

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

December 13, 2022

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   | 5 minutes  |
| A. Welcoming Remarks – <i>Chandra Franklin Womack</i>  |            |
| B. Anti-Trust Statement and Conflict of Interest Disclosure – <i>Counsel</i>   |            |
| C. Meeting Format Information – <i>Kristina Donley</i>   |            |
| 2. Approve the Minutes from Prior Board of Directors Meetings<br>– <i>Chandra Franklin Womack</i> – <b>Action/Vote Likely*</b> | 5 minutes  |
| 3. Public Comment  | 30 minutes |
| 4. Election of TWIA Board Officer – <i>Chandra Franklin Womack</i> – <b>Action/Vote Likely*</b>                                | 20 minutes |
| 5. TWIA Operational Highlights – <i>David Durden</i>   | 5 minutes  |
| 6. Financial – <i>Stuart Harbour</i>   | 20 minutes |
| 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   |            |
| 1. Income Statement and Expense Statement  |            |
| 2. Balance Sheet   |            |
| 3. Cash & Short-Term Investments   |            |
| 4. Cash Flow Statement   |            |
| 5. Historical Data   |            |
| 7. Actuarial – <i>Jim Murphy</i>   | 30 minutes |
| A. Reserve Adequacy  |            |
| B. Policy Count/Exposures  |            |
| C. Status of Filings   |            |
| D. 2023 Reinsurance Capacity, Pricing & Timing Issues – <i>Gallagher Re</i> – <b>Action/Vote Likely*</b>                       |            |

- |  |                    |
|--|--------------------|
| 8. Internal Audit – <i>Bruce Zaret – Weaver</i>  | 20 minutes         |
| A. Internal Audit Status Report  |                    |
| B. Internal Audit Risk Assessment  |                    |
| C. Continuity of Operations Review Results   |                    |
| 9. Underwriting – <i>Jessica Crass</i>   | 20 minutes         |
| A. Weston and FedNat Update  |                    |
| B. Operational Review Update   |                    |
| C. Depopulation  |                    |
| 10. Claims   | 20 minutes         |
| A. Claims Operations – Overview – <i>Dave Williams</i>   |                    |
| B. Litigation Report – <i>Cindy Watkins</i>  |                    |
| 11. TWIA Operations  | 45 minutes         |
| A. IT Systems Update – <i>Camron Malik</i>   |                    |
| B. Proposal from Guidewire to Move Guidewire Insurance Systems to the Cloud – <i>Camron Malik</i> – <b>Action/Vote Likely*</b>                                       |                    |
| C. Communications and Legislative Update – <i>David Durden</i>   |                    |
| D. Review and Approval of 2023 Budget – <i>Stuart Harbour</i> – <b>Action/Vote Likely*</b>   |                    |
| 12. Closed Session ( <b>Board Only</b> )   | 30 minutes         |
| 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> | 5 minutes          |
| 14. Committees – <i>Chandra Franklin Womack</i>  | 5 minutes          |
| 15. Future Meetings – <i>David Durden</i>  | 5 minutes          |
| • February 14, 2023 – Moody Gardens Hotel – Galveston  |                    |
| • May 23, 2023 – Marriott South – Austin   |                    |
| • August 8, 2023 – Tremont House – Galveston   |                    |
| 16. Adjourn  |                    |
| Estimated Total Length of Meeting  | 4 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**

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

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

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

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

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

### **Texas Windstorm Insurance Association**

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## 2. Approve the Minutes

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

Moody Gardens Hotel  
Seven Hope Blvd.  
Galveston, TX

**August 2, 2022**

The Following Board Members were Present:

- |  |                                       |
|--|---------------------------------------|
| 1. Chandra Franklin Womack (Chair)       | First Tier Coastal Representative     |
| 2. Georgia Neblett (Vice Chair)          | First Tier Coastal Representative     |
| 3. Peggy Gonzalez                        | First Tier Coastal Representative     |
| 4. Corise Morrison (Secretary/Treasurer) | Industry Representative               |
| 5. Mike Gerik                            | Industry Representative               |
| 6. Karen Guard                           | 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. John Polak, General Manager                                      | TWIA                   |
| 2. Stuart Harbour, CFO  | TWIA                   |
| 3. Dave Williams, VP Claims   | TWIA                   |
| 4. David Durden, VP Legal   | TWIA                   |
| 5. Jessica Crass, VP Underwriting                                   | TWIA                   |
| 6. Jennifer Armstrong, VP Communications<br>and Legislative Affairs | TWIA                   |
| 7. JD Lester, VP Human Resources                                    | TWIA                   |
| 8. Jim Murphy, Chief Actuary  | TWIA                   |
| 9. Amy Koehl, Senior Project Administrator                          | TWIA                   |
| 10. Anna Stafford, Legislative and External<br>Affairs Manager      | TWIA                   |
| 11. Camron Malik, Chief Information Officer                         | TWIA                   |
| 12. Mike Perkins, Association Counsel                               | Perkins Law Group PLLC |

The Following Guests Were Present:

- |                          |                          |
|--------------------------|--------------------------|
| 1. Clark Thomson         | Calhoun, Thomson + Matza |
| 2. James Evan – Cook     | Crowninshield            |
| 3. Bill Dubinsky         | Gallagher Re             |
| 4. Alicia Gerte Robinson | Gallagher Re             |
| 5. Bruce Zaret           | Weaver                   |

The Following In Person Attendees Were Present:

1. Debbie King	AmTrust
2. Dan Dick	Aon
3. Jim Conroy	Aon
4. Minchong Mao	Aon
5. Greg Smith	City of Corpus Christi
6. Terrilyn Tarlton Shannon	Coastal Windstorm Insurance Coalition
7. Ed Cantu	Ed Cantu Insurance
8. George Taylor	F. B. Taylor Insurance
9. Allen Cashin	Gallagher Re
10. Garry Kaufman	Galveston Insurance Associates
11. Christine Bryant	Guest
12. David Wilson	Guest
13. Keri Heath	Guest
14. Marina Trevino	Guest
15. Mike Rendon	Guest
16. Terri Leo Wilson	Guest
17. Tim Clower	Guest
18. Paul Deaton	i45 Now
19. Victor Riberson	Moody Bank
20. Daniel Mittnacht	Speaker Dade Phelan's Office
21. Beaman Floyd	TCAIS
22. Marianne Baker	Texas Department of Insurance
23. Ginny Cross	United Corpus Christi Chamber
24. John LaRue	United Corpus Christi Chamber
25. DeeAnna Heavilin	YellowFin Digital
26. Keith Heavilin	YellowFin Digital

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

1. George Agyen	32. Rep. Abel Herrero
2. Lee Alexander	33. Alex Hinojosa
3. Harold Babin	34. Eva LaFour
4. Luke Bellsnyder	35. Clarisse Lilley
5. David Bolduc	36. Lee Loftis
6. Ruben Bonilla	37. Alycen Lucy
7. Riki Burhans	38. Travis McDavid
8. Laura Carr	39. Steve McElhiney
9. Tris Castaneda	40. Richard Meister
10. Elizabeth Choate	41. Merida Mendoza
11. Cari Christman	42. Ben Molina
12. Paul Cleveland	43. Anne ORyan
13. Lance Cooke	44. Rosa Parchman
14. Louis Cusano	45. Tony Pathyil
15. Denise Davis	46. Bryan Richter



16. Keiara Eaton  
 17. Theresa Elliott  
 18. Tammy Embrey  
 19. Cibrian Eric  
 20.  
 21. Bart Floerke  
 22. Richard Garcia  
 23. Juan Gomez  
 24. Frank Gonzalez  
 25. Victor Gonzalez  
 26. Jay Gutierrez  
 27. Jennifer Hamilton  
 28. Mavi Harman  
 29. Kimberly Harrington  
 30. Nancy Havelka  
 31. Hoi Heldt

47. Kenisha Schuster  
 48. Crystal Smith  
 49. Belinda Strickland  
 50. Roxanne Swierc  
 51. Delma Tamez  
 52. Aaron Taylor  
 53. Jay Thompson  
 54. Rep. Ed Thompson  
 55. Angie Trejo  
 56. Adrienne Truelove  
 57. Steve Urbina  
 58. Rosa Velasquez  
 59. Stephanie Waterman  
 60. Gaye White  
 61. Glenda Witman  
 62. Peggy Zahler

1. Call to Order: Ms. Franklin Womack called the meeting to order at 9:01 a.m. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Mr. Perkins presented the required conflict-of-interest disclosures on behalf of each board member. Ms. Stafford reviewed the housekeeping items.
2. Approval of Minutes: The minutes from the May 17, 2022 meeting were reviewed. Ms. Neblett moved to approve the minutes as presented. Mr. Garrett seconded the motion. The motion passed.
3. TWIA Operational Highlights: Mr. Polak reported the Association secured \$4.236 billion in total funding for the 2022 hurricane season and will avoid more than \$16 million in interest payments through 2024 as the result of early redemption of the 2014 bonds. The 2022 annual report card and catastrophe incident response plan was submitted to the legislature and insurance commissioner as required on June 1. Operating expenses remain below plan and net income is above plan through Q2 2022. All strategic initiatives are on track to be completed by their scheduled deadlines. Underwriting and claim service levels exceeded turnaround time and quality standards. Litigated claims and complaints remain below plan in Q2 2022.
4. Public Comment: Ms. Stafford reviewed the written public comment received ahead of the meeting. In person public comment was offered by Rep. Mayes Middleton, Rep. Todd Hunter, Rep. Ed Thompson, John LaRue, Tim Clower, Rep. Abel Herrero, Bryan Aycock, Deanna Heavilin, Ed Cantu, Greg Smith, Terrilyn Tarlton Shelton, Mike Rendon, Joel Romo, Gerhard Meinecke, Trace Finley, Garry Kaufman, Jim Wade, Marie Robb, Sally Bakko, Lee Loftis, Ben Molina, Belinda Strickland, Peggy Zahler and Travis McDavid.

5. Financial:

- A. Report of the Secretary/Treasurer: Ms. Morrison reviewed the Treasurer's Report. Ms. Morrison moved to approve the report. Mr. Garrett seconded the motion. The motion passed.
- B. Financial Statement Review by Staff: Direct written premiums for the six months ended June 30, 2022 totaled \$225.6 million, which was \$31.5 million (16.2%) above the \$194.1 million for the same period in 2021. Direct written premium was \$11.0 million (5.1%) higher than the budgeted \$214.5 million. Policies in force as of June 30, 2022 of 197,474 were 471 (0.2%) lower than the budgeted number of 197,945.

The TWIA 2022 – 2023 reinsurance program was successfully placed on June 1, 2022 and will remain in effect until May 31, 2023. The gross premium cost associated with the \$2.036 billion in coverage including CAT bond costs was \$122.8 million compared to a budgeted cost of \$102.1 million. Net cost of the reinsurance program after ceding commission was \$118.2 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

Direct premiums earned through June 2022 totaled \$201.7 million compared to \$183.5 million for the prior year (an increase of \$18.3 million or 10.0%). Direct premium earned was \$3.7 million higher than the budget of \$198.0 million.

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

Direct losses and LAE incurred for the six months ended June 30, 2022 totaled \$32.2 million which was \$26.3 million below the budgeted amount. A relatively mild spring storm season was the primary cause for the better than budgeted results. This savings was slightly offset by adverse development associated with the 2021 Hurricane Nicholas. TWIA reported a YTD direct loss & LAE ratio of 16.0% versus a budgeted ratio of 29.6%. The ultimate loss and loss adjustment expense estimate for Hurricane Harvey continues to stand at \$1.67 billion.

Operating expenses for the six months ended June 30, 2022 of \$16.5 million were under budget by \$144,000 (0.9%). Notable expense items under budget included software and hardware (\$348,000), recruiting (\$108,000), postage (\$106,000) and rental and maintenance (\$140,000). These amounts were partially offset by over budget expenses in contractor and temporary help

(\$263,000) and IT consulting services (\$218,000). The year-to-date operating expense ratio of 8.2% was slightly below the budgeted 8.4%.

Year to date commission expense of \$36.0 million and premium taxes of \$4.2 million were over budget by \$1.7 million and \$196,000 respectively as direct written premium was higher than the budgeted amount.

Gross investment income for the six months ended June 30, 2022 was \$459,000 which was \$356,000 higher than the budgeted amount of \$103,000. Interest rates on short term government backed securities remain at relatively low levels but have increased above 1% as the Federal Reserve raises interest rates to combat recent high levels of inflation. Interest expense on Class 1 bonds was \$2.1 million lower than the budgeted amount. The early redemption of the remaining \$177 million of Class 1 bonds was completed on May 9, 2022.

Net income for the six months ended June 30, 2022 was \$91.0 million or \$29.3 million (47.6%) above the budgeted income of \$61.7 million.

The surplus as of June 30, 2022 was \$11.4 million compared to the deficit of \$24.6 million as of December 31, 2021. The deficit improved due to the year-to-date net income of \$91.0 million. The improvement in the deficit was partially offset by \$53.1 million in statutory fund cost for the year-to-date CRTF accrual and an increase of \$1.9 million in non-admitted assets which consists primarily of prepaid expenses and capitalized software.

- C. Investment of Trust Fund Balances (Texas Insurance Code Sec. 2210.4521):  
The TWIA Board of Directors last reviewed this provision as required in 2021 at their August meeting. This statutory provision requires the comptroller to invest excess CRTF funds in a less restrictive manner using a “prudent investor” standard and it requires the TWIA board to provide an annual notification to the comptroller regarding the excess funds/sufficient balance amount in the CRTF. The CRTF balance is approximately \$184.6M as of June 30, 2022. The CRTF is utilized for funding losses and expenses in excess of current year premiums and other revenue. Since there is a reasonable possibility that all of the funds in the CRTF may be required to be utilized in the event of a catastrophic event, TWIA staff believes that all the funds in the CRTF are necessary to meet the potential cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a). Thus, there are no excess funds in the CRTF at this time to be invested by the comptroller under the prudent investor standard set forth in Chapter 424 of the Government Code.

Ms. Neblett moved that based on Association staff analysis and recommendation the TWIA Board of Directors hereby determines that at this time the entire balance of the Catastrophe Reserve Trust Fund is required to be kept available to meet the cash flow requirements of the fund in funding

the payment of insured losses as provided by Section 2210.452(a) of the Texas Insurance Code. Thus, staff is directed to notify the Texas Comptroller's office that the fund balance does not exceed the sufficient balance as defined in statute. Mr. Garrett seconded the motion. The motion passed unanimously.

- D. Selection of Auditors/Accountants for 2022 and Authorization of Non-Audit Services: Each year the Association retains an accounting firm to conduct an audit of the Association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2021, Calhoun, Thomson + Matza (CTM) was selected to continue their role as the Association's independent auditor. Staff recommends to the board that the engagements be approved. Staff also requests authority to use CTM as needed over the coming year for assistance with certain tax related items and for non-audit services associated with the issuance of catastrophe bonds. Mr. Gerik moved the board of directors for the Association acting as the audit committee authorizes and directs that the firm of Calhoun, Thomson +Matza be engaged to conduct the upcoming annual audits of the Association's financial statements on the terms set forth in the Statutory and GASB engagement letters included in the board book. The staff of the Association is further authorized to engage Calhoun, Thomson + Matza to provide permitted tax related non-audit services and certain non-audit services in connection with the issuance of catastrophe bonds during the coming year as needed. Mr. Garrett seconded the motion. The motion passed unanimously.

6. Agent Commission Study Update: Ms. Armstrong reviewed the results of the agent commission study. Based on the limited availability of renewal data this early in the migration process and the need for agents to adapt their processes to the TWIA system and process changes, staff recommends performing a workflow analysis study with IIAT and exclusive agents beginning in April 2023, collecting 12 months of renewal data available in July 2023 and providing the results of those efforts to the board in a follow up report in August or December 2023. Mr. Gerik moved to adopt the staff recommendation but revisit at the December 2023 meeting. Ms. Neblett seconded the motion. Ms. Guard stated she would like a progress update between now and December 2023. Mr. Gerik amended his motion to also include a monthly progress update to be given to the board members. Ms. Neblett seconded the motion. The motion passed.

7. Actuarial:

- A. Reserve Adequacy: The TWIA actuarial staff has completed a review of the Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of June 30, 2022. The ultimate loss and loss adjustment expense estimate remains at \$1.67 billion, which is the same as the estimate as of March 31, 2022.

The actual ultimate costs of Hurricane Harvey may differ substantially from the selected \$1.67 billion. This variability arises from the assumptions made

regarding the adequacy of case reserves for open claims and the outcome of disputed claims. About 76 of the total 192 open claims are in some stage of litigation as of June 30, 2022. There remains a material risk of adverse development due to the large variability associated with outstanding disputed claims, including those claims subject to litigation. The actuarial team will continue to monitor current case reserve adequacy and litigation/disputes to ensure all outstanding obligations are properly reserved.

As of June 30, 2022, TWIA carried \$70.5 million in total gross loss and loss adjustment expense reserves with \$40,000 of the total gross ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Ike, Harvey, Delta, Laura, Hanna, Nicholas and other outstanding claims. Collectability risk has been reviewed and found to be immaterial relative to total gross reserves. In the opinion of the senior actuary, the Association's reserves meet the requirements of the insurance laws of Texas, are consistent with reserves computed in accordance with accepted actuarial standards and principles and make a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements.

- B. Policy Count/Exposures: Policy counts are up around five percent year over year.
- C. 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. These indicated limits are as follows:
  - Dwellings and individually owned townhouses:
    - Current: \$1,773,000    Proposed: \$2,122,000    % Change: 19.7%
  - Manufactured home:
    - Current: \$96,600    Proposed: \$115,800    % Change: 19.9%
  - Contents of an apartment, condominium or townhouse:
    - Current: \$374,000    Proposed: \$443,000    % Change: 18.4%
  - Commercial structures and associated contents:
    - Current: \$4,424,000    Proposed: \$5,518,000    % Change: 24.7%

Ms. Neblett moved to accept the proposed changes. Mr. Gerik seconded the motion. The motion passed.

- D. 2022 Hurricane Season Funding: Allen Cashin from Gallagher Re reviewed the hurricane season funding.
- E. Review of TWIA Staff Adequacy Analysis and Actuarial & Underwriting Committee Recommendations: Debbie King, Chair of the TWIA Actuarial and

Underwriting Committee, reviewed the outcome of their July 18<sup>th</sup> meeting. The committee recommended the board instruct staff to make the required annual rate filing with TDI seeking no change in rates.

- F. Required 2022 Annual Rate Filing: Mr. Gerik moved that the board instruct staff to make the required annual rate filing with TDI seeking no change in rates. Ms. Neblett seconded the motion. A roll call vote was conducted.

Ron Walenta: No  
 Karen Guard: Yes  
 Corise Morrison: Yes  
 Georgia Neblett: Yes  
 Chandra Franklin Womack: Yes  
 Mike Gerik: Yes  
 Tim Garrett: Yes  
 Peggy Gonzalez: Yes  
 Tony Schrader: Yes

The motion passed.

Mr. Garrett moved that TWIA staff make a filing with TDI seeking approval for a 10% retrofit credit for windows that are installed meeting the specified windstorm resistance criteria. Ms. Neblett seconded the motion. The motion passed.

8. Internal Audit & Status: Mr. Zaret reviewed the status of internal audit activities. Current audits include information security, business continuity of operations – information technology, reinsurance, model audit rule, continuity of operations plan – business operations and findings follow up. Upcoming audits include HR and payroll, plan of operation, claims and updating the risk assessment and audit plan.
9. Underwriting Operational Review: Underwriting continues to have consistent turnaround time on all transactions. The goal is to issue 90% of new business submissions, endorsements, renewals and cancellations within 10 days; this standard is being surpassed with over 98% of transactions processed within 10 days. Over 86% of applications/renewals were processed within one day.

Quality assurance results on underwriting decisions continue to exceed established goals. Telephone service response times and service quality scores for the quarter continue to meet expectations, with one exception. Results fell just below the standard of answering 80% of calls in under 20 seconds, coming in at 79.1%. This is due to the increase in customer inquiries following the launch of TWIA's updated policy administration system, combined with the annual seasonal swell of business and resource constraints. The department is operating below budget, largely due to managing headcount and more efficient use of virtual and aerial inspections.

Ms. Crass previously reported on one policy found to be noncompliant with the flood insurance requirement during the third quarter of 2021 and one additional policy found noncompliance during the fourth quarter of 2021. Since then, staff has worked with the respective agents to bring these policies into compliance.

Standard audits were completed for a sample of agencies doing business with TWIA in the first quarter of 2022 to verify compliance with the declination of coverage and flood insurance requirements. Ninety-five percent of agencies have now completed their responses. Staff are pursuing a response from the remaining agency and escalating issues as necessary. Of the agencies who have responded, all policies reviewed were compliant with the requirement for proof of declination of coverage. Three percent of the policies/properties selected for review required flood insurance. Of those, 67% meet the requirement and staff is working to bring the remaining policies into compliance. One agent has confirmed the flood policy was amended to bring coverage into compliance and staff is awaiting documentation of the same. All agents have an active property and casualty insurance license. Subsequent agency audits will be conducted following the recruitment and training of a new agent auditor.

10. Claims:

- A. Claims Operations: Mr. Williams reported the average time that passes from first notice of loss to property inspection is currently at 2.7 days. Total cycle time from first notice of loss to payment is 5.4 days. TWIA claim volume for 2022 is 2,722.
- B. Litigation Report: Mr. Durden reported that two new suits were received in the second quarter and 35 were closed. In the second quarter, 82 new claims with letters of representation were received and 84 were closed. The majority of the suits were handled by the Baker Law Firm.

11. TWIA Operations:

- A. IT Systems Update: TWIA staff has returned to production support mode after the implementation of the Elevate systems upgrade and had its third monthly release on July 13<sup>th</sup>. All systems are stable as staff focuses on future enhancements based on empirical usage and defect fixes.

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

- B. Receive and Act on Recommendations from Legislative and External Affairs Committee Regarding Recommendations to Legislature and Biennial Report to Legislature: Mr. Gerik reviewed the activities of the Legislative and External Affairs Committee. Mr. Garrett moved to approve the recommendations as presented. Mr. Gerik seconded the motion. The motion passed. Mr. Gerik moved to accept the public policy considerations. Ms. Neblett seconded the motion. The motion passed.

- C. Communications Update: Ms. Armstrong provided an update on hurricane preparedness and coastal outreach, the Elevate project, media relations and the Agent Advisory Group.
- D. Update on RFPs for Professional Services: TWIA staff has met with representatives from TDI several times regarding their recommendations for the issuance of RFPs. Their recommendations have been put into place and staff will now ensure that the process is in accordance with TDI's direction.
- E. General Manager Search Update: James Evan – Cook is conducting the general manager candidate search. The position is posted on pertinent job boards. So far, there are 31 identified candidates and 24 of the 31 came from the online posting. Eleven are considered viable and have met the job description requirements. A solid pool of top candidates should be ready in the next few weeks. An interim meeting will be held to review the candidate resumes.

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: The general manager search committee will meet when there are candidates to consider.

15. Future Meetings:

- December 13, 2022 – Omni Hotel – Corpus Christi, TX
- February 14, 2023 – Moody Gardens Hotel – Galveston, TX

16. Adjourn: The meeting adjourned at 1:11 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



**Minutes of the Texas Windstorm Insurance Association  
Board of Directors Meeting**  
5700 South MoPac Expressway  
Building A  
Austin, Texas 78749

August 31, 2022

1. Call to Order: Chair Chandra Franklin Womack called the meeting to order at 1:33 pm. 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.

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. Karen Guard                           | Industry Representative               |
| 5. Mike Gerik                            | Industry Representative               |
| 6. Corise Morrison (Secretary/Treasurer) | Industry Representative               |
| 7. Tony Schrader                         | Non-Seacoast Territory Representative |
| 8. Ron Walenta                           | Non-Seacoast Territory Representative |
| 9. Tim Garrett                           | Non-Seacoast Territory Representative |

The Following TWIA Staff and Counsel Were Present:

- |   |                   |
|---|-------------------|
| 1. John Polak, General Manager                              | TWIA              |
| 2. Stuart Harbour, Chief Financial Officer                  | TWIA              |
| 3. David Durden, VP Legal                                   | TWIA              |
| 4. Jessica Crass, VP Underwriting                           | TWIA              |
| 5. Dave Williams, VP Claims                                 | TWIA              |
| 6. Camron Malik, CIO  | TWIA              |
| 7. Jim Murphy, Chief Actuary                                |                   |
| 8. Amy Koehl, Senior Project Administrator                  | TWIA              |
| 9. Kristina Donley, Senior Instructional Designer           | TWIA              |
| 10. Anna Stafford, Legislative and External Affairs Manager | TWIA              |
| 11. Mike Perkins, Association Counsel                       | Perkins Law Group |

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

- |                   |                     |
|-------------------|---------------------|
| 1. Marianne Baker | 17. Sarah Long      |
| 2. Albert Betts   | 18. Travis McDavid  |
| 3. David Bolduc   | 19. Richard Meister |
| 4. Ryan Brannan   | 20. LaWanna Miller  |
| 5. Laura Carr     | 21. Danny Mittnacht |
| 6. Allen Cashin   | 22. Jas Myers       |

7. Cari Christman  
 8. Yolanda Davis  
 9. Aaron Etienne  
 10. Brad Fells  
 11. Lynda Foster  
 12. Alicia Gerte  
 13. John Hilton  
 14. Rep. Todd Hunter  
 15. Xiu Li  
 16. Lee Loftis

23. Tonya Powers  
 24. Jerry Richards  
 25. Kenisha Schuster  
 26. Craig Slater  
 27. Susan Taylor  
 28. Chad Thoe  
 29. Thelma Turk  
 30. Robin Vega  
 31. Joey Walker  
 32. Peggy Zahler

2. Public Comment: Ms. Donley reviewed the written public comment, which concerned escrow accounts for mortgagees who hold Weston policies. There was no verbal public comment.
3. Weston Insurance Insolvency: The board chair and staff explained that the meeting will primarily cover Weston but noted that UPC is also a troubled carrier. UPC has filed a plan for an orderly runoff that will be handled through normal processes during the runoff period. TWIA has received roughly 12,000 residential policies that information indicates are former Weston policyholders. TWIA staff has meet with TDI every morning for the last few weeks to update on the process. The primary approach has been to facilitate an orderly transition to TWIA of the former Weston policyholders, whose policies will be cancelled by the receivership court in early September, who want to make an application for coverage with TWIA. There was a need to address concerns and make sure there is flexibility in the application process and payment as there is a short runway to get coverage before the September 7 Weston policy cancellation date. Staff has established a process and procedure that provides a more flexible payment schedule, one of which allows for a zero-down payment for the first three months coverage is in force.

Ms. Crass said this was an informational meeting to update the board on the procedures in place so far. Ms. Crass reviewed the insolvency timeline. The premium plan is now in the agent portal and is only for Weston policyholders impacted by cancellation. An emergency rule was issued by TDI on August 23.

The Weston insolvency has affected approximately 30,000 Texas policyholders. It is assumed that many but not all would come to TWIA. Just over 2,000 TWIA policies were issued in August showing Weston as the declining carrier as of August 30.

4. TWIA Coverage Issues Related to Weston Insolvency: As additional applications come in, there are additional exposures. Mr. Murphy said exposures will grow with each policy. There could be scenarios where traditional reinsurance adjusts after hurricane season. There will be reinsurance in place for TWIA with respect to Weston policyholders that obtain insurance from TWIA, but the reinsurance premium may adjust upward to the extent the new Weston policies increase TWIA premium revenue coverage but it might cost a bit more. Ms. Morrison asked how the Weston

policyholders are being made aware of the process. There are internal plans to make agents aware of information to pass on to policyholders. A print add is running in two coastal news outlets. Weston policyholders have received more than one notice of the liquidation process from Weston and/or its receiver that provide information on claims. TDI has posted an FAQ on their page that overlaps with information TWIA has provided. Ms. Morrison asked how TWIA is resourced to handle this influx. Ms. Crass said there is a dedicated underwriting work group to address Weston. This work is being handled by the internal agent services group and the external call center. There is a possibility to bring on some contractors if needed. Agents are encouraged to tell customers to secure coverage sooner rather than later.

Ms. Crass said she would fold all the pertinent information into a weekly update. Mr. Gerik asked what the policy counts are on UPC for potential runoff to TWIA. Ms. Crass said staff is still in the process of determining that number.

5. Adjourn: The meeting was adjourned at 2:27 pm.

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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 Executive Search Committee of the  
Texas Windstorm Insurance Association**

5700 South MoPac Expressway  
Building A  
Austin, Texas 78749

September 8, 2022

The Following Committee Members Were Present:

- |    |                                 |                                   |
|----|---------------------------------|-----------------------------------|
| 1. | Chandra Franklin Womack (Chair) | First Tier Coastal Representative |
| 2. | Peggy Gonzalez                  | First Tier Coastal Representative |
| 3. | Mike Gerik                      | Industry Representative           |

The Following TWIA Staff and Counsel Were Present:

- |    |  |                   |
|----|--|-------------------|
| 1. | John Polak, General Manager                                | TWIA              |
| 2. | David Durden, VP Legal                                     | TWIA              |
| 3. | JD Lester, VP Human Resources                              | TWIA              |
| 4. | Amy Koehl, Sr. Project Administrator                       | TWIA              |
| 5. | Anna Stafford, Legislative and External<br>Affairs Manager | TWIA              |
| 6. | Kristina Donley, Sr. Instructional Designer                | TWIA              |
| 7. | Mike Perkins, Association Counsel                          | Perkins Law Group |

The Following Guests Were Present:

- |    |                   |                                       |
|----|-------------------|---------------------------------------|
| 1. | James Evan - Cook | Crowninshield                         |
| 2. | Karen Guard       | TWIA Industry Representative          |
| 3. | Tim Garrett       | Non-Seacoast Territory Representative |
| 4. | Ron Walenta       | Non-Seacoast Territory Representative |
| 5. | Georgia Neblett   | First Tier Coastal Representative     |

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

- |                     |                       |
|---------------------|-----------------------|
| 1. Marianne Baker   | 8. Larry Taylor       |
| 2. David Bolduc     | 9. Ed Thompson        |
| 3. Laura Carr       | 10. Adrienne Truelove |
| 4. Cari Christman   | 11. Joey Walker       |
| 5. Xiu Li           | 12. Rachel Wang       |
| 6. Travis McDavid   | 13. Benjamin Williams |
| 7. Kenisha Schuster | 14. Dave Williams     |

1. Call to Order: Chair Chandra Franklin Womack called the meeting to order at 10:05 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 were no written or verbal public comments.
3. General Manager Candidate Evaluation: Committee members will discuss the criteria they will use in the evaluation of the candidates and how they will narrow down the applicant pool.
4. Closed Session – Personnel/Candidate Evaluation: The meeting went into closed session at 9:12 am. The meeting opened back up at 11:32 am.
5. Consideration of Issues Related to Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors: Mr. Gerik moved that the committee direct the recruiter to arrange interviews with the candidates identified to be held at the September 14, 2022 board meeting. Ms. Gonzalez seconded the motion. The motion passed unanimously.
6. Future Meetings: The next meeting will take place on September 14, 2022.
7. Adjourn: The meeting was adjourned at 11:34 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



5700 South MoPac Expressway  
Building A  
Austin, Texas 78749

The Following Board Members Were Present:

- Absent: Karen Guard                      Industry Representative

The Following Guests Were Present:

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

1. Marianne Baker
2. David Bolduc
3. Laura Carr
4. Allen Cashin
5. Alicia Gerte
6. Xiu Li
7. Lee Loftis
8. Dan Paschal
9. Kenisha Schuster
10. Larry Taylor
11. Joey Walker

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 were no written or verbal public comments.
3. General Manager Candidate Evaluation/Interviews: Ms. Franklin Womack reminded the board that the search committee evaluated the resumes of nine candidates. Interviews were extended to five of those candidates.
4. General Manager Hiring Deliberation and Potential Decision: The interviews will be held in closed session to protect the identity of the candidates. The candidates were provided with a list of questions for the interviews. The board will then review the interviews and select the final candidates for a meeting to be conducted on September 21.
5. Closed Session – Personnel/Candidate Evaluation/Interviews/Deliberation: The meeting went into closed session at 10:09 am. The meeting opened back up at 2:23 pm.
6. Consideration of Issues Related to Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors: Mr. Gerik moved the TWIA board instruct the recruiter to offer an in-person interview to the general manager finalist candidates discussed, to be held in connection with the board's September 21, 2022 meeting at the TWIA offices in Austin. Mr. Garrett seconded the motion. The motion passed unanimously.
7. Future Meetings: There will be one more meeting for final interviews with the candidates. The meeting will take place at the TWIA office as well as via Zoom.
8. Adjourn: The meeting was adjourned at 2:25 pm.

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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**

5700 South MoPac Expressway  
Building A  
Austin, Texas 78749

September 21, 2022

The Following Board Members Were Present:

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

The Following TWIA Staff and Counsel Were Present:

- |    |   |                        |
|----|---|------------------------|
| 1. | John Polak, General Manager                             | TWIA                   |
| 2. | David Durden, VP Legal                                  | TWIA                   |
| 3. | Amy Koehl, Sr. Project Administrator                    | TWIA                   |
| 4. | Anna Stafford, Legislative and External Affairs Manager | TWIA                   |
| 5. | Kristina Donley, Sr. Instructional Designer             | TWIA                   |
| 6. | Mike Perkins, Association Counsel                       | Perkins Law Group PLLC |

The Following Guests Were Present:

- |    |                   |               |
|----|-------------------|---------------|
| 1. | James Evan - Cook | Crowninshield |
| 2. | Todd Gable        | Crowninshield |

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

- |                   |                      |
|-------------------|----------------------|
| 1. Marianne Baker | 8. Richard Meister   |
| 2. David Bolduc   | 9. Dan Paschal       |
| 3. Laura Carr     | 10. Kenisha Schuster |
| 4. Jerry Fadden   | 11. Aaron Taylor     |
| 5. Carlos Garcia  | 12. Ed Thompson      |
| 6. Lee Loftis     | 13. Peggy Zahler     |
| 7. 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 were no written or verbal public comments.
3. General Manager Candidate Evaluation/Interviews: Ms. Franklin Womack reminded the board members that this was the third meeting to determine the final general manager candidate.
4. General Manager Hiring Deliberation and Potential Decision: The board members hope to finalize the candidate search at this meeting.
5. Closed Session – Personnel/Candidate Evaluation/Interviews/Deliberation: The meeting went into closed session at 10:07 am. The meeting opened back up at 12:54 pm.
6. Consideration of Issues Related to Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors: Ms. Neblett moved that the TWIA Board of Directors promote Association chief legal and legislative officer, David Durden, to the position of general manager, effective October 1, 2022 at the salary amount discussed. Mr. Garrett seconded the motion. The motion passed unanimously.
7. Future Meetings: There will not be a need for future meetings.
8. Adjourn: The meeting was adjourned at 12:55 pm.

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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**  
 5700 South MoPac Expressway  
 Building A  
 Austin, Texas 78749

November 2, 2022

The Following Board Members Were Present:

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

Absent: Mike Gerik	Industry Representative
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The Following TWIA Staff and Counsel Were Present:

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

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

- |                    |                        |
|--------------------|------------------------|
| 1. Marianne Baker  | 13. Madison Kieschnick |
| 2. David Bolduc    | 14. Clarisse Lilley    |
| 3. Laura Carr      | 15. Travis McDavid     |
| 4. Allen Cashin    | 16. Richard Meister    |
| 5. Sonia Craig     | 17. David Muckerheide  |
| 6. Lou Cusano      | 18. Fredrick Pina      |
| 7. Sarah Edstrom   | 19. Kenisha Schuster   |
| 8. Theresa Elliott | 20. Aaron Taylor       |
| 9. Angela Fang     | 21. Ed Thompson        |

10. Alicia Gerte  
 11. David Harkin  
 12. Mavi Harman

22. Joey Walker  
 23. Thomas Wilkes

1. Call to Order: Chair Chandra Franklin Womack called the meeting to order at 10:02 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: Ms. Donley summarized the written public comment. It concerned the desire for simplified installation requirements for windows and doors and mentions the affordability of wind and flood insurance. There was no verbal public comment.
3. Review of 2023 TWIA Budget: Mr. Harbour reviewed several key assumptions including no rate change, hurricanes not being included in the budget, depopulation not being factored in and an increase in premiums due to Florida carrier insolvencies. He projected a hard market for reinsurance in 2023. Direct written premium for 2023 is projected to be \$560,178,700.

Proposed headcount for 2023 is 255 with 235 as full-time employees and 20 contractors. A decrease in medical expenses is primarily attributed to a reduction in the negotiated rate by 10%. An increase in dental expense budget is due to higher estimated percentage of participation in 2023 vs 2022 at 99% vs 95%.

Ms. Neblett asked what the impact of Hurricane Harvey would be for 2023. Mr. Murphy said he didn't recall there being a huge shift in exposures after Harvey. Mr. Walenta asked about Aon's fee for modeling services. Mr. Murphy said he thought the \$600,000 fee was presented by Aon as renewable each year. Mr. Harbour said he would revisit the Aon contracts and determine the next steps to address their fee. Ms. Franklin-Womack said while the model hasn't changed, the volume will increase with the Weston policyholders. She would like to reach out to Aon to see if there will be a change in fees for 2023.

4. Adjourn: The meeting was adjourned at 11:41 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

## 5. TWIA Operational Highlights

# 2022 TWIA Enterprise Scorecard

Reporting YTD as of September 30, 2022

	YTD	Trend	Goal	Δ	Performance
Operating Expense Ratio	7.9%		8.3%	-0.4%	
Net Income <sup>1</sup>	\$94.4 M		\$76.2 M	\$18.3 M	
Enterprise Projects	93%		90%	3%	
Policy Administration	100%		90%	10%	
Claims Handling	97%		90%	7%	
Litigated Claims	0.03%		0.50%	-0.47%	
Complaints	26		35	-9	

## Reference Data

Policies In-Force	219,219
Exposures In-Force	\$72.8 billion
Written Premiums YTD	\$410.3 million
Claims Received YTD	3,983
Losses Incurred YTD <sup>2</sup>	\$22.8 million

<sup>2</sup> Excludes IBNR

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

## Key Quarterly Activities

- Worked closely with TDI to respond to the Weston and FedNat (Maison) insolvencies and identify solutions to most quickly assist impacted policyholders seeking TWIA coverage.
  - Issued more than 12,100 policies to former Weston and FedNat policyholders as of November 10.
- Submitted the 2022 Biennial Report to Texas legislators in August ahead of the December 31 due date.
- Remain below plan on operating expenses and above plan on net income in Q3 2022.
- On track to complete all enterprise projects by the scheduled deadlines.
- Exceeded turnaround time and quality standards on Underwriting and Claim service levels.
- Remain below plan on litigated claims and complaints in Q3 2022.

## 6. Financial

6A1. Report of the Secretary/Treasurer

6A2. Management Discussion and Analysis

	TEXAS WINDSTORM INSURANCE ASSOCIATION		
	Statutory Income Statement - Treasurer's Report		
	for the nine months ended September 30,		
	(000's omitted)		
	2022	2021	
<b>Direct Premiums Written</b>	<u>\$ 410,332</u>	<u>\$ 311,071</u>	
<b>Premiums Earned:</b>			
Direct Premiums Earned	\$ 315,783	\$ 279,855	
Ceded Reinsurance Premiums	(87,578)	(66,709)	
Ceded Reinsurance Premiums - Depopulation	-	-	
Net Premiums Earned	<u>228,205</u>	<u>213,146</u>	
<b>Deductions:</b>			
Direct Losses and LAE Incurred	35,673	40,497	
Direct Losses and LAE Incurred - Harvey	-	(20,000)	
Direct Losses and LAE Incurred - Ike & Dolly	-	-	
Ceded Losses and LAE Incurred - Depopulation	35	21	
Operating Expenses	24,859	20,684	
Commission Expense	65,586	49,730	
Ceding commissions / brokerage	(5,533)	(2,171)	
Ceding commissions / brokerage - Depopulation	-	-	
Premium / Maintenance Tax	7,606	5,778	
Total Deductions	<u>128,228</u>	<u>94,538</u>	
<b>Net Underwriting Gain or (Loss)</b>	<u>99,978</u>	<u>118,608</u>	
<b>Other Income or (Expense):</b>			
Gross Investment Income	1,598	225	
CRTF Funds Received	-	-	
Member Assessment Income	-	-	
Interest Expense on Class 1 Bonds	(5,192)	(13,023)	
Debt Issuance & Other Investment Expenses	(1,662)	(1,625)	
Interest Expense on Short Term Debt	(296)	-	
Miscellaneous Income (Expense)	-	-	
Total Other Income or (Expense)	<u>(5,552)</u>	<u>(14,423)</u>	
<b>Net Income (Loss)</b>	<u>\$ 94,425</u>	<u>\$ 104,185</u>	
<b>Surplus (Deficit) Account:</b>			
Beginning Surplus (Deficit)	\$ (24,584)	\$ (160,451)	
Net Income (Loss)	94,425	104,185	
Change in Provision for Reinsurance	-	-	
Change in nonadmitted assets	(1,352)	(7,848)	
Other	-	-	
Statutory Fund Cost	(66,021)	(50,469)	
Ending Surplus (Deficit)	<u>\$ 2,467</u>	<u>\$ (114,583)</u>	

**Texas Windstorm Insurance Association  
Management's Discussion and Analysis of Financial Results for the  
Nine Months Ended September 30, 2022**

**Direct Written Premium:**

- Direct written premiums for the nine months ended September 30, 2022 totaled \$410.3 million, which was \$99.3 million (31.9%) above the \$311.1 million for the same period in 2021. Direct written premium was \$69.0 million (20.2%) higher than the budgeted \$341.4 million.
- Policies in force as of September 30, 2022 of 219,219 were 19,212 (9.6%) higher than the budgeted number of 200,007. The growth in policy count is primarily attributable to new policies that migrated to TWIA after the insolvency of Florida based carrier Weston.

**Reinsurance Costs**

- The TWIA 2022-2023 reinsurance program was successfully placed effective June 1, 2022 and will remain in effect until May 31, 2023. The gross ceded premium associated with the \$2.036 billion in coverage consisting of traditional reinsurance and Catastrophe Bonds was increased in September to recognize the higher exposures associated with the increased policy count from Weston and recent growth trends. The new estimated ceded premiums (reinsurance cost) for 2022 total \$131.4 million compared to a budgeted amount of \$102.1 million. The net cost of the reinsurance program after ceding commission was \$125.8 million. The ceded premium for the traditional reinsurance is adjusted to account for increases or decreases in the Total Insurable Value ("TIV") of the subject properties. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

**Direct Premiums Earned:**

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

**Depopulation Program:**

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

**Loss and Loss Adjustment Expense Incurred:**

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



**Operating Expenses:**

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

**Commission Expense and Premium Taxes:**

- Year-to-date Commission expense of \$65.6 million and Premium taxes of \$7.6 million were over budget by \$11.0 million and \$1.3 million respectively as Direct Written premium was higher than the budgeted amount.

**Other Income (Expense):**

- Gross investment income for the nine months ended September 30, 2022 was \$1.6 million which was \$1.4 million higher than the budgeted amount of \$160,000. Interest rates on the Association's investments in Money Market Mutual Funds have increased recently to slightly above 2% as the Federal Reserve raises interest rates to combat the current high levels of inflation.
- Interest expense on Class 1 bonds was \$4.6 million lower than the budgeted amount. The early redemption of the remaining \$177 million of Class 1 bonds was completed on May 9, 2022.

**Net Income**

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

**Surplus/(Deficit):**

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

\*\*\*\*\*

## 6B. Financial Statement Review by Staff

6B1. Income Statement and  
Expense Statement

6B2. Balance Sheet

6B3. Cash & Short-Term Investments

6B4. Cash Flow Statement

6B5. Historical Data

TEXAS WINDSTORM INSURANCE ASSOCIATION				
Statutory Income Statement (000's omitted)				
for the nine months ended September 30,				
	Actuals - 2022	Budget - 2022	Variance - 2022	Actuals - 2021
<b>Premiums Written:</b>				
Direct	\$ 410,332	\$ 341,381	\$ 68,951	\$ 311,071
Ceded	(131,367)	(102,064)	(29,303)	(100,064)
Ceded - Depopulation	-	-	-	-
Net	278,965	239,317	39,647	211,008
<b>Premiums Earned:</b>				
Direct	\$ 315,783	\$ 303,300	\$ 12,483	\$ 279,855
Ceded	(87,578)	(68,042)	(19,536)	(66,709)
Ceded - Depopulation	-	-	-	-
Net	228,205	235,258	(7,052)	213,146
<b>Deductions:</b>				
Direct Losses and LAE Incurred	35,673	63,806	(28,132)	40,497
Direct Losses and LAE Incurred - Harvey	-	-	-	(20,000)
Direct Losses and LAE Incurred - Ike & Dolly	-	-	-	-
Ceded Losses and LAE Incurred - Depopulation	35	-	35	21
Operating Expenses	24,859	25,289	(430)	20,684
Commission Expense	65,586	54,621	10,965	49,730
Ceding commissions / brokerage	(5,533)	(2,365)	(3,168)	(2,171)
Ceding commissions / brokerage - Depopulation	0	0	0	-
Premium / Maintenance Tax	7,606	6,350	1,257	5,778
Total Deductions	128,228	147,701	(19,473)	94,538
<b>Net Underwriting Gain or (Loss)</b>	<b>99,978</b>	<b>87,557</b>	<b>12,421</b>	<b>118,608</b>
<b>Other Income or (Expense):</b>				
Gross Investment Income	1,598	160	1,438	225
Interest Expense on Class 1 Bonds	(5,192)	(9,830)	4,638	(13,023)
Debt Issuance/Maintenance & Other Investment Expenses	(1,662)	(1,730)	68	(1,625)
Interest Expense on Short Term Debt	(296)	-	(296)	-
Miscellaneous Income (Expense)	-	-	-	-
Total Other Income or (Expense)	(5,552)	(11,400)	5,848	(14,423)
<b>Net Income (Loss)</b>	<b>\$ 94,425</b>	<b>\$ 76,156</b>	<b>\$ 18,269</b>	<b>\$ 104,185</b>
<b>Surplus (Deficit) Account:</b>				
Beginning Surplus (Deficit)	(24,584)	(24,584)	-	(160,451)
Net Income (Loss)	94,425	76,156	18,269	104,185
Change in Provision for Reinsurance	-	-	-	-
Change in nonadmitted assets	(1,352)	(2,812)	1,460	(7,848)
Other	-	-	-	-
Statutory Fund Cost	(66,021)	(46,970)	(19,051)	(50,469)
Ending Surplus (Deficit)	\$ 2,467	\$ 1,790	\$ 677	\$ (114,583)
<b>Key Operating Ratios:</b>				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	11.3%	21.0%	(9.7%)	14.5%
Hurricane Harvey	0.0%	0.0%	0.0%	(7.1%)
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	11.3%	21.0%	(9.7%)	7.3%
UW Expense Ratio:				
Acquisition	17.8%	17.9%	(0.0%)	17.8%
Non Acquisition	7.9%	8.3%	(0.5%)	7.4%
UW Expense Ratio	25.7%	26.2%	(0.5%)	25.2%
Combined Ratio	37.0%	47.2%	(10.2%)	32.6%

TEXAS WINDSTORM INSURANCE ASSOCIATION					
Statutory Expense Report (000's omitted)					
for the nine months ended September 30,					
Description	Actuals - 2022	Budget - 2022	Variance - 2022	Actuals - 2021	
Personnel Expenses					
Salaries & Wages - Permanent	\$ 10,244	\$ 10,625	\$ (381)	\$ 10,311	
Contractor & Temporary Help	6,619	10,037	(3,418)	7,856	
Payroll Taxes	742	834	(92)	761	
Employee Benefits	3,746	3,716	30	3,869	
Recruiting, Training & Other	197	240	(42)	104	
Subtotal	\$ 21,548	\$ 25,452	\$ (3,904)	\$ 22,902	
Professional & Consulting Services					
Legal	\$ 307	\$ 409	\$ (102)	\$ 362	
Accounting & Auditing	195	248	(52)	206	
Information Technology	2,023	2,461	(438)	4,180	
Actuarial Services	25	39	(14)	89	
Ombudsman Program	113	112	1	110	
Surveys & Inspections	990	998	(8)	959	
Disaster Recovery Services	273	218	55	196	
Other Services (1)	3,672	3,361	311	3,294	
Subtotal	\$ 7,597	\$ 7,845	\$ (248)	\$ 9,395	
Hardware/Software Purchases & Licensing	\$ 2,764	\$ 3,132	\$ (368)	\$ 2,579	
Rental & Maintenance - Office/Equipment	906	1,298	(391)	958	
Travel Expenses	81	186	(105)	8	
Postage, Telephone and Express	761	734	27	647	
Capital Management Expenses	6	11	(5)	12	
Depreciation	1,415	1,322	93	21	
Other Operating Expenses	1,132	1,123	9	886	
Total Operating Expenses	\$ 36,210	\$ 41,104	\$ (4,893)	\$ 37,408	
Capitalization of Fixed Assets	(1,699)	(2,489)	790	(6,763)	
Reimbursement of Depop Servicing Expense	(7)	(11)	4	(16)	
Allocation To ULAE	(9,446)	(13,065)	3,619	(9,740)	
Allocation To Investing & Other Expense	(199)	(250)	51	(205)	
Net Operating Expense - UW Operations	\$ 24,859	\$ 25,289	\$ (430)	\$ 20,684	

(1) Summary Details for Other Services:

VENDOR	Amount	Department
Accenture LLP	\$ 1,594	Expert Panel
AON Re Inc	\$ 450	Actuary
Clear Point Claims LLC	\$ 404	UW
Marshall & Swift/Boeckh	\$ 284	UW
Xactware Solutions Inc	\$ 194	Claims
EagleView Technologies Inc	\$ 167	Claims
Risk Management Solutions Inc	\$ 122	Expert Panel
ISO Services Inc	\$ 100	Claims
LYNX Services LLC	\$ 53	Claims
Cornerstone OnDemand Inc	\$ 41	HR
Iron Mountain Records Management	\$ 41	Operations
LogicGate Inc	\$ 29	Legal
ADP Inc	\$ 33	HR
Insurity LLC	\$ 32	Claims
*Other Outside Services below \$20K	\$ 128	Various departments
<b>Total Other Services</b>	<b>\$ 3,672</b>	

1	TEXAS WINDSTORM INSURANCE ASSOCIATION			1
2	Statutory Balance Sheet (000's omitted)			2
3				3
4				4
5		<u>September-22</u>	<u>December-21</u>	5
6	<b>Admitted Assets</b>			6
7	Cash and short term investments:			7
8	Unrestricted	\$ 449,192	\$ 424,825	8
9	Restricted - Funds Held at TTSTC	-	69,002	9
10	Restricted - Funds Held at TTSTC (Non Admitted)	-	-	10
11	Total cash and short term investments	<u>449,192</u>	<u>493,827</u>	11
12	Premiums receivable & other	30,155	3,108	12
13	Assessment receivable	-	-	13
14	Amounts recoverable from reinsurers	-	-	14
15	<b>Total admitted assets</b>	<u><b>\$ 479,348</b></u>	<u><b>\$ 496,935</b></u>	15
16				16
17	<b>Liabilities, Surplus and other funds</b>			17
18	<b>Liabilities:</b>			18
19	Loss and Loss adjustment expenses	\$ 56,791	\$ 77,585	19
20	Underwriting expenses payable	19,077	12,540	20
21	Unearned premiums, net of ceded unearned premiums	253,285	202,525	21
22	Ceded reinsurance premiums payable	62,618	25,951	22
23	Short Term Debt	-	-	23
24	Interest Payable on Short Term Debt	-	-	24
25	Principal Outstanding on Class 1 Pre Event Bonds	-	177,000	25
26	Interest Payable on Class 1 Pre Event Bonds	-	7,301	26
27	Provision for reinsurance	-	-	27
28	Other payables	19,088	18,617	28
29	Statutory fund payable	66,021	-	29
30	<b>Total liabilities</b>	<u><b>476,880</b></u>	<u><b>521,519</b></u>	30
31				31
32	<b>Surplus and others funds</b>			32
33	Unassigned surplus	2,467	(24,584)	33
34	<b>Total liabilities, surplus and other funds</b>	<u><b>\$ 479,348</b></u>	<u><b>\$ 496,935</b></u>	34
35				35
36				36
37	<b>Balance in CRTF</b>	<u><b>\$ 187,032</b></u>	<u><b>\$ 182,712</b></u>	37
38				38
39	<b>Balance in CRTF including Statutory fund payable</b>	<u><b>\$ 253,054</b></u>	<u><b>\$ 182,712</b></u>	39
40				40

Texas Windstorm Insurance Association  
Unrestricted Cash and Short Term Investments (\$ in 000's)  
September 30, 2022

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Average Annual Yield	Total Deposit % of TWIA's Portfolio	N.A. Bank Credit Rating	N.A Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital?
											> .2% of N.A. Reg Capital
							< 40%	Superior or Strong	> 10%	> \$25B	
<b>Balances as of 9/30/2022:</b>											
Bank of America, Operating	162	143,596	143,758	146,891	165	0.45%	32%	Superior	13.5%	\$185	No
BlackRock Liquidity Funds (1)	0	89,163	89,163	115,933	285	0.98%	20%	N/A	N/A	N/A	N/A
Citibank	198	16,991	17,189	16,989	3	0.07%	4%	Superior	14.3%	\$150	No
JP Morgan Chase	35,779	0	35,779	0	0	0.00%	8%	Superior	16.4%	\$264	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	163,303	163,303	136,160	450	1.32%	36%	N/A	N/A	N/A	N/A
<b>Total of all financial institutions</b>	<b>36,139</b>	<b>413,053</b>	<b>449,192</b>	<b>415,973</b>	<b>902</b>	<b>0.87%</b>	<b>100%</b>				
<b>Balances as of 6/30/2022:</b>											
Bank of America, Operating	162	143,201	143,363	148,154	66	0.18%	34%	Superior	13.1%	\$180	No
BlackRock Liquidity Funds (1)	0	119,535	119,535	98,729	36	0.14%	29%	N/A	N/A	N/A	N/A
Citibank	199	16,988	17,187	16,988	0	0.01%	4%	Superior	13.7%	\$150	No
JP Morgan Chase	13,353	0	13,353	0	0	0.00%	3%	Superior	15.9%	\$264	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	122,853	122,853	132,852	109	0.33%	30%	N/A	N/A	N/A	N/A
<b>Total of all financial institutions</b>	<b>13,714</b>	<b>402,578</b>	<b>416,292</b>	<b>396,722</b>	<b>211</b>	<b>0.21%</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.											
(3) Balances in non-interest bearing accounts have increased to reduce bank charges as rates for earnings credits have generally exceeded yields on short-term investments.											
Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of June 30, 2022. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.											

1	TEXAS WINDSTORM INSURANCE ASSOCIATION	1
2	Statement of Cash Flows (000's omitted)	2
3	for the nine months ended September 30,	3
4		4
5	Actuals - 2022    Budget - 2022    Variance - 2022	5
6		6
7	<b>Cash flows from operating activities:</b>	7
8	Premiums collected, net of reinsurance    \$    290,532    \$    296,295    \$    (5,763)	8
9	Losses and loss adjustment expense paid    (56,503)    (73,652)    17,149	9
10	Underwriting expenses paid    (86,484)    (86,314)    (171)	10
11	CRTF funds received    -    -    -	11
12	Member assessment received    -    -    -	12
13	Other    (1,087)    -    (1,087)	13
14	Net cash provided by operating activities    146,458    136,329    10,129	14
15	<b>Cash flows from nonoperating activities:</b>	15
16	Statutory fund paid    -    (66,385)    66,385	16
17	Other    -    -    -	17
18	Net cash provided by nonoperating activities    -    (66,385)    66,385	18
19	<b>Cash flows from investing activities:</b>	19
20	Sales and maturities of investments    -    -    -	20
21	Net investment income    (14,093)    (16,173)    2,080	21
22	Net cash provided by investing activities    (14,093)    (16,173)    2,080	22
23	<b>Cash flows from financing activities:</b>	23
24	Borrowed funds    -    -    -	24
25	Borrowed funds repaid    (177,000)    (54,400)    (122,600)	25
26	Net cash provided by financing activities    (177,000)    (54,400)    (122,600)	26
27		27
28	Net increase (decrease) in cash and short-term investments    (44,635)    (630)    (44,005)	28
29	Cash and short-term investments, Beginning    493,827    493,827    -	29
30	Cash and short-term investments, Ending    \$    449,192    \$    493,197    \$    (44,005)	30
31		31

TEXAS WINDSTORM INSURANCE ASSOCIATION													
HISTORICAL DATA													
1971 - 2022													
(\$ with 000's omitted)													
YEAR	GROSS						NET						CRTF BALANCE END OF PERIOD
	LIABILITY IN		RATE		WRITTEN	LOSS &	UNDERWRITING						
	FORCE	POLICY	CHANGES	COMML			PREMIUMS	LAE INCURRED	EARNED	LOSS &	EXPENSES	UNDERWRITING	
	END OF PERIOD	COUNT	RESID					PREMIUMS	LAE INCURRED	INCURRED	GAIN (LOSS)		
1971	\$ 278,710	13,415				\$ 2,393	\$ 92	\$ 868	\$ 92	\$ 385	\$ 391		
1972	739,983	33,577				4,138	214	3,468	214	849	2,405		
1973	1,017,048	45,743				4,286	1,427	4,288	1,427	1,099	1,763		
1974	1,064,772	45,901				4,512	452	4,378	452	1,106	2,819		
1975	1,169,763	46,365				6,036	592	5,263	592	1,417	3,254		
1976	1,387,252	48,747				8,130	231	6,953	231	1,878	4,844		
1977	1,616,220	51,382				9,922	203	9,080	203	2,258	6,619		
1978	1,633,521	48,820				10,523	296	10,249	296	2,329	7,624		
1979	1,816,410	46,128				11,045	2,370	11,039	2,370	2,178	6,490		
1980	1,936,388	43,613				9,675	14,217	10,245	14,217	2,079	(6,051)		
1981	2,105,244	42,495				9,137	2,715	9,313	2,715	2,097	4,501		
1982	2,285,594	51,034				8,641	982	9,106	982	2,095	6,029		
1983	2,165,231	44,894				6,900	157,112	7,585	157,112	1,937	(151,463)		
1984	3,178,079	51,311				9,450	1,294	7,989	1,294	2,493	4,202		
1985	4,061,660	57,181				18,232	1,510	3,534	1,510	3,638	(1,614)		
1986	4,510,378	60,028				20,987	1,202	5,229	1,202	3,997	30		
1987	4,401,486	57,976				20,532	2,555	4,931	2,555	4,091	(1,715)		
1988	4,266,615	56,773	-5.4%	-15.0%		19,061	2,509	3,551	2,509	4,066	(3,024)		
1989	4,236,600	55,401	-	-		18,066	14,176	5,330	14,176	4,037	(12,883)		
1990	4,248,611	56,155	3.1%	-2.1%		18,244	1,590	16,761	1,590	4,171	11,000		
1991	4,346,209	54,145	25.0%	-2.0%		20,504	1,783	7,167	1,783	4,343	1,042		
1992	5,155,790	55,471	-20% (I)/-75% (B)	-22.9%		11,495	1,321	4,014	1,321	4,220	(1,527)		
1993	6,500,165	56,921	30.0%	-		19,377	4,778	123,515	4,778	5,161	113,576		
1994	7,645,176	63,348	-	-		26,545	1,572	25,692	1,572	6,982	17,138	124,847	
1995	8,828,140	69,807	25.0%	-		32,419	4,033	29,016	4,033	8,119	16,864	151,284	
1996	10,001,843	72,977	-	-		40,359	1,484	37,153	1,484	10,627	25,042	179,020	
1997	10,907,937	75,361	-	-		42,463	4,133	41,045	4,133	11,038	25,874	216,896	
1998	11,633,935	77,261	0.2%	-3.0%		44,411	27,235	28,256	27,235	12,181	(11,160)	238,221	
1999	11,972,502	75,947	-9.4%	-		44,581	11,320	28,702	11,320	11,524	5,858	250,403	
2000	12,052,604	73,815	8.7%	9.0%		48,012	7,937	28,470	7,937	11,681	8,852	268,563	
2001	13,249,407	77,022	18.5%	4.0%		54,631	8,011	31,112	8,011	12,936	10,165	280,063	
2002	16,003,048	85,668	-	5.0%		72,968	32,359	44,516	32,359	16,584	(4,427)	303,185	
2003	18,824,457	96,420	-	10.0%		87,987	24,955	51,702	24,955	19,682	7,065	305,599	
2004	20,796,656	103,503	9.6%	10.0%		102,384	6,115	52,230	6,115	21,911	24,204	308,729	
2005	23,263,934	109,693	-	10.0%		113,928	178,370	65,438	178,370	25,277	(138,209)	311,508	
2006	38,313,022	143,999	3.1%	13.4%		196,833	5,188	85,467	5,188	37,138	43,141	361,823	
2007	58,641,546	216,008	4.2%	3.7%		315,139	17,985	135,843	17,985	51,768	66,090	388,542	
2008	58,585,060	215,537	8.2%	5.4%		331,049	2,587,123	(138,560)	1,117,123	53,759	(1,309,442)	-	
2009	61,700,891	230,545	12.3%	15.6%		382,342	(486,314)	389,600	(183,974)	87,899	485,675	-	
2010	67,452,357	242,664	-	-		385,550	555,025	351,730	252,685	85,598	13,447	76,334	
2011	71,083,333	255,945	5.0%	5.0%		403,748	202,539	321,781	202,539	81,665	37,577	146,650	
2012	74,186,949	266,726	5.0%	5.0%		443,480	401,873	321,122	401,873	93,583	(174,334)	178,902	
2013	76,921,369	270,814	5.0%	5.0%		472,739	30,975	295,130	30,975	100,524	163,631	186,184	
2014	78,763,302	275,626	5.0%	5.0%		494,036	(13,994)	367,555	(13,994)	109,189	272,360	216,813	
2015	78,551,742	272,219	5.0%	5.0%		503,824	178,886	377,594	178,886	114,973	83,736	487,170	
2016	73,393,573	254,346	5.0%	5.0%		487,354	38,669	370,404	38,625	109,756	222,023	587,860	
2017	65,023,810	231,567	-	-		423,074	1,476,861	347,354	1,475,302	97,878	(1,225,826)	1,220	
2018	58,041,760	202,208	5.0%	5.0%		395,552	175,718	301,515	175,998	96,399	29,118	5,986	
2019	55,189,815	189,203	-	-		372,017	113,513	287,477	113,398	92,415	81,664	122,496	
2020	55,009,638	184,890	-	-		369,600	118,669	261,574	118,470	90,594	52,510	179,174	
2021	59,543,596	193,002	-	-		395,113	19,026	276,372	19,048	95,623	161,701	182,712	
2022	72,822,019	219,219	5.0%	5.0%		410,332	35,673	228,205	35,709	92,519	99,978	187,032	
TOTAL*						7,763,756	5,978,560	5,317,353	4,506,980	1,721,746	(911,373)		
*2022 data through 9/30/2022.													



## 7. Actuarial

### 7A. Reserve Adequacy



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

## MEMORANDUM

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DATE: November 17, 2022

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

FROM: Xiuyu Li, ACAS, MAAA  
Senior Actuary | Manager, Actuarial Analysis

RE: Reserve Adequacy as of September 30, 2022

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The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of September 30, 2022.

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

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

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

In 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.



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TEXAS WINDSTORM  
INSURANCE ASSOCIATION

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The complete actuarial analysis is available on request.

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## 7B. Policy Count/Exposures

**Texas Windstorm Insurance Association**  
**Statistical Report**  
As of September 30, 2022



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	9/30/21	9/30/22	Actual	Percentage	9/30/21	9/30/22	Actual	Percentage	9/30/21	9/30/22	Actual	Percentage
Aransas	5,477	6,837	1,360	24.80%	1,882,440,389	2,561,022,052	\$678,581,663	36.00%	10,978,871	16,004,398	\$5,025,527	45.80%
Brazoria	30,031	37,195	7,164	23.90%	8,992,535,251	12,068,062,087	\$3,075,526,836	34.20%	45,086,749	64,409,930	\$19,323,181	42.90%
Calhoun	3,678	4,186	508	13.80%	1,026,507,738	1,219,038,062	\$192,530,324	18.80%	6,237,561	7,720,784	\$1,483,223	23.80%
Cameron	9,760	9,995	235	2.40%	2,917,709,412	3,347,450,272	\$429,740,860	14.70%	13,718,286	17,458,483	\$3,740,197	27.30%
Chambers	4,027	5,252	1,225	30.40%	1,389,548,370	1,964,051,657	\$574,503,287	41.30%	6,695,878	10,025,429	\$3,329,551	49.70%
Galveston	61,641	69,813	8,172	13.30%	21,252,566,264	25,935,801,504	\$4,683,235,240	22.00%	115,398,734	146,552,031	\$31,153,297	27.00%
Harris	3,557	3,831	274	7.70%	1,121,350,011	1,345,861,000	\$224,510,989	20.00%	4,029,794	5,462,280	\$1,432,486	35.50%
Jefferson	24,769	27,806	3,037	12.30%	5,907,161,903	7,324,845,116	\$1,417,683,213	24.00%	34,143,044	45,262,495	\$11,119,451	32.60%
Kenedy	18	24	6	33.30%	3,318,141	6,819,741	\$3,501,600	105.50%	32,190	53,518	\$21,328	66.30%
Kleberg	728	820	92	12.60%	166,600,692	208,718,453	\$42,117,761	25.30%	964,965	1,301,095	\$336,130	34.80%
Matagorda	4,390	4,906	516	11.80%	1,148,152,313	1,363,188,129	\$215,035,816	18.70%	6,230,074	7,741,416	\$1,511,342	24.30%
Nueces	37,141	40,637	3,496	9.40%	10,868,341,616	13,097,317,231	\$2,228,975,615	20.50%	57,890,703	74,287,382	\$16,396,679	28.30%
Refugio	321	371	50	15.60%	93,985,258	106,490,828	\$12,505,570	13.30%	618,919	746,584	\$127,665	20.60%
San Patricio	5,700	7,196	1,496	26.20%	1,582,704,480	2,174,020,749	\$591,316,269	37.40%	8,450,435	12,572,349	\$4,121,914	48.80%
Willacy	334	350	16	4.80%	87,358,790	99,331,821	\$11,973,031	13.70%	595,386	733,970	\$138,584	23.30%
<b>Total</b>	<b>191,572</b>	<b>219,219</b>	<b>27,647</b>	<b>14.40%</b>	<b>58,440,280,628</b>	<b>72,822,018,702</b>	<b>\$14,381,738,074</b>	<b>24.60%</b>	<b>311,071,589</b>	<b>410,332,144</b>	<b>\$99,260,555</b>	<b>31.90%</b>

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2022



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	162	386	325	720	1,453,902	2,968,903	326,216,657	8,362,450	385	755
Manufactured Home	56	157	56	158	78,958	240,634	10,414,269	0	172	173
Residential	2,599	5,480	2,610	5,609	6,236,146	12,794,861	2,224,391,126	190,936,570	6,280	6,452
Total	2,817	6,023	2,991	6,487	7,769,006	16,004,398	2,561,022,052	199,299,020	6,837	7,380
<b>Brazoria</b>										
Commercial	329	713	500	1,099	2,096,518	4,706,177	452,048,362	9,543,374	778	1,231
Manufactured Home	56	159	56	159	99,208	287,867	13,360,469	0	190	190
Residential	14,992	30,803	15,015	31,111	30,136,357	59,415,886	11,602,653,256	1,534,046,033	36,227	36,636
SUM:	15,377	31,675	15,571	32,369	32,332,083	64,409,930	12,068,062,087	1,543,589,407	37,195	38,057
<b>Calhoun</b>										
Commercial	100	203	190	389	616,022	1,302,366	133,001,072	2,848,390	222	449
Manufactured Home	26	63	26	63	34,571	93,660	4,367,496	0	75	75
Residential	1,490	3,312	1,506	3,440	2,881,734	6,324,758	1,081,669,494	91,713,333	3,889	4,069
SUM:	1,616	3,578	1,722	3,892	3,532,327	7,720,784	1,219,038,062	94,561,723	4,186	4,593
<b>Cameron</b>										
Commercial	282	695	535	1,345	2,846,904	6,802,601	1,300,723,767	11,076,575	726	1,580
Manufactured Home	26	56	26	56	27,780	61,257	2,721,200	0	60	60
Residential	3,381	7,718	3,387	7,761	4,907,288	10,594,625	2,044,005,305	203,839,025	9,209	9,268
SUM:	3,689	8,469	3,948	9,162	7,781,972	17,458,483	3,347,450,272	214,915,600	9,995	10,908

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2022



Class of Business	<u>Policies Written</u>		<u>Risks Written</u>		<u>Premium Written</u>		<u>Liability at End of Quarter</u>		<u>In-Force at End of Quarter</u>	
	During Qtr	YTD	During Qtr	YTD	During Qtr	YTD	Direct	Indirect	Policies	Risks
<b>Chambers</b>										
Commercial	59	120	79	151	408,305	694,884	65,094,026	894,850	115	163
Manufactured Home	17	44	17	44	27,143	73,967	3,672,243	0	53	53
Residential	2,171	4,410	2,181	4,510	4,640,470	9,256,578	1,895,285,388	254,606,722	5,084	5,226
SUM:	2,247	4,574	2,277	4,705	5,075,918	10,025,429	1,964,051,657	255,501,572	5,252	5,442
<b>Galveston</b>										
Commercial	905	2,161	1,555	3,725	10,531,544	26,810,274	3,004,951,521	65,168,370	2,272	4,125
Manufactured Home	68	189	68	189	106,612	289,123	14,273,181	0	226	226
Residential	23,436	56,759	23,500	57,455	50,856,405	119,452,634	22,916,576,802	2,607,790,824	67,315	68,237
SUM:	24,409	59,109	25,123	61,369	61,494,561	146,552,031	25,935,801,504	2,672,959,194	69,813	72,588
<b>Harris</b>										
Commercial	33	68	61	213	174,015	1,087,228	121,114,598	2,550,585	69	204
Manufactured Home	3	4	3	4	4,507	5,002	192,000	0	4	4
Residential	1,224	3,128	1,228	3,148	1,713,816	4,370,050	1,224,554,402	160,810,893	3,758	3,790
SUM:	1,260	3,200	1,292	3,365	1,892,338	5,462,280	1,345,861,000	163,361,478	3,831	3,998
<b>Jefferson</b>										
Commercial	306	632	578	1,029	2,722,524	4,536,376	417,370,881	12,221,724	707	1,162
Manufactured Home	22	50	22	50	44,071	100,639	3,864,250	0	51	51
Residential	10,976	23,470	10,990	23,668	20,061,561	40,625,480	6,903,609,985	888,777,707	27,048	27,309
SUM:	11,304	24,152	11,590	24,747	22,828,156	45,262,495	7,324,845,116	900,999,431	27,806	28,522

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2022



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	694,441	0	1	5
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	11	22	11	26	22,093	39,558	6,125,300	256,600	23	28
SUM:	11	23	11	31	22,093	53,518	6,819,741	256,600	24	33
<b>Kleberg</b>										
Commercial	14	37	23	65	89,007	227,286	23,772,914	914,190	43	72
Manufactured Home	0	2	0	2	0	3,785	144,500	0	2	2
Residential	348	676	350	692	559,419	1,070,024	184,801,039	19,337,951	775	792
SUM:	362	715	373	759	648,426	1,301,095	208,718,453	20,252,141	820	866
<b>Matagorda</b>										
Commercial	60	146	83	259	353,548	850,692	97,510,046	1,840,425	173	299
Manufactured Home	10	25	10	25	21,450	44,519	1,977,807	0	28	28
Residential	1,671	4,059	1,677	4,137	2,862,615	6,846,205	1,263,700,276	127,864,264	4,705	4,797
SUM:	1,741	4,230	1,770	4,421	3,237,613	7,741,416	1,363,188,129	129,704,689	4,906	5,124
<b>Nueces</b>										
Commercial	688	1,760	1,240	3,338	6,125,125	16,445,309	2,183,561,139	45,890,585	1,977	3,838
Manufactured Home	19	37	19	37	21,408	53,531	2,072,700	0	40	40
Residential	13,569	32,821	13,582	33,047	24,960,218	57,788,542	10,911,683,392	1,236,941,224	38,620	38,925
SUM:	14,276	34,618	14,841	36,422	31,106,751	74,287,382	13,097,317,231	1,282,831,808	40,637	42,803



**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2022



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	13	28	25	46	142,140	202,426	18,227,315	60,000	29	49
Manufactured Home	5	17	5	19	9,356	34,024	1,365,400	0	18	20
Residential	119	294	121	312	219,159	510,134	86,898,113	8,883,049	324	343
SUM:	137	339	151	377	370,655	746,584	106,490,828	8,943,049	371	412
<b>San Patricio</b>										
Commercial	91	227	127	351	486,392	1,211,901	126,527,059	2,257,895	244	404
Manufactured Home	24	52	24	52	43,889	97,524	4,077,512	0	58	58
Residential	2,900	5,973	2,905	6,030	5,798,776	11,262,924	2,043,416,178	252,255,053	6,894	6,964
SUM:	3,015	6,252	3,056	6,433	6,329,057	12,572,349	2,174,020,749	254,512,948	7,196	7,426
<b>Willacy</b>										
Commercial	12	25	17	43	68,701	164,981	16,836,739	99,900	30	63
Manufactured Home	0	6	0	6	0	8,543	326,045	0	6	6
Residential	134	280	135	290	267,605	560,446	82,169,037	5,390,643	314	325
SUM:	146	311	152	339	336,306	733,970	99,331,821	5,490,543	350	394
<b>Total All Counties</b>										
Commercial	3,054	7,202	5,338	12,778	28,114,647	68,025,364	8,287,650,537	163,729,312	7,771	14,399
Manufactured Home	332	861	332	864	518,953	1,394,075	62,829,072	0	983	986
Residential	79,021	179,205	79,198	181,236	156,123,662	340,912,705	64,471,539,093	7,583,449,889	210,465	213,161
SUM:	82,407	187,268	84,868	194,878	184,757,262	410,332,144	72,822,018,702	7,747,179,201	219,219	228,546

## 7C. Status of Filings



## MEMORANDUM

DATE: November 21, 2022

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 several filings at its August 2, 2022 meeting.

TWIA made its annual rate filing on August 5 for no change in TWIA rates. Because this filing was not for an increase, no specific approval from TDI was required.

TWIA also filed proposed increases to its maximum statutory limits on August 5. On September 2, TDI issued an order initially modifying the filing to only approve an increase in the statutory limit for manufactured homes while keeping all other limits at their current amounts. After a hearing held on September 27, TDI issued a final order on October 3 setting the maximum limits for 2023 as follows:

	Current 2022	Approved 2023	% Change
Dwellings and individually owned townhouses	\$1,773,000	\$1,773,000	0%
Manufactured Home	\$96,600	\$115,800	19.9%
Contents of an apartment, condominium, or townhouse	\$374,000	\$374,000	0%
Commercial structures and associated contents	\$4,424,000	\$4,424,000	0%

The Commissioner's Order is attached for reference.

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

JM

**No. 2022-7541**

**Official Order  
of the  
Texas Commissioner of Insurance**

**Date: 10/03/2022**

**Subject Considered:**

Order on Texas Windstorm Insurance Association Policy Maximum Liability Limits  
Petition  
Docket No. 2835

**General remarks and official action taken:**

The Texas Windstorm Insurance Association (TWIA) proposed adjustments to its maximum liability limits for policies delivered, issued for delivery, or renewed on or after January 1, 2023. This order modifies TWIA's filing.

**Background**

Insurance Code Section 2210.502 requires that TWIA's board of directors propose inflation adjustments to TWIA's maximum liability limits not later than September 30 of each year. TWIA's board voted to propose adjustments to the maximum liability limits on August 2, 2022. Section 2210.503 requires that TWIA file the proposed maximum liability limits within 10 days of the board's proposal, which TWIA did on August 5, 2022.

Under Insurance Code Section 2210.501, the Commissioner must approve, disapprove, or modify TWIA's filing not later than 30 days after the Texas Department of Insurance (TDI) receives the filing or the filing is deemed approved. The Commissioner's authority under Insurance Code Section 2210.501 was delegated to the Deputy Commissioner for the Property and Casualty Division. See Commissioner's Order No. 2022-7476. On September 2, 2022, TWIA's filing was modified by Commissioner's Order No. 2022-7477.

# 2022-7541

Commissioner's Order  
TWIA Maximum Liability Limits  
Docket No. 2835  
Page 2 of 5

Insurance Code Section 2210.504 provides that if TWIA's filing is disapproved or modified under Insurance Code Section 2210.501, then the Commissioner must again, after notice and hearing, either approve, disapprove, or modify the filing not later than 30 days after the initial disapproval or modification.

The Commissioner adopts the following findings of fact and conclusions of law:

## Findings of Fact

1. TDI received TWIA's annual filing to propose adjustments to its maximum liability limits on August 5, 2022. The filing was assigned Petition Nos. P0822-14 (residential) and P-0822-15 (commercial).
2. TWIA proposed the following adjustments to the maximum liability limits:
  - (a) An increase of 19.7%, from \$1,773,000 to \$2,122,000, for residential dwellings and individually owned townhouses and their contents.
  - (b) An increase of 18.5%, from \$374,000 to \$443,000, for the contents of apartments, condominiums, or townhouses.
  - (c) An increase of 24.7%, from \$4,424,000 to \$5,518,000, for commercial and governmental structures and their contents.
  - (d) An increase of 19.9%, from \$96,600 to \$115,800, for manufactured homes.
3. If the past increases for residential dwellings and individually owned townhouses and their contents had tracked the BOECKH Index since 1997, the maximum liability limit in 2022 would be \$877,000.
4. If the past increases for the contents of apartments, condominiums, or townhouses had tracked the BOECKH Index since 1997, the maximum liability limit in 2022 would be \$311,000.
5. If the past increases for commercial and governmental structures and their contents had tracked the BOECKH Index since 1997, the maximum liability limit in 2022 would be \$3,913,000.

## 2022-7541

Commissioner's Order

TWIA Maximum Liability Limits

Docket No. 2835

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6. If changes to the BOECKH Index after 1997 were applied to TWIA's current limit for manufactured homes, the result would be a maximum liability limit of \$211,400.
7. The maximum limit of liability for manufactured homes remained at \$84,000 from 1994 until January 1, 2022. In 2021, the Commissioner increased the manufactured home maximum limit of liability from \$84,000 to \$96,600, effective January 1, 2022.
8. Under Insurance Code Section 2210.502(d), the maximum liability limit applicable for governmental buildings is indexed the same as the maximum liability limit for commercial buildings.
9. According to the filing, 152 residential dwelling risks, 70 contents risks, 22 manufactured homes, and 328 commercial or governmental risks are at the maximum limit. This is approximately 0.11% of TWIA's residential risks, 2.4% of TWIA's manufactured homes, and 2.5% of TWIA's commercial and governmental risks in force as of June 30, 2022.
10. The cumulative adjustments to the maximum liability limits for residential dwellings, the contents of apartments, and commercial buildings have exceeded the increases in the weighted average BOECKH Index factors.
11. Commissioner's Order No. 2022-7477, issued September 2, 2022, modified TWIA's filing, approving the increase in the maximum liability for manufactured homes and disapproving the increases for dwellings and individually owned townhouses and their contents; contents of an apartment, condominium, or townhouse; and commercial and governmental structures and their contents.
12. On September 14, 2022, TDI posted on its website notice of a public hearing to be held at 2:00 p.m. on September 27, 2022, regarding TWIA's filing. Notice of the hearing was also published in the *Texas Register* on September 23, 2022. Both notices specified that written comments would be accepted until 5:00 p.m., central time, on September 27, 2022.
13. TDI held a hearing on September 27, 2022, during which TDI staff testified. Neither TWIA staff nor any members of the public testified. TDI did not receive any written comments.

### **Conclusions of Law**

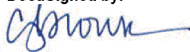
1. The Commissioner has jurisdiction over this matter under Insurance Code Section 2210.504.
2. Insurance Code Section 2210.502 requires that TWIA file proposed inflation adjustments to TWIA's maximum liability limits.
3. Insurance Code Section 2210.501 requires the Commissioner to approve, disapprove, or modify TWIA's filing within 30 days after TDI receives the filing, or the filing is deemed approved.
4. Because TWIA's filing was initially modified, Insurance Code Section 2210.504 requires the Commissioner, after notice and hearing, to either approve, disapprove, or modify the filing not later than 30 days after the initial modification.

### **Order**

It is ordered that TWIA's filing with proposed increases to its current maximum liability limits is modified, as provided in Commissioner's Order No. 2022-7477.

TWIA's proposed increases to its current maximum liability limits for windstorm and hail insurance policies for dwellings and individually owned townhouses and their contents; contents of an apartment, condominium, or townhouse; and commercial and governmental structures and their contents, delivered, issued for delivery, or renewed on or after January 1, 2023, are disapproved.

TWIA's proposed increase to its current maximum liability limits for windstorm and hail insurance policies for manufactured homes delivered, issued for delivery, or renewed on or after January 1, 2023, is approved.

DocuSigned by:  
  
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Cassie Brown  
Commissioner of Insurance

# 2022-7541

Commissioner's Order

TWIA Maximum Liability Limits

Docket No. 2835

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Recommended and Reviewed by:

DocuSigned by:

*James Person*

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James Person, General Counsel

DocuSigned by:

*Andy MacLaurin*

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Andy MacLaurin, Staff Attorney



## 7D. 2023 Reinsurance Capacity, Pricing & Timing Issues



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

## MEMORANDUM

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DATE: November 28, 2022

TO: David Durden  
General Manager

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

RE: 2023 Reinsurance Program

---

Staff has been working closely with TWIA's reinsurance broker, Gallagher Re, and their securities / catastrophe bond affiliate in preparation for the upcoming 2023 reinsurance placement. We have asked Gallagher to present information at the December 13, 2022 TWIA Board meeting regarding reinsurance market conditions, the associated impact on price and capacity, and additional reinsurance options such as parametric and industry loss-weighted coverage.

Given the hardening market conditions, Gallagher is recommending that the reinsurance planning and purchasing process begin as soon as possible. To that end, they recommend the TWIA board meet to set the 1:100 probable maximum loss amount in advance of its regular February meeting and authorize commencement of the reinsurance placement process at the December 13 meeting, at least in terms of a catastrophe bond transaction to replace the expiring 2020 Alamo Re bonds a few months early.

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, 2023 - May 31, 2024 reinsurance program and to work with the Board members to set an interim Board meeting in January to further move the process along by selecting the annual 1:100 probable maximum loss as required by law. Staff is also authorized and directed to move forward to seek to replace expiring catastrophe bonds early using a replacement transaction as presented to the board by Gallagher representatives.

JM



# Texas Windstorm Insurance Association

Meeting of the TWIA Board of Directors

December 2022



**Gallagher Re**

# 2022 Property Cat Reinsurance Market Conditions

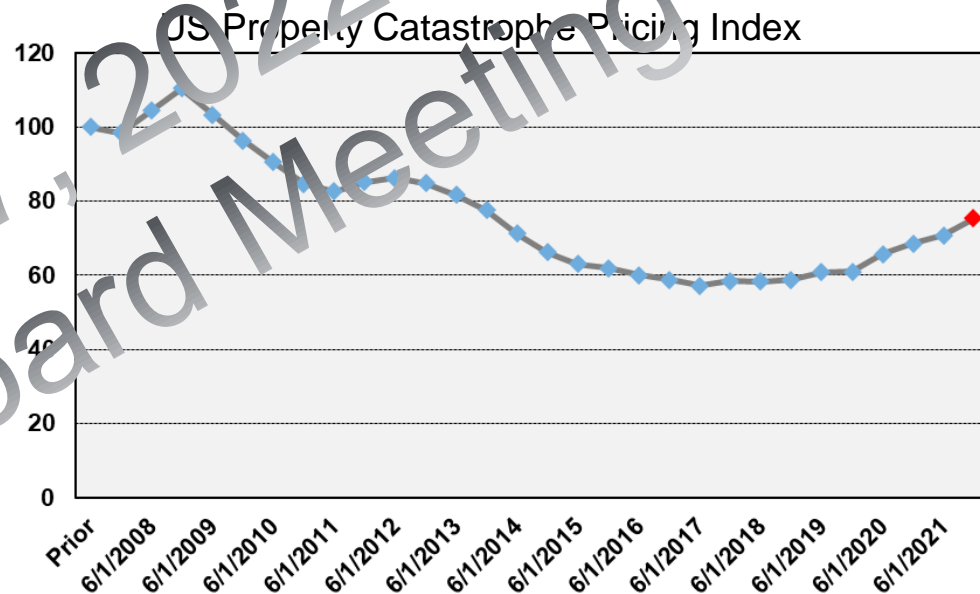
Commentary as of May 17, 2022

## Still a “reasonably favorable” market for reinsurance buyers relative to the last 15 years

- Competing market with traditional vs. ILS (Cat Bonds)
- Loss-free deals are viewed favorably, but still faced with rate increases

## An abundance of headwinds in 2022:

- Record cat losses in 2020 & 2021, a trend since 2017
- Large buyers of Cat....buying more as of June 1, 2022
- Inflation on loss trends
- Retrocession rate increases
- All major reinsurers have reduced net PML in 2022
- Interest rates: risk free assets are now competing against risk assets



\* Projected on June 1, 2022, excluding Florida weighted programs

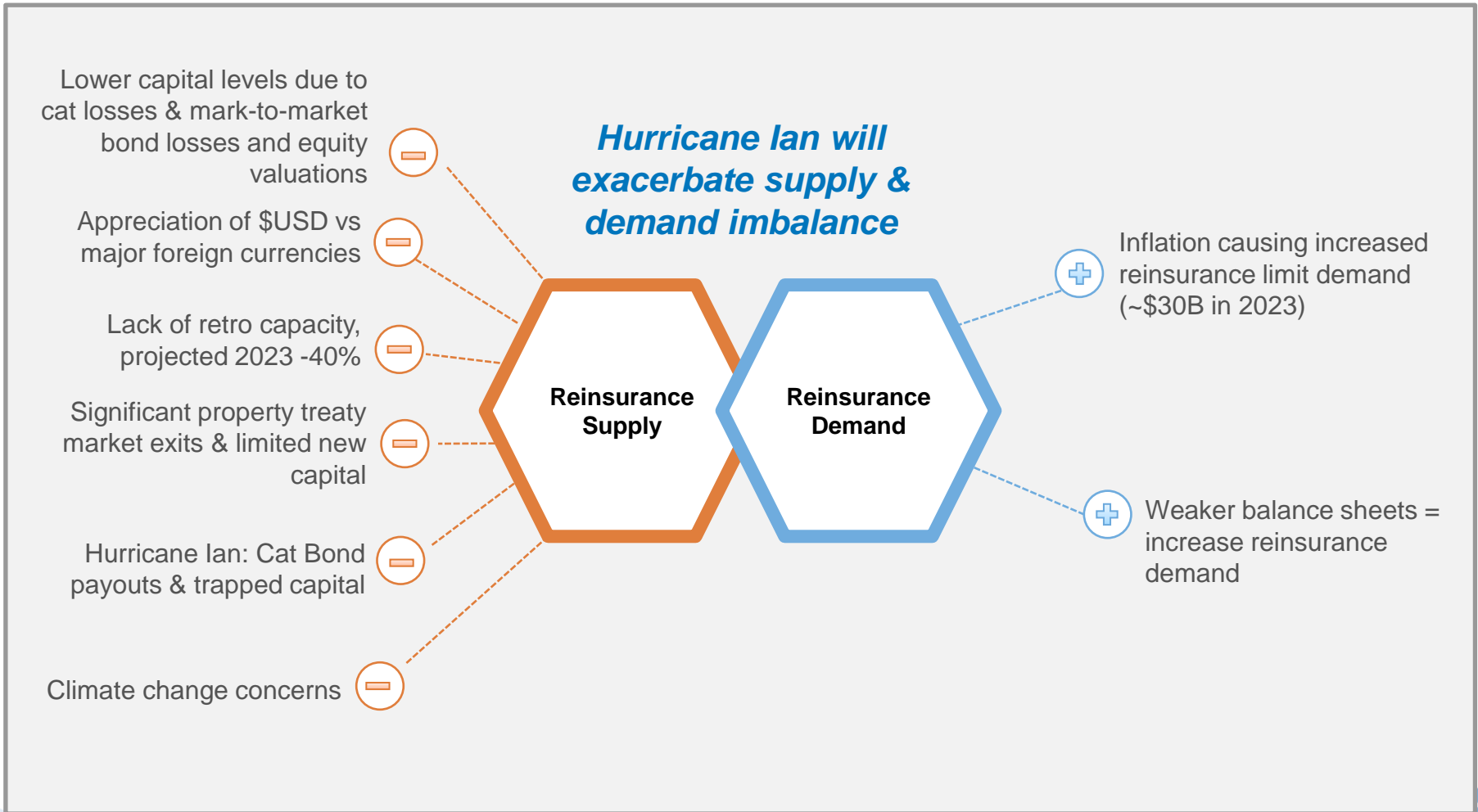


Gallagher Re



# Property Reinsurance Market

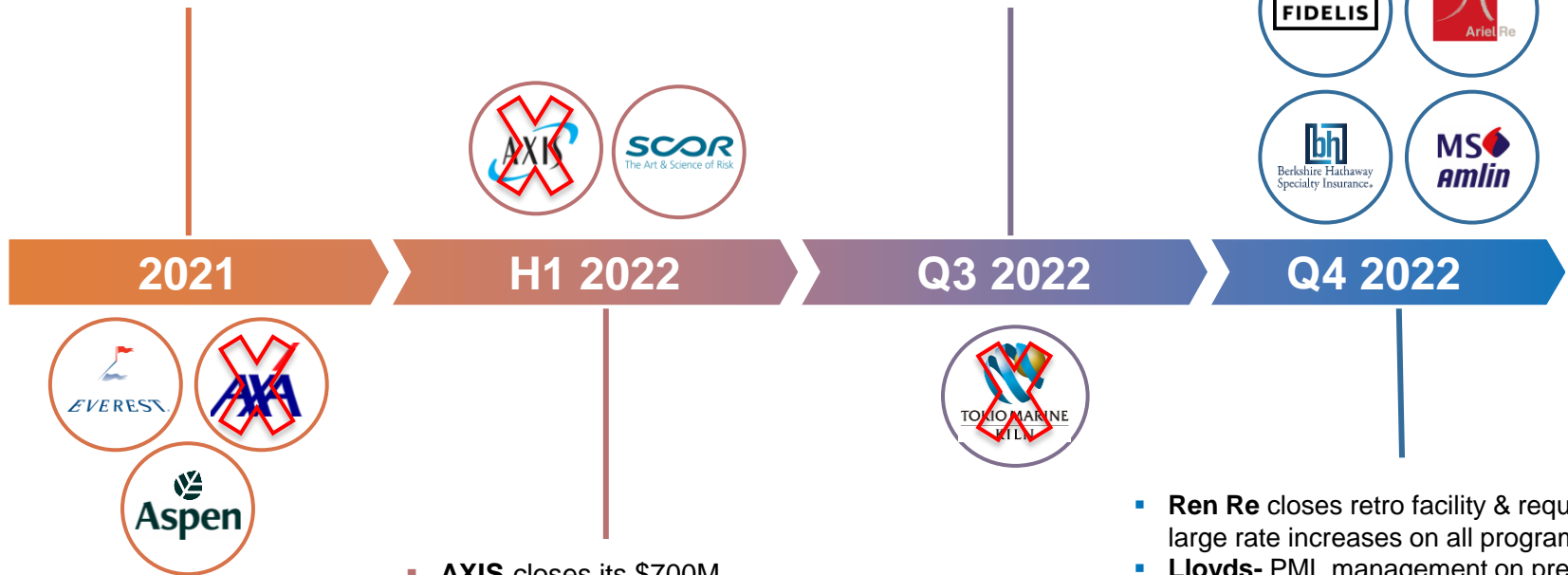
## Historic Imbalance of Reinsurance Supply and Demand



# Headline Reinsurance Capacity Reductions

- **Aspen**: removes ~\$500M of property capacity
- **Everest** scales back cat XOL premium to 17% of reinsurance premium, down from 26% in 2017
- **AXA Group** exits property treaty in Lloyd's. Plans to cut Cat exposure by 40% in 2022

- **Kiln**, historically a leader in the London property market, exits property treaty reinsurance

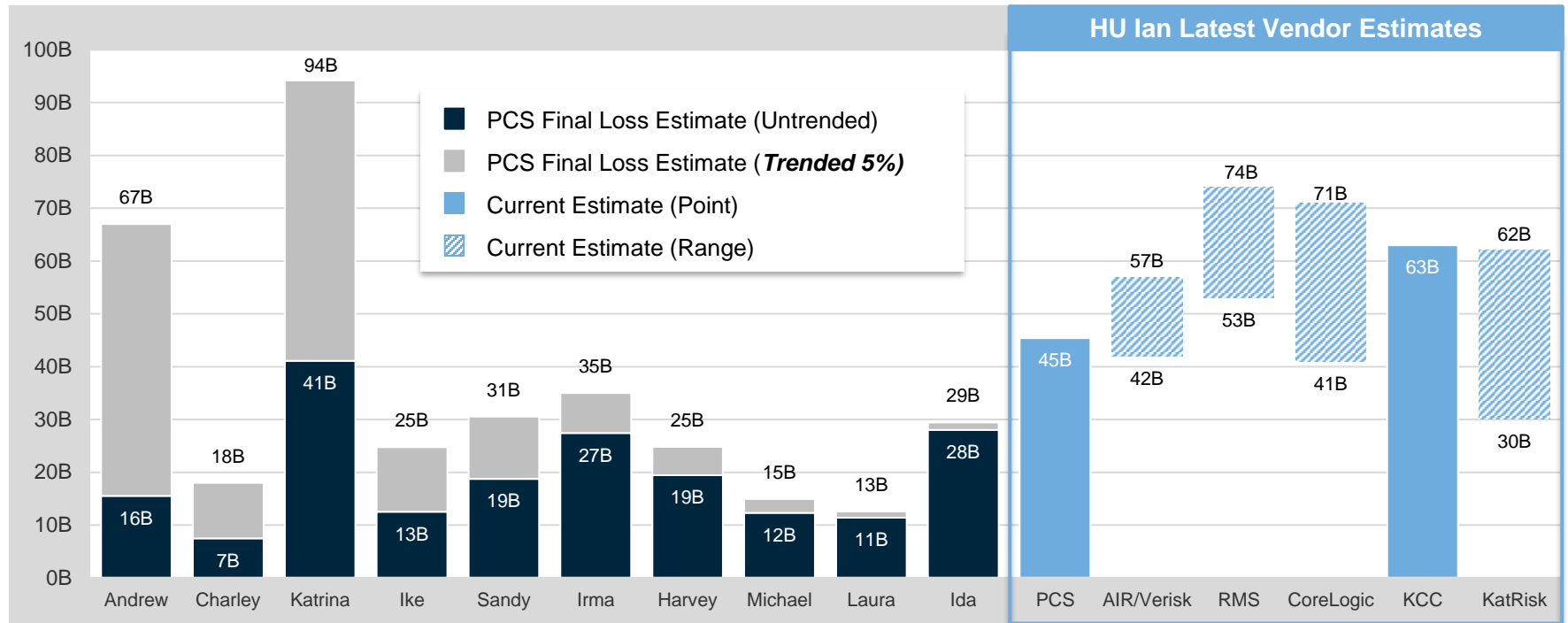


- **AXIS** closes its \$700M property reinsurance division
- **SCOR** aims to cut property PMLS by 11%

- **Ren Re** closes retro facility & requires large rate increases on all programs
- **Lloyds**- PML management on premium
- **Berkshire Hathaway** exits several retro cat quota shares, potentially impacting **Fidelis**, **MS Amlin**, & **Ariel**
- **Axa** cutting 85% of property book in 2023
- Trapped collateral from Ian likely to impact **ILS** capacity at 1/1

# Hurricane Ian

## Historical Event Comparison and Latest Estimates



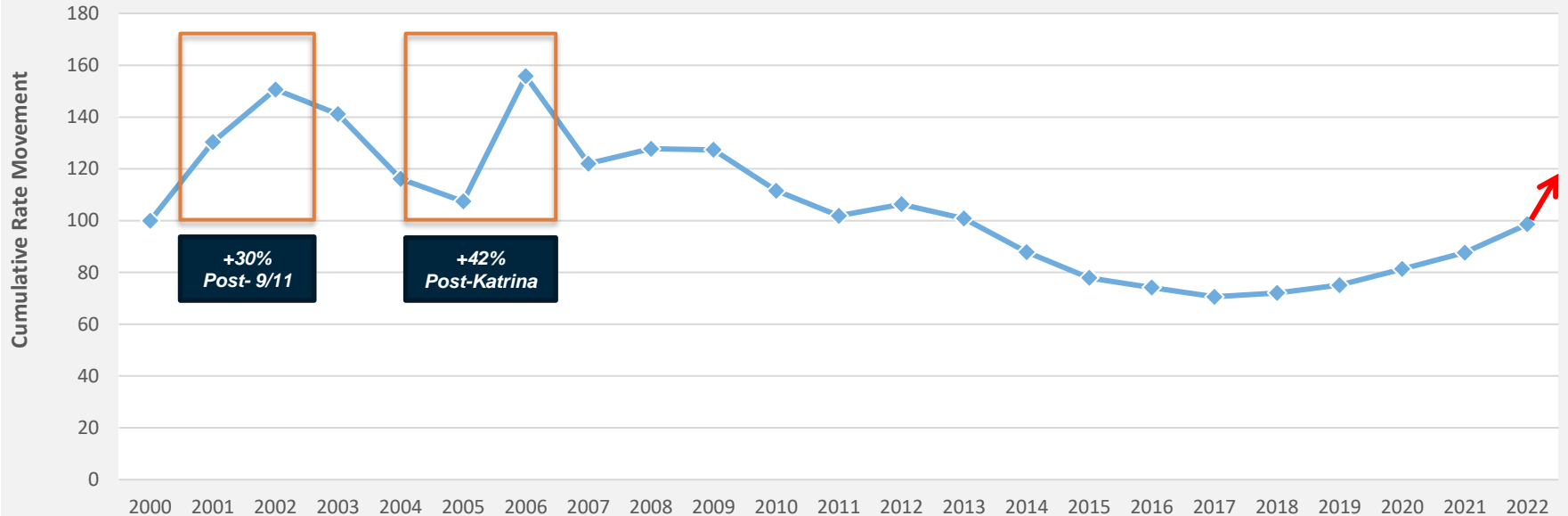
*\*PCS loss estimate expected to develop over time by the time the claim is closed. Prior event development suggest potential for 20% growth in loss estimate.*

- Based on latest vendor model estimates, Hurricane Ian may surpass the nominal (untrended) insured loss witnessed in all major hurricane events
- On a trended basis, Ian expected to match the insured loss of Hurricane Andrew (FL 1992)
- Significant variability around vendor model loss estimates with uncertainty being driven by factors such as social and economic inflation and litigation costs

# U.S. Property Cat Historical Rate Change

## 2000 through “Early 1/1/23 Estimates”

Gallagher Re – U.S. Property Cat Historical Rate Change

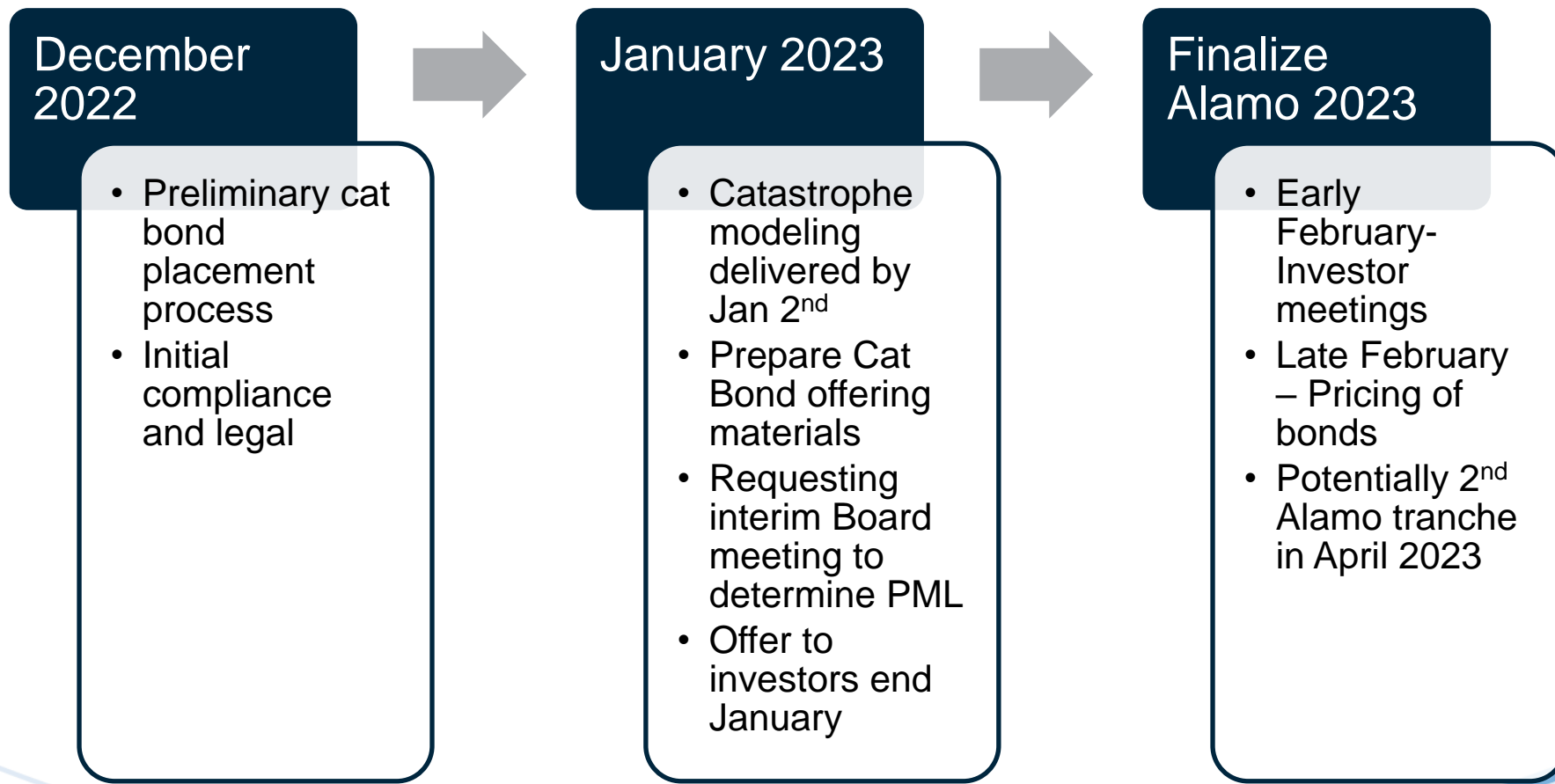


- Following Katrina and 9/11, rate movements varied between +30% and +42% in the year to follow
- Heading into 2023, pricing levels are now back to levels witnessed in 2011 with the expectation of further significant rate movement driven by supply demand imbalance and exacerbated by the impact of Hurricane Ian



# Timeline- Action Items

Market Conditions Warrant an Earlier Launch of Reinsurance Placement



## 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 13, 2022

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
Information Security	Report issued
Business Continuity of Operations – Information Technology	Report issued
Findings Follow-up Audit	Report issued
Reinsurance	Reporting phase
Model Audit Rule	Documentation update completed
Continuity of Operations Plan – Business Operations	Reporting phase
HR and Payroll	Fieldwork in review
Claims Audit	Fieldwork in review
Risk Assessment and Audit Plan Update	Completed

➤ **Upcoming Audits and Activities:**

Activity Description	Timing
Plan of Operation	1 <sup>st</sup> / 2 <sup>nd</sup> Quarter 2023
Accounts Payable and Expense Processing	1 <sup>st</sup> /2 <sup>nd</sup> Quarter 2023
Accounts Receivable	1 <sup>st</sup> /2 <sup>nd</sup> Quarter 2023

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

## Texas Windstorm Insurance Association

### Internal Audit Plan – Lookback (2020-2021) and Prospective (2022-2024)

Process Area	Last Report Date	2021 Inherent Risk Rating	2020	2021	2022	2023	2024
Information Security	May 2018	High		x		x	
Claims Processing	Nov. 2020	High	x		x		x
Reinsurance	Nov. 2020	High	x		x		x
Database and Application Administration	Oct. 2020	High	x			x	
Communications	Mar. 2021	High		x		x	
Actuarial (Pricing and Reserving)	Sept. 2021	High		x		x	
Human Resources Administration	Oct. 2019	Moderate			x		
Legal & Compliance	Mar. 2021	Moderate		x		x	
Underwriting	June 2020	Moderate	x			x	
Plan of Operation	N/A	Moderate			x		
Depopulation	Sept. 2020	Moderate	x		x		
Business Continuity of Operations	Feb. 2020	Moderate			x		
Governance	May 2021	Moderate		x			x
Financial Close and Reporting <sup>(1)</sup>	Dec. 2020	Moderate	x				x
Disaster Recovery	Feb. 2020	Moderate	x	x			x
Accounts Payable and Expense Processing <sup>(1)</sup>	Oct. 2019	Moderate				x	
Application Development	Sept. 2019	Moderate			x		
Information Technology Services	N/A	Moderate			x		
Vendor Management	Nov. 2021	Moderate		x			x
Accounts Receivable <sup>(1)</sup>	May 2020	Moderate				x	
Payroll	June 2019	Moderate			x		
Facilities and Services	Oct. 2020	Low	x			x	
Cash Management	Aug. 2021	Low		x			x
Premium Taxes	July, 2021	Low		x			x

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

## 8B. Internal Audit Risk Assessment



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

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December 13, 2022



- ✓ **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 audit to focus its resources on the areas of greatest risk
  - Result in a comprehensive internal audit plan that identifies the specific areas of internal audit 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



- Reviewed results of prior risk assessments as benchmark criteria for the update
  - Received input from the Executive Leadership Team
  - Reviewed financial risks, process documentation, and strategic initiatives
  - Considered industry best practices
- 
- Evaluated inherent risk of probability and impact
  - Considered current and anticipated business changes
  - For key operating areas, evaluated financial/transaction significance and risk trends
  - Considered the current control environment: staffing, policies, culture, anticipated changes in the environment
  - Assessed the degree of legal/regulatory compliance requirements
- 
- Summarized risk ratings by business process area
  - Developed internal audit plan for 2023, 2024 and 2025 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
- ✓ Prior audits indicate internal control awareness and effectiveness:
  - 2022 audits and internal control activities include: Reinsurance, Business Continuity of Operations, Depopulation, HR & Payroll, Claims, Follow-Up Procedures, Model Audit Rule
  - Financial statements are audited annually by an independent CPA firm

# 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.

# Risk Assessment Results

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
Reinsurance and Funding	<ul style="list-style-type: none"><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></ul>	High	High	High	↑	X	X		X			Risk is trending higher due to hardening market and probable decline in reinsurance capacity for catastrophic risks. As a result, reinsurance rates are expected to increase in 2023 and most likely beyond. This will also put additional pressure on loss/LAE ratios.
Information Security	<ul style="list-style-type: none"><li>• Mobile Security</li><li>• Logical Access (Database, OS, Application)</li><li>• Physical Access</li><li>• Cybersecurity</li></ul>	High	High	High	↑		X		X	X	X	Risk is trending higher due to the velocity and evolution of cyber threats. Threat has also increased due to remote working. TWIA is phasing out the Bring Your Own Device (BYOD) policy and rolling out TWIA-issued devices to mitigate risk.

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

# Risk Assessment Results – cont.

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		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</li> <li>• Disaster Recovery Planning (IT)</li> <li>• Safety Planning</li> </ul>	High	High	High	↑		X		X		X	Risk is trending higher due to challenges with executing the Continuity of Operations Plan ("COOP") 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	Not Rated	High	↑		X	X	X		X	Risk is trending higher as management is completing implementation of Project Elevate (policy application) across the Association. 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.

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
Underwriting	<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>• Customer increase from insolvent insurance companies</li></ul>	Moderate	Moderate	High	↑	X	X	X	X	X	X	<p>Risk is trending higher due to increasing policyholder count resulting from newly insolvent insurers or those in run-off:</p> <ul style="list-style-type: none"><li>-Weston P&amp;C Insurance (insolvent)</li><li>-United Property and Casualty (UPC) Insurance (run-off)</li><li>-FedNat (Maison)(insolvent)</li></ul> <p>Additionally, management is in the process of resolving any items related to the Project Elevate implementation.</p>

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

# Risk Assessment Results – cont.

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
Human Resources Administration	<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>	Moderate	High	High	↑	X	X		X			<p>Currently, there is a high demand for experienced talent coupled with low supply of qualified candidates. This has created a very competitive retention landscape. This environment creates more retention challenges along with increased compensation cost. As TWIA has transitioned to a primarily remote working environment, the risk involved with training, onboarding and offboarding employees is increasing.</p> <p>Additional risk is also considered for the vacancy of the VP - Legal and Compliance and current staffing needs of the Accounting team.</p>

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

# Risk Assessment Results – cont.

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
Claims Processing	<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		<p>Claims are processed in accordance with TDI regulatory and TWIA guidelines. Claims have a heavy dependency on system applications for processing. There may also be a dependency on third-party adjusters in the event of a named storm or hurricane, whereby these 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 resulted in longer claims processing times and have increased the financial and legal risks. Overall risk remains high with a stable trend.</p> <p>Additionally, there has been an increase in suspected fraud referrals to TDI over the past two years.</p>

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

# Risk Assessment Results – cont.

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		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> </ul>	High	High	High	↔			X	X			The department is well staffed and its functions and responsibilities are well defined. Though risk is considered stable, there is a current period of transition due to the exit of the VP of Communications.
<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 Updates</li> </ul>	High	High	High	↔			X	X			Communication requirements are demanding, though processes are stable and adequately meet demands of stakeholders.

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



# Risk Assessment Results – cont.

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
Actuarial (Pricing and Reserving)	<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	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.
Executive Management, Management Planning and Reporting	<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>• Pandemic</li><li>• Talent Retention</li><li>• Customer Communications and Service Delivery</li><li>• Succession Planning</li></ul>	Moderate	Moderate	High	↑		X		X			Higher risk trend due to the transition to a new General Manager and exit of the VP of Communications. Additionally, due to strong job market, there is increased risk in retaining top talent and succession planning.

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

# Risk Assessment Results – cont.

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
Database and Application Administration	<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></ul>	High	High	Moderate	↔		X		X	X	X	Risk is stable as management implemented Project Elevate across the association in April 2022, and is working to resolve any preliminary issues.

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

# Risk Assessment Results – cont.

## 2022 Risk Assessment Summary

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
Legal & Compliance	<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></ul>	High	Moderate	Moderate	↔			X	X			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.

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

# Risk Assessment Results – cont.

## 2022 Risk Assessment Summary

Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		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	Moderate	↓	X	X		X			Risk is trending lower as the number of policies in depopulation continue to decrease.
<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> <li>• Model Audit Rule</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. Additionally, the Association is in the early phase of transitioning to a Corporate Performance Management system for reporting and budgeting to further reduce financial reporting risk.

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

# Risk Assessment Results – cont.

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<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.
<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.

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

# Risk Assessment Results – cont.

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
<b>Information Technology Services</b>	<ul style="list-style-type: none"> <li>• Network Security/Operations (including Monitoring, Tools, Data Security)</li> <li>• Help Desk</li> <li>• Change Management</li> <li>• Website Maintenance</li> <li>• Hardware Management</li> <li>• IT Vendor Management</li> </ul>	Moderate	Moderate	Moderate	↔		X		X	X	X	Risk remains stable given the information technology environment, including age of existing software and hardware.
<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>	Low	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.

2022 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Category						Risk Trend <sup>1</sup>
		2020	2021	2022		Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT	
Accounts Receivable	<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>	Low	Moderate	Moderate	↑	X	X		X	X	X	Risk is slightly elevated as management works to complete the transition to the Elevate system. During this time of transition and phasing-out of the Legacy system, TWIA will be using two separate systems. Risk will reduce once all claims have been transferred to the Elevate system. Risk is currently trending higher due to plans to replace the Payconnexion (Chase Bank) payment system in 2023.
Facilities and Services	<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>	Moderate	Low	Moderate	↔		X					The overall risk level is moderate due to the upcoming office relocation. The risk trend is currently considered stable.

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

# Risk Category Definitions



## **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.



# Risk Category Definitions Cont.



## 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.

# Audit Plan 2023-2025

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

**Note:** Model Audit Rule documentation will be updated and the annual risk assessment will be performed in 2023. Audit frequency is generally the following based on risk assessed: High 12-24 months; Moderate 24-36; Low 36-48.

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

# Discussion



## 8C. Continuity of Operations Review Results



# **Texas Windstorm Insurance Association Assessment of Continuity of Operations and Business Continuity Planning**

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December 13, 2022



# Continuity of Operations Plan (COOP) Assessment Objectives

- Determine whether the COOP aligns with industry and/or other practices over Business Continuity Management and verify the following elements are sufficiently incorporated into the COOP document:
  - Management support
  - Risk Assessment and Risk Mitigation
  - Business Impact Analysis
  - Business Recovery and Continuity Strategy
  - Plan Awareness and Training
  - Maintenance
  - Approval by Senior Management and/or the Board

The International Professional Practices Framework - Practice Guide Business Continuity Management (BCM) maintains that the tone at the top should be established by executive leadership and the board to include:

1. Board and senior management support the BCM initiatives
2. Senior executives should ensure successful implementation, maintenance, and update of plans supporting BCM
3. A BCM policy/charter should be in place and updated periodically
4. BCM-related plans, including BCP, should be approved by the board and appropriate levels of management



Governance of the COOP/BCP can be strengthened by:

- Developing a policy/charter that defines roles and responsibilities of the and Board
- Having the Board review and approve COOP/BCP on an annual basis
- Codifying the requirements for the roles and responsibilities of the ELT within the policy/charter
- Ensuring the policy/charter allows the ELT the ability to empower proxies as departmental representatives to work with the *Senior Business Continuity and Catastrophe Plan Analyst* during the annual update process
- Ensuring there are attestations received from ELT Members or empowered proxies on an annual basis stating that they have read and understand departmental BCPs

# Discussion



## 9. Underwriting

### 9A. Weston and FedNat Update



TEXAS WINDSTORM  
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# **TWIA Response to Weston & FedNat (Maison) Insolvencies**

# Summary of Weston Activity

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- **12,089 total policies issued**
  - 248 commercial
  - 11,841 residential
- **Approximately \$4.5B in insured value and \$29.6M in written premium**
- **3,205 policies on Weston Receivership Pay Plan**

# Summary of FedNat (Maison) Activity

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- **58 total policies issued – all residential**
  - We do not anticipate receiving any commercial policy applications from former FedNat (Maison) policyholders as the policy data we were provided did not appear to include any commercial policies.
- **Approximately \$21.1M in insured value and \$131,600 in written premium**
- **10 policies on FedNat Pay Plan**

## 9B. Operational Review Update



## MEMORANDUM

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DATE: November 22, 2022  
TO: David Durden, General Manager  
FROM: Jessica Crass, Vice President, Underwriting  
RE: Update on Underwriting Operational Highlights

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### Third Quarter 2022 Highlights

I. Service Results:

- a. Underwriting met and exceeded its goals with consistent turnaround time on all transactions. Our goal is to issue 90% of new business submissions, endorsements, renewals, and cancellations within 10 days; we are surpassing this standard with over 98% of transactions processed within 10 days. Over 86% of applications/renewals were processed within 1 day.
- b. Quality Assurance results on underwriting decisions continue to exceed established goals.
- c. Telephone service response times for the quarter met expectations. Our standards include answering 80% of calls in under 20 seconds. Results were heavily impacted by a substantial increase in customer inquiries following the events related to Weston Property & Casualty Insurance Company's insolvency and liquidation proceedings in August, combined with the annual seasonal swell of business. However, our overall department results still exceeded our goal, at 81.6%.
- d. Underwriting is operating below budget, in part due to open positions in the process of being filled.

II. Agency Compliance Audits:

- a. The TWIA Agent Auditor vacancy was filled in October. Standard audits were subsequently completed for a sample of agencies doing business with TWIA in the third quarter of 2022 to verify compliance with the declination of coverage and flood insurance requirements.





- i. Ninety percent of agencies have now completed their responses. Staff are pursuing a response from the remaining agencies and escalating issues as necessary.
- ii. Of the agencies who have responded, all policies reviewed were compliant with the requirement for proof of declination of coverage.
- iii. Two percent of the policies/properties selected for review required flood insurance and meet the requirement.
- iv. All agents audited have an active property and casualty insurance license.

## 9C. Depopulation



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# Depopulation Programs

November 2022

## DEPOPULATION STATUS

### Depopulation Programs Summary

#### Assumption Reinsurance Depopulation Program

##### Program Offer and Assumption Activity by Year

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

##### Carrier Participation by Year

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

##### Carrier Assumption Totals

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

## Voluntary Market Depopulation Program

Policies Bound Through Program, Month End November 2022
4,754

## Assumption Reinsurance Depopulation Program

### Round 6: Status

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

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

## Voluntary Market Depopulation Program

Four participating carriers have reported a total of 4,754 policies bound through the Voluntary Market Depopulation Program. Weston Insurance Company reported 2,506 policies bound before electing to discontinue its participation. State National Insurance Company, United Property and Casualty (UPC), and USAA Casualty Insurance Company also previously received approval to participate. UPC reported 71 policies bound before electing to discontinue participation, while State National and USAA reported 1,876 and 83 policies bound, respectively, before becoming inactive in the program.

USAA submitted an application to renew its participation in the Voluntary Market Depopulation Program to which was approved by TDI on December 1, 2021. USAA informed TWIA that they have resumed making offers through the program, and 218 approved offers were reported as of September 30, 2022.

## 10. Claims

### 10A. Claims Operations

## TWIA Claims Operations 2022

TWIA Claims - 2022 Results (through Q3)					
Key Cycle Times (In days)	Industry Average, TX	TWIA	TWIA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	5.5	2.9	<3	-0.1	-3%
Inspect Property to Receipt by TWIA	4.2	1.7	<8	-6.3	-79%
Total Cycle Time FNOL to Payment - Daily	N/A	7.7	<12	-4.3	-27%
Total Cycle Time FNOL to Payment - Cat	N/A	7.3	<12	-4.7	-29%
<b>TDI Complaint Ratio</b>					
2021	0.17% - 21 complaints from 12,535 new claims				
2022	0.28% - 11 complaints from 3,983 new claims				

Year	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Actual Volume	468	672	551	576	301	5,885	1,052	563	290	396	313	613	483	534	383	323	472	466
Actuarial Projected	1,716	1,716	428	428	615	615	615	298	298	639	445	445	1,622	1,622	450	454	651	651
Staffing Plan	521	521	521	521	521	521	521	521	521	546	546	546	546	546	546	546	546	546
Open Inventory	8,180	7,785	6,829	5,972	4,383	8,822	8,733	8,190	7,279	6,520	6,120	5,511	4,834	4,446	3,865	3,521	3,248	3,068

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	3,983

## 10B. Litigation Report





## TWIA Litigation Tracking Activity

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### Litigation Quarter Summary Third Quarter 2022

3rd Quarter 2022	Summary of TWIA Claims in Suit			
		New HB3	Settled HB3	Closed HB3
	July	3	0	13
	August	15	0	36
	September	14	0	10
		32	0	59

3rd Quarter 2022	Summary of TWIA Claims with LORs			
		New HB3	Settled HB3	Closed HB3
	July	38	0	23
	August	38	0	63
	September	31	0	25
		107	0	111



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## TWIA Claims Litigation September 2022

Sep-22	TWIA Claims in Suit				
	Category	Beginning Inventory	New	Closed	Ending Inventory
	Pre-HB3	8	0	0	8
	HB3	139	14	(10)	143
	<b>TOTAL</b>	<b>147</b>	<b>14</b>	<b>(10)</b>	<b>151</b>

Sep-22	TWIA Claims with LORs					
	Category	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
	Pre-HB3	0	0	0	0	0
	HB3	499	31	(25)	(14)	491
	<b>TOTAL</b>	<b>499</b>	<b>31</b>	<b>(25)</b>	<b>(14)</b>	<b>491</b>

Sep-22	TWIA Claims with Suits/LORs: Detail of Ending Inventory											
	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
		Suits		LORs			Suits		LORs			
		Res	Comm	Res	Comm	Total	Res	Comm	Res	Comm	Total	
	Pre-HB3	2	6	0	0	8	0	0	0	0	0	8
	HB3	114	28	467	24	633	1	0	1	0	2	635
	TOTAL	116	34	467	24	641	1	0	1	0	2	643



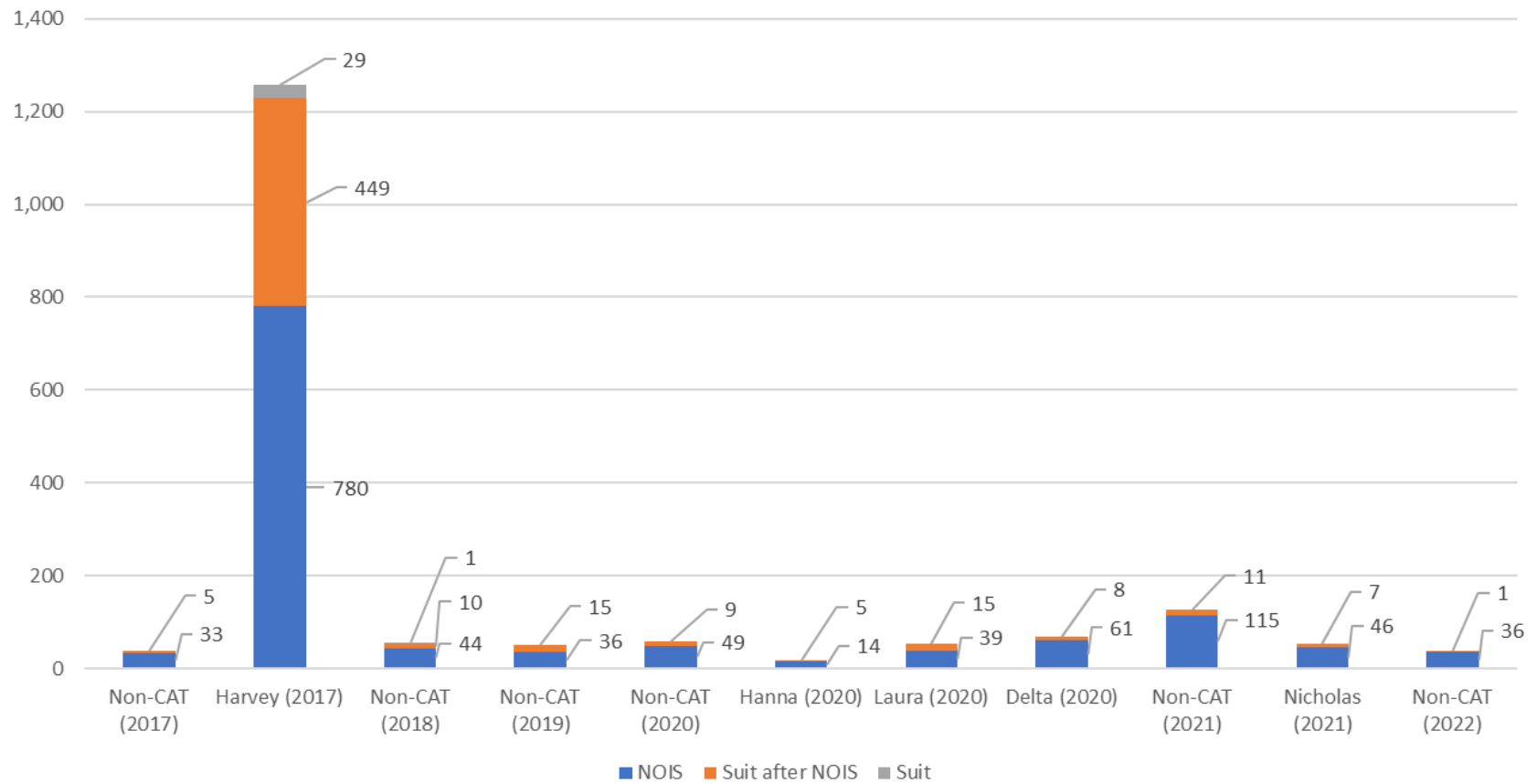
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Sep-22	TWIA Active Pre-HB3 Claims w/ Suits/LORs: Breakdown by Firm and County				
	Firm	Chambers	Galveston	Jefferson	Total
	Buzbee	2	4	0	6
	Hodge Law Firm	0	1	0	1
	Mostyn	0	0	1	1
	<b>TOTAL</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>8</b>

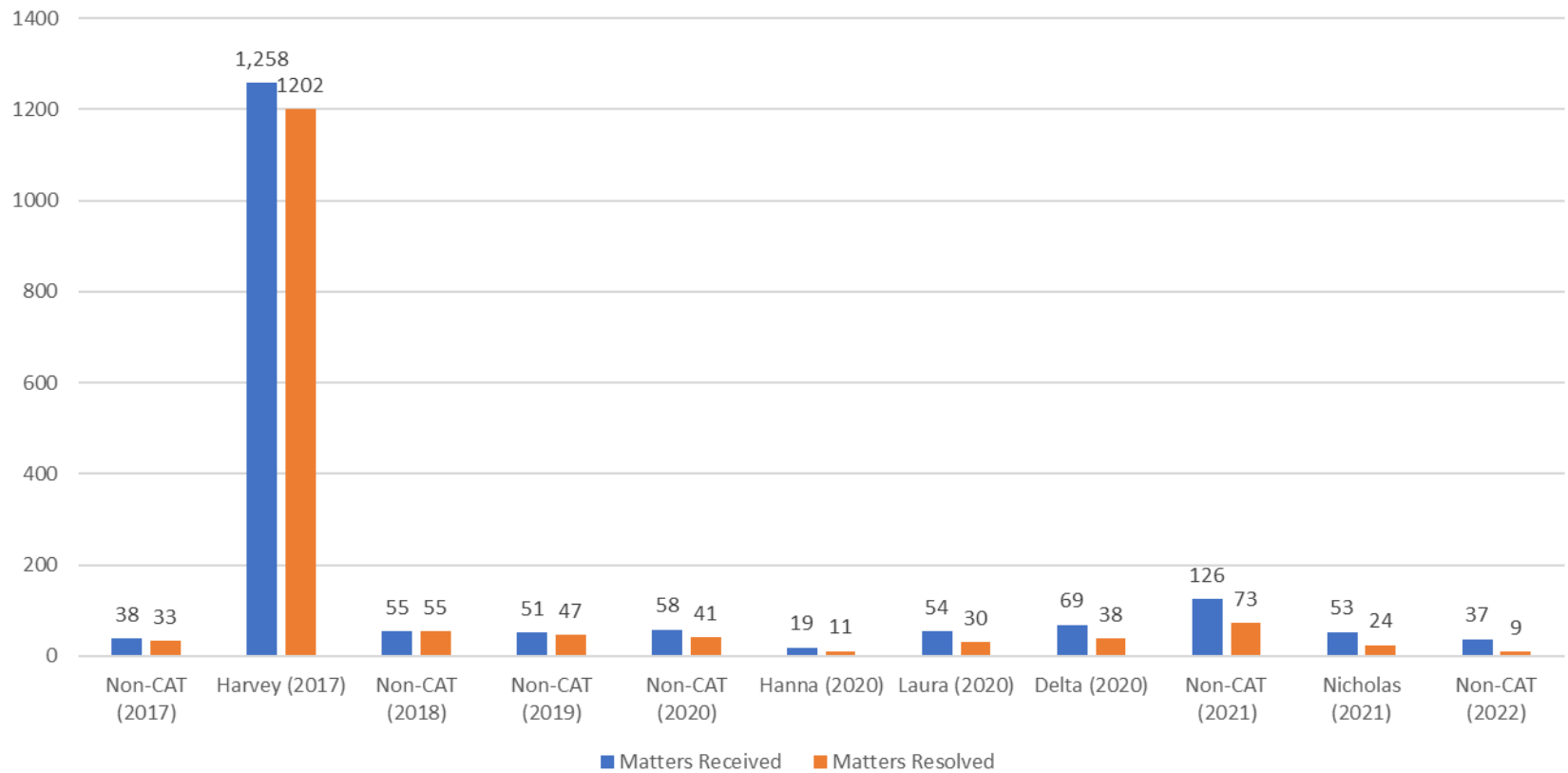
Sep-22	TWIA Active HB3 Claims with Suits/LORs: Breakdown by County													
	Aransas	Brazoria	Calhoun	Cameron	Galveston	Harris	Jefferson	Kleberg	Matagorda	Nueces	Refugio	San Patricio	Willacy	Grand Total
	10	62	4	127	125	17	203	1	16	52	2	13	1	633

Sep-22	TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	#
	Baker Law	121
	Furlow Law Firm	109
	Chad T. Wilson	75
	Daly & Black	47
	Palker Law Firm	37
	McClenny Moseley & Assoc	25
	Scott Law Offices	24
	Lindsay, Lindsay & Parsons	22
	Hodge Law Firm	18
	Carrigan & Anderson	13
	Brasher Law Firm	11
	Remaining 63 firms	131
	<b>TOTAL</b>	<b>633</b>

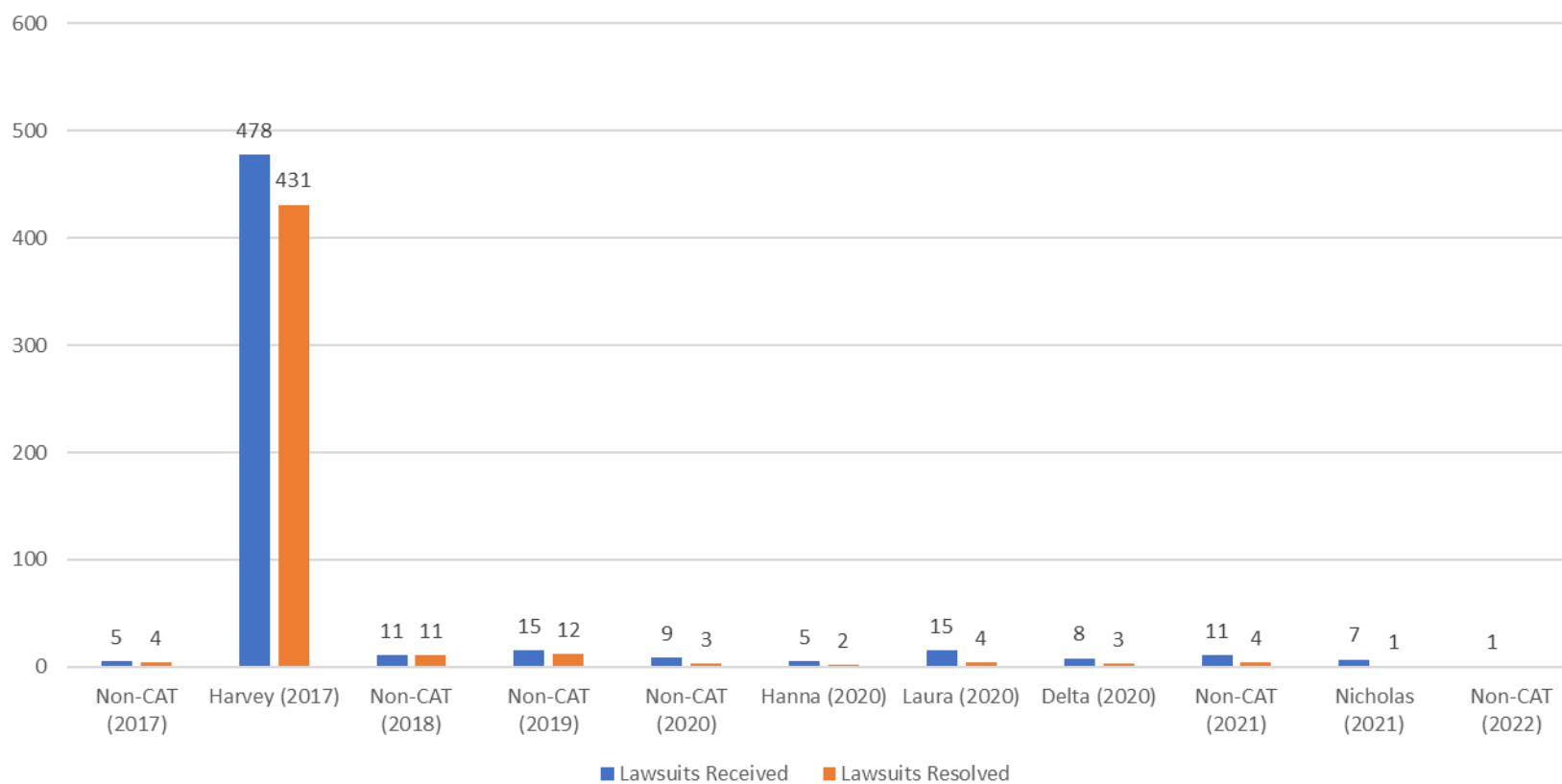
# Matters Received by Storm



Matters Recevied vs. Matters Resolved



Lawsuits Recevied vs. Lawsuits Resolved



## 11. TWIA Operations

### 11A. IT Systems Update



## MEMORANDUM

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DATE: November 23, 2022

TO: David Durden, General Manager

FROM: Camron Malik, CIO / VP IT

RE: TWIA Information Technology status

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

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

We have a proposal from Guidewire, our insurance technology vendor, to move to a cloud-based implementation and we are in negotiations with them. The proposal and details are in the attached presentation.



## 11B. Proposal from Guidewire to Move Guidewire Insurance Systems to the Cloud



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# Guidewire Cloud systems consideration

# Background

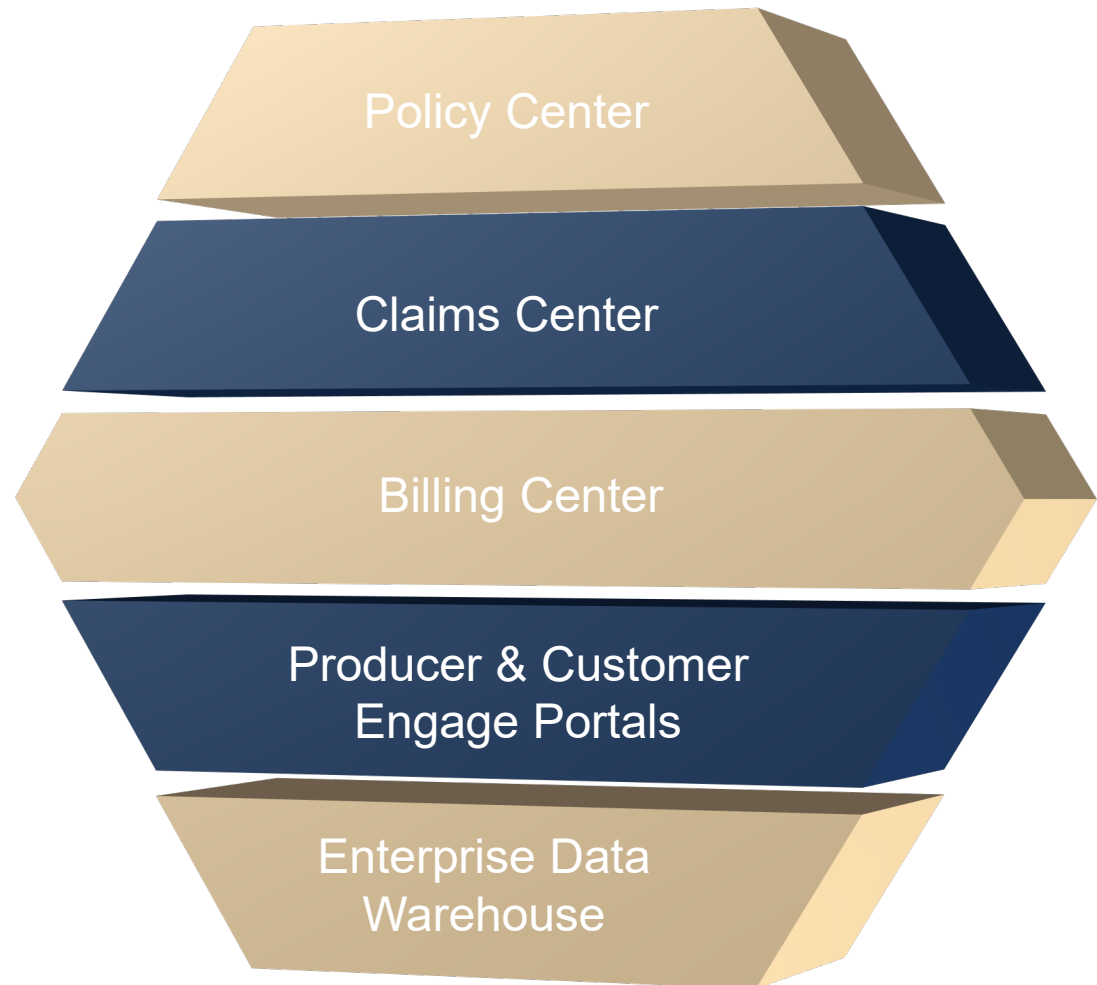
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The recent upgrade of TWIA production systems to **Guidewire Version 9** provided new functional features, integrations and efficiencies.

TWIA agents are logging in to the new agent portal.

Policyholders are now able to set up an account in the policyholder portal.

A new enterprise data warehouse is supporting improved reporting.



# Guidewire Cloud Proposal

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**Move TWIA/TFPA to the Cloud if terms are favorable**

- **What is the cloud? What does it mean?**
- **What are the benefits?**
- **Why move to the cloud now?**
- **What is the financial view?**

# On-premises vs Cloud

TWIA/TFPA are currently an **On-premises** implementation of the Guidewire applications. We buy software/hardware, build the applications and maintain/upgrade ourselves

Alternate approach is to use the **Cloud**. Lease and use based on need. Vendor develops features and maintains hardware/software. TWIA/TFPA is responsible only for our customizations

On-Premises (Buy)	Cloud (Lease)
Hardware, Guidewire Applications, Security, Performance/Capacity, Disaster Recovery and Upgrades are <b>TWIA/TFPA</b> responsibilities	Hardware, Guidewire applications, Security, Performance/Capacity, Disaster Recovery and Upgrades are <b>Guidewire's</b> responsibility
Hosted in <b>TWIA/TFPA</b> Data Center	Hosted at <b>Guidewire</b> Data Center (Amazon Web Service)
New features/capabilities are <b>TWIA/TFPA</b> responsibility	New features/capabilities are <b>Guidewire's</b> responsibility
Takes <b>TWIA/TFPA</b> 2-3 years to do an upgrade. Always playing catch-up	Upgrades done by <b>Guidewire</b>
<b>TWIA/TFPA</b> needs to upgrade hardware every 3-5 years	<b>Guidewire</b> responsible for hardware
<b>TWIA/TFPA</b> needs to integrate 3 <sup>rd</sup> party applications individually for our version	Access to 3 <sup>rd</sup> party applications integrated with Guidewire in <b>Guidewire Marketplace</b>

# Benefits of Cloud, What We Gain

- No major upgrades to perform in future such as TFPA implementation or Elevate
  - With move to Guidewire Cloud, we immediately get latest versions and new features
- Reduce On-Premises expenses (hardware, software, services, etc)
  - No need for hardware/software for Development and Quality Assurance (QA) systems
  - Non-Production Environments available on need basis in cloud for development and QA
- Get new features developed by Guidewire without investing our resources
  - Guidewire developing new features for cloud; not adding to on-premises version
  - With each cloud release, code base between on-premises and cloud will diverge. Future costs will increase
  - Access to 3<sup>rd</sup> party applications which have integrations with Guidewire Cloud, if needed
- Access to Guidewire features beneficial for business
  - Detailed property data using Hazard Hub tool
  - Predictive Analytics built into Policy and Claim systems
  - Visualize and click-through for map-based access to locations using Canvas
  - Claims Automation using Autopilot
- Guidewire shared responsibility model saves on standard IT responsibilities

# Guidewire Cloud: Responsibility Transfer and Sharing

## Guidewire Cloud: Shared Responsibility Model

On the Guidewire Cloud, customers will save (or avoid) on several standard IT responsibilities that are required for on-premises Guidewire systems.

Item	Self-managed		Guidewire Cloud	
	Customer	Guidewire	Customer	Guidewire
Compliance Audits <sup>(1)</sup>				
Vulnerability Scanning <sup>(2)</sup>				
Penetration Testing <sup>(2)</sup>				
Firewall Management				
Configuration Management <sup>(3)</sup>				
Data Encryption				
Access Management <sup>(4)</sup>				
Logging and Monitoring				
Performance and Capacity Monitoring				
Intrusion Detection				
Incident Response				
Business Continuity				
Disaster Recovery				
Information Security Program <sup>(1)</sup>				
Upgrades				

(1) As applicable to Guidewire Cloud environment  
(2) Scans and Tests maybe requested through Guidewire for Customer specific extensions

(3) Customer specific implementation configuration is controlled by Customer  
(4) Customer user access is managed by the customer, administrative/back-office access managed by Guidewire

# Why move to cloud now?

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- **Allow us to lock-in cloud subscription fees at current prices**
  - Guidewire on-premises license fee increases in 2024 and beyond. Increase from \$2.9M (2023) to \$5.1M over 2024-2026 period with future increases possible
  - Move to Guidewire cloud with current, favorable terms if we commit in 2022
- **Opportunity to move at today's pricing with favorable terms**
  - Fixed price for implementation (contract in 2022 for implementation in 2024)
  - Current pricing for Guidewire and terms locked for 7 years
  - Systems (Development, Test) and helpful features (Hazard Hub) bundled in pricing with discount
- **Guidewire business model has moved to be a cloud vendor**
  - Guidewire developing features for Cloud, not adding to on-premises implementation
  - Access to new features now without having to develop ourselves (e.g. Predictive analytics, Autopilot, etc)
- **Other insurance companies have moved to Guidewire cloud or are actively in negotiations**



# Cloud Terms from Guidewire with 2022 Commitment

**Locked in subscription**  
(baseline) at current pricing with 7-year term

**Fixed price** for Implementation and transition to the Cloud

**Bundled pricing** for Systems (Dev and Test) and Hazard Hub feature access (discounted)

**No budget impact for 2023.**  
Zero net new spend.

- Locked in baseline Cloud Subscription at current pricing with 7-year term
- Fixed-fee Statement of Work is locked in 2022 with technical upgrade in 2023. No impact to TWIA
- Fixed fee Statement of Work for System Integrator locked in 2022. Inception and implementation to start in January 2024
- HazardHub Application Programming Interface (API) allocation increased from 25K (starter kit) to 500K API calls annually to account for our book of business (\$1/call - \$500K value)
- NPE (Non-Production Environments) credits of 3,500 credits annually (\$300/credit - \$1,050,000 value for 3500 credits)
- First year of Guidewire Cloud at zero net new spend. No budget impact for 2023

# High Level Cost Benefit Analysis (7-Year)

Benefits	2023	2024	2025	2026	2027	2028	2029	Grand Total
IT Net Benefits	\$0	\$0	\$5,789,400	\$7,703,680	\$4,113,320	\$4,294,560	\$4,479,400	\$26,380,360
Expense Reduction	\$0	\$0	\$1,629,400	\$3,383,680	\$3,542,120	\$3,702,960	\$3,867,400	\$16,125,560
Upgrade Avoidance	\$0	\$0	\$4,160,000	\$4,320,000	\$571,200	\$591,600	\$612,000	\$10,254,800
<b>Total Net Costs</b>	<b>\$175,143</b>	<b>(\$6,241,834)</b>	<b>(\$448,404)</b>	<b>(\$857,620)</b>	<b>(\$1,096,820)</b>	<b>(\$1,345,588)</b>	<b>(\$1,604,307)</b>	<b>(\$11,420,000)</b>
Cloud Subscription	(\$2,770,773)	(\$3,500,000)	(\$5,480,000)	(\$5,980,000)	(\$6,219,200)	(\$6,467,968)	(\$6,726,687)	(\$37,145,000)
Guidewire Licensing	\$2,945,916	\$4,258,166	\$5,031,596	\$5,122,380	\$5,122,380	\$5,122,380	\$5,122,380	\$32,725,000
Implement Costs	\$0	(\$7,000,000)	\$0	\$0	\$0	\$0	\$0	(\$7,000,000)
<b>Net Benefits</b>	<b>\$175,143</b>	<b>(\$6,241,834)</b>	<b>\$5,340,996</b>	<b>\$6,846,060</b>	<b>\$3,016,500</b>	<b>\$2,948,972</b>	<b>\$2,875,093</b>	<b>\$14,960,360</b>
<b>Aggregate Net Benefits</b>	<b>\$175,143</b>	<b>(\$6,066,691)</b>	<b>(\$725,695)</b>	<b>\$6,120,365</b>	<b>\$9,136,865</b>	<b>\$12,085,837</b>	<b>\$14,960,930</b>	

- Assume two upgrades in 10 years at \$8M/each upgrade(CBA shows first upgrade); maintenance of \$510K/year; with 4% CPI
- Cloud pricing locked for 7 years with clause to control CPI
  - Future increase to be lower of then prevailing CPI or 4%
  - No increase or impact in 2023
- Fixed price for upgrade. Locked in 2022 for 2024 implementation
  - Hazard Hub – 500K calls included at \$1/call
  - Non-Production Environments (NPE) of 3500 credits (@ \$300/credit = \$1,050,000)
- \*Guidewire on-premises licensing reaches \$5,122,380 in 2027, currently no projection of increases past 2027

## On-premises expenses (7-Year)

Costs	2023	2024	2025	2026	2027	2028	2029	Grand Total
IT Net Costs	\$0	\$0	\$4,160,000	\$4,320,000	\$571,200	\$591,600	\$612,000	\$10,254,800
Upgrade	\$0	\$0	\$4,160,000	\$4,320,000	\$571,200	\$591,600	\$612,000	\$10,254,800
Total Net Costs	\$2,945,916	\$4,258,166	\$5,031,596	\$5,122,380	\$5,122,380	\$5,122,380	\$5,122,380	\$32,725,000
Guidewire								
Licensing	\$2,945,916	\$4,258,166	\$5,031,596	\$5,122,380	\$5,122,380	\$5,122,380	\$5,122,380	\$32,725,000
Net Expense	\$2,945,916	\$4,258,166	\$9,191,596	\$9,442,380	\$5,693,580	\$5,713,980	\$5,734,380	\$42,979,800
Aggregate Net Expense	\$2,945,916	\$7,204,082	\$16,395,678	\$25,838,058	\$31,531,638	\$37,245,618	\$42,979,998	

- Guidewire solution related expenses for upgrade and licensing

- \*Guidewire Licensing reaches \$5,122,380 in 2027, currently does not increase.

# Request to Board

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Seeking approval to commit to a locked-in price and contract with Guidewire for a Cloud implementation with a start date of January 2024 as described in this presentation

## 11C. Communications and Legislative Update

## MEMORANDUM

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DATE: November 28, 2022  
TO: TWIA Board of Directors  
FROM: David Durden, General Manager  
RE: Communications & Legislative Affairs Operational Highlights

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### I. Legislative & Regulatory Affairs

- a) Changes to Coastal Delegation and Committees: All members of the coastal delegation, the House Insurance Committee, and the Senate Business & Commerce Committee who ran for re-election won their contests in the midterm elections held on November 8.

Newly elected members of the coastal delegation are:

- i. Senate District 11 (Galveston County): Rep. Mayes Middleton replaces retiring Sen. Larry Taylor.
- ii. Senate District 27 (Cameron County): Morgan LaMantia replaces retiring Sen. Eddie Lucio, Jr.
- iii. House District 22 (Jefferson County): Retiring Rep. Joe Deshotel is replaced by his chief of staff, Christian "Manuel" Hayes.
- iv. House District 23 (Galveston County): Former State Board of Education member Terri Leo Wilson replaces Rep. Mayes Middleton.
- v. House District 37 (Cameron County): Local school board member Janie Lopez replaces retiring Rep. Alex Dominguez.

Other coastal delegation changes include:

- i. Due to redistricting, Senate District 21, held by Sen. Judith Zaffirini, will no longer include any coastal counties.
  - ii. Senate District 3, represented by Sen. Robert Nichols, will include part of Jefferson County and be included in the coastal delegation.
- b) 88<sup>th</sup> Legislative Session and Bill Filing: The 88<sup>th</sup> Legislative Session will begin on January 10. Elected legislators began pre-filing bills for the session on November 14. Bills may continue to be filed until the 60<sup>th</sup> day of the session, March 10.

*An exhibit tracking legislation filed to date with impacts on the Association is enclosed.*

- c) Weston/FedNat: TWIA conducted outreach to stakeholders in response to the insolvencies of Weston Insurance and FedNat (Maison) Insurance. Outreach included meetings with TDI and coastal legislators, email updates to agents, legislators, and coastal stakeholders, and website and

social media postings to ensure stakeholder awareness of the insolvencies and application and payment process changes authorized by TDI's emergency rule issued on August 23.

*An exhibit listing the communications is enclosed.*

- d) Legislative Engagement: TWIA staff met with Senate Business & Commerce Committee (SBCC) staff to brief them on Association activities, including updates on the Weston/FedNat insolvencies. SBCC is chaired by Sen. Charles Schwertner (Williamson County). By law, he is also the Windstorm Insurance Legislative Oversight Board (WILOB) co-chair, the legislative committee tasked with studying TWIA's funding and a potential merger of TWIA and Texas FAIR Plan Association.

*An exhibit listing Q3 2022 meetings with TDI and legislators is enclosed.*

- e) Office of Public Insurance Counsel: Melissa Hamilton resigned from her position with the Office of Public Insurance Counsel (OPIC). The Texas legislature created OPIC to represent consumers' interests related to insurance matters. Deputy Public Counsel David Bolduc is serving as Acting Public Insurance Counsel following her departure. Mr. Bolduc previously served in TDI's Office of Policy Development Counsel, as an Assistant Texas Attorney General, and in the counsel's offices of two other state agencies.
- f) Stakeholder Inquiries: From July 1 through September 30, 2022, we received and responded to 29 legislative and eight coastal/industry stakeholder inquiries (seven from TDI and one from an Agent Advisory Group member).
- g) 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. Hurricane Preparedness & Coastal Outreach**

- a) In Q3 2022, Strategic Communications' staff carried out various activities supporting our annual hurricane preparedness campaign, which ran from April through September and provided stakeholders with proactive measures to take before a storm.
  - i. Staff placed English and Spanish digital and print hurricane preparedness advertisements in several coastal publications, which ran from July to September.
  - ii. Staff also met with TDI's TWIA Ombudsman to share information about upcoming opportunities for participation in coastal outreach and education programs.
- b) Although Hurricane Ian did not impact the Texas coast, we used policy moratorium messaging as an opportunity to remind agents about when TWIA must stop issuing coverage due to storm events, the exemption of Weston applicants from policy moratoriums, and how agents can most quickly secure coverage for their clients before storm events.

### **III. Media Relations**

- a) TWIA media outreach in Q3 2022 was similar to the same quarter in the previous year, driven mainly by Board and Committee activity related to rates. A notable additional topic of media outreach was the selection of a new TWIA General Manager.
- b) Media coverage for the quarter was primarily neutral. The volume of media coverage on rates was about the same as in Q3 2021. Legislators' concerns about cost increases drove negative coverage leading to the rate decision, with media coverage after the rate decision being primarily neutral. Media coverage of TWIA related to the Weston and FedNat insolvencies was nearly the same as the volume of coverage on rates. TWIA received additional coverage for the selection of a new General Manager and on the changes to the ABC endorsement factors.

### **IV. Agent Advisory Group**

- a) The Agent Advisory Group (AAG) met on October 27 for their final meeting of 2022.
- b) At the meeting, staff reviewed the Association's leadership and organizational changes, our response to the Weston and FedNat (Maison) insolvencies, additional system updates related to ELEVATE, and the timing of changes to the ABC endorsement factors. Staff also updated the AAG on agenda items associated with TWIA Board and Committee meetings, including the Agent Commission Study, the evaluation of additional roof credits, and the 2022 Biennial Report.
  - i. TWIA staff provided continuous updates to the AAG via email about the closures of Weston and FedNat (Maison), including the potential number of impacted coastal property owners and the Association's efforts to assist former policyholders of both carriers with obtaining TWIA coverage.





## TWIA & TFPA Legislation Status 88<sup>th</sup> Texas Legislature

*Updated 11/28/2022*

[SB 230](#)

Sen. Juan “Chuy” Hinojosa (Nueces County)

Filed 11/15/2022

*Relating to the recusal from a vote of a member of the board of directors or a subcommittee of the board of the Texas Windstorm Insurance Association based on the member's financial interest.*

**TWIA Impact:** Requires Board and Actuarial & Underwriting Committee members to recuse themselves from votes that may financially benefit their employer or an entity in which they have a financial interest.

**Status:** *Filed.*

[HB 597](#)

Rep. Jacey Jetton (Fort Bend County)

Filed 11/14/2022

*Relating to an appraisal procedure for disputed losses under certain property and casualty insurance policies.*

**TFPA Impact (TWIA excluded):** Requires an appraisal process if demanded by either the insurer or insured and outlines appraisal procedures.

**Status:** *Filed.*

[HB 601](#)

Rep. Jacey Jetton (Fort Bend County)

Filed 11/14/2022

*Relating to deceptive, unfair, or prohibited practices by an insurer.*

**TFPA Impact (TWIA excluded):** Defines "compelling" a policyholder to retain a public adjuster by offering substantially less than the amount ultimately recovered in a settlement as an unfair claim settlement practice.

**Status:** *Filed.*

**Other bills impacting Association operations on next page.**

## Other Bills Impacting Association Operations

[HB 287](#)

Rep. Julie Johnson (Dallas County)

Filed 11/14/2022

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*Relating to payment of the replacement cost of damaged property under a homeowner's, renter's, or condominium owner's insurance policy.*

**Association Impact:** Requires initial payment of at least 80 percent of a claim on replacement cost coverage property insurance policies regardless of whether the insured has made or provided proof of repairs or replacement to the property.

***Status: Filed.***



## Communications on TWIA's Response to Insurance Carrier Insolvencies

Audience	Communication	Date
TWIA Board Members	Email: <i>Weston Property &amp; Casualty Insurance Company Insolvent</i>	8/11/2022
TWIA Insurance Agents	Agent Bulletin Email: <i>Weston Insurance Insolvency &amp; TWIA Coverage</i> <a href="#">[LINK]</a>	8/12/2022
General Public / Policyholders	TWIA.org Web Post: <i>Weston Insurance Insolvency &amp; TWIA Coverage</i> <a href="#">[LINK]</a>	8/12/2022
<ul style="list-style-type: none"> <li>• Governor's Office</li> <li>• Lt. Governor's Office</li> <li>• Speaker's Office</li> <li>• Coastal Legislators</li> <li>• House Insurance Committee</li> <li>• Senate Business &amp; Commerce Committee</li> <li>• Windstorm Insurance Legislative Oversight Board</li> <li>• TDI &amp; OPIC Staff</li> </ul>	Legislative Update Email: <i>Weston Insurance Insolvency &amp; TWIA Coverage</i> <a href="#">[LINK]</a>	8/12/2022
Coastal Stakeholders (Incl. coastal elected officials and business groups, windstorm insurance coalitions, etc.)	TWIA Connections Email: <i>Weston Insurance Insolvency &amp; TWIA Coverage</i> <a href="#">[LINK]</a>	8/12/2022
Agent Advisory Group	Email: <i>Weston Insurance Insolvency and TWIA Coverage</i>	8/12/2022
General Public / Policyholders	Facebook Post: <i>Weston Insurance Insolvency and TWIA Coverage</i> <a href="#">[LINK]</a>	8/15/2022
TWIA Insurance Agents	Agent Bulletin Email: <i>Agent and Policyholder FAQ on Weston Insolvency</i> <a href="#">[LINK]</a>	8/18/2022
General Public / Policyholders	TWIA.org Web Post: <i>Agent and Policyholder FAQ on Weston Insolvency</i> <a href="#">[LINK]</a>	8/18/2022
<ul style="list-style-type: none"> <li>• Governor's Office</li> <li>• Lt. Governor's Office</li> <li>• Speaker's Office</li> <li>• Coastal Legislators</li> </ul>	Legislative Update Email: <i>Agent and Policyholder FAQ on Weston Insolvency</i> <a href="#">[LINK]</a>	8/18/2022

Audience	Communication	Date
<ul style="list-style-type: none"> <li>House Insurance Committee</li> <li>Senate Business &amp; Commerce Committee</li> <li>Windstorm Insurance Legislative Oversight Board</li> <li>TDI &amp; OPIC Staff</li> </ul>		
Coastal Stakeholders (Incl. coastal elected officials and business groups, windstorm insurance coalitions, etc.)	TWIA Connections Email: <i>Agent and Policyholder FAQ on Weston Insolvency</i> <a href="#">[LINK]</a>	8/19/2022
Agent Advisory Group	Email: <i>Agent and Policyholder FAQ on Weston Insolvency</i>	8/19/2022
General Public / Policyholders	Facebook Post: <i>Weston Insurance Insolvency Update &amp; Comprehensive FAQ</i> <a href="#">[LINK]</a>	8/19/2022
TWIA Board Members	Email: <i>TDI Emergency Rule in Effect for Weston Policyholders</i>	8/23/2022
<ul style="list-style-type: none"> <li>Governor's Office</li> <li>Lt. Governor's Office</li> <li>Speaker's Office</li> <li>Coastal Legislators</li> <li>House Insurance Committee</li> <li>Senate Business &amp; Commerce Committee</li> <li>Windstorm Insurance Legislative Oversight Board</li> <li>TDI &amp; OPIC Staff</li> </ul>	Legislative Update Email: <i>TDI Emergency Rule in Effect for Weston Policyholders</i> <a href="#">[LINK]</a>	8/23/2022
TWIA Insurance Agents	Agent Bulletin Email: <i>TDI Emergency Order for Weston Policies</i> <a href="#">[LINK]</a>	8/24/2022
General Public / Policyholders	TWIA.org Web Post: <i>TDI Emergency Order for Weston Policies</i> <a href="#">[LINK]</a>	8/24/2022
Agent Advisory Group	Email: <i>TDI Emergency Rule for Weston Policies</i>	8/24/2022
Coastal Stakeholders (Incl. coastal elected officials and business groups, windstorm insurance coalitions, etc.)	TWIA Connections Email: <i>TDI Emergency Rule</i> <a href="#">[LINK]</a>	8/26/2022
TWIA Insurance Agents	Agent Bulletin Email: <i>Temporary Payment Plan Available</i> <a href="#">[LINK]</a>	8/31/2022



Audience	Communication	Date
General Public / Policyholders	TWIA.org Web Post: <i>Temporary Payment Plan Available</i> <a href="#">[LINK]</a>	8/31/2022
General Public / Policyholders	Facebook Post: <i>Are you a Weston Insurance Policyholder?</i> <a href="#">[LINK]</a>	8/31/2022
General Public / Policyholders	Print Ads in Corpus Christi Caller Times and Galveston County Daily News	9/1/2022
<ul style="list-style-type: none"> <li>• Governor's Office</li> <li>• Lt. Governor's Office</li> <li>• Speaker's Office</li> <li>• Coastal Legislators</li> <li>• House Insurance Committee</li> <li>• Senate Business &amp; Commerce Committee</li> <li>• Windstorm Insurance Legislative Oversight Board</li> <li>• TDI &amp; OPIC Staff</li> </ul>	Legislative Update Email: <i>TWIA Board Meets on Weston's Insolvency</i> <a href="#">[LINK]</a>	9/1/2022
Agent Advisory Group	Email: <i>Temporary Payment Plan Available</i>	9/1/2022
Coastal Stakeholders (Incl. coastal elected officials and business groups, windstorm insurance coalitions, etc.)	TWIA Connections Email: <i>TWIA Board Meets on Weston's Insolvency</i> <a href="#">[LINK]</a>	9/1/2022
TWIA Insurance Agents	Agent Bulletin Email: <i>Weston Policies Cancelled Today</i> <a href="#">[LINK]</a>	9/7/2022
General Public / Policyholders	TWIA.org Web Post: <i>Weston Policies Cancelled</i> <a href="#">[LINK]</a>	9/7/2022
General Public / Policyholders	NextDoor Post: <i>Are you a Weston Insurance Policyholder?</i> <a href="#">[LINK]</a>	9/7/2022
<ul style="list-style-type: none"> <li>• Governor's Office</li> <li>• Lt. Governor's Office</li> <li>• Speaker's Office</li> <li>• Coastal Legislators</li> <li>• House Insurance Committee</li> <li>• Senate Business &amp; Commerce Committee</li> <li>• Windstorm Insurance Legislative Oversight Board</li> <li>• TDI &amp; OPIC Staff</li> </ul>	Legislative Update Email: <i>Weston Policies Cancelled September 7</i> <a href="#">[LINK]</a>	9/8/2022



Audience	Communication	Date
Coastal Stakeholders (Incl. coastal elected officials and business groups, windstorm insurance coalitions, etc.)	TWIA Connections Email: <i>Weston Policies Cancelled September 7</i> <a href="#">[LINK]</a>	9/8/2022
TWIA Insurance Agents	Agent Bulletin Email: <i>FedNat (Maison) Ordered to End Operations</i> <a href="#">[LINK]</a>	10/5/2022
General Public / Policyholders	TWIA.org Web Post: <i>FedNat (Maison) Ordered to End Operations</i> <a href="#">[LINK]</a>	10/5/2022
General Public / Policyholders	TWIA.org Web Post: <i>FedNat (Maison) Cancelling Policies</i> <a href="#">[LINK]</a>	10/26/2022
<ul style="list-style-type: none"> <li>• Governor's Office</li> <li>• Lt. Governor's Office</li> <li>• Speaker's Office</li> <li>• Coastal Legislators</li> <li>• House Insurance Committee</li> <li>• Senate Business &amp; Commerce Committee</li> <li>• Windstorm Insurance Legislative Oversight Board</li> <li>• TDI &amp; OPIC Staff</li> </ul>	Legislative Update Email: <i>Upcoming Deadlines for Weston &amp; FedNat (Maison) Policy Applicants</i> <a href="#">[LINK]</a>	10/27/2022
Coastal Stakeholders (Incl. coastal elected officials and business groups, windstorm insurance coalitions, etc.)	TWIA Connections Email: <i>Upcoming Deadlines for Weston &amp; FedNat (Maison) Policy Applicants</i> <a href="#">[LINK]</a>	10/27/2022
TWIA Board Members	Emails: Weekly Carrier Insolvency Updates	9/23/2022 through 11/11/2022



## Q3 2022 Legislative & Regulatory Meetings

Legislative / Regulatory Office	Staff Member(s)	TWIA Attendees	Purpose
<b>July 2022</b>			
<b>TDI</b>	<b>Luke Bellsnyder &amp; Kenisha Schuster</b>	<b>John Polak, David Durden &amp; Michael Perkins</b>	Discussion of adjustments to reporting requirements implemented at the conclusion of TDI's administrative oversight of TWIA.
<b>Attending Legislators &amp; Staff:</b> <ul style="list-style-type: none"> <li>• Danny Mittnacht (Speaker's Office)</li> <li>• Kenisha Shuster (TDI)</li> <li>• Chris Lacy (Sen. Creighton)</li> <li>• Shane Saum (Sen. Kolkhorst)</li> <li>• Cari Christman (Sen. Taylor)</li> <li>• Andrew Herrell (Rep. Middleton)</li> <li>• Benjamin Williams (Rep. E. Thompson)</li> </ul>		<b>Jennifer Armstrong, David Durden, Jessica Crass, David Williams, Jim Murphy, Stuart Harbour &amp; Anna Stafford</b>	Invited legislators and legislative staff to the Q2 2022 TWIA Board Meeting Materials Briefing, focusing on the Association's annual rate filing and other agenda items of expected interest to staff and legislators.
<b>August 2022</b>			
<b>TDI</b>	<b>Kenisha Schuster, David Muckerheide, Jamie Walker, Mark Worman, James Persons, Elizabeth Ret, Marianne Baker</b>	<b>John Polak, David Durden, Camron Malik, Jessica Crass, Stuart Harbour, Anna Stafford &amp; Sarah Edstrom</b>	Multiple routine meetings to discuss operational issues related to insolvency of Weston Property Insurance.
<b>Sen. Charles Schwertner / SBCC</b>	<b>Ginny Holloway, Sydney Cerza</b>	<b>David Durden &amp; Anna Stafford</b>	Discussion of Weston insolvency and TWIA Biennial Report recommendations.
<b>Rep. Mayes Middleton</b>	<b>Andrew Herrell</b>	<b>Laura McHale &amp; Anna Stafford</b>	Discussion of Adjusted Building Cost Factors and Replacement Cost Calculator
<b>September 2022</b>			
<b>Sen. Lois Kolkhorst</b>	<b>Grant McLoughlin, Shane Saum</b>	<b>David Durden &amp; Anna Stafford</b>	Discussion of Adjusted Building Cost Endorsement and timing of update to building factors; update on impact of Weston insolvency.



Legislative / Regulatory Office	Staff Member(s)	TWIA Attendees	Purpose
<b>TDI</b>	<b>Kenisha Schuster, David Muckerheide, Jamie Walker, Mark Worman, James Persons, Elizabeth Ret, Marianne Baker</b>	<b>John Polak, David Durden, Camron Malik, Jessica Crass, Stuart Harbour, Anna Stafford &amp; Sarah Edstrom</b>	Multiple routine meetings to discuss operational issues related insolvency of Weston Property Insurance.
<b>Rep. Cody Vasut</b>	<b>Edward Jaxx</b>	<b>David Durden &amp; Anna Stafford</b>	Check-in on impact of Weston insolvency.
<b>Rep. Mayes Middleton</b>	<b>Andrew Herrell</b>	<b>David Durden &amp; Anna Stafford</b>	General operational check-in.
<b>Rep. Ed Thompson</b>	<b>Rep. Thompson, Ben Williams</b>	<b>David Durden &amp; Anna Stafford</b>	Check-in on impact of Weston insolvency and general operational check-in.



## 11D. Review and Approval of 2023 Budget

# Texas Windstorm Insurance Association

2023 Budget Summary to  
Board of Directors  
December 13, 2022



# 2022 Forecasted Income Statement w/ Reconciliation to Workshop

(In 000s)

	A	B	C	D	E
	For the twelve months ended December 31,			November Budget Workshop Forecast 2022	
	Forecast - 2022	Budget - 2022	Variance - 2022	Forecast 2022	Change
<b>Premiums Written:</b>					
1 Direct	\$511,134	\$429,521	\$81,613	\$511,134	\$0
2 Ceded	(131,367)	(102,064)	(29,303)	(131,367)	0
3 Ceded - Depopulation	0	0	0	0	0
4 Net	379,767	327,457	52,310	379,767	0
<b>Premiums Earned:</b>					
5 Direct	\$443,419	\$410,923	\$32,496	\$443,419	\$0
6 Ceded	(131,367)	(102,064)	(29,303)	(131,367)	0
7 Ceded - Depopulation	0	0	0	0	0
8 Net	312,052	308,859	3,193	312,052	0
<b>Deductions:</b>					
10 Losses and LAE Incurred	42,055	69,187	(27,132)	42,055	0
11 Ceded Losses and LAE Incurred - Depopulation	35	0	35	35	0
12 Operating Expenses	34,060	33,711	348	33,961	99
13 Commission Expense	81,715	68,723	12,991	81,715	0
14 Ceding commissions / brokerage	(5,533)	(2,365)	(3,168)	(5,533)	0
15 Premium / Maintenance Tax	9,495	7,989	1,506	9,495	0
16 Total Deductions	161,827	177,246	(15,419)	161,728	99
17 <b>Net Underwriting Gain or (Loss)</b>	150,225	131,614	18,612	150,324	(99)
<b>Other Income or (Expense):</b>					
18 Gross Investment Income and Other	136	(2,228)	2,364	136	0
19 Interest Expense on Debt	(5,488)	(12,359)	6,871	(5,488)	0
20 Total Other Income or (Expense)	(5,352)	(14,587)	9,235	(5,352)	0
21 <b>Net Income (Loss)</b>	<b>\$144,873</b>	<b>\$117,027</b>	<b>\$27,847</b>	<b>\$144,972</b>	<b>(\$99)</b>

## Discussion Notes

- No changes in premiums and reinsurance 2022 forecasts
- No changes in Losses & LAE forecasts
- Net Operating expenses forecast increased by \$99,000 from previous estimate for the year ending December 2022 which resulted to a corresponding decrease in Net Income for the same amount.

# 2022 Revised Forecast – Expense Summary

(000's)

	A	B	C	D	E	
	For the twelve months ended December 31,			November Budget Workshop		
	Forecast - 2022	Budget - 2022	Variance - 2022	Forecast 2022	Change	
<b>Personnel Expenses</b>						
1 Salaries & Wages - Permanent	13,770	14,184	(414)	13,785	(15)	1
2 Contractor & Temporary Help	8,543	12,342	(3,799)	8,453	90	2
3 Payroll Taxes	1,003	1,078	(75)	1,004	(1)	3
4 Employee Benefits	4,993	4,967	27	4,996	(3)	4
5 Recruiting, Training & Other	347	327	20	347	0	5
6 <b>Subtotal</b>	<b>28,656</b>	<b>32,899</b>	<b>(4,242)</b>	<b>28,586</b>	<b>70</b>	6
<b>Professional &amp; Consulting Services</b>						
8 Legal	437	540	(102)	437	0	7
9 Accounting & Auditing	285	312	(27)	301	(16)	8
10 Information Technology	2,421	3,092	(671)	2,421	0	9
11 Actuarial Services	55	39	16	55	0	10
12 Ombudsman Program	113	112	1	113	0	11
13 Surveys & Inspections	1,312	1,328	(16)	1,312	0	12
14 Disaster Recovery Services	383	257	126	383	0	13
15 Other Services	4,733	4,249	484	4,725	8	14
16 <b>Subtotal</b>	<b>9,739</b>	<b>9,928</b>	<b>(189)</b>	<b>9,747</b>	<b>(8)</b>	15
17 <b>Hardware/Software Purchases &amp; Licensing</b>	3,660	4,099	(439)	3,659	1	16
18 <b>Rental &amp; Maintenance - Office/Equipment</b>	1,543	1,617	(75)	1,543	0	17
19 <b>Travel Expenses</b>	158	262	(104)	158	0	18
20 <b>Postage, Telephone and Express</b>	977	916	61	913	65	19
21 <b>Capital Management Expenses</b>	6	14	(8)	6	0	20
22 <b>Depreciation</b>	2,182	2,109	73	2,182	0	21
23 <b>Other Operating Expenses</b>	1,615	1,546	69	1,615	0	22
24 <b>Total Operating Expenses</b>	<b>48,536</b>	<b>53,391</b>	<b>(4,854)</b>	<b>48,408</b>	<b>128</b>	23
25 Capitalization of Fixed Assets	(1,699)	(2,489)	790	(1,699)	0	24
26 Reimbursement of Depopulation Servicing Expens	(4)	(15)	11	(4)	0	25
27 Allocation To ULAE	(12,501)	(16,841)	4,340	(12,472)	(29)	26
28 Allocation To Investing	(272)	(335)	63	(272)	0	27
29 <b>Net Operating Expense - UW Operations</b>	<b>34,060</b>	<b>33,711</b>	<b>348</b>	<b>33,961</b>	<b>99</b>	28

## DISCUSSION NOTES

**Decrease in Salaries & Wages** Retirement and resignation of employees during the latter part of the year.

**Increase in Contractors** This is due to the revised IT and Claims forecasts on TFPA allocations of contractors

**Decrease in Accounting Professional Services** Attributed to the reduction of forecast in consulting services for the implementation and integration of Adaptive Budgeting & Financial Planning Software and apply portion of the charges in early 2023 budget.

**Increase in Other Services** Added budget for Escheat outsourcing services

**Increase in Software** Added software lease of Net Gain for Accounting department

**Increase in Postage:** Increased allocation of postage charges to TWIA due to anticipated increase in volume vs TFPA.

# 2023 Budget - Income Statement w/ reconciliation to Workshop

(In 000's)

4

	A	B	C	
	FINAL	November		
	Budget - 2023	Budget - 2023	Change	
<b>Premiums Written:</b>				
1 Direct	\$560,179	\$560,179	\$0	1
2 Ceded	(225,544)	(225,544)	0	2
3 Ceded - Depopulation	0	0	0	3
4 Net	334,635	334,635	0	4
<b>Premiums Earned:</b>				
5 Direct	\$542,293	\$542,293	\$0	5
6 Ceded	(225,544)	(225,544)	0	6
7 Ceded - Depopulation	0	0	0	7
8 Net	316,749	316,749	0	8
<b>Deductions:</b>				
10 Losses and LAE Incurred	92,171	92,171	0	10
11 Operating Expenses	35,171	35,256	(85)	11
12 Commission Expense	89,629	89,629	0	12
13 Ceding commissions / brokerage	(8,849)	(8,849)	0	13
14 Premium / Maintenance Tax	10,402	10,402	0	14
15 Total Deductions	218,523	218,608	(85)	15
16 <b>Net Underwriting Gain or (Loss)</b>	98,226	98,140	85	16
<b>Other Income or (Expense):</b>				
17 Gross Investment Income and Other	1,919	1,919	0	17
18 Interest Expense on Debt	0	0	0	18
19 Total Other Income or (Expense)	1,919	1,919	0	19
20 <b>Net Income (Loss)</b>	<b>\$100,145</b>	<b>\$100,060</b>	<b>\$85</b>	20
21				21
22				22
23				23
24				24

## Discussion Notes

- No changes in premiums and reinsurance budgets
- No changes in Losses & LAE budgets
- Net Operating Expenses in 2023 budget decreased by \$85,000 from previous version presented in the Budget Workshop. This resulted in a corresponding increase in Net Income for the same amount.

# 2023 Budget – Expense Summary

## (In 000's)

	A	B	C	
	FINAL	November		
	Budget - 2023	Budget Workshop	Change	
	Budget 2023	Budget 2023		
<b>Personnel Expenses</b>				
1 Salaries & Wages - Permanent	15,319	15,327	(8)	1
2 Contractor & Temporary Help	5,164	4,890	274	2
3 Payroll Taxes	1,166	1,167	(1)	3
4 Employee Benefits	4,844	4,846	(3)	4
5 Recruiting, Training & Other	435	435	0	5
6 <b>Subtotal</b>	<b>26,928</b>	<b>26,665</b>	<b>263</b>	6
<b>Professional &amp; Consulting Services</b>				
9 Legal	503	503	0	9
10 Accounting & Auditing	301	289	12	10
11 Information Technology	1,315	1,315	0	11
12 Actuarial Services	70	70	0	12
13 Ombudsman Program	113	113	0	13
14 Surveys & Inspections	1,319	1,319	0	14
15 Disaster Recovery Services	10	10	0	15
16 Other Services	5,219	5,211	8	16
17 <b>Subtotal</b>	<b>8,849</b>	<b>8,829</b>	<b>20</b>	17
<b>Hardware/Software Purchases &amp; Licensing</b>	3,857	3,856	1	19
20 <b>Rental &amp; Maintenance - Office/Equipment</b>	1,004	1,004	0	20
21 <b>Travel Expenses</b>	194	194	0	21
22 <b>Postage, Telephone and Express</b>	1,208	1,081	127	22
23 <b>Capital Management Expenses</b>	0	0	0	23
24 <b>Depreciation</b>	3,069	3,069	0	24
25 <b>Other Operating Expenses</b>	1,891	1,891	1	25
<b>Total Operating Expenses</b>	<b>47,001</b>	<b>46,589</b>	<b>412</b>	27
29 Capitalization of Fixed Assets	0	0	0	29
30 Reimbursement of Depopulation Servicing Expens	0	0	0	30
31 Allocation To ULAE	(11,578)	(11,081)	(497)	31
32 Allocation To Investing	(252)	(252)	0	32
33 <b>Net Operating Expense - UW Operations</b>	<b>35,171</b>	<b>35,256</b>	<b>(85)</b>	33

## DISCUSSION NOTES

**Decrease in Salaries & Wages** Retirement of an employee in mid-January

**Increase in Contractors** Revised Claims allocations of contractors to TWIA and additional IT contractor in the 2023 budget

**Increase in Accounting Professional Services**  
Attributed to the continuance of consulting services for the implementation and integration of Adaptive Budgeting & Financial Planning Software in early 2023. This is related to the corresponding decrease in 2022 forecast.

**Increase in Other Services** Added budget for Escheat outsourcing services.

**Increase in Software** Added software lease of Net Gain for Accounting department.

**Increase in Postage** Increased allocation of postage charges to TWIA due to anticipated higher volume compared to TFPA.

**Increase in Other Operating Expenses** Added Office Supplies budget for IT

# 2023 Budget – Surplus and Key Ratios

(In 000's)

	A	B	C	D	E	F
	For the twelve months ended December 31,			FINAL	November Budget Workshop	
	Forecast - 2022	Budget - 2022	Variance - 2022	Budget - 2023	Budget 2023	Change
1 <b>Surplus (Deficit) Account:</b>						
2 Beginning Surplus (Deficit)	(24,584)	(99,242)	74,658	27,859	27,859	(0)
3 Net Income (Loss)	144,873	117,027	27,847	100,145	100,060	85
4 Principal Funded on Class 1 Bonds (net)	0	0	0	0	0	0
5 Change in nonadmitted assets - Other	658	(647)	1,305	2,964	2,964	0
6 Other	0	0	0	0	0	0
7 Statutory Fund Cost	(93,088)	(62,627)	(30,462)	(100,145)	(100,060)	(85)
8 Ending Surplus (Deficit)	\$27,859	(\$45,489)	\$73,348	\$30,823	\$30,823	\$0
9						
10 <b>Key Operating Ratios:</b>						
11 Direct:						
12 Loss & LAE Ratio	9.5%	16.8%	-7.4%	17.0%	17.0%	0.0%
13 UW Expense Ratio:						
14 Acquisition	17.8%	17.9%	0.0%	17.9%	17.9%	0.0%
15 Non Acquisition	7.7%	8.2%	-0.5%	6.5%	6.5%	0.0%
16 UW Expense Ratio	25.5%	26.1%	-0.5%	24.3%	24.4%	0.0%
17 <b>Direct Combined Ratio</b>	35.0%	42.9%	-7.9%	41.3%	41.4%	0.0%
18						
19 Ending Balance in CRTF	188,605	254,779	(66,174)	292,071	292,171	(100)

# Final 2023 Operating Expenses Budget

(In 000's)

	A	B	C	D	E	F	
	For the twelve months ended December 31,			FINAL	B2023 vs B2022	B2023 vs F2022	
	Forecast - 2022	Budget - 2022	Variance - 2022	Budget - 2023	\$	\$	
<b>Personnel Expenses</b>							
1 Salaries & Wages - Permanent	13,770	14,184	(414)	15,319	1,135	1,549	1
2 Contractor & Temporary Help	8,543	12,342	(3,799)	5,164	(7,178)	(3,379)	2
3 Payroll Taxes	1,003	1,078	(75)	1,166	88	164	3
4 Employee Benefits	4,993	4,967	27	4,844	(123)	(150)	4
5 Recruiting, Training & Other	347	327	20	435	107	87	5
6 <b>Subtotal</b>	<b>28,656</b>	<b>32,899</b>	<b>(4,242)</b>	<b>26,928</b>	<b>(5,971)</b>	<b>(1,728)</b>	6
7							7
8 <b>Professional &amp; Consulting Services</b>							8
9 Legal	437	540	(102)	503	(37)	66	9
10 Accounting & Auditing	285	312	(27)	301	(11)	15	10
11 Information Technology	2,421	3,092	(671)	1,315	(1,777)	(1,106)	11
12 Actuarial Services	55	39	16	70	31	15	12
13 Ombudsman Program	113	112	1	113	1	0	13
14 Surveys & Inspections	1,312	1,328	(16)	1,319	(9)	7	14
15 Disaster Recovery Services	383	257	126	10	(247)	(373)	15
16 Other Services	4,733	4,249	484	5,219	970	486	16
17 <b>Subtotal</b>	<b>9,739</b>	<b>9,928</b>	<b>(189)</b>	<b>8,849</b>	<b>(1,079)</b>	<b>(890)</b>	17
18							18
19 <b>Hardware/Software Purchases &amp; Licensing</b>	3,660	4,099	(439)	3,857	(242)	197	19
20 <b>Rental &amp; Maintenance - Office/Equipment</b>	1,543	1,617	(75)	1,004	(613)	(538)	20
21 <b>Travel Expenses</b>	158	262	(104)	194	(67)	36	21
22 <b>Postage, Telephone and Express</b>	977	916	61	1,208	292	231	22
23 <b>Capital Management Expenses</b>	6	14	(8)	0	(14)	(6)	23
24 <b>Depreciation</b>	2,182	2,109	73	3,069	960	887	24
25 <b>Other Operating Expenses</b>	1,615	1,546	69	1,891	346	276	25
26							26
27 <b>Total Operating Expenses</b>	<b>48,536</b>	<b>53,391</b>	<b>(4,854)</b>	<b>47,001</b>	<b>(6,389)</b>	<b>(1,535)</b>	27
28							28
29 Capitalization of Fixed Assets	(1,699)	(2,489)	790	0	2,489	1,699	29
30 Reimbursement of Depopulation Servicing Expenses	(4)	(15)	11	0	15	4	30
31 Allocation To ULAE	(12,501)	(16,841)	4,340	(11,578)	5,262	923	31
32 Allocation To Investing	(272)	(335)	63	(252)	83	20	32
33 <b>Net Operating Expense - UW Operations</b>	<b>34,060</b>	<b>33,711</b>	<b>348</b>	<b>35,171</b>	<b>1,460</b>	<b>1,111</b>	33



# Final 2023 Income Statement Budget

(In 000's)

	A	B	C	D
	For the twelve months ended December 31,			FINAL
	Forecast - 2022	Budget - 2022	Variance - 2022	Budget - 2023
<b>Premiums Written:</b>				
1 Direct	\$511,134	\$429,521	\$81,613	\$560,179
2 Ceded	(131,367)	(102,064)	(29,303)	(225,544)
3 Ceded - Depopulation	0	0	0	0
4 Net	379,767	327,457	52,310	334,635
<b>Premiums Earned:</b>				
5 Direct	\$443,419	\$410,923	\$32,496	\$542,293
6 Ceded	(131,367)	(102,064)	(29,303)	(225,544)
7 Ceded - Depopulation	0	0	0	0
8 Net	312,052	308,859	3,193	316,749
<b>Deductions:</b>				
9 Losses and LAE Incurred	42,055	69,187	(27,132)	92,171
10 Ceded Losses and LAE Incurred - Depopulation	35	0	35	0
11 Operating Expenses	34,060	33,711	348	35,171
12 Commission Expense	81,715	68,723	12,991	89,629
13 Ceding commissions / brokerage	(5,533)	(2,365)	(3,168)	(8,849)
14 Premium / Maintenance Tax	9,495	7,989	1,506	10,402
15 Total Deductions	161,827	177,246	(15,419)	218,523
16 <b>Net Underwriting Gain or (Loss)</b>	150,225	131,614	18,612	98,226
<b>Other Income or (Expense):</b>				
17 Gross Investment Income and Other	136	(2,228)	2,364	1,919
18 Interest Expense on Debt	(5,488)	(12,359)	6,871	0
19 Total Other Income or (Expense)	(5,352)	(14,587)	9,235	1,919
20 <b>Net Income (Loss)</b>	<b>\$144,873</b>	<b>\$117,027</b>	<b>\$27,847</b>	<b>\$100,145</b>
21				
22				
23				
24				

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# Questions

## 15. Future Meetings

February 14, 2023 – Moody Gardens Hotel  
Galveston

May 23, 2023 – Marriott South  
Austin

August 8, 2023 – Tremont House  
Galveston