

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

December 7, 2021

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 – *Chandra Franklin Womack*
  - B. Anti-Trust Statement and Conflict of Interest Disclosure – *Counsel*
  - C. Meeting Format Information – *Kristina Donley*
2. Approve the Minutes from Prior Board of Directors Meetings 5 minutes  
– *Chandra Franklin Womack* – **Action/Vote Likely\***
3. Public Comment 30 minutes
4. November 23, 2021 Letter from Coastal Legislators Requesting TWIA Board  
Reverse Its August 2021 Rate Decision – *John Polak* – **Action/Vote Likely\*** 20 minutes
5. TWIA Operational Highlights – *John Polak* 5 minutes
6. Internal Audit – *Bruce Zaret – Weaver* 20 minutes
  - A. Internal Audit Status Report
  - B. Internal Audit Risk Assessment
  - C. Fraud Risk Assessment
7. Financial 20 minutes
  - A. Report of the Secretary/Treasurer – *Corise Morrison* – **Action/Vote Likely\***
    1. Income Statement
    2. Management Discussion and Analysis
  - B. Financial Statement Review by Staff – *Stuart Harbour*
    1. Income Statement and Expense Statement
    2. Balance Sheet
    3. Cash & Short-Term Investments
    4. Cash Flow Statement
    5. Historical Data
  - C. Early Payoff/Redemption of 2014 Class 1 Public Securities – *Stuart Harbour*  
– **Action/Vote Likely\***

8. Agent Commission – <i>Jennifer Armstrong</i> – <b>Action/Vote Likely*</b>	30 minutes
9. TWIA Actuarial and Underwriting Committee Recommendations – <i>Debbie King</i> – <b>Action/Vote Likely*</b>	30 minutes
A. Vendor Selection Regarding Broker RFP	
B. Vendor Selection Regarding PML Consulting RFP	
C. TWIA Mitigation Credits	
10. Actuarial – <i>Jim Murphy</i>	20 minutes
A. Reserve Adequacy	
B. Policy Count/Exposures	
C. Status of Filings	
11. Underwriting – <i>Denise Larzalere</i>	20 minutes
A. Operational Review Update	
B. Depopulation	
12. Claims	20 minutes
A. Claims Operations – Overview – <i>Dave Williams</i>	
B. Litigation Report – <i>David Durden</i>	
13. TWIA Operations	80 minutes
A. IT Systems Update – <i>Camron Malik</i>	
B. ELEVATE Status – <i>John Polak</i>	
C. Communications Update – <i>Jennifer Armstrong</i>	
D. Lease and Building Project – <i>JD Lester</i> – <b>Action/Vote Likely*</b>	
E. Review and Approval of 2022 Budget – <i>Stuart Harbour</i> – <b>Action/Vote Likely*</b>	
F. Performance Evaluation of General Manager – <i>Chandra Franklin Womack</i> - <b>Action/Vote Likely*</b>	
14. Closed Session ( <b>Board Only</b> )	60 minutes
A. Personnel Issues	
B. Legal Advice	
15. Consideration of Issues Related to Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors – <b>Action/Vote Likely*</b>	5 minutes
16. Committees – <i>Chandra Franklin Womack</i> – <b>Action/Vote Likely*</b>	5 minutes
TWIA Actuarial and Underwriting Committee Make Up, Duties and Responsibilities	
17. Future Meetings – <i>John Polak</i> – <b>Action/Vote Likely*</b>	5 minutes
• February 22, 2022 – Hyatt Regency Austin (Or Coastal Location)	
• May 17, 2022 – Hyatt Regency Austin (Or Coastal Location)	
• August 2022 – TBD	
18. Adjourn	
Estimated Total Length of Meeting	6 hours 20 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

5700 South Mopac Expressway

Building A

Austin, TX 78749

**August 3, 2021**

#### 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. | Corise Morrison (Secretary/Treasurer) | Industry Representative               |
| 4. | Mike Gerik                            | Industry Representative               |
| 5. | Karen Guard                           | Industry Representative               |
| 6. | Tony Schrader                         | Non-Seacoast Territory Representative |
| 7. | Tim Garrett                           | Non-Seacoast Territory Representative |
| 8. | Ron Walenta                           | Non-Seacoast Territory Representative |

Absent: Peggy Gonzalez, First Tier Coastal Representative

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

- |     |  |                        |
|-----|--|------------------------|
| 1.  | John Polak, General Manager                                      | TWIA                   |
| 2.  | Jerry Fadden, Chief Financial Officer                            | TWIA                   |
| 3.  | Dave Williams, VP Claims   | TWIA                   |
| 4.  | David Durden, VP Legal   | TWIA                   |
| 5.  | Denise Larzalere, 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.  | Stuart Harbour, Comptroller                                      | TWIA                   |
| 10. | Amy Koehl, Executive Assistant                                   | TWIA                   |
| 11. | Kristina Donley, Sr. Instructional Designer                      | TWIA                   |
| 12. | Camron Malik, Chief Information Officer                          | TWIA                   |
| 13. | Mike Perkins, Association Counsel                                | Perkins Law Group PLLC |

#### The Following Guests were Present:

- |    |             |        |
|----|-------------|--------|
| 1. | Bruce Zaret | Weaver |
|----|-------------|--------|

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

- |                      |                          |
|----------------------|--------------------------|
| 1. Elizabeth Fagan   | 43. Tom Tagliabue        |
| 2. Duane Zertuche    | 44. Becky Gaydos         |
| 3. Aaron Taylor      | 45. Charles Zahn         |
| 4. Rep. Briscoe Cain | 46. Rep. Mayes Middleton |

- |                              |                        |
|------------------------------|------------------------|
| 5. Joe Woods                 | 47. Adrianna Escamilla |
| 6. Patricia Shipton          | 48. Victor Torres      |
| 7. John Perdue               | 49. W. Dennis Isaacs   |
| 8. Carlis Cole               | 50. Michelle M Davis   |
| 9. Rep. Abel Herrero         | 51. William Goldston   |
| 10. Scott Weiss              | 52. Sally Bakko        |
| 11. Ramya Sunad              | 53. Greg Smith         |
| 12. Jade Nguyen              | 54. Travis McDavid     |
| 13. Angela Fang              | 55. Jeff Jones         |
| 14. Shikha Bharaktiya Murthy | 56. John LaRue         |
| 15. Mary Brantum             | 57. Reba Griffith      |
| 16. John LaRue               | 58. Linda Fong         |
| 17. Ned Munoz                | 59. Christina Byers    |
| 18. Margaret Westgate        | 60. Nelda Olivo        |
| 19. Jarrett Hill             | 61. Theresa Elliott    |
| 20. Joey Walker              | 62. Mary Young         |
| 21. Laura Machado            | 63. Beaman Floyd       |
| 22. Danny Thompson           | 64. Wes Hoskins        |
| 23. Anne O'Ryan              | 65. Marianne Baker     |
| 24. Ebony Cormier            | 66. Lee Loftis         |
| 25. Keri Heath               | 67. Louis Cusano       |
| 26. Elke Gonzalez            | 68. Kenisha Schuster   |
| 27. Cari Christman           | 69. Hoi Heldt          |
| 28. Rep. Eddie Lucio         | 70. Coretta Graham     |
| 29. Carlos Garcia            | 71. Denise Clark       |
| 30. Clark Thomson            | 72. Charles Zahn       |
| 31. Garry Kaufman            | 73. Mitch Thames       |
| 32. Melisa Stewart           | 74. Shirley Bowler     |
| 33. Christian Cabazos        | 75. Ben Molina         |
| 34. Irma Valverde            | 76. Ben Van Sickle     |
| 35. Greg Smith               | 77. Sean O'Donohoe     |
| 36. Justin Howard            | 78. Marti Luparello    |
| 37. Judge Barbara Canales    | 79. Jerry Mohn         |
| 38. Luke Bellsnyder          | 80. Miguel Liscano     |
| 39. Linda Jansen             | 81. Lynn Blumenfeld    |
| 40. Tammy Embrey             | 82. Keri Heath         |
| 41. Brett Stawar             | 83. Xiuyu Li           |
| 42. Rep. Todd Hunter         |                        |

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 of the board members. Ms. Donley reviewed the housekeeping items.

2. Approval of Minutes: The minutes from the May 18, 2021 meeting were reviewed. Ms. Neblett moved to approve the minutes as presented. Mr. Walenta seconded the motion. The motion passed.
3. Public Comment: Public comment was offered by Rep. Abel Herrero, Rep. Eddie Lucio, Jr., Rep. Mayes Middleton, Rep. Briscoe Cain, Rep. Todd Hunter, Sally Bakko, Terrilyn Tarlton Shelton, Judge Barbara Canales, Brett Stawar, Wes Hoskins, Charles Zahn, William Goldston, Elke Gonzales, Mary Branum, John LaRue, Lee Loftis, Ben Molina, Theresa Elliot, Mitch Thames, Jerry Mohn and Carlis Cole.
4. TWIA Operational Highlights: TWIA secured \$4.03 billion in total funding for the 2021 hurricane season. The 2021 Annual Report Card and Catastrophe Incident Response plan were submitted to the legislature and insurance commissioner as required on June 1. More than 800 adjuster resources were trained virtually in the claim's departments annual Hurricane Preparedness and Adjuster Certification Conference. Operating expenses for Q2 2021 remain below plan. The Association is on track to complete all strategic initiatives in 2021. Turnaround time and quality standards were exceeded on underwriting and claim service levels. Litigated claims remain below plan in Q2 2021.
5. Financial
  - A. Report of the Secretary/Treasurer: Ms. Morrison reviewed the Treasurer's Report. Ms. Morrison moved to approve the report. Ms. Neblett seconded the motion. The motion passed.
  - B. Financial Statement Review by Staff: Direct written premiums through June 2021 totaled \$194.1 million, which was \$8.9 million (4.8%) above the \$185.2 million for the same period in 2020. Direct written premium was \$6.0 million (3.2%) higher than the budgeted \$188.1 million.

Policies in force at June 30, 2021 of 188,185 was 3,789 (2.1%) higher than the budgeted number of 184,396.

The TWIA 2021-2022 reinsurance program inceptioned on June 1<sup>st</sup>. The gross cost associated with the \$1.93 billion in coverage was \$100.1 million compared to a budgeted cost of \$114.8 million. This reflects an overall rate-on-line (ROL) of 5.2% compared to the 5.1% ROL for the 2020 program. The coverage purchased in 2021 was \$1.93 billion compared to the prior year coverage of \$2.1 billion reflecting the lower 1 in 100 PML.

Direct premiums earned year-to-date through June 2021 totaled \$183.5 million compared to \$183.8 million for the same period in the prior year (a decline of \$351,000 or 0.2%). Direct premium earned was \$1.2 million higher than the budget of \$182.3 million.

The one carrier that signed up to participate in round 5 of depopulation selected approximately 32,000 policies for potential novation from TWIA. The agents

review period closed on May 31 and approximately 31,750 policies were removed, leaving roughly 250 policies for potential depopulation. At the end of hurricane season, owners of the remaining 250 policies will decide whether to allow their policy to transfer through depopulation or opt out and remain with TWIA.

Direct losses and LAE incurred for the six months ended June 30, 2021 totaled a negative \$27.9 million which was \$81.5 million below the budget of \$53.6 million. The lower than budgeted losses are attributable to the 2021 reduction in the estimated ultimate losses and LAE for Hurricane Harvey, the 2020 hurricane events and lower than anticipated losses from the 2021 spring storm season. TWIA reported a YTD direct loss and LAE ratio of negative 15.2%, compared to the budgeted 29.4%. The ultimate loss and loss adjustment expense estimate for Hurricane Harvey is \$1.68 billion.

Operating expenses for the six months ended June 30, 2021 of \$14.5 million were below budget by \$1.9 million (11.5%). Notable expense items under budget include contractors and temporary help (\$903,000), software/hardware (\$403,000), actuarial services (\$251,000) and legal services (\$87,000). The year-to-date operating expense ratio of 7.9% is below the budgeted ratio of 9.0% and below the prior year's ratio of 8.1%.

Year-to-date commission expense of \$31.0 million and premium taxes of \$3.6 million were over budget by \$938,000 and \$111,000 respectively as direct written premium was slightly higher than budgeted levels.

Gross investment income for the six months ended June 30, 2021 was \$154,000, which was \$50,000 higher than the budgeted amount of \$104,000. Short term interest rates remain at extremely low levels. Interest expense on Class 1 bonds was on budget at \$9.4 million.

Net income for the six months ended June 30, 2021 was \$137.5 million or \$84.5 million (159.6%) above the budgeted income of \$53.0 million.

The deficit as of June 30, 2021 improved to \$80.7 million compared to \$160.5 million on December 31, 2020. The deficit declined due to the year-to-date June 2021 net income of \$137.5 million, which was partially offset by a statutory expense (CRTF) accrual of \$51.3 million and an increase of \$6.4 million in non-admitted assets, which consists primarily of capitalized software (Project ELEVATE), Expert Panel, Guidewire licensing and Eagleview.

- C. 2021 Hurricane Season Funding: The 2021 hurricane season funding program was successfully placed with the direction of the board. Through a combination of traditional reinsurance and catastrophe bonds, Guy Carpenter helped to secure \$1.93 billion of coverage bringing the Association's total coverage to \$4.03 billion, which is the level required by law to cover a 1:100-year event.

- D. Investment of Trust Fund Balances (Sec.2210.4521): Ms. Neblett moved that based on Association staff analysis and recommendation, the TWIA Board of Directors hereby determines that, at this time, the entire balance of the Catastrophe Reserve Trust Fund is required to be kept available to meet the cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a) of the Texas Insurance Code. Thus, staff is directed to notify the Texas Comptroller's office that the fund balance does not exceed the sufficient balance as defined in statute. Mr. Gerik seconded the motion. The motion passed.
- E. Selection of Auditors/Accountants for 2021 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. An RFP process took place and board members received the results of the staff evaluation of proposals. Staff recommends continuing to use the firm of Calhoun, Thomson + Matza. Mr. Gerik asked where things were at with the rotation of the managing partner. Mr. Harbour said the last rotation occurred in 2018. Ms. Neblett moved that the TWIA Board of Directors acting as the audit committee authorizes and directs staff to engage the firm of Calhoun, Thomson + Matza to conduct the upcoming annual Statutory and GASB audits of the Association's financial statements. The staff of the Association is further authorized and directed 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.
- F. Process for Selecting Reinsurance Broker: Mr. Murphy explained the process will start with a public request for proposal. Written responses will be solicited and responses will be evaluated by a committee. Finalists will offer virtual presentations to the TWIA Actuarial and Underwriting Committee. Mr. Gerik asked if the RFP's will be separate, one for a modeler and one for a reinsurance broker. Mr. Murphy said whoever the reinsurance broker is would need to do some modeling specific to the brokerage but it wouldn't be the modeling staff would rely on for the ratemaking process. Staff has reached out to AIR and RMS and contracted with them directly to do the modeling. Mr. Gerik asked if engaging a modeler from another firm would be something to consider. Ms. Franklin Womack said she would like an outside firm to provide independent data. After additional discussion, Mr. Murphy confirmed that the board would like staff to issue two separate RFP's, one for the reinsurance broker and one to run the models to provide to the Association the results that could be used for rate making purposes and for the determination of the 1:100 PML. Mr. Perkins reiterated to the board there would be two motions at hand. There will be two requests for proposals, the first board action for a motion he believes Mr. Gerik will make and Ms. Neblett will second is a motion with respect to a request for proposal to hire the reinsurance broker and that motion will be that staff is directed to proceed with a broker request for proposal completed in time for the board to decide which broker to retain at the December 2021 meeting in Corpus

Christi. Mr. Gerik said the RFP should be approved by Debbie King as the chair of the TWIA Actuarial and Underwriting Committee before it is sent out. Mr. Perkins added that to the motion. Mr. Gerik made the motion and Ms. Neblett seconded the motion. The motion passed.

Mr. Perkins restated the second motion. The TWIA Board of Directors directs staff to proceed to prepare a request for proposal, for the review of Debbie King, to retain a consultant or firm to oversee the modeling and data input process to review the results of the modeling and to be available to report to and advise the staff, the TWIA Actuarial and Underwriting Committee and the TWIA Board of Directors. Mr. Gerik said he would make that motion and Ms. Neblett seconded the motion. The motion passed.

6. Actuarial:

- A. Reserve Adequacy: The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of June 30, 2021.

The actuarial estimate of ultimate loss and loss adjustment expenses for Hurricane Harvey is in a reasonable range of \$1.66 billion to \$1.70 billion. The ultimate loss and loss adjustment expense estimate remains at \$1.68 billion, which is the same as the estimate of March 31, 2021. The actual ultimate costs of Hurricane Harvey may differ substantially from the selected \$1.68 billion. This variability arises from the assumption made regarding the adequacy of case reserves for 441 open claims, the outcome of disputed claims and the potential impact of future re-openings of closed claims as of June 30, 2021. About 347 of the 441 open claims are in some stage of litigation. 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, current and future litigation/disputes to ensure all outstanding obligations are properly reserved.

As of June 30, 2021, TWIA carried \$97.4 million in total gross loss and loss adjustment expense reserves with \$17K 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, Hanna 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 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 agreement.

While there remains a material risk of adverse development, reserves continue to make a reasonable provision for unpaid loss and loss adjustment expenses.

- B. 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 the TWIA adjustments to its maximum liability limits. The indicated limits are as follows:

Dwellings and Individually Owned Townhouses:

Current: \$1,773,000 Proposed: \$2,037,000 % Change: 14.9%

Manufactured Homes:

Current: \$84,000 Proposed: \$96,600 % Change: 15.0%

Contents of an Apartment, Condominium or Townhouse:

Current: \$374,000 Proposed: \$426,000 % Change: 13.9%

Commercial Structures and Associated Contents:

Current: \$4,424,000 Proposed: \$4,927,000 % Change: 11.4%

- C. Proposed Endorsement and Rate Manual Filings: TWIA has made and will be making several filings with TDI representing potential changes to its underwriting processes. These changes may be classified as rate filings by TDI, but do not result in overall changes in the TWI rates. All filings were posted to the TWIA website on June 30, 2021. The TWIA residential policy currently provides an extension of up to 10% of the primary dwelling limit to other structures. This is not additional coverage and reduces the amount of coverage available on the primary dwelling. A proposed optional endorsement would provide specified, additional coverage without a separate deductible. TWIA will be filing a comprehensive update to its rate manual. The proposed updates include overall formatting and structure, updates to business processes and updates to rate related information. No new or modified rates are being introduced. Ms. Morrison moved to have staff submit the filing Mr. Murphy outlined separate from the rate filings. Mr. Gerik seconded the motion. The motion passed.
- D. Review of TWIA Staff Rate Adequacy Analysis and Actuarial & Underwriting Committee Recommendations: Mr. Fadden said as most of the board members attended the July 21, 2021 TWIA Actuarial and Underwriting Committee meeting, he wouldn't review the rate adequacy analysis. The analysis was posted on the TWIA website in the first week of July. Ms. King said the committee had two recommendations; one for a rate change and one is for additional work the committee would like to see. The rate recommendation to the board is a +5% for residential and commercial policies. The committee didn't choose an effective date. That considered the current indications from staff and from Willis. The second recommendation from the committee directed staff to do more work on wind mitigation credits. They would like staff to review the

amount of the credits that are currently offered, the appropriateness of those credits and do more research on retrofitted homes to see if they should be receiving credits. Staff was also tasked with finding properties that might qualify for credits that aren't receiving them, identifying wind mitigation discounts that are being offered by other states, including Florida Citizens and the private market. Staff will report their findings back to the committee so they can make a recommendation to the board. Mr. Murphy said staff felt they could pull the information together to present to the committee for them to make a recommendation to the board before the December meeting. Ms. Neblett moved to run the preliminary analysis on the building code credits, offering additional retrofit credits and providing this information to the TWIA Actuarial and Underwriting Committee to let them determine if a full analysis is necessary. Ms. Morrison seconded the motion. The motion passed.

- E. Required 2021 Annual Rate Filing: Ms. Neblett stated that the board members have heard from the legislators who have asked that TWIA not move on a rate change until the legislation that has passed goes into effect on September 1. Ms. Neblett moved to table the rate discussion and revisit it when the legislative committees have a quorum and can meet. Mr. Garrett seconded the motion. Mr. Walenta said the board members have a fiduciary responsibility to the organization. There is a need for appropriate premiums for the exposure. Ms. Neblett said she agreed with him to a degree. There is a level in place to deal with losses. History shows that TWIA has never not been able to meet its obligation. Ms. Neblett withdrew her motion after discussion regarding the statutory mandate to make a rate filing on or before August 15<sup>th</sup> of each year, even if it is 0% rate change.

Ms. Neblett moved to file for a zero percent rate increase. Ms. Franklin Womack seconded the motion.

A roll call vote was conducted.

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

The motion did not pass.

Ms. Morrison moved to accept the recommendation of the TWIA Actuarial and Underwriting Committee and file for a +5% rate filing for residential and

commercial policies, effective January 1, 2021. Mr. Walenta seconded the motion.

A roll call vote was conducted.

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

The motion passed. Mr. Perkins said he believed there was a failure to formally vote to accept the presentation on the statutory maximum limits of liability (item 6B, above). Ms. Neblett moved to instruct staff to make the filing as proposed. Mr. Walenta seconded the motion. Ms. Neblett asked when the last time was the commissioner accepted this. Mr. Fadden said he believed the proposed changes had been rejected for the last several years. The motion passed.

7. Amount of Agent Commission Paid By TWIA: Mr. Walenta reviewed a presentation that was provided in the meeting materials. Ms. Franklin Womack said she would like to get some input from the Agent Advisory Group and data for what TWIA has been paying over the years. Is it a direct commission or are there any additional expenses? Staff has looked at this issue before and has postponed making any recommendations until ELEVATE is in place. Ms. Neblett said she thinks this conversation is premature. Mr. Walenta asked staff to conduct an analysis of the agent's actions and duties to substantiate a 16% commission or recommend a different commission structure. Ms. Armstrong will reach out to the Agent Advisory Group for their help on the analysis and this item will be added to their next meeting agenda. This item will be added to the December TWIA Board of Directors meeting agenda.
8. Internal Audit:
  - A. Internal Audit Status & Update: Mr. Zaret provided an update on the status of internal audit activities. Current audits include legal and compliance, communications and legislative affairs, disaster recovery, governance and cash management. Upcoming audits and activities include information security, premium taxes, fraud risk assessment, actuarial, plan of operation, business continuity of operations and vendor management.
9. Underwriting:
  - A. Operational Review Update: 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. Staff is

surpassing this standard with over 98% of all transactions processed within 10 days. Over 85% applications/renewals were processed within one day. Quality assurance results on underwriting decisions continue to exceed established goals. Underwriting is operating below budget, largely due to managing headcount and more efficient use of virtual and aerial inspections.

Standard audits were performed on a sample of agents in the second quarter of 2021 to verify compliance with the declination of coverage and flood insurance requirements. Ninety-five percent of agencies have completed their responses. Staff are pursuing responses from the remaining agency and escalating issues as necessary. Of the agents who have responded, 94% policies reviewed were compliance with the requirement for proof of declination of coverage and staff are working to bring the remaining agencies into compliance. Of the policies/properties selected for review, one percent required flood insurance. Only one policy was not compliant with the flood insurance requirement and staff are working with the agency to bring that policy into compliance. All agents audited have an active property and casualty insurance license.

- B. Depopulation: Two carriers, Weston Insurance Company and SafePoint Insurance Company, submitted applications to participate in round 5 of the Assumption Reinsurance Depopulation Program. Commissioner's Order 2021-6672 was issued January 29, 2021, approving SafePoint Insurance Company's participation. Weston elected to withdraw its application to participate in the upcoming cycle of the program in early February 2021.

SafePoint submitted its list of policies selected for offers through the program on March 1. The 32,318 proposed offers on unique policies were available for agents' review and selection on the TWIA depopulation website during the agent period of round 5 from April 1 through May 31. Agents selected 210 offers to progress to the next phase of the program, the policyholder decision period. In accordance with the changes made to the program during the 86<sup>th</sup> Texas legislative session, the policyholder decision period will begin on December 3, 2021, as no decisions related to the program can be made by insurers, agents or policyholders until storm season ends.

#### 10. Claims:

- A. Claims Operations: First notice of loss to property inspection is at 3.8 days and total cycle time of first notice of loss to payment is 11.5 days. TDI complaints for 2020 were 0.13% or 19 complaints from 14,432 new claims. For 2021, they were 0.23% or nine complaints from 3,868 claims.
- B. Litigation Report: Mr. Durden reported that for the second quarter, four new suits were received and 41 were closed. There were 117 new TWIA claims with letters of representation and 96 closed. The majority of the suits are from the Daly & Black law firm.

11. TWIA Operations:

- A. Update on ELEVATE (Policy Administration Upgrade): Ms. Larzalere provided an overview of the ELEVATE program. ELEVATE upgrades core business systems, including Policy Center, Billing Center and Claims Center. It moves TWIA and TFPA to a common shared platform and launches new agent and policyholder portals. The goal for ELEVATE is to reduce operating expenses, simplify processes and user experience and align more closely with the industry.
- B. Communications Update: The 87<sup>th</sup> legislative session concluded on May 31. Of the 13 bills impacting the Association that were introduced in the session, four were passed by the legislature and signed into law by the governor.

The major legislative outcomes of the session for TWIA were as follows:

- Two-thirds vote of the board required for rate increases;
- Board vote for a rate increase is prohibited if there is a vacancy on the board of 60 days or greater;
- All rate increases (not just >5%) must be approved by the insurance commissioner.

TWIA has begun planning its implementation of these new laws.

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: There was nothing to discuss.

15. Future Meetings:

- December 7, 2021 – Omni Hotel Corpus Christi
- February 22, 2022 – Hyatt Regency Austin
- May 17, 2022 – Hyatt Regency Austin

16. Adjourn: The meeting adjourned at 1:10 p.m.

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Prepared by: Amy Koehl  
Executive Assistant

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Approved by: Chandra Franklin Womack  
TWIA Chair

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Approved by: Georgia Neblett  
TWIA Vice Chair

4. November 23, 2021 Letter from  
Coastal Legislators Requesting  
TWIA Board Reverse Its August 2021  
Rate Decision



November 23, 2021

Dear Chairman Chandra Franklin-Womack,

As members of the Texas coastal legislative delegation, the undersigned legislators respectfully request that the Texas Windstorm Insurance Association (TWIA) Board reverse its August, 2021 decision to increase residential and commercial rates by five percent.

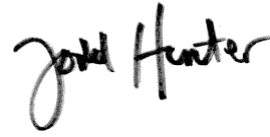
We urge you not to consider any rate escalation for coastal policyholders, residents, and businesses at this time. Such an increase during an unprecedented season of economic distress causes additional and cruel financial burden on coastal residents and business owners.

Once again, we respectfully reiterate that the coastal delegation firmly opposes any rate increase on TWIA policyholders and request that the Board take all necessary action to overturn its prior decision.

Sincerely,



Dade Phelan  
Texas House of Representatives  
District 21



Todd Hunter  
Texas House of Representatives  
District 32



Eddie Lucio Jr.  
Texas Senate  
District 27



Abel Herrero  
Texas House of Representatives  
District 34



Judith Zaffirini  
Texas Senate  
District 21



James White  
Texas House of Representatives  
District 19



Terry Canales  
Texas House of Representatives  
District 40



Geanie Morrison  
Texas House of Representatives  
District 30



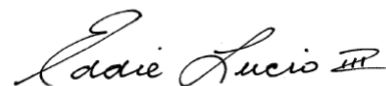
JM Lozano  
Texas House of Representatives  
District 43



Juan "Chuy" Hinojosa  
Texas Senate  
District 20



Lois Kolkhorst  
Texas Senate  
District 18



Eddie Lucio, III  
Texas House of Representatives  
District 38



Larry Taylor  
Texas Senate  
District 11



Briscoe Cain  
Texas House of Representatives  
District 128



Greg Bonnen  
Texas House of Representatives  
District 24



Ed Thompson  
Texas House of Representatives  
District 29



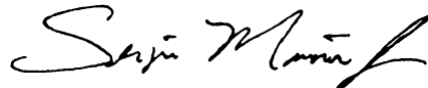
Alex Dominguez  
Texas House of Representatives  
District 37



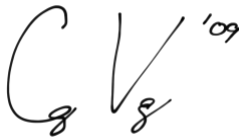
Mayes Middleton  
Texas House of Representatives  
District 23



Dennis Paul  
Texas House of Representatives  
District 129



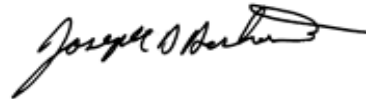
Sergio Munoz  
Texas House of Representatives  
District 36



Cody Vasut  
Texas House of Representatives  
District 25



Brandon Creighton  
Texas Senate  
District 4



Joseph Deshotel  
Texas House of Representatives  
District 22



November 30, 2021

Dear Chairman Chandra Franklin-Womack,

As members of the Texas coastal legislative delegation, the undersigned legislators respectfully request that the Texas Windstorm Insurance Association (TWIA) Board take any and all action to reverse the rate increase voted for by the TWIA board in August 2021. Please do not consider any rate increase on coastal policyholders, residents, and businesses at this time.

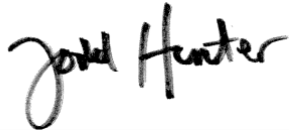
As you know, many TWIA policyholders must purchase flood coverage in addition to their wind and homeowners policies, a statutory requirement for properties located in a mandatory flood zone. While this coverage is important to the economic welfare and restoration of our communities to rebuild after large events, it is also important for the TWIA board to consider the overall economic impact on coastal policyholders who must bear these additional financial mandates. We bring this to your attention in light of recent federal action taken by the Federal Emergency Management Agency (FEMA).

As of October 1, 2021, a new ratemaking methodology adopted by FEMA went into effect, resulting in a significant rate increase for a majority of all flood insurance policyholders with coverage under the National Flood Insurance Program (NFIP). Texas ranks 2nd highest among those states with the greatest number of NFIP policyholders in the United States, second only to Florida, with nearly 800,000 policies in effect. It is important to note, FEMA has not revised its pricing methodology since the 1970's and such sweeping change will negatively impact approximately 73% of all Texas NFIP policyholders. These policyholders could experience an annual increase upwards of \$240 or more. While we understand the TWIA board does not have any authority over FEMA's ratemaking process for NFIP policies, we do believe you have the ability to take into consideration the financial harm any rate increase would have on TWIA policyholders at this time.

Such a rate increase during an unprecedented season of economic distress causes additional and cruel financial burdens on coastal residents and business owners. However, the financial impact is not our only concern. In light of overwhelming support by the Texas Legislature during the 87th regular session, a new law was passed to ensure the TWIA board no longer took action to increase rates while a vacancy on the board existed. Rather than recognizing the will of the Texas Legislature, just days before the new law went into effect, the TWIA board voted to increase rates against its policyholders. This action is dishonorable and displays a lack of respect for the spirit of the law and the very legislators by which TWIA is governed.

Once again, we respectfully reiterate that the coastal delegation firmly opposes any rate increase on TWIA policyholders. Please take any and all action to reverse the previously voted upon rate increase.

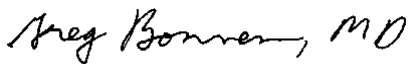
Sincerely,



Todd Hunter  
Texas House of Representatives  
District 32



Larry Taylor  
Texas Senate  
District 11



Greg Bonnen  
Texas House of Representatives  
District 24



Eddie Lucio Jr.  
Texas Senate  
District 27



Mayes Middleton  
Texas House of Representatives  
District 23



Judith Zaffirini  
Texas Senate  
District 21



Oscar Longoria  
Texas House of Representatives  
District 35



Juan "Chuy" Hinojosa  
Texas Senate  
District 20



Terry Canales  
Texas House of Representatives  
District 40



Lois Kolkhorst  
Texas Senate  
District 18

## 5. TWIA Operational Highlights

# 2021 TWIA Enterprise Scorecard

Reporting YTD as of September 30, 2021



	YTD	Trend	Goal	Δ	Performance
Operating Expense Ratio	7.4%		8.7%	-1.3%	
Net Income <sup>1</sup>	\$104.2 M		\$52.6 M	\$51.6 M	
Enterprise Projects	88%		90%	-3%	
Policy Administration	100%		90%	10%	
Claims Handling	96%		90%	6%	
Litigated Claims	0.00%		0.50%	-0.50%	
Complaints	38		44	-6	

<sup>1</sup> Net Income equals YTD 2021 net income reduced by YTD monthly principal prepayments on public securities.

## Reference Data

Policies In-Force	191,572
Exposures In-Force	\$58.4 billion
Written Premiums YTD	\$311.1 million
Claims Received YTD	10,630
Losses Incurred YTD <sup>2</sup>	\$46.4 million

<sup>2</sup> Excludes IBNR

## Key Quarterly Activities

- Responded to large volume of claims received from Hurricane Nicholas while maintaining positive key performance metrics.
  - Held the first-ever policyholder webinar to answer questions about the claims process.
  - Set up in-person claims assistance sites in Galveston and Lake Jackson to serve impacted policyholders.
- Remain below plan for Q3 2021 operating expenses.
- Slightly below goal to complete all strategic initiatives by the originally scheduled deadlines.
- Exceeded turnaround time and quality standards on Underwriting and Claim service levels.
- Remain below plan on litigated claims and complaints in Q3 2021.

## 6. Internal Audit

### 6A. Internal Audit Status Report

# MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: December 7, 2021

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
Corporate Governance	Report issued
Cash Management	Report issued
Fraud Risk Assessment	Report issued
Risk Assessment and Internal Audit Plan Update	Report Issued
Premium Taxes	Report in final review
Actuarial	Fieldwork complete – report in progress
Vendor Management	Fieldwork in progress

➤ **Upcoming Audits and Activities:**

Activity Description	Timing
Information Security	4 <sup>th</sup> Quarter
Business Continuity of Operations	4 <sup>th</sup> Quarter
Plan of Operation	1 <sup>st</sup> /2 <sup>nd</sup> Quarter 2022

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

# Texas Windstorm Insurance Association

## Internal Audit Plan – Lookback (2018-2020) and Prospective (2021-2023)

Process Area	2020 Inherent Risk Rating	2018	2019	2020	2021	2022	2023
Information Security	High	x			x		
Claims Processing	High		x	x		x	
Reinsurance	High			x		x	
Database and Application Administration	High			x			x
Communications	High	x		x		x	
Actuarial (Pricing and Reserving)	High	x			x		
Legal & Compliance	High	x		x			x
Underwriting	Moderate	x		x			x
Depopulation	Moderate			x		x	
Plan Of Operation	Moderate				x		x
Business Continuity of Operations	Moderate		x		x		
Disaster Recovery	Moderate			x	x		
Governance	Moderate				x		
Financial Close and Reporting	Moderate			x			x
Accounts Payable and Expense Processing	Moderate		x			x	
Application Development	Moderate	x				x	
Information Technology Services	Moderate					x	
Vendor Management	Moderate		x		x		
Facilities and Services	Moderate			x			x
Cash Management	Moderate	x			x		
Fraud Risk Assessment	Low				x		
Premium Taxes	Low				x		
Accounts Receivable	Low		x			x	
Payroll	Low		x			x	

## 6B. Internal Audit Risk Assessment

Draft – For Discussion  
Purposes Only – v1a



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

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December 7, 2021



- ✓ **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 2022, 2023 and 2024 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:
  - 2021 audits include: Information Security, Governance, Cash Management, Taxes, Actuarial, and Vendor Management processes, Fraud Risk Assessment
  - 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.

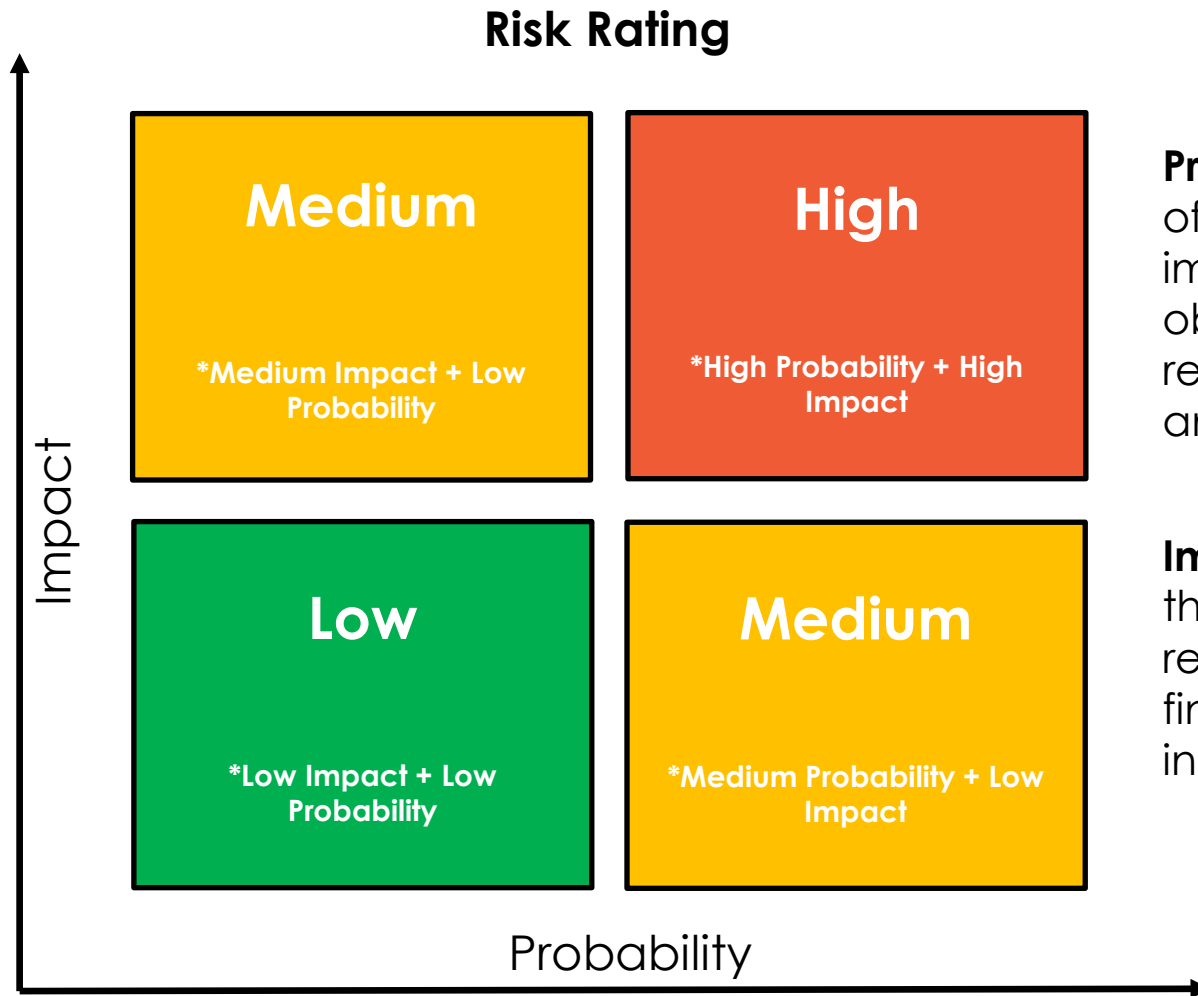


Vs.



\*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 Rating (Probability & Impact)



**Probability** – The likelihood of an event occurring that impacts achieving the objectives over financial reporting, compliance and/or operations.

**Impact** – The consequence the event has on operations, reputation, compliance, financial reporting and information technology.

\*High risk areas are more likely to be included in the 3 year audit plan.

# Environmental, Social and Corporate Governance (ESG)



**Environmental** – climate change, resource management and environmental impact



**Social** – workforce & human capital, human rights, value chain (customers and suppliers), and community relations



**Governance** – board quality, leadership committees, anti-corruption, management incentives

# Risk Assessment Results

2021 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Trend <sup>1</sup>
		2019	2020	2021		
<b>Reinsurance</b>	<ul style="list-style-type: none"> <li>• Buying and Placement</li> <li>• Execution of Agreements</li> <li>• Billing and Recoverables</li> <li>• Risk Transfer</li> <li>• Reinsurer Credit Risk Monitoring</li> </ul>	High	High	High	↑	Risk is trending higher due to hardening market, the potential of changing to a new broker that will need time to fully understand TWIA's operating environment, and decline in reinsurance capacity for catastrophic risks.
<b>Information Security</b>	<ul style="list-style-type: none"> <li>• Mobile Security / BYOD</li> <li>• Logical Access (Database, OS, Application)</li> <li>• Physical Access</li> <li>• Cybersecurity</li> </ul>	High	High	High	↑	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.
<b>Human Resources Administration</b>	<ul style="list-style-type: none"> <li>• Recruiting/Selection</li> <li>• Benefits Management</li> <li>• Compensation Management</li> <li>• Onboard/Offboarding</li> <li>• Termination Process</li> <li>• Complaints, Grievances, and Disputes (Employment)</li> <li>• Privacy and Employee Compliance</li> </ul>	Low	Moderate	Moderate	↑	Risk is high due to demand for experienced talent coupled with lower supply of qualified candidates. This has created a very competitive retention landscape. Risk is also trending higher due to remote working and the risk involved with training, on-boarding and off-boarding employees.

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

# Risk Assessment Results – cont.

2021 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Trend <sup>1</sup>
		2019	2020	2021		
<b>Claims Processing</b>	<ul style="list-style-type: none"> <li>• Intake/FNOL Process</li> <li>• Triage/Assign Claim</li> <li>• Investigate Claim</li> <li>• Evaluate Claim</li> <li>• Resolve Claim</li> <li>• Recover Damages</li> <li>• Compliance (Legislative &amp; TDI Regulations)</li> <li>• Litigation/Disputed Claims</li> <li>• Quality Assurance</li> <li>• Vendor Management</li> </ul>	High	High	High	↔	Claims are processed in accordance TDI regulatory guidelines and subject to TWIA policy manual guidelines. Heavy dependency on system application for claims processing and settlement. Also dependent on third-party adjusters in the event of a named storm or hurricane, whereby resources may not be available should more than one weather event occur. Overall risk remains high with a stable trend.
<b>Database and Application Administration</b>	<ul style="list-style-type: none"> <li>• Database Administration</li> <li>• Application Management</li> <li>• Systems Administration</li> <li>• Report Administration</li> <li>• Software Licensing and Usage</li> </ul>	High	High	High	↑	Risk is trending higher as management works to implement Project Elevate for easier agent processing. Risk is expected to stabilize after the project is implemented.
<b>Communication</b>	<ul style="list-style-type: none"> <li>• Agent Communications</li> <li>• Internal Communications and Coordination</li> <li>• Branding (Reputation Management)</li> <li>• Organizational Change Management</li> <li>• Digital Media</li> <li>• Media Relations</li> <li>• Legislative Affairs</li> <li>• Community Outreach</li> <li>• Website Updates</li> <li>• Implementation of Legislative Changes</li> </ul>	High	High	High	↔	Communication requirements are demanding, though processes are stable and adequately meet demands of stakeholders. The department is well staffed and its functions and responsibilities are well defined.

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

# Risk Assessment Results – cont.

2021 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Trend <sup>1</sup>
		2019	2020	2021		
<b>Actuarial (Pricing and Reserving)</b>	<ul style="list-style-type: none"> <li>• Case Reserving</li> <li>• Data Capture and Accuracy</li> <li>• IBNR Estimation</li> <li>• Premium Rate Changes</li> <li>• Reporting and Analytics</li> </ul>	Moderate	High	High	↑	Reserves have heavy reliance on data accuracy and assumptions used in determining final estimates. Risk is trending higher due to pricing challenges and the complexity in deriving assumptions used in the reserve estimation process.
<b>Legal &amp; Compliance</b>	<ul style="list-style-type: none"> <li>• Complaint Process (Administrative Code)</li> <li>• Contracts Management Process (New or Renewal)</li> <li>• Conflict Disclosures / Ethics Process</li> <li>• 3rd Party (Vendor, Policy Holder) Fraud Reporting Process</li> <li>• Records Retention Process</li> <li>• Public Information / Open Records</li> <li>• E-discovery</li> <li>• Association Policy Management</li> <li>• Filings (Policy Forms &amp; Endorsements, TDI, non-financial statement)</li> <li>• Sanctions Checking Process- FCPA/OFAC Compliance</li> <li>• Vendor Management Process (Including Due Diligence)</li> </ul>	Moderate	High	Moderate	↔	Risk is stable as meeting legal and compliance demands is not over-burdensome and the department is adequately staffed.

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

# Risk Assessment Results – cont.

Assurance • Tax • Advisory

2021 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Trend <sup>1</sup>
		2019	2020	2021		
<b>Underwriting</b>	<ul style="list-style-type: none"> <li>• Application &amp; Quoting Process</li> <li>• Policy Issuance Process (includes Billing)</li> <li>• Agent Registration</li> <li>• Policy Eligibility Determination Process</li> <li>• Fraud Reporting Process</li> <li>• Inspection Process</li> <li>• Agent Commissions</li> <li>• Agency mergers</li> <li>• Risk Evaluation and Pricing Process</li> <li>• QA/Audit Process</li> <li>• Policyholder/Agent Complaint Process</li> <li>• Appeal Process</li> </ul>	Moderate	Moderate	Moderate	↑	Risk is trending higher as management works to implement Project Elevate.
<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	↓	Risk is trending lower as the number of policies in depopulation continues to decrease.
<b>Executive Management, Management Planning and Reporting</b>	<ul style="list-style-type: none"> <li>• Plan of Operation</li> <li>• Operational Planning and Reporting</li> <li>• Board Reporting</li> <li>• Strategic Planning and Execution</li> <li>• CAT (Operations) and Business Continuity Planning</li> <li>• Disaster Recovery Planning (IT)</li> <li>• Pandemic</li> <li>• Talent Retention</li> <li>• Customer Communications and Service Delivery</li> <li>• Succession Planning</li> </ul>	Moderate	Moderate	Moderate	↑	Higher risk trend due to changes to the Plan of Operation, difficulty retaining top talent due to strong job market and planning succession for a strong management team.

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

# Risk Assessment Results – cont.

2021 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Trend <sup>1</sup>
		2019	2020	2021		
<b>Financial Close and Reporting</b>	<ul style="list-style-type: none"> <li>• Period End Closing Process</li> <li>• Expense Allocation</li> <li>• Statutory Financial Statement Preparation</li> <li>• GASB Compliance</li> <li>• TDI / Statutory Data Calls</li> <li>• General Ledger Recording and Maintenance</li> <li>• Account Reconciliations</li> <li>• Fixed Assets</li> <li>• Escheatment/Unclaimed Property</li> <li>• Debt Arrangements</li> <li>• Revenue Recognition</li> </ul>	Moderate	Moderate	Moderate	↔	Though a change in CFO occurred, key accounting personnel remain in place and stable. There have been no significant changes in accounting standards. Also, TWIA is in the early phases of transitioning to a Corporate Performance Management (CPM) system for corporate reporting and budgeting to further mitigate financial reporting risk.
<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	↔	Vendor management software has been implemented to centralize controls over contract monitoring. Also, TWIA is converting to a cloud-based general ledger accounting application to mitigate technology and obsolescence risk.
<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	↑	Risk is trending higher as management works to implement Project Elevate.

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

# Risk Assessment Results – cont.

2021 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Trend <sup>1</sup>
		2019	2020	2021		
<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	↔	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	Low	Moderate	↑	Risk is trending higher due to complexities regarding payroll taxes for employees working in other states.
<b>Accounts Receivable</b>	<ul style="list-style-type: none"> <li>• Billing</li> <li>• Collections and Deposits</li> <li>• Customer Account Maintenance</li> <li>• Past Due A/R, Non-admitted and write-offs</li> <li>• Refunds</li> <li>• System Reconciliation</li> </ul>	Low	Low	Moderate	↑	Risk is trending higher as management works to implement Project Elevate, a new billing and payment application.
<b>Environmental, Social, and Corporate Governance</b>	<ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Diversity and Inclusivity</li> <li>• Climate-conscious Decision Making</li> <li>• Management Structure</li> <li>• Employee Relations</li> <li>• Fair Compensation</li> <li>• Charitable Contributions</li> </ul>	N/A	N/A	Low	↑	Risk is increasing due to trend in ESG gaining more acceptance from standard setters and regulators.

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

# Risk Assessment Results – cont.

2021 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend <sup>1</sup>	Risk Trend <sup>1</sup>
		2019	2020	2021		
<b>Facilities and Services</b>	<ul style="list-style-type: none"> <li>• Building Access &amp; Physical Security</li> <li>• Mail and Routing</li> <li>• Facilities Maintenance</li> <li>• Events/Training Management</li> <li>• Premises Insurance (COVID)</li> </ul>	Low	Moderate	Low	↔	Risk level is low due to remote working and stabilization of COVID-19. Risk may increase in the future due to potential office relocation.
<b>Cash Management</b>	<ul style="list-style-type: none"> <li>• Banking General</li> <li>• Lockbox</li> <li>• Credit Cards</li> <li>• Wire Transfers</li> <li>• Void Stop Payments</li> <li>• Positive Pay</li> <li>• Cash Forecasting</li> <li>• Bank Account Reconciliation</li> <li>• Cash and Cash Equivalent Investments Management</li> <li>• Funding Stack Execution</li> </ul>	Low	Moderate	Low	↑	Risk is trending higher due to increasing phishing/vishing attempts and wire fraud on the rise.
<b>Premium Taxes</b>	<ul style="list-style-type: none"> <li>• Premium Taxes</li> <li>• Tax Preparation and Compliance</li> </ul>	Low	Low	Low	↔	No changes in system applications, processes, regulations or personnel. The overall risk environment remains stable.

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

# Audit Plan 2022-2024

- 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	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: Additionally, Model Audit Rule updates, follow-up procedures, and the annual risk assessment update will be performed in 2022. Audit frequency is generally the following based on risk: 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



## 6C. Fraud Risk Assessment

There is no exhibit for this topic

## 7. Financial

7A1. Report of the Secretary/Treasurer

7A2. Management Discussion  
and Analysis

	TEXAS WINDSTORM INSURANCE ASSOCIATION		
	Statutory Income Statement - Treasurer's Report		
	for the nine months ended September 30,		
	(000's omitted)		
	2021	2020	
<b>Direct Premiums Written</b>	<u>\$ 311,071</u>	<u>\$ 294,881</u>	
<b>Premiums Earned:</b>			
Direct Premiums Earned	\$ 279,855	\$ 276,510	
Ceded Reinsurance Premiums	(66,709)	(71,634)	
Ceded Reinsurance Premiums - Depopulation	-	(740)	
Net Premiums Earned	<u>213,146</u>	<u>204,136</u>	
<b>Deductions:</b>			
Direct Losses and LAE Incurred	40,497	72,706	
Direct Losses and LAE Incurred - Harvey	(20,000)	(0)	
Direct Losses and LAE Incurred - Ike & Dolly	0	(0)	
Ceded Losses and LAE Incurred - Depopulation	21	(116)	
Operating Expenses	20,684	21,042	
Commission Expense	49,730	47,149	
Ceding commissions / brokerage	(2,171)	(3,523)	
Ceding commissions / brokerage - Depopulation	-	(178)	
Premium / Maintenance Tax	5,778	5,537	
Total Deductions	<u>94,538</u>	<u>142,618</u>	
<b>Net Underwriting Gain or (Loss)</b>	<u>118,608</u>	<u>61,518</u>	
<b>Other Income or (Expense):</b>			
Gross Investment Income	225	1,495	
CRTF Funds Received	-	-	
Member Assessment Income	-	-	
Interest Expense on Class 1 Bonds	(13,023)	(17,313)	
Debt Issuance & Other Investment Expenses	(1,625)	(2,239)	
Other	-	-	
Total Other Income or (Expense)	<u>(14,423)</u>	<u>(18,057)</u>	
<b>Net Income (Loss)</b>	<u>\$ 104,185</u>	<u>\$ 43,461</u>	
<b>Surplus (Deficit) Account:</b>			
Beginning Surplus (Deficit)	\$ (160,451)	\$ (183,792)	
Net Income (Loss)	104,185	43,461	
Change in Provision for Reinsurance	-	-	
Change in nonadmitted assets - Other	(7,848)	(3,858)	
Other	-	-	
Statutory Fund Cost	(50,469)	-	
Ending Surplus (Deficit)	<u>\$ (114,583)</u>	<u>\$ (144,188)</u>	

**Texas Windstorm Insurance Association**  
**Management's Discussion and Analysis of Financial Results for the**  
**Nine Months Ended September 30, 2021**

**Direct Written Premium:**

- Direct written premiums through September 2021 totaled \$311.1 million, which was \$16.2 million (5.5%) above the \$294.9 million for the same period in 2020. Direct written premium was \$13.4 million (4.5%) higher than the budgeted \$297.7 million.
- Policies in force as of September 30, 2021 of 191,572 was 7,538 (4.1%) higher than the budgeted number of 184,034.

**Reinsurance Costs**

- The TWIA 2021-2022 reinsurance program inceptioned on June 1st. The gross cost associated with the \$1.93 billion in coverage was \$100.1 million compared to a budgeted cost of \$114.8 million. This reflects an overall rate-on-line (ROL) of 5.2% compared to the 5.1% ROL for the 2020 program. The coverage purchased in 2021 was \$1.93 billion compared to the prior year coverage of \$2.1 billion reflecting the lower 1 in 100 PML.

**Direct Premiums Earned:**

- Direct premiums earned year-to-date through September 2021 totaled \$279.9 million compared to \$276.5 million for the same period in the prior year (an increase of \$3.4 million or 1.2%).
- Direct premium earned was \$4.1 million higher than the budget of \$275.7 million.

**Depopulation Program:**

- The one carrier (SafePoint) that signed up to participate in round 5 of depopulation (Weston elected to withdraw) selected approximately 32,000 policies for potential novation from TWIA. The agents review period closed on May 31 and approximately 31,790 policies were removed leaving 210 policies for potential depopulation. After the end of hurricane season, owners of the remaining 210 policies will decide whether to allow their policy to transfer through depopulation or opt out and remain with TWIA.

**Loss and Loss Adjustment Expense Incurred:**

- Direct losses and LAE incurred for the nine months ended September 30, 2021 totaled \$20.5 million which was \$37.8 million below the budget of \$58.3 million. The lower than budgeted losses are attributable to the 2021 reductions in the estimated ultimate losses and LAE for Hurricane Harvey and the 2020 hurricane events, and lower than anticipated losses from the 2021 spring storm season.
- TWIA reported a YTD direct loss & LAE ratio of 7.3% compared to the budgeted 21.1%.
- The ultimate loss and loss adjustment expense estimate for Hurricane Harvey remains at \$1.68 billion.

**Operating Expenses:**

- Operating expenses for the nine months ended September 30, 2021 of \$20.7 million were below budget by \$3.2 million (13.5%).
- Notable expense items under budget include contractors and temporary help (\$1.5 million), IT consulting (\$473,000), software (\$317,000), actuarial services (\$201,000), and recruiting, training and other personnel expenses (\$177,000).
- The year-to date operating expense ratio of 7.4% is below the budgeted ratio of 8.7%.

**Commission Expense and Premium Taxes:**

- Year-to-date Commission expense of \$49.7 million and Premium taxes of \$5.8 million were over budget by \$2.1 million and \$240,000 respectively as Direct Written premium was higher than budgeted levels.

**Other Income (Expense):**

- Gross investment income for the nine months ended September 30, 2021 was \$225,000 which was \$65,000 higher than the budgeted amount of \$160,000. Short term interest rates remain at extremely low levels.
- Interest expense on Class 1 bonds was on budget at \$13.0 million.

**Net Income**

- Net income for the nine months ended September 30, 2021 was \$104.2 million or \$51.6 million (98.1%) above the budgeted income of \$52.6 million.

**Surplus/(Deficit):**

- The deficit as of September 30, 2021 was \$114.6 million compared to \$160.5 million as of December 31, 2020. The deficit has improved due to the year-to-date September 2021 net income of \$104.2 million which was partially offset by a statutory expense (CRTF) accrual of \$50.5 million and an increase of \$7.8 million in non-admitted assets, which consists primarily of capitalized software (Project Elevate) and prepaid expenses for Expert Panel, Guidewire and Eagleview licensing and premium tax.

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## 7B. Financial Statement Review by Staff

7B1. Income Statement

7B2. Expense Detail

7B3. Balance Sheet

7B4. Cash Flow Statement

7B5. Cash & Short-Term Investments

7B6. Historical Data

	TEXAS WINDSTORM INSURANCE ASSOCIATION				
	Statutory Income Statement (000's omitted)				
	for the nine months ended September 30,				
	Actuals - 2021	Budget - 2021	Variance - 2021	Actuals - 2020	
<b>Premiums Written:</b>					
Direct	\$ 311,071	\$ 297,706	\$ 13,365	\$ 294,881	
Ceded	(100,064)	(114,813)	14,750	(107,452)	
Ceded - Depopulation	-	-	-	(740)	
Net	211,008	182,893	28,115	186,689	
<b>Premiums Earned:</b>					
Direct	\$ 279,855	\$ 275,730	\$ 4,125	\$ 276,510	
Ceded	(66,709)	(76,542)	9,833	(71,634)	
Ceded - Depopulation	-	-	-	(740)	
Net	213,146	199,188	13,958	204,136	
<b>Deductions:</b>					
Direct Losses and LAE Incurred	40,497	58,300	(17,803)	72,706	
Direct Losses and LAE Incurred - Harvey	(20,000)	-	(20,000)	(0)	
Direct Losses and LAE Incurred - Ike & Dolly	0.00	-	0	(0)	
Ceded Losses and LAE Incurred - Depopulation	21	-	21	(116)	
Operating Expenses	20,684	23,908	(3,225)	21,042	
Commission Expense	49,730	47,633	2,097	47,149	
Ceding commissions / brokerage	(2,171)	(3,690)	1,519	(3,523)	
Ceding commissions / brokerage - Depopulation	-	-	-	(178)	
Premium / Maintenance Tax	5,778	5,537	240	5,537	
Total Deductions	94,538	131,689	(37,151)	142,618	
<b>Net Underwriting Gain or (Loss)</b>	<b>118,608</b>	<b>67,499</b>	<b>51,109</b>	<b>61,518</b>	
<b>Other Income or (Expense):</b>					
Gross Investment Income	225	160	65	1,495	
CRTF Funds Received	-	-	-	-	
Member Assessment Income	-	-	-	-	
Interest Expense on Debt	(13,023)	(13,023)	0	(17,313)	
Debt Issuance/Maintenance & Other Investment Expenses	(1,625)	(2,060)	435	(2,239)	
Other	-	-	-	-	
Total Other Income or (Expense)	(14,423)	(14,923)	500	(18,057)	
<b>Net Income (Loss)</b>	<b>\$ 104,185</b>	<b>\$ 52,576</b>	<b>\$ 51,609</b>	<b>\$ 43,461</b>	
<b>Surplus (Deficit) Account:</b>					
Beginning Surplus (Deficit)	(160,451)	(160,451)	-	(183,792)	
Net Income (Loss)	104,185	52,576	51,609	43,461	
Change in Provision for Reinsurance	-	-	-	-	
Change in nonadmitted assets - Other	(7,848)	(7,384)	(464)	(3,858)	
Other	-	-	-	-	
Statutory Fund Cost	(50,469)	(2,376)	(48,093)	-	
Ending Surplus (Deficit)	<b>\$ (114,583)</b>	<b>\$ (117,635)</b>	<b>\$ 3,052</b>	<b>\$ (144,188)</b>	
<b>Key Operating Ratios:</b>					
Direct:					
Loss & LAE Ratio:					
Non Hurricane	14.5%	21.1%	(6.7%)	26.3%	
Hurricane Harvey	(7.1%)	0.0%	(7.1%)	0.0%	
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%	
Loss & LAE Ratio	7.3%	21.1%	(13.8%)	26.3%	
UW Expense Ratio:					
Acquisition	17.8%	17.9%	(0.0%)	17.9%	
Non Acquisition	7.4%	8.7%	(1.3%)	7.6%	
UW Expense Ratio	25.2%	26.5%	(1.3%)	25.5%	
Combined Ratio	32.6%	47.7%	(15.1%)	51.8%	
Net:					
Loss & LAE Ratio:					
Non Hurricane	19.0%	29.3%	(10.3%)	35.6%	
Hurricane Harvey	(9.4%)	0.0%	(9.4%)	0.0%	
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%	
Loss & LAE Ratio	9.6%	29.3%	(19.6%)	35.6%	
UW Expense Ratio:					
Acquisition	22.8%	23.6%	(0.7%)	22.9%	
Non Acquisition	9.7%	12.0%	(2.3%)	10.3%	
UW Expense Ratio	32.6%	35.6%	(3.0%)	33.2%	
Combined Ratio	42.2%	64.8%	(22.7%)	68.8%	

1	<b>TEXAS WINDSTORM INSURANCE ASSOCIATION</b>					1
2	<b>Statutory Expense Report (000's omitted)</b>					2
3	<b>for the nine months ended September 30,</b>					3
4						4
5	<b>Description</b>	<b>Actuals - 2021</b>	<b>Budget - 2021</b>	<b>Variance - 2021</b>	<b>Actuals - 2020</b>	5
6	Personnel Expenses					6
7	Salaries & Wages - Permanent	\$ 10,311	\$ 10,577	\$ (266)	\$ 8,866	7
8	Contractor & Temporary Help	7,856	8,343	(487)	8,087	8
9	Payroll Taxes	761	833	(72)	660	9
10	Employee Benefits	3,869	3,626	243	3,292	10
11	Recruiting, Training & Other	104	260	(155)	101	11
12	Subtotal	22,902	23,640	(738)	21,006	12
13						13
14	Professional & Consulting Services					14
15	Legal	362	482	(120)	377	15
16	Accounting & Auditing	206	205	1	297	16
17	Information Technology	4,180	4,739	(559)	2,346	17
18	Actuarial Services	89	290	(201)	176	18
19	Ombudsman Program	110	125	(15)	127	19
20	Surveys & Inspections	959	1,023	(64)	985	20
21	Disaster Recovery Services	196	306	(110)	341	21
22	<b>Other Services</b>	3,294	3,322	(28)	3,411	22
23	Subtotal	9,395	10,491	(1,095)	8,060	23
24						24
25	Hardware/Software Purchases & Licensing	2,579	2,974	(395)	2,351	25
26	Rental & Maintenance - Office/Equipment	958	969	(11)	976	26
27	Travel Expenses	8	156	(147)	57	27
28	Postage, Telephone and Express	647	688	(41)	694	28
29	Capital Management Expenses	12	18	(6)	13	29
30	Depreciation	21	21	(0)	21	30
31	Other Operating Expenses	886	957	(71)	848	31
32	Total Operating Expenses	\$ 37,408	\$ 39,914	\$ (2,506)	\$ 34,026	32
33						33
34	Capitalization of Fixed Assets	(6,763)	(6,269)	(495)	(2,513)	34
35	Reimbursement of Depop Servicing Expense	(16)	(23)	7	(60)	35
36	Allocation To ULAE	(9,740)	(9,479)	(261)	(10,183)	36
37	Allocation To Investing & Other Expense	(205)	(235)	30	(228)	37
38	Net Operating Expense - UW Operations	\$ 20,684	\$ 23,908	\$ (3,225)	\$ 21,042	38

(1) Summary Details for Other Services:

<u>VENDOR</u>	<u>Amount</u>	<u>Department</u>
Accenture LLP	\$ 1,507	Expert Panel
Risk Management Solutions Inc	\$ 298	Expert Panel
Xactware Solutions Inc	\$ 292	Claims
Marshall & Swift/Boeckh	\$ 270	Underwriting
Clear Point Claims LLC	\$ 248	Underwriting
EagleView Technologies Inc	\$ 186	Claims
ISO Services Inc	\$ 112	Claims
LYNX Services LLC	\$ 58	Claims
LogicGate Inc	\$ 38	Legal & Compliance
Cornerstone OnDemand Inc	\$ 40	Human Resources
ADP Inc	\$ 36	Claims
Insurity LLC	\$ 30	Operations
Ubiquiti Inc dba Smartway2	\$ 20	Operations
*Other Outside Services below \$20K	\$ 159	Various departments
<b>Total Other Services</b>	<b>\$ 3,294</b>	

1	TEXAS WINDSTORM INSURANCE ASSOCIATION			1
2	Statutory Balance Sheet (000's omitted)			2
3				3
4				4
5		<u>September-21</u>	<u>December-20</u>	5
6	<b>Admitted Assets</b>			6
7	Cash and short term investments:			7
8	Unrestricted	\$ 451,483	\$ 398,270	8
9	Restricted - Funds Held at TTSTC	51,748	83,406	9
10	Restricted - Funds Held at TTSTC (Non Admitted)	-	-	10
11	Total cash and short term investments	<u>503,231</u>	<u>481,676</u>	11
12	Premiums receivable & other	3,828	2,452	12
13	Assessment receivable	-	-	13
14	Amounts recoverable from reinsurers	14	66	14
15	<b>Total admitted assets</b>	<u><b>\$ 507,073</b></u>	<u><b>\$ 484,193</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	\$ 122,151	\$ 164,315	19
20	Underwriting expenses payable	12,090	11,038	20
21	Unearned premiums, net of ceded unearned premiums	183,778	185,917	21
22	Ceded reinsurance premiums payable	47,572	25,908	22
23	Principal Outstanding on Class 1 Pre Event Bonds	177,000	227,200	23
24	Interest Payable on Class 1 Pre Event Bonds	3,651	9,372	24
25	Provision for reinsurance	-	-	25
26	Other payables	24,945	20,894	26
27	Statutory fund payable	<u>50,469</u>	<u>-</u>	27
28	<b>Total liabilities</b>	<b>621,655</b>	<b>644,644</b>	28
29				29
30	<b>Surplus and others funds</b>			30
31	Unassigned surplus	(114,583)	(160,451)	31
32	<b>Total liabilities, surplus and other funds</b>	<u><b>\$ 507,073</b></u>	<u><b>\$ 484,193</b></u>	32
33				33
34				34
35	<b>Balance in CRTF</b>	<u><b>\$ 181,912</b></u>	<u><b>\$ 179,174</b></u>	35
36				36
37	<b>Balance in CRTF including Statutory fund payable</b>	<b>\$ 232,381</b>	<b>\$ 179,174</b>	37
38				38

Texas Windstorm Insurance Association  
Unrestricted Cash and Short Term Investments (\$ in 000's)  
September 30, 2021

											Are funds in excess of the N.A. Regulatory Capital?			
6	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	> .2% of N.A. Reg Capital	6	
7								< 40%	Superior or Strong	> 10%	> \$25B		7	
8	Balances as of 9/30/2021:													8
9	Bank of America, Operating	162	143,333	143,495	146,295	66	0.18%	32%	Superior	13.4%	\$171	No	9	
10	BlackRock Liquidity Funds (1)	0	123,019	123,019	116,732	0	0.00%	27%	N/A	N/A	N/A	N/A	10	
11	Citibank	200	16,987	17,187	16,987	0	0.01%	4%	Superior	13.6%	\$149	No	11	
12	JP Morgan Chase	15,040	0	15,040	0	0		3%	Superior	16.5%	\$252	No	12	
13	JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	152,741	152,741	152,741	2	0.01%	34%	N/A	N/A	N/A	N/A	13	
14														14
15														15
16	Total of all financial institutions	15,403	436,079	451,483	432,754	69	0.06%	100%						16
17														17
18	Balances as of 6/30/2021:													18
19	Bank of America, Operating	162	143,591	143,753	146,440	65	0.18%	32%	Superior	13.5%	\$200	No	19	
20	BlackRock Liquidity Funds (1)	0	130,126	130,126	94,565	1	0.00%	29%	N/A	N/A	N/A	N/A	20	
21	Citibank	201	16,986	17,188	16,986	0	0.01%	4%	Superior	14.0%	\$145	No	21	
22	JP Morgan Chase	10,216	0	10,216	0	0		2%	Superior	15.7%	\$234	No	22	
23	JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	145,239	145,239	143,809	4	0.01%	33%	N/A	N/A	N/A	N/A	23	
24														24
25														25
26	Total of all financial institutions	10,579	435,943	446,522	401,800	71	0.07%	100%						26
27														27
28	(1) The Fund invests in U.S. Treasury bills, notes, trust receipts and direct obligations of the U.S. Treasury.													28
29	(2) The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury.													29
30	(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.													30
31	Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of June 30, 2021. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.													31

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 - 2021    Budget - 2021    Variance - 2021	5
6		6
7	<b>Cash flows from operating activities:</b>	7
8	Premiums collected, net of reinsurance    \$    237,539    \$    251,563    \$    (14,024)	8
9	Losses and loss adjustment expense paid    (62,630)    (116,225)    53,595	9
10	Underwriting expenses paid    (80,131)    (80,614)    483	10
11	CRTF funds received    -    -    -	11
12	Member assessment received    -    -    -	12
13	Other    (2,168)    (802)    (1,366)	13
14	Net cash provided by operating activities    92,610    53,922    38,689	14
15	<b>Cash flows from nonoperating activities:</b>	15
16	Statutory fund paid    -    -    -	16
17	Other    -    -    -	17
18	Net cash provided by nonoperating activities    -    -    -	18
19	<b>Cash flows from investing activities:</b>	19
20	Sales and maturities of investments    -    -    -	20
21	Net investment income    (20,855)    (20,644)    (211)	21
22	Net cash provided by investing activities    (20,855)    (20,644)    (211)	22
23	<b>Cash flows from financing activities:</b>	23
24	Borrowed funds    -    -    -	24
25	Borrowed funds repaid    (50,200)    (50,200)    -	25
26	Net cash provided by financing activities    (50,200)    (50,200)    -	26
27		27
28	Net increase (decrease) in cash and short-term investments    21,555    (16,922)    38,477	28
29	Cash and short-term investments, Beginning    481,676    481,676    -	29
30	Cash and short-term investments, Ending    \$    503,231    \$    464,753    \$    38,477	30
31		31

	TEXAS WINDSTORM INSURANCE ASSOCIATION													
	HISTORICAL DATA													
	1971 - 2021													
	(\$ with 000's omitted)													
	GROSS						NET						CRTF BALANCE END OF PERIOD	
	LIABILITY IN		RATE		WRITTEN		UNDERWRITING							
YEAR	FORCE END OF PERIOD	POLICY COUNT	CHANGES RESID	COMML	PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)				
1971	\$ 278,710	13,415			\$ 2,393	\$ 92	\$ 868	\$ 92	\$ 385	\$ 391				
1972	739,983	33,577			4,138	214	3,468	214	849	2,405				
1973	1,017,048	45,743			4,286	1,427	4,288	1,427	1,099	1,763				
1974	1,064,772	45,901			4,512	452	4,378	452	1,106	2,819				
1975	1,169,763	46,365			6,036	592	5,263	592	1,417	3,254				
1976	1,387,252	48,747			8,130	231	6,953	231	1,878	4,844				
1977	1,616,220	51,382			9,922	203	9,080	203	2,258	6,619				
1978	1,633,521	48,820			10,523	296	10,249	296	2,329	7,624				
1979	1,816,410	46,128			11,045	2,370	11,039	2,370	2,178	6,490				
1980	1,936,388	43,613			9,675	14,217	10,245	14,217	2,079	(6,051)				
1981	2,105,244	42,495			9,137	2,715	9,313	2,715	2,097	4,501				
1982	2,285,594	51,034			8,641	982	9,106	982	2,095	6,029				
1983	2,165,231	44,894			6,900	157,112	7,585	157,112	1,937	(151,463)				
1984	3,178,079	51,311			9,450	1,294	7,989	1,294	2,493	4,202				
1985	4,061,660	57,181			18,232	1,510	3,534	1,510	3,638	(1,614)				
1986	4,510,378	60,028			20,987	1,202	5,229	1,202	3,997	30				
1987	4,401,486	57,976			20,532	2,555	4,931	2,555	4,091	(1,715)				
1988	4,266,615	56,773	-5.4%	-15.0%	19,061	2,509	3,551	2,509	4,066	(3,024)				
1989	4,236,600	55,401	-	-	18,066	14,176	5,330	14,176	4,037	(12,883)				
1990	4,248,611	56,155	3.1%	-2.1%	18,244	1,590	16,761	1,590	4,171	11,000				
1991	4,346,209	54,145	25.0%	-2.0%	20,504	1,783	7,167	1,783	4,343	1,042				
1992	5,155,790	55,471	-20% (I)/-75% (B)	-22.9%	11,495	1,321	4,014	1,321	4,220	(1,527)				
1993	6,500,165	56,921	30.0%	-	19,377	4,778	123,515	4,778	5,161	113,576				
1994	7,645,176	63,348	-	-	26,545	1,572	25,692	1,572	6,982	17,138	124,847			
1995	8,828,140	69,807	25.0%	-	32,419	4,033	29,016	4,033	8,119	16,864	151,284			
1996	10,001,843	72,977	-	-	40,359	1,484	37,153	1,484	10,627	25,042	179,020			
1997	10,907,937	75,361	-	-	42,463	4,133	41,045	4,133	11,038	25,874	216,896			
1998	11,633,935	77,261	0.2%	-3.0%	44,411	27,235	28,256	27,235	12,181	(11,160)	238,221			
1999	11,972,502	75,947	-9.4%	-	44,581	11,320	28,702	11,320	11,524	5,858	250,403			
2000	12,052,604	73,815	8.7%	9.0%	48,012	7,937	28,470	7,937	11,681	8,852	268,563			
2001	13,249,407	77,022	18.5%	4.0%	54,631	8,011	31,112	8,011	12,936	10,165	280,063			
2002	16,003,048	85,668	-	5.0%	72,968	32,359	44,516	32,359	16,584	(4,427)	303,185			
2003	18,824,457	96,420	-	10.0%	87,987	24,955	51,702	24,955	19,682	7,065	305,599			
2004	20,796,656	103,503	9.6%	10.0%	102,384	6,115	52,230	6,115	21,911	24,204	308,729			
2005	23,263,934	109,693	-	10.0%	113,928	178,370	65,438	178,370	25,277	(138,209)	311,508			
2006	38,313,022	143,999	3.1%	13.4%	196,833	5,188	85,467	5,188	37,138	43,141	361,823			
2007	58,641,546	216,008	4.2%	3.7%	315,139	17,985	135,843	17,985	51,768	66,090	388,542			
2008	58,585,060	215,537	8.2%	5.4%	331,049	2,587,123	(138,560)	1,117,123	53,759	(1,309,442)	-			
2009	61,700,891	230,545	12.3%	15.6%	382,342	(486,314)	389,600	(183,974)	87,899	485,675	-			
2010	67,452,357	242,664	-	-	385,550	555,025	351,730	252,685	85,598	13,447	76,334			
2011	71,083,333	255,945	5.0%	5.0%	403,748	202,539	321,781	202,539	81,665	37,577	146,650			
2012	74,186,949	266,726	5.0%	5.0%	443,480	401,873	321,122	401,873	93,583	(174,334)	178,902			
2013	76,921,369	270,814	5.0%	5.0%	472,739	30,975	295,130	30,975	100,524	163,631	186,184			
2014	78,763,302	275,626	5.0%	5.0%	494,036	(13,994)	367,555	(13,994)	109,189	272,360	216,813			
2015	78,551,742	272,219	5.0%	5.0%	503,824	178,886	377,594	178,886	114,973	83,736	487,170			
2016	73,393,573	254,346	5.0%	5.0%	487,354	38,669	370,404	38,625	109,756	222,023	587,860			
2017	65,023,810	231,567	-	-	423,074	1,476,861	347,354	1,475,302	97,878	(1,225,826)	1,220			
2018	58,041,760	202,208	5.0%	5.0%	395,552	175,718	301,515	175,998	96,399	29,118	5,986			
2019	55,189,815	189,203	-	-	372,017	113,513	287,477	113,398	92,415	81,664	122,496			
2020	55,009,638	184,890	-	-	369,600	118,669	261,574	118,470	90,594	52,510	179,174			
2021	58,440,281	191,572	-	-	311,071	20,497	213,146	20,518	74,020	118,608	181,912			
TOTAL*					7,269,382	5,944,358	5,025,921	4,472,741	1,607,624	(1,054,444)				
*2021 data through 9/30/2021.														

\*2021 data through 9/30/2021.

**TEXAS WINDSTORM INSURANCE ASSOCIATION**  
**HISTORICAL DATA**  
**1997 - 2020 (24 Years)**  
**(\$ with 000's omitted)**



1	<b>Premium and Other Revenues</b>				1
2	<b>Direct Earned Premium</b>		<b>6,405,440</b>		2
3	Investment Income /Other		79,646		3
4	<b>Premium and Other Revenues</b>		<b>6,485,086</b>		4
5					5
6	<b>Expenditures</b>				6
7	Reinsurance Premiums/Commissions		(1,862,359)	28.7%	7
8	Losses		(1,507,215)	23.2%	8
9	Funded into CRTF	A	(1,035,034)	16.0%	9
10	Agents Commissions		(1,052,893)	16.2%	10
11	Operating Expenses		(489,080)	7.5%	11
12	Class 1 Bond Interest/LOC Expenses		(225,886)	3.5%	12
13	Early Redemption withholdings from 2019		-	0.0%	13
14	Repayment of Class 1 Bonds	B	(272,800)	4.2%	14
15	Other/Adjustments		(28,868)	0.4%	15
16	Federal Taxes		(10,951)	0.2%	16
17	<b>Total TWIA Expenditures</b>		<b>(6,485,086)</b>	100.0%	17
18					18
19	<b>Net</b>		-	-	19
20					20
21					21
22					22
23	<b>Payment of Losses:</b>				23
24	Reinsurers	D	1,498,634	}	24
25	Industry (Member Assessments)	E	1,000,633		25
26	Proceeds of Class 1 Bonds	F	449,172		26
27	CRTF Distributions	G	1,247,494	}	27
28	TWIA Direct Loss Payments	C	1,507,215		28
29	<b>Total Losses</b>		<b>5,703,148</b>	<b>5,703,148</b>	29
30			-		30
31					31
32	<b>CRTF Summary</b>				32
33	Beginning Balance (12/31/1996)		179,020		33
34	Contributions	A	1,035,034		34
35	Payment of Losses	G	(1,247,494)		35
36	Interest and Surcharges		212,614		36
37	Ending Balance		<u>179,174</u>		37
38					38
39	<b>Class 1 Debt Summary</b>				39
40	Proceeds of Offering		500,000		40
41	Payment of Losses	F	(449,172)		41
42	Net Proceeds Remaining - Debt Service Reserve Funds		<u>50,828</u>		42
43					43
44	<b>Class 1 Principal Outstanding</b>				44
45	Original Principal Amount		500,000		45
46	Principal Payments	B	(272,800)		46
47	Remaining Outstanding (12/31/20)		<u>227,200</u>		47

## 7C. Early Payoff/Redemption of 2014 Class 1 Public Securities



## MEMORANDUM

DATE: November 15, 2021

TO: John W. Polak, CPCU, General Manager

FROM: Stuart Harbour, Interim Chief Financial Officer

RE: 2021 Net Gain from Operations – CRTF Contribution and Debt Retirement Options

### Executive Summary

Of the \$500 million 2014 Class 1 bonds initially issued, \$177 million remains outstanding. As these bonds amortize fully over the next three years, TWIA will pay more than \$22 million in interest on the debt. TWIA has an opportunity to avoid much of that interest cost by paying off the bonds before maturity. Depending on the amount of principal TWIA redeems, the Association would have to use some or all of the 2021 net gain from operations earmarked for the Catastrophe Reserve Trust Fund (CRTF). To redeem the total \$177 million, TWIA would also have to borrow approximately \$34 million on a short-term basis. The disadvantages of prepayment relate primarily to liquidity concerns. The advantages relate to avoiding interest charges and simplifying and reducing the cost of future bond issuance in the event of a major storm in 2022 or 2023.

### Background

On July 1, 2021, \$50.2 million of principal was paid on the 2014 Class 1 bonds, reducing the outstanding balance to \$177 million. The table below shows the bond principal and related interest expense for the final two and one-half years of the bonds:

Year	Principal Payments	Interest Expense	Total
2022	54,400,000	12,358,500	66,758,500
2023	58,900,000	7,684,875	66,584,875
2024	63,700,000	2,627,625	66,327,625
Total	177,000,000	22,671,000	199,671,000

Assuming favorable storm activity for the rest of the year, we project a net gain from operations of approximately \$68 million will be available to contribute to the CRTF or early retirement of a portion of

the outstanding bonds. As of October 31, 2021, the CRTF has a balance of \$182.2 million and is currently growing by approximately \$325,000 each month from surcharge deposits and a minimal investment income.

## **Options**

As we close in on the scheduled maturity of the 2014 bonds in July 2024, we are reviewing the following options for the near term:

1. Deposit \$68 million into the CRTF – This is the more traditional approach of depositing the entire 2021 Net Gain from Operations into the CRTF. The \$68 million of 2021 net gain would be accrued on December 31, 2021, and contributed to the CRTF in March of 2022, increasing the CRTF balance to slightly over \$250 million. No amount would be used to pay down debt and the current amortization schedule would continue for principal payments and interest expense as shown above.
2. Use the \$68 million, existing debt reserve funds, and a bank loan to retire all 2014 bonds in early 2022 – At the opposite end of the spectrum, TWIA could use all of the 2021 net gain from operations (\$68 million) and existing debt reserve funds and borrow approximately \$34 million to pay off the 2014 Class 1 bonds in full before the start of the 2022 hurricane season. This option produces more than \$16 million in interest savings by applying the debt reserve balance to the bond debt and replacing \$34 million of 8.25% debt with short-term bank debt at a lower interest rate. The payoff would occur as follows:

<b>Outstanding Balance at December 31, 2021</b>	<b>\$ 177,000,000</b>
---	-----------------------

**Funds for Early Retirement of 2014 Bonds:**

<b>2021 Net Gain from Operations (Estimated)</b>	<b>68,000,000</b>	
<b>Amount available in debt service fund at 12/31/2021</b>	<b>61,697,972</b>	
<b>January 2022 principal deposited to debt service fund</b>	<b>4,533,333</b>	
<b>February 2022 principal deposited to debt service fund</b>	<b>4,533,333</b>	
<b>March 2022 principal deposited to debt service fund</b>	<b>4,533,333</b>	
<b>Total Available as of March 31, 2021</b>	<b>143,297,972</b>	<b>(143,297,972)</b>

<b>Remaining bonds outstanding</b>	<b>33,702,028</b>
<b>Term loan to pay off remaining bonds on 5/1/2021</b>	<b>(33,702,028)</b>
<b>Balance of 2014 Class One Bonds on 5/2/2021</b>	<b>\$ -</b>

**TEXAS WINDSTORM INSURANCE ASSOCIATION**  
**Debt Redemption Options**  
**2022**

	Put All Gain into CRTF A - Budget As Is	B - Partial Redemption using 2021 Earnings	C - Retire 2014 Bonds and borrow at lower rate with 1 year payoff
1 Interest Expense Savings			
2 2022			
3 Interest Savings	N/A	\$ 3,439	\$ 6,852
4 Ending Debt Balance	122,600	61,200	11,200
5			
6 Interest Expense	12,358	8,919	5,506
7			
8 2022 through June 2024			
9 Interest Savings	N/A	8,869	16,986
10 Interest Expense	22,671	13,802	5,685
11			
12			
13 2022 Ending CRTF	\$ 254,779	\$ 188,394	\$ 188,394
14 2023 CRTF for Hurricane Season	317,405	259,061	274,140

**NOTES**

A - Current 2014 bonds to be paid off 7/1/2024 at 8.25% interest rate

B - Use estimated 2021 Net gain (CRTF amount) to partially redeem the 2014 bonds. Estimated redemption: \$66 million

C - Retire 2014 bonds using 2021 net gain and debt reserves and borrow remaining amount at short term interest rate.

## 8. Agent Commission



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

# Agent Commission Study

December 2021 Quarterly Board Meeting

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# Study Objectives

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- **Fulfill the Board's requests for information**
- **Collect agent feedback and data on the utilization of the most recent renewal processes to enable the Board to respond to the Sunset Commission recommendation**
- **Provide sufficient information for a TDI filing in the event the Board decides to make a recommendation to the Commissioner**

# Information Requested by Board

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- ✓ Historical Commission Rates
- ✓ Past Reports Provided to the Board
- ✓ Initial Agent Advisory Group Input
- Analysis of Agent Activities
- Post-ELEVATE Analysis of Agent Activities

- ✓ Appears throughout the presentation to designate information that was specifically requested by board members
- Indicates information that was specifically requested by board members but has not yet been completed
- ⓪ Direction needed from Board of Directors

# Completed Work

	Slide #
✓ Historical Commission Rates	8-9
✓ Past Reports from the Independent Insurance Agents of Texas (IIAT)	10-12
TWIA Systems and Process Changes	13-16
✓ Initial Agent Advisory Group Feedback	17-24
TWIA Requirements	25-26
Commission & Premium Comparison with Florida and North Carolina	27-28

# Pending Work

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## ***What Additional Information is Needed?***

- Update IIAT Time Study after ELEVATE
- Conduct Similar Time Studies with Exclusive Agents after ELEVATE
- Compare Commission Structure & Premiums with More Plans
- Compare Commission Structure & Premiums with Private Market Carriers

# Timeline for Additional Information

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- **ELEVATE: New Business effective 4/2022 and 7/2022 for Renewals**
- **Pre-ELEVATE: Complete commission structure comparisons with other plans and private market**
- **Post-ELEVATE: Work with IIAT and two captive agents to conduct time studies of new processes**

 *How many months of data are needed?*

# **HISTORICAL COMMISSION RATES**

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# Historical Commission Rates

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

Independent Insurance Agents of Texas (IIAT)

# PAST IIAT REPORTS

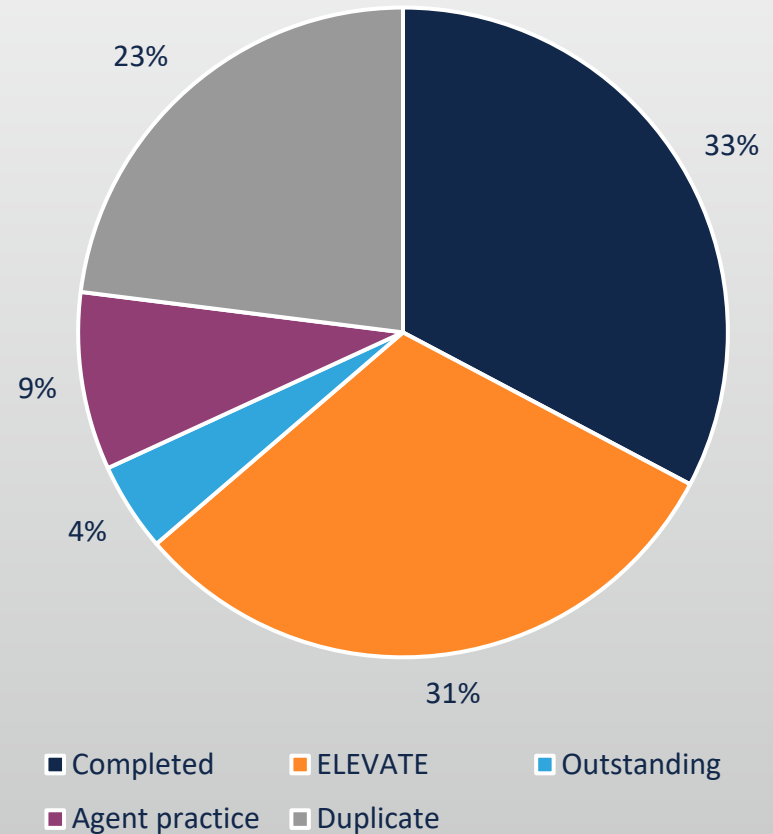
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# 2018 IIAT Report

- Focused on Policy Center impact on TWIA and agents' processes
- Concluded that upgrades benefited TWIA more than agents
- Issues identified included:
  - quoting process,
  - policy searches,
  - payment options, and
  - TWIA-specific requirements such as WPI-8s and flood insurance
- **33% of issues have been addressed; an additional 31% will be addressed with ELEVATE**

Current Issue Status





# 2015 IIAT Report

- **Provided initial feedback on the first release of Policy Center**
- **Issues identified included:**
  - Workflows out of step with agents' processes
  - Increased time to process applications
  - Communication issues contributing to delays in policy issuance
- **Following report, TWIA conducted workshops with agents to identify and prioritize requested system and process changes**

# TWIA SYSTEM & PROCESS CHANGES

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# Evolution of TWIA System & Process Changes

	Pre-2015 Policy Center	Policy Center 2015-Present	ELEVATE April 2022
Applications and Endorsements	US Mail from: <ul style="list-style-type: none"> <li>• Agent</li> </ul>	Electronically from: <ul style="list-style-type: none"> <li>• Agent</li> </ul>	Electronically from: <ul style="list-style-type: none"> <li>• Agent</li> </ul>
Renewal Processing	US Mail from: <ul style="list-style-type: none"> <li>• Agent Only</li> <li>• Application required for renewal</li> </ul>	Electronic Payment from: <ul style="list-style-type: none"> <li>• Agent or Policyholder</li> </ul> US Mail from: <ul style="list-style-type: none"> <li>• Agent, Policyholder, or Mortgagee</li> <li>• 2020 no application needed (just payment)</li> </ul>	Electronically from: <ul style="list-style-type: none"> <li>• Agent or Policyholder</li> </ul> US Mail from: <ul style="list-style-type: none"> <li>• Policyholder</li> <li>• Agent</li> <li>• Mortgagee</li> </ul>
Receipt of Premium	US Mail: <ul style="list-style-type: none"> <li>• Paper Check (agent only)</li> </ul>	Electronically from: <ul style="list-style-type: none"> <li>• Agent</li> <li>• Premium Finance</li> <li>• Policyholder credit card/eCheck (2020)</li> </ul> US Mail <ul style="list-style-type: none"> <li>• Agent</li> <li>• Policyholder</li> </ul>	Electronically from: <ul style="list-style-type: none"> <li>• Agent</li> <li>• Policyholder</li> </ul> US Mail from: <ul style="list-style-type: none"> <li>• Policyholder</li> <li>• Mortgagee</li> </ul>
Replacement Cost Estimator (MSB)	Agent completed and printed out to send in with paper applications	Required at NB (outside of system) Required on Renewal if changes 2019- Began “Prefill for New Business” for residential	Integrated into ELEVATE

# Evolution of TWIA System & Process Changes

	Pre-2015 Policy Center	Policy Center 2015-Present	ELEVATE April 2022
Payment Plans	Full Premium needed in order to issue a policy	2020 statute changed and allowed for credit cards and installment plans System limitation allowed for only a 2-pay plan and Credit cards in a separate system	Full Pay, 2 pay, 4 pay and 10 pay. Real time credit card and electronic pay for Policyholders
Inspections	Agent inspected-photos Some physical inspections by TWIA 100% manual review of inspections by an underwriter	Aerial images on 100% of NB and Renewals  Machine learning to allocate resources Some secondary modifiers	Aerial images on 100% of NB and Renewals  Machine learning to allocate resources Some secondary modifiers
Manual Intervention & Impact	100% intervention by UW  Impact: <ul style="list-style-type: none"> <li>Seasonal backlog</li> <li>Approx. 50% issued within 14 days</li> </ul>	20% reviewed by UW  Impact: <ul style="list-style-type: none"> <li>Zero Backlogs</li> <li>95% issued within 10 days</li> </ul>	10% reviewed by UW  Impact: <ul style="list-style-type: none"> <li>Zero backlogs</li> <li>95% issued within 5 days</li> </ul>
Policy Delivery Method	US Mail to: <ul style="list-style-type: none"> <li>Agent Only</li> </ul>	Electronically to: <ul style="list-style-type: none"> <li>Agent</li> </ul> US Mail to: <ul style="list-style-type: none"> <li>Policyholder &amp; Mortgagee</li> </ul>	Electronically to: <ul style="list-style-type: none"> <li>Agent, Policyholder, or Mortgagee</li> </ul> US Mail to: <ul style="list-style-type: none"> <li>Policyholder</li> </ul>

# Metrics for Changes Required by Sunset

- **66% of policies were paid directly by the policyholder and auto-renewed**
- **6% of new business and 1% of renewals used the 2-pay payment plan**
- **11.1% of premium receipts were received electronically from the policyholder**
  - 3.2% credit cards
  - 0.7% debit cards
  - 7.2% eCheck/bank draft

## Process Changes Required by Sunset

- ☒ Offer [customers] policy renewal unless new information is necessary
- ☒ Accept installment premium payments
- ☒ Accept credit card payments
- ☒ Directly bill customers for premiums for automatic renewal

# AGENT ADVISORY GROUP FEEDBACK

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# General AAG Feedback

We estimate that approximately one-third of our policies are represented by independent agents.

Among the largest agents, however, it is roughly evenly split between exclusive and independent.

- **The Agent Advisory Group (AAG) represents both independent and exclusive agents of varying sized books of business across different geographic areas in the coverage area. It was created to foster the exchange of ideas and solicit feedback on TWIA's activities and operational processes affecting agents.**
- **Earlier this year, AAG members offered feedback about the impact of process and system changes to agents relative to commissions:**
  - It is premature to discuss or consider a change to the commission structure prior to the release and successful implementation of project ELEVATE, which will result in a number of system and process changes for agents and bring TWIA processes more in line with the voluntary market
  - Agents are still modifying internal processes to adapt to recently implemented legislative changes to the renewal process and payment options
  - It is preferable to allow for a reasonable period of adjustment, without additional major changes, after the ELEVATE implementation in order to fairly compare ELEVATE with the systems and practices used in the voluntary market. AAG agents have asked for a year post-ELEVATE deployment.

October 2021 AAG Meeting

# **AGENT EXPERIENCE SURVEY RESULTS**





## Purpose & Scope of Survey

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



# What Questions Did We Ask?

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



# Top Takeaways from Agent Responses

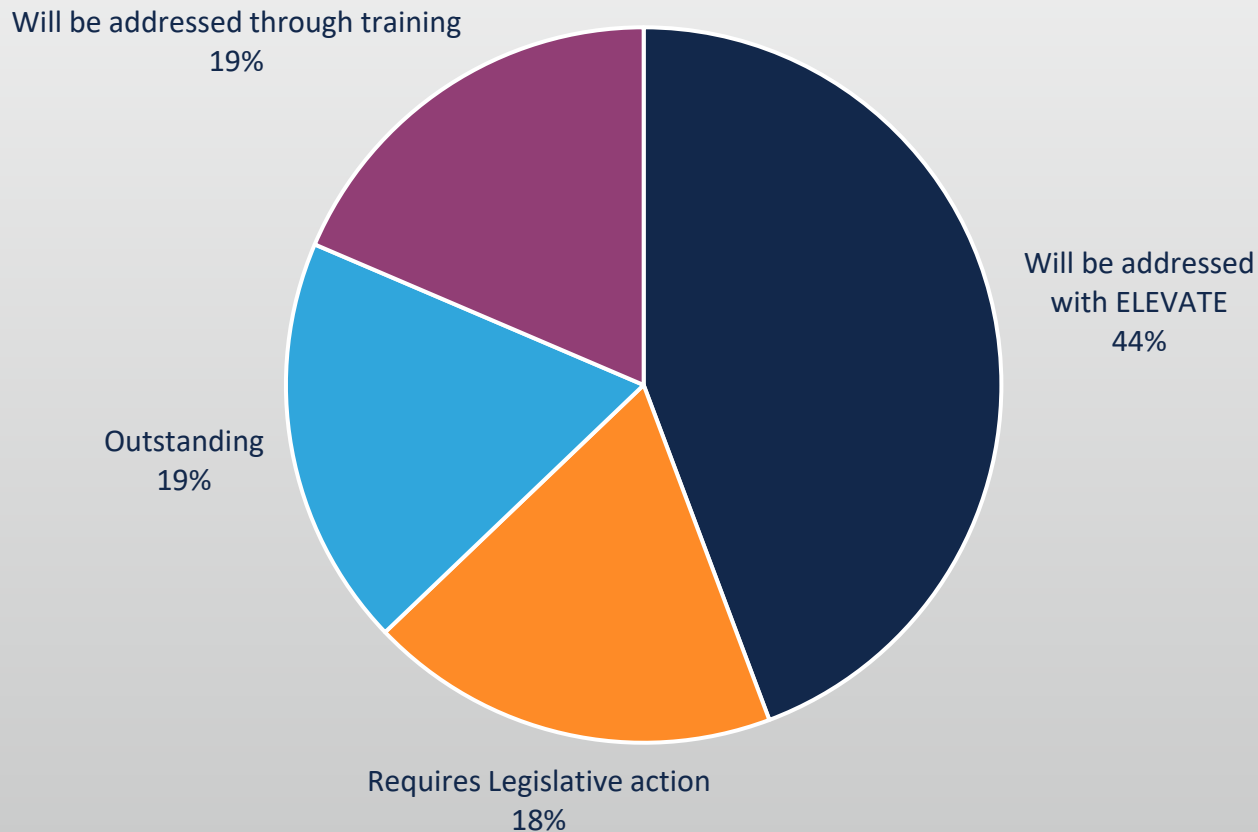
After aggregating and analyzing all survey responses, a few common themes emerged. Agents' comments fell into these categories:

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



# Top Takeaways from Agent Responses

## Agent comments categorized by resolution type:





# Policy Processing Time by Policy Type

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

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

# TWIA REQUIREMENTS

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# TWIA Requirements

Requested Information	Statutory	Plan of Operation	TWIA
Complete agent registration process			✓
Obtain basic insurance risk characteristics			✓
Obtain proof of voluntary market declination	✓	✓	
Obtain flood insurance, if required	✓	✓	
Obtain required windstorm certifications	✓	✓	
Submit replacement cost estimator			✓
Provide name and limits of companion carrier			✓
Meet basic underwriting criteria	✓	✓	
Remit payment prior to policy issuance	✓	✓	
Submit applications electronically			✓

# PLAN COMPARISONS

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# Plan Comparisons

Agent Requirements, Service and Product Offerings	Florida	North Carolina	TWIA
Commission Rate	8.1% R / 12% C	13%	16%
Commission Last Changed	~2000	1990s	1992
Declination Required	✓		✓
Companion Policy Required		✓	
Replacement Cost Estimator Required	✓		✓
Flood Insurance Required			✓
Building Code Certification Required			✓
Other Agent Requirements	✓	✓	
Payment Required to Issue Policy		✓	✓
Agents Have Binding Authority	✓	✓	
Credit Cards Accepted		✓	✓
Integration with Agency Management Systems	✓	✓	

Agent Commission Study

# APPENDICES



# Appendix 1:

## Texas Insurance Code 2210.203 (d)

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

# Appendix 2:

## Related Sunset Recommendation

- **Sunset Advisory Commission staff recommended TWIA establish separate agent commission rates for new business and policy renewals following the implementation of changes that streamline the renewal process**
  - *“Separate rates for new applications and renewals would better allow TWIA to compensate insurance agents in a manner commensurate with the work required.”\**
- **TWIA Response:**
  - *“TWIA has implemented the [changes that streamline the renewal process]. Staff intends to collect agent feedback and data on the utilization of the new payment methods by policyholders for a reasonable period following implementation to make a report to the Board regarding the efficacy of the four new processes. This data will be necessary for the Board of Directors to make an informed recommendation to the Commissioner regarding separate commission rates for new and renewal business.”*

### Renewal Process Changes Required by Sunset

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

2.2 Authorize TWIA to accept installment premium payments

2.3 Authorize TWIA to accept credit card payments

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

Link to Sunset Advisory Commission Staff Report with Final Results:

<https://www.sunset.texas.gov/public/uploads/files/reports/Texas%20Winstorm%20Insurance%20Association%20Staff%20Report%20with%20Final%20Results.pdf>

# Appendix 3: IIAT Reports

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- **2018 IIAT Workflow Study**
  - Staff Issue Tracking Log
- **2015 IIAT Policy Center Release Feedback**
- **2012 TWIA Staff Windstorm Process Comparison with IIAT Report and Policy Center**
- **2009-2010 IIAT Windstorm Processes Comparison**
- **2007 IIAT Operational Improvement Priorities**



**Independent  
Insurance  
Agents of Texas**

October 24, 2018

Texas Sunset Advisory Commission  
P.O. Box 13066  
Austin, Texas 78711

Re: Texas Windstorm Insurance Association (TWIA) Review

Dear Sunset Commission Members and Staff,

The Independent Insurance Agents of Texas (IIAT) would like to submit the attached workflow study document for consideration in the ongoing Sunset Review of TWIA. We offer this document is not to be critical of TWIA and their operations, but rather to point out some much needed improvements. Our hope is that if there are statutory roadblocks to these improvements, they can be addressed in the TWIA Sunset Review and corrected this upcoming Session. Hopefully, this information will be considered when constructing the final report and improvements will be made to benefit consumers and agents alike.

IIAT members located in Tier 1 counties were selected to participate in this workflow study as they have firsthand knowledge of the workings of TWIA. IIAT appreciates the changes that TWIA has instituted over the past few years and hopes that TWIA will accept these recommendations as an opportunity to improve the process of writing new business with TWIA as well as renewing policies in TWIA. Our members also expressed their appreciation of TWIA instituting the Agents Advisory Group (AAG), which allows agent input into decisions being considered by TWIA. Many of the items addressed in the attached have been voiced through the AAG, but have not yet been implemented.

Thank you for your review and consideration. We are happy to further discuss these findings and we appreciate being included in the TWIA Sunset Review process.

Regards,

Lee Loftis

IIAT Governmental Affairs Director

# TWIA (Texas Windstorm Insurance Association)

## PROGRAM REVIEW 2018

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In 2012, IIAT (Independent Insurance Agents of Texas) reviewed TWIA's (Texas Windstorm Insurance Association) workflows and processes, comparing how the voluntary markets differed from those of TWIA. The review brought to light a vast difference in the amount of time it took to place business with TWIA versus the voluntary market. Over the last few years, TWIA has worked to develop an automation solution known as the Agent's Portal with the intent to significantly reduce the amount of time it takes to quote and place business with TWIA.

In July and August of this year, IIAT once again performed a review/comparison study of TWIA's workflows and processes. This time, IIAT focused on how the Agent's Portal had been updated and improved to enhance the overall consumer and agent experience and the accessibility to issue policies. The study group consisted of members of TWIA's staff and teams of independent insurance professionals from various sized agencies located throughout Texas. Following the study, the overall feedback from agencies revealed that while TWIA had taken some steps toward automating processes, it was noted that there is still a lot of work to be done. At first glance, it appeared as though the new automation tools were helping with processes; however, it became clear that many of the new tools that have been implemented are serving as a greater benefit to TWIA than to consumers and agents.

The overall findings indicate that while some improvements have been made, system deficiencies have created additional work that is not consistent with the voluntary markets. A conscious effort was made to isolate comments and issues identified as training or migration issues within workflows and processes. The migration to the portal is taking place in phases. Most of the agencies now have their personal lines policies moved over to the portal and they are in the process of moving over their commercial lines policies.

Listed below please find some of the areas within the workflow that were identified to provide a snapshot of items/processes taking additional time compared to that of the voluntary market. The new business workflows, payment workflows, and renewal workflows were the primary focus of the review. Migration issues were also addressed.

### NEW BUSINESS

- It takes more time to create an account prior to quoting a risk.
- A searchable database is needed for WPI-8 and WPI-8-C forms.
- Additional emails and phone calls are often required, which delays the process.
- An example of inaccurate reporting:
- Changes in the building construction can significantly increase the premium. Construction change will create an endorsement and additional premium requiring TWIA to send a bill for additional premium.
- An online chat option does not exist.
  - Other carriers offer "Chat Options" for real-time resolution of issues (ie, Wright Flood Ins.)
- There are no links on TWIA's website to any flood information, such as Flood Maps to identify the flood zone the property is located in, or if there have been any Flood Map revisions.

### *Recommendations for TWIA Portal and Identified Process Inefficiencies:*

#### SEARCH OPTION IMPROVEMENTS:

- Policy Center does not have a simple search option to locate clients and policies. Insureds cannot be searched by name in the Policy Center.

# TWIA (*Texas Windstorm Insurance Association*)

## PROGRAM REVIEW 2018

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- The transaction # or policy # must be searched to locate the policy.
- It has been difficult to search by just the insured's name. It has to be entered exactly as it is shown on the policy. If searching by last name without an exact match, either city and state, or zip code is required.
- At least two letters are required for first and last names (five for companies) without exact match.
- For Risk Location searches, county and street name or street name is required. At least one character is required for street name or street number.
- For Agency searches, producer code is required.

### QUOTING - DATA RETENTION:

- When multiple quotes are generated, the Policy Center "saves" only the last version for renewals. Changes must be re-entered which requires additional time to requote and bind or issue.
  - It would be helpful if agents could save and name multiple versions of renewal quotes. This feature is available for new business quotes only.
  - Time could be saved to request issuance by accessing the version that was accepted by the client, avoiding re-entry.

### COMMERCIAL LINES QUICK QUOTE:

- Questions should be prioritized based on what is needed for quotations vs. issuance.

### COMMERCIAL LINES NEW APPLICATIONS WITH MULTIPLE ITEMS SCHEDULE:

- On the drop down list for companion coverages, the agent has to type in the carriers.
- This information is not needed for a commercial risk and therefore, there is no need for TWIA to ask for this information.
  - Example: By answering the flood carrier; if you chose "other" it will change your companion coverage answer.

### **PAYMENTS**

- TWIA now provides Electronic Fund Transfer (EFT) payment options but, they do not allow the customer to pay them directly. (i.e. – there is no direct bill option)
- The EFT system also needs several improvements to avoid delays in processing.
- There is a maximum payment amount for online payments.
  - The Policy Center has a \$20,000 limit for EFT's although there is no statutory limit on payment amounts to TWIA.
  - If the premium payment exceeds \$20,000, the agent must mail a check to TWIA.
- No online payment options exist for endorsements.
- Voluntary market websites allow agents to submit the application and provide payment options online to allow instant binding and policy issuance.

# TWIA (Texas Windstorm Insurance Association)

## PROGRAM REVIEW 2018

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- Agents are still required to mail payments via USPS certified mail to guarantee effective dates.

### *Recommendations for TWIA Portal and Identified Process Inefficiencies:*

#### **PAYMENT PROCESS:**

- TWIA requires a payment coupon to accompany any check. In reviewing this process, it was noted:
  - If the payment coupon is not attached to the check, the check is returned to the agent with coverage unbound.
  - If a check is received from anyone other than the agent, TWIA does not contact the agent to request an application be submitted.
  - There are inconsistencies in how checks are handled from mortgage companies. Sometimes they are returned to the mortgage company, and other times they are accepted and applied to the policy.
  - Returning checks to mortgage companies or clients is an inefficient process for all parties and results delay of the payment.

#### **PREMIUM FINANCED POLICIES:**

- Direct billing of policies by TWIA would eliminate the need for policies to be premium financed.

#### **RENEWAL**

- TWIA sends Policy Expiration Notice to the insured and the agent at the same. The Policy Expiration Notice often generates calls from the consumer, which adds time and impacts the customer experience.
- Lead-time is needed for the agent/agency to review the renewal and contact their clients prior to them receiving the renewal notices.
- Lead-time for the agent will positively impact the customer experience.
- Order of questions in Policy Center for renewal process should be changed.
  - V Flood zone verification, premium financing, companion policy information, etc., are not necessary to get initial renewal quotation.
  - Confirmation of these items is necessary to bind or order renewal coverage but should be last in the order of renewal process.
  - Ability to maintain various quoted options is needed. Deductible options, policy limits, should be allowed to be retained as separate options, not just the "last" quote provided.
- A searchable database is needed for the WPI8-C forms, as the agency does not have access to the information in the system.
  - Not having access to the renewal quote increases the possibility of being caught in a "loop" with WPI8-C.
  - This affects the quote amount, as the agency is unable to make changes.
  - The information is not accessible on the TWIA portal thus impacting renewal issuance.

# TWIA (Texas Windstorm Insurance Association)

## PROGRAM REVIEW 2018

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- The system does not maintain the various quote options for renewals.
  - The data is not retained for multiple quotes scenarios.
  - You must start over each time, adding significant time to the quoting process.
- Policy Center is not user friendly and requires many more steps than the old rating system:
  - Agent must re-qualify eligibility for properties located in V Flood Zones.
  - Agent compares the companion policy with the TWIA renewal to ensure adequate coverage is offered.
  - The majority of TWIA renewals offered must be re-quoted if there is a companion policy because the inflation guards vary with each company.
  - Policy Center requires a significant amount of additional information for renewal compared to the information that was required previously.
    - Policy Center screens do not save information, and agents are required to re-enter the same information over and over again when navigating through different screens.
- If an address is not validated, a significant delay in policy issuance occurs.
- Based on the TWIA Renewal transition to the Portal:
  - The agency must reassign policies to correct employees which is a difficult and time consuming
  - There is not a "global" tool to quickly reassign customers and policies to correct person within the agency and each account must be selected and reassigned.
- The system does not allow the option for the service team to see open items. If you quote it, it is only visible the logged in user.
- Many of the documents are not allowed to be attached in the TWIA system.
  - Time is needed to collect, assess, review, and attach to agency management system.
  - The documents which are required and must be maintained by the agency.
- Premium Finance Question
  - Should be a final question in the renewal process, not a "required" pre-renewal question. Many times, financing is not known until the renewal process is being completed.
- There are no integration or download capabilities within the agency management system. The information must be entered/processed two or three times.
- MSB Valuation Requirement – Takes more time and when changes are made it requires a new MSB on each change.
- When TWIA maximum limits have been reached, the renewal notice does not show a premium.
  - Agent must go online, decrease the coverage and re-quote to get a premium.
- A link to Flood Map information is needed as part of the Flood Requirements questions/link.

# TWIA (Texas Windstorm Insurance Association)

## PROGRAM REVIEW 2018

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*Here is a “recap” of the process - All TWIA renewals are billed by the agency to its clients. TWIA does not send renewal invoices direct to clients:*

- Agents are required to review the building values, WPI8 information, etc.
- Agents quote multiple options for clients, including, deductible and coverage options, without the ability to save quote options in Policy Center.
- Agents create a proposal to send to the client to review.
- Agents send payment reminders letters to clients 10-15 days prior to expiration.
- Agents send expiration notices, if payment is not received.
- Agents must confirm flood coverage in force for clients who meet the criteria for requiring flood coverage.
- Other carriers have a coverage rejection section on the quote.
- Agents must confirm companion coverage with clients to support coverage forms included on the policy. Many agents create their own declination forms to support coverage deficiencies, including: declinations for coverages not included in the TWIA policy and documents for rejecting flood coverage.
- Agents must complete TWIA Proof of Declination of Coverage and a TWIA Flood Worksheet for every renewal.
  - Proof of declination is based on statutory requirement and agent is required to retain it in their agency files for audit purposes.
  - The forms are not a link within the process and should be downloadable and stored in TWIA database.
  - Agents are required to collect all payments for clients.
  - Agents are required to process the application in Policy Center.

### *Recommendations for TWIA Portal and Identified Process Inefficiencies:*

#### **TIMING OF NOTICE:**

- TWIA mails policy expiration notices to clients at the same time that a renewal quote is sent to the agent, approximately 45 days prior to expiration.
- The expiration letter states specifically “In order to renew your policy coverage, your agent must submit the payment and renewal applications to TWIA before ... We encourage you to contact your agent to avoid a lapse in coverage.”
- The agent has not had adequate time to review the renewal quote to determine what the best options are for client at renewal.
- Typically, agents send renewal proposals to clients 30 days prior to expiration and a reminder 10-15 days prior to expiration, if payment has not been received from the client.
- The standard practice for carriers who direct bill clients is to send reminders 10-15 days prior to expiration and on the expiration date.

# **TWIA (Texas Windstorm Insurance Association)**

## **PROGRAM REVIEW 2018**

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### **NOTIFICATIONS:**

Allow agency customization of notices:

- There needs to be more options for the agent email preferences.
  - Policy issuance and rejected emails as separate options
- Workflow customization:
  - Dates or # of days
  - Types of notification
  - # of notifications

### **BILLING ISSUES:**

- The notice should clearly state if money is due and when it is due.

### **ENDORSEMENTS:**

- Should include a description of the actual request/change for quick review.

### **ENHANCE THE ADMINISTRATOR ROLE:**

- Account management and responsibilities should be designed and controlled by the agency.

### **POLICY CENTER:**

- Emails sent to that assigned person's email address only.
- Allow email customization by agency.

### **ONLINE CHAT OPTION:**

- Develop an online chat option to improve customer and agent experience.

### **DATA ENTRY:**

- Review additional information required.
- Review workflow for entering the data in the system
  - Not user friendly
  - Ability to "Renumber" items
  - Navigation not intuitive

### **NECESSITY OF FLOOD COVERAGE INFORMATION:**

- TWIA asks about the companion carrier for the flood policies which is a statutory requirement.

# TWIA (*Texas Windstorm Insurance Association*)

## PROGRAM REVIEW 2018

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- Flood carrier information on drop down list should be improved.

### **RENEWAL PROCESS:**

- The new system is asking for documents that should be in the database or on file with TWIA. Example: if condominium, you have to provide the by-laws & decs. at each renewal. These should be allowed to attach to TWIA file.

### **MAXIMUM LIMITS:**

- Default to maximum limit and retain.
  - If a policy that reaches the maximum limits, the renewal quote is shown at zero. We recommend TWIA quote at max limit and retain the quotation.

### **THE "CONDITION:"**

- Need "better" explanations of how TWIA defines/evaluates "the Condition" for a structure - Good, Fair, etc.

### **TOP AREAS OF CONCERN**

- Accounting and Direct Billing System
  - TWIA is 100% agency bill.
    - This requires agency workflow/task and time to bill and collect for all policies and endorsements.
      - The agency has to generate two and sometimes three notifications for collecting funds.
      - If the policy is premium financed, the agency must send the finance agreement, down payment, and draft from finance company.
      - If the premium is financed and does not offer a draft for the remaining financed portion of the premium, the agent must provide the additional funds to pay the premium in full, and then be reimbursed by the finance company.
- No integration/download capabilities
  - This impacts the agency workflow for both the service and accounting areas:
    - Accounting: No ability to download commissions - must manually enter the commission when paid.
    - Download capabilities are a necessity.
- The portal was not designed for teams/agencies; it appears the focus is on individual agent's use.
  - Most agencies work within teams. The portal forces agencies to change their workflow and how they distribute work.
  - It forces the agency to grant a great deal of system access not typically given to individual Account Managers.
  - There is no download capability with management systems, therefore requiring the data to be entered multiple times for record keeping purposes.

# TWIA (*Texas Windstorm Insurance Association*)

## PROGRAM REVIEW 2018

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- It takes more time to enter the application detail into the portal.
  - The data entry workflow online is not user friendly.
  - The system does not flow for quick entry. Example: adding multiple locations or items.
- There is no comparison tool to offer multiple quote options at renewal.
  - Different deductibles options are in high demand from clients.
  - This created additional work for the agent to rate the policy repeatedly with different deductibles to create multiple quote options, and the system only saves one version.
- TWIA does not clearly define endorsements.
  - TWIA will reissue the entire policy when making changes, but it does not indicate what changes were made.
  - It is difficult for the agency to identify the changes, especially for the endorsement that TWIA issued.

### MIGRATION ISSUES

- Agency Training
  - The system is not intuitive, however, the belief is the system navigation and workflow should be more user friendly.
  - Additional training efforts were provided for the commercial lines rollout phase.
- Mortgage/LP information did not transfer to policy center renewals
  - Correcting the information is time consuming.
- Policy migration based on TWIA schedule
  - Policies should be readily available to agents.
- Assignment and reassignment should be seamless and easily accomplished by agent/agency. Agency is able to apply internal safeguards.
- There are no global options to make changes needed for the agency's book of business.



from IIAT Program Review 2018

Section	Item	Comment	TWIA Response	Current Status
Timing of Notice	68	TWIA mails policy expiration notices to clients at the same time that a renewal quote is sent to the agent, approximately 45 days prior to expiration.	Duplicate comment see Item 33.	Completed 2018
Timing of Notice	69	The expiration letter states specifically "In order to renew your policy coverage, your agent must submit the payment and renewal applications to TWIA before...We encourage you to contact your agent to avoid a lapse in coverage."	See Item 33.	Completed 2018
Migration Issues	110	Mortgagee/LP information did not transfer to policy center renewals Correcting the information is time consuming.	This is correct; it is a one time issue as policies migrate from system to system. The current system was designed to capture more accurate information, and therefore mapping of existing information was not feasible.	Completed 2018
Migration Issues	111	Policy migration based on TWIA schedule	We are not sure what is meant by this comment the migration of a policy from the old system to the new was designed to occur for individual policies on each policy's renewal. Migrating policies at renewal is a common industry practice and involves less risk than transferring all policies at once.	Completed 2018
Migration Issues	112	Policies should be readily available to agents.	See Item 111.	Completed 2018
Renewal	33	TWIA sends Policy Expiration Notice to the insured and the agent at the same time. The Policy Expiration Notice often generates calls from the consumer, which adds time and impacts the customer experience.	A process change was recently identified to send the Expiration Notice out closer to the time of expiration (25 days), which provides agents with more lead time to process renewals. This system update is in queue to be prioritized.	Completed 2018
Renewal	51	MSB Valuation Requirement Takes more time and when changes are made it requires a new MSB on each change.	When an agent is amending coverages, if the agent is not increasing coverage by more than 50% nor decreasing coverage by 10% (which would be uncommon), a new MSB would not be needed.	Completed 2019
Renewal Process	66	Agents are required to collect all payments for clients.	See Item 21.	Completed 2020



from IIAT Program Review 2018

Section	Item	Comment	TWIA Response	Current Status
Renewal Process	67	Agents are required to process the application in Policy Center.	This is correct.	Completed 2020
Top Areas of Concern	91	TWIA is 100% agency bill.	Duplicate comment see Item 21.	Completed 2020
Top Areas of Concern	95	If the premium is financed and does not offer a draft for the remaining financed portion of the premium, the agent must provide the additional funds to pay the premium in full, and then be reimbursed by the finance company.	A payment in some fashion is required. By law we may not issue a policy without payment. How the agent/policyholder elects to fund the policy is in their discretion.	Completed 2020
Payments	21	TWIA now provides Electronic Fund transfer (EFT) payment options but, they do not allow the customer to pay them directly. (i.e. there is no direct bill option)	Thank you for the input. TWIA previously identified this issue and direct bill and e pay is currently under review as a potential future enhancement.	Completed 2020
Payments	22	The EFT system also needs several improvements to avoid delays in processing.	Apart from the option for direct billing considered above (see Item 21), we would welcome additional detail regarding any specific issues with the EFT system.	Completed 2020
Payments	23	There is a maximum payment amount for online payments. The Policy Center has a \$20,000 limit for EFT's although there is no statutory limit on payment amounts to TWIA. If the premium payment exceeds \$20,000, the agent must mail a check to TWIA.	The monetary limit for online payments has been set based on banking recommendations and is controlled to prevent fraudulent activity. Currently, there are 534 policies in force that are impacted by this limit, which represents .25 percent of the TWIA book of business.	Completed 2020
Payments	25	Voluntary market websites allow agents to submit the application and provide payment options online to allow instant Issuance binding and policy issuance.	This is also true for TWIA. Whether a policy auto issues or not depends on the agent's selections. In regards to payment options, TWIA does not have payment plan options under its current statute, but we do have options that allow for instant issuance upon application.	Completed 2020



from IIAT Program Review 2018

Section	Item	Comment	TWIA Response	Current Status
Payments	26	Agents are still required to mail payments via USPS certified mail to guarantee effective dates.	<p>This is incorrect depending on the circumstances. The ability to guarantee an effective date depends on the payment option the agent selects during the application process. It is true that by law eligible new or increased coverage is not effective before the date the application and payment are received by the Association. Assuming the application is successfully completed in Policy Center:</p> <ul style="list-style-type: none"> <li>• If payment (check/money order) is sent by registered or certified mail, United States Postal Service Express Mail, regular mail that is hand cancelled by the United States Postal Service, or if sent by such other similar mailing procedure as approved by the board of directors the effective date/future date would be honored on the date mailed by one of the above mentioned mailing methods.</li> <li>• If payment is sent by EFT or e check, then the effective date the agent selected (as early as the date of submission) is honored.</li> </ul>	Completed 2020
Premium Financed Policies	32	Direct billing of policies by TWIA would eliminated the need for policies to be premium financed.	See Item 21.	Completed 2020
Renewal Process	57	Agents create a proposal to send to the client to review.	This is correct; it may become unnecessary if legislative authority is granted to TWIA to offer continuous renewals. Otherwise, in future enhancements we will consider an added feature of a renewal proposal.	Completed 2020



from IIAT Program Review 2018

Section	Item	Comment	TWIA Response	Current Status
New Business	4	Additional emails and phone calls are often required, which delays the process.	We'd love more information to accurately address this issue. Assuming this pertains to additional emails and phone calls to TWIA regarding new business applications, when application information is adequately provided, approximately 90% new business and renewals are auto issued.	Training issue that has been addressed
New Business	5	An example of inaccurate reporting: Changes in the building construction can significantly increase the premium. Construction change will create an endorsement and additional premium requiring TWIA to send a bill for additional premium.	We are unsure what is meant by the statement that this practice is "an example of inaccurate reporting." Changing building construction is a very rare occurrence. Underwriters will change the building construction selected by the agent only when it is clear the agent was incorrect following an inspection. (Less than 10% of our new business gets a physical inspection, and the number of policies impacted by this issue is an even smaller subset.) When the change is in the policyholder's favor (for example, it is a better quality of construction resulting in lower premium), TWIA processes immediately and provides the policyholder with a refund. If the change results in additional premium, TWIA will only effect the change at the renewal of the policy, and we let the agent know of the change and increase of premium during the policy term so that the agent understands and can discuss with the client during the	Training issue that has been addressed



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Section	Item	Comment	TWIA Response	Current Status
New Business	7	There are no links on TWIA's website to any flood information, such as Flood Maps to identify the flood zone the property is located in, or if there have been any Flood Map revisions.	TWIA's legal staff previously considered the inclusion of additional information on our resource page for flood coverage (see "TWIA Flood Requirements"). While the page does indicate the general conditions when flood insurance coverage must be present, two of those conditions relate to specifications not created, implemented nor maintained by TWIA flood zones and flood maps. Because this information may change and is outside of TWIA's authority, TWIA hesitates to point users toward it. However, one alternative is to Google "nfip flood maps" and bookmark the first result: <a href="https://msc.fema.gov/portal/search">https://msc.fema.gov/portal/search</a> allows a user to enter an address and view the relevant flood map.	Training issue that has been addressed
Payments	24	No online payment options exist for endorsements.	This is incorrect. There are "bill me" and e check options for endorsements.	Training issue that has been addressed



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Section	Item	Comment	TWIA Response	Current Status
Payment Process	27	TWIA requires a payment coupon to accompany any check. In reviewing this process, it was noted:	This is incorrect. TWIA's payment coupon functions the same way as any other payment coupon (whether it is for a home loan or a magazine subscription). It is intended for policy identification. While our procedures call for the payment coupon to accompany each check so that we can accurately and efficiently apply payments, if a payment coupon is not enclosed with the payment, Operations researches the information from the check to see if they can identify the policy and will then review the policy status in Policy Center and print a payment coupon if available. Policies must be in pending payment status, in force, or a submitted status in order for the payment coupon to be available and for us to process the payment. If we are unable to print a payment coupon because one is not available due to an ineligible status, Operations will contact the agent of record and ask them to submit the application on the agent portal within 3 business days. The check will only be returned to sender if the agent fails to do so.	Training issue that has been addressed
Payment Process	28	If the payment coupon is not attached to the check, the check is returned to the agent with coverage unbound.	See Item 27.	Training issue that has been addressed
Payment Process	29	If a check is received from anyone other than the agent, TWIA does not contact the agent to request an application be submitted.	See Item 27. The outlined process applies whether the check is received from a mortgage company, insured, or premium finance company.	Training issue that has been addressed



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Section	Item	Comment	TWIA Response	Current Status
Payment Process	30	There are inconsistencies in how checks are handled from mortgage companies. Sometimes they are returned to the mortgage company, and other times they are accepted and applied to the policy.	See Item 27. We believe what is referred to as an "inconsistency" here is our procedures applied to different circumstances: if the mortgage company submits a check for a single policy, the process is as outlined. However, sometimes the mortgage company submits a check constituting multiple payments from multiple agents; due to accounting standards, this check will be subject to return (for all funds remitted) if after being contacted and given the opportunity to submit the policy application, one of the agents on the check fails to complete the process.	Training issue that has been addressed
Payment Process	31	Returning checks to mortgage companies or clients is an inefficient process for all parties and results [in] delays of the payment.	See Item 27. TWIA takes all reasonable steps to match checks with policies. If they are unable to do so or the agent does not correct an issue, returning the check to its sender is TWIA's only legal option.	Training issue that has been addressed
Renewal	39	Policy Center is not user friendly and requires many more steps than the old rating system:	See Item 2.	Training issue that has been addressed
Renewal	44	Policy Center screens do not save information, and agents are required to re enter the same information over and over again when navigating through different screens.	This only occurs if the agent does not complete filling out a page. The quotes and accounts are saved automatically, as is each page of an application as it is completed. Additionally, if an agent chooses a particular risk item type or risk category and proceeds to fill out the application, and then realizes they chose the wrong risk item type or risk category, when they switch the risk item type or risk category, the other data elements will return to their defaults because there is different information required for each risk item type and risk category.	Training issue that has been addressed



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Section	Item	Comment	TWIA Response	Current Status
Renewal	45	If an address is not validated, a significant delay in policy issuance occurs.	We are not certain what is meant by this comment. When an agent enters an address, the system allows for a standardized option, but the agent can select it or elect to proceed with the address as entered with no impact to policy issuance regardless of which option they choose.	Training issue that has been addressed
Renewal	47	The system does not allow the option for the service team to see open items. If you quote it, it is only visible [to] the logged in user.	This is incorrect. If there is a quote, anyone in the account can see the quote.	Training issue that has been addressed
Renewal	48	Many of the documents are not allowed to be attached in the TWIA system. Time is needed to collect, assess, review, and attach to agency management system. The documents which are required and must be maintained by the agency.	We are uncertain what is meant by this comment. There are certain file formats that may not be possible to upload, and there are standard file size limitations, but otherwise, agents may upload any documentation they would like to.	Training issue that has been addressed
Renewal Process	65	The forms are not a link within the process and should be downloadable and stored in TWIA database.	We interpret this comment to relate to the declination and flood requirements. There are no prescribed forms; however, there is a declination worksheet available from the TWIA website. We will consider adding a link to this form to the application itself in a future enhancement.	Training issue that has been addressed
Notifications	75	Workflow customization: Dates or # of days Types of notifications # of notifications	We interpret this comment to apply to an agency's internal administrative preferences. There are customization capabilities for notifications within Policy Center, but we welcome specific feedback for additional functionality.	Training issue that has been addressed
Renewal Process	86	The new system is asking for documents that should be in the database or on file with TWIA. Example: if condominium, you have to provide the by laws & decs. At each renewal. These should be allowed [to be] attach[ed] to TWIA file.	This is incorrect. TWIA does not require bylaws or related documents, although this information may be requested at the time of a loss and may be necessary to determine coverage under the policy. While it may be advisable for agents to attach documents for their own reference on policies, and bylaws may change over time, uploading these at each renewal is in the agent's discretion.	Training issue that has been addressed



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Section	Item	Comment	TWIA Response	Current Status
The "Condition"	89	Need []better[] explanations of how TWIA defines/evaluates "the Condition" fo[r] a structure Good, Fair, etc.	TWIA utilizes industry standard evaluations.	Training issue that has been addressed
Top Areas of Concern	94	If the policy is premium financed, the agency must send the finance agreement, down payment, and draft from finance company.	TWIA no longer requires the agreement itself, but a payment in some fashion is required. By law we may not issue a policy without payment.	Training issue that has been addressed
New Business	2	It takes more time to create an account prior to quoting a risk.		Addressing as part of the ELEVATE Policy Administration System upgrade
Search Option Improvements	8	Policy Center does not have a simple search option to locate clients and policies. Insureds cannot be searched by name in the Policy Center.	The search by name function is available. We are open to suggestions for improvement.	Addressing as part of the ELEVATE Policy Administration System upgrade
Search Option Improvements	9	The transaction # or policy # must be searched to locate the policy.	This is incorrect. Due to the reoccurrence of policyholder names, transaction or policy numbers are the most reliable and efficient information to locate the correct policy. However, policies may be searched by other information, including policyholder name.	Addressing as part of the ELEVATE Policy Administration System upgrade
Search Option Improvements	10	It has been difficult to search by just the insured's name. It has to be entered exactly as it is shown on the policy. If searching by last name without an exact match, either city and state, or zip code is required.	Minimal information must be provided to locate the correct account or policy, particularly as many names are not unique.	Addressing as part of the ELEVATE Policy Administration System upgrade
Search Option Improvements	11	At least two letters are required for first and last names (five for companies) without exact match.	This is correct. Minimal information must be provided to locate the correct account or policy, particularly as many names are not unique.	Addressing as part of the ELEVATE Policy Administration System upgrade
Search Option Improvements	12	For Risk Location searches, county and street name or street name is required. At least one character is required for street name or street number.	This is correct. Minimal information must be provided to identify the correct location. We are open to recommendations that allow users to find locations without addresses.	Addressing as part of the ELEVATE Policy Administration System upgrade
Search Option Improvements	13	For agency searches, producer code is required.	We would like more information to understand this comment. The unique producer code is the most reliable and efficient way to locate an agency.	Addressing as part of the ELEVATE Policy Administration System upgrade



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Section	Item	Comment	TWIA Response	Current Status
Quoting Data Retention	14	When multiple quotes are generated, the Policy Center "saves" only the last version for renewals. Changes must be re entered which requires additional time to requote and bind or issue.	This is correct; TWIA has identified this issue for inclusion in our next system enhancement, as it would require a significant amount of resources.	Addressing as part of the ELEVATE Policy Administration System upgrade
Commercial Lines Quick Quote	17	Questions should be prioritized based on what is needed for quotations vs. issuance.	Thank you for the input. We have added this to our considerations for enhancement.	Addressing as part of the ELEVATE Policy Administration System upgrade
Commercial Lines New Applications w/Multiple Items	18	On the drop down list for companion coverages, that agent has to type in the carriers.	Thank you for the input. TWIA previously identified this issue and the enhancement is in queue to be prioritized, keeping in mind that the impacted policies represent less than 4% of TWIA's total book of business.	Addressing as part of the ELEVATE Policy Administration System upgrade
Commercial Lines New Applications w/Multiple Items	19	This information is not needed for a commercial risk and therefore, there is no need for TWIA to ask for this information.	See Item 18.	Addressing as part of the ELEVATE Policy Administration System upgrade
Commercial Lines New Applications w/Multiple Items	20	Example: By answering the flood carrier; if you chose "other" it will change your companion coverage answer.	See Item 18.	Addressing as part of the ELEVATE Policy Administration System upgrade
Renewal	34	Lead time is needed for the agent/agency to review the renewal and contact their clients prior to them receiving the renewal notices. Lead time for the agent will positively impact the customer experience.	See Item 33.	Addressing as part of the ELEVATE Policy Administration System upgrade



from IIAT Program Review 2018

Section	Item	Comment	TWIA Response	Current Status
Renewal	35	Order of questions in Policy Center for renewal process should be changed. V Flood zone verification, premium financing, companion policy information, etc., are not necessary to get initial renewal quotation. Confirmation of these items is necessary to bind or order renewal coverage but should be last in the order of renewal process.	See Item 17. TWIA is happy to consider reordering its application (quote/new business/renewal) for efficiency. The reason the pre qualification questions were implemented up front is because they are mandatory by law and are "show stoppers." We will add this issue to considerations for future enhancement.	Addressing as part of the ELEVATE Policy Administration System upgrade
Renewal	36	Ability to maintain various quoted options is needed. Deductible options, policy limits, should be allowed to be retained as separate options, not just the "last" quote provided.	Duplicate comment see Item 15.	Addressing as part of the ELEVATE Policy Administration System upgrade
Renewal	38	The system does not maintain the various quote options for renewals. The data is not retained for multiple quotes scenarios. You must start over each time, adding significant time to the quoting process.	Duplicate comment see Item 14	Addressing as part of the ELEVATE Policy Administration System upgrade
Renewal	43	Policy Center requires a significant amount of additional information for renewal compared to the information was required previously.	Duplicate comment see Item 39.	Addressing as part of the ELEVATE Policy Administration System upgrade
Renewal	46	Based on the TWIA Renewal transition to the Portal: The agency must reassign policies to correct employees which is difficult and time consuming There is not a "global" tool to quickly reassign customers and policies to correct person within the agency and each account must be selected and reassigned.	We are aware there is room for improvement in the agency administration structure and function, including assignment of policies. This is on our list for future enhancements.	Addressing as part of the ELEVATE Policy Administration System upgrade
Renewal	49	Premium Finance Question: Should be a final question in the renewal process, not a "required" pre renewal question. Many times, financing is not known until the renewal process is being completed.	Duplicate comment see Item 35.	Addressing as part of the ELEVATE Policy Administration System upgrade



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Section	Item	Comment	TWIA Response	Current Status
Renewal	52	When TWIA maximum limits have been reached, the renewal notice does not show a premium. Agent must go online, decrease the coverage and requote to get a premium.	This is correct. The system encounters an error when a policy reaches the maximum limits. We will consider an improvement to this error process in our next enhancement, keeping in mind that this issue impacts a small portion of our book of business.	Addressing as part of the ELEVATE Policy Administration System upgrade
Renewal Process	56	Agents quote multiple options for clients, including, deductible and coverage options, without the ability to save quote options in Policy Center.	See Item 14.	Addressing as part of the ELEVATE Policy Administration System upgrade
Renewal Process	61	Other carriers have a coverage rejection section on the quote.	We interpret this comment to mean the agent would like the ability to withdraw a quote after it is submitted. Currently, agents have the ability to withdraw a quote up to the time of submission. We will consider expanding this functionality to include withdrawal after submission in a future enhancement.	Addressing as part of the ELEVATE Policy Administration System upgrade
Notifications	74	There needs to be more options for the agent email preferences Policy issuance and rejected emails as separate options	We will consider this in a future enhancement.	Addressing as part of the ELEVATE Policy Administration System upgrade
Billing Issues	76	The notice should clearly state if money is due and when it is due	The notice itself contains this information. We interpret this comment to be a recommendation to add additional detail in the email subject line regarding this notice, and we will consider this in future enhancements.	Addressing as part of the ELEVATE Policy Administration System upgrade
Endorsements	77	Should include a description of the actual request/change for quick review.	TWIA previously identified this as an issue. There are system limitations that make any improvements to this functionality resource intensive, but it is on our list to prioritize.	Addressing as part of the ELEVATE Policy Administration System upgrade
Enhance Administrator Role	78	Account management and responsibilities should be designed and controlled by the agency.	Thank you for the input. We would like to discuss more specific ways to do this when we next upgrade our system.	Addressing as part of the ELEVATE Policy Administration System upgrade
Policy Center	79	Emails sent to that assigned person's email address only.	There are currently system limitations on how many users may receive the same email notifications. We will note improving this capability for future enhancements.	Addressing as part of the ELEVATE Policy Administration System upgrade



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Section	Item	Comment	TWIA Response	Current Status
Data Entry	83	Review workflow for entering the data in the system: Not user friendly Ability to renumber items Navigation not intuitive	The user friendliness and navigation of the system is a prioritized focus of our planned future upgrade. We would welcome additional feedback regarding the ability to renumber items.	Addressing as part of the ELEVATE Policy Administration System upgrade
Necessity of Flood Coverage Info	84	TWIA asks about the companion carrier for the flood policies which is a statutory requirement.	Thank you for the feedback; we will evaluate the ability to change this step in future enhancements.	Addressing as part of the ELEVATE Policy Administration System upgrade
Top Areas of Concern	90	Accounting and Direct Billing System	See Item 21.	Addressing as part of the ELEVATE Policy Administration System upgrade
Top Areas of Concern	101	It forces the agent to grant a great deal of system access not typically given to individual Account Managers.	We are always looking for enhancements to allow the system to integrate better for all types of agents.	Addressing as part of the ELEVATE Policy Administration System upgrade
Top Areas of Concern	104	The data entry workflow online is not user friendly.	Duplicate comment see Item 39.	Addressing as part of the ELEVATE Policy Administration System upgrade
Top Areas of Concern	105	The system does not flow for quick entry. Example: adding multiple locations or items.	We would like more information on this comment.	Addressing as part of the ELEVATE Policy Administration System upgrade
Migration Issues	109	Agency training: the system is not intuitive, however, the belief is the system navigation and workflow should be more user friendly. Additional training efforts were provided for the commercial lines rollout phase.	Duplicate comment see Item 39.	Addressing as part of the ELEVATE Policy Administration System upgrade
Migration Issues	114	There are no global options to make changes needed for the agency's book of business.	Duplicate comment see Item 46.	Addressing as part of the ELEVATE Policy Administration System upgrade
New Business	3	A searchable database is needed for WPI 8 and WPI 8 C forms.	Duplicate of comment under Renewal (with more detail). See Item 37.	A long term project that is not currently being worked on



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Section	Item	Comment	TWIA Response	Current Status
New Business	6	An online chat option does not exist. (Other carriers offer "Chat Options" for real time resolution of issues (ie, Wright Flood Ins.)	We are constantly on the lookout for more and better ways to communicate with our stakeholders. While we have evaluated numerous channels including online chats, at this time we have determined the development and administration of this feature would not be an efficient use of policyholder funds. At present, we currently offer online support via email (agentservices@twia.org), phone (average wait time of under 30 seconds), online and webinar trainings, in person education and outreach events, and we also obtain stakeholder feedback via social media channels and a webmaster contact page on our website. We will continue to include online chat as a consideration for future enhancements.	A long term project that is not currently being worked on
Renewal	37	<p>A searchable database is needed for WPI 8 and WPI 8 C forms, as the agency does not have access to this information in the system.</p> <p>Not having access to the renewal quote increases the possibility of being caught in a "loop" with WPI 8 C.</p> <p>This affects the quote amount, as the agency is unable to make changes.</p> <p>This information is not accessible on the TWIA portal thus impacting renewal issuance.</p>	<p>We agree that a WPI 8 C searchable database would be beneficial. Pending potential legislative changes to the program (based on Sunset review and our Legislative and External Affairs recommendations), a public searchable database for WPI 8 Cs was identified as a long term need immediately after implementation of this program last year, as it was not a feasible step in the initial implementation.</p> <p>Following Legislative Session, we will reevaluate the propriety of expending significant resources to accomplish this.</p>	A long term project that is not currently being worked on
Notifications	73	Allow agency customization of notices	We would like more information to understand this comment. It should be noted that TWIA's notices have been developed to fulfill legal obligations and broad customization of notices is not generally recommended.	Not addressing since no additional feedback was received
Data Entry	82	Review additional information required	We are unsure what is meant by this comment. We welcome additional feedback.	Not addressing since no additional feedback was received



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Section	Item	Comment	TWIA Response	Current Status
Renewal	50	There are no integration or download capabilities within the agency management system. The information must be entered/processed two or three times.	This is correct due to TWIA's unique product a single peril policy. ACORD does not have standard forms for single peril policies.	Not an item that TWIA can address
Renewal	40	Agent must re qualify eligibility for properties located in V Flood Zones.	This is a mandatory element of eligibility under the current law.	This is a mandatory element of eligibility under the current law
Renewal Process	60	Agents must confirm flood coverage in force for clients who meet the criteria for requiring flood coverage.	This is correct. This is a mandatory element of eligibility for TWIA coverage by law.	This is a mandatory element of eligibility under the current law
Renewal Process	63	Agent must complete TWIA Proof of Declination of Coverage and a TWIA Flood Worksheet for every renewal.	This is partially correct. These are mandatory elements of eligibility for TWIA coverage by law. While the questions regarding the declination of coverage and flood coverage are on the renewal application each year, the proof of declination documentation is only required every 3 years.	This is a mandatory element of eligibility under the current law
Renewal	41	Agent compares the companion policy with the TWIA renewal to ensure adequate coverage is offered.	While this is in the agent's discretion, it sounds like an appropriate step to properly service the policyholder.	This is not a TWIA requirement; while it may be a standard part of the agent's process, it is in their discretion
Renewal	42	The majority of TWIA renewals offered must be re quoted if there is a companion policy because the inflation guards vary with each company.	While this is in the agent's discretion, it sounds like an appropriate step to properly service the policyholder.	This is not a TWIA requirement; while it may be a standard part of the agent's process, it is in their discretion
Renewal Process	55	Agents are required to review the building values, WPI information, etc.	This is not a TWIA requirement; while it may be a standard part of the agent's process, it is in their discretion.	This is not a TWIA requirement; while it may be a standard part of the agent's process, it is in their discretion
Renewal Process	58	Agents send payment reminder[] letters to clients 10 15 days prior to expiration.	This is not a TWIA requirement; while it may be a standard part of the agent's process, it is in their discretion.	This is not a TWIA requirement; while it may be a standard part of the agent's process, it is in their discretion



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Section	Item	Comment	TWIA Response	Current Status
Renewal Process	59	Agents send expiration notices, if payment is not received.	TWIA also sends expiration notices prior to expiration and a lapse notice after expiration. The agent's notice is not a TWIA requirement; while it may be a standard part of the agent's process, it is in their discretion.	This is not a TWIA requirement; while it may be a standard part of the agent's process, it is in their discretion
Renewal Process	62	Agents must confirm companion coverage with clients to support coverage forms included on the policy. Many agents create their own declination forms to support coverage deficiencies, including: declinations for coverages not included in the TWIA policy and documents for rejecting flood coverage.	An agent's documentation showing a policyholder's acknowledgement regarding coverage deficiencies is an agency practice in their discretion and not necessarily unique to TWIA.	This is not a TWIA requirement; while it may be a standard part of the agent's process, it is in their discretion
Quoting Data Retention	15	It would be helpful if agents could save and name multiple versions of renewal quotes. This feature is available for new business quotes only.	See Item 14.	Duplicate
Quoting Data Retention	16	Time could be saved to request issuance by accessing the version that was accepted by the client, avoiding re entry.	Duplicate comment see Item 14.	Duplicate
Renewal	53	A link to Flood Map information is needed as part of the Flood Requirements questions/link.	Duplicate comment see Item 7.	Duplicate
Renewal Process	54	All TWIA renewals are billed by the agency to its clients. TWIA does not send renewal invoices direct to clients.	See Item 21.	Duplicate
Renewal Process	64	Proof of declination is based on a statutory requirement and agent is required to retain it in their agency files for audit purposes.	See Item 63.	Duplicate
Timing of Notice	70	The agent has not had adequate time to review the renewal quote to determine what the best options are for client at renewal.	See Item 33.	Duplicate
Timing of Notice	71	Typically, agents send renewal proposals to clients 30 days prior to expiration and a reminder 10 15 days prior to expiration, if payment has not been received from the	See Item 33.	Duplicate



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Section	Item	Comment	TWIA Response	Current Status
Timing of Notice	72	The standard practice for carriers who direct bill clients is to send reminders 10 15 days prior to expiration and on the expiration date.	See Item 33.	Duplicate
Policy Center	80	Allow email customization by agency	See Item 79.	Duplicate
Online Chat Option	81	Develop an online chat option to improve customer and agent experience.	Duplicate comment see Item 6.	Duplicate
Necessity of Flood Coverage Info	85	Flood carrier information on drop down list should be improved.	Thank you for the feedback; we will evaluate the ability to change this step in future enhancements.	Duplicate
Maximum Limits	87	Default to maximum limit and retain.	See Item 52.	Duplicate
Maximum Limits	88	If a policy [] reaches the maximum limits, the renewal quote is shown at zero. We recommend TWIA quote at max limit and retain the quotation.	Duplicate comment see Item 52.	Duplicate
Top Areas of Concern	92	This requires agency workflow/task and time to bill and collect for all policies and endorsements.	See Item 21.	Duplicate
Top Areas of Concern	93	The agency has to generate two and sometimes three notifications for collecting funds.	See Item 21.	Duplicate
Top Areas of Concern	96	No integration/download capabilities:	Duplicate comment see Item 50.	Duplicate
Top Areas of Concern	97	Accounting: No ability to download commissions must manually enter the commission when paid.	See Item 50.	Duplicate
Top Areas of Concern	98	Download capabilities are a necessity.	Duplicate comment see Item 96.	Duplicate
Top Areas of Concern	99	The portal was not designed for teams/agencies; it appears the focus is on individual agent's use.	Duplicate issue See Item 78.	Duplicate
Top Areas of Concern	100	Most agencies work within teams. The portal forces agencies to change their workflow and how they distribute	Duplicate comment see Item 99.	Duplicate



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Section	Item	Comment	TWIA Response	Current Status
Top Areas of Concern	102	There is no download capability with management systems, therefore requiring the data to be entered multiple times for record keeping purposes.	Duplicate comment see Item 96.	Duplicate
Top Areas of Concern	103	It takes more time to enter the application detail into the portal.	See Item 2.	Duplicate
Top Areas of Concern	106	There is no comparison tool to offer multiple quote options at renewal.	Duplicate comment see Item 16.	Duplicate
Top Areas of Concern	107	Different deductibles options are in high demand from clients. This created additional work for the agent to rate the policy repeatedly with different deductibles to create multiple quote options, and the system only saves one	Duplicate comment see Item 14.	Duplicate
Top Areas of Concern	108	TWIA does not clearly define endorsements. TWIA will reissue the entire policy when making changes, but it does not indicate what changes were made. It is difficult for the agency to identify the changes, especially for the endorsement that TWIA issued.	Duplicate comment see Item 77.	Duplicate
Migration Issues	113	Assignment and reassignment should be seamless and easily accomplished by agent/agency. Agency is able to apply internal safeguards.	See Item 46.	Duplicate

## **Issues with TWIA Policy Center**

- \*There is not a signature area anymore on the apps, new submissions or renewals.
- \*It is very difficult to open an account that is being admin'd by another rep. Sometimes you have to go through every "stage" (i.e. renewal, policy, cancellation) sometimes, to find that person. It is not always the most convenient. Neither is having their application/transaction/policy number.
- \*Loan #'s are no longer on apps. AND, they are at the bottom of the dec pages, which is a very odd spot.
- \*The time period spent working apps, new submissions, is crazy. The workload has tripled, if not more. It has gone from on average 5-10 minutes, to 30-45 minutes to work an app/policy.
- \* Underwriting, accounting, and mailroom have absolutely NO communication between each other. And the clients and agents are the ones taking the hit.
- \*Certified mail is run through our postal service, then USPS, and THEN date stamped, for verification of date sent, and we are still having major issues with TWIA being backlogged, causing lapses in coverage when check has been sent in, in well than enough time.
- \*A phone calls takes on average 40-45 minutes to speak to someone, and when you leave a message, NO ONE calls you back. I have left several messages with managers, policy center, and not ONE SINGLE TIME have I received a call back.

The following table was prepared by staff some years ago to compare the voluntary market's processes as outlined in IIAT's 2009/2010 Windstorm Processes Comparison to TWIA's processes before and after Policy Center.

<b>Windstorm Processes Comparison</b>				
<b>Process</b>	<b>Voluntary Market</b>	<b>TWIA – Before PolicyCenter</b>	<b>TWIA – After PolicyCenter</b>	<b>Comments</b>
<b>NEW BUSINESS</b>				
Submit for Quote	Submit ACORD application to underwriter via email or website	Enter as quote on TWIA website. CSR must know Rules and Guidelines. Example #1 – rate tables, etc. for specific items, i.e. fences, certain outbuildings, etc., example #2 – must know to choose 1% deductible, etc.) This process involved two processes unique to TWIA. (1) searching the TDI website for records of WPI 8 forms which are certifications for new construction or alterations or repairs since 1988 (15 minutes), and (2) completing the Marshall Swift cost estimator (10 minutes)	Enter quote via TWIA website. PolicyCenter will determine (guide the CSR) which rate tables and deductible amounts are available for the application. Review of the TDI website and the MSB valuation tool will still be required. The MSB valuation will populate certain fields in PolicyCenter, reducing the need for duplicate entry.	CSR/Agent has the ability to provide multiple quotes to Insured based on different coverage options.
Approval of Quote	Underwriter does or does not agree to write windstorm coverage	N/A		
Acceptance of Quote	Customer accepts quote and requests a binder. No money is collected on direct bill policies.	Customer accepts quote and requests coverage. Producer or CSR must collect full premium or down payment if customer requests financing. If the policy is financed, the CSR prepares a premium finance agreement for the Insured's signature. The customer signs the application and finance agreement.	Submission of the application occurs electronically. Payment can be performed electronically using the Insured's bank information or the agency's bank information. Submissions that are premium financed can also be submitted electronically. Finance agreements can also be submitted electronically.	Reduces both agency and TWIA cost. Agency costs are reduced by eliminating postage, paper and visits to the post office.
Declination by admitted	N/A	Contact standard market(s) to attempt to obtain quote	No change	

carrier		including windstorm. (There is a time delay on response from underwriter – can take 24 hours to a few days.) File a copy of the declination in the customer file.		
Flood Insurance	N/A	Run flood zone determination. Evaluate flood zone to determine whether flood insurance is required in order to bind. Document customer file if not. If flood is required and flood coverage is in effect, document the customer file. If flood insurance is required and no flood insurance is in effect, flood insurance must be quoted, offered and ordered.	Gen1 – no change Gen2 – add interfaces to geo coding and flood zone software which will eliminate a portion of this step.	
Minimum Earned Premium and Premium Financing	N/A	Verify that the customer doesn't owe premium to TWIA.	Gen2	
Bind Coverage	Email request to underwriter to bind with any signed forms they require (example – signed Acord app or TRIA)	Convert to an application via website. Answer additional questions on each item. Application sent by email from TWIA. Application must be printed, signed and dated. The customer's check for the gross premium must be deposited. An agency check for the net premium must be requested from the agency account department and attached to the application. If new application, the MSB calculator and WPI 8 forms must be submitted with the application. Application must be sent via certified mail to obtain the desired effective date or avoid lapse in coverage on a renewal. An employee must deliver the application in an envelope to the post office and have certified receipts stamped/acknowledged and bring back certified receipt for attachment to the customer's file.	<ul style="list-style-type: none"> <li>• Submission of the application, including signature, occurs electronically.</li> <li>• Payment can be performed electronically using the Insured's bank information or the agency's bank information.</li> <li>• The application is eligible for coverage on the date the payment is received.</li> <li>• Payment history and application submission date will all be accessible via PolicyCenter.</li> <li>• Submissions that are premium financed can also be submitted electronically.</li> <li>• TWIA has eliminated the requirement of submitting</li> </ul>	Reduces both agency and TWIA cost. Agency costs are reduced by eliminating postage, paper and visits to the post office.

			the paper MSB and WPI 8 forms.	
Confirm Policy Bound	Underwriter emails policy number, binder or policy. CSR prepares and transmits binders and an invoice if not direct bill	Agency procedures are that the CSR checks the TWIA website in 5 7 days to see if policy has been bound. (If the agent does not check this, will then wait for policy to arrive OR memo requiring additional information this can be 7 14 days.	Electronic communication between TWIA and CSR will eliminate the need for CSRs to check back. The CSR will be notified by email once the policy is Issued.	
Open Binder Issues	N/A	Approximately one out of every 5 applications is returned to the agency for additional information. WPI's required by TWIA – if TWIA cannot find address is not exact, build description is different, etc. agent gets a memo and has to research, may involve agent contact with TDI windstorm unit, engineer, Insured. Insured may have to hire new engineer, pay additional costs, have bldg., roof, etc. re inspected. Agent has to explain reasons to Insured, assist Insured with this process. Agent has only 60 days to work out these issues or coverage is canceled. Agent will most likely have to call TWIA, request binder extension. If more than one extension needed, TWIA supervisor has to approve.	<p>PolicyCenter will provide significant improvements in the quality of the applications received. Changes can be submitted in real time in case the information on the application does not match the WPI 8. Finally the communication process will be faster. All of this will reduce the number of follow up questions.</p> <p>The following process changes will occur:</p> <ul style="list-style-type: none"> <li>• All applications will be issued to ensure coverage for the Insured.</li> <li>• If additional information is needed and not received, the policy may be cancelled.</li> <li>• Electronic processing will eliminate any delays currently caused in mailing information.</li> </ul>	
<b>RENEWAL BUSINESS</b>				
Renewal in the voluntary	Automatic renewal: Policy		HB3 will provide renewal notices	Agent will be cc'd on all

market	and bill are mailed to the customer by the company. The agency checks the renewal policy and processes it in the agency management system		to be sent to the Insured. If there are no changes, the Insured can make payment to TWIA. If the Insured requests changes to the policy, they will be directed to their Agent.	correspondence to the Insured. The Agent / CSR can view the status of the renewal and will be notified if payment has not been received by TWIA. Thus giving them the opportunity to preserve their business relationship.
Renewal in TWIA		TWIA sends renewal notice with renewal premium based on expiring values to agent. The values never match the new amount on the voluntary policy so the agent has to re quote with new values.	At renewal, TWIA adjusts the coverage amounts based on an industry standard inflation percentage. The Agent / CSR can modify the application amounts prior to submission to TWIA.	
Quote Renewal		Enter as a quote on TWIA website.		
Acceptance of Quote		CSR or producer sends renewal letter to customer with quote and requests premium payment in advance. Customer accepts quote and requests coverage. Producer or CSR must collect full premium or down payment if customer requests financing. If the policy is finance, the CSR prepares a premium finance agreement for the Insured's signature. The customer signs the application and finance agreement. One of every 2 doesn't pay based on the first notice so process must be repeated for a 2 <sup>nd</sup> payment.	Submission of the application occurs electronically. Payment can be performed electronically using the Insured's bank information or the agency's bank information. Submissions that are premium financed can also be submitted electronically. Finance agreements can also be submitted electronically.	
Declination by admitted carrier	N/A	Contact standard market(s) to attempt to obtain quote including windstorm. (There is a time delay on response from underwriter – can take 24 hours to a few days.) File a copy of the declination in the customer file.	No change	
Flood Insurance	N/A	Run flood zone determination. Evaluate flood zone to determine whether flood insurance is required in order to bind. Document customer file if not. If flood is	Gen1 – no change Gen2 – add interfaces to geo coding and flood zone software	

		required and flood coverage is in effect, document the customer file. If flood insurance is requirements and no flood insurance is in effect, flood insurance must be quoted, offered and ordered.	which will eliminate a portion of this step.	
Minimum Earned Premium and Premium Financing	N/A	Verify that the customer doesn't owe premium to TWIA.	Gen2	
Bind Coverage		Convert to an application via website. Answer additional questions on each item. Application sent by email from TWIA. Application must be printed, signed and dated. The customer's check for the gross premium must be deposited. An agency check for the net premium must be requested from the agency account department and attached to the application. If new application, the MSB calculator and WPI 8 forms must be submitted with the application. Application must be sent via certified mail to obtain the desired effective date or avoid lapse in coverage on a renewal. An employee must deliver the application in an envelope to the post office and have certified receipts stamped/acknowledged and bring back certified receipt for attachment to the customer's file.	<ul style="list-style-type: none"> <li>• Submission of the application, including signature, occurs electronically.</li> <li>• Payment can be performed electronically using the Insured's bank information or the agency's bank information.</li> <li>• The application is eligible for coverage on the date the payment is received.</li> <li>• Payment history and application submission date will all be accessible via PolicyCenter.</li> <li>• Submissions that are premium financed can also be submitted electronically.</li> <li>• TWIA has eliminated the requirement of submitting the paper MSB and WPI 8 forms.</li> </ul>	
Confirm Policy Bound		Agency procedures are that the CSR checks the TWIA website in 5 7 days to see if policy has been bound. (If the agent does not check this, will then wait for policy to arrive OR memo requiring additional information this can be 7 14 days.	Electronic communication between TWIA and CSR will eliminate the need for CSRs to check back. The CSR will be notified by email once the policy	

			is Issued.	
Policy Receipt, preparation for delivery		The policy is received via mail, checked for accuracy, prepared for mail or delivery and mailed or delivered to the customer. Approximately one out of every 10 policies received is not accurate according to the application and must be corrected by endorsement prior to delivery.	The PolicyCenter UI will greatly improve the quality of the application so the Agent / CSR will have more control of the content delivered to TWIA thus reducing / eliminating follow on endorsements.	Delivery of the policy will be electronic thus eliminating delays currently caused by the mailing of documents. Agencies can store their documents electronically and eliminate the handling of paper thus saving staff time.
		Approximately one out of every 20 applications: ISO construction verification required. TWIA will order an ISO Inspection if one is not on file or is older than 1999. If the new inspection lowers construction rating, an endorsement is Issued, rating adjusted, additional premium charged. Agent has to explain this to the Insured, collect AP within 60 days, mail \$\$ in to TWIA via certified mail to verify date received. Also, Issues may arise if ISO file reflects slight difference in address – CSR will have to contact ISO and work out this issue.	See above comment. Additional edits will occur in PolicyCenter which will support ISO construction and eliminate this problem. TWIA will also change the Rating application to support ISO.	
	The policy is received via email or website, downloaded, checked for accuracy, prepared for mail or deliver, and mailed or delivered.	The policy is received via mail, checked for accuracy, prepared for mail or delivery and mailed or delivered to the customer. Approximately one out of every 10 policies received is not accurate according to the application and must be corrected by endorsement prior to delivery.		
Policy Changes – Return Premium	Voluntary Market will send the return premiums from policy change requests to agency and if needed we can pull a copy of the endorsement form their website to send to insured together.	<p>Policy Change Requests (removing coverage), the premium is automatically sent directly to insured and the endorsement is sent to the agency.</p> <p>BACKGROUND: Prior to BC, returned premium and the endorsement together were sent to the agent. With the BC implementation, returned premium and the endorsement were sent to the insured or premium financier, and the agent received only the copy of the endorsement. With the BC implementation, the</p>	The current returned premium process as implemented with the BC project remains intact. There are no changes planned to this process with the PC implementation.	It would be nice if the return premium came to the agency along with the endorsement so they can be delivered to insured together.

		procedural change for retuned premium was instituted due to problems TWIA encountered with some agents.		
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Windstorm Processes Comparison

## NEW BUSINESS

Process	Voluntary Market	Approximate Time (in minutes)	TWIA	Approximate Time (in minutes)
Submit for Quote	Submit Acord application to underwriter via email or website	5 - 30	Enter as a quote on TWIA website. CSR must know Rules and Guidelines example #1- rate tables, etc. for specific items, i.e. fences, certain outbuildings, etc., example #2- must know to choose 1% deductible, etc.) This process involves two processes unique to TWIA: (1) searching the TDI website for records of WPI-8 forms which are certifications for new construction or alterations or repairs since 1988 (15 minutes), and (2) completing the Marshall-Swift cost estimator (10 minutes).	25 - 45
Approval of Quote	Underwriter does or does not agree to write windstorm coverage		n/a	
Acceptance of Quote	Customer accepts quote and requests a binder. No money is collected on direct bill policies.	5 - 10	Customer accepts quote and requests coverage. Producer or CSR must collect full premium or down payment if customer requests financing. If the policy is financed, the CSR prepares a premium finance agreement for the insured's signature. The customer signs the application and finance agreement.	10 - 20
Declination by admitted carrier	n/a	0	Contact standard market(s) to attempt to obtain quote including windstorm. (There is a time delay on response from underwriter - can take 24 hours to a few days.) File a copy of the declination in the customer file.	5 - 10
Flood Insurance	n/a	0	Run flood zone determination. Evaluate flood zone to determine whether flood insurance is required in order to bind. Document customer file if not. If flood is required and flood coverage is in effect, document the customer file. If flood insurance is required and no flood insurance is in effect, flood insurance must be quoted, offered and ordered.	10 - 60
Minimum Earned Premium and Premium Financing	n/a	0	Verify that the customer doesn't owe premium to TWIA.	5 - 15
Bind Coverage	Email request to underwriter to bind with any signed forms they require (example- signed Acord app or TRIA)	10	Convert to an application via website. Answer additional questions on each item. Application sent by email from TWIA. Application must be printed, signed, and dated. The customer's check for the gross premium must be deposited. An agency check for the net premium must be requested from the agency accounting department and attached to the application. If new application, the MSB calculator and WPI-8 forms must be submitted with application. Application must be sent via certified mail to obtain the desired effective date or avoid lapse in coverage on a renewal. An employee must deliver the application in an envelope to the post office and have certified receipts stamped/acknowledged and bring back certified receipt for attachment to the customer's file.	60 - 75
Confirm Policy Bound	Underwriter emails policy number, binder or policy. CSR prepares and transmits binders and an invoice if not direct bill.	10	Agency procedures are that the CSR checks the TWIA website in 5-7 days to see if policy has been bound. (If the agent does not check this, will then wait for policy to arrive OR memo requiring additional information- this can be 7-14 days)	5 - 15
Open Binder Issues	n/a		Approximately one out of every 5 applications is returned to the agency for additional information. WPI's required by TWIA- if TWIA cannot find, address is not exact, building description is different, etc., agent gets a memo and has to research, may involve agent contact with TDI windstorm unit, engineer, insured. Insured may have to hire new engineer, pay additional costs, have bldg, roof, etc. re-inspected. Agent has to explain reasons to insured, assist insured with this process. Agent has only 60 days to work out these issues or coverage is canceled- agent will most likely have to call TWIA, request binder extension. If more than one extension needed, TWIA supervisor has to approve.	0 - 60

## Windstorm Processes Comparison

### RENEWAL BUSINESS

Process	Voluntary Market	Approximate Time (in minutes)	TWIA	Approximate Time (in minutes)
Renewal in the voluntary market	Automatic renewal: Policy and bill are mailed to the customer by the company. The agency checks the renewal policy and processes it in the agency management system.	15		
Renewal in TWIA			TWIA sends renewal notice with renewal premium based on expiring values to agent. The values never match the new amount on the voluntary policy so the agent has to re-quote with new values.	
Quote renewal			Enter as a quote on TWIA website.	10
Acceptance of Quote			CSR or producer sends renewal letter to customer with quote and requests premium payment in advance. Customer accepts quote and requests coverage. Producer or CSR must collect full premium or down payment if customer requests financing. If the policy is financed, the CSR prepares a premium finance agreement for the insured's signature. The customer signs the application and finance agreement. One out of every 2 don't pay based on the first notice so process must be repeated for a 2nd request.	15 - 30
Declination by admitted carrier	n/a	0	Contact standard market(s) to attempt to obtain quote including windstorm. (There is a time delay on response from underwriter - can take 24 hours to a few days.) File a copy of the declination in the customer file.	5 - 10
Flood Insurance	n/a	0	Run flood zone determination. Evaluate flood zone to determine whether flood insurance is required in order to bind. Document customer file if not. If flood is required and flood coverage is in effect, document the customer file. If flood insurance is required and no flood insurance is in effect, flood insurance must be quoted, offered and ordered.	10 - 60
Minimum Earned Premium and Premium Financing	n/a	0	Verify that the customer doesn't owe premium to TWIA.	5 - 15
Bind Coverage			Convert to an application via website. Answer additional questions on each item. Application sent by email from TWIA. Application must be printed, signed, and dated. The customer's check for the gross premium must be deposited. An agency check for the net premium must be requested from the agency accounting department and attached to the application. If new application, the MSB calculator and WPI-8 forms must be submitted with application. Application must be sent via certified mail to obtain the desired effective date or avoid lapse in coverage on a renewal. An employee must deliver the application in an envelope to the post office and have certified receipts stamped/acknowledged and bring back certified receipt for attachment to the customer's file.	60 - 75
Confirm Policy Bound			The CSR checks the TWIA website in 5-7 days to see if policy has been bound. (If the agent does not check this, will then wait for policy to arrive OR memo requiring additional information- this can be 7-14 days)	5 - 15
Policy receipt, preparation for delivery, and delivery			The policy is received via mail, checked for accuracy, prepared for mail or delivery, and mailed or delivered to the customer. Approximately one out of every 10 policies received is not accurate according to the application and must be corrected by endorsement prior to delivery.	15 - 45

TOTAL TIME

15

Total time prior to 2009 Changes

105 - 175

Additional time after 2009 Changes

20 - 85

Total time after 2009 Changes

135 - 260

Windstorm Processes Comparison

			Approximately one out of every 20 applications: ISO construction verification required- TWIA will order an ISO inspection if one is not on file or is older than 1999. If the new inspection lowers construction rating, an endorsement is issued, rating adjusted, additional premium charged. Agent has to explain this to the insured, collect AP within 60 days, mail \$\$ in to TWIA via certified mail to verify date received. Also, issues may arise if ISO file reflects slight difference in address- CSR will have to contact ISO and work out this issue.	0 - 60
Policy receipt, preparation for delivery, and delivery	The policy is received via email or website, downloaded, checked for accuracy, prepared for mail or delivery, and mailed or delivered.	15	The policy is received via mail, checked for accuracy, prepared for mail or delivery, and mailed or delivered to the customer. Approximately one out of every 10 policies received is not accurate according to the application and must be corrected by endorsement prior to delivery.	15 - 45

TOTAL TIME	45 - 75	Total time prior to 2009 Changes	115 - 320
		Additional time due to 2009 Changes	20 - 85
		Total time after 2009 Changes	135 - 405

## IIAT Study of the costs of doing business with the Texas Windstorm Insurance Association

### Update, June 2010

In June 2010 we asked 3 agencies who participated in the January 2009 time study to evaluate the additional time spent to comply with new processes mandated by legislation and rules that went into effect late in 2009:

1. Declination of coverage by a standard carrier
2. Flood insurance required in certain flood zones
3. Minimum earned premium and premium financing

**Major Finding:** The new processes **add from 20 to 85 minutes** to the time it takes to place and process a **new or renewal policy** in TWIA, compared to no additional time in the voluntary market.

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### January, 2009

#### Methodology

This study was conducted with six independent insurance agencies along the Texas coast, writing a combined total of more than \$18 million of premium in TWIA. The data was collected in live interviews with agency representatives in three meetings. Average compensation was based on the average of actual salaries paid by these six agencies for customer service staff who process new and renewal business. Voluntary market refers to standard insurance companies with which independent agents normally do business.

#### Major Findings:

1. The average minimum time required to place and process a **new policy** in TWIA is 115 minutes, compared to 45 minutes in the voluntary market.
2. The average minimum time required to place and process a **renewal policy** in TWIA is 105 minutes compared to 15 minutes in the voluntary market.
3. The biggest time-waster in processing TWIA applications is the amount of time needed to submit applications with payments to TWIA by mail.
4. Average compensation to agency personnel handling these transactions was

\$30,708 (\$15.35/hour) for a CSR working on personal accounts, and \$39,049 (\$19.52/hour) for those processing commercial insurance accounts. These estimates do not include overtime pay or benefits.

Average costs were calculated on a 40 hour work week for 50 weeks. In some agencies, one CSR may handle both personal and business insurance accounts.

### **Other Issues in Dealing With TWIA:**

1. An agent can't email an underwriter and usually can't reach an underwriter by phone. Generally, the agent leaves a voice mail message and waits for a return phone call.
2. TWIA insists on using the valuation produced by the Marshall Swift cost estimator, even when the value doesn't make any sense compared to actual construction costs or doesn't match the amount written in the voluntary market.
3. TWIA has no billing system and will not accept an insured's check. The agency must produce an agency check for each premium-bearing transaction.
4. In general, there is more follow-up needed on TWIA accounts than is required in the voluntary market.
5. A renewal account must be updated and requested. Voluntary markets often issue renewals automatically and electronically.
6. The claims process takes more time than the voluntary market – by a long shot. One agent estimated they have spent an average of 8 hours per file on TWIA claims versus 15 minutes on voluntary market claims arising out of Ike.
7. When a TWIA customer remodels or adds to the insured property, additional time is required to monitor TWIA inspections and the WPI-8 process.
8. TWIA says it has removed two duties from the agent in the last 3 years: (1) Pictures are no longer required with new business applications; and, (2) WPI-8 forms are no longer required with applications, as the TWIA underwriter will look on the TDI website. However, agents almost always take pictures of new risks anyway. And, the TWIA underwriters are not as good as agents at searching for WPI-8s, so the application return ratio is higher; thus, agents continue to look up WPI-8s and attach them to the application anyway.
9. TWIA has added one duty to the agent in the last 3 years that has considerably increased the time require to process applications: the Marshall-Swift valuation calculator.

**Costs to agency of processing new and renewal policies\***

	<b>Residential</b>		<b>Businesses</b>	
	Voluntary	TWIA	Voluntary	TWIA
<b>New business</b>	\$11.70	\$29.90	\$14.85	\$37.95
<b>Renewal business</b>	\$3.90	\$27.30	\$4.95	\$34.65

\*These costs are per policy for personnel compensation only and do not include direct costs, such as mailing or automobile expenses, or other overhead.



# Independent Insurance Agents of Texas

September 7, 2007

TWIA Board of Directors  
Mr. James Oliver  
P.O. Box 99090  
Austin, Texas 78709-9090

Dear TWIA,

The Independent Insurance Agents of Texas would like to share some thoughts about improving operations at TWIA which will benefit consumers, TWIA employees and all of the agents that do business with TWIA. The antiquated methods of mailing applications, waiting for responses, making changes and mailing back to TWIA, adds unnecessary paperwork and uncertainty to a system that can and should be improved.

The IIAT Windstorm Task Force met on Thursday the 6<sup>th</sup> of September and have outlined issues we would ask that the TWIA board address at their upcoming meeting. These items include the following:

- New policy applications, renewal policy applications and policy endorsements should be handled electronically and should include electronic transfer of data and money to and from TWIA agents. Immediate binding of coverage would be available with these improvements to the current system.
- Upload and download of policy information will allow for quicker, more accurate exchange of information between TWIA and agents. The redundancy of inputting even the most general of information is time consuming and offers opportunity for errors.
- Electronic correspondence and communication with TWIA underwriters and claims staff would allow for quicker resolution of underwriting criticisms and additional information needed in finalizing claims payments.
- The use of electronic funds transfer along with the electronic application and change requests will allow for quicker payments and a more efficient way to assure coverage is in place and money is received.



These are not new items of discussion, however we urge the TWIA board to commit the time and resources necessary to improve on the way TWIA does business. You have a great staff that works hard and these improvements will assist them, as well as agents who they do business with. We have attached a list of TWIA key operational changes that we would like to see implemented at your earliest convenience.

Thank you for your attention and for all that TWIA does. IIAT members will be happy to assist in any way possible with implementing or testing improvements to the system of operation.

Sincerely,

A handwritten signature in black ink that reads "Bob Shepard". The signature is written in a cursive, slightly slanted style.

Robert Shepard  
IIAT Windstorm Task Force Chair

## **TWIA Key Operational Changes**

### **Electronic Binding and Electronic Funds Transfer**

- Ability to apply for and bind immediately new business, using the twia.org or e-mail and use EFT to transmit the premium.
- Ability to order and bind immediately renewals using the twia.org or e-mail and use EFT to transmit the premium.
- Ability to order and bind immediately premium bearing endorsements using the twia.org or e-mail and use EFT to transmit the premium.
- Ability to order and bind immediately non-premium bearing endorsements using the twia.org or e-mail.
- Confirmation of coverage bound electronically- new, renewal and endorsements

### **Email capabilities**

- underwriter / agency correspondence
- Transmittal of TWIA criticisms to agents.
- Answer TWIA criticisms from agents
- Sending documentation needed in the underwriting.
- Sending photos by e-mail in a digital format.
- Ability to ask questions and receive answers via e-mail.

### **Management systems**

- Upload of data from agency management systems to TWIA
- Download data from TWIA to agency management systems

### **Claims Administration**

- Direct reporting of claims electronically or 800 #
- Electronic notification to agent upon receipt of claim by TWIA
- Agent involvement / requirement in finalizing claims

### **Other Priorities**

- Automatic increases of renewals
- Commercial building cost estimators
- Direct Bill
- Credit card payments

# Appendix 4:

## Metrics for Process Changes Required by Sunset\*

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- **Auto-Renewals Report**
- **2-Pay Payment Plan Usage**
- **Policyholder Direct Payments**

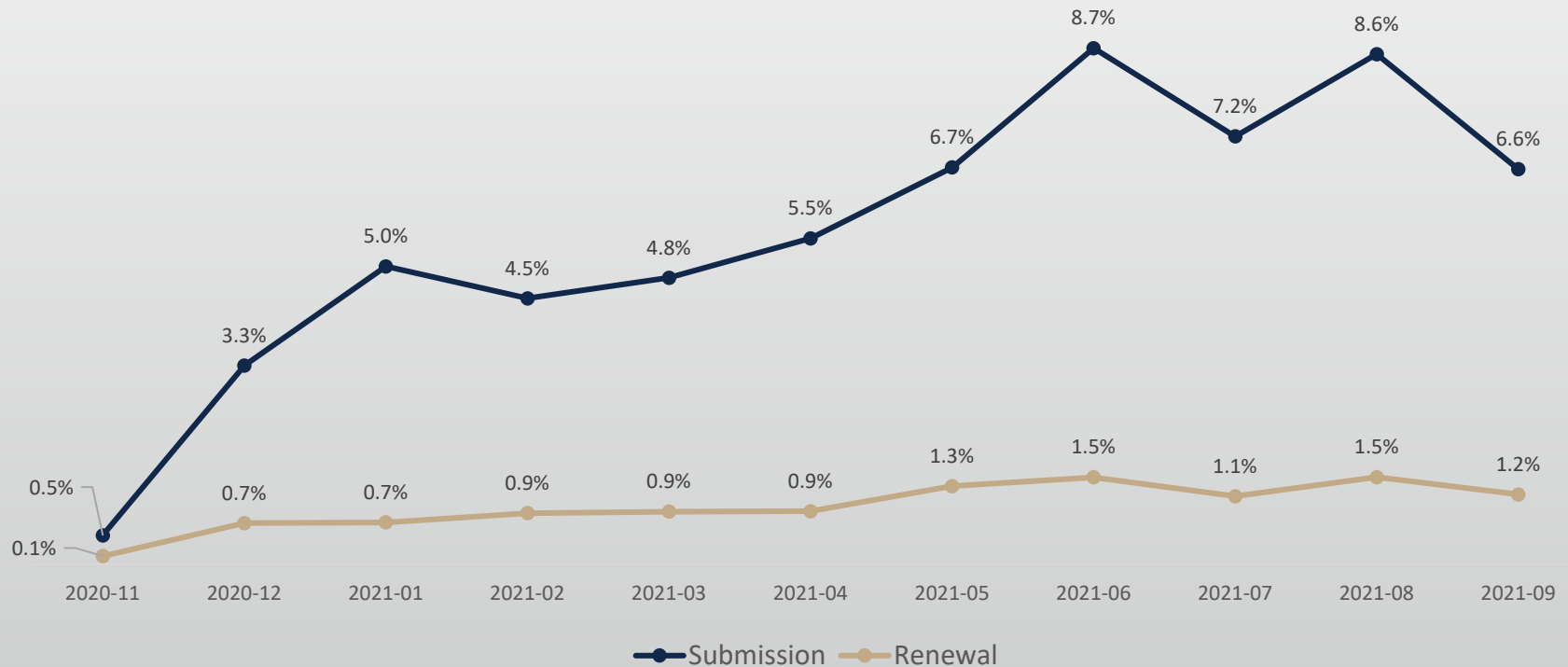


Automatic Renewal Results  
2021 - As Of 9/30/21

All Renewals						Auto Renewal Process						Standard Renewal Process							
Month Pmt Made		Total Renewals Pd	Total w/ Lapse	% w/ Lapse	Avg Pmt Timeframe	Month Pmt Made		Renewals Pd	w/ Lapse	% w/ Lapse	Avg Pmt Timeframe	% of Renewals in Automated Renewal Process	Month Pmt Made		Renewals Pd	w/ Lapse	% w/ Lapse	Avg Pmt Timeframe	% of Renewals in Standard Process
2021	01	10,521	764	7.26%	-14.52	2021	01	6,962	285	4.09%	-17.08	66.17%	2021	01	3,559	479	13.46%	-9.52	33.83%
2021	02	9,563	649	6.79%	-13.35	2021	02	6,506	200	3.07%	-15.95	68.03%	2021	02	3,057	449	14.69%	-7.82	31.97%
2021	03	15,383	1,194	7.76%	-14.83	2021	03	10,537	508	4.82%	-17.14	68.50%	2021	03	4,846	686	14.16%	-9.8	31.50%
2021	04	15,601	968	6.20%	-16.91	2021	04	10,447	362	3.47%	-19.62	66.96%	2021	04	5,154	606	11.76%	-11.42	33.04%
2021	05	16,635	1,072	6.44%	-16.52	2021	05	10,470	341	3.26%	-19.56	62.94%	2021	05	6,165	731	11.86%	-11.37	37.06%
2021	06	19,046	1,441	7.57%	-15.40	2021	06	12,033	516	4.29%	-18.52	63.18%	2021	06	7,013	925	13.19%	-10.03	36.82%
2021	07	16,667	1,157	6.94%	-15.81	2021	07	10,822	409	3.78%	-18.69	64.93%	2021	07	5,845	748	12.80%	-10.48	35.07%
2021	08	17,728	1,156	6.52%	-16.51	2021	08	11,748	376	3.20%	-19.78	66.27%	2021	08	5,980	780	13.04%	-10.09	33.73%
2021	09	12,565	750	5.97%	-16.54	2021	09	8,381	240	2.86%	-19.94	66.70%	2021	09	4,184	510	12.19%	-9.74	33.30%
Total		133,709	9,151	6.84%	-15.74			87,906	3,237	3.68%	-18.63	65.74%			45,803	5,914	12.91%	-10.19	34.26%

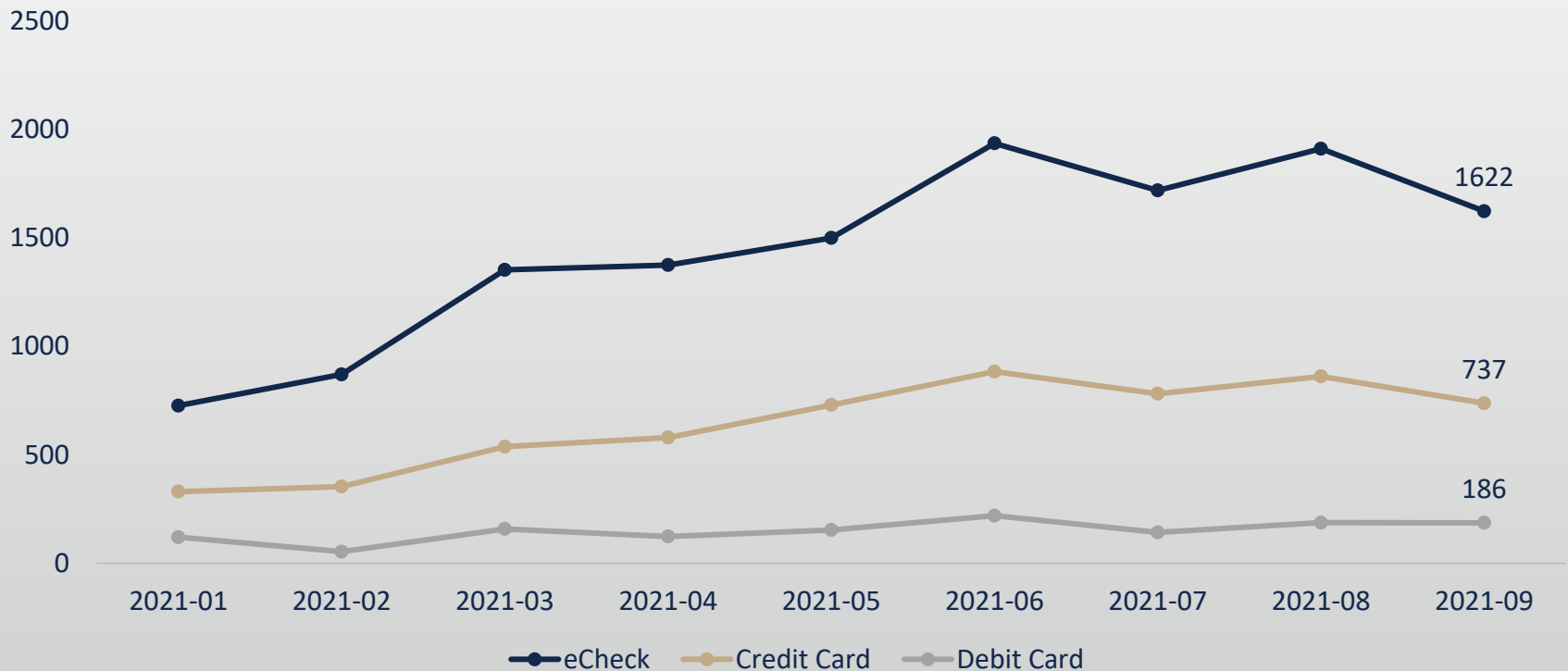
# 2-Pay Payment Plan Usage

Percent of Bound Policies with 2-Pay  
by Effective Month and New / Renewal



# Policyholder Direct Payments

## Monthly Trend in TWIA Portal Payments



## 9. TWIA Actuarial and Underwriting Committee Recommendations

### 9A. Vendor Selection Regarding Broker RFP

There is no exhibit for this topic

## 9B. Vendor Selection Regarding PML Consulting RFP

There is no exhibit for this topic

## 9C. TWIA Mitigation Credits

There is no exhibit for this topic

## 10. Actuarial

### 10A. Reserve Adequacy



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

## MEMORANDUM

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DATE: November 11, 2021  
TO: Jim Murphy, Chief Actuary  
FROM: Xiuyu Li, Senior Actuary  
RE: Reserve Adequacy as of September 30, 2021

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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, 2021.

Hurricane Nicholas made landfall on September 26 in Matagorda county as a Category 1 hurricane. As of October 4, 2021, 5,554 Nicholas related claims were reported to the Association and the total incurred loss and expense was estimated and booked at \$41 million in Q3 financials. Adverse development on Nicholas related claims has been observed after Q3 booking had been finalized.

The actuarial estimate of ultimate loss and loss adjustment expenses for Hurricane Harvey is in a reasonable range of \$1.66 billion to \$1.69 billion. The ultimate loss and loss adjustment expense estimate remains at \$1.68B, which is the same as the estimate as of June 30, 2021. The actual ultimate costs of Hurricane Harvey may differ substantially from the selected \$1.68B. This variability arises from the assumptions we made regarding the adequacy of case reserves for open claims and the outcome of disputed claims. About 252 of the 380 open claims are in some stage of litigation. 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 September 30, 2021, TWIA carried \$122.2 million in total gross loss and loss adjustment expense reserves with \$43K 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

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development, reserves continue to make a reasonable provision for unpaid loss and loss adjustment expenses.

The complete actuarial analysis is available on request.

XL

## 10B. Policy Count/Exposures

**Texas Windstorm Insurance Association**  
**Statistical Report**  
As of September 30, 2021



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	9/30/20	9/30/21	Actual	Percentage	9/30/20	9/30/21	Actual	Percentage	9/30/20	9/30/21	Actual	Percentage
Aransas	5,202	5,477	275	5.30%	1,732,469,016	1,882,440,389	\$149,971,373	8.70%	10,186,924	10,978,871	\$791,947	7.80%
Brazoria	29,255	30,030	775	2.60%	8,584,245,074	8,992,305,451	\$408,060,377	4.80%	42,494,133	45,085,201	\$2,591,068	6.10%
Calhoun	3,550	3,678	128	3.60%	955,645,449	1,026,507,738	\$70,862,289	7.40%	5,830,244	6,237,561	\$407,317	7.00%
Cameron	10,080	9,760	-320	-3.20%	2,904,215,576	2,917,709,412	\$13,493,836	0.50%	15,371,400	13,718,286	-\$1,653,114	-10.80%
Chambers	3,885	4,027	142	3.70%	1,293,589,272	1,389,548,370	\$95,959,098	7.40%	6,154,726	6,695,878	\$541,152	8.80%
Galveston	58,075	61,642	3,567	6.10%	19,515,356,483	21,252,796,064	\$1,737,439,581	8.90%	106,444,575	115,400,282	\$8,955,707	8.40%
Harris	3,414	3,557	143	4.20%	1,048,882,613	1,121,350,011	\$72,467,398	6.90%	3,849,371	4,029,794	\$180,423	4.70%
Jefferson	24,651	24,769	118	0.50%	5,750,894,986	5,907,161,903	\$156,266,917	2.70%	32,746,663	34,143,044	\$1,396,381	4.30%
Kenedy	19	18	-1	-5.30%	6,863,326	3,318,141	-\$3,545,185	-51.70%	43,695	32,190	-\$11,505	-26.30%
Kleberg	767	728	-39	-5.10%	172,426,140	166,600,692	-\$5,825,448	-3.40%	997,465	964,965	-\$32,500	-3.30%
Matagorda	4,228	4,390	162	3.80%	1,080,953,478	1,148,152,313	\$67,198,835	6.20%	5,876,706	6,230,074	\$353,368	6.00%
Nueces	36,826	37,141	315	0.90%	10,489,332,240	10,868,341,616	\$379,009,376	3.60%	55,477,405	57,890,703	\$2,413,298	4.40%
Refugio	329	321	-8	-2.40%	91,787,540	93,985,258	\$2,197,718	2.40%	627,900	618,919	-\$8,981	-1.40%
San Patricio	5,686	5,700	14	0.20%	1,545,928,924	1,582,704,480	\$36,775,556	2.40%	8,204,995	8,450,435	\$245,440	3.00%
Willacy	346	334	-12	-3.50%	84,971,865	87,358,790	\$2,386,925	2.80%	578,663	595,386	\$16,723	2.90%
<b>Total</b>	<b>186,313</b>	<b>191,572</b>	<b>5,259</b>	<b>2.80%</b>	<b>55,257,561,982</b>	<b>58,440,280,628</b>	<b>\$3,182,718,646</b>	<b>5.80%</b>	<b>294,884,865</b>	<b>311,071,589</b>	<b>\$16,186,724</b>	<b>5.50%</b>

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2021



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	106	310	183	610	685,329	1,957,755	241,443,998	5,325,180	309	647
Manufactured Home	45	139	45	140	55,855	190,612	8,200,439	0	146	147
Residential	1,683	4,290	1,750	4,480	3,494,210	8,830,504	1,632,795,952	136,841,556	5,022	5,260
Total	1,834	4,739	1,978	5,230	4,235,394	10,978,871	1,882,440,389	142,166,736	5,477	6,054
<b>Brazoria</b>										
Commercial	235	630	362	986	1,189,275	3,477,526	368,503,437	7,620,829	685	1,069
Manufactured Home	49	148	49	148	80,980	235,938	11,129,542	0	170	171
Residential	9,217	24,235	9,397	24,781	16,047,583	41,371,737	8,612,672,472	1,113,841,012	29,175	29,837
SUM:	9,501	25,013	9,808	25,915	17,317,838	45,085,201	8,992,305,451	1,121,461,841	30,030	31,077
<b>Calhoun</b>										
Commercial	73	169	150	300	482,118	1,018,926	113,757,885	2,449,900	198	376
Manufactured Home	26	65	26	65	30,915	85,499	3,954,834	0	70	70
Residential	1,183	2,862	1,280	3,159	2,138,222	5,133,136	908,795,019	75,382,270	3,410	3,730
SUM:	1,282	3,096	1,456	3,524	2,651,255	6,237,561	1,026,507,738	77,832,170	3,678	4,176
<b>Cameron</b>										
Commercial	267	683	453	1,166	1,691,868	4,780,921	1,074,834,440	6,760,120	680	1,297
Manufactured Home	28	59	28	59	28,657	62,938	2,837,618	0	62	62
Residential	2,795	7,495	2,822	7,579	3,326,784	8,874,427	1,840,037,354	185,962,411	9,018	9,149
SUM:	3,090	8,237	3,303	8,804	5,047,309	13,718,286	2,917,709,412	192,722,531	9,760	10,508

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2021



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	40	82	55	108	226,174	496,795	51,016,219	652,900	90	135
Manufactured Home	18	30	18	30	27,311	43,935	2,372,947	0	38	38
Residential	1,220	3,251	1,277	3,400	2,321,651	6,155,148	1,336,159,204	176,481,459	3,899	4,089
SUM:	1,278	3,363	1,350	3,538	2,575,136	6,695,878	1,389,548,370	177,134,359	4,027	4,262
<b>Galveston</b>										
Commercial	705	1,807	1,057	2,971	6,166,975	19,763,905	2,388,578,457	49,497,550	1,907	3,386
Manufactured Home	113	217	114	219	118,951	270,492	12,860,767	0	243	245
Residential	18,974	49,916	19,364	51,310	36,546,948	95,365,885	18,851,356,840	2,098,029,145	59,492	61,251
SUM:	19,792	51,940	20,535	54,500	42,832,874	115,400,282	21,252,796,064	2,147,526,694	61,642	64,882
<b>Harris</b>										
Commercial	24	49	43	89	130,964	272,861	32,395,207	480,630	56	98
Manufactured Home	3	5	3	5	4,300	5,013	200,500	0	5	5
Residential	1,136	2,900	1,149	2,961	1,441,397	3,751,920	1,088,754,304	142,053,177	3,496	3,565
SUM:	1,163	2,954	1,195	3,055	1,576,661	4,029,794	1,121,350,011	142,533,807	3,557	3,668
<b>Jefferson</b>										
Commercial	219	570	363	856	1,171,239	2,976,618	298,742,393	8,792,674	638	960
Manufactured Home	13	35	13	35	24,626	64,663	2,614,950	0	35	35
Residential	7,664	20,462	7,772	20,824	11,866,734	31,101,763	5,605,804,560	711,714,026	24,096	24,543
SUM:	7,896	21,067	8,148	21,715	13,062,599	34,143,044	5,907,161,903	720,506,700	24,769	25,538

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2021



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	13,292	694,441	0	1	5
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	9	15	10	20	10,826	18,898	2,623,700	35,800	17	26
SUM:	9	16	10	25	10,826	32,190	3,318,141	35,800	18	31
<b>Kleberg</b>										
Commercial	8	33	12	57	47,012	148,234	15,228,014	559,320	38	64
Manufactured Home	0	2	0	2	0	3,613	144,500	0	2	2
Residential	217	571	229	597	310,825	813,118	151,228,178	16,012,203	688	717
SUM:	225	606	241	656	357,837	964,965	166,600,692	16,571,523	728	783
<b>Matagorda</b>										
Commercial	53	134	72	215	215,630	624,182	76,751,765	1,899,585	157	244
Manufactured Home	6	18	6	18	8,458	28,130	1,350,907	0	20	20
Residential	1,420	3,800	1,465	3,920	2,146,147	5,577,762	1,070,049,641	108,362,096	4,213	4,348
SUM:	1,479	3,952	1,543	4,153	2,370,235	6,230,074	1,148,152,313	110,261,681	4,390	4,612
<b>Nueces</b>										
Commercial	600	1,562	1,018	2,908	3,633,001	10,772,301	1,501,955,005	36,902,790	1,720	3,176
Manufactured Home	15	35	15	35	16,775	49,098	1,981,900	0	39	39
Residential	11,004	29,759	11,117	30,447	17,729,721	47,069,304	9,364,404,711	1,052,246,136	35,382	36,125
SUM:	11,619	31,356	12,150	33,390	21,379,497	57,890,703	10,868,341,616	1,089,148,926	37,141	39,340

**Texas Windstorm Insurance Association**

Quarterly Liability Report

As of September 30, 2021



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>Refugio</b>										
Commercial	7	24	19	48	123,304	184,243	20,536,833	90,000	30	60
Manufactured Home	5	17	6	20	9,028	28,057	1,201,504	0	17	20
Residential	78	234	89	267	159,217	406,619	72,246,921	6,927,042	274	307
SUM:	90	275	114	335	291,549	618,919	93,985,258	7,017,042	321	387
<b>San Patricio</b>										
Commercial	71	211	94	346	179,678	894,656	97,162,464	1,728,030	230	384
Manufactured Home	15	36	15	36	21,475	58,919	2,522,751	0	39	39
Residential	1,677	4,538	1,713	4,699	2,783,370	7,496,860	1,483,019,265	176,281,706	5,431	5,598
SUM:	1,763	4,785	1,822	5,081	2,984,523	8,450,435	1,582,704,480	178,009,736	5,700	6,021
<b>Willacy</b>										
Commercial	12	25	17	37	60,129	132,475	14,618,234	99,900	29	56
Manufactured Home	0	6	0	6	0	8,151	383,635	0	7	7
Residential	109	253	123	277	208,898	454,760	72,356,921	5,013,958	298	322
SUM:	121	284	140	320	269,027	595,386	87,358,790	5,113,858	334	385
<b>Total All Counties</b>										
Commercial	2,420	6,290	3,898	10,702	16,002,696	47,514,690	6,296,218,792	122,859,408	6,768	11,957
Manufactured Home	336	812	338	818	427,331	1,135,058	51,756,794	0	893	900
Residential	58,386	154,581	59,557	158,721	100,532,533	262,421,841	52,092,305,042	6,005,183,998	183,911	188,867
SUM:	61,142	161,683	63,793	170,241	116,962,560	311,071,589	58,440,280,628	6,128,043,406	191,572	201,724

## 10C. Status of Filings

There is no exhibit for this topic

## 11. Underwriting

### 11A. Operational Review Update



## MEMORANDUM

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DATE: December 1, 2021  
TO: John Polak, General Manager  
FROM: Denise Larzalere, Vice President Underwriting  
RE: Update on Underwriting Operational Highlights

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### **Third Quarter 2021 Highlights**

I. Service Results:

- a. Underwriting continues to have consistent turnaround time on all transactions. Our goal is to issue 90% of new business submissions, endorsements, renewals, and cancellations within 10 days; we are surpassing this standard with over 98% of transactions processed within 10 days. Over 85% 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 and service quality scores continue to meet expectations.
- d. Underwriting is operating below budget, largely due to managing headcount and more efficient use of virtual and aerial inspections.

II. Agency Compliance Audits:

- a. Standard audits were performed on a sample of agents in the third quarter of 2021 to verify compliance with the declination of coverage and flood insurance requirements.
  - i. Seventy-five percent of agencies have completed their responses. Staff are pursuing responses from the remaining agencies and escalating issues as necessary.
  - ii. Of the agents who have responded, 93% policies reviewed were compliant with the requirement for proof of declination of coverage, and staff are working to bring the remaining agencies into compliance.
  - iii. Two percent of the policies/properties selected for review required flood insurance. Two policies were not compliant with the flood insurance requirement



and staff are working with the relevant agencies to bring those policies into compliance.

- iv. All agents audited have an active property and casualty insurance license.

## 11B. Depopulation



TEXAS WINDSTORM  
INSURANCE ASSOCIATION



# Depopulation Programs

November 2021

## DEPOPULATION STATUS

### Depopulation Programs Summary

#### Assumption Reinsurance Depopulation Program

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

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

#### Voluntary Market Depopulation Program

Policies Bound Through Program, Month End October 2021
4,536

### Assumption Reinsurance Depopulation Program

#### Round 4: Status

The assumption of policies became effective June 1, 2020, with 1,002 policies transferring to the two participating carriers. TWIA records show that no policies remain on TWIA paper from Round 4. All policies depopulated through Round 4 will now renew on the appropriate participating carrier's paper in accordance with the terms and conditions of the program.

#### Round 5: Status

Commissioner's Order 2018-5528 was issued September 23, 2020, approving amendments to the Assumption Reinsurance Depopulation Program that reflect changes made during the 86th Texas legislative session. On September 9, 2021 TWIA submitted minor "clean-up" revisions to several of the previously approved program documents. No substantive changes to the program were proposed, only minor corrections. TDI approved the revisions on October 13, 2021.

Two carriers, Weston Insurance Company and SafePoint Insurance Company, submitted applications to participate in Round 5 of the Assumption Program. Commissioner's Order 2021-6672 was issued January 29, 2021 approving SafePoint Insurance Company's participation. Weston elected to withdraw its application to participate in the upcoming cycle of the Assumption Program in early February 2021.

SafePoint submitted its list of policies selected for offers through the program on March 1. The 32,318 proposed offers on unique policies were available for agents' review and selection on the TWIA depopulation website during the Agent Period of Round 5 from April 1 through May 31. Agents selected 210 offers to progress to the next phase of the program, the Policyholder Decision Period. In accordance with the changes made to the program during the 86th Texas legislative session, the Policyholder Decision Period will begin on December 3, 2021 as no decisions related to the program can be made by insurers, agents, or policyholders until storm season ends.

The Program is currently in the Financial Analysis & Administrative Period (June 1 through November 20). TWIA will conduct and finalize all required program-related financial analyses during this period.

### **"Repopulation"**

TWIA uses the insured location address to approximately identify returning risks – those that were depopulated from TWIA through the Assumption Reinsurance Depopulation Program, but came back ("Repopulated") to TWIA for wind and hail insurance after being assumed by one of the participating carriers. To date, relatively few properties have returned to TWIA after going through the depopulation program.

### **Voluntary Market Depopulation Program**

Four participating carriers have reported a total of 4,536 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. There have been no policies depopulated through the program since November 2019.

USAA submitted an application to renew its participation in the Voluntary Market Depopulation Program to TWIA on July 23, 2021. TWIA reviewed USAA's submission and confirmed its compliance with all applicable governing rules and statutes. Additionally, TWIA determined that the offers will not impair TWIA's public security obligations. On September 10, 2021 TWIA submitted the materials to TDI for review and approval. This submission was still under TDI review as of October 31.

## 12. Claims

### 12A. Claims Operations

## TWIA Claims Operations 2021

TWIA Claims - 2021 Results (through Q3)					
Key Cycle Times (In days)	Industry Average, TX	TWIA	TWIA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	5.8	3.7	<3	0.7	23%
Inspect Property to Receipt by TWIA	3.6	2.0	<8	-6.0	-75%
Total Cycle Time FNOL to Payment	N/A	11.6	<12	-0.4	-3%
<b>TDI Complaint Ratio</b>					
2020	0.13% - 19 complaints from 14,432 new claims				
2021	0.12% - 13 complaints from 10,630 new claims				

Year	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Actual Volume	1,245	2,776	2,808	4,020	531	482	892	675	610	468	672	551	576	301	5885
Actuarial Projected	400	400	574	562	273	273	614	428	428	1,716	1,716	428	428	615	615
Staffing Plan	417	417	417	417	417	417	521	521	521	521	521	521	521	521	521
Open Inventory	1,958	5,078	6,379	9,609	9,294	8,822	8,763	8,814	8,545	8,180	7,785	6,829	5,972	4,383	8,822

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	10,630

## 2021 Hurricane Nicholas

<b>TWIA Nicholas</b>	<b>As of 11/12/21</b>
Claims	6,249
Open	4,851
Closed	1,398
% Closed	22.40%
Paid Indemnity	\$22,525,479
Paid Expenses	\$4,437,992

## 12B. Litigation Report



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

## TWIA Litigation Tracking Activity

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### Litigation Quarter Summary Third Quarter 2021

3rd Quarter 2021	Summary of TWIA Claims in Suit			
		New	Settled	Closed
		HB3	HB3	HB3
	July	3	0	16
	August	0	0	21
	September	1	0	10
		4	0	47

3rd Quarter 2021	Summary of TWIA Claims with LORs			
		New	Settled	Closed
		HB3	HB3	HB3
	July	45	0	19
	August	36	0	20
	September	55	0	39
		136	0	78



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

## TWIA Claims Litigation September 2021

Sep-21	TWIA Claims in Suit				
	Category	Beginning Inventory	New	Closed	Ending Inventory
	Pre-HB3	8	0	0	8
	HB3	296	1	(10)	287
	TOTAL	304	1	(10)	295

Sep-21	TWIA Claims with LORs					
	Category	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
	Pre-HB3	0	0	0	0	0
	HB3	415	55	(39)	(1)	430
	TOTAL	415	55	(39)	(1)	430

Sep-21	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	257	28	388	31	704	2	0	10	1	13	717
	TOTAL	259	34	388	31	712	2	0	10	1	13	725



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

Sep-21	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
	TOTAL	2	5	1	8

Sep-21	TWIA Active HB3 Claims with Suits/LORs: Breakdown by County													
	Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Matagorda	Nueces	Refugio	San Patricio	Willacy	Grand Total
	47	22	9	53	2	114	19	279	3	117	5	32	2	704

Sep-21	TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	#
	Daly & Black	199
	Furlow Law Firm	95
	Baker Law	72
	Scott Law Offices	48
	Chad T. Wilson	40
	Carrigan & Anderson	24
	Lindsay, Lindsay & Parsons	23
	Omar Ochoa Law Firm	21
	Lane Law Firm	16
	Galindo Law	14
	Hodge Law Firm	14
	Remaining 65 firms	138
	TOTAL	704

## 13. TWIA Operations

### 13A. IT Systems Update



TEXAS WINDSTORM  
INSURANCE ASSOCIATION



TEXAS FAIR PLAN  
ASSOCIATION

## MEMORANDUM

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DATE: December 7, 2021

TO: John Polak, General Manager

FROM: Camron Malik, CIO / VP IT

RE: TWIA Information Technology status

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The TWIA Elevate program continues to make progress as development comes to a close and we transition to stabilization when we complete Quality Assurance. All projects of the program which include Policy, Billing, Claims, Enterprise Data Warehouse, Portals and Data Migration are progressing well. We are currently on track for deployment in April 2022.

The original Cost Benefit Analysis projected \$5M in IT expense reduction starting in 2023. We plan to accelerate some of the reduction in expenses in to 2022, instead of waiting for 2023. The reduction attributable to Elevate in 2022 will be approximately \$1.8M, with further reductions coming in 2023.

The Systems Development/Production Support releases continue with their monthly cadence, delivering various defect fixes and features for the business with quality and timeliness. The Infrastructure and Operations team continues to support remote work with excellent quality. All technology support and projects are on-track.

## 13B. ELEVATE Status

There is no exhibit for this topic

## 13C. Communications Update

## MEMORANDUM

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DATE: November 17, 2021  
TO: TWIA Board of Directors  
FROM: Jennifer Armstrong, Vice President, Communications & Legislative Affairs  
RE: Communications & Legislative Affairs Operational Highlights

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### I. Legislative & Regulatory Affairs

- a) Legislative Implementation: The Association remains on track for implementing applicable legislation passed during the regular session of the 87<sup>th</sup> Legislature. During Q3, efforts focused primarily on drafting policyholder communications and coordinating with TDI on the 10-day grace period rules for premium payments as part of the ELEVATE project. *An exhibit on the implementation of all TWIA-related bills from the regular session is enclosed.*
- b) Special Sessions: The Legislature met for three special sessions during the third quarter of 2021. We do not expect the Governor to call any further special sessions in 2021. The Governor's Call did not include TWIA-related issues for any of the three sessions, and legislators did not consider legislation impacting the Association during this period. Two TWIA-related bills were filed during these sessions but received no committee hearing or other consideration.
  - i. Rep. Mayes Middleton (Galveston County) filed similar versions of legislation to require TWIA to locate its headquarters in a Tier One or Tier Two coastal county in each of the three special sessions.
  - ii. In the third special session, a bill filed by Rep. Todd Hunter (Nueces County) would have the Insurance Commissioner set TWIA rates.
- c) House Insurance Committee Hearing: The House Insurance Committee held a hearing on August 30 on the Board's vote to file a 5% rate increase for the Association's annual required rate filing and TWIA's preparedness for the 2021 hurricane season. Several coastal legislators who are not members of the Committee also participated in the hearing, including Rep. Todd Hunter, Rep. Geanie Morrison, Rep. Briscoe Cain, Rep. J.M. Lozano, and Rep. Ed Thompson. Jim Murphy and Jennifer Armstrong testified on TWIA's behalf.
- d) TDI Activities: On September 7, Governor Abbott appointed Cassie Brown to be Commissioner of Insurance for a term running through February 1, 2023. TDI took the following actions affecting TWIA during the third quarter:
  - i. *Member Assessments Year:* On August 4, the Department published an informal working draft rule to change the year used to calculate TWIA member insurers' share of assessments from a Calendar Year to a Catastrophe Year basis. The public comment period for this informal work draft rule ended September 3.

- ii. *Credit for Reinsurance:* On August 11, the Department proposed an amended rule to adopt the National Association of Insurance Commissioners model regulations for credit for reinsurance. This amended rule would implement House Bill 1689, enacted earlier this year. The new law may increase the number of companies eligible to offer reinsurance to TWIA.
  - iii. *Agency Branch Locations:* On July 12, the Department published changes to agent and adjuster license requirements in House Bill 4030, enacted earlier this year. In addition to license requirements, the bill no longer requires companies to report and register each agency branch location with TDI, which impacts TWIA's agent registration process. TWIA implemented systems changes to adapt to this change in TDI processes.
  - iv. *Plan of Operation:* On August 27, the Department published a proposed revision to TWIA's Plan of Operation by adding references required by House Bill 769. After a public comment period, TDI announced the adoption of the revision on November 11. This change is separate from the ongoing TDI project to update the entire Plan of Operation.
  - v. *Maximum Liability Limits Filings:* TDI modified TWIA's annual filing for maximum limits of liability, rejecting all proposed increases except the one for mobile homes. The agency solicited public comment and held a public hearing on the filing on September 28. TDI did not receive written or verbal comments on the filing. The Insurance Commissioner issued an order approving the filing as modified on October 6.
  - vi. *Other Filings:* The endorsement form filings approved by the Board at the August meeting (TWIA 311, TWIA 321, TWIA 331, TWIA 419, and TWIA 810) remain under review by TDI.
- e) Stakeholder Meetings: TWIA staff met virtually with key coastal legislators and staff in July to discuss bills passed during the regular legislative session and TWIA's annual rate filing. *An exhibit listing the meetings with legislators is enclosed.*
- i. TWIA staff met with the Office of Public Insurance Counsel (OPIC) on September 27 to discuss issues legislators raised at the August 30 meeting of the House Insurance Committee. These included TWIA's public comment process and expense ratio compared to similar organizations. OPIC's new actuary will produce an analysis of TWIA's expense ratio in response to the Committee's request. TWIA provided OPIC with additional data to support this review.
- f) Stakeholder Inquiries: From July 1 through September 30, 2021, we received and responded to 17 legislative and 10 coastal/industry stakeholder inquiries (three from policyholders, two each from USAA and TDI, and one each from the Texas General Land Office, Insurance Council of Texas, and Independent Insurance Agents of Texas).
- g) Operational Updates: We continue to provide regular operational email updates to the Board, the Texas Department of Insurance (TDI), legislative staff, and coastal elected officials and stakeholders.

## **II. Hurricane Preparedness & Coastal Outreach**

- a) In Q3 2021, Hurricanes Ida and Nicholas threatened the TWIA coverage area, with Nicholas directly impacting a portion of the Texas coast. As the pandemic continued to limit in-person outreach, we leveraged our digital channels to keep stakeholders informed about ways to prepare for hurricanes, options to report a claim, and the Association's response to these storms.
  - i. Before Hurricane Ida in August and Hurricane Nicholas in September, we communicated to agents about a potential policy moratorium and the best ways to help their clients secure coverage before one went into effect.
  - ii. In September, our Hurricane Nicholas outreach also included communications on how to report claims for storm damage. In response to questions from impacted communities, we sent agents a refresher on the Association's flood insurance requirement, clarifying that repairs do not trigger it. To address common questions about the claims process, we collaborated with the Claims team to plan and promote an October webinar for impacted policyholders.
  - iii. Throughout Q3 2021, we shared hurricane preparedness tips through announcements on the TWIA website, social media posts on Facebook and Nextdoor, email bulletins to stakeholders, and digital advertising in our coverage area. Our recommendations focused on the steps property owners can take before a storm to protect their property and prepare for a possible TWIA claim.
  - iv. To make information about the TWIA claims process more accessible, we created a Spanish-language version of the claim pamphlet "TWIA inspected my property. What's next?" Field adjusters distribute this pamphlet to policyholders during the property inspection process. It includes an overview of the TWIA claims process and answers common questions about it.

## **III. Media Relations**

- a) TWIA's media outreach activity in Q3 2021 was similar to the same quarter in the previous year, driven mainly by Board and Committee activity related to rates. Media coverage leading up to the rate decision was similar in tone to prior periods in which coverage was motivated by the rate process, with negative mentions constituting about a third of the coverage.
- b) Media coverage following the rate decision was less negative than in previous comparable periods. An op-ed praising the rate decision by Beamon Floyd of the Texas Coalition for Affordable Insurance Solutions partly drove this. Some coastal outlets also ran an op-ed by Rep. Todd Hunter, critical of TWIA during this period. Most reporting on the rate decision was neutral and incorporated TWIA's messaging. Overall, the volume of coverage was lower than in previous periods, leading up to and following the rate decision.
- c) In September, TWIA received largely positive and neutral coverage of its claims handling and assistance initiatives following Hurricane Nicholas, with only one negative story (related to



litigation). TWIA conducted tailored outreach to local media in areas impacted by Nicholas – specifically Galveston, Brazoria, and Matagorda counties.

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

- a) The Agent Advisory Group (AAG) met on October 7 for their final meeting of 2021. In addition to routine Underwriting and depopulation updates, we made the group aware of the Association's annual rate decision. We provided status updates on the RFI issued for vendors to collect secondary modifier data and the TDI form filings submitted in August. We also reported on Hurricane Nicholas claims and the Association's storm response, including the results of the recently held claims webinar and the claims assistance sites available in Galveston and Lake Jackson.
- b) Before the meeting, and in response to the Board's request, TWIA staff solicited input from the Agent Advisory Group (AAG) about the agents' experience with TWIA's policy application process and requirements. Staff delivered a high-level summary of the survey results at the meeting and listened to additional feedback from the AAG about their agencies' experiences with activities they perform that are unique to TWIA and the time it takes to submit TWIA applications compared to companion carrier and flood applications
- c) Staff undertook a review and update of the AAG Charter in Q3 2021. The changes to the charter better mirror the groups' current processes and activities. Other changes made were designed to add more transparency and diversity related to the initiative. At the October meeting, we reviewed the charter changes with the AAG and distributed the charter for signatures this month.



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

## Legislative Implementation Program

*Provision Status as of November 17, 2021*

House Bill 769			
Legislative Change	Effective Date	TWIA Status	TDI Status
<b>Board Vacancy on Rate Vote</b>	September 1, 2021	In Compliance	Complete
<p><i>Sec. 1. TWIA Board is prohibited from voting on a proposed rate increase if there is a Board vacancy of more than 60 days.</i></p> <ul style="list-style-type: none"> <li>• TWIA staff briefed the Board on statutory changes to the ratemaking process at the August 2021 Board meeting and has updated the Board Training Manual to reflect these changes.</li> <li>• TDI adopted changes to TWIA's Plan of Operation on 11/12/2021 to implement this provision.</li> </ul>			
<b>Reinsurance Purchase Requirements</b>	September 1, 2021	Pending	Complete
<p><i>Sec. 2, 3. TWIA is prohibited from purchasing reinsurance from an insurer or broker that obtains the catastrophe modeling TWIA uses to determine the probable maximum loss or make rate decisions.</i></p> <ul style="list-style-type: none"> <li>• The Actuarial &amp; Underwriting Committee has recommended vendors for Board approval to provide reinsurance broker and catastrophe modeling services for the 2022 storm season.</li> <li>• TDI adopted changes to TWIA's Plan of Operation on 11/12/2021 to implement this provision.</li> </ul>			

House Bill 2920			
Legislative Change	Effective Date	TWIA Status	TDI Status
<b>Premium Payment Grace Period</b>	September 1, 2021	Pending	Pending
<p><i>Sec. 1. By June 2022 TDI must draft rules, with advice from TWIA, establishing a grace period of not more than 10 days after the due date for the receipt of payment of premium for the renewal of a policy.</i></p> <ul style="list-style-type: none"> <li>• TWIA plans to implement this provision as part of the Project Elevate systems upgrade launching April 2022.</li> <li>• Staff is currently discussing with TDI how the project timeline will work with TDI's June 2022 deadline to publish rules permitting the grace period.</li> </ul>			



## Legislative Implementation Program

*Provision Status as of November 17, 2021*

House Bill 3564			
Legislative Change	Effective Date	TWIA Status	TDI Status
<b>Windstorm Certificate of Compliance Recension</b>	June 14, 2021	N/A	Complete
<p><i>Sec. 1, 2. TDI may no longer rescind a certificate of compliance after it has been issued. Applies only to certificates issued on or after effective date of Act.</i></p> <ul style="list-style-type: none"> <li>• Makes no changes to TWIA's processes.</li> <li>• TDI has developed administrative alternatives to allow for corrections of faulty certificates of compliance.</li> </ul>			

Senate Bill 1448			
Legislative Change	Effective Date	TWIA Status	TDI Status
<b>Commissioner Approval of Rate Increases</b>	September 1, 2021	In Compliance	Pending
<p><i>Sec. 1, 2. Requires annual and non-annual filings for a rate greater than the rate in effect on the filing date be approved by the Insurance Commissioner.</i></p> <ul style="list-style-type: none"> <li>• Previously, TWIA could "file and use" a rate increase of up to 5%.</li> <li>• TWIA staff briefed the Board on statutory changes to the ratemaking process at the August 2021 Board meeting and has updated the Board Training Manual to reflect these changes.</li> </ul>			
<b>Two-Thirds Vote for Rate Increase</b>	September 1, 2021	In Compliance	N/A
<p><i>Sec. 1, 2. Requires a two-thirds vote of the TWIA Board to raise rates on annual or non-annual rate filings.</i></p> <ul style="list-style-type: none"> <li>• TWIA staff briefed the Board on statutory changes to the ratemaking process at the August 2021 Board meeting and has updated the Board Training Manual to reflect these changes.</li> </ul>			
<b>Funding &amp; Structure Study</b>	September 1, 2021	Pending	N/A
<p><i>Sec. 3. Permits the Windstorm Insurance Legislative Oversight Board to study TWIA funding and structure issues and issue a report to the Legislature due November 15, 2022.</i></p> <ul style="list-style-type: none"> <li>• TWIA is prepared to assist the Legislative Oversight Board in its deliberations.</li> </ul>			
<b>TWIA/TFPA Merger Study</b>	September 1, 2021	Pending	N/A
<p><i>Sec. 4. Extends deadline to January 1, 2023 for the Windstorm Insurance Legislative Oversight Board to evaluate a merger of TWIA and TFPA and produce a report to the Legislature.</i></p> <ul style="list-style-type: none"> <li>• TWIA is prepared to assist the Legislative Oversight Board in its deliberations.</li> </ul>			



## Q3 2021 Legislative & Regulatory Meetings

Legislative / Regulatory Office	Staff Member	TWIA Staff	Purpose
<b>July 2021</b>			
Sen. Larry Taylor	Sen. Taylor, Cari Christman	Chandra Franklin- Womack, John Polak, Jennifer Armstrong & David Durden	Met with Senator and staff to discuss passed legislation in session and upcoming Board meetings.
Rep. Todd Hunter	Rep. Hunter	John Polak, Jennifer Armstrong & David Durden	Met with Representative to discuss upcoming Committee and Board meetings related to rate decisions.
Rep. Todd Hunter	Rep. Hunter, Angelica Flores	John Polak, Jennifer Armstrong & David Durden	Met with Representative and staff to discuss upcoming Board meeting and rate decision.
<b>Attending Legislators &amp; Staff:</b> <ul style="list-style-type: none"><li>• Rep. Tom Oliverson</li><li>• Rep. Geanie Morrison</li><li>• Cari Christman (Sen. Taylor)</li><li>• Anna Alicia Romero (Sen. Menendez)</li><li>• Grant McLoughlin (Sen. Kolkhorst)</li><li>• Luis Moreno (Sen. Hinojosa)</li><li>• Danny Mittnacht (Speaker Phelan)</li><li>• Scot Crownover (House Insurance Cmte)</li><li>• Miguel Liscano (Rep. Herrero)</li><li>• Andrew Herrell (Rep. Middleton)</li><li>• Eiman Siddiqui (Rep. Oliverson)</li></ul>		Jennifer Armstrong, David Durden, Denise Larzalere, David Williams, Jerry Fadden, Stuart Harbour & Anna Stafford	Invited legislators and legislative staff to the Q2 2021 TWIA Board Meeting Materials Briefing, focusing on those agenda items of expected interest to staff and legislators: 2021 rate filing, policy endorsements and Rate Manual filings, 2021 hurricane season funding, reinsurance broker selection process.
<b>August 2021</b>			
None.			
<b>September 2021</b>			
OPIC	Melissa Hamilton, Kimberly Donovan, David Bolduc, Melissa Heggen, Riki Lee Burhans	Jennifer Armstrong, David Durden, Jim Murphy, Stuart Harbour & Anna Stafford	Met with OPIC staff to discuss TWIA Board/committee meeting public comment process and determining expense ratio compared to industry.

## 13D. Lease and Building Project



TEXAS WINDSTORM  
INSURANCE ASSOCIATION



TEXAS FAIR PLAN  
ASSOCIATION

# Lease Expense Authorization

December 8, 2021

TWIA Board Meeting

# Lease and Building Project Overview

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- The Associations' existing building lease expires December 31, 2022, and requires notification to the current landlord by December 27, 2021, in order to retain the right to renew.
- The expiring lease coupled with the COVID-19 pandemic provided the Association with an opportunity to evaluate business needs, successfully migrate to a hybrid work environment of remote workers and in-office staff and reduce the office footprint.
- The Association contracted with Cushman & Wakefield to serve as the real estate broker and help us align our business goals with our real estate footprint while maximizing market leverage.
- Cushman & Wakefield is also providing strategic consulting services including return to the office strategies, optimal office location search, property and project negotiation, and potential office reconfiguration and redesign criteria.

# Property Search and Market Analysis

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- To determine the required square footage for the hybrid environment, the Association worked with Cushman and Wakefield to conduct space needs assessments.
- Additional surveys were conducted to determine detailed space needs by department and assess employee and management sentiment.
- Based on the data collected Cushman and Wakefield surveyed the market and identified 42 properties.
- The list of properties was narrowed to 7 for property tours which resulted in 5 Requests for Proposals.
- After review of the submitted proposals, the list was further narrowed to 4 properties.
- The Association has selected a property based on economics and location and is prepared to enter final lease negotiations.

# Selected Property

- Moving to the selected property will reduce the Association's square footage by 21,194 square feet
- The Association's annual lease expense will be reduced by \$508,342
- For 2022, there will be an out-of-pocket expense of \$460,000 to cover expenses related to the move (e.g., generator move, phone and data cabling, building security system, etc.)
- A portion of the expense, \$299,000 will be included in the TWIA budget with \$161,000 allocated to the TFPA budget.

<i><b>Descriptions</b></i>	<i><b>Current Lease</b></i>	<i><b>Recommended</b></i>
Rentable Square Feet	52,650	31,456
Term (10 Years) Total Rent	Term Ends December 31, 2022	\$14,785,154
Average Annual Cost of Occupancy	\$1,881,711	\$1,373,369
Average Annual Costs per PSF including *Operating Expenses	\$35.74	\$43.66
	<b>2011 Rate for 10 Year Lease</b>	

*\*Operating Expenses (common area maintenance, taxes, insurance, and shared spaces utilities)*

# Expense Authorization

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- Board authorization is requested for the General Manager to incur the expenses associated with the lease and move.
- The goal is to fully execute a new lease by the December 27, 2021 “right to renew” notification deadline with the existing landlord. The urgency of this date is impacted by several factors:
  - If the Association does not notify the current Landlord by December 27, the first rights of renewal are lost.
  - The association will be in competition with everyone else interested in the current space which may result in losing negotiation leverage and worse terms.
  - Delays in lease signing could result in increased project expenses due to the time required for building permits, constructional materials shortages and other supply chain issues.
  - At least a full year is needed from the date the lease is signed for construction, installation and moving.

## 13E. Review and Approval of 2022 Budget

# Texas Windstorm Insurance Association

2022 Budget Summary to  
Board of Directors  
December 7, 2021



# 2021 Forecasted Income Statement w/ reconciliation to Workshop

(000's)

2

		A	B	C	D	
		For the twelve months ended December 31,		October Budget Workshop	Change	
		Forecast - 2021	Budget - 2021	Forecast - 2021	Forecast 2021	
Premiums Written:						
1	Direct	\$392,054	\$372,252	\$389,067	\$2,987	1
2	Ceded	(102,064)	(114,813)	(100,064)	(2,000)	2
3	Ceded - Depopulation	0	0	0	0	3
4	Net	289,990	257,439	289,004	987	4
Premiums Earned:						
5	Direct	\$377,740	\$369,475	\$377,227	\$513	5
6	Ceded	(102,064)	(114,813)	(100,064)	(2,000)	6
7	Ceded - Depopulation	0	0	0	0	7
8	Net	275,677	254,662	277,163	(1,487)	8
Deductions:						
10	Losses and LAE Incurred	45,391	62,987	3,822	41,569	10
11	Losses and LAE Incurred - Harvey	(20,000)	0	(20,000)	(0)	11
12	Ceded Losses and LAE Incurred - Depopulation	21	0	61	(40)	12
13	Operating Expenses	27,383	31,313	28,296	(913)	13
14	Commission Expense	62,674	59,560	62,223	450	14
15	Ceding commissions / brokerage	(2,371)	(3,690)	(2,171)	(200)	15
16	Ceding commissions / brokerage - Depopulation	0	0	0	0	16
17	Premium / Maintenance Tax	7,282	6,924	7,236	47	17
18	Total Deductions	120,379	157,093	79,466	40,913	18
19						19
20	Net Underwriting Gain or (Loss)	155,298	97,568	197,697	(42,399)	20
Other Income or (Expense):						
21	Gross Investment Income and Other	(2,039)	(2,849)	(2,090)	51	21
22	CRTF Funds Received	0	0	0	0	22
23	Member Assessment Income	0	0	0	0	23
24	Interest Expense on Debt	(16,673)	(16,673)	(16,673)	0	24
25	Total Other Income or (Expense)	(18,712)	(19,522)	(18,763)	51	25
26						26
27	Net Income (Loss)	\$136,585	\$78,047	\$178,934	(\$42,348)	27
28						28

**Note: Forecast (Col A) now reflects January to October 2021 actual amounts and estimates for November & December**

**Slightly higher premiums than previous forecast. Reinsurance ceded premiums reflect expected true-up of Total Insured Value (TIV) at 11/30/2021**

**Losses and LAE updated for Hurricane Nicholas previously discussed at budget workshop.**

**Operating expenses decline \$913,000 from previous estimate for year end 2021.**

**Net Income declines by \$42 million from previous estimate due to Hurricane Nicholas.**

# 2021 Revised Forecast – Expense Summary

## (000's)

	A	B	C	D	E	F
		Revised Forecast - 2021	Approved Budget - 2021	Variance - 2021	October Budget Workshop Forecast - 2021	Change Forecast 2021
Personnel Expenses						
1 Salaries & Wages - Permanent		13,782	14,149	(367)	13,622	160
2 Contractor & Temporary Help		12,289	10,349	1,939	9,851	2,438
3 Payroll Taxes		994	1,081	(87)	1,002	(8)
4 Employee Benefits		5,218	4,853	366	5,194	24
5 Recruiting, Training & Other		168	362	(194)	267	(99)
6 Subtotal		32,452	30,794	1,657	29,937	2,515
Professional & Consulting Services						
9 Legal		512	643	(132)	507	4
10 Accounting & Auditing		265	273	(8)	272	(6)
11 Information Technology		5,582	6,372	(790)	5,583	(1)
12 Actuarial Services		89	290	(201)	39	50
13 Ombudsman Program		110	125	(15)	110	0
14 Surveys & Inspections		1,283	1,353	(70)	1,313	(30)
15 Disaster Recovery Services		228	325	(97)	261	(33)
16 Other Services		4,438	4,046	392	4,205	234
17 Subtotal		12,507	13,428	(921)	12,289	217
Hardware/Software Purchases & Licensing		3,272	3,752	(480)	3,379	(107)
20 Rental & Maintenance - Office/Equipment		1,247	1,305	(58)	1,279	(32)
21 Travel Expenses		80	229	(149)	144	(64)
22 Postage, Telephone and Express		892	919	(27)	907	(15)
23 Capital Management Expenses		15	24	(9)	15	(0)
24 Depreciation		28	28	(0)	28	(0)
25 Other Operating Expenses		1,315	1,340	(25)	1,202	113
26 Total Operating Expenses		51,808	51,820	(12)	49,181	2,627
Capitalization of Fixed Assets		(9,152)	(8,383)	(769)	(8,544)	(608)
Reimbursement of Depopulation Servicing						
29 Expenses		(16)	(23)	7	(16)	0
30 Allocation To ULAE		(14,976)	(11,786)	(3,190)	(12,028)	(2,948)
31 Allocation To Investing		(281)	(315)	34	(297)	16
32 Net Operating Expense - UW Operations		27,383	31,313	(3,930)	28,296	(913)

Claims staffing increase for remainder of 2021  
2021 Claims examiners attributable to Hurricane  
Nicholas.

Claims weather reports for Hurricane Nicholas

Increased projection for ISO, TICO and general  
insurance expenses for 2021

Net operating expense declined \$913,000 below  
October budget workshop estimate.

# 2022 Budget - Income Statement w/ reconciliation to Workshop

(000's)

	A	B	C	
	Budget - 2022	October Budget Workshop Budget - 2022	Change Budget 2022	
<b>Premiums Written:</b>				
1 Direct	\$429,521	\$419,138	\$10,383	1
2 Ceded	(102,064)	(105,248)	3,185	2
3 Ceded - Depopulation	0	0	0	3
4 Net	327,457	313,890	13,568	4
<b>Premiums Earned:</b>				
5 Direct	\$410,923	\$405,413	\$5,510	5
6 Ceded	(102,064)	(105,248)	3,185	6
7 Ceded - Depopulation	0	0	0	7
8 Net	308,859	300,165	8,695	8
<b>Deductions:</b>				
10 Losses and LAE Incurred	69,187	68,530	657	10
11 Losses and LAE Incurred - Harvey	0	0	0	11
12 Ceded Losses and LAE Incurred - Depopulation	0	0	0	12
13 Operating Expenses	33,711	33,174	537	13
14 Commission Expense	68,723	67,062	1,661	14
15 Ceding commissions / brokerage	(2,365)	(2,277)	(88)	15
16 Ceding commissions / brokerage - Depopulation	0	0	0	16
17 Premium / Maintenance Tax	7,989	7,796	193	17
18 Total Deductions	177,246	174,285	2,961	18
19				19
20 Net Underwriting Gain or (Loss)	131,614	125,880	5,734	20
<b>Other Income or (Expense):</b>				
21 Gross Investment Income and Other	(2,228)	(2,236)	7	21
22 CRTF Funds Received	0	0	0	22
23 Member Assessment Income	0	0	0	23
24 Interest Expense on Debt	(12,359)	(12,359)	0	24
25 Total Other Income or (Expense)	(14,587)	(14,594)	7	25
26				26
27 Net Income (Loss)	\$117,027	\$111,286	\$5,741	27
28				28

Direct and earned premiums increased from impact of new rates effective 1/1/2022.

Ceded reinsurance premiums declined due to slight reduction in exposures from previous estimate.

Losses and LAE updated for new earned premium estimates.

Operating expenses increased by \$537,000. Separate detail provided.

Commissions and premium taxes updated for change in written premium budget.

Increase in budgeted net income from \$111 million to \$117 million for 2022.

# 2022 Budget – Expense Summary (000's)

A		B	C	D
		Budget - 2022	October Budget Workshop Budget - 2022	Change Budget 2022
Personnel Expenses				
1	Salaries & Wages - Permanent	14,184	14,217	(32)
2	Contractor & Temporary Help	12,342	8,375	3,967
3	Payroll Taxes	1,078	1,004	74
4	Employee Benefits	4,967	4,982	(16)
5	Recruiting, Training & Other	327	327	(0)
6	Subtotal	32,899	28,906	3,993
Professional & Consulting Services				
8	Legal	540	540	0
9	Accounting & Auditing	312	266	46
10	Information Technology	3,092	3,092	0
11	Actuarial Services	39	39	0
12	Ombudsman Program	112	112	0
13	Surveys & Inspections	1,328	1,328	0
14	Disaster Recovery Services	257	230	27
15	Other Services	4,249	4,249	0
16	Subtotal	9,928	9,855	73
Hardware/Software Purchases & Licensing				
18	Rental & Maintenance - Office/Equipment	4,099	4,027	73
19	Travel Expenses	1,617	1,318	299
20	Postage, Telephone and Express	262	262	0
21	Capital Management Expenses	916	916	0
22	Depreciation	14	14	0
23	Other Operating Expenses	2,109	2,109	0
24	Total Operating Expenses	1,546	1,546	0
25	Capitalization of Fixed Assets	53,391	48,953	4,437
26	Reimbursement of Depopulation Servicing Expenses	(2,489)	(2,489)	0
27	Allocation To ULAE	(15)	(15)	0
28	Allocation To Investing	(16,841)	(12,941)	(3,900)
29	Net Operating Expense - UW Operations	(335)	(335)	0
30		33,711	33,174	537

Claims examiners for Hurricane Nicholas and short -term contractor in Communications & Legislative Affairs

Professional Services associated with initial implementation of budgeting, forecasting & financial reporting software

Colocation of Austin data center

Budgeting & reporting software, IT Avaya maintenance & upgrade  
Projected relocation expense

Increase in 2022 gross budgeted expenses from previous version

Increase in 2022 net budgeted expenses from previous version

# 2022 Budget – Surplus and Key Ratios

(000's)

	A	B	C	D	
		For the twelve months ended December 31, Budget - 2022	October Budget Workshop Budget - 2022	Change Budget 2022	
1	<b>Surplus (Deficit) Account:</b>				1
2	Beginning Surplus (Deficit)	(99,242)	(98,342)	(901)	2
3	Net Income (Loss)	117,027	111,286	5,741	3
4	Principal Funded on Class 1 Bonds (net)	0	0	0	4
5	Change in nonadmitted assets - Other	(647)	1,713	(2,359)	5
6	Other	0	0	0	6
7	Statutory Fund Cost	(62,627)	(56,886)	(5,741)	7
8	Ending Surplus (Deficit)	(\$45,489)	(\$42,229)	(\$3,260)	8
9					9
10	<b>Key Operating Ratios:</b>				10
11	Direct:				11
12	Loss & LAE Ratio	16.8%	16.9%	-0.1%	12
13	UW Expense Ratio:				13
14	Acquisition	17.9%	17.9%	0.0%	14
15	Non Acquisition	8.2%	8.2%	0.0%	15
16	UW Expense Ratio	26.1%	26.0%	0.0%	16
17	Direct Combined Ratio	42.9%	42.9%	0.0%	17
18					18
19	Ending Balance in CRTF	254,779	297,219	(42,440)	19

# 2022 Budget – Final

(000's)

	A	B	C	D	
	For the twelve months ended December 31,				
	Forecast - 2021	Budget - 2021	Variance - 2021	Budget - 2022	
<b>Premiums Written:</b>					
1 Direct	\$392,054	\$372,252	\$19,802	\$429,521	1
2 Ceded	(102,064)	(114,813)	12,750	(102,064)	2
3 Ceded - Depopulation	0	0	0	0	3
4 Net	289,990	257,439	32,552	327,457	4
<b>Premiums Earned:</b>					
5 Direct	\$377,740	\$369,475	\$8,265	\$410,923	5
6 Ceded	(102,064)	(114,813)	12,750	(102,064)	6
7 Ceded - Depopulation	0	0	0	0	7
8 Net	275,677	254,662	21,015	308,859	8
<b>Deductions:</b>					
10 Losses and LAE Incurred	45,391	62,987	(17,596)	69,187	10
11 Losses and LAE Incurred - Harvey	(20,000)	0	(20,000)	0	11
12 Ceded Losses and LAE Incurred - Depopulation	21	0	21	0	12
13 Operating Expenses	27,383.0	31,313	(3,930)	33,711	13
14 Commission Expense	62,674	59,560	3,113	68,723	14
15 Ceding commissions / brokerage	(2,371)	(3,690)	1,319	(2,365)	15
16 Ceding commissions / brokerage - Depopulation	0	0	0	0	16
17 Premium / Maintenance Tax	7,282	6,924	358	7,989	17
18 Total Deductions	120,379	157,093	(36,714)	177,246	18
19 Net Underwriting Gain or (Loss)	155,298	97,568	57,729	131,614	19
<b>Other Income or (Expense):</b>					
20 Gross Investment Income and Other	(2,039)	(2,849)	809	(2,228)	20
21 CRTF Funds Received	0	0	0	0	21
22 Member Assessment Income	0	0	0	0	22
23 Interest Expense on Debt	(16,673)	(16,673)	0	(12,359)	23
24 Total Other Income or (Expense)	(18,712)	(19,522)	809	(14,587)	24
25 Net Income (Loss)	\$136,585	\$78,047	\$58,539	\$117,027	25

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# Questions

## 13F. Performance Evaluation of General Manager

There is no exhibit for this topic

## 17. Future Meetings

February 22, 2022 – Hyatt Regency

Austin (or Coastal Location)

May 17, 2022 – Hyatt Regency

Austin (or Coastal Location)

August 2022 – TBD