

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

February 22, 2022

Tremont House

2300 Ships Mechanic Row

Galveston, TX 77550

9:00 a.m.



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Interested parties can listen to the meeting live by going to www.twia.org.
Go to "About Us/Board Meetings" and access the video conferencing website with
instructions available on www.twia.org.

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

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

1. Call to Order 5 minutes
 - A. Welcoming Remarks – *Chandra Franklin Womack*
 - B. Anti-Trust Statement and Conflict of Interest Disclosure – *Counsel*
 - C. Meeting Format Information – *Anna Stafford*
2. Approve the Minutes from Prior Board of Directors' Meetings 5 minutes
– *Chandra Franklin Womack* – **Action/Vote Likely***
3. Election of Officers – *Chandra Franklin Womack* – **Action/Vote Likely*** 10 minutes
4. Public Comment 30 minutes
5. TWIA Operational Highlights – *John Polak* 5 minutes
6. 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 Redemption of Remaining 2014 Class 1 Bonds – **Action/Vote Likely***
7. Actuarial – *Jim Murphy* 60 minutes
 - A. Reserve Adequacy
 - B. Policy Count/Exposures
 - C. Appointment of Actuary and Qualification Documentation – **Action/Vote Likely***
 - D. 2022 Funding; Including Aon Modeling Update and Reinsurance – **Action/Vote Likely***

8. Internal Audit Status & Update – <i>Bruce Zaret – Weaver</i>	<i>15 minutes</i>
9. Underwriting – <i>Jessica Crass</i>	<i>10 minutes</i>
A. Operational Review Update	
B. Depopulation	
10. Claims	<i>20 minutes</i>
A. Claims Operations – Overview – <i>Dave Williams</i>	
B. Litigation Summary – <i>David Durden</i>	
11. TWIA Operations	<i>30 minutes</i>
A. IT Systems Update – <i>Camron Malik</i>	
B. ELEVATE Status – <i>Jennifer Armstrong/Camron Malik</i>	
C. Wellington 10-Pay Update – <i>Stuart Harbour</i>	
D. Communications Update – <i>Jennifer Armstrong</i>	
12. Closed Session (Board Only)	<i>60 minutes</i>
A. Personnel Issues	
B. Legal Advice	
13. Matters Deliberated in Closed Session That May Require Action, if any, of the Board of Directors – Action/Vote Likely*	<i>5 minutes</i>
14. Committees; Including Filling Actuarial & Underwriting Committee Vacancy(ies) – <i>Chandra Franklin Womack</i> – Action/Vote Likely*	<i>20 minutes</i>
15. Future Meetings – <i>John Polak</i>	<i>5 minutes</i>
• May 17, 2022 – Hyatt Regency Austin/Webinar	
• August 2022 – TBD	
16. Adjourn	
Estimated Total Length of Meeting	5 hours 00 minutes

1. Anti-Trust Statement

ANTI-TRUST COMPLIANCE STATEMENT

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

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

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

Texas Windstorm Insurance Association

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.

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2. Approve the Minutes



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

Omni Hotel
900 North Shoreline Blvd.
Corpus Christi, TX

December 7, 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. | Stuart Harbour, Interim CFO | TWIA |
| 3. | Dave Williams, VP Claims | TWIA |
| 4. | David Durden, VP Legal | TWIA |
| 5. | Denise Larzalere, VP Underwriting | TWIA |
| 6. | Jennifer Armstrong, VP Communications
and Legislative Affairs | TWIA |
| 7. | JD Lester, VP Human Resources | TWIA |
| 8. | Jim Murphy, Chief Actuary | TWIA |
| 9. | Amy Koehl, Senior Project Administrator | TWIA |
| 10. | Kristina Donley, Sr. Instructional Designer | TWIA |
| 11. | Camron Malik, Chief Information Officer | TWIA |
| 12. | Mike Perkins, Association Counsel | Perkins Law Group PLLC |

The Following Guests were Present:

- | | | |
|----|-----------------|---------|
| 1. | Debbie King | AmTrust |
| 2. | Dan Dick | Aon |
| 3. | Daniel Schwietz | Aon |
| 4. | Bruce Zaret | Weaver |

The Following In Person Attendees Were Present:

- | | |
|---------------------|----------------------|
| 1. Chris Alvarado | 24. Rep. Todd Hunter |
| 2. Maximus Anderson | 25. Kevin Lassahn |
| 3. Libby Averyt | 26. Rosie Lopez |

4. Gustavo Barrea
5. Judge Barbara Canalas
6. Ed Cantu
7. Carlos Carrillo
8. Curtis Clark
9. Ginny Cross
10. Tammy Embry
11. Adrianna Escamille
12. Angie Flores
13. Tara Gallaspy
14. Reba Gandara
15. Benjamin Garcia
16. Matt Garcia
17. Jane Gimler
18. Cindie Gonzalez
19. Elke Gonzalez
20. Johnathon Gonzalez
21. Oscar Gonzalez
22. Art Granado
23. Maria Herrera

27. Elizabeth Lyons
28. Ruben Macias
29. Jose Marroquin
30. Aimee Masi
31. Ben Molina
32. Bobby Moran
33. Lucy Nix
34. Nelda Olivio
35. Esther Pokladnik
36. Savannah Polansky
37. Sylvia Ramirez
38. Julie Robinson
39. Susie Saldana
40. Michael Scheeh
41. Darcy Schroeder
42. Greg Smith
43. Frank Stover
44. Sarah Tindall
45. Roy Trevino
46. Eric Villarreal
47. Manual Villarreal

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

1. Stephen Alexander
2. Cory Anger
3. Marianne Baker
4. Sally Bakko
5. Randall Barrera
6. Luke Bellsnyder
7. Albert Betts
8. Jeffrey Blanchard
9. Lynn Blumenfeld
10. Laura Carr
11. Cynthia Carrasco
12. Allen Cashin
13. Alma Castillo
14. Tracey Cazalas
15. Caren Childers
16. Elizabeth Choate
17. Cari Christman
18. James Conroy
19. Matt Costa
20. Lou Cusano
21. Timothy Darragh

40. Phyllis Holcomb
41. W. Dennis Isaacs
42. Donna James-Spruce
43. Jeff Jones
44. Garry Kaufman
45. Kathy King
46. Shari Kirk
47. Xiuyu Li
48. Melisa Linder
49. Lee Loftis
50. Sen. Eddie Lucio Jr.
51. Laura Machado
52. Nick Manjarris
53. Doug May
54. Travis McDavid
55. Thomas Meehan
56. Richard Meister
57. Rep. Mayes Middleton
58. Jerry Mohn
59. Clyde Neal
60. Jade Nguyen

22. Tad Delk
 23. Bill Dubinsky
 24. Theresa Elliott
 25. Regan Ellmer
 26. Rachel Ernst
 27. Angela Fang
 28. Joshua Fields
 29. Beaman Floyd
 30. Matthew Forrester
 31. Ramiro Gamboa
 32. Carlos Garcia
 33. Andrea Gatlin
 34. Afton Gillard
 35. William Goldston
 36. Reba Griffith
 37. Melissa Heggen
 38. Jarrett Hill
 39. Sen. Juan Hinojosa

61. Nelda Olivo
 62. Alecia Ormsby
 63. Anne O'Ryan
 64. Diane Probst
 65. Kenisha Schuster
 66. Terrilyn Tarlton Shannon
 67. Aaron Taylor
 68. Donna Testa
 69. Rep. Ed Thompson
 70. Paul Thurman
 71. Joey Walker
 72. David Weber
 73. Glenda Witman
 74. Lorraine Wolff
 75. Joe Woods
 76. Peggy Zahler
 77. Charlie Zahn

1. Call to Order: Ms. Franklin Womack called the meeting to order at 9:02 a.m. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Mr. Perkins presented the required conflict-of-interest disclosures on behalf of each board member. Ms. Donley reviewed the housekeeping items.
2. Approval of Minutes: The minutes from the August 3, 2021 meeting were reviewed. Ms. Neblett moved to approve the minutes as presented. Ms. Guard seconded the motion. The motion passed.
3. Public Comment: Ms. Armstrong reviewed the written public received ahead of the meeting. In person public comment was offered by Rep. Mayes Middleton, Sen. Juan Hinojosa, Rep. Ed Thompson, Garry Kaufman, Charlie Zahn, Sally Bakko, Lee Loftis, Terrilyn Tarlton Shannon, Clyde Neal, Travis McDavid, Joshua Fields, Peggy Zahler, Jerry Mohn, Sen. Eddie Lucio, Jr., Rep. Todd Hunter, Ben Molina, Judge Barbara Canales, Eric Villarreal, Susie Saldano, Bret Chesney.
4. November 23, 2021 Letter from Coastal Legislators Requesting TWIA Board Reverse Its August 2021 Rate Decision: Ms. Franklin Womack wanted to put this on the agenda due to the outpouring from legislators. She wanted to bring it back to the board members to see if there is any other information or discussion to be had. Ms. Neblett said the board heard persuasive arguments from the legislators, policyholders and local officials. She thinks the Association can go a long way in showing good intentions to work with the legislature. Ms. Neblett moved to rescind the rate increase. Mr. Garrett seconded the motion. Ms. Franklin Womack asked what the rate inadequacy was Willis Re came up with in their work. Mr. Murphy said 32% for residential and 42% for commercial.

Ms. Franklin Womack would like to get more guidance before tacking on rate increases. Mr. Perkins reiterated the motion: The board instructs TWIA staff to file with Texas Department of Insurance seeking approval to rescind the August 2021 rate filing and therefore rescind the 5% rate increase.

A roll call vote was taken.

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

The motion did not pass. Ms. Franklin Womack said hopefully a resolution can be found with the legislature in the coming months.

5. TWIA Operational Highlights: Mr. Polak reported staff responded to a large volume of claims received from Hurricane Nicholas while maintaining positive key performance metrics. The first-ever policyholder webinar was held to answer questions about the claims process. An in-person claims assistance site was set up in Galveston and Lake Jackson to serve impacted policyholders. Operating expenses for Q3 2021 remain below plan. The Association is slightly below goal to complete all strategic initiatives by the originally scheduled deadlines. Turnaround time and quality standards were exceeded on underwriting and claim service levels. Litigated claims and complaints remained below plan in Q3 2021.
6. Internal Audit:
 - A. Internal Audit Status Report: Current internal audit activities include reviews of corporate governance, cash management, a fraud risk assessment, a risk assessment and internal audit plan update, and reviews of premium taxes, actuarial functions and vendor management. Upcoming audits and activities include information security, business continuity of operations and the association's plan of operation.
 - B. Internal Audit Risk Assessment: Mr. Zaret reviewed the results of the risk assessment. An audit plan has been developed using the results of the risk assessment and considered risk trends, results of past audits, changes in the control environment, new software applications and other qualitative factors.
 - C. Fraud Risk Assessment: This material was sent to the board under a separate cover. The approach was to identify fraud schemes and make sure there were mitigation strategies or internal controls in place to address those risks. Weaver staff identified no areas lacking controls in place to appropriately address the risk.

7. Financial:

- A. Report of the Secretary/Treasurer: Ms. Morrison reviewed the Treasurer's Report. Ms. Morrison moved to approve the report. Mr. Walenta seconded the motion. The motion passed.
- B. Financial Statement Review by Staff: 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.

The TWIA 2021-2022 reinsurance program inceptioned on June 1. The gross cost associated with \$1.93 billion in coverage was \$100.1 million compared to a budgeted cost of \$114.8 million. This reflects an over rate online (ROL) of 5.2% compared to the 5.1% ROL for the 2020 program. The overage 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 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.

The one carrier (SafePoint) that signed up to participate in round five of depopulation (Weston elected to withdraw) selected approximately 32,000 policies for potential novation from TWIA. The agent 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.

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 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%.

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. 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 investment rates remain at extremely low levels. Interest expense on Class 1 bonds was on budget at \$13.0 million.

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.

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.

- C. Early Payoff/Redemption of 2014 Class 1 Public Securities: 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.

As the scheduled maturity date for the 2014 bonds is July 2024, staff is reviewing options in the near term: deposit \$68 million into the CRTF or use the \$68 million, existing debt reserve funds, and a bank loan to retire all 2014 bonds in early 2022. Ms. Franklin Womack moved to authorize and direct staff to move ahead with early retirement of the entire \$177 million in principal outstanding on the 2014 Class 1 bonds via the use of the following sources: the use of net gain from operations, debt reserve funds that are already on deposit, other available cash also already on deposit at the bank and cash flows and bank financing in accordance with the term sheet staff has reviewed from JP Morgan Chase with participation input from the public finance authority and input from Texas Department of Insurance to the extent necessary or required. If the staff

is unable, for whatever reason, to consummate that loan, staff is directed to use the entire 2021 net gain from operations to prepay the bonds. Ms. Neblett seconded the motion. The motion passed unanimously.

8. Agent Commission: Ms. Armstrong reviewed the agent commission study and the research her team conducted on the topic with critical stakeholders. Mr. Gerik said the board doesn't need to do anything at this time. He would like to see the board have a demonstration of what an agent has to go through to write a TWIA policy vs. a standard market policy. He thinks visualizing the steps help to know what has changed in the workflow process and the investments agents have to make in TWIA policies. Mr. Gerik believes that needs to happen after Elevate goes live. Ms. Neblett agreed.

After discussion, the board asked staff to add this item to the August board meeting agenda after user data becomes available. Mr. Walenta moved to table the agent commission item to the August meeting. Ms. Neblett seconded. The motion passed unanimously.

9. TWIA Actuarial and Underwriting Committee Recommendations:
 - A. Vendor Selection Regarding Broker RFP: Ms. King went through the outcome of the TWIA Actuarial and Underwriting Committee meeting and the decisions made. There were two candidates, Guy Carpenter and Willis Re. The committee voted to recommend Willis Re as the new reinsurance broker. The committee has spent time improving data quality for TWIA and that was a big driver for selecting Willis Re. The improvements in the data lead to \$12 million in savings for reinsurance. The committee voted to stick with the original recommendation to go with Willis Re. Mr. Walenta asked if Willis Re has the capabilities to place CAT bonds. Ms. King said they do. Mr. Gerik expressed his concern about the risk of changing brokers. Ms. Neblett moved that the board accept the recommendation of the TWIA Actuarial and Underwriting Committee and move forward with Willis Re/Gallagher Re as the Association's reinsurance broker for the coming year. Ms. Franklin Womack seconded the motion.

A roll call vote was taken.

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

The motion passed.

- B. Vendor Selection Regarding PML Consulting RFP: There was only one respondent to the RFP, Aon. They provided two options for their services. The first was for analytics for the reinsurance purchase and the analytics for rate making. Option one is \$600,000 annually and option two, which includes everything in option one plus creating a customized view of risk for TWIA, is an additional \$1 million. Mr. Walenta asked if the modeling could be done in house. Mr. Murphy said it could be done but Aon offers more analysis and insight into the results. Mr. Gerik thought there are other modelers that could do something similar to Aon. Did staff reach out to those companies? Ms. Neblett asked what the license costs were for AIR and RMS. Mr. Murphy said it was about \$100,000 for both. Ms. Neblett asked if it is possible to reissue the RFP and possibly get some names of other companies and make them aware this RFP is out there. Mr. Murphy said he believed there was enough time if that was what the board would like to do. Mr. Walenta moved to reject the recommendation of the TWIA Actuarial and Underwriting Committee, reopen the RFP process and get input on cost from staff to move the modeling internally. Mr. Gerik seconded the motion. Mr. Perkins reiterated the motion: The board moves to reject the committee's recommendation that the board accept the bid from Aon. Staff is instructed to take steps necessary to issue the request for proposals again. It will be similar or exactly the same as the one that was previously issued with one important exception, it will not have a best and final offer provision. Staff will review for the board its internal capabilities to perform modeling analysis. After some additional discussion, there was some confusion as to where the final motion landed. The chair would like the best and final offer provision removed from the RFP. Mr. Walenta would like some price flexibility remaining in the later stages of process even after a bidder has been selected. Mr. Perkins reiterated the motion again: Mr. Walenta has moved for the board to reject the TWIA Actuarial and Underwriting Committee's recommendation to accept the bid from Aon. The RFP will be reissued again along the same process course involving the TWIA Actuarial and Underwriting Committee with one change, removing the best and final offer provision. Staff will review their internal capabilities to perform modeling analysis. Mr. Gerik seconded the motion.

A roll call vote was taken.

Corise Morrison – Yes

Tony Schrader – connection lost, couldn't vote

Ron Walenta – Yes

Tim Garrett – Yes

Georgia Neblett – Yes

Karen Guard – Yes

Mike Gerik – Yes

The motion passed.

- C. TWIA Mitigation Credits: Mr. Murphy said the TWIA Actuarial and Underwriting Committee met to discuss the mitigation credits that are currently available and might be available in the future to policyholders. Currently there are two tiers of credits, building to the Windstorm Resistant Code and to the IBCIRC code. A preliminary analysis was done and it appears that the credits TWIA offers could be increased for new code compliance but that change would probably come at the cost of risks built only to satisfy the older codes. The committee declined to make a recommendation but did ask staff to focus on two areas, opening protections and introducing a new retrofit credit to roof upgrades. Staff was asked to also look into fortified homes.

10. 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 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 \$1.68 billion, 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 \$1.68 billion. This variability arises from the assumptions 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 the opinion of the senior actuary, the Association's reserves met the requirements of the insurance laws of Texas, were consistent with reserves

computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements.

- B. Policy Count/Exposures: Policy counts are going up but it varies by location.
- C. Status of Filings: Several filings were presented to the board earlier this year. The statutory limits filing made with TDI as required by statute was approved for manufactured homes. The other increased limits filings were rejected. Several other filings were made by the Association with TDI in connection with the Elevate project. They were eventually withdrawn to make some additional changes requested by TDI and will be refiled as necessary.

11. 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. This standard is being surpassed with over 98% of transactions processed within 10 days. Over 85% of applications/renewals were processed within one day.

Quality assurance results on underwriting decisions continue to exceed established goals. Telephone service response times and service quality scores continue to meet expectations. The department 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 third quarter of 2021 to verify compliance with the declination of coverage and flood insurance requirements. Of the sampled agencies, 75% have completed their responses. Staff are pursuing responses from the remaining agencies and escalating issues as necessary. Of the agents who have responded, 93% of policies renewed were compliant with the requirement for proof of declination of coverage and staff are working to bring the remaining agencies into compliance. 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. 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 five 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.

12. Claims:

- A. Claims Operations: First notice of loss to payment is 11.6 days. Claim volume to date in 2021 is 10,630. For Hurricane Nicholas, 22.40% of claims are closed. Total claims were 6,249 and current open claims are 4,851.
- B. Litigation Report: For the third quarter, TWIA received four new suits and closed 47. For claims with letters of representation, TWIA received 136 and closed 78. The majority of the suits are held by the Daly & Black law firm.

13. TWIA Operations:

- A. IT Systems Update: The TWIA Elevate program continues to make progress as development comes to a close and staff transitions to stabilization when quality assurance is complete. All projects of the program, which include policy, billing, claims, enterprise data warehouse, portals and data migration, are progressing well. Deployment is currently on track for April 2022.

The original cost benefit analysis projected \$5 million in IT expense reduction starting in 2023. Staff plans to accelerate some of the reduction in expenses to 2022 instead of waiting for 2023. The reduction attributable to Elevate in 2022 will be approximately \$1.8 million 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.

- B. Elevate Status: Mr. Polak provide an update on the Elevate program. The launch date is April 18. At an earlier meeting this year, the board asked staff to implement a 10-pay option. Staff met with the new Texas Department of Insurance Commissioner, Cassie Brown. She suggested potentially holding more board meetings on the coast as well as posting written public comments earlier. Staff is working to accelerate the 10-pay option before the April launch date. Staff was tasked to work with Wellington to get 10-pay options outside the premium finance environment until Elevate is launched.
- C. Communications Update: The Association remains on track for implementing applicable legislation passed during the regular session of the 87th Legislature. 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. From July 1 through September 30, 2021, staff received and responded to 17 legislative and 10 coastal/industry stakeholder inquiries. The Agent Advisory Group met on October 7 for their final meeting of 2021.
- D. Lease and Building Project: The Association's existing building lease expires on December 31, 2022 and requires notification to the current landlord by December 27, 2021 in order to retain the right to renew. A list of properties was narrowed down to seven for tours which resulted in five requests for proposal. After review of the submitted proposals, the list was further narrowed to four

properties. The Association has selected a property based on economics and location and is prepared to enter final lease negotiations. Ms. Franklin Womack asked if the legislature mandates TWIA move to a coastal location, can the lease be terminated. Ms. Lester said the space can be sublet and after seven years, the lease can be terminated. Ms. Franklin Womack asked if the current space could be reduced. Ms. Lester said reducing the current office space isn't as cost effective as moving to a new building. Ms. Morrison moved to go forward with the authorization for the move. Mr. Garrett seconded the motion. The motion passed.

- E. Review and Approval of 2022 Budget: Mr. Harbour reviewed the details of the 2022 budget. He noted the budget doesn't include the funds allocated to pay down the bond debt. Mr. Garrett moved to accept the budget as presented. Ms. Neblett seconded the motion. The motion passed.
- F. Performance Evaluation of General Manager: This item will be covered in closed session.

14. Closed Session: The meeting went into closed session at 3:29 pm. The session opened at 4:13 pm.

15. 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.

16. Committees: Mr. Walenta asked to table this item until the February meeting. Ms. Franklin Womack said she would like to keep it on the agenda. The TWIA Actuarial and Underwriting Committee lost a member recently, Marilyn Hamilton, and a new member needs to be appointed. Ms. King said she would like to see someone with technical or coastal insight, not necessarily an actuary. Garry Kaufman might be a good candidate. David Nardecchia or Travis McDavid is also possible. The board may want up to nine members on the committee. Mr. Walenta said this is a great opportunity as the chair, vice chair and secretary/treasurer are all members of the committee and he is uncomfortable that so many of the committee members are not on the board. Staff was asked to vet a list of potential candidates for the committee and bring them back for the February board meeting.

17. Future Meetings: A request has been made by the TDI Commissioner to hold more meetings in coastal locations. Mr. Gerik said he would like to continue to hold the May board meetings in Austin. Ms. Morrison moved to hold the May board meeting in Austin and the February meeting in a coastal location. Tim Garrett seconded the motion. The motion passed.

- February 22, 2022 – Coastal Location
- May 17, 2022 – Hyatt Regency Austin

18. Adjourn: The meeting adjourned at 4:38 p.m.

Prepared by: Amy Koehl
Senior Project Administrator

Approved by: Chandra Franklin Womack
TWIA Chair

Approved by: Georgia Neblett
TWIA Vice Chair

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

October 25, 2021

1. Call to Order: Chair Chandra Franklin Womack called the meeting to order at 10:32 am. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel and the required conflict of interest disclosures were made. Kristina Donley went over the housekeeping details for the meeting.

The Following Board Members Were Present:

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

Absent: Corise Morrison

The Following TWIA Staff and Counsel Were Present:

1.	John Polak, General Manager	TWIA
2.	Stuart Harbour, Interim CFO	TWIA
3.	David Durden, VP Legal	TWIA
4.	Denise Larzalere, VP Underwriting	TWIA
5.	JD Lester, VP of Human Resources	TWIA
6.	Camron Malik, Chief Information Officer	TWIA
7.	Jennifer Armstrong, VP Communications and Legislative Affairs	TWIA
8.	Jim Murphy, Chief Actuary	TWIA
9.	Amy Koehl, Sr. Project Administrator	TWIA
10.	Kristina Donley, Sr. Instructional Designer	TWIA
11.	Allen Fulkerson, Sr. Manager Accounting	TWIA
12.	Lance Cooke, Sr. Manager Claims	TWIA
13.	Clarisse Lilley, Sr. Manager Accounting	TWIA
14.	Mike Perkins, Association Counsel	Perkins Law Group

The Following Guests Were Present:

1.	John Ogle	PPIO Pension
2.	JP Neal	Willis Towers Watson

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

- | | |
|---------------------|----------------------|
| 1. Marianne Baker | 12. Reba Griffith |
| 2. Shirley Bowler | 13. Jeff Jones |
| 3. Ryan Brannan | 14. Lee Loftis |
| 4. Laura Carr | 15. Laura Machado |
| 5. Cari Christman | 16. Travis McDavid |
| 6. James Conroy | 17. Gerhard Meineke |
| 7. Elizabeth Choate | 18. Justin Proteau |
| 8. Rachel Ernst | 19. Terrilyn Tarlton |
| 9. Randall Evans | 20. Aaron Taylor |
| 10. Carlos Garcia | 21. Joey Walker |
| 11. Alicia Gerte | 22. Peggy Zahler |

2. Review and Approval of Minutes from Prior Meeting: Ms. Neblett moved to approve the minutes from the April 21, 2021 meeting. Mr. Garrett seconded the motion. The motion passed.
3. Public Comment: Public comment was offered by Gerhard Meinecke. There were no written public comments.
4. Review of the 2022 TWIA Budget: Mr. Polak stated the meeting was an opportunity to provide greater insight into budgetary items before the December board meeting when the budget is scheduled to be formally approved. This meeting will provide an opportunity to provide any direction the board wishes to staff in this regard. A review of the pension plan is also included in this meeting.

Mr. Harbour explained some key assumptions for the 2022 budget.

- The 5% rate increase filed in August 2021 scheduled to take effect on January 1, 2022 is currently not included.
- The number of policies in force is projected to increase from a projected 194,054 at December 31, 2021 to 204,211 at year end 2022, an increase of 10,157 policies (a 5.2% increase).
- Average limit per policy increases by 3.0%.
- Debt service: no optional redemption is budgeted to occur in 2022. Principal and interest to be paid are included as scheduled. The board could revise this based on 2021 hurricane season results.
- Employee merit increases are budgeted at 2.5%.
- Operating expenses are based on detailed departmental budgets at vendor level.
- Software capitalization: As the project development phase concludes, approximately \$15.6 million of external software development costs associated with Project Elevate will have been capitalized. Software capitalization will end as the system is deployed in April of 2022 and total capitalized costs begin to be amortized over 60 months. There is no

impact to surplus as capitalized amounts have been treated as non-admitted assets since 2020.

- Commissions: Budgeted at \$67.1 million using current rate of 16.0% for new and renewal policies.
- Premium taxes, licenses and other fees: 1.86%
- Investment yields: 0.05%
- \$500 million line of credit: assumed to be renewed on June 1, 2022 with same commitment and inception fees as 2021. (Down from 80m BPS in 2020 to 47.5 BPS in 2021 saving slightly over \$800,000)
- Excludes loss estimates for Hurricane Nicholas.

After a review of the budget details, Mr. Harbour opened the floor for questions.

Ms. Neblett asked if the increased policy count is coming from new construction or is it policies coming back to TWIA. Staff members will make a note and get back to her on that item. Mr. Walenta asked on the 2021 actual budget and the 2022 budget, regarding the average limit per policy, has staff adjusted anything to note that TDI declined the increase in values. Mr. Harbour said staff used actual limits all the way through and it reflects the increased cost of construction as well as the increased policy count and construction. It is more of an overall trend. Mr. Walenta said TWIA is paying excessive commissions. He asked if staff has evaluated what agents are doing to review commissions vs. the work being done by agents. Mr. Harbour said a team is working on this topic and an update will be provided at the next meeting. Staff is still in the early stages of the project. Ms. Neblett asked when the TWIA Expert Panel's final year was. Mr. Durden said it runs through April of 2022, then it goes to a year-to-year contract. It is an automatic renewal but it can be presented to the board before it renews. The board members asked that it be brought back to the board before it renews.

Mr. Harbour reviewed the defined pension plan. John Ogle, who is a named fiduciary on the TWIA pension plan weighted in with his experiences with pension plans. Ms. Franklin Womack asked about employee demographics, how many employees are currently utilizing the pension fund, who is in the pipeline and how is the Association planning for the future. JP Neal offered to follow up with the specific numbers for TWIA.

5. Adjourn: The meeting was adjourned at 12:05 pm.

Prepared by: Amy Koehl
Senior Project Administrator

Approved by: Chandra Franklin Womack
TWIA Chairman

Approved by: Georgia Neblett
TWIA Vice Chairman

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

February 2, 2022

1. Call to Order: Chair Chandra Franklin Womack called the meeting to order at 9:31 am. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel and the required conflict of interest disclosures were made. Anna Stafford went over the housekeeping details for the meeting.

The Following Board Members Were Present:

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

The Following TWIA Staff and Counsel Were Present:

- | | | |
|----|---|-------------------|
| 1. | John Polak, General Manager | TWIA |
| 2. | Stuart Harbour, Chief Financial Officer | TWIA |
| 3. | David Durden, VP Legal | TWIA |
| 4. | Jessica Crass, Interim VP Underwriting | TWIA |
| 5. | Jennifer Armstrong, VP Communications and Legislative Affairs | TWIA |
| 6. | Jim Murphy, Chief Actuary | |
| 7. | Amy Koehl, Senior Project Administrator | TWIA |
| 8. | Anna Stafford, Legislative and External Affairs Manager | TWIA |
| 9. | Mike Perkins, Association Counsel | Perkins Law Group |

The Following Guests Were Present:

- | | | |
|----|--------------|---------|
| 1. | Debbie King | AmTrust |
| 2. | James Conroy | Aon |

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

- | | |
|----------------------|----------------------|
| 1. Stephen Alexander | 15. Rep. Todd Hunter |
| 2. Marianne Baker | 16. W. Dennis Isaacs |
| 3. Luke Bellsnyder | 17. Cynthia Leathers |

4. Ryan Brannan
 5. Laura Carr
 6. Allen Cashin
 7. Cari Christman
 8. Ebony Cormier
 9. Tad Delk
 10. Dan Dick
 11. Angela Fang
 12. Alicia Gerte
 13. Melissa Heggen
 14. Julie Hejducek

18. Melisa Linder
 19. Laura Machado
 20. Elizabeth McBurney
 21. Richard Meister
 22. Rep. Mayes Middleton
 23. Kenisha Schuster
 24. Daniel Schwietz
 25. Terrilyn Tarlton Shannon
 26. Aaron Taylor
 27. Ed Thompson
 28. Peggy Zahler

2. Public Comment: Anna Stafford gave a review of the written public comments that were received. Rep. Todd Hunter, Rep. Mayes Middleton and Terrilyn Tarlton Shannon offered verbal public comment.
3. Presentation of TWIA Actuarial and Underwriting Committee Recommendation Regarding Catastrophe Modeling Analysis RFP Responses: Debbie King, Chair of the TWIA Actuarial and Underwriting Committee, gave an overview of the results of the last committee meeting. The committee recommends going with option 1 from Aon, which is the lower price point of their two options. Mr. Murphy explained the reissued RFP. It was issued on December 16, 2021 and was posted on the TWIA website and in the Texas Register. Media alerts were sent to reporters and newsrooms at over 20 insurance and financial publications. Staff proactively contacted seven different vendors who previously expressed interest or were referred to staff. Responses were received from Aon, Guy Carpenter and Verisk (AIR). Instead of hiring a vendor, the board could choose to rely on TWIA staff to work directly with the modeling companies to execute the catastrophe models and perform related analysis in house. Mr. Murphy explained that staff does not have expertise in analyzing catastrophe models that is comparable to the expertise the RFP respondents possess. Ms. Franklin Womack asked Mr. Murphy to recap the costs for both Aon and Guy Carpenter. Aon's option 1 was \$600,000 and Guy Carpenter's offer was \$850,000. Aon offered an additional option at a cost of \$1 million. Both Aon options would cost the association a total of \$1.6 million for the upcoming year.

Mr. Gerik stated he liked the idea of using both AIR and RMS for cost objectives but the results would need to be blended to get the ideal outcome. He wanted to confirm Aon's fee would be annual and if it was, he would have a hard time approving it. Ms. King said \$600,000 was an annual cost. The additional \$1 million would be a one-time fee. Ms. Morrison said she also had an issue with the ongoing costs. Mr. Murphy said the RFP is for a one-year term with an option to go beyond that time limit. He added that the board wasn't locked in to using a third party for any particular length of time. If the board would like to use Aon for one year and stop, staff can take over if necessary. Mr. Gerik said cost considerations need to be taken into account if Aon will part of this process going forward. Ms. Neblett said she liked the transparency Aon would bring to the process and thinks the cost could be negotiated in the future.

Mr. Walenta said the money to pay for this service is coming from policyholder funds. In his view, it would be more financially responsible to have staff take over the modeling execution and analysis work. Ms. Franklin Womack said staff can run the models but the problem is the analysis, blending the data and coming up with a custom model giving a unique view of where TWIA is at the moment. Ms. Guard asked if the right expertise exists internally or will there be a need to think about upgrading the talent to do the things the board is discussing. Ms. King said the analysis would need to be done every year as models change and data changes. She added that the committee considered moving the work in house but didn't view that as an attractive option. Ms. Neblett said the board struggles with the 1 in 100 and the blending of the two models. Aon will bring more data to the table for the board to consider.

Mr. Gerik said he had an issue with the renewal. He thinks there will be a need to go past one year and to leverage that renewal into something the board is comfortable with. Ms. Morrison believes there should be an option to renew, not a requirement, under terms acceptable to staff. James Conroy from Aon addressed the board. He thinks both parties are on the same page and Aon will be transparent on all their work but it is difficult to quote a price for work that is 12 months away. They can adjust the fees based on how much work they end up doing. Mr. Gerik asked if the deliveries for \$600,000 in year one are going to be the same in year two. Mr. Conroy said it isn't likely the deliverables will be the same for subsequent years after year one.

4. Consideration of Committee Recommendation Regarding Vendor Selection and Other Options Including Catastrophe Modeling Execution by TWIA Staff: Ms. Morrison moved to accept Aon for TWIA catastrophe modeling analysis for a 12-month term that would include an option to renew with duties, responsibilities, terms and pricing to be negotiated by staff for the renewal. Ms. Neblett seconded the motion.

Mr. Walenta wanted to make sure that TWIA will do the negotiating and that it is renewed at TWIA's option. Ms. Morrison said she could amend her motion to include those terms. She amended her motion; the board will accept Aon to conduct TWIA catastrophe modeling analysis for a 12-month term with TWIA's option to renew and duties, responsibilities, terms and pricing to be acceptably negotiated by staff for the renewal. Ms. Neblett seconded the amended motion.

The motion passed unanimously.

Ms. Franklin Womack asked if the board wanted to table Aon's part two option, which involves the development of a unique TWIA view of risk: essentially a TWIA-specific catastrophe model. Mr. Gerik said he wanted to see what comes of this first engagement. Mr. Murphy will make a recommendation regarding when the board should revisit this issue. Mr. Murphy said Aon is excited to get started but the board meeting is scheduled for 20 days from today which will not allow much time to produce results. TWIA's next deadline for action in response to Aon's work will be March 31, when outstanding catastrophe bonds reset for the coming year. The board agreed to schedule another

interim meeting in March to allow Aon more time to do their work. Ms. Franklin Womack asked staff to look into scheduling that meeting.

Ms. Morrison said the work that has been ongoing with TWIA staff, the board, the underwriting committee, the public comments, legislators and other stakeholders is notable. She would like to extend her appreciation to all parties involved. This work and the resulting decisions are important to TWIA policyholders and the organization. Ms. Franklin Womack seconded those statements and thanked everyone for their hard work.

6. Adjourn: The meeting was adjourned at 10:45 am.

Prepared by: Amy Koehl
Senior Project Administrator













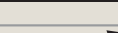

Approved by: Chandra Franklin Womack
TWIA Chairman

Approved by: Georgia Neblett
TWIA Vice Chairman

5. TWIA Operational Highlights

2021 TWIA Enterprise Scorecard

Reporting YTD as of December 31, 2021

	YTD	Trend	Goal	Δ	Performance
Operating Expense Ratio	7.3%		8.5%	-1.2%	
Net Income ¹	\$143.1 M		\$78.0 M	\$65.1 M	
Enterprise Projects	88%		90%	-3%	
Policy Administration	100%		90%	10%	
Claims Handling	92%		90%	2%	
Litigated Claims	0.03%		0.50%	-0.47%	
Complaints	54		70	-16	

Reference Data

Policies In-Force	193,002
Exposures In-Force	\$59.5 billion
Written Premiums YTD	\$395.1 million
Claims Received YTD	12,535
Losses Incurred YTD ²	\$65.0 million

² Excludes IBNR

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

Key Quarterly Activities

- In Q4 2021, operating expenses were well below plan and net income above plan.
- 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 Q4 2021.

6. Financial

6A. Report of the Secretary/Treasurer

6A1. Income Statement

6A2. Management Discussion and Analysis

1	TEXAS WINDSTORM INSURANCE ASSOCIATION	1
2	Statutory Income Statement - Treasurer's Report	2
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9	Direct Premiums Written	9
10		10
11	Premiums Earned:	11
12	Direct Premiums Earned	12
13	Ceded Reinsurance Premiums	13
14	Ceded Reinsurance Premiums - Depopulation	14
15	Net Premiums Earned	15
16		16
17	Deductions:	17
18	Direct Losses and LAE Incurred	18
19	Direct Losses and LAE Incurred - Harvey	19
20	Direct Losses and LAE Incurred - Ike & Dolly	20
21	Ceded Losses and LAE Incurred - Depopulation	21
22	Operating Expenses	22
23	Commission Expense	23
24	Ceding commissions / brokerage	24
25	Ceding commissions / brokerage - Depopulation	25
26	Premium / Maintenance Tax	26
27	Total Deductions	27
28		28
29	Net Underwriting Gain or (Loss)	29
30		30
31	Other Income or (Expense):	31
32	Gross Investment Income	32
33	CRTF Funds Received	33
34	Member Assessment Income	34
35	Interest Expense on Class 1 Bonds	35
36	Debt Issuance & Other Investment Expenses	36
37	Other	37
38	Total Other Income or (Expense)	38
39		39
40	Net Income (Loss)	40
41		41
42	Surplus (Deficit) Account:	42
43	Beginning Surplus (Deficit)	43
44	Net Income (Loss)	44
45	Change in Provision for Reinsurance	45
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47	Other	47
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Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results for the
Year ended December 31, 2021

Direct Written Premium:

- Direct written premiums for the year ended December 31, 2021 totaled \$395.1 million, which was \$25.5 million (6.9%) above the \$369.6 million for the same period in 2020. Direct written premium was \$22.9 million (6.1%) higher than the budgeted \$372.3 million.
- Policies in force as of December 31, 2021 of 193,002 were 9,325 (5.1%) higher than the budgeted number of 183,677.

Reinsurance Costs

- The TWIA 2021-2022 reinsurance program inceptioned on June 1st. The gross cost associated with the \$1.93 billion in coverage was \$102.1 million compared to a budgeted cost of \$114.8 million. This reflects an overall rate-on-line (ROL) of 5.3% 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 through December 2021 totaled \$378.5 million compared to \$369.2 million for the prior year (an increase of \$9.3 million or 2.5%).
- Direct premium earned was \$9.0 million higher than the budget of \$369.5 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 31,800 policies were removed leaving less than 200 policies for potential depopulation. Owners of the remaining policies now have until January 31, 2022 to 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 year ended December 31, 2021 totaled \$19.0 million which was \$44.0 million below the budget of \$63.0 million. The lower than budgeted losses reflect the 2021 reductions in the estimated ultimate losses and LAE for Hurricane Ike, Hurricane Harvey and the 2020 hurricane events, and a relatively mild 2021 spring storm season which combined to more than offset losses of approximately \$52 million from Hurricane Nicholas.
- TWIA reported a YTD direct loss & LAE ratio of 5.0% compared to the budgeted 17.0%.
- The ultimate loss and loss adjustment expense estimate for Hurricane Harvey now stands at \$1.67 billion.

Operating Expenses:

- Operating expenses for the year ended December 31, 2021 of \$27.5 million were below budget by \$3.8 million (12.1%).
- Notable expense items under budget include contractors and temporary help (\$2.0 million), IT consulting (\$695,000), software (\$338,000), recruiting, training and other personnel expenses (\$192,000), travel expenses (\$175,000), and actuarial services (\$145,000)
- The year-to date operating expense ratio of 7.3% is below the budgeted ratio of 8.5%.

Commission Expense and Premium Taxes:

- Year-to-date Commission expense of \$63.2 million and Premium taxes of \$7.3 million were over budget by \$3.6 million and \$401,000 respectively as Direct Written premium was higher than the budgeted amount.

Other Income (Expense):

- Gross investment income for the year ended December 31, 2021 was \$297,000 which was \$89,000 higher than the budgeted amount of \$208,000. Short term interest rates remain at extremely low levels.
- Interest expense on Class 1 bonds was on budget at \$16.7 million.

Net Income

- Net income for the year ended December 31, 2021 was \$143.1 million or \$65.1 million (83.4%) above the budgeted income of \$78.0 million.

Surplus/(Deficit):

- The deficit as of December 31, 2021 was \$26.3 million compared to \$160.5 million as of December 31, 2020. The deficit improved due to the 2021 net income of \$143.1 million and the decision by the TWIA Board of Directors to utilize the 2021 net gain from operations to redeem outstanding debt. The reduction in the deficit was slightly offset by an increase of \$9.0 million in non-admitted assets which consists primarily of capitalized software (Project Elevate) and other prepaid expenses.

6B. Financial Statement Review by Staff

6B1. Income Statement and
Expense Statement

6B2. Balance Sheet

6B3. Cash & Short-Term Investments

6B4. Cash Flow Statement

6B5. Historical Data

TEXAS WINDSTORM INSURANCE ASSOCIATION				
Statutory Income Statement (000's omitted)				
for the twelve months ended December 31,				
	Actuals - 2021	Budget - 2021	Variance - 2021	Actuals - 2020
Premiums Written:				
Direct	\$ 395,113	\$ 372,252	\$ 22,861	\$ 369,600
Ceded	(102,132)	(114,813)	12,681	(106,865)
Ceded - Depopulation	-	-	-	(740)
Net	292,981	257,439	35,542	261,995
Premiums Earned:				
Direct	\$ 378,504	\$ 369,475	\$ 9,029	\$ 369,179
Ceded	(102,132)	(114,813)	12,681	(106,865)
Ceded - Depopulation	-	-	-	(740)
Net	276,372	254,662	21,711	261,574
Deductions:				
Direct Losses and LAE Incurred	58,026	62,987	(4,961)	118,669
Direct Losses and LAE Incurred - Harvey	(30,000)	-	(30,000)	-
Direct Losses and LAE Incurred - Ike & Dolly	(9,000)	-	(9,000)	-
Ceded Losses and LAE Incurred - Depopulation	22	-	22	(199)
Operating Expenses	27,515	31,313	(3,797)	28,401
Commission Expense	63,161	59,560	3,601	59,103
Ceding commissions / brokerage	(2,378)	(3,690)	1,312	(3,595)
Ceding commissions / brokerage - Depopulation	-	-	-	(178)
Premium / Maintenance Tax	7,325	6,924	401	6,863
Total Deductions	114,671	157,093	(42,422)	209,064
Net Underwriting Gain or (Loss)	161,701	97,568	64,133	52,510
Other Income or (Expense):				
Gross Investment Income	297	208	89	1,571
CRTF Funds Received	-	-	-	-
Member Assessment Income	-	-	-	-
Interest Expense on Debt	(16,673)	(16,673)	-	(21,999)
Debt Issuance/Maintenance & Other Investment Expenses	(2,202)	(3,056)	854	(3,265)
Other	-	-	-	-
Total Other Income or (Expense)	(18,578)	(19,522)	943	(23,693)
Net Income (Loss)	\$ 143,123	\$ 78,047	\$ 65,076	\$ 28,817
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	(160,451)	(160,451)	-	(183,792)
Net Income (Loss)	143,123	78,047	65,076	28,817
Change in Provision for Reinsurance	-	-	-	-
Change in nonadmitted assets - Other	(8,984)	(8,222)	(762)	(4,430)
Other	-	-	-	(1,046)
Statutory Fund Cost	-	(27,847)	27,847	-
Ending Surplus (Deficit)	\$ (26,312)	\$ (118,473)	\$ 92,161	\$ (160,451)
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	15.3%	17.0%	(1.7%)	32.1%
Hurricane Harvey	(7.9%)	0.0%	(7.9%)	0.0%
Hurricanes Ike & Dolly	(2.4%)	0.0%	(2.4%)	0.0%
Loss & LAE Ratio	5.0%	17.0%	(12.0%)	32.1%
UW Expense Ratio:				
Acquisition	17.8%	17.9%	(0.0%)	17.8%
Non Acquisition	7.3%	8.5%	(1.2%)	7.7%
UW Expense Ratio	25.1%	26.3%	(1.2%)	25.5%
Combined Ratio	30.1%	43.4%	(13.2%)	57.7%
Net:				
Loss & LAE Ratio:				
Non Hurricane	21.0%	24.7%	(3.7%)	45.3%
Hurricane Harvey	(10.9%)	0.0%	(10.9%)	0.0%
Hurricanes Ike & Dolly	(3.3%)	0.0%	(3.3%)	0.0%
Loss & LAE Ratio	6.9%	24.7%	(17.8%)	45.3%
UW Expense Ratio:				
Acquisition	23.7%	24.5%	(0.9%)	23.7%
Non Acquisition	10.0%	12.3%	(2.3%)	10.9%
UW Expense Ratio	33.6%	36.8%	(3.2%)	34.6%
Combined Ratio	40.5%	61.5%	(21.0%)	79.9%

1	TEXAS WINDSTORM INSURANCE ASSOCIATION					1
2	Statutory Expense Report (000's omitted)					2
3	for the twelve months ended December 31,					3
4						4
5	Description	Actuals - 2021	Budget - 2021	Variance - 2021	Actuals - 2020	5
6	Personnel Expenses					6
7	Salaries & Wages - Permanent	\$ 14,039	\$ 14,149	\$ (110)	\$ 12,599	7
8	Contractor & Temporary Help	11,859	10,349	1,510	12,921	8
9	Payroll Taxes	1,023	1,081	(57)	885	9
10	Employee Benefits	5,265	4,853	413	4,632	10
11	Recruiting, Training & Other	188	362	(174)	178	11
12	Subtotal	<u>\$ 32,374</u>	<u>\$ 30,794</u>	<u>\$ 1,580</u>	<u>\$ 31,214</u>	12
13						13
14	Professional & Consulting Services					14
15	Legal	\$ 478	\$ 643	\$ (165)	\$ 518	15
16	Accounting & Auditing	231	273	(43)	366	16
17	Information Technology	5,400	6,372	(972)	3,600	17
18	Actuarial Services	145	290	(145)	315	18
19	Ombudsman Program	110	125	(15)	127	19
20	Surveys & Inspections	1,275	1,353	(78)	1,326	20
21	Disaster Recovery Services	229	325	(96)	442	21
22	Other Services	4,346	4,046	300	4,174	22
23	Subtotal	<u>\$ 12,213</u>	<u>\$ 13,428</u>	<u>\$ (1,215)</u>	<u>\$ 10,868</u>	23
24						24
25	Hardware/Software Purchases & Licensing	\$ 3,369	\$ 3,752	\$ (383)	\$ 3,096	25
26	Rental & Maintenance - Office/Equipment	1,246	1,305	(58)	1,267	26
27	Travel Expenses	36	229	(193)	58	27
28	Postage, Telephone and Express	902	919	(17)	907	28
29	Capital Management Expenses	16	24	(8)	17	29
30	Depreciation	28	28	(0)	28	30
31	Other Operating Expenses	1,300	1,340	(40)	1,124	31
32	Total Operating Expenses	<u>\$ 51,484</u>	<u>\$ 51,820</u>	<u>\$ (335)</u>	<u>\$ 48,580</u>	32
33						33
34	Capitalization of Fixed Assets	(8,927)	(8,383)	(544)	(4,578)	34
35	Reimbursement of Depop Servicing Expense	(16)	(23)	7	(76)	35
36	Allocation To ULAE	(14,752)	(11,786)	(2,966)	(15,225)	36
37	Allocation To Investing & Other Expense	(273)	(315)	41	(301)	37
38	Net Operating Expense - UW Operations	<u>\$ 27,515</u>	<u>\$ 31,313</u>	<u>\$ (3,797)</u>	<u>\$ 28,401</u>	38

(1) Summary Details for Other Services:

<u>VENDOR</u>	<u>Amount</u>	<u>Department</u>
Accenture LLP	\$ 1,998	Expert Panel
Xactware Solutions Inc	\$ 561	Claims
Clear Point Claims LLC	\$ 320	UW
Risk Management Solutions Inc	\$ 298	Expert Panel
EagleView Technologies Inc	\$ 278	Claims
Marshall & Swift/Boeckh	\$ 270	UW
LYNX Services LLC	\$ 136	Claims
ISO Services Inc	\$ 112	Claims
ADP Inc	\$ 51	HR
LogicGate Inc	\$ 40	Legal
Cornerstone OnDemand Inc	\$ 40	HR
Insurity LLC	\$ 30	Claims
Iron Mountain Records Management	\$ 22	Operations
Ubiquiti Inc dba Smartway2	\$ 20	Operations
*Other Outside Services below \$20K	\$ 170	Various departments
Total Other Services	<u><u>\$ 4,346</u></u>	

1	TEXAS WINDSTORM INSURANCE ASSOCIATION			1
2	Statutory Balance Sheet (000's omitted)			2
3				3
4				4
5		<u>December-21</u>	<u>December-20</u>	5
6	Admitted Assets			6
7	Cash and short term investments:			7
8	Unrestricted	\$ 424,825	\$ 398,270	8
9	Restricted - Funds Held at TTSTC	69,002	83,406	9
10	Restricted - Funds Held at TTSTC (Non Admitted)	-	-	10
11	Total cash and short term investments	<u>493,827</u>	<u>481,676</u>	11
12	Premiums receivable & other	3,016	2,452	12
13	Assessment receivable	-	-	13
14	Amounts recoverable from reinsurers	-	66	14
15	Total admitted assets	<u>\$ 496,843</u>	<u>\$ 484,193</u>	15
16				16
17	Liabilities, Surplus and other funds			17
18	Liabilities:			18
19	Loss and Loss adjustment expenses	\$ 77,585	\$ 164,315	19
20	Underwriting expenses payable	12,138	11,038	20
21	Unearned premiums, net of ceded unearned premiums	202,525	185,917	21
22	Ceded reinsurance premiums payable	25,951	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	7,301	9,372	24
25	Provision for reinsurance	-	-	25
26	Other payables	20,655	20,894	26
27	Statutory fund payable	-	-	27
28	Total liabilities	<u>523,155</u>	<u>644,644</u>	28
29				29
30	Surplus and others funds			30
31	Unassigned surplus	(26,312)	(160,451)	31
32	Total liabilities, surplus and other funds	<u>\$ 496,843</u>	<u>\$ 484,193</u>	32
33				33
34				34
35	Balance in CRTF	<u>\$ 182,712</u>	<u>\$ 179,174</u>	35
36				36
37	Balance in CRTF including Statutory fund payable	<u>\$ 182,712</u>	<u>\$ 179,174</u>	37
38				38

Texas Windstorm Insurance Association
Unrestricted Cash and Short Term Investments (\$ in 000's)
December 31, 2021

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Average Annual Yield	Total Deposit % of TWIA's Portfolio	N.A. Bank Credit Rating	N.A. Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital? > .2% of N.A. Reg Capital
							< 40%	Superior or Strong	> 10%	> \$25B	
Balances as of 12/31/2021:											
Bank of America, Operating	162	142,497	142,659	146,058	66	0.18%	34%	Superior	13.5%	\$174	No
BlackRock Liquidity Funds (1)	0	109,645	109,645	100,854	1	0.00%	26%	N/A	N/A	N/A	N/A
Citibank	200	16,987	17,187	16,987	0	0.01%	4%	Superior	13.6%	\$150	No
JP Morgan Chase	17,591	0	17,591	0	0		4%	Superior	16.6%	\$260	No
JP Morgan U.S. Treasury Plus Money Market Fund (2)	0	137,742	137,742	150,296	2	0.01%	32%	N/A	N/A	N/A	N/A
Total of all financial institutions	17,953	406,872	424,825	414,195	69	0.07%	100%				
Balances as of 9/30/2021:											
Bank of America, Operating	162	143,333	143,495	146,295	66	0.18%	32%	Superior	13.4%	\$171	No
BlackRock Liquidity Funds (1)	0	123,019	123,019	116,732	0	0.00%	27%	N/A	N/A	N/A	N/A
Citibank	200	16,987	17,187	16,987	0	0.01%	4%	Superior	13.6%	\$149	No
JP Morgan Chase	15,040	0	15,040	0	0		3%	Superior	16.5%	\$252	No
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
Total of all financial institutions	15,403	436,079	451,483	432,754	69	0.06%	100%				
(1) The Fund invests in U.S. Treasury bills, notes, trust receipts and direct obligations of the U.S. Treasury.											
(2) The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury.											
(3) Balances in non-interest bearing accounts have increased to reduce bank charges as rates for earnings credits have generally exceeded yields on short-term investments.											
Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of September 30, 2021. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.											

1	TEXAS WINDSTORM INSURANCE ASSOCIATION	1
2	Statement of Cash Flows (000's omitted)	2
3	for the twelve months ended December 31,	3
4		4
5	Actuals - 2021 Budget - 2021 Variance - 2021	5
6		6
7	Cash flows from operating activities:	7
8	Premiums collected, net of reinsurance \$ 293,368 \$ 256,208 \$ 37,160	8
9	Losses and loss adjustment expense paid (105,712) (149,604) 43,892	9
10	Underwriting expenses paid (102,701) (102,409) (292)	10
11	CRTF funds received - - -	11
12	Member assessment received - - -	12
13	Other (1,244) (802) (442)	13
14	Net cash provided by operating activities 83,711 3,393 80,318	14
15	Cash flows from nonoperating activities:	15
16	Statutory fund paid - - -	16
17	Other - - -	17
18	Net cash provided by nonoperating activities - - -	18
19	Cash flows from investing activities:	19
20	Sales and maturities of investments - - -	20
21	Net investment income (21,360) (21,593) 233	21
22	Net cash provided by investing activities (21,360) (21,593) 233	22
23	Cash flows from financing activities:	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 12,151 (68,400) 80,551	28
29	Cash and short-term investments, Beginning 481,676 481,676 -	29
30	Cash and short-term investments, Ending \$ 493,827 \$ 413,276 \$ 80,551	30
31		31

	TEXAS WINDSTORM INSURANCE ASSOCIATION												
	HISTORICAL DATA												
	1971 - 2021												
	(\$ with 000's omitted)												
	GROSS						NET						
	LIABILITY IN		RATE		WRITTEN		UNDERWRITING				CMTF BALANCE		
	FORCE	POLICY	CHANGES		PREMIUMS	LOSS &	EARNED	LOSS &	EXPENSES	UNDERWRITING	END OF PERIOD		
YEAR	END OF PERIOD	COUNT	RESID	COMML		LAE INCURRED	PREMIUMS	LAE INCURRED	INCURRED	GAIN (LOSS)			
1971	\$ 278,710	13,415			\$ 2,393	\$ 92	\$ 868	\$ 92	\$ 385	\$ 391			
1972	739,983	33,577			4,138	214	3,468	214	849	2,405			
1973	1,017,048	45,743			4,286	1,427	4,288	1,427	1,099	1,763			
1974	1,064,772	45,901			4,512	452	4,378	452	1,106	2,819			
1975	1,169,763	46,365			6,036	592	5,263	592	1,417	3,254			
1976	1,387,252	48,747			8,130	231	6,953	231	1,878	4,844			
1977	1,616,220	51,382			9,922	203	9,080	203	2,258	6,619			
1978	1,633,521	48,820			10,523	296	10,249	296	2,329	7,624			
1979	1,816,410	46,128			11,045	2,370	11,039	2,370	2,178	6,490			
1980	1,936,388	43,613			9,675	14,217	10,245	14,217	2,079	(6,051)			
1981	2,105,244	42,495			9,137	2,715	9,313	2,715	2,097	4,501			
1982	2,285,594	51,034			8,641	982	9,106	982	2,095	6,029			
1983	2,165,231	44,894			6,900	157,112	7,585	157,112	1,937	(151,463)			
1984	3,178,079	51,311			9,450	1,294	7,989	1,294	2,493	4,202			
1985	4,061,660	57,181			18,232	1,510	3,534	1,510	3,638	(1,614)			
1986	4,510,378	60,028			20,987	1,202	5,229	1,202	3,997	30			
1987	4,401,486	57,976			20,532	2,555	4,931	2,555	4,091	(1,715)			
1988	4,266,615	56,773	-5.4%	-15.0%	19,061	2,509	3,551	2,509	4,066	(3,024)			
1989	4,236,600	55,401	-	-	18,066	14,176	5,330	14,176	4,037	(12,883)			
1990	4,248,611	56,155	3.1%	-2.1%	18,244	1,590	16,761	1,590	4,171	11,000			
1991	4,346,209	54,145	25.0%	-2.0%	20,504	1,783	7,167	1,783	4,343	1,042			
1992	5,155,790	55,471	-20% (I)/-75% (B)	-22.9%	11,495	1,321	4,014	1,321	4,220	(1,527)			
1993	6,500,165	56,921	30.0%	-	19,377	4,778	123,515	4,778	5,161	113,576			
1994	7,645,176	63,348	-	-	26,545	1,572	25,692	1,572	6,982	17,138	124,847		
1995	8,828,140	69,807	25.0%	-	32,419	4,033	29,016	4,033	8,119	16,864	151,284		
1996	10,001,843	72,977	-	-	40,359	1,484	37,153	1,484	10,627	25,042	179,020		
1997	10,907,937	75,361	-	-	42,463	4,133	41,045	4,133	11,038	25,874	216,896		
1998	11,633,935	77,261	0.2%	-3.0%	44,411	27,235	28,256	27,235	12,181	(11,160)	238,221		
1999	11,972,502	75,947	-9.4%	-	44,581	11,320	28,702	11,320	11,524	5,858	250,403		
2000	12,052,604	73,815	8.7%	9.0%	48,012	7,937	28,470	7,937	11,681	8,852	268,563		
2001	13,249,407	77,022	18.5%	4.0%	54,631	8,011	31,112	8,011	12,936	10,165	280,063		
2002	16,003,048	85,668	-	5.0%	72,968	32,359	44,516	32,359	16,584	(4,427)	303,185		
2003	18,824,457	96,420	-	10.0%	87,987	24,955	51,702	24,955	19,682	7,065	305,599		
2004	20,796,656	103,503	9.6%	10.0%	102,384	6,115	52,230	6,115	21,911	24,204	308,729		
2005	23,263,934	109,693	-	10.0%	113,928	178,370	65,438	178,370	25,277	(138,209)	311,508		
2006	38,313,022	143,999	3.1%	13.4%	196,833	5,188	85,467	5,188	37,138	43,141	361,823		
2007	58,641,546	216,008	4.2%	3.7%	315,139	17,985	135,843	17,985	51,768	66,090	388,542		
2008	58,585,060	215,537	8.2%	5.4%	331,049	2,587,123	(138,560)	1,117,123	53,759	(1,309,442)	-		
2009	61,700,891	230,545	12.3%	15.6%	382,342	(486,314)	389,600	(183,974)	87,899	485,675	-		
2010	67,452,357	242,664	-	-	385,550	555,025	351,730	252,685	85,598	13,447	76,334		
2011	71,083,333	255,945	5.0%	5.0%	403,748	202,539	321,781	202,539	81,665	37,577	146,650		
2012	74,186,949	266,726	5.0%	5.0%	443,480	401,873	321,122	401,873	93,583	(174,334)	178,902		
2013	76,921,369	270,814	5.0%	5.0%	472,739	30,975	295,130	30,975	100,524	163,631	186,184		
2014	78,763,302	275,626	5.0%	5.0%	494,036	(13,994)	367,555	(13,994)	109,189	272,360	216,813		
2015	78,551,742	272,219	5.0%	5.0%	503,824	178,886	377,594	178,886	114,973	83,736	487,170		
2016	73,393,573	254,346	5.0%	5.0%	487,354	38,669	370,404	38,625	109,756	222,023	587,860		
2017	65,023,810	231,567	-	-	423,074	1,476,861	347,354	1,475,302	97,878	(1,225,826)	1,220		
2018	58,041,760	202,208	5.0%	5.0%	395,552	175,718	301,515	175,998	96,399	29,118	5,986		
2019	55,189,815	189,203	-	-	372,017	113,513	287,477	113,398	92,415	81,664	122,496		
2020	55,009,638	184,890	-	-	369,600	118,669	261,574	118,470	90,594	52,510	179,174		
2021	59,543,596	193,002	-	-	395,113	19,026	276,372	19,048	95,623	161,701	182,712		
TOTAL*					7,353,424	5,942,886	5,089,147	4,471,271	1,629,227	(1,011,351)			

*2021 data through 12/31/2021.

6C. Early Redemption of Remaining 2014 Class 1 Bonds



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Early Redemption of TWIA 2014 Class 1 Bonds

Implementation Plan

Section 6C1

2021 Net Gain from Operations

	12/31/2021
2021 Net Income before CRTF ⁽¹⁾	\$ 143,122,740
PY Funding Stack Adjustment (Harvey Favorable Development)	30,000,000
Adjusted Income Subject to CRTF calculation	113,122,740
 Deduct: Bond Principal Paid in 2021	 50,200,000
Net Gain Available for Contribution to CRTF 2021	62,922,740
 12/2021 YTD Calculated Net Gain from Operations	 \$ 62,922,740
Amount Designated by TWIA Board for Class I Bond Redemption	62,922,740
2021 amount to be contributed to the CRTF in 2022	\$ -

(1) - Net income before year-end WTW adjustment for pensions

Bond Redemption – Sources of Funds

Outstanding Balance at December 31, 2021		\$ 177,000,000
Funds for Early Retirement of 2014 Bonds:		
2021 Net Gain from Operations	62,922,740	
Amount available in debt service fund at 12/31/2021	61,700,393	
January 2022 principal deposited to debt service fund	4,533,333	
February 2022 principal deposited to debt service fund	4,533,333	
March 2022 principal deposited to debt service fund	4,533,333	
April 2022 principal deposited to debt service fund	4,533,333	
Total Available as of April 5, 2022	142,756,466	<u>(142,756,466)</u>
Remaining bonds outstanding		34,243,534
Term loan to pay off remaining bonds on 5-1-2022		<u>(34,243,534)</u>
Balance of 2014 Class One Bonds on 5/2/2022		<u>0</u>

Next Steps

- **Finalize loan terms with Chase – Rate lock or Variable**
- **Receive required permission to execute early redemption from TDI Commissioner**
- **Request early redemption from Texas Public Finance Authority and finalize redemption date**
- **Adoption of loan & TPFA resolutions by TWIA Board of Directors (Today)**
- **Required Communications**
- **Finalize bond payoff and short-term loan amounts**
- **Fund and close transaction to retire all outstanding bonds through Texas Public Finance Authority**

**RESOLUTIONS OF THE BOARD OF DIRECTORS
OF
TEXAS WINDSTORM INSURANCE ASSOCIATION**

February 22, 2022

The undersigned authorized representative of the TEXAS WINDSTORM INSURANCE ASSOCIATION (the "Association") hereby certifies that the following resolutions were adopted at a public meeting of the Association's board of directors (the "Board") lawfully held and noticed, effective as of the date hereof:

RESOLVED, that in order to provide the Association with funds to facilitate a redemption of the outstanding Texas Public Finance Authority, Texas Windstorm Insurance Association Premium Revenue Taxable Bonds, Series 2014 (the "Series 2014 Bonds"), the proceeds of which were lent to the Association, the Association may enter into a Credit Agreement (the "Credit Agreement") by and between the Association and JPMorgan Chase Bank, N.A. (the "Lender");

RESOLVED, FURTHER, that in connection with the Credit Agreement, the Association may execute and deliver to the Lender a promissory note in the original aggregate principal amount of up to \$40,000,000 (the "Note");

RESOLVED, FURTHER, to secure repayment of the Association's payment and performance obligations under the Credit Agreement and the Note the Association may execute and deliver to the Lender, a Financing and Pledge Agreement (the "Pledge Agreement" and, together with the Credit Agreement and the Note, collectively, the "Credit Documents");

RESOLVED, FURTHER, that in connection with the Credit Agreement, the Note shall bear interest on the unpaid principal balance thereof at the rate or rates provided for in the Credit Agreement (said interest rate(s) to never exceed the maximum amount of interest permitted under applicable law, including without limitation, Chapter 1204 of the Texas Government Code), with accrued interest on the Note being due and payable on the Interest Payment Dates (as defined in the Credit Agreement), and with the outstanding principal balance of the Note being finally due and payable on the Maturity Date (as defined in the Credit Agreement);

RESOLVED, FURTHER, that in order to induce the Lender to enter into the Credit Agreement, the Association is hereby authorized to pay to the Lender any and all fees for extending credit to the Association thereunder as agreed under the Credit Documents;

RESOLVED, FURTHER, that the chief financial officer and/or the general manager of the Association be, and is/are, authorized and directed for and on behalf, and as the act and deed, of the Association to negotiate the specific terms of, and to execute and deliver to the Lender, the Credit Documents and such other instruments as the Lender may reasonably require in its discretion in connection with the Credit Documents (the "Ancillary Documents") and to take such other action in the consummation and/or administration of the Credit Documents and the Ancillary Documents as such officer(s) shall deem to be necessary or desirable, and any and all acts heretofore taken by the above-described officer(s) to such end are hereby expressly ratified and confirmed as the acts and deeds of the Association;

RESOLVED, FURTHER, that the Credit Documents and the Ancillary Documents shall be in form and substance satisfactory to the Lender and in form and substance approved by the above-described officer(s) executing the same on behalf of the Association, his or her approval of each such instrument to be conclusively evidenced by the execution thereof by such officer(s);

RESOLVED, FURTHER, that such officer(s) of the Association be, and is/are, authorized and directed for and on behalf, and as the act and deed, of the Association and without further authorization of the Board, to negotiate and agree to on terms acceptable to such officer(s) any and all further renewals, extensions, modifications and/or amendments, but not any additional principal increases, to the credit extended to the Association pursuant to the Credit Agreement, and to execute and deliver to the Lender such documents as the Lender shall require to evidence any such renewal, extension, modification or amendment, but not any additional principal increase, and to take such other action in the consummation of the transactions therein contemplated as the officer(s) acting shall deem to be necessary or desirable;

RESOLVED, FURTHER, that any and all documents, agreements, certificates, opinions, letters, financing statements, consents, schedules and other instruments and writings executed and delivered on behalf of the Association in connection with the foregoing resolutions by the above-named representative of the Association shall be deemed to be the act of the Association and shall be in all respects binding against the Association;

RESOLVED, FURTHER, that the Board has determined it to be in the best interest of the Association for the Association to enter into, execute and deliver the Credit Documents and to enter into, execute and deliver any Ancillary Documents required in connection with the Credit Documents;

RESOLVED, FURTHER, that the execution and delivery of and performance under the Credit Documents and the Ancillary Documents, and other actions contemplated herein, can reasonably be expected to benefit the Association, directly or indirectly; and

RESOLVED, FURTHER, that any and all acts, transactions or agreements undertaken by the officers of the Association for and on behalf and in the name of the Association, prior to the adoption of the foregoing resolutions, in connection with any of the foregoing matters including but not limited to, negotiation of the terms and/or execution and delivery of the Credit Documents and the Ancillary Documents be, and they are hereby, ratified, confirmed and approved in all respects for all purposes.

Executed and effective as of the date first written above.

Authorized Officer of the Association:

By: _____
(Signature)

Its: _____
(Printed Name and Title)

Resolution for February 22, 2022 meeting of TWIA board (for TPFA)

WHEREAS, Association staff has determined that the bond resolution and other documents authorizing the issuance of the 2014 Bonds (the Transaction Documents), Texas Insurance Code Section 2210.072(a), and 28 Texas Administrative Code Section 5.4134 authorize the Association to request that the Texas Public Finance Authority (TPFA) redeem all of the remaining outstanding 2014 Bonds through an early repayment process, subject to approval by the Commissioner; and

WHEREAS, in consideration of the foregoing and for the benefit of the Association and its policyholders, this Board hereby adopts the following resolutions and takes the following action.

RESOLVED, that this Board hereby elects to prepay and redeem all of the remaining outstanding 2014 Bonds prior to their stated maturity or mandatory sinking fund redemption date in the principal amount of \$ 177 million (Principal Payment) in accordance with the Transaction Documents utilizing any assets legally available for such purpose;

RESOLVED, that the Association staff is hereby directed to seek approval of the Commissioner in accordance with Texas Insurance Code Section 2210.072(a) and other applicable law prior to transferring the Redemption Payment (as defined below) to the TPFA in order to consummate such an optional redemption of the 2014 Bonds;

RESOLVED, that after obtaining Commissioner approval, the Association staff is hereby authorized to request that the TPFA redeem the 2014 Bonds at the redemption price that corresponds to the Principal Payment plus accrued interest thereon to the date of redemption (such combined amount constituting the Redemption Payment); and

FURTHER RESOLVED, that in the event all required approvals and consents are obtained, Association staff is hereby directed to request that the TPFA consummate the redemption as soon as reasonably practical and to transfer the Redemption Payment to the TPFA.

7. Actuarial

7A. Reserve Adequacy



TEXAS WINDSTORM
INSURANCE ASSOCIATION

MEMORANDUM

DATE: January 18, 2022

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

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

RE: Reserve Adequacy as of December 31, 2021

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of December 31, 2021.

Hurricane Nicholas made landfall on September 26 in Matagorda county as a Category 1 hurricane. As of January 17, 2022, 6,477 Nicholas related claims were reported to the Association and the total incurred loss and expense was estimated and booked at \$52 million in Q4 financials.

The actuarial estimate of ultimate loss and loss adjustment expenses for Hurricane Harvey is in a reasonable range of \$1.66 billion to \$1.68 billion. Consistent favorable loss and expense development has been observed since first quarter of 2021, the ultimate loss and loss adjustment expense estimate is adjusted down by \$10M to \$1.67B after careful consideration of input from claim and legal experts.

The actual ultimate costs of Hurricane Harvey may differ substantially from the selected \$1.67B. This variability arises from the assumptions we made regarding the adequacy of case reserves for open claims and the outcome of disputed claims. About 246 of the 314 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 December 31, 2021, TWIA carried \$77.6 million in total gross loss and loss adjustment expense reserves with \$41K of the total gross ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Ike, Harvey, Delta, Laura, Hanna, Nicholas, and other outstanding claims. Collectability risk has been reviewed and found to be immaterial relative to total gross reserves.



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

The complete actuarial analysis is available on request.

XL

7B. Policy Count/Exposures

Texas Windstorm Insurance Association
Statistical Report
As of December 31, 2021



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage
Aransas	5,155	5,541	386	7.50%	1,727,721,412	1,924,155,899	\$196,434,487	11.40%	12,472,008	13,570,112	\$1,098,104	8.80%
Brazoria	28,942	30,463	1,521	5.30%	8,508,269,598	9,198,739,589	\$690,469,991	8.10%	53,459,655	57,577,785	\$4,118,130	7.70%
Calhoun	3,545	3,707	162	4.60%	963,932,344	1,036,992,402	\$73,060,058	7.60%	7,297,840	7,800,929	\$503,089	6.90%
Cameron	9,949	9,666	-283	-2.80%	2,845,748,671	2,949,619,273	\$103,870,602	3.70%	20,569,093	19,716,881	-\$852,212	-4.10%
Chambers	3,861	4,089	228	5.90%	1,293,728,553	1,423,887,931	\$130,159,378	10.10%	7,698,368	8,431,586	\$733,218	9.50%
Galveston	58,098	62,626	4,528	7.80%	19,579,122,522	21,781,683,589	\$2,202,561,067	11.20%	133,712,324	146,537,454	\$12,825,130	9.60%
Harris	3,417	3,582	165	4.80%	1,054,146,885	1,140,114,498	\$85,967,613	8.20%	4,899,132	5,155,779	\$256,647	5.20%
Jefferson	24,270	24,492	222	0.90%	5,685,660,279	5,891,299,748	\$205,639,469	3.60%	40,041,731	41,680,722	\$1,638,991	4.10%
Kenedy	18	17	-1	-5.60%	6,743,326	3,255,141	-\$3,488,185	-51.70%	45,402	33,593	-\$11,809	-26.00%
Kleberg	751	719	-32	-4.30%	169,188,157	165,510,788	-\$3,677,369	-2.20%	1,230,141	1,197,748	-\$32,393	-2.60%
Matagorda	4,215	4,458	243	5.80%	1,080,329,467	1,177,343,385	\$97,013,918	9.00%	7,276,583	7,823,400	\$546,817	7.50%
Nueces	36,411	37,263	852	2.30%	10,393,842,268	11,069,571,012	\$675,728,744	6.50%	69,235,481	73,498,910	\$4,263,429	6.20%
Refugio	327	306	-21	-6.40%	94,205,120	89,936,253	-\$4,268,867	-4.50%	769,342	728,589	-\$40,753	-5.30%
San Patricio	5,587	5,746	159	2.80%	1,521,169,011	1,605,186,301	\$84,017,290	5.50%	10,226,177	10,671,818	\$445,641	4.40%
Willacy	344	327	-17	-4.90%	85,830,685	86,299,945	\$469,260	0.50%	670,879	687,918	\$17,039	2.50%
Total	184,890	193,002	8,112	4.40%	55,009,638,298	59,543,595,754	\$4,533,957,456	8.20%	369,604,156	395,113,224	\$25,509,068	6.90%

Texas Windstorm Insurance Association

Quarterly Liability Report

As of December 31, 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
Aransas										
Commercial	74	384	126	736	388,779	2,346,534	243,696,971	5,224,905	305	646
Manufactured Home	22	161	22	162	25,979	216,591	8,475,889	0	147	148
Residential	1,026	5,316	1,074	5,554	2,176,483	11,006,987	1,671,983,039	141,229,416	5,089	5,316
Total	1,122	5,861	1,222	6,452	2,591,241	13,570,112	1,924,155,899	146,454,321	5,541	6,110
Brazoria										
Commercial	144	774	227	1,214	735,642	4,213,168	368,368,668	9,038,174	664	1,082
Manufactured Home	37	185	37	185	56,724	292,662	11,610,542	0	177	177
Residential	6,598	30,833	6,727	31,509	11,700,218	53,071,955	8,818,760,379	1,142,555,446	29,622	30,260
SUM:	6,779	31,792	6,991	32,908	12,492,584	57,577,785	9,198,739,589	1,151,593,620	30,463	31,519
Calhoun										
Commercial	46	215	94	394	278,411	1,297,337	108,301,148	2,253,940	192	367
Manufactured Home	13	78	13	78	19,754	105,253	4,165,896	0	73	73
Residential	689	3,551	743	3,904	1,265,203	6,398,339	924,525,358	76,611,162	3,442	3,758
SUM:	748	3,844	850	4,376	1,563,368	7,800,929	1,036,992,402	78,865,102	3,707	4,198
Cameron										
Commercial	167	850	384	1,551	3,834,507	8,615,428	1,114,738,236	7,413,975	686	1,360
Manufactured Home	7	66	7	66	7,005	69,943	2,798,674	0	61	61
Residential	1,837	9,332	1,854	9,434	2,157,083	11,031,510	1,832,082,363	184,679,061	8,919	9,014
SUM:	2,011	10,248	2,245	11,051	5,998,595	19,716,881	2,949,619,273	192,093,036	9,666	10,435

Texas Windstorm Insurance Association

Quarterly Liability Report

As of December 31, 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
Chambers										
Commercial	24	106	41	149	113,198	609,993	53,182,775	574,900	96	139
Manufactured Home	12	42	12	42	20,748	64,683	2,581,152	0	40	40
Residential	860	4,111	904	4,305	1,601,762	7,756,910	1,368,124,004	181,194,462	3,953	4,139
SUM:	896	4,259	957	4,496	1,735,708	8,431,586	1,423,887,931	181,769,362	4,089	4,318
Galveston										
Commercial	482	2,289	884	3,863	5,644,817	25,408,722	2,459,804,962	50,594,345	1,946	3,463
Manufactured Home	43	260	43	262	59,013	329,505	13,024,367	0	248	250
Residential	13,182	63,098	13,454	64,778	25,433,342	120,799,227	19,308,854,260	2,152,697,211	60,432	62,026
SUM:	13,707	65,647	14,381	68,903	31,137,172	146,537,454	21,781,683,589	2,203,291,555	62,626	65,739
Harris										
Commercial	13	62	22	111	131,490	404,351	33,917,623	480,630	57	102
Manufactured Home	0	5	0	5	0	5,013	200,500	0	5	5
Residential	757	3,657	773	3,734	994,495	4,746,415	1,105,996,375	145,154,118	3,520	3,589
SUM:	770	3,724	795	3,850	1,125,985	5,155,779	1,140,114,498	145,634,748	3,582	3,696
Jefferson										
Commercial	118	688	193	1,049	518,097	3,494,715	294,158,061	8,749,774	628	959
Manufactured Home	2	37	2	37	4,200	68,863	2,658,950	0	35	35
Residential	4,459	24,921	4,532	25,357	7,015,381	38,117,144	5,594,482,737	713,334,732	23,829	24,245
SUM:	4,579	25,646	4,727	26,443	7,537,678	41,680,722	5,891,299,748	722,084,506	24,492	25,239

Texas Windstorm Insurance Association

Quarterly Liability Report

As of December 31, 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
Kenedy										
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	1	16	2	22	1,403	20,301	2,560,700	35,800	16	22
SUM:	1	17	2	27	1,403	33,593	3,255,141	35,800	17	27
Kleberg										
Commercial	13	46	17	74	45,927	194,161	16,038,238	559,320	38	66
Manufactured Home	0	2	0	2	0	3,613	144,500	0	2	2
Residential	136	707	138	735	186,856	999,974	149,328,050	15,761,953	679	707
SUM:	149	755	155	811	232,783	1,197,748	165,510,788	16,321,273	719	775
Matagorda										
Commercial	49	183	63	278	219,448	843,630	78,755,560	1,860,525	160	253
Manufactured Home	3	21	3	21	6,201	34,331	1,350,907	0	20	20
Residential	820	4,620	843	4,763	1,367,677	6,945,439	1,097,236,918	111,458,925	4,278	4,414
SUM:	872	4,824	909	5,062	1,593,326	7,823,400	1,177,343,385	113,319,450	4,458	4,687
Nueces										
Commercial	535	2,097	928	3,841	3,652,765	14,425,066	1,603,002,167	37,659,925	1,770	3,280
Manufactured Home	6	41	6	41	5,158	54,256	1,929,500	0	40	40
Residential	7,229	36,988	7,326	37,776	11,950,284	59,019,588	9,464,639,345	1,065,052,269	35,453	36,103
SUM:	7,770	39,126	8,260	41,658	15,608,207	73,498,910	11,069,571,012	1,102,712,194	37,263	39,423

Texas Windstorm Insurance Association

Quarterly Liability Report

As of December 31, 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
Refugio										
Commercial	4	28	9	57	32,321	216,564	17,906,833	0	28	57
Manufactured Home	1	18	1	21	1,670	29,727	1,176,804	0	16	19
Residential	45	279	46	313	75,679	482,298	70,852,616	6,702,835	262	295
SUM:	50	325	56	391	109,670	728,589	89,936,253	6,702,835	306	371
San Patricio										
Commercial	61	272	107	453	234,948	1,129,604	97,734,307	1,743,605	218	374
Manufactured Home	7	43	7	43	10,818	69,737	2,798,051	0	43	43
Residential	1,177	5,715	1,193	5,892	1,975,617	9,472,477	1,504,653,943	179,028,290	5,485	5,650
SUM:	1,245	6,030	1,307	6,388	2,221,383	10,671,818	1,605,186,301	180,771,895	5,746	6,067
Willacy										
Commercial	5	30	20	57	21,511	153,986	15,387,251	99,900	29	56
Manufactured Home	0	6	0	6	0	8,151	326,045	0	6	6
Residential	48	301	49	326	71,021	525,781	70,586,649	4,664,642	292	317
SUM:	53	337	69	389	92,532	687,918	86,299,945	4,764,542	327	379
Total All Counties										
Commercial	1,735	8,025	3,115	13,832	15,851,861	63,366,551	6,505,687,241	126,253,918	6,818	12,209
Manufactured Home	153	965	153	971	217,270	1,352,328	53,241,777	0	913	919
Residential	38,864	193,445	39,658	198,402	67,972,504	330,394,345	52,984,666,736	6,120,160,322	185,271	189,855
SUM:	40,752	202,435	42,926	213,205	84,041,635	395,113,224	59,543,595,754	6,246,414,239	193,002	202,983

7C. Appointment of Actuary and Qualification Documentation



MEMORANDUM

REVIEW DATE: January 19, 2022

TO: John Polak, General Manager

FROM: Jim Murphy, Chief Actuary | Vice President, Enterprise Analytics

RE: Appointed Actuary Qualification Documentation

Xiuyu Li was first appointed as the Appointed Actuary for the Texas Windstorm Insurance Association in December 2017. She joined TWIA in February 2013 and has 17 years of experience in the P/C insurance industry across multiple lines of business, including homeowners, commercial property, commercial automobile, and workers' compensation coverages. Xiuyu leads a variety of actuarial engagements for TWIA, primarily focused on reserving, rate making, risk transfer and analysis. Prior to joining TWIA, she worked as a predictive modeler at Travelers focused on general linear modeling applied in advanced rate making.

Xiuyu updates her knowledge through continuing education through a combination of industry conferences, on-line courses, TWIA conferences, seminars and self-study. Relevant areas include pricing, reserving, cat modeling/model validation, reinsurance, impacts of statutory changes on TWIA rates/reserves/funding, and professionalism related to preparing Statements of Actuarial Opinion. She plans to obtain, for calendar year 2022, sufficient continuing education credits to meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States as promulgated by the American Academy of Actuaries. A detailed log of her continuing education is available upon request.

Education and Certifications required in annual statement instructions

- Xiuyu received a Master's Degree in Statistics/Actuarial Science in 2004 from the University of Texas.
- Xiuyu is an Associate of the Casualty Actuarial Society (ACAS) and her basic education includes credit for Exam 6 – Regulation and Financial Reporting (United States) and Exam 7 – Estimation of Policy Liabilities, Insurance Company Valuation, and Enterprise Risk Management; She has been a Member of the American Academy of Actuaries (MAAA) since 2015, thus meeting the requirements for basic education, Accepted Actuarial Designation, and membership in a professional actuarial organization described in the Annual Statement Instructions.
- Xiuyu is an active CAS College Liaison



Mrs. Li's experience, basic education, continuing education, and professional society membership described on this page illustrate that she meets the requirements for a qualified actuary as set forth in the NAIC Annual Statement Instructions.

I recommend that Xiuyu continue as the appointed actuary for TWIA.

JM

7D. 2022 Funding; Including Aon Modeling Update and Reinsurance

There is no exhibit for this topic

8. Internal Audit Status & Update

MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: February 22, 2022

SUBJECT: Status of Internal Audit Activities

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

➤ **Current Activities:**

Activity Description	Status
Premium Taxes	Report in Management review
Actuarial	Report in final Weaver review
Vendor Management	Fieldwork complete – report in progress
Information Security	Fieldwork in wrap up phase
Business Continuity of Operations	Fieldwork in wrap up phase

➤ **Upcoming Audits and Activities:**

Activity Description	Timing
Reinsurance	1 st Quarter
Plan of Operation	2 nd Quarter

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

Texas Windstorm Insurance Association
Internal Audit Plan – Lookback (2020-2021) and Prospective (2022-2024)

Process Area	Last Report Date	2021 Inherent Risk Rating	2020	2021	2022	2023	2024
Information Security	May 2018	High		x		x	
Claims Processing	Nov. 2020	High	x		x		x
Reinsurance	Nov. 2020	High	x		x		x
Database and Application Administration	Oct. 2020	High	x			x	
Communications	Mar. 2021	High		x		x	
Actuarial (Pricing and Reserving)	Sept. 2021	High		x		x	
Human Resources Administration	Oct. 2019	Moderate			x		
Legal & Compliance	Mar. 2021	Moderate		x		x	
Underwriting	June 2020	Moderate	x			x	
Plan of Operation	N/A	Moderate			x		
Depopulation	Sept. 2020	Moderate	x		x		
Business Continuity of Operations	Feb. 2020	Moderate			x		
Governance	May 2021	Moderate		x			x
Financial Close and Reporting ⁽¹⁾	Dec. 2020	Moderate	x				x
Disaster Recovery	Feb. 2020	Moderate	x	x			x
Accounts Payable and Expense Processing ⁽¹⁾	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 ⁽¹⁾	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

9. Underwriting

9A. Operational Review Update



MEMORANDUM

DATE: February 2, 2022
TO: John Polak, General Manager
FROM: Jessica Crass, Acting Vice President, Underwriting
RE: Update on Underwriting Operational Highlights

Fourth 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 completed for a sample of agents doing business with TWIA in the third quarter of 2021 to verify compliance with the declination of coverage and flood insurance requirements.
 - i. Ninety-five percent of agencies have completed their responses. Staff are pursuing a response from the remaining agency and escalating issues as necessary.
 - ii. Of the agents who have responded, 100% of policies reviewed were compliant with the requirement for proof of declination of coverage.
 - iii. Two percent of the policies/properties selected for review required flood insurance. Only one policy is not currently compliant with the flood insurance



requirement and staff are working with the agency to bring that policy into compliance.

- iv. All agents audited have an active property and casualty insurance license.
- b. Audit notifications have been sent to the agencies selected for audit on fourth quarter 2021 business. Responses are due back to TWIA no later than February 18, 2022.

9B. Depopulation

There is no exhibit for this topic

10A. Claims Operations

TWIA Claims Operations 2021

TWIA Claims - 2021 Results (through Q4)					
Key Cycle Times (In days)	Industry Average, TX	TWIA	TWIA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	6.0	4.4	<3	1.4	47%
Inspect Property to Receipt by TWIA	3.9	2.6	<8	-5.4	-68%
Total Cycle Time FNOL to Payment	N/A	13.7	<12	1.7	11%
TDI Complaint Ratio					
2020	0.13% - 19 complaints from 14,432 new claims				
2021	0.17% - 21 complaints from 12,535 new claims				

Year	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Actual Volume	4,020	531	482	892	675	610	468	672	551	576	301	5,885	1,052	563	290
Actuarial Projected	562	273	273	614	428	428	1,716	1,716	428	428	615	615	615	298	298
Staffing Plan	417	417	417	521	521	521	521	521	521	521	521	521	521	521	521
Open Inventory	9,609	9,294	8,822	8,763	8,814	8,545	8,180	7,785	6,829	5,972	4,383	8,822	8,733	8,190	7,279

Historical TWIA Claim Volume	
Year	Claims
2005	12,783
2006	1,862
2007	4,195
2008	99,813
2009	4,812
2010	4,801
2011	10,608
2012	8,601
2013	10,541
2014	2,843
2015	18,889
2016	8,393
2017	80,257
2018	7,242
2019	6,704
2020	14,432
2021	12,535

2021 Hurricane Nicholas

TWIA Nicholas	As of 12/31/21
Claims	6,448
Open	3,837
Closed	2,611
% Closed	40.50%
Paid Indemnity	\$31,135,327
Paid Expenses	\$5,852,790

10B. Litigation Summary



TEXAS WINDSTORM
INSURANCE ASSOCIATION

TWIA Litigation Tracking Activity

Litigation Quarter Summary Fourth Quarter 2021

4th Quarter 2021	Summary of TWIA Claims in Suit			
		New	Settled	Closed
	October	4	0	29
	November	4	0	10
	December	0	0	14
		8	0	53

4th Quarter 2021	Summary of TWIA Claims with LORs			
		New	Settled	Closed
	October	57	0	20
	November	37	0	19
	December	36	0	15
		130	0	54



TEXAS WINDSTORM
INSURANCE ASSOCIATION

TWIA Claims Litigation December 2021

Dec-21	TWIA Claims in Suit				
	Category	Beginning Inventory	New	Closed	Ending Inventory
	Pre-HB3	8	0	0	8
	HB3	256	0	(14)	242
	TOTAL	264	0	(14)	250

Dec-21	TWIA Claims with LORs					
	Category	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
	Pre-HB3	0	0	0	0	0
	HB3	477	36	(15)	0	498
	TOTAL	477	36	(15)	0	498

Dec-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	214	27	450	41	732	1	0	7	0	8	740
	TOTAL	216	33	450	41	740	1	0	7	0	8	748



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Dec-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

Dec-21	TWIA Active HB3 Claims with Suits/LORs: Breakdown by County														
	Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Kleberg	Matagorda	Nueces	Refugio	San Patricio	Willacy	Grand Total
	36	58	6	69	2	132	15	269	1	6	107	3	27	1	732

Dec-21	TWIA Active HB3 Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	#
	Daly & Black	152
	Furlow Law Firm	125
	Baker Law	94
	Chad T. Wilson	57
	Scott Law Offices	39
	Omar Ochoa Law Firm	25
	Lindsay, Lindsay & Parsons	25
	Carrigan & Anderson	24
	Lane Law Firm	15
	Galindo Law	15
	Hodge Law Firm	15
	Remaining 69 firms	146
	TOTAL	732

11A. IT Systems Update



MEMORANDUM

DATE: February 22, 2022

TO: John Polak, General Manager

FROM: Camron Malik, CIO / VP IT

RE: TWIA Information Technology status

The TWIA Elevate program is now in the Stabilization phase with User Acceptance Testing (UAT) underway.

The original Cost Benefit Analysis projected \$5M in IT expense reduction starting in 2023. We had updated the board in December on plans to accelerate the savings, this has been put in to effect and we will save approximately \$1.8M in 2022, with further reductions coming in 2023.

The Virtual Desktop Infrastructure (VDI) project successfully completed in December. This effort was to move the organization to a remote, virtual computing environment that is independent of our Data Center. It has proven to be flexible and reliable and will have a beneficial effect on the budget.

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.

11B. ELEVATE Status



TEXAS WINDSTORM
INSURANCE ASSOCIATION

ELEVATE Status

Systems Upgrade Program

February 22, 2022

Overview

- ELEVATE **upgrades** core business systems, **moves** TWIA and TFPA to a common shared platform, and **launches** new Agent and Policyholder Portals
- ELEVATE goals are to **reduce** operating expenses, **simplify** processes and user experience, and **align** more closely with the industry

ELEVATE Benefits

- **Reduced Operational Expenses**
 - Reduction of \$1.8M in IT expenses already in 2022 with additional savings to come in 2023
 - Single platform for both Associations results in lower costs to upgrade and add new features
 - Easier and more efficient move to the cloud will net additional savings in the future
 - Reduced training overhead due to simplified training resulting from similar user interfaces and workflows
- **Simplified Processes & User Experience**
 - Policyholder self-service options
 - A more user-friendly way for agents to do business with TWIA
 - Users able to manage all claims old and new in one place
- **New System Features and Process Changes that Align TWIA more Closely with the Industry**

Current Status: Technical Program

- ELEVATE is in the final stage known as Stabilization as of 12/1/2021
 - Two Key Components of Stabilization
 - IT Quality Assurance Testing – Almost complete; addressed issues identified
 - User Acceptance Testing – Began testing 1/19/2022 by users in the business to ensure the system works as intended
- All projects (Policy, Billing, Claims, Enterprise Data Warehouse, Portals, and Data Migration) are progressing well and currently on track for deployment in April 2022
- Supporting efforts are underway
- Technical plans and step-by-step procedure for go live are progressing well
 - Deployment – Actual steps will start on a Friday with access to users on a Monday

Current Status: Change Management

- Applying a structured process and set of tools for leading the people side of ELEVATE systems and process changes.
- Two Key Change Management Strategy Components
 1. Communications Plan
 - a) General program messaging in progress
 - b) System previews planned for employees 2/23 & AAG teams 3/2
 - c) Policyholder direct mail campaign planned to start mid-March
 2. Training Plan
 - a) Employee, Agent and Call Center training begins in March
 - b) Agent training includes webinars, “bite-sized” computer-based training for common agent actions, and job aids

Summary of System Changes and Features

- **Streamlined Navigation & More Seamless Self-Service**

- Intuitive application flow & design
- Integration of residential third-party data (MSB)
- Simplified, organized access to policy information for agents; easier tracking of quotes, renewals, cancellations, billing, and payments
- Easier cancellation process
- Self-service book of business reporting & commission statements
- Policyholder access to policy documents
- Single point of access for users for both claims and policy systems

- **Expanded Payment Capabilities**

- Online access for policyholders to choose a payment plan and make a down payment
- Multiple payment plan options (Full-pay, 2-pay, 4-pay, 10-pay)
- Fully automated and real-time credit card processing for policyholders

- **Improved Communication**

- Easier to read and more informative email notifications for agents
- New email notifications and communications for policyholders

- **Administrative Advantages**

- Reduced time to merge agent books of business after an agency sale from approx. 7 days to under 72 hours, most will be expected next day
- Can now have multiple agency admins to manage users and account preferences
- More self-service reporting for agents

11C. Wellington 10-Pay Update

There is no exhibit for this topic

11D. Communications Update

MEMORANDUM

DATE: February 2, 2022
TO: TWIA Board of Directors
FROM: Jennifer Armstrong, Vice President, Communications & Legislative Affairs
RE: Communications & Legislative Affairs Operational Highlights

I. Legislative & Regulatory Affairs

- a) Legislative Implementation: The Association remains on track for implementing applicable legislation passed during the 87th Legislative Session. During Q4 2021, efforts continued to be focused primarily on coordinating with TDI on the 10-day grace period rules for premium payments as part of the ELEVATE systems upgrade project. *An exhibit on the implementation of all TWIA-related bills from the 87th session is enclosed.*
 - i. House Bill 769 in Plan of Operation: On October 25, TDI adopted an amendment to the TWIA Plan of Operation incorporating references required by House Bill 769. These provisions prohibit the Board from voting on a proposed rate increase if there is a Board vacancy of more than 60 days. The bill also prohibits TWIA 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. This change is separate from the ongoing TDI project to update the entire Plan of Operation.
 - ii. Premium Payment Grace Period Rules for Renewals: TWIA staff met virtually with TDI on October 11 to discuss the Department's development of rules implementing House Bill 2920, enacted earlier this year. The bill authorized the Association to give policyholders up to a ten-day premium payment grace period for renewals. TWIA plans to implement this provision as part of the ELEVATE systems upgrade project. During the meeting, staff discussed with TDI how to coordinate the systems update with the June 2022 statutory deadline for rule publication.
 - iii. Reinsurance Rule: On November 9, TDI adopted new regulations for credit for reinsurance, effective January 1. The changes eliminate collateral and physical presence requirements for certain insurers and regulate aspects of reserve financing. The regulations implement House Bill 1689, passed in the 87th legislative session, which is expected to increase the number of companies eligible to offer reinsurance to TWIA.
- b) Windstorm Insurance Legislative Oversight Board: Speaker of the House Dade Phelan appointed the following House members to the Windstorm Insurance Legislative Oversight Board on November 10: Rep. Ryan Guillen (Willacy County), Rep. Abel Herrero (Nueces County), Rep. Mayes Middleton (Galveston County), and Rep. Ed Thompson (Brazoria County). To date, Lt. Governor Dan Patrick has not made any changes to the Senate appointments for the Oversight Board. We expect the Oversight Board will begin work no earlier than the March 1 primary election date.

- c) Redistricting: The Texas Legislature has completed its once-per-decade redistricting process, and the filing period for the 2022 election concluded on December 13. The new maps for the state Senate and House of Representatives will change the coastal delegation. In addition to changes in boundary lines, redistricting also typically results in more lawmakers than usual retiring or seeking other offices. *An exhibit detailing changes expected to impact the coastal delegation and key committees is enclosed.*
- d) Stakeholder Meetings: *An exhibit listing meetings with TDI and legislators is enclosed.*
 - i. Meeting with New Insurance Commissioner: TWIA staff met virtually with new Insurance Commissioner Cassie Brown on November 2. Topics discussed at the meeting included the priorities and concerns of the Legislature related to TWIA, TWIA's annual CRTF accrual and deposit and outstanding bonds, and TWIA's process for facilitating stakeholder public comment for Board meetings. The Office of Public Insurance Counsel is also evaluating TWIA's public comment process in response to concerns voiced at the August 30 House Insurance Committee hearing.
 - Staff drafted a memo sent on December 2 responding to some of the questions and topics the Commissioner brought up in the meeting. We sent the Commissioner a follow-up memo on December 17 with updated information following the December Board meeting.
- e) Stakeholder Inquiries: From October 1 through December 31, 2021, we received and responded to 11 legislative, four regulatory (TDI), and three coastal/industry stakeholder inquiries (all policyholders).
- f) 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 Response & Coastal Outreach

- a) In Q4 2021, we focused our coastal outreach efforts on responding to stakeholders impacted by Hurricane Nicholas. Though the pandemic continued to limit our in-person outreach, we used virtual tools and digital channels to inform stakeholders about the TWIA claims process and the availability of in-person claims assistance.
 - i. In October, we partnered with the Claims team to promote and host the Association's first policyholder claims webinar to provide those impacted by the storm with an overview of the claims process and answer their claim-related questions. To make the webinar available to those who could not attend, we posted the video and a summary of all questions asked and our answers to TWIA's website.
 - ii. We helped policyholders navigate the claims process by sharing claims-related information in social media posts on Facebook and Nextdoor, email bulletins to stakeholders, print and digital ads in publications that serve impacted areas, and on the TWIA website. Our communications focused on raising awareness about the in-person



claims assistance sites in Galveston and Lake Jackson, and general tips about the TWIA claims process.

III. Media Relations

- a) TWIA's primary media outreach activity in Q4 2021 was similar to the same quarter in the previous year, driven mainly by Board and Committee activity related to rates.
 - i. As requested at the December Board meeting, TWIA sent a media alert on the Request for Proposals for catastrophe modeling services to 49 journalists and newsroom mailboxes at more than 20 media outlets that have previously covered TWIA reinsurance issues.
 - ii. TWIA also conducted media outreach on the Association's response to Hurricane Nicholas, generating positive coverage from coastal print media.
- b) The overall volume of media coverage for the quarter was 65% higher than the same quarter in the previous year, with negative coverage reduced by eight percentage points.

IV. Agent Advisory Group (AAG)

- a) The next AAG meeting is scheduled for February 14.
- b) In January, we engaged with the AAG on three separate issues, which we will discuss further with the group at the February meeting:
 - i. Staff met with the AAG on January 10 to inform them about the planned deployment of the temporary Wellington Residential Interest-Free 10-Pay Plan.
 - ii. We have continued to engage with a smaller group of AAG members on condominium policies. This group met on January 12 to discuss additional ways TWIA can support agents to educate their condominium unit owner association and association clients at the policy issuance stage.
 - iii. As part of our agent commission study, we surveyed the AAG about agents' role in the TWIA claims process. We will review and discuss the survey results at the February AAG meeting and plan to include the information in our future report to the Board.



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Legislative Implementation Program

Provision Status as of February 2, 2022

House Bill 769			
Legislative Change	Effective Date	TWIA Status	TDI Status
Board Vacancy on Rate Vote	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"> • 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. • TDI adopted changes to TWIA's Plan of Operation on 11/12/2021 to implement this provision. 			
Reinsurance Purchase Requirements	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"> • The TWIA Board has selected a reinsurance broker and a separate vendor to provide catastrophe modeling analysis for the 2022 storm season. • TDI adopted changes to TWIA's Plan of Operation on 11/12/2021 to implement this provision. 			

House Bill 2920			
Legislative Change	Effective Date	TWIA Status	TDI Status
Premium Payment Grace Period	September 1, 2021	Pending	Pending
<p><i>Sec. 1. By June 2022 TDI must adopt 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"> • TWIA plans to implement this provision as part of the Project ELEVATE systems upgrade launching April 2022. • TDI has proposed a rule establishing the grace period. 			



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Legislative Implementation Program

Provision Status as of February 2, 2022

House Bill 3564			
Legislative Change	Effective Date	TWIA Status	TDI Status
Windstorm Certificate of Compliance Recension	June 14, 2021	N/A	Complete
<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>			
<ul style="list-style-type: none">• Makes no changes to TWIA's processes.• TDI has developed administrative alternatives to allow for corrections of faulty certificates of compliance.			

Senate Bill 1448			
Legislative Change	Effective Date	TWIA Status	TDI Status
Commissioner Approval of Rate Increases	September 1, 2021	In Compliance	Complete
<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>			
<ul style="list-style-type: none">• Previously, TWIA could "file and use" a rate increase of up to 5%.• 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.			
Two-Thirds Vote for Rate Increase	September 1, 2021	In Compliance	N/A
<i>Sec. 1, 2. Requires a two-thirds vote of the TWIA Board to raise rates on annual or non-annual rate filings.</i>			
<ul style="list-style-type: none">• 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.			
Funding & Structure Study	September 1, 2021	Pending	N/A
<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>			
<ul style="list-style-type: none">• TWIA is prepared to assist the Legislative Oversight Board in its deliberations.			
TWIA/TFPA Merger Study	September 1, 2021	Pending	N/A
<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>			
<ul style="list-style-type: none">• TWIA is prepared to assist the Legislative Oversight Board in its deliberations.			



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Redistricting and 88th Legislature Outlook

Coastal Delegation and Key Committee Members

Coastal Delegation

House of Representatives Members

Coastal House members running for reelection unopposed:

- Speaker Dade Phelan in House District 21 (Jefferson County)
- Rep. Cody Vasut in House District 25 (Brazoria County)
- Rep. Ed Thompson in House District 29 (Brazoria County)
- Rep. Geanie Morrison in House District 30 (Matagorda County)
- Rep. Todd Hunter in House District 32 (Nueces and Aransas Counties)
- Rep. J.M. Lozano in House District 43 (San Patricio, Calhoun, Refugio, and Kleberg Counties)

Coastal House members running for reelection with primary and/or general election opponent(s):

- Rep. Greg Bonnen in House District 24 (Galveston County)
- Rep. Abel Herrero in House District 34 (Nueces County)
- Rep. Oscar Longoria in House District 35 (Cameron County)
- Rep. Briscoe Cain in House District 128 (Harris County)
- Rep. Dennis Paul in House District 129 (Harris County)

Coastal House members not running for reelection:

- Rep. Joe Deshotel in House District 22 (Jefferson County)
- Rep. Mayes Middleton in House District 23 (Galveston and Chambers Counties)
 - running for Senate District 11
- Rep. Alex Dominguez in House District 37 (Cameron and Willacy Counties)
 - running for Senate District 27
- Rep. Eddie Lucio, III in House District 38 (Cameron County)

Senate Members

Coastal Senators running for reelection with primary and/or general election opponent(s):

- Sen. Brandon Creighton in Senate District 4 (Chambers and Jefferson Counties)
- Sen. Carol Alvarado in Senate District 6 (Harris County)
- Sen. Joan Huffman in Senate District 17 (Brazoria and Matagorda Counties)
- Sen. Lois Kolkhorst in Senate District 18 (Aransas, Calhoun, and Refugio Counties)
- Sen. Juan "Chuy" Hinojosa in Senate District 20 (Nueces County)

Coastal Senators not running for reelection:

- Sen. Larry Taylor in Senate District 11 (Galveston, Brazoria, and Harris Counties)
- Sen. Eddie Lucio, Jr. in Senate District 27 (Nueces, Kleberg, Kenedy, Willacy, and Cameron Counties)

Senate District 3 in eastern Texas will now extend south into Jefferson County, bringing Senate Business & Commerce Committee member Sen. Robert Nichols into the coastal delegation if reelected. **Senate District 21** in south Texas will no longer include any coastal counties, placing Sen. Judith Zaffirini out of the coastal delegation.



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Redistricting and 88th Legislature Outlook

Coastal Delegation and Key Committee Members

Members of Key Committees

House Insurance Committee Members

House Insurance Committee members running for reelection unopposed:

- Chairman Tom Oliverson in House District 130 (Harris County)
- Rep. Jessica Gonzalez in House District 104 (Dallas County)
- Rep. Ramon Romero, Jr. in House District 90 (Tarrant County)

House Insurance Committee members running for reelection with primary and/or general election opponent(s):

- Rep. Dennis Paul in House District 129 (Harris County)
- Rep. Lacey Hull in House District 138 (Harris County)
- Rep. Hubert Vo in House District 149 (Harris County)

House Insurance Committee members not running for reelection:

- Rep. Celia Israel in House District 50 (Travis County)
- Rep. Scott Sanford in House District 70 (Collin County)
- Rep. Mayes Middleton in District 23 (Galveston and Chambers Counties)
 - running for Senate District 11

Senate Business & Commerce Committee Members

Senate Business and Commerce Committee members running for reelection unopposed:

- Chairman Charles Schwertner in Senate District 5 (Williamson and ten other Counties)

Senate Business and Commerce Committee members running for reelection with primary and/or general election opponent(s):

- Sen. Robert Nichols in Senate District 3 (Jefferson and 17 other Counties)
- Sen. Angela Paxton in Senate District 8 (Collin and three other Counties)
- Sen. John Whitmire in Senate District 15 (Harris County)
- Sen. Donna Campbell in Senate District 25 (Travis and five other Counties)
- Sen. Nathan Johnson in Senate District 16 (Dallas County)
- Sen. Jose Menendez in Senate District 26 (Bexar County)



Q4 2021 Legislative & Regulatory Meetings

Legislative / Regulatory Office	Staff Member	TWIA Staff	Purpose
October 2021			
TDI	Marianne Baker, David Nardecchia & Brian Leventhal	Jennifer Armstrong, David Durden, Lou Cusano, Jessica Crass & Lupe Delgado-Lopez	Met with TDI staff to discuss premium payment grace period rules.
November 2021			
TDI	Commissioner Cassie Brown, Doug Slape, Jamie Walker, Luke Bellsnyder & Mark Worman	John Polak, Jennifer Armstrong, David Durden, Stuart Harbour & Jim Murphy	Met with Commissioner and TDI staff to discuss Board meeting and public comment process, legislative relations, CRTF accrual and deposit and outstanding bonds, MSB calculations.
December 2021			
Attending Legislators & Staff: <ul style="list-style-type: none">• Rep. Ed Thompson• Scot Kibbe (Governor's Office)• Deb Mamula (Lt. Governor's Office)• Danny Mittnacht (Speaker's Office)• Kenisha Schuster (TDI)• Chris Lacy (Sen. Creighton)• Luis Moreno (Sen. Hinojosa)• Grant McLoughlin (Sen. Kolkhorst)• Ruben O'Bell (Sen. Lucio)• Alex Gamez (Rep. Hunter)• Taryn Feigen (Rep. Israel)• Loradel Mariano (Rep. Munoz)• Molly Wilson (Rep. Thompson)		Jennifer Armstrong, David Durden, Denise Larzalere, David Williams, Jim Murphy, JD Lester, Stuart Harbour & Anna Stafford	Invited legislators and legislative staff to the Q4 2021 TWIA Board Meeting Materials Briefing, focusing on those agenda items of expected interest to staff and legislators: rate filing withdrawal request by coastal legislators, agent commissions, reinsurance broker and catastrophe modeling selection process, Hurricane Nicholas claims, TWIA lease and building project, the 2022 budget, etc.

15. Future Meetings

May 17, 2022 – Hyatt Regency

Austin/Webinar

August 2022 – TBD