval
- Establish a minimum curriculum of training for all users and require that they complete it
- Track agent training using a learning management system
- Ensure all agencies are aligned with TWIA's requirements for each transaction type

# Key ITS Recommendations

## System Enhancements

- Extend the time that quotes are active and allow users to change dates and re-rate
- Allow the agent to print the application before binding
- Implement address validation on the dwelling location at the beginning of the quote process
- Automate Flood Zone lookup
- Investigate automation of the WPI-8 retrieval process



# Key ITS Recommendations

## System Enhancements

- Allow agents to avoid entering MSB by matching to companion home policy or providing valuation from companion carrier
- Provide agents with access to change payment plans, and payors, and to enter and process payments for insureds at any time during the policy term
- Review the user experience in the Policyholder Portal
- Implement Agency Download to eliminate the time spent manually updating the agency management systems



# ITS's Summary of Current State

## New Business

- TWIA's processes and system to quote new business are comparable to other insurance carriers
- TWIA-specific requirements can be simple, but they can also be complicated and time-consuming
- Additional steps taken by agencies reflect great customer service but are not TWIA-specific
- MSB was observed to either not populate or not populate correctly. Unsure if this is the same for other carriers, but we have made recommendations for improvement

# ITS's Summary of Current State

## Policy Changes

- Policy changes are straightforward and quick to complete
- The timing and difficulty is comparable to other insurance carriers
- Extra time spent updating the AMS is not TWIA-specific but is a necessary task for independent agencies

# ITS's Summary of Current State

## Renewals

- TWIA's processes and systems used to renew policies are comparable to other insurance carriers except for the requalification required every 3 years
- Some agencies choose to requalify renewals every year
- The initial migrated renewals were more difficult to process due to the MSB information not pulling over to the updated system
- The MSB will be populated and increased appropriately going forward and will not require edits unless there is a known update or upgrade



# Authors

**Vana Jones, ITS Director of Training**

[vana.jones@insurancetechnologyservices.com](mailto:vana.jones@insurancetechnologyservices.com)

direct: 469-605-2742

office: 800-752-2282 ext. 109

mobile: 615-772-3049

**Mardee Brosh, ITS Director of Special Projects**

[mardee.brosh@insurancetechnologyservices.com](mailto:mardee.brosh@insurancetechnologyservices.com)

direct: 469-353-6527

office: 800-752-2282 ext. 104

mobile: 630-803-0057

Agent Advisory Group Feedback

# AGENT FEEDBACK



# Agent Advisory Group Feedback

TWIA Staff met with the Agent Advisory Group (AAG) on November 9, 2023, to get their feedback on ITS Consulting's agent time study report and updated comments about the Agent Commission Study.

Changes to commercial policy commissions should not be considered as the time study only included residential policy transactions and commercial policies will no longer go through an automatic renewal process in 2024 due to legislative changes.

Agents continue to experience significant additional work compared to other carriers they do business with because of TWIA's unique eligibility requirements (i.e., WPI-8s, flood insurance, declinations, etc.) and mandated legislative changes.

While TWIA's direct renewal process for residential policies creates some efficiencies, it is appropriate and responsible for agents to review and requalify policy renewals with their clients annually due to the inherent risks associated with TWIA policies.

## 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.

Agent Commission Study

# APPENDICES



# Appendix 1: Sunset Commission Recommendation

**Sunset Commission staff recommended TWIA establish separate agent commission rates for new business and policy renewals following the implementation of changes that streamline the renewal process:**

-- **From the Sunset Advisory Commission Staff Report:** “Separate rates for new applications and renewals would better allow TWIA to compensate insurance agents in a manner commensurate with the work required.”

**During the 86<sup>th</sup> legislative session (2019), the Sunset Commission adopted Recommendation 2.4:**

-- “Direct TWIA to establish and submit to the commissioner of insurance separate insurance agent commission rates for new applications and automatic renewals, but only after TWIA has implemented Recommendations 2.1, 2.2, 2.3, and 2.5. (Management action – nonstatutory)”

**TWIA Response to Sunset Commission:**

-- “TWIA has implemented the [changes that streamline the renewal process]. Staff intends to collect agent feedback and data on the utilization of the new payment methods by policyholders for a reasonable period following implementation to make a report to the Board regarding the efficacy of the four new processes. This data will be necessary for the Board of Directors to make an informed recommendation to the Commissioner regarding separate commission rates for new and renewal business.”

## Renewal Process Changes Required by Sunset

2.1 Require TWIA to automatically offer policy renewal unless new information is necessary

2.2 Authorize TWIA to accept installment premium payments

2.3 Authorize TWIA to accept credit card payments

2.5 Direct TWIA to directly bill customers for premiums for automatic renewal

## Appendix 2: Texas Insurance Code 2210.203 (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.”**

# Appendix 3: Sunset Requirements & ELEVATE Changes

## Sunset Requirements & Dates of Completion

- Offer [customers] policy renewal unless new information is necessary – 1/2020
- Directly bill customers for premiums for the new renewal process – 1/2020
- Accept installment premium payments (2-pay) – 11/2020
- Accept credit card payments – 11/2020

## ELEVATE Changes

- Provides online access for policyholders to make payments, view policy documents, file a claim, and view claim information
- Offers additional payment plan options (full pay, 2-pay, 4-pay, 10-pay)
- Adds real-time processing for policyholders' credit and debit card payments
- Integrated Marshall Swift/Boeckh (MSB) interface
- Enhanced renewal process

# Appendix 4: Past Agent Commission Study Reports



## December 2021 Report ([Link to Materials](#))

- Historical TWIA Commission Rates
- Past Reports from the Independent Insurance Agents of Texas (IIAT)
- Evolution of TWIA System & Process Changes
- Agent Advisory Group (AAG) Input
- Agent Experience Survey Results
- Metrics for Changes Required by Sunset Commission
- Initial Beach and Fair Plan Comparisons



## August 2022 Report ([Link to Materials](#))

- Summary Beach and FAIR Plan Commission Data
- Interviews with Gulf Coast Beach Plans
- Summary of Private Market Commission Data
- Initial AAG Feedback 4 Months Post-ELEVATE Implementation
- System Usage & Payment Data Pre- and 2.5 Months Post-ELEVATE
- Pre-ELEVATE AAG Workflow & Claims Surveys
- Staff Recommendations for Agent Commission Study



# Appendix 5: Private Market Commission Rates

Private Market Commission Rates		
Top 2022 Homeowners Carriers*		Commission Rate
1	State Farm Lloyds	11.4%
2	Allstate Vehicle and Property Ins. Co.	12.0%
3	Texas Farmers Insurance Co.	13.3%
4	Travelers Personal Insurance Co.	14.4%
5	United Services Automobile Association	N/A
6	USAA Casualty Insurance Co.	N/A
7	American Economy Insurance Co.	15.0%
8	Homeowners of America Insurance Co.	16.7%
9	ASI Lloyds	14.7%
10	Allstate Texas Lloyd's	11.5%
11	Texas Farm Bureau Mutual Ins. Co.	10.5%
12	Safeco Insurance Co. of Indiana	15.9%
13	Meridian Security Insurance Co.	12.2%
14	USAA General Indemnity Co.	N/A
15	Chubb Lloyds Insurance Co. of Texas	17.1%
16	Liberty Mutual Personal Insurance Co.	7.6%
17	Homesite Insurance Co.	16.2%
18	Liberty Insurance Corp.	5.8%
19	Garrison Property & Casualty Ins. Co.	N/A
20	Nationwide Mutual Insurance Co.	13.3%
<b>Average Commission Rate</b>		<b>13.0%</b>

\*From TDI's 2022 Exhibits of Premiums and Losses

List of Carriers Submitted by IIAT**		
Company	Commission Rate	
Zurich	25.3%	
Chubb	15.2%	
Travelers	15.1%	
Hartford	13.0%	
Homeowners of America	20.1%	
Nationwide	13.2%	
Progressive	15.0%	
State Auto	15.2%	
Safeco	14.1%	
Cincinnati	19.1%	
<b>Average Commission Rate</b>		<b>16.5%</b>

\*\*From TDI's 2021 Exhibits of Premiums and Losses

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%

# Appendix 6



Insurance Technology Services

Agent Time Study  
for  
Texas Windstorm Insurance Association



November 2023



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## 2 Executive Summary

Insurance Technology Services (ITS) is pleased to present the results of our study on agent workflow for the Texas Windstorm Insurance Association (TWIA). In this study, ITS undertook an effort to understand and analyze the work currently done by agents to sell and service policies written with the Association.

### **Scope of the Study**

ITS conducted a review of the most common transactions entered by agents, including quoting policies, making policy changes, and renewing policies. The scope of this study was limited to residential policies.

### **Methodology and Measurement**

In this study, two primary methods of measurement were used. The first method was to conduct site visits to selected agencies and time the work that was performed to prepare and enter transactions, including new business policies, policy changes, and renewals. Work processes were timed with a stopwatch to the nearest second.

The second method was an agency survey to assess the satisfaction of agents with TWIA's current processes versus other carriers they do business with and gather their feedback on improvements to TWIA's current processes that they would like to see.

### **Benchmarking**

A 2021 agent experience survey, conducted by TWIA, was used as a benchmark for this study. These metrics were calculated using self-reported numbers from the agency users. Because ITS does not have the full details of the methodology used for this study, care should be taken in making direct comparisons. However, the following is known and should be considered when comparing the results of this report to the prior study.

- The scope of the prior study included both personal and commercial policies.
- There was no division of timings between the two product lines.

The metrics for the benchmark can be seen in [section 3.3](#).

### **Results**

ITS found that the current system process aligns with what we would expect from an admitted carrier writing a product of similar complexity with the exception of TWIA's specific legislative requirements to verify a policy is eligible for coverage through the Association: agents must obtain all required WPI-8s, verify properties in certain flood zones have flood insurance, and determine if the property has been denied coverage by at least one carrier writing or renewing policies in TWIA's coverage area

TWIA's system flow is logical and while we have suggestions for improvements, we did not find any areas where we have significant concerns about the system's functionality, usability, or efficiency. For details on the timings for the ITS time study, please refer to [section 3.2](#).

As an outcome of this process, ITS gathered information on process and system improvements that could be implemented to further enhance efficiency and agency satisfaction. Recommendations for the agencies are also included. Those recommendations are documented in [section 8](#) of this report.



---

## 3 Site Visits and Workflow Timings

### 3.1 Methodology

The following methodology was used to complete this time study and report.

#### 3.1.1 Site Visits

In conducting this study, ITS visited the locations of ten (10) agencies to observe and measure work processes.

In-person observations included talking with approximately 30 separate individuals who are responsible for entering the transactions into TWIA and other carrier systems. A total of 48 transactions were observed in person.

We also attempted to use virtual methods to observe processes for one agency that was unable to participate in the on-site visits. However, we were unable to complete this evaluation due to technical and security constraints.

#### 3.1.2 Timing

ITS observed the work process in person. Each transaction in our data set was timed using a stopwatch and timings were rounded to the nearest second. The timing was broken down into time spent in TWIA's system and time spent outside of TWIA's system.

#### 3.1.3 Data Analysis and Exclusions

ITS wishes to note that there are activities required to service the TWIA policy that will not be represented in the workflow activities measured by this study. Many of these activities are also required to support the companion home or flood policies, such as contacting the insured prior to renewal to inquire as to whether any changes have been made to the dwelling that would impact coverage or valuation. Additionally, agencies may add other activities that are part of their normal customer service but were not performed as part of the work processes observed.

### 3.2 Timings by Transaction

Throughout the agency visits, ITS gathered metrics to indicate how much time was spent on each transaction. The calculated statistics for the timings are provided here.

The average time inside TWIA's system is limited to the time the user spends navigating and updating TWIA's system. This also includes updating the MSB.

The average time spent outside TWIA's system includes time spent preparing for entry, looking up WPI-8s, researching the flood zone, obtaining home information on different websites, and working in their AMS.



### 3.2.1 Average Time by Transaction Type

Transaction Type	Average Total Time (Minutes)	Average Time in TWIA System (Minutes)	Average Time Outside of TWIA System (Minutes)
New Business	10.2	6.1	4.2
Policy Change	4.7	1.9	2.9
Renewal	6.2	0.9	5.3

Table 1: Average Time by Transaction Type

### 3.2.2 Median Time by Transaction Type

Transaction Type	Median Total Time (Minutes)	Median Time in TWIA System (Minutes)	Median Time Outside of TWIA System (Minutes)
New Business	9.2	5.3	3.8
Policy Change	3.7	2.2	1.5
Renewal	1.2	0.6	0.6

Table 2: Median Time by Transaction Type

### 3.2.3 Minimum Time by Transaction Type

Transaction Type	Minimum Total Time (Minutes)	Minimum Time in TWIA System (Minutes)	Minimum Time Outside of TWIA System (Minutes)
New Business	5.0	3.5	1.5
Policy Change	1.0	1.0	0.0
Renewal	0.3	0.3	0.0

Table 3: Minimum Time by Transaction Type

### 3.2.4 Maximum Time by Transaction Type

Transaction Type	Maximum Total Time (Minutes)	Maximum Time in TWIA System (Minutes)	Maximum Time Outside of TWIA System (Minutes)
New Business	19.9	10.4	9.5
Policy Change	14.5	3.0	11.5
Renewal	29.5	2.3	27.2

Table 4: Maximum Time by Transaction Type





### 3.3 Benchmarks Used

ITS has provided data from the 2021 Agent Experience Survey (See [Appendix B](#) for a summary of this survey) as a benchmark for the new study. However, it should be noted that the 2021 study included transactions for both residential and commercial insurance policies and did not include policy changes. The ITS study data only includes transactions for residential policies and does not address commercial transactions. Commercial transactions, by their nature, will take longer to process, and any comparison of the two studies, 2021 and 2023, needs to take that into account.

#### 3.3.1 Median Times in Minutes

Transaction	2021 Median Time (minutes)	2023 Median Time (minutes)
TWIA New Business Policy	34	9.2
TWIA Renewal Policy	28	1.2
TWIA Policy Change	N/A	3.7

Table 5: 2021 Agent Experience Study Benchmarks--Median

#### 3.3.2 Minimum and Maximum Times in Minutes

Transaction	2021 Min - Max Time (minutes)	2023 Min - Max Time (minutes)
TWIA New Business Policy	5 - 90	5 - 19.9
TWIA Renewal Policy	0 - 62.5	.3 - 29.5
TWIA Policy Change	N/A	1 - 14.5

Table 6: 2021 Agent Experience Study Benchmarks—Minimum – Maximum



## 4 2023 ITS Timings—By Agency

The average time to process a transaction varied significantly by agency due to internal work processes and the experience of the person entering the information. This section provides those averages by agency as well as the count of transactions observed by ITS.

### 4.1 New Business Transactions

The timing of entries on new business was fairly consistent among agencies. Time spent in the system ranged from 4.8 minutes to 9.2 minutes and time spent outside the system ranged from 2.4 minutes to 8 minutes. The total time to enter a new business quote ranged from 7.8 minutes to 15.2 minutes.

Row Labels	Average Time Inside System (Minutes)	Average Time Outside System (Minutes)	Average Total Time (Minutes)	Count of Transactions
Agency 1	9.2	3.3	12.5	1
Agency 2	4.9	3.8	8.7	3
Agency 3	7.2	2.9	10.1	3
Agency 4	5.2	3.5	8.6	2
Agency 5	6.2	2.4	8.6	2
Agency 6	6.1	6.2	12.3	2
Agency 7	7.2	8.0	15.2	2
Agency 8	5.5	5.0	10.5	3
Agency 9	4.8	3.0	7.8	2
Agency 10	6.6	6.4	13.0	1

Table 7: New Business Transactions by Agency



## 4.2 Policy Change Transactions

Policy change transactions were also fairly consistent among the agencies but there was an outlier. The outlier was due to the agency representative manually completing documentation, scanning documents, and uploading the documents to their AMS. The average total time spent on policy change transactions ranged from 1.3 minutes to 9.1 minutes. The maximum time on the policy change was spent completing manual processes to complete, print, scan, and upload documents to the AMS.

Row Labels	Average Time Inside System (Minutes)	Average Time Outside System (Minutes)	Average Total Time (Minutes)	Count of Transactions
Agency 2	3.0	3.0	6.0	1
Agency 3	1.0	1.5	2.5	1
Agency 4	2.2	0.3	2.5	1
Agency 5	1.9	3.2	5.1	3
Agency 7	1.8	1.3	3.2	2
Agency 8	2.0	7.1	9.1	2
Agency 9	1.3	0.0	1.3	1

Table 8: Policy Change Transactions by Agency



### 4.3 Renewal Transactions

Renewal transactions were consistent with the exception of two agencies that engaged in extra steps to process the transactions. While the two agencies felt these extra steps were necessary, they were not necessarily required by TWIA.

The total average time on a renewal transaction ranged from 1.1 minutes to 16 minutes. As referenced above, the additional time on the longer transactions was partially due to agent representatives completing extra steps on the renewal such as requalifying it, looking up the flood zone and printing the map, researching the WPI-8s, and then documenting this all in their AMS.

Additional time was also needed on some of the renewals due to the migration process to TWIA’s updated policy administration system implemented in April 2022. During the migration process, the MSB was updated causing the property information to be reset to the original value from MSB. This caused additional work to be done on many of the renewals to get the additional home details in the MSB.

Going forward the time spent in TWIA’s system for renewals should be minimal because the MSB will not be reset. In addition, the value will automatically increase each year and will not need to be updated unless there is a known upgrade to the home.

Row Labels	Average Time Inside System (Minutes)	Average Time Outside System (Minutes)	Average Total Time (Minutes)	Count of Transactions
Agency 1	1.3	0.4	1.7	3
Agency 2	0.5	0.6	1.1	1
Agency 4	2.3	1.0	3.4	1
Agency 5	0.5	0.6	1.1	4
Agency 6	2.0	1.0	3.0	1
Agency 7	0.4	15.5	16.0	3
Agency 8	0.8	10.7	11.5	3

Table 9: Renewal Transactions by Agency



## 5 Trending and Benchmarking

Since the 2021 study did not have the same data available, our comparison and trending analysis was limited to the maximum and minimum time taken to process the new business and renewal transactions.

*Please note that the metrics from the 2021 study do not distinguish between commercial and residential policies, so the numbers from these surveys may be higher than if they only included residential policies.*

### 5.1 Time Taken to Process Transactions

The chart below shows the maximum and minimum time comparison for processing new business and renewals. There was no difference in the minimum time from the 2021 to the 2023 study. There was a significant difference in the maximum time from the 2021 to the 2023 study but the transactions may not have been similar. The maximum time in 2021 was likely for a complicated commercial policy.

The same concern goes for the maximum difference in the timing for renewals since the 2021 study did not differentiate between residential and commercial. For the minimum time, the 2023 study contained time for opening and reviewing the renewal policy. Going forward, renewals for residential policies may also have a zero time if there are no known upgrades to the home and the renewal is not up for requalification. This is due to the enhancements made to the renewal process that allow the renewal to be issued automatically without any interaction from the agent. However, as part of an agency's customer service activities, they will still review the renewals and contact the customer to ensure there have been no changes to the property and that the current coverages are still sufficient and comparable to the companion homeowner policy. This level of customer service is done for all policies the agency manages and not just TWIA's.

#### Comparison of Time Taken to Process Transactions

Transaction	Range in Minutes (Minimum)	Range in Minutes (Maximum)	Change on Maximum from 2021 in Minutes
<b>New Business</b>			
2021	5	90	-70.07
2023*	5	19.93	
<b>Renewal</b>			
2021	0	62.5	-32.97
2023*	0.33	29.53	

\* Includes time both in and out of system.

Table 10: Comparison of Time Taken to Process Transactions



---

## 6 ITS Observations

### 6.1 Agency Differences

ITS noted significant differences between agencies in terms of how they interpreted TWIA's eligibility requirements and documentation requirements.

For example, some agencies created extensive documentation on the flood zone, whereas others simply looked up the flood zone and entered the appropriate information in TWIA's system. The agents who created more documentation cited concerns about TWIA requiring the flood zone documentation at audit. However, the TWIA requirement is that they look up the flood zone to determine if flood insurance is required. If the property is in the indicated zones, then a copy of the flood insurance policy is required upon audit if requested. Flood zones change, but this can be validated on renewal when the declination process is being completed. ITS further notes that insureds living in these high-risk flood zones need flood insurance, so the agent should be recommending a flood policy anyway.

In many of the transactions that were observed, it took the user longer to update the agency management system than it did to process the transaction in TWIA's system. However, this is another process the agents may do for other carriers since most independent agents depend on an AMS to keep track of their customers and their customer's policies. The insurance carriers that were observed, i.e., State Farm, Farmers, and Farm Bureau, did not use an AMS so their transactions do not include the extra time of updating one.

Agents encountered many challenges with locating the WPI-8 documents, which must be downloaded and attached to the policy in PolicyCenter. In most of the new business transactions observed, locating the WPI-8 was simple and quick, however, there were occurrences where the WPI-8 could not be located and required the agent to have to call TWIA or call a contractor on a new home to obtain the WPI-8. This process is specific to TWIA and is a legislative requirement but on some occasions can take a lot of effort.

Some agencies confirm the policy meets TWIA's declination of coverage requirement for eligibility every year, even though TWIA only requires that the agent complete this process every three years. This is another legislative requirement that is specific to TWIA but is not required to be completed annually.

#### 6.1.1 New Business

Each office visited had the same requirements from TWIA but approached the process of quoting quite differently. Some agencies used technology for many of their processes while other agencies used more manual processes. Examples of some of the manual processes include physically printing and manually completing the verification documents, then scanning and uploading these documents into TWIA's system.

The part of the quote process that varied and took the most time to complete was updating the MSB (short for Marshall Swift/Boeckh) to calculate replacement cost.

- In many cases, the MSB was not prefilling data automatically when it should have been, and additional time was needed to update the MSB.
- On average, it took 2.6 minutes to update the MSB to match the home attributes and to match the home's estimated replacement cost value. This process took as little as 45 seconds, but on others as long as 5.4 minutes.

TWIA requires additional work that must be performed outside the system. For example,



- Users must look up flood zones manually on a flood zone map to determine whether a flood policy is required. These are eligibility requirements and are required by legislation. The process of performing this work varied significantly from agency to agency.
- Agencies have to search for WPI-8s for every home and then save the document and upload it to TWIA's system. This step is not required by other carriers but is required for TWIA policies due to legislation. Some offices looked up the WPI-8 but did not save it and upload it until the customer decided to take the policy. Other offices would print, save, and upload the documents to the quote. Others would even print and save the WPI-8 but not upload until the policy is issued.
- Additional time to research both the flood zone and the WPI-8s averaged out to 2.4 additional minutes on each new business transaction. This process took as little as 1.2 minutes and as much as 4 minutes.

### 6.1.2 Policy Changes

Policy change transactions were consistent in each office and quick to complete. The policy change transactions observed included a change in the billing address, a change in the mortgagee, and adding additional named insureds. The timing to complete these policy changes was comparative to the same changes made on other homeowner's policies. Most of the additional time spent outside of TWIA's system on policy changes was to update an agency's AMS.

- The average time spent outside the system was 2.7 minutes; however, an 11.5-minute outlier skews this time.
- If we exclude the 11.5-minute outlier the average is 1.5 minutes spent outside TWIA's system.
- The range of time spent outside TWIA's system ranged from 0 minutes to 3 minutes, provided the outlier is excluded.

### 6.1.3 Renewals

The renewal process varied from office to office. The overall time to renew was very quick if we excluded the time that the agency takes based on their internal guidelines and the updates that they make in their AMS.

In many cases, no in-system time (0 minutes) was recorded because no action was necessary or taken by the agent. However, based on their internal customer service standards, many agents will still review the renewals and MSB and make calls to the customer to verify their coverage needs.

One delay in processing renewals was creating or updating the MSB valuation. This is due to the renewal migration process to the new policy administration system TWIA implemented in 2022. Updating or correcting the MSB is no longer a required step on renewals now that the migration has been completed. Reviewing and updating the MSB does not need to be done going forward unless the agent needs to update the valuation based on a change or upgrade to the property.

Several agents chose to submit their renewals early so their customers would receive the renewal quote earlier. This step locks the transaction and prevents any further changes until the renewal is issued. After submitting the renewal, if a change request comes in before the renewal is issued, the agent must wait until the renewal policy is issued and then they can make the change on the renewal policy.

- The average time spent outside the system was 5.6 minutes if you included the outliers.



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- If you exclude the outliers, the average time spent outside TWIA's system was .6 minutes.
  - The outliers included time that was not required by TWIA for the renewal. For example, time to compare the renewal to the HO policy, review underwriting guidelines to validate eligibility, complete and upload flood zone information, make notes and updates to their AMS, and research WPI-8s.
  - The outliers only included 2 of the 10 agencies.





## 7 Agency Survey

### 7.1 Background and Analysis Methodology

As part of this project, TWIA surveyed agents to determine their level of satisfaction with the system and gain input on changes that would make their processes more efficient.

The survey consisted of questions requesting a ranking of TWIA’s processes compared to other insurance companies, as well as more open-ended questions where users could provide a more narrative answer. Most agencies interpreted this comparison to be with other insurance carriers, whereas some declined to answer since they did not have another wind-only carrier to compare to.

ITS included the answers to the required yes/no questions in the metrics shown below and analyzed the open-ended questions to determine common themes that intersect with our work process observations and recommendations.

In evaluating the survey responses to the open-ended questions, ITS excluded the following:

- Answers that were too vague or unhelpful in nature, such as “major overhaul.”
- Answers that address issues that existed in the past but have been confirmed to be corrected, such as performance issues in producing PDF files, which were resolved by server balancing.

Using the survey results, ITS classified the responses into categories based on the concerns being expressed, then consolidated the comments for the key concerns where additional information would be helpful.

The metrics derived from the survey data are provided in [Appendix A](#).

### 7.2 Results of the Agency Survey

#### 7.2.1 Quoting and New Business Processes

The first question on the survey asked how the agents would compare TWIA's quoting process for new business to other carriers' processes for quoting new business. The agent’s responses were relatively flat with the highest percentage (40%) stating it was about the same. The percentage that thought the system was more difficult was 39% with only 21% thinking it was easier.

Quoting--Difficulty Rating	# Responses	%	
A lot more difficult	44	22%	<b>Negative Responses - 39%</b>
A little more difficult	61	16%	
About the same	110	40%	<b>Neutral Responses - 40%</b>
Easier	32	12%	<b>Positive Responses - 21%</b>
Much easier	25	9%	
<b>Grand Total</b>	<b>272</b>		

Table 11: Agent Survey—Difficulty Rating for Quoting and New Business



When asked if they would recommend changes to the quoting or new business processes, 59% recommended no change whereas 41% recommended some types of changes were needed. We will address the recommended changes later in this report.

## 7.2.2 Renewal Processes

The responses on the renewal processes were consistent with the quoting of new business processes. 42% of agents indicated that the process was more difficult than other companies whereas only 15% thought it was easier than other companies. 43% felt it was about the same.

Renewal--Difficulty Rating	# Responses	%	
A lot more difficult	44	26%	<b>Negative Responses - 42%</b>
A little more difficult	71	16%	
About the same	116	43%	<b>Neutral Responses - 43%</b>
Easier	22	8%	
Much easier	19	7%	<b>Positive Responses - 15%</b>
<b>Grand Total</b>	<b>272</b>		

Table 12: : Agent Survey--Difficulty Rating for Renewals

When asked if they would recommend changes to the renewal processes, 53% recommended no change and 47% recommended changes.

The number of agents recommending changes to the renewal process may show some negative bias. It should be noted that the survey was conducted soon after a renewal migration which did cause some extra work on the part of the agents. However, now that the migration is done, the renewal process should be more seamless going forward.

## 7.2.3 Changes Recommended by the Agency Survey

Because there were significant commonalities between the process improvements recommended for quoting/new business and renewals, ITS analyzed the recommended changes as a single unit. As you will see in the methodology section above, some responses were excluded from the summary as they were vague or unhelpful.

The chart below provides the issues ranked in order (high to low) by the number of surveys reporting the issue. It also provides the percentage of responses that reported issues in that category.

*Please note that since respondents could indicate more than one category of issue, the numbers in this chart will not sum to 100 percent and the total number of reports may exceed the number of surveys, which is 272. While some respondents cited issues in multiple categories, some respondents cited no issues.*



Issues Ranked by # Reports		
Category	# Reports	% of Respondents Reporting
Usability	98	36%
Payment Plans and Online Payments Issues	83	31%
WPI-8 Issues	50	18%
Too Much Documentation Required	36	13%
Too Much Data Required	23	8%
Need Ability to Submit Changes After Renewal Offer	17	6%
Eliminate Requalification Process	12	4%
Quote Multiple Limit or Deductible Options	10	4%
Insureds w/o Email Addresses	9	3%
Wants Agency Download	6	2%

Table 13: Agent Survey--Issues Ranked by Number of Reports

## 7.2.4 Usability Issues

ITS believes that the number of issues related to usability may be inflated. In some cases, users provided details on the features that they would like to have or problems that they have with the system. However, many users only commented that the system was “hard to use” or “not user-friendly.” In ITS’s review of the system, we found some improvements to suggest but did not identify significant usability issues when compared to other insurance carriers writing products of similar complexity.

Agents discussed the following usability concerns. ITS believes that these comments are based on the agents using the portal rather than PolicyCenter itself. Additionally, we noted that the portal behavior differs from PolicyCenter in some of the areas that were cited as troublesome. In some cases, the requested features exist in PolicyCenter but not the portal.

Some of these issues were also observed in our site visits and/or testing of the system. However, others are related to agent training and use of the system.

Issue	Description
Navigation and Screen Flow	<p>There are general concerns about navigation, screen flow, and the layout of questions being confusing. Several comments indicated that it was "not user-friendly" or was difficult to read. Some indicated that it did not feel like a natural process flow.</p> <p>There were several comments made about it taking more steps to renew a policy.</p>



	<p>**ITS believes that this may be because the agent must move through all the pages in order rather than being able to click around in the application as they could in PolicyCenter when processing a renewal or policy change.</p>
Too Many Screens or Fields	<p>There were multiple concerns about there being too many screens and too many questions being asked.</p>
Use of Jargon or Specialized Language	<p>There were concerns expressed about specialized language or jargon that was difficult for agents to understand.</p> <p>**ITS believes hover help or other navigational aids might be beneficial if the fields cannot be renamed.</p>
Feature Requests	<p>Users provided suggestions for several new or changed features that they would like, including:</p> <p>There were several requests made to provide a quote with multiple deductible options. During the site visits, ITS was told that one of the flood insurance systems provides this feature.</p> <p>There were several comments in the survey indicating that agents would prefer to receive documents as attachments rather than receiving links.</p> <p>Agents noted that the presentation of the quote is not as polished as they would like to see and that it can be difficult to read. Some requested a presentation screen that could be written to PDF or printed to provide to the client. Some agents requested that TWIA send a PDF of the quote to the agent's email.</p> <p>Agents would like email notifications for upcoming renewals.</p> <p>Several users suggested that they would like to see TWIA add a chat feature to their system.</p> <p>Agents have become accustomed to other carriers using prefill to provide most of the data for a homeowners policy and several agents requested this in the survey.</p> <p>Multiple agents indicated in the survey that they wanted to be copied on all correspondence with the insured. **When discussed with TWIA, ITS has the impression that this is already happening.</p> <p>Users would like TWIA to add the ability to print an application before payment is made and the policy is issued.</p> <p>Users would like TWIA to keep quotes active longer.</p>



	<p>Users suggested that TWIA consider adding a "copy quote" feature or allowing a quote to be re-activated so that the user does not have to re-enter the information.</p> <p>Users would like TWIA to allow the agent to change the policy effective date if a real estate closing is delayed on new business.</p>
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Table 14: Agent Survey--Usability Issues

## 7.2.5 Payment Plan and Payment-Related Changes

The topic of payment plans and payment methods had a very high number of reported issues in the survey. ITS also noted some of these issues during the workflow studies, and some are unique to TWIA because other carriers provide this functionality. ITS consolidated these comments into the following issues:

Issue	Description
Issues with Mortgagee-Billed Accounts	<p>There were several comments related to problems with mortgagee-paid accounts. Agents cited challenges because they could not change mortgagee information after the renewal had been processed but before it was paid.</p> <p>Additionally, invoices are being generated to both the insured and the mortgagee at renewal, which is causing confusion. If the policy is on mortgagee bill, either only the mortgagee copy should be sent, or the insured copy should be clearly marked "this will be paid by your mortgage company--do not pay" or something to that effect.</p> <p>ITS understands that there was an issue where the mortgagee-bill information was not carried over on migration, which would explain most of these comments.</p>
Agents cannot make online payments on behalf of the insured after the policy transaction has been completed.	<p>Agents need the ability to make a payment on behalf of the insured at any time in the policy lifecycle. They request options for ACH, e-Check, Credit Card, and agency sweep account. They also suggested that TWIA implement a method for insureds to pay by phone.</p>
Agents cannot change payment plans or payment methods mid-term.	<p>Agents need the ability to change the pay plan at any time in the policy lifecycle. They also need the ability to update the payment method, such as ACH/EFT information, or credit card information that has been added by the insured in the Policyholder Portal.</p>
The Policyholder Portal has user experience concerns.	<p>The Policyholder Portal causes a lot of confusion for insureds, which costs agents time in supporting them. TWIA should consider making a one-time payment feature available without requiring the user to create a profile or log in.</p> <p>Over the long term, ITS recommends that you evaluate the usability of the Policyholder Portal to determine if changes need to be made.</p>



<p>Insureds must have a Policyholder Portal account to pay online.</p>	<p>The system requires that an insured have a Policyholder Portal account to be set up for automatic payments.</p> <p>Agents recommend the requirement should be eliminated in favor of having the agent enter the ACH information for the insured and get the appropriate form signed.</p> <p>*TWIA intends to offer a one-time payment feature in the Policyholder Portal in addition to the other self-service options.</p>
<p>Closing dates on newly purchased homes cause difficulties.</p>	<p>Timing of real estate closings causes a lot of challenges for agents because effective dates can change, and payment is sometimes needed from the title company. They need a solution that allows the title company to pay but also provides coverage from the date of closing.</p> <p>In cases where the policy will be mortgagee bill, the agents would like the ability to have the mortgagee pay the premium but retain the closing date as the effective date of the policy. ITS notes that this conflicts with TWIA's requirement to have payment received prior to binding coverage.</p>
<p>Autopay is being removed in some circumstances.</p>	<p>Agents cited issues with policies that were on autopay being removed from autopay at renewal, or being removed when the agent went in to make changes but did not save them.</p> <p>*TWIA has resolved this issue.</p>
<p>Agents are unaware of policies that are lapsed or unpaid.</p>	<p>Agents would like an easier way to see which policies are lapsing or unpaid.</p> <p>In particular, they would like to be notified about unpaid renewals before the policy expiration date so that they can arrange for payment and avoid the insured having a lapse in coverage.</p>
<p>Agents cannot change mortgagee after the renewal has been processed.</p>	<p>Agents cited challenges because they could not change mortgagee information after the renewal had been submitted but before it was paid.</p>
<p>Policy changes do not generate revised invoices.</p>	<p>Agents would like policy change transactions to generate a revised invoice.</p>
<p>Agents cannot easily identify the payor on an account from inside the Agent Portal.</p>	<p>Agents have noted that it is difficult to tell who the payor is from inside the Agent Portal.</p> <p>*This might be a training issue.</p>
<p>Agents would like to see a list of paid and bound policies on a real-time basis.</p>	<p>Agents would like the system to provide a list of policies and renewals that have been recently paid and bound, preferably on a real-time basis.</p> <p>*This might be a training issue.</p>
<p>Other Issues</p>	<p>Agents also requested less practical measures such as eliminating credit card fees, allowing agents to backdate coverage if payment is received within 30 days, and providing a grace period of up to 30 days if payment is not received.</p>

**Table 15: Agent Survey--Payment Plan and Methods Issues**



## 7.2.6 Other Changes

Issue	Description
WPI-8 Issues (Statutory Requirement)	Agents spend a lot of time looking for WPI-8 certificates. They believe that TWIA already has much of this information and would like to see TWIA automate the retrieval of the certificates.  *ITS notes that while TWIA has some WPI-8 forms, the vast majority are stored at the Texas Department of Insurance.
Too Much Data Required	Agents feel that there is a combination of the following: <ul style="list-style-type: none"> <li>• Too many fields to enter</li> <li>• Not enough fields are being populated by data sources, where they are pre-populated in commercial carriers.</li> </ul>
Too Much Documentation	Agents feel that they spend too much time searching for and attaching documentation. Part of this is the WPI-8 issue cited above, but they also cite the need to add maps, photographs, and other information.
Agents do not like the requirements for the declination process, which requires that the insured be declined by at least one carrier on new business and that the agent requalify them every 3 years on renewals  (Statutory Requirement)	Agents find the requalification process burdensome, and some would like it eliminated.
Submit Changes After Renewal Offer	Many agents choose to submit their renewals early, which prevents the policy from being changed until the renewal has been paid.  *ITS has identified this as a training issue.
No integration between PolicyCenter and the agency management system.	Several agents indicated that they would like to have the account and policy information automatically fed to their agency management system. This would save time on having to duplicate the information.
Insureds without email addresses cannot access the Policyholder Portal or make online payments.	There were several comments about elderly insureds who do not have email addresses and therefore are not able to use the Policyholder Portal.  *ITS notes that if agents can enter payments on behalf of the insured, this should resolve at least part of this concern.
Quote multiple deductible options	A few agents indicated that they would like to be able to quote multiple deductible options without having to create multiple



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Issue	Description
	<p>quotes. One of the flood insurance systems provides this feature.</p> <p>*ITS believes that this could be technically difficult and a drain on performance due to the need to rate the policy multiple times with different deductibles.</p>

Table 16: Agent Survey--Other Changes





## 8 ITS Recommendations

### 8.1 Recommendations for TWIA

ITS recommends that TWIA consider the following actions. These recommendations are based on the following considerations:

- Observations during the onsite visits
- Discussions with agency representatives
- Discussions with TWIA representatives
- Results of the agency survey

While all these recommendations would enhance workflow, improve communication, or increase efficiency, ITS recommends that TWIA analyze each item for cost/benefit before determining which ones to invest in. Additionally, we recognize that TWIA may not find all these recommendations appropriate based on how they do business and the relationship that they desire to have with agents.

#### 8.1.1 Training and Communication

Recommendation	Benefits	Downsides or Concerns
Create job aids with TWIA’s underwriting guidelines, requirements, and best practices for each transaction type in the system.	Improves communication with agents. Provides an additional resource for agents. Helps with the training of new resources that come on board.	Takes time and effort to develop. Agents may not use it, especially if it’s long.
Conduct a webinar with the agencies to review these job aids and post them on the TWIA.org website.  (Note that these already exist but may not be well adopted by end-users).	Improves communication with agents. Provides another resource for agents to learn about the system and TWIA processes.	Takes time and effort to develop. Agents may not use it, especially if it’s long.
The documentation provided on the agent portal is very well done. However, the demographics of the agency force are changing and as Millennials and Gen-Z join the agency force, they are looking for training and job aids that are brief, to the point, and instantly available.	Provides a new method for agents to access support and training. Improves the likelihood that these resources are used. Reduces agency investment from requiring long periods of training to quick “bites” of training that can be delivered when they need it.	Existing documentation is well done, so there is a time commitment to redo it.  There is a possibility that it will not be used. However, ITS’s experience is that this will get better use than longer videos or documents.



Recommendation	Benefits	Downsides or Concerns
<p>ITS recommends that TWIA create new training materials that reduce the length of the videos to under three minutes and provide one-page job aids that allow them to find the information that they want more quickly.</p>		
<p>Train agents on better ways to find the WPI-8 certificates, flood zone information, and home details.</p>	<p>Will reduce the amount of time that agents spend searching for WPI-8 forms, flood zone data, and home details which are some of the more time-consuming parts of issuing a new policy.</p> <p>This will eliminate a key source of agent frustration.</p>	<p>Will not eliminate the need to retrieve WPI-8 forms entirely, which is what agents are requesting.</p> <p>Would not be as efficient as providing an interface to retrieve the flood zone or WPI-8 forms. <i>(See system enhancements below).</i></p>
<p>Train agents not to manually submit renewals. This leaves them open to be changed until the automated renewal process is completed.</p>	<p>This will eliminate the problem of agents being unable to change renewals after they have manually submitted them and before they are issued.</p>	<p>None. This feature already exists in the system and therefore this is just a process change and training issue.</p>
<p>Train agents on the flood insurance process. TWIA does not require them to document and upload the flood zone map information. Additionally, flood insurance is only required in certain flood zones, so they only need to upload documentation when the property is in the specified zone</p>	<p>Some agents are currently spending time documenting the flood zone when it is not required by TWIA for audit purposes. This would prevent them from spending that time.</p>	<p>None. This is a misunderstanding of TWIA's requirements.</p>
<p>TWIA may want to consider requiring training for their agents to be able to submit policies.</p>	<p>Will improve the quality of applications being received.</p> <p>This will reduce agency dissatisfaction with the system since users understand it better.</p>	<p>Users may not be willing to commit the amount of time needed to complete training.</p> <p>Agencies may not see the benefit of the training as outweighing the cost of having employees spend time on training, especially if they write a limited number of TWIA policies.</p>

Recommendation	Benefits	Downsides or Concerns
		Turnover may require agencies to continually train new staff, which is expensive.
If TWIA decides to require training for agency users, implement a learning management system (LMS) to provide eLearning and to track the individual learner’s completion of the courses.	<p>A learning management system (LMS) is a relatively inexpensive way to deliver online training and track results.</p> <p>Provides quick, real-time access to metrics on which users have completed training, progress towards completion, etc.</p> <p>The system could also be used to deliver training to internal employees. For example, many companies use this type of software to deliver and track their security and human resources-related training.</p>	<p>Some open-source systems are available, but most require a license and maintenance, which is a cost to TWIA.</p> <p>There will be effort required to implement and configure the system.</p> <p>There will be effort required to create the classes that would be included in the learning management system (LMS).</p> <p>Someone within TWIA will need to administer and manage the system.</p>

**Table 17: Training and Communication Recommendations**

### 8.1.2 System Enhancements

In our observation of workflow, comments made during onsite visits, and the agency survey, ITS identified several enhancements that we believe TWIA should consider.

As noted above, since many of these items will require time and effort to implement, we recommend that a cost/benefit analysis be conducted for each item before selecting it for implementation.

Recommendation	Benefits	Downsides or Concerns
<p>Extend the time for a quote to expire in the system to 60 days.</p> <p>Allow the agent to change the effective date on a quote and re-rate it rather than having to re-enter it from scratch.</p>	<p>Provides more time to allow the agent to sell the policy.</p> <p>Eliminates having to re-enter all the data if the agent wants to sell the policy later.</p>	Changing the effective date and re-rating is an existing functionality for new business.



Recommendation	Benefits	Downsides or Concerns
<p>Allow a method for the agent to change the effective date on a submission for a real estate closing change. This may require a cancel/rewrite.</p> <p>If access to the cancel/rewrite process is granted to agents, it should run the same approval rules as a new business application to ensure that it is routed for underwriter review when needed.</p>	<p>Provides more flexibility to insureds who are purchasing new homes and the closing date moves.</p> <p>Cancel/rewrite is a standard functionality that is often provided to agents by other carriers.</p> <p>Allowing an agent to cancel/rewrite a policy will also provide them the ability to change the payment plan mid-term.</p>	<p>This may cause issues for underwriting since the policy's effective date is being changed.</p> <p>Underwriting may be uncomfortable with letting agencies cancel and rewrite policies on their own.</p>
<p>Add a button to print the application before the policy is bound/submitted.</p>	<p>Allows the agent to review with the insured to verify that everything is correct prior to binding the policy.</p> <p>Provides the application when the agent needs it rather than after submitting it.</p> <p>Provides a document that will be accepted by mortgagees as proof of insurance.</p> <p>Should reduce errors and policy changes.</p>	<p>May require time/money to implement.</p>
<p>Grant all agency users access to PolicyCenter.</p> <p>As an alternative, TWIA may want to explore moving to a newer version of PolicyCenter or the cloud platform that also has a newer version of the portals with more functionality available.</p>	<p>Some carriers allow agents to use both the Portal and PolicyCenter. Most agents in the field prefer the portal due to its simplicity, whereas CSRs prefer PolicyCenter due to its more powerful functionality.</p> <p>Providing access to PolicyCenter will give the agents some of the functionality that was lost when the portals were implemented.</p> <p>This will reduce agent frustration and increase customer satisfaction.</p>	<p>TWIA has replaced agent access to PolicyCenter in favor of the portals. However, ITS notes that providing direct access to PolicyCenter is common practice for other carriers that use Guidewire InsuranceSuite products.</p> <p>TWIA may not want to provide access to PolicyCenter for independent agencies or other carriers.</p>



Recommendation	Benefits	Downsides or Concerns
<p>Allow agents to make payments on the policy at any time. This should include ACH and Credit Card payments as well as the ability to use agency sweep accounts if supported by the system. Consider adding payments by phone or IVR to better accommodate elderly clients or those who cannot use a computer.</p>	<p>Allows agents to better service their insureds.</p> <p>Improves agent satisfaction.</p> <p>Improves policyholder satisfaction.</p> <p>Reduces the number of policies lapsing due to non-payment.</p>	<p>None; this is a common function that most insurers provide.</p> <p>Payment by phone is less common but still often available, especially for carriers with clients who have challenges using computers.</p>
<p>Allow the agent to change the payment plan mid-term during the policy.</p>	<p>Allows agents to better serve their insureds.</p> <p>Improves agent satisfaction.</p> <p>Improves policyholder satisfaction.</p>	<p>None. This is a common function that most insurers provide and is accomplished through a cancel/rewrite of the policy.</p>
<p>Automatically close the requalification activity once the requalification is completed.</p>	<p>Eliminates a step that irritates agents and causes extra clicks in the system.</p>	<p>None, other than time to implement the change.</p> <p>TWIA already has this change planned.</p>
<p>Review and refine the process for renewals on mortgagee-bill policies.</p> <p>In the survey, there were several comments related to problems with mortgagee-paid accounts. Agents cited challenges because they could not change mortgagee information after the renewal had been submitted but before it was paid. This may be eliminated with training on when and when not to submit a renewal.</p> <p>Additionally, invoices are being generated to both the insured and the mortgagee at renewal, which is causing confusion. If the policy is on mortgagee bill, either only the mortgagee copy should be sent, or the insured copy should be clearly marked "this will be paid by your mortgage company" or something to that effect.</p>	<p>Eliminates a key point of frustration for agents, insureds, and mortgagees.</p> <p>Avoids confusion at renewal time when insureds do not know why they received a bill.</p> <p>Allows agencies to change the mortgagee information after the renewal has been sent, which is most often when they find out that the insured has refinanced their home.</p>	<p>May require changes to the system, which implies cost and time to make the updates.</p>



Recommendation	Benefits	Downsides or Concerns
<p>Allow the agent to add additional structures to one policy so a second policy does not have to be created for a detached structure on the property.</p> <p>An additional policy is needed whenever a residential policy has other structures that exceed 10% of the dwelling's insured value.</p> <p>In a prior version of PolicyCenter, the commercial platform was used for residential policies, which allowed policies to include additional structures. That is not the case with the current version, which is why a separate policy is needed.</p>	<p>Reduces policy management efforts by all parties due to fewer policies needing to be managed.</p> <p>Is easier for insureds and agents to understand and track.</p> <p>Reduces maintenance and effort on the part of mortgagees as they have fewer policies to manage in escrow accounts.</p>	<p>Will require system effort to implement, however, this is standard functionality that most carriers provide on personal lines policies.</p> <p>Cost/benefit may not be sufficient as this change impacts a small number of policies – only 2,800 policies out of 200,000.</p>
<p>Implement address validation for the insured location at the start of a quote to allow the system to look up address information for the user rather than making them enter the entire address and related information such as the county.</p> <p>Currently, address validation only happens when the policy is submitted and only applies to the mailing address.</p> <p>Agents indicate that they have called underwriting to have the address of the insured location corrected, only to be told to cancel and rewrite the policy.</p> <p>Other systems use integration with third-party systems such as Google Maps, which allows the system to auto-suggest the addresses based on minimal data being entered.</p>	<p>Reduces overall data entry and eliminates the need for cancel/rewrites and agents having to re-enter all the policy data a second time.</p> <p>Reduces or eliminates errors on the location address.</p> <p>This is an available functionality in PolicyCenter. The user enters the street address and the zip code and then the remaining parts of the address will fill in automatically.</p>	<p>Will take time and cost to implement.</p>



Recommendation	Benefits	Downsides or Concerns
<p>Automate the lookup of the flood zone.</p> <p>This will result in more accurate data and reduce the need for a user to look this up manually. Examples of vendors offering this data as a service include RiskMeter and HazardHub. Other services may also be available.</p>	<p>Reduces overall data entry.</p> <p>Results in more accurate data since key fields are being looked up against a reliable data source rather than being manually entered into the system.</p> <p>Ensures that the information being used for rating is accurate. Agents could be making mistakes when researching this information. Also, some agents could be manipulating these fields to reduce the premium or avoid forcing the insured to purchase flood insurance.</p>	<p>Will take time and cost to implement.</p> <p>There is an ongoing cost associated with these services as well.</p>
<p>Add the ability for the agent to enter the automated payment information when they select the payment plan rather than requiring the insured to set up an account in the Policyholder Portal to enter this information.</p>	<p>Reduces frustration by both insureds and agents over having to use the Policyholder Portal.</p> <p>Eliminates the issue of senior policyholders who do not have email addresses.</p> <p>Reduces the effort that TWIA staff is putting in to support portal users who don't understand the system.</p>	<p>Will take time and cost to implement this functionality in the Agency Portal. However, this is a standard functionality that many insurance carriers provide.</p> <p>*TWIA intends to offer a one-time payment feature in the Policyholder Portal in addition to the other self-service options.</p>
<p>In the Agency Portal, allow the user to switch between the links in the left-side navigation list rather than having to click through and edit all of them. On renewals and policy changes, the user must touch every screen of the policy. They should only need to touch the portions of the policy that are changing.</p>	<p>This will reduce agent dissatisfaction with the agency portal as they feel it has too many screens/clicks.</p> <p>This will make the process of handling policy changes and renewals more efficient.</p> <p>Reduces the risk of data entry errors on screens that do not need to be touched.</p> <p>This feature is standard functionality in PolicyCenter.</p>	<p>Will take time and cost to implement.</p> <p>This may not be possible in Guidewire's agency portals.</p>



Recommendation	Benefits	Downsides or Concerns
<p>Agents spend a lot of time updating the MSB valuation to get the value of the home on the wind policy to match the homeowners' MSB valuation.</p> <p>Most carriers will have already required the agent to provide a valuation to justify the limit on the primary policy. As an alternative to tweaking the MSB to match the primary homeowners' policy limits, provide an option for the user to enter the limit from the primary home policy and use that as the dwelling limit on the wind policy.</p>	<p>This will reduce the amount of time that the agent has to spend in MSB trying to get the valuations to match.</p> <p>Will provide higher satisfaction for insureds and mortgagees who want the primary and wind policy limits to match.</p>	<p>Will require time and cost to implement but should be a minor change.</p> <p>May violate underwriting guidelines, however, ITS believes that if it does, it may be worth another look at the guidelines.</p> <p>Consider having the agent provide the valuation from the other carrier so that it can be validated if needed.</p>
<p>Work with MSB to reduce the number of valuations that cannot be pre-filled so that agents spend less time updating the valuation.</p>	<p>It is ITS's impression that several valuations do not prefill, which means that this change would significantly improve agent productivity and reduce the time required to process a new application.</p>	<p>There may be limitations on how much MSB can improve this feature. However, validating the address early may help with locating the property more efficiently.</p>
<p>Eliminate the time that agencies spend entering information and uploading documents into their agency management system by implementing agency download. There are vendors such as IVANS that provide a download file in ACORD AL3 format that can be imported into most of the agency management systems currently available in the market.</p>	<p>This would be a big "win" for the agents, many of whom are currently entering everything twice – once in TWIA's system and once in the agency management system.</p> <p>Some other carriers already provide this integration to independent agencies.</p>	<p>There is a cost to implementing this and an ongoing cost to continue it.</p> <p>The productivity payoff for this may not provide sufficient cost/benefit for TWIA since the cost to implement is usually fairly high. However, it will provide a high level of satisfaction with the independent agencies and make TWIA exceptionally easy to work with.</p>





Recommendation	Benefits	Downsides or Concerns
<p>Default the fields for Personal Property based on the selections made for the Dwelling.</p> <p>For example, the contents limit could be a percent of the dwelling limit, and if the dwelling is at replacement cost, personal property should be too.</p>	<p>Reduces data entry and the possibility of errors for users.</p>	<p>This might result in some users not reviewing or changing these fields because they are defaulted.</p>
<p>Create a method to retrieve the WPI-8 certificates electronically and add them to the system rather than having agents look them up and upload them to PolicyCenter.</p>	<p>Eliminates a major amount of effort and irritation for the agency force.</p> <p>Would provide a significant reduction in the time and effort taken to enter a new business policy.</p>	<p>TDI, who hosts the WPI-8 database, may not be willing to create the required interface.</p>
<p>Review the documentation that agents are required to upload into the system. Reduce the required documentation to only those items that will be reviewed by an underwriter or other user. In some cases, the underwriting guidelines specify that the agent must retain the information and provide it in the event of an audit, but they are uploading it into the system on every policy.</p>	<p>The effort to upload documentation into the underwriting file is a major concern on the part of agents. This would eliminate that concern.</p> <p>This would also reduce the number of unneeded documents that are being uploaded to the system.</p>	<p>When auditing, instead of simply checking the policy file, the auditor will need to reach out to the agent to have them provide the needed documentation.</p>
<p>Work with TDI to consolidate the WPI-8-C forms currently on the TWIA website into the main TDI repository.</p>	<p>Avoids agents having to search in two locations.</p>	<p>Requires effort and coordination with TDI to implement.</p>
<p>If it's not possible to consolidate the data sources, eliminate the requirement that agents must request the WPI-8-C's. They should be available immediately online.</p>	<p>Avoids agents having to request the WPI-8-C forms and receive them by email because they can download them immediately instead.</p>	<p>Requires effort but no coordination with TDI.</p>

**Table 18: Recommended System Enhancements**

\* ITS is not affiliated with IVANS but has experience working with IVANS from working with other customers.



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## 8.2 ITS Recommendations for Agents

During the observations and meetings with the agents and CSRs, it was seen that they may benefit from some minor changes in their processes for TWIA. These recommendations are listed below and categorized by transaction type.

### 8.2.1 New Business Recommendations

- After locating the WPI-8s, save them in a specific folder with a specific title so they can be easily found and added to the TWIA submission when needed.
- Upload the WPI-8s and add the mortgagee only when the customer is ready to bind coverage.
- Eliminate the use of manual forms for wind coverage declinations. Use electronic forms as needed.
- Establish best practices for all CSRs in the office to ensure everyone is consistent and efficient when looking up WPI-8s, flood zones, and home information.
- Eliminate printing, saving, and uploading the flood zone maps and documents. Having these documents is not required by TWIA. All that is required is to research it and answer the questions in TWIA's system.

### 8.2.2 Renewals

- Eliminate researching the flood zone on renewals. Flood zones rarely change.
- Eliminate researching WPI-8s on renewals unless you are aware of changes to the home.
- Eliminate the requalification steps on renewals except when required every 3 years.
- Do not submit renewals in the system. By not submitting the renewal, it will remain in renewing status so you can still make changes up to the point of payment and renewal.

### 8.2.3 Policy Change Recommendations

- Do not complete manual forms for policy changes so you can scan them back into an electronic file.
- Once an inspection is done on a property, TWIA will generate a letter along with photos and send it to the agent and the insured. The letter and photos are part of the policy file; therefore, the agent no longer needs to call TWIA to have an underwriter add them to the documents.



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## 9 ITS Report Summary

After the study was completed and the data was summarized and analyzed, ITS made the following findings for each transaction type.

### 9.1 New Business

The process to complete a quote for a residential policy is comparable to other admitted carriers' processes. The difference is with the statutory requirements for researching the customer's eligibility, including flood zone and WPI-8s on the property. In many cases these steps were simple and straightforward; however, in several cases that were observed, these steps can be difficult and time-consuming. It is not possible from this study to evaluate what percentage of the new business quotes run into difficulties, but it should be noted that the time spent on these additional steps can be exorbitant. This should be taken into consideration because they do make TWIA policies more difficult to process than other admitted carriers.

The steps an independent agent takes to enter the information into their AMS takes additional time but is a required step for most, if not all, independent agencies. However, some agencies entered more information and took over twice as long as other agencies to complete this step. It should also be noted that the entry into their AMS is not specific to TWIA and does not make TWIA policies more difficult to process.

One common struggle with all the agencies observed was updating the MSB because it either did not pull over any data, or it pulled over minimal data. Research has to be done to get all the details in the MSB and the time to do this varies significantly. It was not observed how well the MSB prefilled for other carrier's systems, but ITS has made some recommendations that may help with this concern.

### 9.2 Policy Changes

Policy changes were straightforward and simple to process. They also appear to align with other carriers and no difficulties were noted with these transactions. With the policy change transactions that were observed, extra time was spent updating the agent's AMS; however, this process is completed for all carriers and is not specific to TWIA.

### 9.3 Renewals

Renewals were noted to be more difficult early on due to the policy migration process that inadvertently changed the pay plan and reset the MSB. Therefore, on all migrated renewals, the agent had to verify the pay plan and set it back up to mortgage bill or autopay as necessary. The agent also had to research the home and update the MSB. This added quite a bit of time to each renewal. However, after this process is completed on the migrated renewal, it will not have to be completed again. The MSB will automatically increase each year so that the home value remains in line. This means that the agent will not have to review or adjust the MSB unless they are made aware of a change or update to the home. At that point, the process for renewals with TWIA will not be any more difficult than renewals with other companies.

Many agents will still review the renewal, make calls to the customer, and discuss any changes that need to be made. This is a customer service step and is done for all renewals with all companies and is not specific to TWIA.



## 10 Appendix A: Agent Survey Data

### 10.1 Difficulty Ratings

Quoting--Difficulty Rating	# Responses	%	
A lot more difficult	44	22%	<b>Negative Responses - 39%</b>
A little more difficult	61	16%	
About the same	110	40%	<b>Neutral Responses - 40%</b>
Easier	32	12%	
Much easier	25	9%	<b>Positive Responses - 21%</b>
<b>Grand Total</b>	<b>272</b>		

Renewal--Difficulty Rating	# Responses	%	
A lot more difficult	44	26%	<b>Negative Responses - 42%</b>
A little more difficult	71	16%	
About the same	116	43%	<b>Neutral Responses - 43%</b>
Easier	22	8%	
Much easier	19	7%	<b>Positive Responses - 15%</b>
<b>Grand Total</b>	<b>272</b>		

Table 19: 2023 Agent Survey--Difficulty Ratings

### 10.2 Would Like to See Changes

Quoting and Issuance		%
No	161	59%
Yes	111	41%
<b>Grand Total</b>	<b>272</b>	

Table 20: 2023 Agent Survey--Changes in Quoting

Renewal Processing		%
No	144	53%
Yes	128	47%
<b>Grand Total</b>	<b>272</b>	

Table 21: 2023 Agent Survey--Changes in Renewals



### 10.3 Issues by Category

Issues by Category										
Issue Category	Usability	Quote Multiple Limit and Deductible Options	Need Ability to Submit Changes after Renewal Offer	Eliminate Requalification Process	Wants Agency Download	Too Much Data Required	Too Much Documentation Required	WPI-8 Issues	Payment Plans and Online Payment Issues	Insured without Email Addresses
# of Agents Reporting	98	10	17	12	6	23	36	50	83	9
% of Respondents Reporting	36%	4%	6%	4%	2%	8%	13%	18%	31%	3%

Table 22: 2023 Agent Survey--Issues by Category

### 10.4 Issues Ranked by # of Reports

Issues Ranked by # Reports	
Category	# Reports
Usability	98
Payment Plans and Online Payments Issues	83
WPI-8 Issues	50
Too Much Documentation	36
Too Much Data Required	23
Submit Changes After Renewal Offer	17
Eliminate Requalification Process	12
Quote Multiple Deductible Options	10
Insureds w/o Email Addresses	9
Wants Agency Download	6

Table 23: 2023 Agent Survey--Issues Ranked by # Reports

### 10.5 Survey Data Workbook

ITS has provided an Excel workbook to TWIA containing the survey data (which was originally received from TWIA) along with the calculations and analysis used to evaluate the data.

## 11 Appendix B: 2021 Agent Feedback Study

October 2021 AAG Meeting

### AGENT EXPERIENCE SURVEY RESULTS

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#### Purpose & Scope of Survey

- **Collect feedback from agents regarding the unique processes and interactions with TWIA**
- **Asked 9 open-ended questions about agents' experience working with TWIA**
- **Surveyed 9 AAG members with individual agencies (exclusive and independent)**
- **Received 22 responses from 7 unique agencies**

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## ✓ What Questions Did We Ask?

1. What steps do you have to take to write new business for TWIA that you do not have to complete for other carriers?
2. What steps do you have to take to write renewals for TWIA that you do not have to do for other carriers?
3. On average, how many minutes does it take your agency to (in minutes):
  - Obtain a new TWIA policy?
  - Process a TWIA renewal?
  - Obtain a flood policy?
  - Renew a flood policy?
  - Obtain the companion HO policy?
  - Process the companion HO policy renewal?
4. How does TWIA's new direct bill process (implemented on January 1, 2020) differ from other carriers' direct bill processes?
5. What are the three most time-consuming steps or processes for your agency when working with a TWIA policy?
6. What are the top three changes to TWIA processes your agency would like to see that would decrease the time your agency spent working with a TWIA policy? (Examples could include potential legislative changes, policy contract changes, or process changes.)
7. What are the steps in a new business application process that can be done once and used for both TWIA and other carriers?
8. Since TWIA is not integrated with agency management systems, how much additional time does it take to enter TWIA business directly into Policy Center?
9. Please share any additional feedback that you think we should know about your experience working with TWIA.

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## ✓ Top Takeaways from Agent Responses

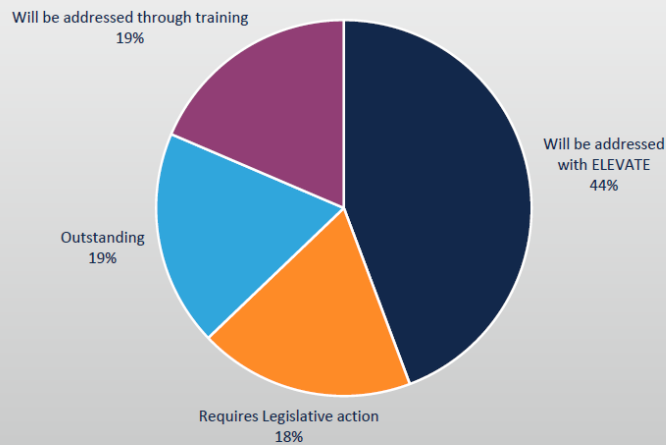
After aggregating and analyzing all survey responses, a few common themes emerged. Agents' comments fell into these categories:

- **TWIA's unique eligibility requirements**
  - Windstorm Certificates
  - Flood insurance and mapping
  - Declinations
- **Proprietary System**
  - Not integrated with Agency Management Systems (ACORD forms)
  - Requires agents to duplicate efforts
- **Cost Estimator**
  - Integration issues
  - Requires coordination with companion policy
- **Payments**
  - Limited installment plans
  - Must make payment before policy can be issued
  - No grace period
- **Commercial-specific issues**
- **Opportunities for training**
- **No two agencies are alike (wide range in responses)**

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## ✓ Top Takeaways from Agent Responses

### Agent comments categorized by resolution type:



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## ✓ Policy Processing Time by Policy Type

Policy Type	Median Length of Time (Minutes)	Time Range* (Minutes)
New TWIA Policy	34	5 – 90
TWIA Renewal Policy	28	0 – 62.5
New Flood Policy	15	5 – 30
Flood Renewal Policy	5	0 – 10
New Companion Policy	15	5 – 37.5
Companion Renewal Policy	5	0 – 15

\* Zero-minute responses were accompanied by comments referring to the automatic renewal process.

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## 12 Document Properties

### 12.1 Document Objective

This document provides the outcome of the agent time study conducted by ITS for the Texas Windstorm Insurance Association. The goal of this study was to observe the amount of time taken by agency staff to process policy transactions for TWIA policies and document both the amount of time and recommendations for improved processes.

### 12.2 Document Authors

The workflow study conducted in this project was designed and led by the following participants, who also authored this report and conducted an analysis of both the workflow timing results and the agency survey.

- Vana Jones, Director of Training Services
- Mardee Brosh, Director of Special Projects

### 12.3 Change History

Change	Made By	Date
Initial Draft	Vana Jones and Mardee Brosh	10/10/2023
Incorporated feedback from TWIA	Vana Jones	10/23/2023
Updated Executive Summary to add more on methodology and also add a section on results. Updated agent survey metrics and ITS analysis of the results. Updated workflow timing metrics based on evaluation conducted by Vana Jones. Reviewed and refined each section of the document to explain the ITS findings more clearly. Reorganized document sections to make them more readable, such as keeping the methodology and results for timings in the same section. Added appendices C and D as requested by TWIA.	Mardee Brosh	11/2/2023
Updated sections based on feedback from the AAG meeting on 11/9/2023. Removed references to the 2018 IIAT study.	Vana Jones	11/20/2023

## 7. Actuarial

### 7A. Policy Count/Exposures



## MEMORANDUM

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DATE: November 21, 2023

TO: David Durden  
General Manager

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

RE: Analysis of TWIA Growth

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TWIA has been growing rapidly since 2021, with the policies in-force and direct liability having increased 27% and 57%, respectively, over the last two years. This growth has been driven both by insolvencies and the general constriction of the private market on the coast.

To better understand the growth and its impact on the Association, and prompted by questions raised by multiple Board members, I have prepared some additional exhibits to supplement the standard policy count and exposure exhibits included in each Board meeting's materials.

Following the Statistical and Quarterly Liability reports in this section, please find the following:

- A comparison of new vs. renewing business by policy and property characteristics, identifying fundamental differences between policies issued in the last twelve months and those that were insured by TWIA prior to that time;
- Several exhibits showing the geographic distribution of growth over the last year, both at a county and ZIP code level; and
- A high-level analysis of the impact of the growth on TWIA's funding, specifically the leveraged impact on reinsurance.

JM

**Texas Windstorm Insurance Association**  
**Statistical Report**  
As of September 30, 2023



County	<u>Policies In-Force</u>		<u>PIF Growth</u>		<u>Exposure In-Force</u>		<u>Exposure Growth</u>		<u>YTD Written Premium</u>		<u>Premium Growth</u>	
	9/30/22	9/30/23	Actual	Percentage	9/30/22	9/30/23	Actual	Percentage	9/30/22	9/30/23	Actual	Percentage
Aransas	6,833	7,593	760	11.10%	2,559,850,452	3,258,299,800	\$698,449,348	27.30%	15,996,212	21,126,926	\$5,130,714	32.10%
Brazoria	37,192	43,695	6,503	17.50%	12,067,270,887	16,030,880,200	\$3,963,609,313	32.80%	64,401,256	84,228,731	\$19,827,475	30.80%
Calhoun	4,186	4,454	268	6.40%	1,219,038,062	1,408,460,400	\$189,422,338	15.50%	7,720,784	8,971,136	\$1,250,352	16.20%
Cameron	9,995	10,694	699	7.00%	3,347,450,272	4,329,607,700	\$982,157,428	29.30%	17,458,483	25,613,507	\$8,155,024	46.70%
Chambers	5,252	6,398	1,146	21.80%	1,964,051,657	2,653,303,400	\$689,251,743	35.10%	10,025,429	13,165,340	\$3,139,911	31.30%
Galveston	69,814	76,687	6,873	9.80%	25,935,986,204	31,724,081,700	\$5,788,095,496	22.30%	146,556,412	176,838,733	\$30,282,321	20.70%
Harris	3,831	4,262	431	11.30%	1,345,861,000	1,714,052,000	\$368,191,000	27.40%	5,462,280	7,077,412	\$1,615,132	29.60%
Jefferson	27,806	30,277	2,471	8.90%	7,324,845,116	9,260,880,700	\$1,936,035,584	26.40%	45,262,495	57,077,185	\$11,814,690	26.10%
Kenedy	24	35	11	45.80%	6,819,741	6,955,300	\$135,559	2.00%	53,518	34,946	-\$18,572	-34.70%
Kleberg	820	903	83	10.10%	208,718,453	291,802,200	\$83,083,747	39.80%	1,301,095	2,279,445	\$978,350	75.20%
Matagorda	4,908	5,276	368	7.50%	1,363,794,629	1,636,561,900	\$272,767,271	20.00%	7,745,709	9,520,007	\$1,774,298	22.90%
Nueces	40,637	43,735	3,098	7.60%	13,097,317,231	16,619,975,600	\$3,522,658,369	26.90%	74,287,382	95,942,636	\$21,655,254	29.20%
Refugio	371	426	55	14.80%	106,490,828	127,317,700	\$20,826,872	19.60%	746,584	892,337	\$145,753	19.50%
San Patricio	7,200	8,075	875	12.20%	2,175,192,349	2,719,080,100	\$543,887,751	25.00%	12,580,535	15,767,557	\$3,187,022	25.30%
Willacy	350	378	28	8.00%	99,331,821	126,426,300	\$27,094,479	27.30%	733,970	903,302	\$169,332	23.10%
<b>Total</b>	<b>219,219</b>	<b>242,888</b>	<b>23,669</b>	<b>10.80%</b>	<b>72,822,018,702</b>	<b>91,907,685,000</b>	<b>\$19,085,666,298</b>	<b>26.20%</b>	<b>410,332,144</b>	<b>519,439,200</b>	<b>\$109,107,056</b>	<b>26.60%</b>

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



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Aransas</b>										
Commercial	149	404	322	1,021	1,515,499	5,426,680	547,679,000	15,561,555	432	1,031
Manufactured Home	60	180	60	180	104,957	304,272	12,888,200	0	193	193
Residential	2,720	6,012	2,720	6,012	7,145,017	15,395,974	2,697,732,600	233,294,740	6,968	6,968
<b>Total</b>	<b>2,929</b>	<b>6,596</b>	<b>3,102</b>	<b>7,213</b>	<b>8,765,473</b>	<b>21,126,926</b>	<b>3,258,299,800</b>	<b>248,856,295</b>	<b>7,593</b>	<b>8,192</b>
<b>Brazoria</b>										
Commercial	323	710	518	1,305	2,542,526	7,321,900	720,977,500	23,768,899	809	1,448
Manufactured Home	76	218	76	218	152,696	443,358	19,888,600	0	258	258
Residential	16,424	36,224	16,424	36,224	36,096,738	76,463,473	15,290,014,100	2,080,428,640	42,628	42,628
<b>SUM:</b>	<b>16,823</b>	<b>37,152</b>	<b>17,018</b>	<b>37,747</b>	<b>38,791,960</b>	<b>84,228,731</b>	<b>16,030,880,200</b>	<b>2,104,197,539</b>	<b>43,695</b>	<b>44,334</b>
<b>Calhoun</b>										
Commercial	87	186	161	369	510,429	1,588,729	157,714,000	4,527,340	207	442
Manufactured Home	25	63	25	63	41,392	104,362	5,011,100	0	75	75
Residential	1,532	3,549	1,532	3,549	3,223,478	7,278,045	1,245,735,300	108,768,860	4,172	4,172
<b>SUM:</b>	<b>1,644</b>	<b>3,798</b>	<b>1,718</b>	<b>3,981</b>	<b>3,775,299</b>	<b>8,971,136</b>	<b>1,408,460,400</b>	<b>113,296,200</b>	<b>4,454</b>	<b>4,689</b>
<b>Cameron</b>										
Commercial	294	731	623	1,997	3,641,717	12,792,056	1,878,591,000	25,165,890	825	2,247
Manufactured Home	27	63	27	63	31,749	72,092	3,246,700	0	70	70
Residential	3,497	8,347	3,497	8,347	5,559,250	12,749,359	2,447,770,000	233,381,400	9,799	9,799
<b>SUM:</b>	<b>3,818</b>	<b>9,141</b>	<b>4,147</b>	<b>10,407</b>	<b>9,232,716</b>	<b>25,613,507</b>	<b>4,329,607,700</b>	<b>258,547,290</b>	<b>10,694</b>	<b>12,116</b>

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



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Chambers</b>										
Commercial	61	108	79	148	442,923	926,107	94,482,000	2,337,465	122	189
Manufactured Home	25	56	25	56	40,747	104,044	5,076,800	0	68	68
Residential	2,426	5,344	2,426	5,344	5,714,063	12,135,189	2,553,744,600	354,247,960	6,208	6,208
SUM:	2,512	5,508	2,530	5,548	6,197,733	13,165,340	2,653,303,400	356,585,425	6,398	6,465
<b>Galveston</b>										
Commercial	819	1,959	1,538	3,772	12,018,782	31,816,333	3,612,112,000	87,962,390	2,226	4,439
Manufactured Home	78	212	78	212	128,239	351,479	16,644,400	0	255	255
Residential	25,102	62,540	25,102	62,540	59,534,112	144,670,921	28,095,325,300	3,306,219,540	74,206	74,206
SUM:	25,999	64,711	26,718	66,524	71,681,133	176,838,733	31,724,081,700	3,394,181,930	76,687	78,900
<b>Harris</b>										
Commercial	31	76	79	292	650,460	1,814,057	219,958,000	6,436,620	84	257
Manufactured Home	4	5	4	5	6,472	6,996	267,000	0	5	5
Residential	1,322	3,476	1,322	3,476	1,992,937	5,256,359	1,493,827,000	200,757,540	4,173	4,173
SUM:	1,357	3,557	1,405	3,773	2,649,869	7,077,412	1,714,052,000	207,194,160	4,262	4,435
<b>Jefferson</b>										
Commercial	354	764	713	1,409	4,526,592	8,646,713	926,779,800	27,165,619	851	1,662
Manufactured Home	23	63	23	63	43,849	119,708	5,131,400	0	65	65
Residential	11,198	25,452	11,198	25,452	22,436,067	48,310,764	8,328,969,500	1,093,772,500	29,361	29,361
SUM:	11,575	26,279	11,934	26,924	27,006,508	57,077,185	9,260,880,700	1,120,938,119	30,277	31,088

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



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Kenedy</b>										
Commercial	0	1	0	5	0	-13,960	0	0	0	0
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	19	34	19	34	29,429	48,906	6,955,300	40,800	35	35
SUM:	19	35	19	39	29,429	34,946	6,955,300	40,800	35	35
<b>Kleberg</b>										
Commercial	18	45	27	96	97,933	1,010,842	65,157,000	2,166,450	55	110
Manufactured Home	1	3	1	3	3,013	6,799	259,500	0	3	3
Residential	327	727	327	727	600,164	1,261,804	226,385,700	24,626,440	845	845
SUM:	346	775	355	826	701,110	2,279,445	291,802,200	26,792,890	903	958
<b>Matagorda</b>										
Commercial	59	146	85	368	448,587	1,468,441	141,959,000	1,931,145	178	387
Manufactured Home	11	33	11	33	22,892	66,609	2,846,000	0	36	36
Residential	1,724	4,312	1,724	4,312	3,319,305	7,984,957	1,491,756,900	156,168,100	5,062	5,062
SUM:	1,794	4,491	1,820	4,713	3,790,784	9,520,007	1,636,561,900	158,099,245	5,276	5,485
<b>Nueces</b>										
Commercial	778	2,000	1,681	4,465	9,781,838	26,963,773	3,573,832,300	97,211,415	2,302	5,252
Manufactured Home	21	40	21	40	33,451	68,288	2,993,200	0	48	48
Residential	13,992	35,187	13,992	35,187	28,445,752	68,910,575	13,043,150,100	1,477,196,060	41,385	41,385
SUM:	14,791	37,227	15,694	39,692	38,261,041	95,942,636	16,619,975,600	1,574,407,475	43,735	46,685

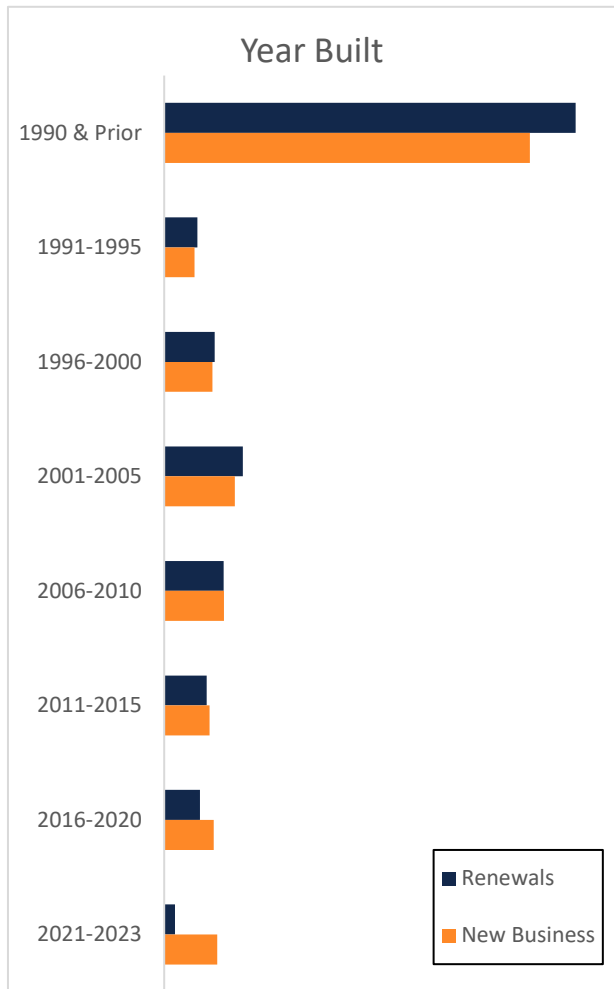
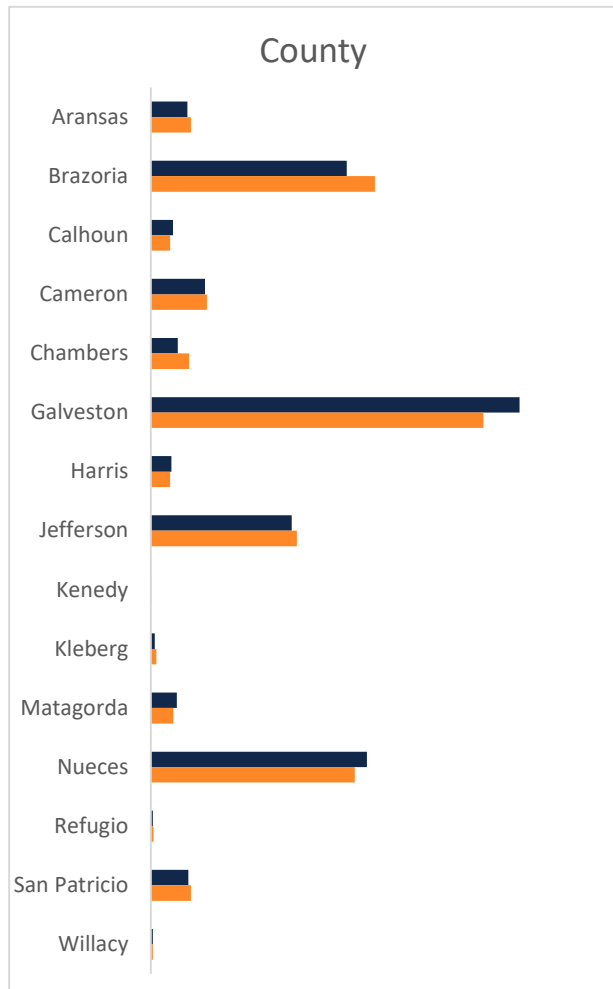
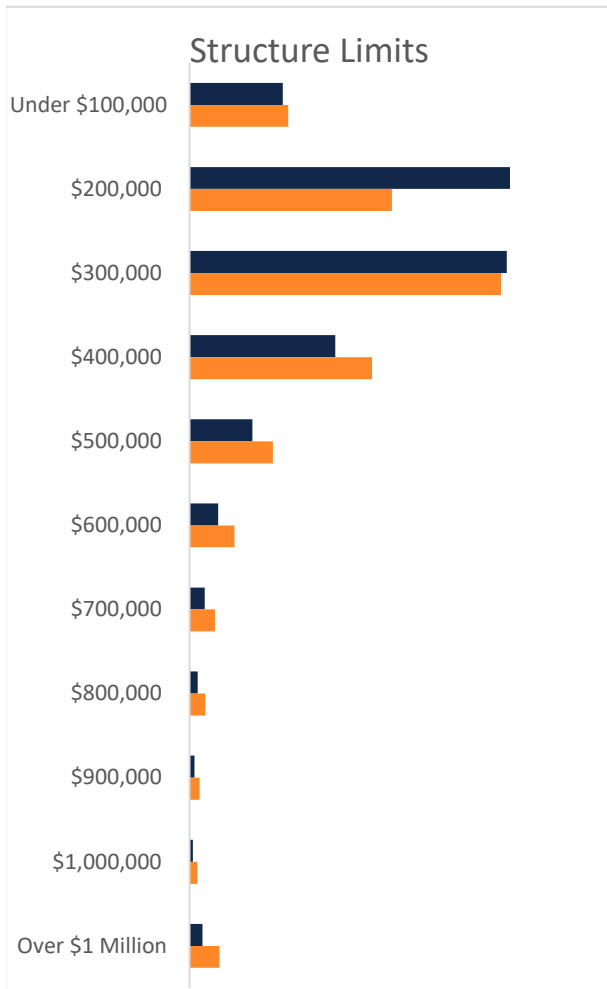
**Texas Windstorm Insurance Association**  
 Quarterly Liability Report  
 As of September 30, 2023



Class of Business	Policies Written		Risks Written		Premium Written		Liability at End of Quarter		In-Force at End of Quarter	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Refugio</b>										
Commercial	17	30	30	48	176,057	235,174	20,729,000	177,900	31	52
Manufactured Home	5	20	5	20	9,406	40,869	1,742,700	0	22	22
Residential	138	341	138	341	279,016	616,294	104,846,000	10,961,560	373	373
SUM:	160	391	173	409	464,479	892,337	127,317,700	11,139,460	426	447
<b>San Patricio</b>										
Commercial	96	250	157	448	755,373	2,218,378	221,293,500	5,846,170	278	497
Manufactured Home	19	52	19	52	32,243	93,580	4,014,600	0	56	56
Residential	2,957	6,703	2,957	6,703	6,447,582	13,455,599	2,493,772,000	310,676,680	7,741	7,741
SUM:	3,072	7,005	3,133	7,203	7,235,198	15,767,557	2,719,080,100	316,522,850	8,075	8,294
<b>Willacy</b>										
Commercial	11	27	16	53	74,674	242,637	26,440,000	99,900	32	73
Manufactured Home	3	11	3	11	7,865	19,443	742,100	0	10	10
Residential	128	291	128	291	305,283	641,222	99,244,200	6,818,740	336	336
SUM:	142	329	147	355	387,822	903,302	126,426,300	6,918,640	378	419
<b>Total All Counties</b>										
Commercial	3,097	7,437	6,029	15,796	37,183,390	102,457,860	12,207,704,100	300,358,758	8,432	18,086
Manufactured Home	378	1,019	378	1,019	658,971	1,801,899	80,752,300	0	1,164	1,164
Residential	83,506	198,539	83,506	198,539	181,128,193	415,179,441	79,619,228,600	9,597,359,560	233,292	233,292
SUM:	86,981	206,995	89,913	215,354	218,970,554	519,439,200	91,907,685,000	9,897,718,318	242,888	252,542



**Texas Windstorm Insurance Association**  
**Analysis of Growth**  
**Distribution of New Business vs Renewals**  
 by Policy and Property Characteristics  
 Policies In-Force as of 9/30/2023



Occupancy, construction type, roof year, and building code were also examined but did not show significant differences

**Texas Windstorm Insurance Association**

**Analysis of Growth**

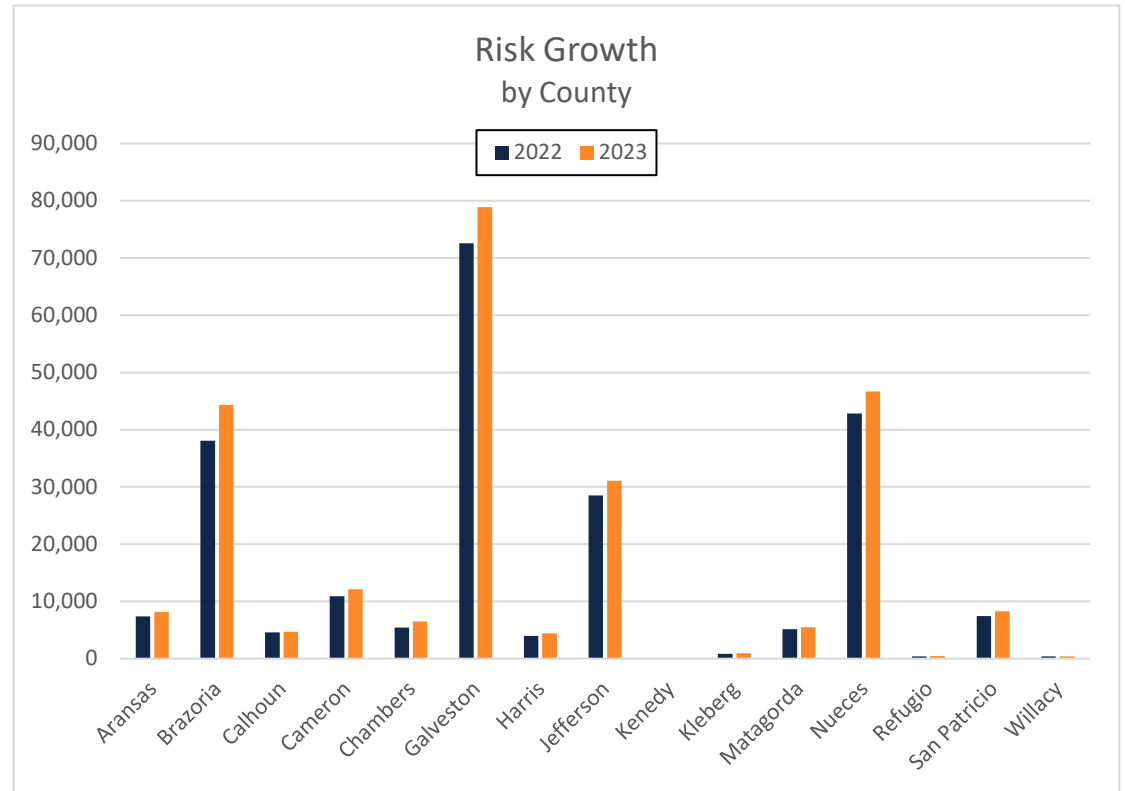
**Risks In-Force**

by County

as of September 30, 2022-2023



County	Risks In-Force *		Growth	%
	2022	2023		
Aransas	7,380	8,192	812	11.0%
Brazoria	38,057	44,334	6,277	16.5%
Calhoun	4,593	4,689	96	2.1%
Cameron	10,908	12,116	1,208	11.1%
Chambers	5,442	6,465	1,023	18.8%
Galveston	72,588	78,900	6,312	8.7%
Harris	3,998	4,435	437	10.9%
Jefferson	28,522	31,088	2,566	9.0%
Kenedy	33	35	2	6.1%
Kleberg	866	958	92	10.6%
Matagorda	5,124	5,485	361	7.0%
Nueces	42,803	46,685	3,882	9.1%
Refugio	412	447	35	8.5%
San Patricio	7,426	8,294	868	11.7%
Willacy	394	419	25	6.3%
<b>Total</b>	<b>228,546</b>	<b>252,542</b>	<b>23,996</b>	<b>10.5%</b>



\* Risks in-force count each location separately on multi-location policies

**Texas Windstorm Insurance Association**

**Analysis of Growth**

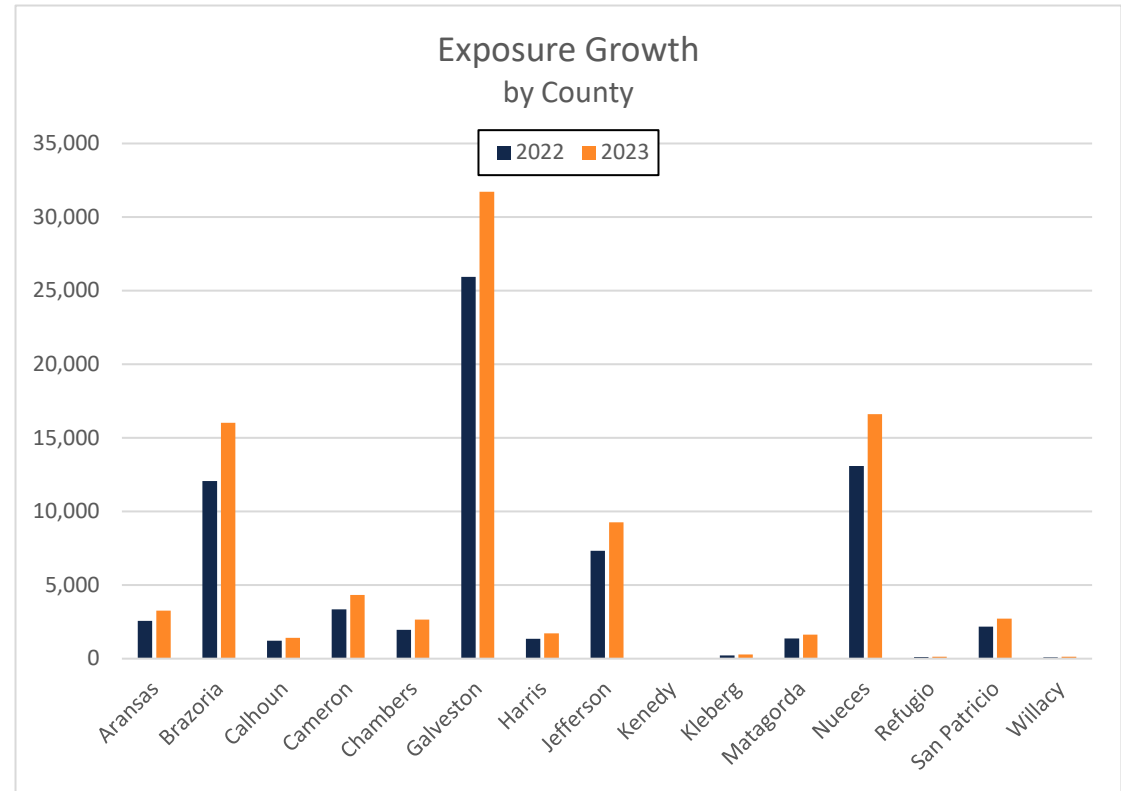
**Exposures In-Force**

by County

as of September 30, 2022-2023



County	Direct Liability In-Force (\$M) *			
	2022	2023	Growth	%
Aransas	2,561	3,258.3	697.3	27.2%
Brazoria	12,068	16,030.9	3,962.8	32.8%
Calhoun	1,219	1,408.5	189.4	15.5%
Cameron	3,347	4,329.6	982.2	29.3%
Chambers	1,964	2,653.3	689.3	35.1%
Galveston	25,936	31,724.1	5,788.3	22.3%
Harris	1,346	1,714.1	368.2	27.4%
Jefferson	7,325	9,260.9	1,936.0	26.4%
Kenedy	7	7.0	0.1	2.0%
Kleberg	209	291.8	83.1	39.8%
Matagorda	1,363	1,636.6	273.4	20.1%
Nueces	13,097	16,620.0	3,522.7	26.9%
Refugio	106	127.3	20.8	19.6%
San Patricio	2,174	2,719.1	545.1	25.1%
Willacy	99	126.4	27.1	27.3%
<b>Total</b>	<b>72,822.0</b>	<b>91,907.7</b>	<b>19,085.7</b>	<b>26.2%</b>



\* Direct liability includes structure and contents coverage and excludes business interruption coverage

**Texas Windstorm Insurance Association**

**Analysis of Growth**

**Residential Exposures In-Force**

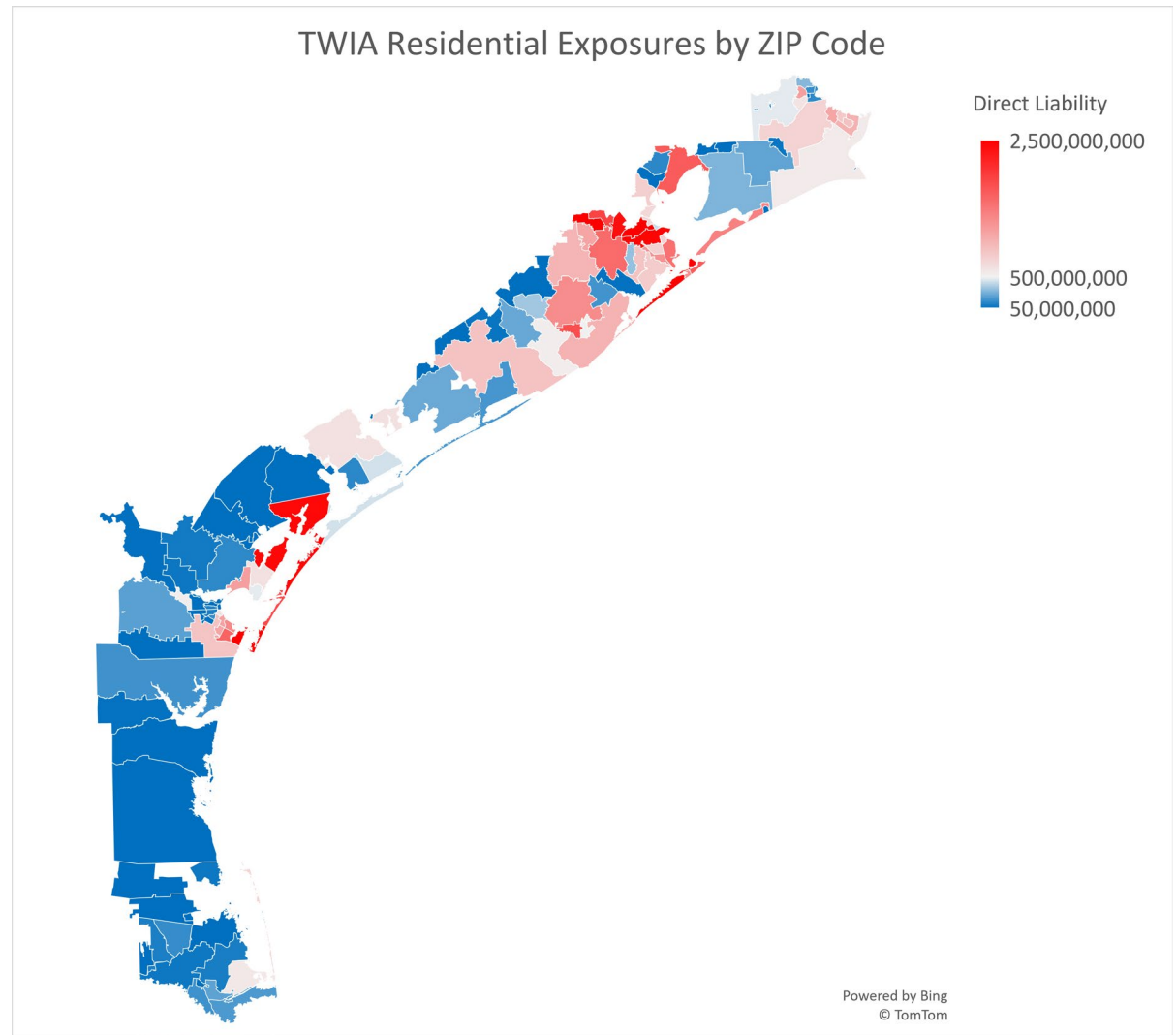
by ZIP Code

as of September 30, 2023



Top 25 ZIP codes

ZIP Code	Description	Direct Liability
77573	League City	7,793,503,100
77554	Galveston	4,009,348,100
77584	Pearland	3,544,878,800
78418	Corpus Christi	2,970,859,900
77539	Dickinson	2,458,540,400
78382	Rockport	2,431,019,200
77546	Friendswood	2,373,145,900
77581	Pearland	1,941,248,500
78373	Port Aransas	1,876,624,600
77566	Lake Jackson	1,843,949,100
77523	Baytown	1,737,996,900
77550	Galveston	1,731,875,500
78414	Corpus Christi	1,675,676,300
77511	Alvin	1,612,203,700
77590	Texas City	1,560,541,600
77650	Port Bolivar	1,423,685,400
78412	Corpus Christi	1,355,360,300
77515	Angleton	1,331,437,200
77551	Galveston	1,321,981,400
77568	La Marque	1,288,192,000
77706	Beaumont	1,189,940,600
78374	Portland	1,187,375,900
78411	Corpus Christi	1,159,942,900
77578	Manvel	1,136,077,900
77627	Nederland	1,126,361,900



**Texas Windstorm Insurance Association**

**Analysis of Growth**

**Commercial Exposures In-Force**

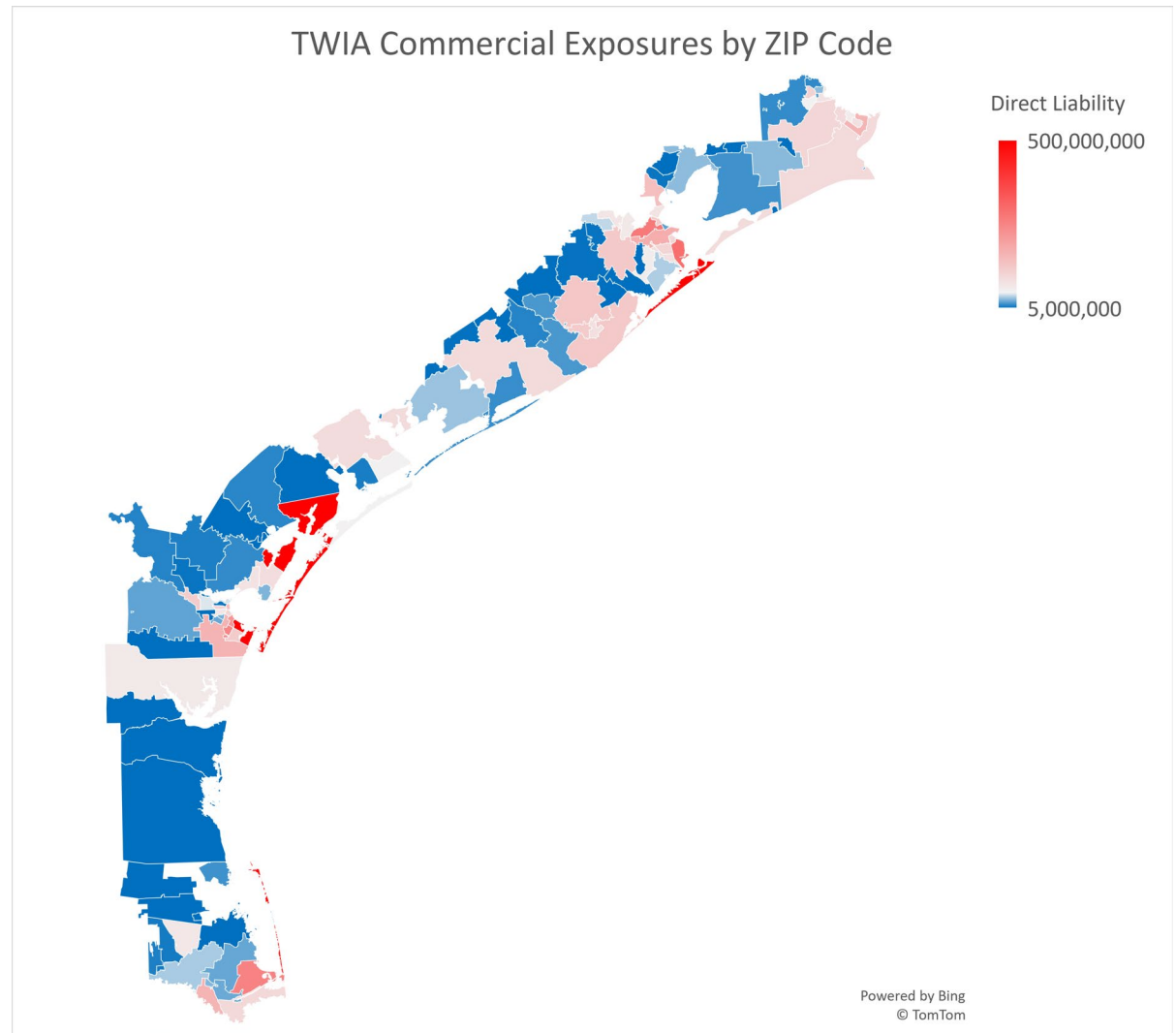
by ZIP Code

as of September 30, 2023



Top 25 ZIP codes

ZIP Code	Description	Direct Liability
78597	South Padre Island	1,024,015,000
77550	Galveston	960,566,000
78373	Port Aransas	948,475,800
77554	Galveston	667,699,000
78418	Corpus Christi	629,593,000
77551	Galveston	576,025,000
78412	Corpus Christi	524,456,000
78382	Rockport	501,172,000
77590	Texas City	293,377,000
77573	League City	272,820,000
78578	Port Isabel	257,005,000
78413	Corpus Christi	249,972,000
78411	Corpus Christi	220,674,000
77539	Dickinson	176,229,000
78415	Corpus Christi	164,931,500
78520	Brownsville	163,976,000
77642	Port Arthur	163,258,000
78401	Corpus Christi	149,691,000
77571	La Porte	144,095,000
77515	Angleton	130,789,000
77541	Freeport	126,065,000
77511	Alvin	123,897,000
77565	Kemah	123,602,000
78414	Corpus Christi	121,416,000
77566	Lake Jackson	120,996,000



**Texas Windstorm Insurance Association**

**Analysis of Growth**

**Residential Exposures In-Force**

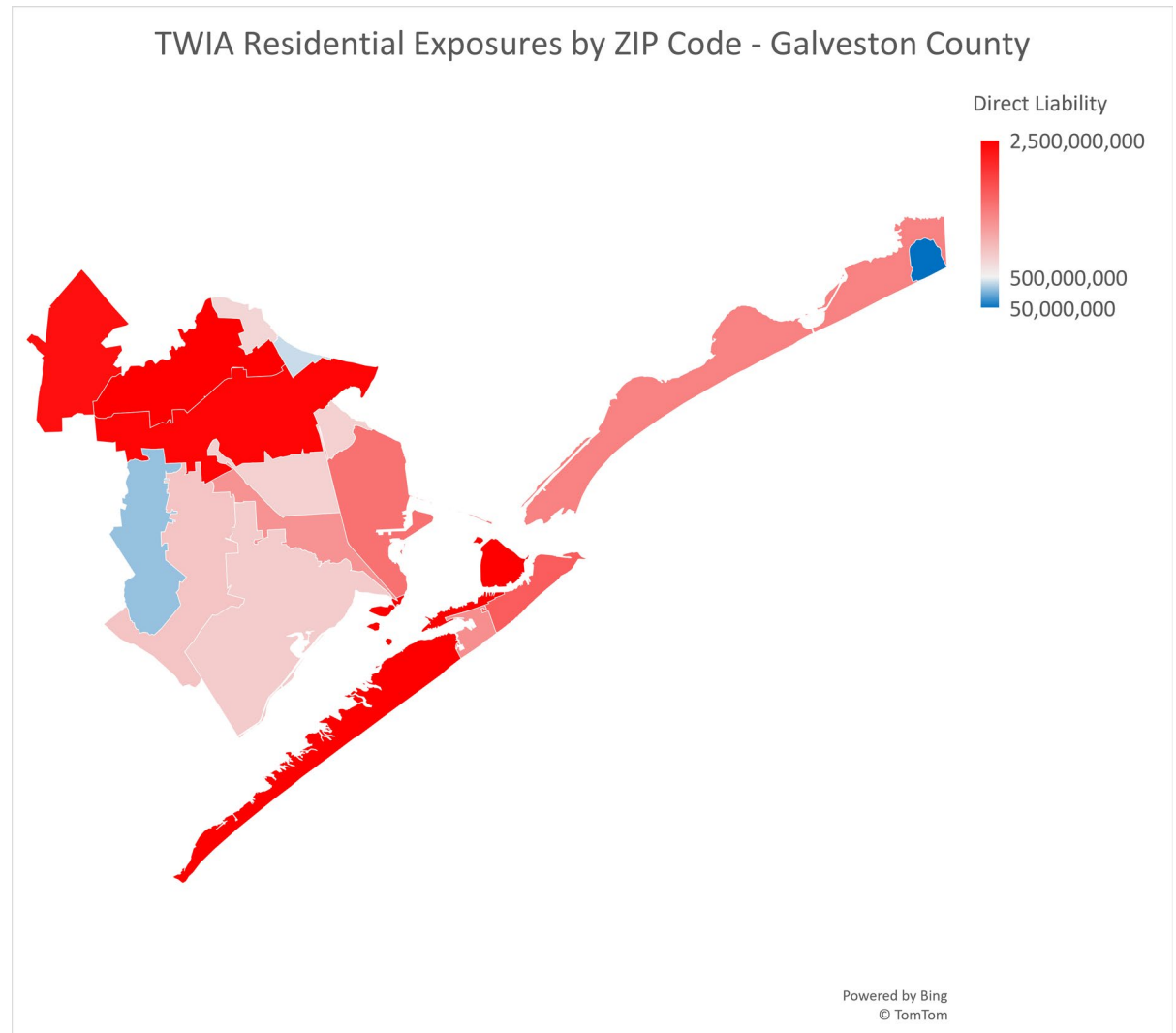
by ZIP Code - Galveston County

as of September 30, 2023



Galveston County

ZIP Code	Description	Direct Liability
77573	League City	7,793,503,100
77554	Galveston	4,009,348,100
77539	Dickinson	2,458,540,400
77546	Friendswood	2,373,145,900
77550	Galveston	1,731,875,500
77590	Texas City	1,560,541,600
77650	Port Bolivar	1,423,685,400
77551	Galveston	1,321,981,400
77568	La Marque	1,288,192,000
77510	Santa Fe	876,628,500
77563	Hitchcock	817,507,100
77591	Texas City	771,477,400
77565	Kemah	727,373,900
77518	Bacliff	424,647,900
77517	Santa Fe	329,734,300
77617	Gilchrist	126,190,600
77623	High Island	16,579,000
77553	Galveston	5,757,400



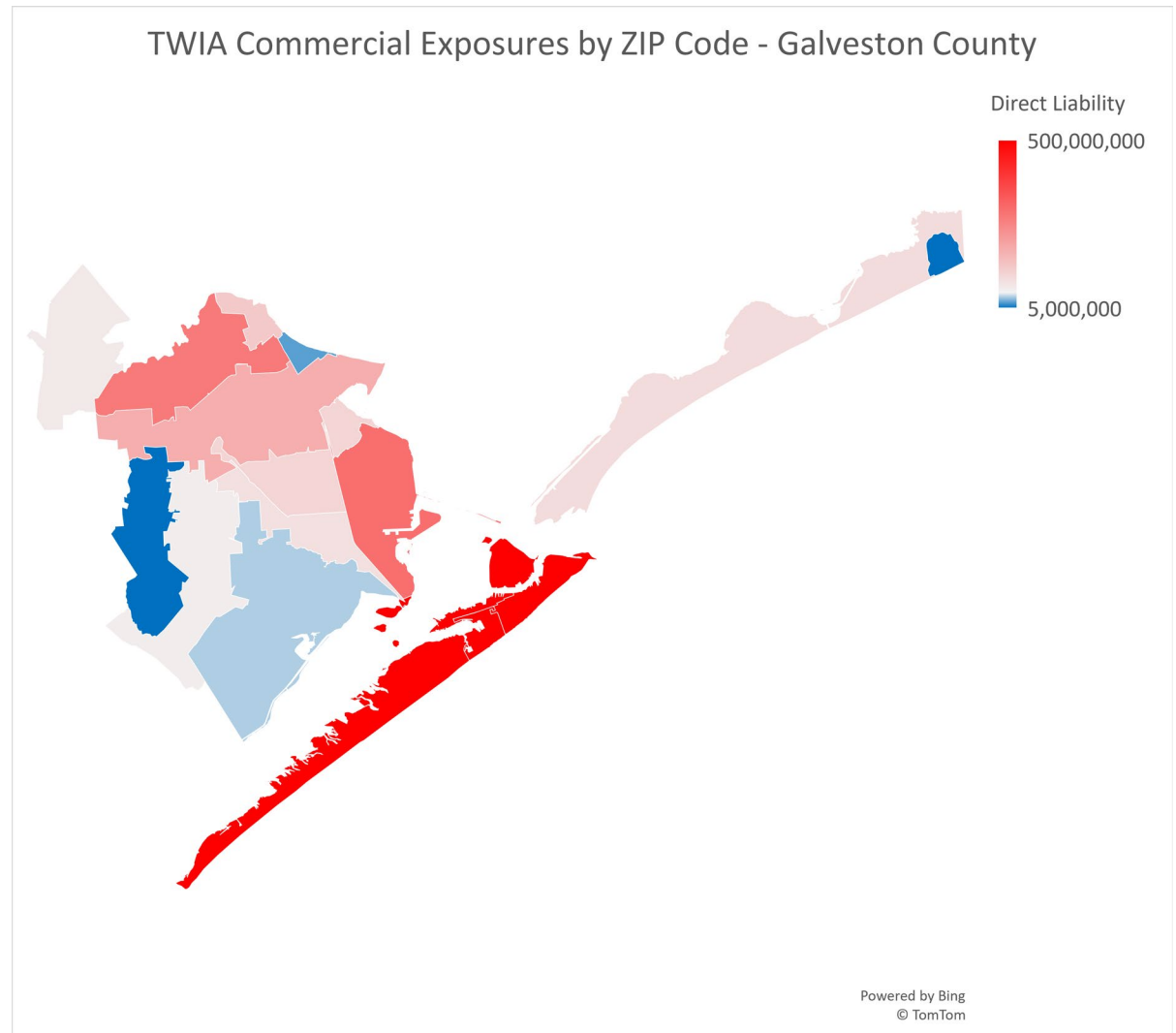
**Texas Windstorm Insurance Association**  
**Analysis of Growth**  
**Commercial Exposures In-Force**



as of September 30, 2023

Galveston County

ZIP Code	Description	Direct Liability
77550	Galveston	960,566,000
77554	Galveston	667,699,000
77551	Galveston	576,025,000
77590	Texas City	293,377,000
77573	League City	272,820,000
77539	Dickinson	176,229,000
77565	Kemah	123,602,000
77591	Texas City	104,120,000
77650	Port Bolivar	90,165,000
77568	La Marque	84,142,000
77553	Galveston	73,033,000
77546	Friendswood	67,180,000
77510	Santa Fe	58,903,000
77563	Hitchcock	37,591,000
77518	Bacliff	21,607,000
77617	Gilchrist	14,049,000
77517	Santa Fe	4,801,000
77623	High Island	3,620,000



**Texas Windstorm Insurance Association**

**Analysis of Growth**

**Residential Exposures In-Force**

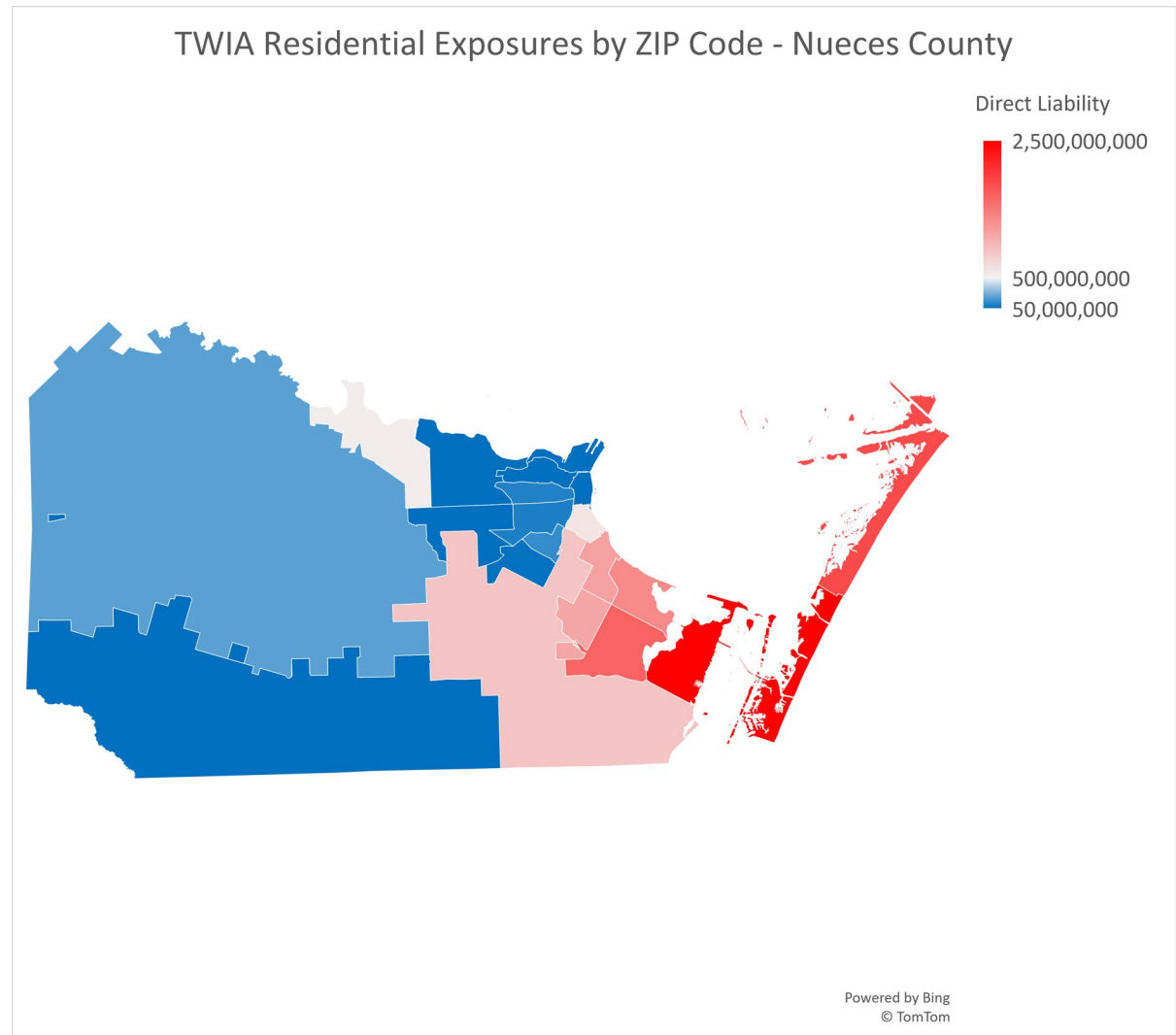
by ZIP Code - Nueces County

as of September 30, 2023



Nueces County

ZIP Code	Description	Direct Liability
78418	Corpus Christi	2,970,859,900
78373	Port Aransas	1,876,624,600
78414	Corpus Christi	1,675,676,300
78412	Corpus Christi	1,355,360,300
78411	Corpus Christi	1,159,942,900
78413	Corpus Christi	1,115,697,300
78415	Corpus Christi	878,516,100
78404	Corpus Christi	603,360,700
78410	Corpus Christi	542,576,300
78380	Robstown	218,079,900
78416	Corpus Christi	148,743,600
78408	Corpus Christi	112,350,000
78405	Corpus Christi	103,684,000
78417	Corpus Christi	57,975,200
78343	Bishop	35,284,700
78402	Corpus Christi	34,063,400
78409	Corpus Christi	28,311,000
78401	Corpus Christi	22,130,000
78407	Corpus Christi	22,118,400
78330	Agua Dulce	4,648,700
78406	Corpus Christi	2,694,300
78469	Corpus Christi	132,000





**Texas Windstorm Insurance Association**

**Analysis of Growth**

**Commercial Exposures In-Force**

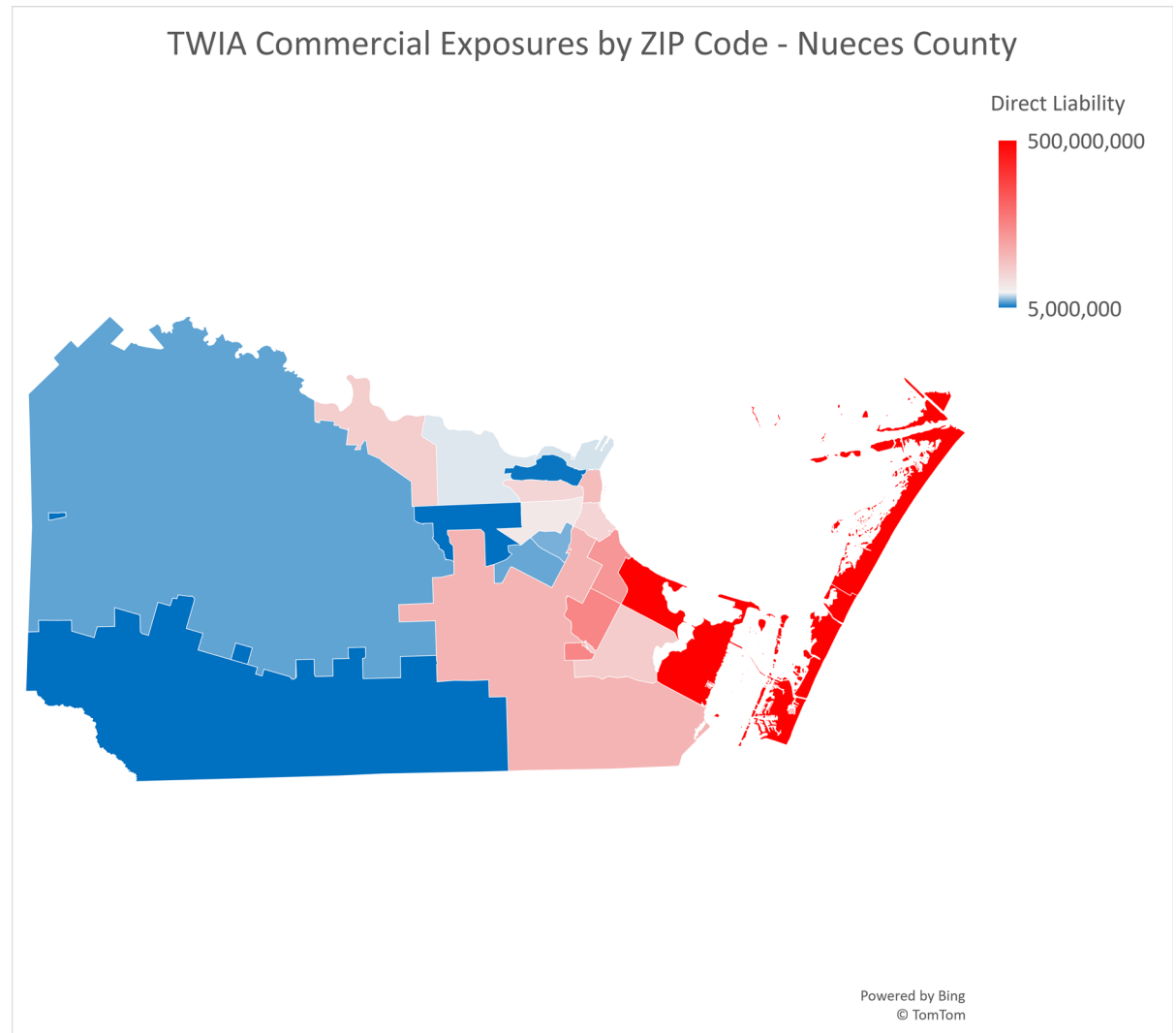
by ZIP Code - Nueces County

as of September 30, 2023



Nueces County

ZIP Code	Description	Direct Liability
78373	Port Aransas	948,475,800
78418	Corpus Christi	629,593,000
78412	Corpus Christi	524,456,000
78413	Corpus Christi	249,972,000
78411	Corpus Christi	220,674,000
78415	Corpus Christi	164,931,500
78401	Corpus Christi	149,691,000
78414	Corpus Christi	121,416,000
78410	Corpus Christi	117,867,000
78404	Corpus Christi	106,413,000
78408	Corpus Christi	104,563,000
78405	Corpus Christi	68,732,000
78409	Corpus Christi	46,287,000
78402	Corpus Christi	44,477,000
78416	Corpus Christi	27,262,000
78417	Corpus Christi	24,158,000
78380	Robstown	22,892,000
78407	Corpus Christi	6,949,000
78343	Bishop	4,906,000
78406	Corpus Christi	3,633,000
78469	Corpus Christi	858,000
78330	Agua Dulce	50,000

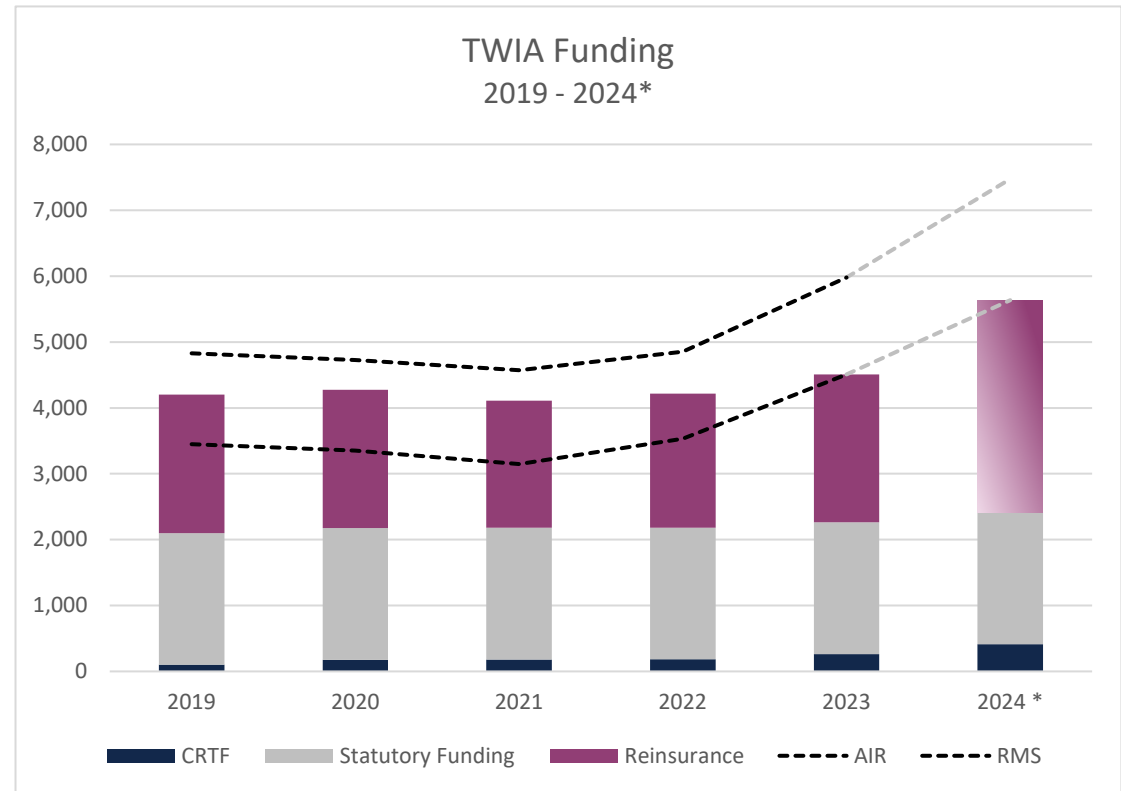


**Texas Windstorm Insurance Association**  
**Analysis of Growth**  
**Impact on Funding**  
**2019 - 2024**



Catastrophe Year	Available CRTF Balance Amount	Change
2019	100	
2020	177	77
2021	179	2
2022	183	4
2023	265	82
* 2024	415	150

Catastrophe Year	Total Funding Amount	Change	Change in Reinsurance
2019	4,200		
2020	4,277	77	0
2021	4,109	-168	-170
2022	4,219	110	106
2023	4,508	289	207
* 2024	5,635	1,127	977



\* 2024 funding is projected for illustrative purposes only; actual amounts have not yet been determined  
 Projections based on estimated CRTF balance and assume 25% growth in modeled and selected 100-Year Probable Maximum Loss (PML)  
 AIR and RMS PMLs shown based on long-term frequency and include 15% provision for loss adjustment expense (LAE)

## 7B. Reserve Adequacy



## MEMORANDUM

---

DATE: November 15, 2023

TO: David Durden  
General Manager

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

RE: TWIA Reserve Adequacy as of September 30, 2023

---

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

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

As of September 30, 2023, TWIA carried \$56.5 million in total gross loss and loss adjustment expense reserves with approximately \$6,000 of the total gross reserve ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. The total gross loss and loss adjustment expense reserves include the reserves for Hurricanes Harvey, Delta, Laura, Hanna, Nicholas, and all other outstanding claims. Collectability risk has been reviewed and found to be immaterial relative to total gross reserves.

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

JM

## 7C. Status of Filings



## MEMORANDUM

DATE: November 15, 2023  
TO: David Durden  
General Manager  
FROM: James C. Murphy, FCAS, MAAA  
Chief Actuary | Vice President, Enterprise Analytics  
RE: Status of Filings

The TWIA Board of Directors directed staff to make two filings at its August 8, 2023 meeting.

TWIA made its annual rate filing on August 14 for no change in TWIA rates. Because this filing was not for an increase, no specific approval from TDI was required.

TWIA also filed for no change to its maximum statutory limits on August 14. The Commissioner did not issue an order disapproving or modifying the filing and it was deemed approved on September 14, pursuant to Texas Ins. Code 2210.501. Following are the maximum statutory limits:

	Current 2023	Approved 2024	% Change
Dwellings and individually owned townhouses	\$1,773,000	\$1,773,000	0%
Manufactured Home	\$115,800	\$115,800	0%
Contents of an apartment, condominium, or townhouse	\$374,000	\$374,000	0%
Commercial structures and associated contents	\$4,424,000	\$4,424,000	0%

JM

# 7D. Automatic Adjusted Building Cost Factors



## MEMORANDUM

DATE: November 20, 2023

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:

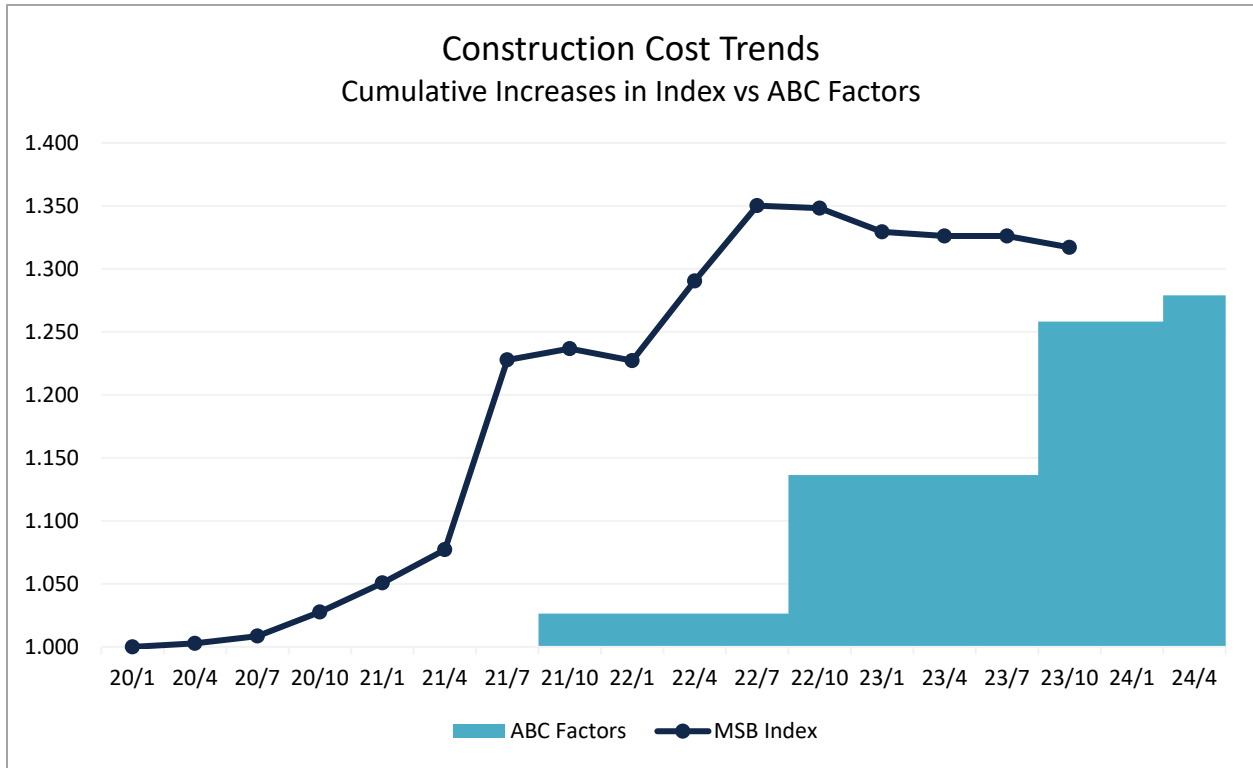
3-Digit ZIP Code	Current 2023	2024
774	10.4%	12.8%
775	10.5%	12.9%
776	10.8%	12.3%
777	10.8%	12.2%
779	10.4%	12.0%
783	11.1%	12.5%
784	11.6%	13.1%
785	10.6%	12.2%
Average	10.8%	12.7%

The updated percentages will apply to all residential policies renewing on or after April 1, 2024.

The following chart illustrates cumulative changes in construction cost indices since 2020 compared to increases resulting from the ABC endorsement, including this update.

JM





## 7E. 2024 Storm Season Funding



## MEMORANDUM

---

DATE: November 28, 2023

TO: David Durden  
General Manager

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

RE: 2024 Reinsurance Program

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Staff has been working closely with TWIA's reinsurance broker, Gallagher Re, and their securities / catastrophe bond affiliate, Gallagher Securities, in preparation for the upcoming 2024 reinsurance placement.

Given the continuing hard market conditions, the need to replace \$500 million of expiring catastrophe bonds in 2024, and a potentially significant increase in the overall size of the reinsurance program due to TWIA exposure growth, Gallagher is recommending that the reinsurance planning and purchasing process begin as soon as possible. To that end, they recommend the TWIA board authorize commencement of the reinsurance placement process at the December 12 meeting, at least in terms of a catastrophe bond transaction to replace the expiring 2021 Alamo Re bonds.

We have drafted the following resolution to assist the Board in the event they agree with the recommendations presented:

Resolved, that TWIA staff is authorized and directed to engage Gallagher Securities and others as recommended by the broker to begin the process of placement of the June 1, 2024 - May 31, 2025 reinsurance program.

JM

## 8. Internal Audit

### 8A. Internal Audit Status Report

# MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association  
FROM: Bruce Zaret, Weaver - Internal Audit  
DATE: December 12, 2023  
SUBJECT: Status of Internal Audit Activities

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

➤ **Current Activities:**

Activity Description	Status
Accounts Payable and Expense Processing	Report issued
Model Audit Rule	Update in progress
Risk Assessment and Audit Plan Update	Completed
Catastrophe Plan Table-Top Exercises	Completed
Depopulation	Report in final review
Accounts Receivable	Report in progress
Database and Application Administration	Report in final review
Reinsurance Funding	Report in progress
Underwriting	Fieldwork wrap-up phase
Actuarial	Reporting in progress
Legal and Compliance	Fieldwork planning phase

➤ **Upcoming Audits and Activities:**

Activity Description	Timing
Cash Management	1st/2nd Quarter 2024
Strategic Communications	1st/2nd Quarter 2024
Plan of Operation	1st/2nd Quarter 2024

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

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

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

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

## 8B. Internal Audit Risk Assessment and Internal Audit Plan



## MEMORANDUM

TO: Mr. David Durden, General Manager  
Texas Windstorm Insurance Association

FROM: Bruce Zaret, Partner  
Weaver

DATE: December 12, 2023

SUBJECT: Risk Assessment and Internal Audit Plan Resolution

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In conjunction with International Standards for the Professional practice of Internal Auditing, Weaver is presenting the annual risk assessment update and internal audit plan to the Board and Governing Committee for review and approval at the upcoming December 12, 2023 meeting in Corpus Christi. The annual risk assessment was updated by management with assistance by Weaver and was used in determining the rolling three-year internal audit plan for fiscal years 2024 through 2026. These documents are presented in the accompanying materials.

The risk assessment and the internal audit plan are completed to assist association management with its risk mitigation efforts and continuous evaluation of processes to improve efficiencies. The risk assessment and internal audit plan are not static documents; rather, they are dynamic and evolve based on the association's changing operating environment and risk factors. Input by the Board is appreciated in the risk evaluation process and in determining areas subject to audit.

If the materials are acceptable, Weaver requests the TWIA Board pass the following resolution at their upcoming meetings in Corpus Christi:

Resolved, that the updated risk assessment and the audit plan for 2024-2026 are approved as presented.





# Texas Windstorm Insurance Association Risk Assessment and Internal Audit Plan Update

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December 12, 2023



# Risk Assessment Process

- ✓ **Purpose:** The accompanying risk assessment has been completed for the purpose of developing an internal audit plan. This risk assessment, therefore, is not an enterprise-wide risk assessment, which may consider other risk characteristics.
- ✓ Risk Assessments:
  - Are required by professional internal audit standards
  - Allow internal auditors to focus resources on the areas of greatest risk
  - Result in a comprehensive internal audit plan that identifies the specific areas of focus over a period of time
  - The frequency of internal audits performed is based on the over risk assessed, risk trends and other qualitative factors

# Risk Assessment Update Process



- Review results of prior risk assessments as benchmark criteria
  - Receive feedback from the Executive Leadership Team
  - Review financial risks, process documentation, and strategic initiatives
  - Consider industry best practices
- 
- Evaluate inherent risk of probability and impact
  - Consider current and anticipated business changes
  - For key operating areas, evaluate financial/transaction significance and risk trends
  - Consider the current control environment: staffing, policies, culture, anticipated changes in the environment
  - Assess the degree of legal/regulatory compliance requirements
- 
- Summarize risk ratings by business process area
  - Develop internal audit plans for 2024, 2025 and 2026 to monitor and mitigate process risks

# Risk Culture Observations

Weaver observed the following organizational culture characteristics while developing the Risk Assessment and Audit Plan:

- ✓ Tone-at-the-top fosters strong control-focused culture
- ✓ Management thoughtfully discussed the risk assessments with Weaver for each business process area
- ✓ Policyholder communications – the Association is proactive in outreach to Texas communities about coverage and protecting property from loss
- ✓ Management has a vested interest in the internal audit process and is very responsive to our request items and feedback during the course of the audits conducted

# Risk Assessment Definitions

## Risks were evaluated based on inherent versus residual risk

**Inherent Risk:** The natural risk (exposure) in the significant activities of the organization ***without consideration of internal controls*** or other actions that mitigate risk.



Vs.



\*The Inherent Risk Assessment was used in developing the proposed areas of the internal audit plan. The plan is subject to review and approval of the Board.



## Financial Stability Risks –

- The risk the Association will fail to adequately forecast and plan to achieve necessary cash flow, manage liquidity, receive adequate funding and accurately report financial results.



## Operations Risks –

- The risk that internal operations do not adequately identify and provide for the needs of the Association's policyholders.
- The risk the Association's daily processes are not effectively designed to prevent and detect errors or adequately process claim volumes.
- The risk that the diverse nature of the Association's operations, processes, and/or underlying mechanics mitigate the economies of scale to efficiently execute transactions and processes.



## Legal and Compliance Risks –

- The risk that legislative and political activities and decisions will have an adverse impact on the Association and inhibit its ability to achieve strategic objectives, or that regulatory changes impair operations and the ability to conduct business.



## Reputational Risks –

- The risk of an event generating poor public opinion and/or reduced employee commitment. Considers policyholder relations, agent relations, internal and external communications, data privacy, headline risk, etc.



## Fraud Risks –

- The risk of the occurrence of illegal acts characterized by deceit, concealment, or violation of trust. Risks associated with dollar volume, non-conformance with ethical standards, and complexity of operations making detection more difficult.



## Information Technology Risks –

- The risk the Association's IT strategy is not aligned with the business model to embrace and rely on technology. Also includes the risk the Association is highly dependent on technology to execute strategic operations and that IT infrastructure and systems are not consistently available and reliable.

# Risk Assessment Results

2023 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Funding Sources and Reinsurance</b>	<ul style="list-style-type: none"> <li>• Funding Sources</li> <li>• Execution of Agreements</li> <li>• Billing and Recoverables</li> <li>• Risk Transfer</li> <li>• Reinsurer Credit Risk Monitoring</li> <li>• Buying and Placement</li> <li>• CAT Bond Market Funding</li> </ul>	High	High	High	↑	X	X	X	X			Risk is trending higher due to hardening reinsurance market and probable decline in reinsurance capacity for catastrophic risks. Risk of increased funding cost is also trending higher.
<b>Information Security</b>	<ul style="list-style-type: none"> <li>• Mobile Security</li> <li>• Logical Access (Database, OS, Application)</li> <li>• Physical Access</li> <li>• Cybersecurity and Cybersecurity Insurance</li> </ul>	High	High	High	↑		X		X	X	X	Risk is trending higher due to geopolitical risks and the velocity and evolution of cyber threats. Data risk and application programming interface (API) security risk will increase moving into 2025 as the Association migrates to cloud computing. Independent tests by CDW Corporation and others show that effective controls are in place over cybersecurity. Any residual risk has been addressed with the purchase of cyber insurance.

<sup>1</sup> Risk trend includes both internal and external factors.



# Risk Assessment Results – cont.

## 2023 Risk Assessment Summary

Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Emergency Planning</b>	<ul style="list-style-type: none"> <li>• Continuity of Operations Plans (COOP)</li> <li>• CAT (Operations) and Business Continuity Planning (TWIA and Claimants)</li> <li>• Disaster Recovery Planning (COOPs extension to IT)</li> <li>• Safety Planning</li> </ul>	High	High	High	↑		X		X		X	Risk is trending higher due to challenges with executing the individual departmental business continuity plans in a consistent and seamless manner. These challenges also extend to COOP testing and training of a remote workforce. While emergency planning has always been a focus of the Association, more demands on emergency resources throughout the U.S. could impact response time should multiple events occur simultaneously.
<b>Customer Experience</b>	<ul style="list-style-type: none"> <li>• Customer Experience</li> <li>• Policy Services</li> <li>• Communications</li> <li>• Claims</li> <li>• Agent Services</li> </ul>	Not Rated	High	High	↔		X	X	X		X	Risk trend is stable as there are existing and planned initiatives to address and improve the customer experience over the next one to three years. Customer experience feedback from policyholders, agents and across the Association will help with a culture of self-assessment and continuous improvement.

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

2023 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Underwriting and Policy Services</b>	<ul style="list-style-type: none"> <li>• Application &amp; Quoting Process</li> <li>• Policy Issuance Process (includes Billing)</li> <li>• Agent Registration</li> <li>• Policy Eligibility Determination Process</li> <li>• Fraud Reporting Process</li> <li>• Inspection Process</li> <li>• Agent Commissions</li> <li>• Association Mergers</li> <li>• Risk Evaluation and Pricing Process</li> <li>• QA/Audit Process</li> <li>• Policyholder/Agent Complaint Process</li> <li>• Appeal Process</li> <li>• Voluntary Market Contraction</li> </ul>	Moderate	High	High	↑	X	X	X	X	X	X	<p>Risk is trending higher due to increase in policy count without a corresponding increase in staffing/resources. Potential resource constraints increase policy service risk with more policies in force. Management is in the process of resolving any items related to the Project Elevate implementation. Transition to the cloud in 2025 will result in changes for the Underwriting Department.</p>

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

2023 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Claims Processing</b>	<ul style="list-style-type: none"> <li>• Intake/FNOL Process</li> <li>• Triage/Assign Claim</li> <li>• Investigate Claim</li> <li>• Evaluate Claim</li> <li>• Resolve Claim</li> <li>• Recover Damages</li> <li>• Compliance (Legislative &amp; TDI Regulations)</li> <li>• Litigation/Disputed Claims</li> <li>• Quality Assurance</li> <li>• Vendor Management</li> </ul>	High	High	High	↑	X	X	X	X	X	X	<p>The risk is trending higher due to the increase in frequency and severity of claims. Claims are processed in accordance with TDI regulatory and TWIA guidelines. There is a dependency on third-party adjusters in the event of a named storm or hurricane, whereby quality resources may not be available should more than one weather event occur in the Gulf or Atlantic seaboard. The recent impact of inflation and labor and material shortages have increased the financial and legal risks. Overall risk remains high.</p>

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

## 2023 Risk Assessment Summary

Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Human Resources Administration and Talent Retention</b>	<ul style="list-style-type: none"> <li>• Recruiting/Selection</li> <li>• Benefits Management</li> <li>• Compensation Management</li> <li>• Onboard/Offboarding</li> <li>• Termination Process</li> <li>• Complaints, Grievances, and Disputes (Employment)</li> <li>• Privacy and Employee Compliance</li> <li>• Retention</li> <li>• Succession Planning</li> </ul>	High	High	High	↑	X	X	X	X			<p>Currently, there is a high demand for experienced talent coupled with low supply of qualified candidates. This environment creates more retention challenges along with increased compensation cost. As TWIA has transitioned to a primarily remote working environment, the risk has been offset some by the wider candidate pool. Leadership Development Program has been implemented to increase knowledge and skills of internal personnel. Requisitions are being posted on a variety of sites and staffing agencies are also being utilized to fill open roles.</p> <p>Additional risk is also considered for the vacancy of the VP of People and Business Operations position.</p>

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

2023 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Legislative &amp; External Affairs</b>	<ul style="list-style-type: none"> <li>• Media Relations</li> <li>• Legislative Affairs</li> <li>• Implementation of Legislative Changes</li> <li>• Development of Legislative Recommendations</li> <li>• Board Meeting Communications and Postings</li> <li>• Board Meeting Updates</li> <li>• Annual Reporting</li> <li>• Agent Advisory Group Coordination</li> <li>• Agent Commission Study</li> </ul>	High	High	High	↔			X	X			<p>The risk is stable due to the positive relationship with the legislature, recently strengthened by the 2023 legislative session. However, there are vacancies and resource constraints within the Department. Agent Commission Study will be presented to the Board in December 2023.</p>

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

2023 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Strategic Communications</b>	<ul style="list-style-type: none"> <li>• Agent/Policyholder Communications</li> <li>• Internal Communications and Coordination</li> <li>• Branding (Reputation Management)</li> <li>• Organizational Change Management</li> <li>• Digital Media</li> <li>• Community Outreach</li> <li>• Website Design and Updates</li> <li>• Website Maintenance and Security</li> </ul>	High	High	High	↔		X	X	X		X	Communication requirements are demanding, though processes are stable and adequately meet demands of stakeholders.
<b>Actuarial (Pricing and Reserving)</b>	<ul style="list-style-type: none"> <li>• Case Reserving</li> <li>• Data Capture and Accuracy</li> <li>• IBNR Estimation</li> <li>• Premium Rate Changes</li> <li>• Reporting and Analytics</li> </ul>	High	High	High	↑	X	X	X	X	X	X	Reserves have heavy reliance on data accuracy and assumptions used in determining final estimates. Risk trend is increasing due to pricing challenges and the complexity in the assumptions used in the reserve estimation processes (i.e. cost estimates)

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

2023 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Executive Management, Management Planning and Reporting</b>	<ul style="list-style-type: none"> <li>• Plan of Operation</li> <li>• Operational Planning and Reporting</li> <li>• Board Reporting</li> <li>• Strategic Planning and Execution</li> <li>• Talent Retention</li> <li>• Succession Planning</li> </ul>	Moderate	High	High	↑		X		X			Risk trending higher due to the departure of the VP of People and Business Operations. Interim personnel will need time to learn new roles. Additionally, due to the strong job market, there is increased risk in retaining top talent and succession planning.
<b>Information Technology Services</b>	<ul style="list-style-type: none"> <li>• Network Operations (including Monitoring, Tools)</li> <li>• Help Desk</li> <li>• Change Management</li> <li>• Hardware Management</li> <li>• IT Vendor Management</li> <li>• Cloud Management</li> <li>• Disaster Recovery Planning (IT)</li> <li>• Microsoft 365 Management</li> </ul>	Moderate	Moderate	Moderate	↔		X	X	X	X	X	<p>Risk is moderate as TWIA has a 90% virtualized production environment with a new Storage Area Network (SAN) in a DataBank Tier III facility. Additionally, hardware is 100% in support.</p> <p>The Association will migrate to the cloud in 2025 and will need to consider third party vendor risk and obtain SOC reports.</p>

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

2023 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Database and Application Administration</b>	<ul style="list-style-type: none"> <li>• Database Administration</li> <li>• Application Management</li> <li>• Systems Administration</li> <li>• Report Administration</li> <li>• Software Licensing and Usage</li> <li>• Telephone Systems</li> </ul>	High	Moderate	Moderate	↔		X		X	X	X	<p>Risk is moderate with a stable trend as management implemented Project Elevate across the association in April 2022 and is working to resolve preliminary issues. Risk is expected to increase in 2025 as the Association transitions from a proven, on-premises application/database development environment that has been stable for 11 years to a new development environment in the cloud, where all the controls will have to be reimplemented from scratch. Once converted to the cloud, stability will be in transition for a short period of time.</p> <p>Additionally, telephone systems are currently in need of an update.</p>

<sup>1</sup> Risk trend includes both internal and external factors.



# Risk Assessment Results – cont.

## 2023 Risk Assessment Summary

Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Legal &amp; Compliance</b>	<ul style="list-style-type: none"> <li>• Complaint Process (Administrative Code)</li> <li>• Contracts Management Process (New or Renewal)</li> <li>• Conflict Disclosures / Ethics Process</li> <li>• 3rd Party (Vendor, Policy Holder) Fraud Reporting Process</li> <li>• Records Retention Process</li> <li>• Public Information / Open Records</li> <li>• E-discovery</li> <li>• Association Policy Management</li> <li>• Filings (Policy Forms &amp; Endorsements, TDI, non-financial statement)</li> <li>• Sanctions Checking Process-FCPA/OFAC Compliance</li> <li>• Vendor Management Process (Including Due Diligence)</li> <li>• Legislative Changes</li> <li>• Claims and Non-Claims Litigation</li> </ul>	High	Moderate	Moderate	↔			X	X			<p>Risk is stable as meeting legal and compliance demands is not over burdensome. However, the department is in a period of transition due to an executive position vacancy.</p> <p>New Senate Bill 2232 authorizes the Association to establish standards that agents must comply with to offer or sell a TWIA policy. The Association will solicit feedback from TWIA's Agent Advisory Group and other key agent stakeholders to develop these standards and performance requirements.</p>

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

## 2023 Risk Assessment Summary

Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Financial Close and Reporting</b>	<ul style="list-style-type: none"> <li>• Period End Closing Process</li> <li>• Expense Allocation</li> <li>• Statutory Financial Statement Preparation</li> <li>• GASB Compliance</li> <li>• TDI / Statutory Data Calls</li> <li>• General Ledger Recording and Maintenance</li> <li>• Account Reconciliations</li> <li>• Fixed Assets</li> <li>• Escheatment/Unclaimed Property</li> <li>• Debt Arrangements</li> <li>• Revenue Recognition</li> </ul>	Moderate	Moderate	Moderate	↔	X		X	X	X	X	Though changes have occurred with accounting staff, key accounting personnel remain in place and stable. There have been no significant changes in accounting standards. The department is adequately staffed to perform required controls.
<b>Accounts Payable and Expense Processing</b>	<ul style="list-style-type: none"> <li>• Vendor Management (Set-up &amp; Payments)</li> <li>• Accounts Payable Processing (Invoice Routing and Approval)</li> <li>• Check Disbursements</li> <li>• Expense Coding</li> <li>• Employee Expense Reimbursement</li> <li>• Company Credit Card Processing</li> <li>• One Time Payments via Company Credit Cards</li> </ul>	Moderate	Moderate	Moderate	↔	X	X		X	X	X	Vendor management software has been implemented to centralize controls over contract monitoring. The Association is currently in the process of moving all software systems onto third party vendor servers.

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

2023 Risk Assessment Summary													
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>	
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT		
<b>Application Development</b>	<ul style="list-style-type: none"> <li>• System Development Life Cycle</li> <li>• Project Management Office / Life Cycle</li> </ul>	Moderate	Moderate	Moderate	↔		X		X			X	Risk is stable as management implemented Project Elevate across the association in April 2022. Additionally, the Association will migrate to the cloud in 2025.
<b>Payroll</b>	<ul style="list-style-type: none"> <li>• Timekeeping and Approval</li> <li>• Payroll Adjustments (Manual)</li> <li>• Payroll Process and Disbursement</li> <li>• Payroll Taxes</li> <li>• Compliance Reporting</li> <li>• Distributions &amp; Voluntary Deductions</li> </ul>	Moderate	Moderate	Moderate	↔	X	X	X	X	X	X		Risk has stabilized as the Association is more experienced in calculating payroll taxes of employees in light of the primarily remote working environment.

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

2023 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Accounts Receivable</b>	<ul style="list-style-type: none"> <li>• Billing</li> <li>• Collections and Deposits</li> <li>• Customer Account Maintenance</li> <li>• Past Due A/R, Non-admitted and write-offs</li> <li>• Refunds</li> <li>• System Reconciliation</li> </ul>	Moderate	Moderate	Moderate	↑	X	X		X	X	X	Transition from Payconnexion (Chase Bank) to new Chase Bank system has been implemented. These platform changes keep the risk trending high as personnel adapt to new systems and as the volume of payment plans increase.
<b>Facilities and Services</b>	<ul style="list-style-type: none"> <li>• Building Access &amp; Physical Security</li> <li>• Mail and Routing</li> <li>• Facilities Maintenance</li> <li>• Events/Training Management</li> <li>• Premises Insurance (COVID)</li> </ul>	Low	Moderate	Low	↔		X					Risk is stable since the Association has moved to it's new location and has been fully operational for months.

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

2023 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Depopulation</b>	<ul style="list-style-type: none"> <li>• Voluntary Depopulation</li> <li>• Assumption Reinsurance</li> <li>• Journal Entries to Remove Underwriting Activity</li> </ul>	Moderate	Moderate	Low	↓	X	X		X			<p>Risk is trending lower as the number of policies in depopulation continues to decrease.</p> <p>There were no participating carriers in 2023 and will be none in 2024.</p>
<b>Environmental, Social, and Corporate Governance</b>	<ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Diversity and Inclusivity</li> <li>• Climate-conscious Decision Making</li> <li>• Management Structure</li> <li>• Employee Relations</li> <li>• Fair Compensation</li> <li>• Charitable Contributions</li> </ul>	Low	Low	Low	↔		X		X			<p>Issues currently dominating discussions with insurers and reinsurers:</p> <ul style="list-style-type: none"> <li>-Environmental: climate</li> <li>-Social: building trust</li> <li>-Governance: policy setting</li> </ul>

<sup>1</sup> Risk trend includes both internal and external factors.

# Risk Assessment Results – cont.

2023 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2021	2022	2023		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Cash Management</b>	<ul style="list-style-type: none"> <li>• Banking General</li> <li>• Lockbox</li> <li>• Credit Cards</li> <li>• Wire Transfers</li> <li>• Void Stop Payments</li> <li>• Positive Pay</li> <li>• Cash Forecasting</li> <li>• Bank Account Reconciliation</li> <li>• Cash and Cash Equivalent Investments Management</li> <li>• Funding Stack Execution</li> </ul>	Low	Low	Low	↔	X	X	X	X	X	X	Risk is stable due to TDI requirements on banking & investments for the Association.
<b>Premium Taxes</b>	<ul style="list-style-type: none"> <li>• Premium Taxes</li> <li>• Premium Tax Preparation and Compliance</li> </ul>	Low	Low	Low	↔	X		X				No changes in system applications, processes, regulations or personnel. The overall risk environment remains stable.

<sup>1</sup> Risk trend includes both internal and external factors.

# Audit Plan 2024-2026

- The proposed **audit plan has been** developed using results of the Risk Assessment and considered:
  - Risk trend
  - Results of past audits
  - Changes in the control environment
  - New software applications
  - Other qualitative factors



# Proposed Three Year Audit Plan



Process Area	Last Report Date	2023 Inherent Risk Rating	2022	2023	2024	2025	2026
Funding Sources and Reinsurance	Nov. 2020	High		x			x
Information Security	Apr. 2022	High	x			x	
Emergency Planning/COOP	Nov. 2022	High	x			x	
Customer Experience	N/A	High			x		
Underwriting and Policy Services	Nov. 2023	High		x			x
Claims Processing	Dec. 2022	High	x			x	
Human Resources Administration and Talent Retention	Dec. 2022	High	x				x
Legislative & External Affairs	N/A	High			x		
Strategic Communications	Mar. 2021	High			x		x
Actuarial (Pricing and Reserving)	Sept. 2023	High		x		x	
Executive Management, Management Planning and Reporting (including Plan of Operation)	May 2021	High			x		
Information Technology Services	Apr. 2022	Moderate	x			x	
Database and Application Administration	Oct. 2020	Moderate		x		x	
Legal & Compliance (including Vendor Management)	Mar. 2021	Moderate		x			x
Financial Close and Reporting <sup>(1)</sup>	Dec. 2020	Moderate			x		
Accounts Payable and Expense Processing <sup>(1)</sup>	Aug. 2023	Moderate		x			
Application Development	N/A	Moderate		x		x	
Payroll	Dec. 2022	Moderate	x				x
Accounts Receivable <sup>(1)</sup>	Oct. 2023	Moderate		x			
Facilities and Services	May 2023	Low		x			
Depopulation	Oct. 2023	Low		x			
Environmental, Social, and Corporate Governance	N/A	Low					
Cash Management	Aug. 2021	Low			x		
Premium Taxes	July. 2021	Low				x	

**Note:** Model Audit Rule documentation will be updated and the annual risk assessment will be performed in 2024.

**(1)** Process area is also addressed in Model Audit Rule testing, and therefore, audit frequency has been modified.



# Discussion



# 9. Underwriting Operational Review Update



## MEMORANDUM

DATE: November 22, 2023

TO: David Durden, General Manager

FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

### Third Quarter 2023 Results

TWIA Underwriting Metrics	Monthly Summary			Quarterly Summary			YTD		
	Jul-23	Aug-23	Sep-23	Q1 2023	Q2 2023	Q3 2023	2023	2023 Goal	▲
Transaction Issuance	99.15%	97.83%	99.95%	97%	97.85%	98.98%	97.94%	90%	7.94
Internal Underwriting QA	99.57%	98.38%	98.93%	99.48%	99.46%	98.96%	99.30%	99%	0.3
Phone Service Level	86.80%	88.59%	91%	76%	82.49%	88.80%	82.43%	80%	2.43
Internal Telephone QA	96.70%	96.65%	98%	95.67%	96.47%	96.70%	96.28%	95%	1.28

#### I. Overview:

- 98.98% of transactions were issued within 10 days of receiving the application and payment
  - a. 73% of the transactions were straight through processed by the system
  - b. 27% of the transactions were referred by the system to Underwriting for additional information, review, and approval prior to issuance
- Out of 94,914 calls for the quarter, 88.80% of the calls were answered under 20 seconds

#### II. Agency Compliance Audits:

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

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



- All policies/agents reviewed were one hundred (100%) percent compliant with the flood coverage requirements. Noting that only 1.5% of the policies selected/reviewed required flood insurance.
- All agents selected have an active property and casualty insurance license.

## 10. Claims

### 10A. Claims Operations

## TWIA Claims Operations 2023

TWIA Claims - 2023 Results (through Q3)					
Key Cycle Times (In days)	Industry Average, TX	TWIA	TWIA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	6.0	3.5	<3	0.5	17%
Inspect Property to Receipt by TWIA	4.0	1.9	<8	-6.1	-76%
Total Cycle Time FNOL to Payment - Daily	N/A	9.9	<12	-2.1	-13%
Total Cycle Time FNOL to Payment - Cat	N/A	9.6	<12	-2.4	-15%
TDI Complaint Ratio					
2022	0.29% - 14 complaints from 5,066 new claims				
2023	0.21% - 16 complaints from 7,479 new claims				

Year	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Actual Volume	483	534	383	323	472	466	324	410	349	834	567	693	924	1,257	1,238	608	773	585
Actuarial Projected	1,622	1,622	450	454	651	651	658	319	319	669	467	467	1,698	1,698	471	475	681	681
Staffing Plan	546	546	546	546	546	546	546	546	546	572	572	572	572	572	572	572	572	572
Open Inventory	4,834	4,446	3,865	3,521	3,248	3,068	3,010	2,973	2,892	3,217	3,402	3,465	3,453	3,756	4,252	4,116	4,007	3,843

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	7,479

## TWIA - Claim Severity by Accident Year and LOB

### Reported Claims by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Claims	% Δ	Claims	% Δ	Claims	% Δ
2019	6,530	-	159	-	6,689	-
2020	14,464	121.5%	377	137.1%	14,841	121.9%
2021	12,261	-15.2%	286	-24.1%	12,547	-15.5%
2022	4,416	-64.0%	60	-79.0%	4,476	-64.3%
2023	7,272	64.7%	149	148.3%	7,421	65.8%

### Incurred Amounts by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2019	\$16,443,573	-	\$941,867	-	\$17,385,440	-
2020	\$56,549,615	243.9%	\$7,132,559	657.3%	\$63,682,174	266.3%
2021	\$57,736,025	2.1%	\$7,987,025	12.0%	\$65,723,050	3.2%
2022	\$26,167,542	-54.7%	\$1,447,225	-81.9%	\$27,614,767	-58.0%
2023	\$48,178,255	84.1%	\$3,890,574	168.8%	\$52,068,829	88.6%

### Incurred Claim Severity by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Severity	% Δ	Severity	% Δ	Severity	% Δ
2019	\$2,518	-	\$5,924	-	\$2,599	-
2020	\$3,910	55.3%	\$18,919	219.4%	\$4,291	65.1%
2021	\$4,709	20.4%	\$27,927	47.6%	\$5,238	22.1%
2022	\$5,926	25.8%	\$24,120	-13.6%	\$6,170	17.8%
2023	\$6,625	11.8%	\$26,111	8.3%	\$7,016	13.7%

\*Case incurred amounts exclude loss adjustment expenses and IBNR reserves

## 10B. Claims Litigation

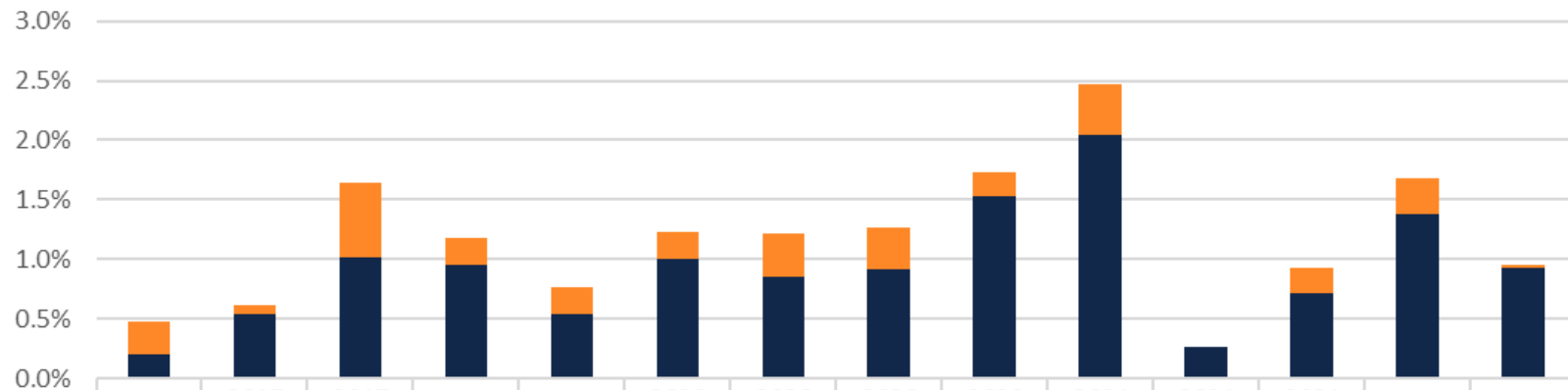




## TWIA Litigation Summary

### TWIA Historical Litigation Rates

Overall Rate 2016 to Present: 1.4%



	2016	2017 Non-Cat	2017 Harvey	2018	2019	2020 Non-Cat	2020 Hanna	2020 Laura	2020 Delta	2021 Non-Cat	2021 Uri	2021 Nicholas	2022	2023
NOIS Rate	0.2%	0.5%	1.0%	0.9%	0.5%	1.0%	0.8%	0.9%	1.5%	2.0%	0.3%	0.7%	1.4%	0.9%
Suit Rate	0.3%	0.1%	0.6%	0.2%	0.2%	0.2%	0.4%	0.3%	0.2%	0.4%	0.0%	0.2%	0.3%	0.0%
Total Claims	7,883	6,178	76,728	4,647	6,689	4,789	1,650	4,345	4,057	5,416	376	6,755	4,476	7,339

\*NOIS: Notice of Intent to Sue



## TWIA Litigation Tracking Activity

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### Litigation Quarter Summary

### Third Quarter 2023

3rd Quarter 2023	Summary of TWIA Claims in Suit			
		New	Settled	Closed
	July	1	0	2
	August	0	0	0
	September	3	0	15
	4	0	17	

3rd Quarter 2023	Summary of TWIA Claims with LORs			
		New	Settled	Closed
	July	21	0	19
	August	30	0	28
	September	19	0	25
	70	0	72	

### TWIA Claims Litigation



## September 2023

Sep-23	TWIA Claims in Suit				
	Category	Beginning Inventory	New	Closed	Ending Inventory
	Pre-HB3	0	0	0	0
	HB3	114	3	(15)	102
TOTAL	114	3	(15)	102	

Sep-23	TWIA Claims with LORs					
	Category	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
	Pre-HB3	0	0	0	0	0
	HB3	324	19	(25)	(3)	315
TOTAL	324	19	(25)	(3)	315	

Sep-23	TWIA Claims with Suits/LORs: Detail of Ending Inventory											
	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
		Suits		LORs		Total	Suits		LORs		Total	
		Res	Comm	Res	Comm		Res	Comm	Res	Comm		
Pre-HB3	0	0	0	0	0	0	0	0	0	0	0	0
HB3	78	24	304	11	417	0	0	0	0	0	0	417
TOTAL	78	24	304	11	417	0	0	0	0	0	0	417

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TWIA Active Pre-HB3 Claims w/ Suits/LORs: Breakdown by Firm and County



Firm	Chambers	Galveston	Jefferson	Total
Buzbee	0	0	0	0
Hodge Law Firm	0	0	0	0
TOTAL	0	0	0	0

Sep-23	TWIA Active HB3 Claims with Suits/LORs: Breakdown by County											
	Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Matagorda	Nueces	San Patricio	Grand Total
	6	70	3	130	3	91	10	57	12	29	6	417

Sep-23	TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	#
	Furlow Law Firm	98
	Baker Law	70
	Chad T. Wilson	55
	Palker Law Firm	37
	Hodge Law Firm	17
	Daly & Black	13
	Crowell & Kucera	9
	Omar Ochoa Law Firm	9
	Brasher Law Firm	8
	Gibson Legal Group, PLLC	7
	Carrigan & Anderson	6
	Remaining 57 firms	88
	TOTAL	417

# 11. TWIA Operations

## 11A. IT Systems Update



## MEMORANDUM

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DATE: November 22, 2023  
TO: David Durden, General Manager  
FROM: Camron Malik, CIO / VP IT  
RE: TWIA Information Technology status

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We addressed the performance issues identified by agents earlier this year and are continuing to monitor for any future issues. Overall, the systems are functioning well and we continue to work projects and provide on-going support to the business. The team also continues to work with agents to get a better understanding of the usage scenarios and evaluate features requested by users.

All projects are making progress and are on track. The approach to the Surcharge for Bonds project was changed to “Just-in-Time” to accommodate other projects with earlier deliveries and the need for Surcharge was reduced due to the end of storm season. However, coding is 93% complete, Quality Assurance is 86% done and User Acceptance Testing is 78% complete.

As far as the budget is concerned, IT is currently \$394K below projections for the year.

The Cloud program continues with prep work involving technical and system architecture discussions with Guidewire and Zensar (System Integrator). The technical upgrade (moving code to the latest cloud version and updating interfaces) is underway and is on schedule to be completed by the end of the month. In the meantime meetings with the System Integrator have begun, to identify the design changes and impacts of the work. The program is still expected to start at the beginning of January 2024.

Overall systems continue in production support mode with a monthly cadence of releases and the Infrastructure and Operations team continues to support the organization with excellent quality. All technology efforts are moving according to plan.

## 11B. Communications and Legislative Update



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## MEMORANDUM

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DATE: November 21, 2023  
TO: David Durden, General Manager  
FROM: Sarah Edstrom, Senior Manager, Strategic Communications  
RE: Communications Operational Highlights

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### **Mission, Vision, and Values:**

In support of achieving TWIA's mission and reflecting our values, we:

- Held monthly town hall meetings with leadership to foster open communication and address employee queries.
- Developed and provided updated branded templates for the ELT's review.
- Produced change management and communications plans supporting Enterprise projects such as the Legislative Implementation Program, Association Surcharge preparation, and others.

### **Hurricane Preparedness Program:**

We begin preparing for the next season at the end of every hurricane season. The Hurricane Preparedness Program begins by building upon the previous year's work. Additions to the program this year included a series of videos created for different phases of a storm: before the storm hits, after the storm hits, and the first month of the claims process.

### **Operational Updates:**

We continued outreach and communication with stakeholders about TWIA's operational activities via:

- Our digital channels, such as the refreshed [twia.org](http://twia.org) website, which features a WPI-8-C look up tool. The tool enables policyholders and agents to see if a property address has a TWIA-issued certificate on file and request it 24/7.
- Email updates to the agent community.
- And social media posts.





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TEXAS WINDSTORM  
INSURANCE ASSOCIATION

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**Policy and Endorsement Awareness Communications:**

To build awareness about the Increased Cost of Construction (ICC) endorsement, we have created a one-page handout, graphic, Agent Bulletin, and web post materials.

- The materials describe the coverage and provide a cost comparison of the endorsement and estimated code upgrade repairs.
- The content is appropriate for both policyholders and agents and can be printed, downloaded, sent via email, or accessed on our website and Facebook.



## MEMORANDUM

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DATE: November 22, 2023  
TO: David Durden, General Manager  
FROM: Anna Stafford, Senior Manager, Legislative & External Affairs  
RE: Legislative Affairs & External Affairs Operational Highlights

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### I. Legislative & Regulatory Affairs

- a) Legislative Implementation: Staff have launched a Legislative Implementation Program for the 88th Session (LIP 88) to put into effect the new laws impacting Association operations. Following is the status of enacted Association-related legislation:
- Senate Bill 2232 – Agent Requirements: This bill allows TWIA to implement requirements agents must comply with to offer or sell an Association policy. Staff are determining what these requirements should address and are developing a timeline for implementation of the requirements.
  - Senate Bill 2233 – Exclude Commercial Risks from Automatic Renewal Process: Staff has been working on systems and process changes to remove commercial policies from automatic renewals and drafting new policy expiration notices and other documents. We expect these changes to be complete in the first quarter of 2024.
  - House Bill 3208 – Earned Premium: This bill requires TWIA to refund unearned premium only in certain circumstances when the cancellation is at the policyholder’s request. The changes to TWIA’s policy administration system to allow the Association to calculate premiums as fully earned were implemented in October. Staff has also submitted revised policy forms to implement this change to TDI.
  - House Bill 3310 – Appraisal Deadlines: After consultations with TWIA staff, TDI has published draft rules laying out its proposed deadlines for TWIA’s appraisal process for public comment. Public comments on the draft rules are due by December 11. This law will apply to policies issued on or after January 1, 2024.
  - House Bill 998 – TFPA Property Owner’s Association Policies: This bill will require the Texas FAIR Plan Association to offer insurance to homeowners’ and condominium owners’ associations in designated areas adjacent to the TWIA coverage area. TDI is expected to issue rules designating these geographic areas. Association staff is exploring options to issue and administer these policies in house or through a managing general agent. The bill requires these policies to be offered by January 1, 2024.



- b) Legislative Meetings: Association staff held three meetings with legislative offices during Q3 2023, primarily to provide background information to new staff on Association issues.
- c) Stakeholder Inquiries: From July 1 through September 30, 2023, we received and responded to seven legislative and TDI inquiries related to general TWIA issues and two key stakeholder inquiries from the Independent Insurance Agents of Texas and The Brannan Firm on the Board's consideration of agent commissions.
- d) Operational Updates: We continue to provide regular email updates to the Board, the Texas Department of Insurance (TDI), legislative staff, and coastal elected officials and stakeholders about TWIA's operational activities.

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

- a) The AAG met on October 5 for its fourth quarterly meeting of 2023. Discussion topics for the meeting included:
  - i. A review of 2023 rate and maximum liability limits filings directed by the Board.
  - ii. A report on the status of the Agent Commission study.
  - iii. An update on implementation of the Association-related bills passed by the 88<sup>th</sup> Regular Session of the Legislature.
    - o The AAG specifically discussed potential agent standards to be developed pursuant to Senate Bill 2232.
  - iv. A briefing on system speed and functionality updates, including multifactor authentication, implementation of the Paymentus digital bill payment system, and the transition to the cloud.
- b) The AAG met for an interim meeting on November 9 to review and provide feedback on ITS Consulting's agent time study, which was completed as part of the Agent Commission Study.

## 15. Future Meetings

February 20, 2024 – Moody Gardens Hotel  
Galveston

May 7, 2024 – Hyatt Regency  
Austin

August 6, 2024 – Tremont House  
Galveston