Meeting of Board of Directors
Texas Windstorm Insurance Association
Teleconference/Web Conference
May 7, 2024
Hyatt Regency Hotel
208 Barton Springs Road
Austin, TX 78704
9:00 a.m.

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

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

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

1. Call to Order: *5 minutes*
   A. Welcoming Remarks – *Chandra Franklin Womack*
   B. Anti-Trust Statement and Conflict of Interest Disclosure – *Counsel*
   C. Meeting Format Information – *Kristina Donley*

2. New Board Member Welcome – *Chandra Franklin Womack* *5 minutes*

3. Approve the Minutes from Prior Board of Directors Meeting – *Chandra Franklin Womack* – ***Action/Vote Likely**** *5 minutes*

4. Public Comment *15 minutes*

5. TWIA Operational Dashboard – *David Durden* *15 minutes*

6. Financial *45 minutes*
   A. Report of the Secretary/Treasurer – *Karen Guard* – ***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. Investment Plan Review – *Stuart Harbour* – ***Action/Vote Likely****
   D. 2024 Hurricane Season Line of Credit – *Stuart Harbour* – ***Action/Vote Likely****
   E. Financial Audit by Calhoun, Thomson + Matza – *Clark Thomson*
      1. Audit Wrap-Up Reports
      2. Statutory Report – ***Action/Vote Likely****
      3. GASB – ***Action/Vote Likely****
      4. Internal Control Letter

7. Actuarial – *Jim Murphy* *30 minutes*
   A. Policy Count/Exposures
   B. Reserve Adequacy
   C. 2024 Funding; Reinsurance – *Gallagher Re*

8. Internal Audit – *Bruce Zaret – Weaver* *10 minutes*
   A. Status & Update
   B. IT Audit Update

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

10. Claims *10 minutes*
    A. Claims Operations – Overview – *David Harkin*
    B. Claims Litigation – *Jessica Crass*

11. TWIA Operations *20 minutes*
    A. IT Systems Update – *Camron Malik*
    B. Communications and Legislative Affairs Update – *David Durden*

12. Closed Session **(Board Only)** *15 minutes*
    A. Personnel Issues
    B. Legal Advice

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

14. Committees – *Chandra Franklin Womack* – ***Action/Vote Likely**** *5 minutes*
    A. Actuarial and Underwriting Committee Vacancies
    B. Legislative and External Affairs Committee Vacancy

15. Future Meetings – *Chandra Franklin Womack* *5 minutes*
    A. Future Meeting Dates
       - August 6, 2024 – Tremont House – Galveston, TX
       - December 10, 2024 – Omni Hotel – Corpus Christi, TX

16. Adjourn

Estimated Total Length of Meeting 3 hours 20 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.

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.

3. Approve the Minutes

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

Moody Gardens Hotel
7 Hope Blvd.
Galveston, TX

February 20, 2024

The Following Board Members were Present:

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

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

1. David Durden, General Manager	TWIA
2. Stuart Harbour, CFO	TWIA
3. Dave Williams, VP Claims	TWIA
4. Jessica Crass, VP Legal and Compliance	TWIA
5. Rachel Shann, Acting VP Human Resources	TWIA
6. Michael Ledwik, VP Underwriting	TWIA
7. Jim Murphy, Chief Actuary	TWIA
8. Camron Malik, Chief Information Officer	TWIA
9. Amy Koehl, Senior Project Administrator	TWIA
10. Kristina Donley, Senior Instructional Designer	TWIA
11. Mike Perkins, Association Counsel	Perkins Law Group PLLC

The Following Guests Were Present:

1. Debbie King	Amtrust
2. Dan Schwietz	Aon
3. Bruce Zaret	Weaver

The Following In Person Attendees Were Present:

1. Jim Conroy	Aon
2. Dan Dick	Aon
3. Scot Kibbe	APCIA
4. Sally Bakko	City of Galveston
5. George Taylor	FB Taylor Insurance

6. Allen Cashin — Gallagher Re
7. Alicia Gerte — Gallagher Re
8. Joey Walker — Gallagher Re
9. Bill Dubinsky — Gallagher Securities
10. Alex Donkervoet — Guy Carpenter
11. Marianne Baker — TDI
12. Andy McLaurin — TDI
13. Jessica Davidson — TWIA
14. Dan Graves — Weaver
15. Bruce Zaret — Weaver

<u>The Association's Webinar Tool Attendance Report Indicates the Following Attendees Were Online:</u>

1. Jeff Bernsen
2. David Bolduc
3. Jason Briggs
4. Eric Casas
5. Matt Costa
6. Nicole Elliott
7. Regan Ellmer
8. Steve Evans
9. Angela Fang
10. Luke Gallin
11. Hunter Hamilton
12. Rubi Harman
13. Jordan He
14. Barbara King
15. Clarisse Lilley
16. Paul Martin
17. Travis McDavid
18. Chris Merideth
19. Althea Morris
20. Jade Nguyen
21. Alessia Noboa
22. Dan Paschal
23. Julia Piotrowski
24. Katie Sabo
25. Kenisha Schuster
26. Jai Singh
27. Jocelyn Strong
28. Aaron Taylor
29. Rep. Ed Thompson

1. <u>Call to Order:</u> Ms. Franklin Womack called the meeting to order at 9:01 a.m. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Mr. Perkins presented the required conflict-of-interest disclosures on behalf of each board member. Kristina Donley reviewed the housekeeping items.

2. <u>Approval of Minutes:</u> Ms. Neblett moved to approve the minutes of the December 12, 2023 meeting in Corpus Christi. Ms. Grossman seconded the motion. The motion passed unanimously.

3. <u>Public Comment:</u> Sally Bakko offered public comment.

4. TWIA Operational Dashboard: Mr. Durden reviewed the operational dashboard. Complaints were low for the year. TWIA receives complaints directly from TDI and some come directly to the Association. Ms. Neblett noted that headcount is down. Is that due to staff attrition or contractors? Mr. Durden said it was mainly contractors. Association surcharge is on hold in case it needs to be activated. It is ready to go, but User Acceptance Testing must be completed.

5. Financial:
    A. Report of the Secretary/Treasurer: Ms. Guard reviewed the Treasurer's Report. Mr. Garrett moved to approve the report. Ms. Neblett seconded the motion. The motion passed unanimously.
    B. Financial Statement Review by Staff: Direct written premiums for the year ended December 31, 2023 totaled $653 million, which was $134.7 million above the $518.3 million for 2022. Direct earned premiums were $589.4 million. There were 247,531 policies in force at the end of the year.

       The 2023-2024 reinsurance program incepted on June 1, 2023. Coverage for the 2023 hurricane season consists of $1.2 billion of collateralized catastrophe bonds and $1.043 billion of traditional reinsurance. Gross ceded premiums associated with the $2.243 billion in coverage totaled $218.0 million compared to a budgeted estimate of $225.5 million. This total reflects an overall rate-on-line (ROL) of 9.1% compared to the 6.5% ROL for the 2022-2023 program. The net cost of the reinsurance program after ceding commission was $208.0. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

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

       Year-end total direct losses and LAE incurred totaled $91.4 million, which was under the budgeted amount of $92.2 million.

       Year-end operating expenses were $34.3 million. Notable expense items under budget include personnel expenses ($1.8 million) and software purchases and licensing ($540,000). Expenses over budget include professional and consulting services of $1.5 million, primarily in information technology.

       Commission expense for the 2023 year was $104.4 million and premium taxes were $11.4 million. 2023 gross investment income was $23.0 million.

6. Actuarial:
   A. Reserve Adequacy: The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of December 31, 2023.

      After reviewing recently settled and remaining outstanding claims, the ultimate estimate for Hurricane Harvey has been reduced $5 million to $1.655 billion. The actual ultimate costs of Hurricane Harvey may still differ substantially from the selected ultimate estimate due to variability in the outcome of disputed claims.

      As of December 31, 2023, TWIA carried $45.1 million in total gross loss and loss adjustment expense reserves. The total gross loss and loss adjustment expense reserves include the reserves for Hurricanes Harvey, Delta, Laura, Hanna, Nicholas and all other outstanding claims.

      In the opinion of the Chief Actuary, the Association's reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements.
   B. Policy Count/Exposures: Policy counts have grown 11.3% year over year. Exposures have grown 26% and growth has been steady.
   C. Receive Report and Recommendations from the February 13, 2024 Meeting of the Actuarial and Underwriting Committee: Ms. King reviewed the outcome of the Actuarial and Underwriting Committee meeting. All committee members were present at the meeting. RMS had a significant model change this year with new data from storms in the model. The committee recommended going with 75% weight to RMS and 25% to AIR, with modeling results based on long term assumptions being preferable. The committee recommended the inclusion of LAE in determining the probable maximum loss for the Association for a catastrophe year with a probability of 1 in 100. The committee recommended that the 1 in 100 probable maximum loss amount is $6.5 billion. Ms. Franklin Womack asked why the committee didn't take a blend of all four models instead of only relying on RMS and AIR. Ms. King said they are market leaders and heavily used by reinsurers. The other two are good benchmarks.
   D. Determination of 2024 Funding; Including Aon Modeling Update, Reinsurance Procurement and Determination of Probable Maximum Loss for a Catastrophe Year with a Probability of 1 in 100: Ms. Neblett commended the committee and said they did a good job at looking at the model mix. Ms. Grossman said according to the insurance code, TWIA can consider adding reinsurance at the cost of the member insurers, but members of the Association cannot recoup that cost. If TWIA were to force carriers to shoulder the additional reinsurance

that could drive fragile carriers out of business. She wouldn't be inclined to vote for that. Ms. Franklin Womack said the burden is being put on policyholders. Companies should share in the responsibility. Ms. Neblett said it was a tool the legislature has given TWIA and it would be foolish not to consider it. Mr. Gerik said the industry will be assessed before reinsurance is triggered.

Mr. Walenta moved to accept the committee's recommendation of the PML for 2024. Ms. Grossman seconded the motion. Ms. Grossman asked if the funding is in the budget. Mr. Durden said it is not. Staff budgeted $298 million for reinsurance. Mr. Durden explained that the budgeted amount is in the nature of a benchmark and not an appropriation. The reinsurance that TWIA will need to purchase will be in the $400 million range in terms of cost.

A roll call vote was conducted.

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

The motion passed.

E. <u>Overview of 2024 Funding Plans and Reinsurer Panel Review:</u> Staff continues to work closely with TWIA's reinsurance broker, Gallagher Re, and their securities/catastrophe bond affiliate, Gallagher Securities, in preparation for the upcoming 2024 reinsurance placement. Catastrophe modeling in support of the traditional reinsurance program has been completed and is in progress for catastrophe bond issuance. Essential documents and exhibits supporting both traditional reinsurance and catastrophe bonds have also been updated in preparation for the commencement of the reinsurance placement process after the February 20 board meeting.

   In response to a question at the December 2023 board meeting, TWIA has had no dealings with Vesttoo, a reinsurance intermediary recently investigated for alleged fraud. To ensure the financial stability of each of our reinsurance partners, Gallagher Re provides TWIA staff with detailed financial profiles of each participating reinsurer. Every participant on the 2023 reinsurance program was rated A- or better by AM Best or was required to fully collateralize their reinsurance obligation.

F. Appointed Actuary Qualification Documentation: Annual statement instructions require the Appointed Actuary to provide qualification documentation to the board on the occasion of their appointment and on an annual basis thereafter. The board most recently appointed Mr. Murphy as the Appointed Actuary for the Texas Windstorm Insurance Association at its February 14, 2023 meeting.

7. Internal Audit:
   A. Internal Audit Status Report: Mr. Zaret reported on the current internal audit activities, which include risk assessment update, legal and compliance, application development and database access, accounts payable and expense processing, accounts receivable, depopulation, actuarial, underwriting, reinsurance and funding, legislative and external affairs.

      Upcoming audits and activities include financial close and reporting, catastrophe plan, customer experience, strategic communications, executive management, operational planning and reporting and cash management.

8. Underwriting:
   A. Operational Review Update: Over 99% of transactions were issued within 10 days of receiving the application and payment. Of those, 71% of the transactions were straight through processed by the system and 29% of the transactions were referred by the system to Underwriting for additional information, review and approval prior to issuance. Out of 72,580 calls for the quarter, 95.01% of the calls were answered in under 20 seconds.

      A standard sample of agencies (20) were selected for review in the fourth quarter of 2023 to verify compliance with the Texas Windstorm Insurance Association (TWIA) declination of coverage and flood insurance requirements. All policies/agents reviewed were 100% compliant with the requirement for proof of declination of coverage. All policies/agents reviewed were 100% compliant with the flood coverage requirements, noting that only 3% of the policies selected/reviewed required flood insurance. All agents selected have an active property and casualty insurance license.
   B. Premium Financing Update: Mr. Ledwik reported at the December 2023 meeting of the TWIA Board of Directors, the board expressed interest in the issue of premium financing. The board directed staff to research the current volume of policyholders utilizing premium finance plans and the legal framework around TWIA's obligations to accept premium financing agreements in light of the fact that TWIA now offers multiple interest free installment plans to both residential and commercial policyholders.

      Texas Insurance Code Chapter 2210 and the TWIA Plan of Operations do not contain an explicit requirement that TWIA must accept or that it may reject payment via premium finance companies.

TWIA staff recommends that the relatively low number of impacted policyholders and agents receive targeted communications regarding the interest-free payment options that are available directly through TWIA. At this time, no recommendation is being made to modify TWIA's guidelines and system to remove premium financing as a payment option.

Mr. Walenta said he would not be in favor of subsidizing the premiums. TWIA shouldn't pay anything to an outside party. Ms. Crass said staff has worked with Wellington to get one of these programs up and running but TWIA isn't part of that anymore. It is between the policyholder and premium finance company. Mr. Gerik asked staff and the Legislative and External Affairs Committee to include prohibiting premium financing in the next set of legislative recommendations. Ms. Franklin Womack asked what was the timetable for communications to the policyholders regarding payment options. The communications program should be up and running to educate policyholders and agents on premium financing options by the May board meeting.

9. Claims:
   A. Claims Operations: First notice of loss to property inspection was 3.4 days compared to an industry average of 6.4 days. Total cycle time of first notice of loss to payment (daily) was 9.9 days. Total cycle time of first notice of loss to payment (cat) was 9.5 days. The historical claim volume for 2023 was 8,867.
   B. Litigation Report: For the fourth quarter of 2023, five new claims in suit were received and 20 were closed. For TWIA claims with letters of representation, 71 were received for the quarter and 78 were closed. The Furlow Law Firm and the Baker Law Firm hold the majority of the suits.

10. TWIA Operations:
    A. IT Systems Update: Mr. Malik reported that all projects are making good progress and are on track. The surcharge for bonds project has completed development and is in the process of being archived until staff decides to enable the capacity when the business will complete User Acceptance Testing (UAT). The functionality itself will only be used in the event a surcharge is required and authorized.

    The cloud program continues to move forward. The first major milestone was completed with the technical upgrade. The system integrator lead portion of the program kicked off on January 8th and completion is nearing on the inception phase, which involves requirements articulation, defining architecture and planning the work streams. The next step will be to finalize the project plans and start the construction phase of the program.

    The recent substantial increase in written premium and projections for further growth led staff to renegotiate the terms of the cloud contract. This included increasing the premium threshold from $650 million to $1 billion and the license costs were negotiated to reduce the impact of overage charges, which are incurred after the threshold is passed. This increased our baseline fees but contained them below overage charges expected in the original contract.

Overall, systems continue in production support mode with a monthly cadence of releases and the infrastructure and operations team continues to support the organization.

B. Communications and Legislative Affairs Update: After a successful launch of the Windstorm Certification (WPI-8C) lookup feature on the TWIA website, there are plans to increase its visibility and promote it further to maximize its benefits.

   Staff launched a Legislative Implementation Program for the 88th Session (LIP 88) to put into effect the new laws impacting Association operations.

   Association staff have been meeting regularly with officials from legislative offices.

   The Agent Advisory Group (AAG) met for its first quarterly meeting on February 5, 2024.

C. Review of ITS Recommendations: ITS Consulting (ITS), the vendor engaged to complete an agent time study as part of the Agent Commission Study project, included several training and system enhancement recommendations for TWIA in their report. ITS made a total of 29 recommendations for TWIA in the time study report based on ITS Consulting's agency visits and the results of a survey sent to agents in September 2023 about our quoting and renewal processes.

   Staff met with the AAG on February 5 to discuss recommendations under consideration, those that are already being pursued as part of the post ELEVATE system improvements, and those for which additional information was needed to understand their impact to agents.

   Board members were directed to the memo in the meeting materials for additional information regarding recommendations, the response from the AAG and TWIA's response. Ms. Neblett said of the recommendations that aren't being pursued, could staff ask the AAG which ones give them the most concern about not implementing.

11. Closed Session: There was no closed session.

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

13. Actuarial and Underwriting Committee Vacancies: Ms. Franklin Womack said she was hoping to have the committee vacancies addressed before the next board meeting. Mr. Durden said he will contact the members of the Legislative and External Affairs Committee to schedule the first meeting.

14. Future Meetings:

- May 7, 2024 – Hyatt Regency – Austin
- August 6, 2024 – Tremont House – Galveston
- December 10, 2024 – Omni Hotel – Corpus Christi

15. Adjourn: The meeting adjourned at 11:02 am.

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Prepared by: Amy Koehl
Senior Project Administrator

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Approved by: Chandra Franklin Womack
TWIA Chair

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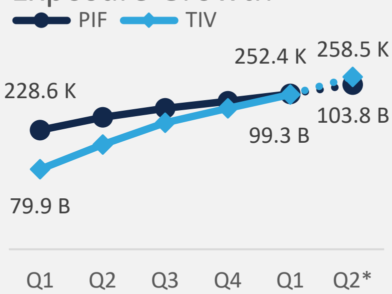
Approved by: Georgia Neblett
TWIA Vice Chair

5. TWIA Operational Dashboard

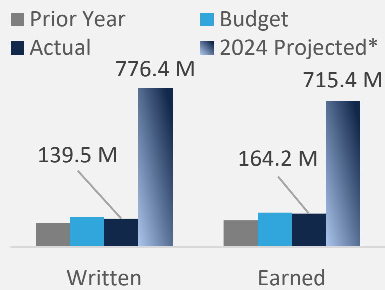
Operational Dashboard

Reporting as of March 31, 2024

Exposure Growth



Premiums



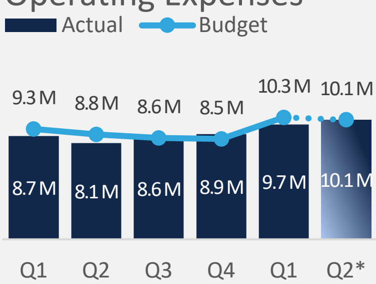
Net Income

Actual: $ 78.1 M
Budget: <u>$ 113.5 M</u>
▼ $ 35.4 M

CRTF Balance

$467.1 M

Operating Expenses



Claims Activity

Reported Claims	**3,250**
Incurred Loss & LAE	**$59.6 M**
Loss Ratio:	**36.3%**

Claims Disputes

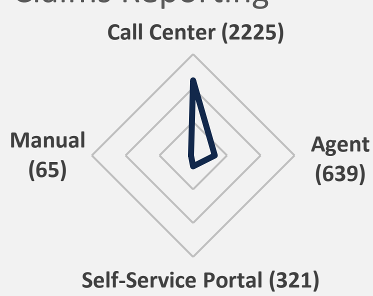
(% of Reported Claims)

TDI Complaints:	**3**	**(0.1%)**
Disputes:	**17**	**(0.5%)**
Lawsuits:	**0**	**(0.0%)**

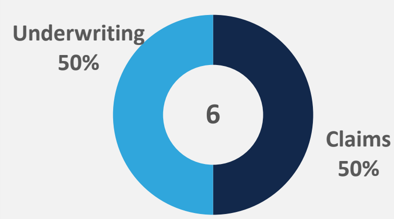
Headcount

Employees: **225**
<u>Contractors: 29</u>
Total: **254**

Claims Reporting



Complaints by Reason



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

CY 2023 Gross Premium to Surplus Ratio 1.49: 1

Enterprise Projects

Status Update as of March 31, 2024

Enterprise Projects	Initiative Type	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
Legislative Implementation Program (LIP88)	Mandatory												
LIP88 - SB 2232 - Agent Requirements/Standards	Mandatory												
LIP88 - SB 2233 - Auto Renewals exclude Commercial	Mandatory												
LIP88 - HB1900 - Cancel Notices (from 30 to 60 days)	Mandatory												
LIP88 - HB 998 - TFPA Property Owners Assoc (Condos)	Mandatory												
Chase Digital Bill Pay - TFPA Paymentus	Required												
Association Surcharge for GW9 - Ph 1 Technical	High Priority												
Association Surcharge for GW9 - Ph 2 Business	Mandatory												
Strategy Management & Planning	Discretionary Planned												
TFPA Automatic Adjustment to Limits	High Priority												
Conversational AI - Chatbot for Claims (Ph 1-3)	Discretionary Planned												
Guidewire Cloud Migration (PC9)	Discretionary Planned												
Engagement Survey Action Plan - People	Discretionary Planned												
Engagement Survey Action Plan - Technical	Discretionary Planned												
Audit Tracking (Legal & Compliance)	High Priority												
Employee Volunteer Program	Discretionary Planned												

6. Financial

6A. Report of the Secretary/Treasurer

6A1. Income Statement

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

	For the three months ended March 31,	
	Actuals - 2024	Actuals - 2023
Premiums Written:		
Direct	$ 139,466	$ 116,531
Ceded	0	0
Ceded - Depopulation	0	0
Net	139,466	116,531
Premiums Earned:		
Direct	$ 164,151	$ 130,657
Ceded	0	0
Ceded - Depopulation	0	0
Net	164,151	130,657
Deductions:		
Direct Losses and LAE Incurred	59,589	21,553
Direct Losses and LAE Incurred - Harvey	0	0
Direct Losses and LAE Incurred - Ike & Dolly	0	0
Ceded Losses and LAE Incurred - Depopulation	0	0
Operating Expenses	9,681	8,715
Commission Expense	22,293	18,627
Ceding commissions / brokerage	0	0
Ceding commissions / brokerage - Depopulation	0	0
Premium / Maintenance Tax	2,435	2,136
Total Deductions	93,998	51,031
Net Underwriting Gain or (Loss)	70,153	79,626
Other Income or (Expense):		
Gross Investment Income	7,879	4,338
Debt Issuance/Maintenance Fees & Other Investment Expenses	(10)	(36)
Line of Credit Fees	0	0
Interest Expense on Class 1 Bonds	0	0
Interest Expense on Short Term Debt	0	0
Premium Charge offs/Write offs	0	(126)
Miscellaneous Income (Expense)	0	88
Total Other Income or (Expense)	7,869	4,264
Net Income (Loss)	**$ 78,021**	**$ 83,890**
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	45,853	38,643
Net Income (Loss)	78,021	83,890
Change in Provision for Reinsurance	0	0
Change in nonadmitted assets	(12,782)	(8,580)
Change in Unrecognized Pension Expense	0	0
Statutory Fund Cost	(23,212)	(23,190)
Ending Surplus (Deficit)	**$ 87,880**	**$ 90,764**

6A2. Management Discussion and Analysis

Texas Windstorm Insurance Association

Management's Discussion and Analysis of Financial Results

For the Three Months Ended March 2024

Written and Earned Premiums

Actual vs Budget	Mar-2024 YTD Actual	Mar-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 139.5 M	$ 148.7 M	($ 9.3 M)	(6.2%)
Direct Earned Premiums	$ 164.2 M	$ 169.1 M	($ 4.9 M)	(2.9%)
Policies In-Force	252,433	251,483	950	0.4%

Current Yr vs Prior Yr Actual	Mar-2024 YTD Actual	Mar-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 139.5 M	$ 116.5 M	$ 22.9 M	19.7%
Direct Earned Premiums	$ 164.2 M	$ 130.7 M	$ 33.5 M	25.6%
Policies In-Force	252,433	228,577	23,856	10.4%

Reinsurance Costs

- On February 20, 2024, the TWIA board voted to establish $6.5 billion as the Association's 1:100 probable maximum loss (PML) for the 2024 storm season. Given the $2.45 billion in statutory funding from other sources, the $6.5 billion PML requires $4.05 billion in reinsurance for the 2024 hurricane season. Staff is currently in the process of acquiring $3.35 billion in new reinsurance to accompany the $700 million in existing multi-year catastrophe bonds. Working with our broker Gallagher Re, $750 million in traditional reinsurance has already been placed and on April 11th, 2024, TWIA closed on a $1.4 billion catastrophe bond that will provide fully collateralized reinsurance coverage for multiple storm seasons. The remaining $1.2 billion of reinsurance is expected to be placed in the traditional market in late April and early May. In accordance with statutory accounting rules, no written or earned ceded premium is recorded for the 2024-2025 program until the new program becomes effective on June 1, 2024, at the start of hurricane season. Premium ceded to reinsurers is fully earned over the six-month hurricane risk period.

Depopulation Program

- There was no round 7 depopulation program in 2023/2024 as no carriers registered to participate.

Management's Discussion and Analysis of Financial Results
(cont'd)

Loss and Loss Adjustment Expense Incurred

Actual vs Budget	Mar-2024 YTD Actual	Mar-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 48.7 M	$ 19.4 M	$ 29.3 M	150.7%
Direct LAE Incurred	$ 10.9 M	$ 5.5 M	$ 5.4 M	97.4%
Total Direct Losses & LAE	**$ 59.6 M**	**$ 24.9 M**	**$ 34.6 M**	**138.9%**
Loss & LAE Ratio	**36.3%**	**14.7%**		**21.6%**

Current Yr vs Prior Yr Actual	Mar-2024 YTD Actual	Mar-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 48.7 M	$ 20.9 M	$ 27.8 M	133.2%
Direct LAE Incurred	$ 10.9 M	$ 0.7 M	$ 10.2 M	1,511.3%
Total Direct Losses & LAE	**$ 59.6 M**	**$ 21.6 M**	**$ 38.0 M**	**176.5%**
Loss & LAE Ratio	**36.3%**	**16.5%**		**19.8%**

- The ultimate loss and loss adjustment expense estimate for Hurricane Harvey was reduced by $5 million in December to $1.655 billion

Operating Expenses

Actual vs Budget	Mar-2024 YTD Actual	Mar-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 9.7 M	$ 10.3 M	($ 0.6 M)	(5.9%)
Operating Expense Ratio	5.9%	6.1%		(0.2%)

Current Yr vs Prior Yr Actual	Mar-2024 YTD Actual	Mar-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 9.7 M	$ 8.7 M	$ 1.0 M	11.1%
Operating Expense Ratio	5.9%	6.7%		(0.8%)

- Net operating expenses shown above and on the statutory income statement exclude claims related expenses which are recorded in losses and loss adjustment expense. Expenses under budget include Personnel Expenses of ($610,000) and Other Expenses including rental, travel, and postage of ($166,000). Notable expense items over budget include Professional & Consulting Services of ($133,000) and Software & Hardware ($40,000).

Management's Discussion and Analysis of Financial Results
(cont'd)

Commission Expense and Premium Taxes

Actual vs Budget	Mar-2024 YTD Actual	Mar-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 22.3 M	$ 23.8 M	($ 1.5 M)	(6.3%)
Premium Taxes	$ 2.4 M	$ 2.7 M	($ .3 M)	(10.3%)

Current Yr vs Prior Yr Actual	Mar-2024 YTD Actual	Mar-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 22.3 M	$ 18.6 M	$ 3.7 M	19.7%
Premium Taxes	$ 2.4 M	$ 2.1 M	$ .3 M	14.0%

Other Income (Expense)

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

Actual vs Budget	Mar-2024 YTD Actual	Mar-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 7.9 M	$ 6.1 M	$ 1.7 M	28.1%

Current Yr vs Prior Yr Actual	Mar-2024 YTD Actual	Mar-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 7.9 M	$ 4.3 M	$ 3.5 M	81.6%

Net Income

Actual vs Budget	Mar-2024 YTD Actual	Mar-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 78.0 M	$ 113.5 M	($ 35.4 M)	(31.2%)

Current Yr vs Prior Yr Actual	Mar-2024 YTD Actual	Mar-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income	$ 78.0 M	$ 83.9 M	($ 5.9 M)	(7.0%)

Management's Discussion and Analysis of Financial Results (cont'd)

Surplus (Deficit)

Current Period vs. Prior Year End Actual	Mar-2024 YTD Actual	Dec-23 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	$ 87.9 M	$ 45.9 M	$ 42.0 M	91.7%

- Ending surplus increased from the prior year-end amount by $42.0 million. Surplus increased due to year-to-date net income of $ 78.0 million. This amount was partially offset by the $12.8 million increase in non-admitted assets and $23.2 million that has been accrued for the estimated 2024 contribution to the catastrophe reserve trust fund.

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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

QUARTERLY FINANCIAL STATEMENTS AND SCHEDULES

March 2024

Statutory Income Statement (In 000s)

		For the three months ended March 31,				
1						1
2		Actuals - 2024	Budget - 2024	Variance - 2024	Actuals - 2023	2
3						3
4	**Premiums Written:**					4
5	Direct	$ 139,466	$ 148,721	$ (9,255)	$ 116,531	5
6	Ceded	0	0	0	0	6
7	Ceded - Depopulation	0	0	0	0	7
8	Net	139,466	148,721	(9,255)	116,531	8
9						9
10	**Premiums Earned:**					10
11	Direct	$ 164,151	$ 169,092	$ (4,941)	$ 130,657	11
12	Ceded	0	0	0	0	12
13	Ceded - Depopulation	0	0	0	0	13
14	Net	164,151	169,092	(4,941)	130,657	14
15						15
16	**Deductions:**					16
17	Direct Losses and LAE Incurred	59,589	24,941	34,649	21,553	17
18	Direct Losses and LAE Incurred - Harvey	0	0	0	0	18
19	Direct Losses and LAE Incurred - Ike & Dolly	0	0	0	0	19
20	Ceded Losses and LAE Incurred - Depopulation	0	0	0	0	20
21	Operating Expenses	9,681	10,283	(603)	8,715	21
22	Commission Expense	22,293	23,795	(1,502)	18,627	22
23	Ceding commissions / brokerage	0	0	0	0	23
24	Ceding commissions / brokerage - Depopulation	0	0	0	0	24
25	Premium / Maintenance Tax	2,435	2,714	(279)	2,136	25
26	Total Deductions	93,998	61,734	32,265	51,031	26
27						27
28	**Net Underwriting Gain or (Loss)**	70,153	107,358	(37,206)	79,626	28
29						29
30	**Other Income or (Expense):**					30
31	Gross Investment Income	7,879	6,149	1,730	4,338	31
32	Debt Issuance/Maintenance Fees & Other Invt Exp	(10)	(39)	29	(36)	32
33	Line of Credit Fees	0	0	0	0	33
34	Interest Expense on Class 1 Bonds	0	0	0	0	34
35	Interest Expense on Short Term Debt	0	0	0	0	35
36	Premium Charge offs/Write offs	0	0	0	(126)	36
37	Miscellaneous Income (Expense)	0	0	0	88	37
38	Total Other Income or (Expense)	7,869	6,110	1,759	4,264	38
39						39
40	**Net Income (Loss)**	$ 78,021	$ 113,468	$ (35,447)	$ 83,890	40
41						41

Surplus and Key Operating Ratios (In 000s)

	For the three months ended March 31,			
	Actuals - 2024	Budget - 2024	Variance - 2024	Actuals - 2023
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	45,853	45,853	0	38,643
Net Income (Loss)	78,021	113,468	(35,447)	83,890
Change in Provision for Reinsurance	0	0	0	0
Change in nonadmitted assets	(12,782)	(14,541)	1,759	(8,580)
Unassigned Funds - Unrecognized Pension Expense	0	0	0	0
Statutory Fund Cost	(23,212)	(49,475)	26,263	(23,190)
Ending Surplus (Deficit)	$ 87,880	$ 95,305	$ (7,425)	$ 90,764
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	36.3%	14.7%	21.6%	16.5%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	36.3%	14.7%	21.6%	16.5%
UW Expense Ratio:				
Acquisition	17.7%	17.8%	(0.1%)	17.8%
Non Acquisition	5.9%	6.1%	(0.2%)	6.7%
UW Expense Ratio	23.6%	23.9%	(0.3%)	24.5%
Combined Ratio	59.9%	38.7%	21.3%	41.0%
Net:				
Loss & LAE Ratio:				
Non Hurricane	36.3%	14.7%	21.6%	16.5%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	36.3%	14.7%	21.6%	16.5%
UW Expense Ratio:				
Acquisition	17.9%	17.9%	0.1%	18.0%
Non Acquisition	5.9%	6.1%	(0.2%)	6.7%
UW Expense Ratio	23.8%	23.9%	(0.1%)	24.6%
Combined Ratio	60.1%	38.7%	21.4%	41.1%

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

Statutory Expense Statement
(In 000s)

Description	For the three months ended March 31, Actuals - 2024	Budget - 2024	Variance - 2024	Actuals - 2023
Personnel Expenses				
Salaries & Wages - Permanent	$ 3,605	$ 4,082	$ (478)	$ 3,494
Contractor & Temporary Help	871	997	(126)	1,211
Payroll Taxes	279	320	(40)	290
Employee Benefits	1,089	1,182	(93)	1,159
Recruiting, Training & Other	104	109	(5)	95
Subtotal	$ 5,948	$ 6,690	$ (742)	$ 6,248
Professional & Consulting Services				
Legal	$ 107	$ 118	$ (11)	$ 184
Accounting & Auditing	75	73	2	65
Information Technology	1,469	1,442	28	419
Actuarial Services	69	69	0	68
Omsbudsman Program	130	130	(0)	126
Surveys & Inspections	364	329	36	323
Disaster Recovery Services	4	8	(3)	7
Other Services (1)	1,629	1,626	3	1,468
Subtotal	$ 3,848	$ 3,794	$ 54	$ 2,661
Hardware/Software Purchases & Licensing	1,011	965	46	859
Rental & Maintenance - Office/Equipment	242	261	(19)	250
Travel Expenses	30	58	(28)	27
Postage, Telephone and Express	264	339	(76)	280
Capital Management Expenses	0	0	0	0
Depreciation & Amortization	779	779	0	779
Other Operating Expenses	374	393	(19)	426
Total Operating Expenses	**$ 12,496**	**$ 13,280**	**$ (784)**	**$ 11,530**
Capitalization of Fixed Assets	0	0	0	0
Reimbursement of Depop Servicing Expense	(0)	0	(0)	(1)
Allocation To ULAE	(2,805)	(2,972)	167	(2,777)
Allocation To Investing & Other Expense	(10)	(24)	14	(36)
Net Operating Expense - UW Operations	**$ 9,681**	**$ 10,283**	**$ (603)**	**$ 8,715**

(1) Summary Details for Other Services:

VENDOR	Amount	Department
Accenture LLP	$ 516	Expert Panel
Marshall & Swift/Boeckh	321	Underwriting
AON Re Inc	150	Actuary
ISO Services Inc	116	Claims
Clear Point Claims LLC	103	Underwriting
Xactware Solutions Inc	102	Claims
EagleView Technologies Inc	81	Claims
Risk Management Solutions Inc	59	Expert Panel
*Other Outside Services below $50K	178	Various Departments
Total Other Services	**$ 1,629**	

Statutory Balance Sheet

(In 000s)

#		March 2024	December 2023	#
1		**March 2024**	**December 2023**	1
2	**Admitted Assets**			2
3	Cash and short term investments:			3
4	Unrestricted	$ 495,541	$ 647,820	4
5	Restricted - Funds Held at TTSTC	0	0	5
6	Restricted - Funds Held at TTSTC (Non Admitted)	0	0	6
7	Total cash and short term investments	495,541	647,820	7
8	Premiums receivable & other	43,086	46,833	8
9	Assessment receivable	0	0	9
10	Amounts recoverable from reinsurers	0	0	10
11	**Total admitted assets**	**$ 538,627**	**$ 694,653**	11
12				12
13	**Liabilities, Surplus and other funds**			13
14	**Liabilities:**			14
15	Loss and Loss adjustment expenses	76,886	44,784	15
16	Underwriting expenses payable	13,561	14,582	16
17	Unearned premiums, net of ceded unearned premiums	316,340	341,024	17
18	Ceded reinsurance premiums payable	7	77,739	18
19	Short Term Debt	0	0	19
20	Interest Payable on Short Term Debt	0	0	20
21	Principal Outstanding on Class 1 Pre Event Bonds	0	0	21
22	Interest Payable on Class 1 Pre Event Bonds	0	0	22
23	Provision for reinsurance	0	0	23
24	Other payables	20,742	14,670	24
25	Statutory fund payable	23,212	156,000	25
26	**Total liabilities**	**450,747**	**648,800**	26
27				27
28	**Surplus and others funds**			28
29	Unassigned surplus (deficit)	87,880	45,853	29
30	**Total liabilities, surplus and other funds**	**$ 538,627**	**$ 694,653**	30
31				31
32				32
33	**Balance in CRTF**	**$ 443,883**	**$ 283,006**	33
34				34
35	**Balance in CRTF including Statutory fund payable**	**$ 467,095**	**$ 439,006**	35
36				36

Cash and Short-Term Investments (In 000s)

Unrestricted Cash and Short Term Investments ($ in 000's)
March 31, 2024

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Average Annual Yield	Total Deposit % of TWIA's Portfolio	N.A. Bank Credit Rating	N.A Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital?
							< 40%	Superior or Strong	> 10%	> $25B	> .2% of N.A. Reg Capital
Balances as of 03/31/2024:											
Bank of America, Operating	$ 162	$ 31,491	$ 31,653	$ 26,385	$ 268	4.1%	6%	Superior	13.5%	$188	No
Citibank	195	0	195	0	0	0.0%	0%	Superior	14.1%	$149	No
JP Morgan Chase	0	37,907	37,907	40,333	403	4.0%	8%	Superior	17.4%	$262	No
Citibank IMMA	0	117	117	116	1	1.7%	0%	N/A	N/A	N/A	N/A
JP Morgan U.S. Treasury Plus Money Market Fund (1)	0	108,650	108,650	167,892	2,171	5.2%	22%	N/A	N/A	N/A	N/A
Chase Goldman Sachs (1)	0	104,773	104,773	164,034	2,113	5.2%	21%	N/A	N/A	N/A	N/A
BOA Morgan Stanley (2)	0	48,073	48,073	47,870	617	5.2%	10%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury (2)	0	115,921	115,921	129,408	1,679	5.2%	23%	N/A	N/A	N/A	N/A
Fidelity Treasury (2)	0	48,253	48,253	48,046	628	5.2%	10%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 357**	**$ 495,184**	**$ 495,541**	**$ 624,084**	**$ 7,879**	**5.0%**	**100%**				
Balances as of 12/31/2023:											
Bank of America, Operating	$ 162	$ 41,380	$ 41,542	$ 34,613	$ 337	3.9%	6%	Superior	13.3%	$185	No
Citibank	196	0	196	0	0	0.0%	0%	Superior	14.9%	$153	No
JP Morgan Chase	0	27,781	27,781	25,494	206	3.2%	4%	Superior	17.3%	$282	No
Citibank IMMA	0	116	116	116	1	1.8%	0%	N/A	N/A	N/A	N/A
JP Morgan U.S. Treasury Plus Money Market Fund (1)	0	176,404	176,404	158,333	2,082	5.3%	27%	N/A	N/A	N/A	N/A
Chase Goldman Sachs (1)	0	172,532	172,532	168,368	2,225	5.3%	27%	N/A	N/A	N/A	N/A
BOA Morgan Stanley (2)	0	47,457	47,457	47,250	627	5.3%	7%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury (2)	0	134,166	134,166	133,576	1,769	5.3%	21%	N/A	N/A	N/A	N/A
Fidelity Treasury (2)	0	47,626	47,626	34,776	463	5.3%	7%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 358**	**$ 647,462**	**$ 647,820**	**$ 602,527**	**$ 7,710**	**5.1%**	**100%**				

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

Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of December 31, 2023. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

Statement of Cash Flows
(In 000s)

	For the three months ended March 31, 2024		
	Actual - 2024	**Budget - 2024**	**Variance - 2024**
Cash flows from operating activities:			
Premiums collected, net of reinsurance	$ 60,665	$ 111,444	$ (50,779)
Losses and loss adjustment expense paid	(32,626)	(26,608)	(6,018)
Underwriting expenses paid	(32,422)	(51,971)	19,549
Member assessment received	0	0	0
Other	(41)	0	(41)
Net cash provided by operating activities	(4,424)	32,865	(37,289)
Cash flows from nonoperating activities:			
Statutory fund received/paid	(156,000)	(160,242)	4,242
Other	0	0	0
Net cash provided by nonoperating activities	(156,000)	(160,242)	4,242
Cash flows from investing activities:			
Sales and maturities of investments	0	0	0
Net investment income	8,145	6,149	1,996
Net cash provided by investing activities	8,145	6,149	1,996
Cash flows from financing activities:			
Borrowed funds	0	0	0
Borrowed funds repaid	0	0	0
Debt and Credit Agreement Fees	0	(39)	39
Net cash provided by financing activities	0	(39)	39
Net increase (decrease) in cash and short-term investments	(152,279)	(121,267)	(31,011)
Cash and short-term investments, Beginning	647,820	647,820	0
Cash and short-term investments, Ending	**$ 495,541**	**$ 526,552**	**$ (31,011)**

Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.

Historical Data (In 000s)

1971 - 2024

($ with 000's omitted)

	GROSS						NET				
YEAR	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES RESIDENTIAL	RATE CHANGES COMMERCIAL	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	CRTF BALANCE END OF PERIOD
1971-1987	$ 35,367,740	$ 788,610			$ 164,538	$ 187,465	$ 113,518	$ 187,465	$ 35,926	$ (109,874)	
1988	4,266,615	56,773	-5.4%	-15.0%	19,061	2,509	3,551	2,509	4,066	(3,024)	
1989	4,236,600	55,401	-	-	18,066	14,176	5,330	14,176	4,037	(12,883)	
1990	4,248,611	56,155	3.1%	-2.1%	18,244	1,590	16,761	1,590	4,171	11,000	
1991	4,346,209	54,145	25.0%	-2.0%	20,504	1,783	7,167	1,783	4,343	1,042	
1992	5,155,790	55,471	-20% (I)/-75% (B)	-22.9%	11,495	1,321	4,014	1,321	4,220	(1,527)	
1993	6,500,165	56,921	30.0%	-	19,377	4,778	123,515	4,778	5,161	113,576	
1994	7,645,176	63,348	-	-	26,545	1,572	25,692	1,572	6,982	17,138	124,847
1995	8,828,140	69,807	25.0%	-	32,419	4,033	29,016	4,033	8,119	16,864	151,284
1996	10,001,843	72,977	-	-	40,359	1,484	37,153	1,484	10,627	25,042	179,020
1997	10,907,937	75,361	-	-	42,463	4,133	41,045	4,133	11,038	25,874	216,896
1998	11,633,935	77,261	0.2%	-3.0%	44,411	27,235	28,256	27,235	12,181	(11,160)	238,221
1999	11,972,502	75,947	-9.4%	-	44,581	11,320	28,702	11,320	11,524	5,858	250,403
2000	12,052,604	73,815	8.7%	9.0%	48,012	7,937	28,470	7,937	11,681	8,852	268,563
2001	13,249,407	77,022	18.5%	4.0%	54,631	8,011	31,112	8,011	12,936	10,165	280,063
2002	16,003,048	85,668	-	5.0%	72,968	32,359	44,516	32,359	16,584	(4,427)	303,185
2003	18,824,457	96,420	-	10.0%	87,987	24,955	51,702	24,955	19,682	7,065	305,599
2004	20,796,656	103,503	9.6%	10.0%	102,384	6,115	52,230	6,115	21,911	24,204	308,729
2005	23,263,934	109,693	-	10.0%	113,928	178,370	65,438	178,370	25,277	(138,209)	311,508
2006	38,313,022	143,999	3.1%	13.4%	196,833	5,188	85,467	5,188	37,138	43,141	361,823
2007	58,641,546	216,008	4.2%	3.7%	315,139	17,985	135,843	17,985	51,768	66,090	388,542
2008	58,585,060	215,537	8.2%	5.4%	331,049	2,587,123	(138,560)	1,117,123	53,759	(1,309,442)	-
2009	61,700,891	230,545	12.3%	15.6%	382,342	(486,314)	389,600	(183,974)	87,899	485,675	-
2010	67,452,357	242,664	-	-	385,550	555,025	351,730	252,685	85,598	13,447	76,334
2011	71,083,333	255,945	5.0%	5.0%	403,748	202,539	321,781	202,539	81,665	37,577	146,650
2012	74,186,949	266,726	5.0%	5.0%	443,480	401,873	321,122	401,873	93,583	(174,334)	178,902
2013	76,921,369	270,814	5.0%	5.0%	472,739	30,975	295,130	30,975	100,524	163,631	186,184
2014	78,763,302	275,626	5.0%	5.0%	494,036	(13,994)	367,555	(13,994)	109,189	272,360	216,813
2015	78,551,742	272,219	5.0%	5.0%	503,824	178,886	377,594	178,886	114,973	83,736	487,170
2016	73,393,573	254,346	5.0%	5.0%	487,354	38,669	370,404	38,625	109,756	222,023	587,860
2017	65,023,810	231,567	-	-	423,074	1,476,861	347,354	1,475,302	97,878	(1,225,826)	1,220
2018	58,041,760	202,208	5.0%	5.0%	395,552	175,718	301,515	175,998	96,399	29,118	5,986
2019	55,189,815	189,203	-	-	372,017	113,513	287,477	113,398	92,415	81,664	122,496
2020	55,009,638	184,890	-	-	369,600	118,669	261,574	118,470	90,594	52,510	179,174
2021	59,543,596	193,002	-	-	395,113	19,026	276,372	19,048	95,623	161,701	182,712
2022	75,698,532	222,480	5.0%	5.0%	518,299	51,213	311,395	51,248	120,093	140,054	190,004
2023	95,677,314	247,531	0.0%	0.0%	653,043	91,367	371,366	91,373	140,022	139,972	283,006
2024	99,256,212	252,433	0.0%	0.0%	139,466	59,589	164,151	59,589	34,409	70,153	443,883
TOTAL*					8,664,233	6,145,055	5,936,059	4,673,481	1,923,750	(661,173)	

*2024 data through 03/31/2024.

6B5. Historical Data

6C. Investment Plan Review

MEMORANDUM

DATE: April 7, 2024

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: **TWIA Investment Plan Review**

Annually, the TWIA board of directors reviews the adequacy and implementation of the association's investment plan as reflected in the Statement of Investment Objectives and Guidelines. This document does not apply to investments in the CRTF or the assets previously held by the Texas Treasury Safekeeping Trust Company representing the proceeds and debt service payments of the Series 2014 Bonds.

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

On a quarterly basis, TWIA reviews the following criteria to monitor our counterparty relationships:

- Bank ratings and credit ratings from Moody or Standard and Poor's must meet 'AAA'. 'AA', or 'A' ratings defined as "superior or strong" in credit ratings.
- Tier 1 Capital Ratio must be above a 10% ratio.
- The National Association Regulatory Capital must be in excess of $25 Billion.
- Total investment in any one financial institution will not exceed .2% of the National Association's regulatory capital.
- Total investment in any one financial institution will not exceed 40% of TWIA's total portfolio.

Below please find the most recent evaluation of our financial institutions based on the criteria listed above.

Evaluation of Counterparty Relationships as of 12/31/2023						
	Moody's	S&P				
Financial Institution	N.A. Bank Credit Rating		N.A. Bank Credit Rating (as of 12/31/23)	N.A. Tier 1 Capital Ratio (as of 12/31/23)	N.A. Regulatory Capital (as of 12/31/23)	Holding Company Level Market Capitalization ($ in Billions as of 12/31/23)
JPMorgan Chase, N.A.	P-1	A-1	Superior	17.4%	$262	$492
Bank of America, N.A.	P-1	A-1	Superior	13.5%	$188	$266
Citibank, N.A.	P-1	A-1	Superior	14.1%	$149	$98

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Currently we are not recommending any changes to the investment plan. Due to the elevated interest rates throughout 2023, the Association shifted available investments into US Treasury Money Market Mutual funds to maximize interest income. This strategy will continue into the 2024 hurricane season to continue to benefit from relatively high interest yields and maintain liquidity in the event of a catastrophic event.

We will be seeking a resolution at the May 7, 2024, board meeting regarding board review of the adequacy of the current investment plan, copy attached, and board review of the implementation of the plan. Suggested wording of such resolution is as follows:

> The Board of Directors of the Texas Windstorm Insurance Association acknowledges its review of the adequacy and implementation of the Statement of Investment Objectives and Guidelines of the Association and accepts staff's recommendation to make no changes to the investment plan at this time.

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

Thank you,

Stuart

TEXAS WINDSTORM INSURANCE ASSOCIATION

STATEMENT OF INVESTMENT OBJECTIVES AND GUIDELINES

I. Overview

The purpose of this statement is to provide clear objectives and guidelines for the investing and management of assets with Texas Windstorm Insurance Association ("TWIA").

TWIA was created by the Texas Legislature in 1971. TWIA's controlling statute is currently codified as Chapter 2210 of the Texas Insurance Code. The purpose of TWIA is to provide a method whereby adequate windstorm and hail insurance may be obtained in certain areas designated by the Commissioner of Insurance located in the gulf coast region of the State of Texas.

II. Investment Objectives

The investment objectives enable TWIA to manage funds with the primary focus of asset preservation and liquidity, as well as securing maximum total return through the application of the investment policy set forth below. This policy must comply with all restrictions on investments in accordance with the Texas Insurance Code, the Plan of Operation of the Association and any other applicable requirements. While maximizing yield is important, the Association will consider the safety of the principal and liquidity the foremost objective.

III. Permissible Asset Types

TWIA's Plan of Operation, which is a Texas Department of Insurance rule, requires all funds collected by the Association that are not otherwise required to be expended as provided in the Plan of Operation, to be retained in a checking account or accounts in any bank or banks doing business in the State of Texas and/or invested in items pursuant to Texas Insurance Code, chapter 2210. (See Appendix A).

1. Checking, savings accounts, and Money Market Demand Accounts in Financial Institutions that meet the counterparty requirements outlined below in section IV of this document.

2. US Treasury Notes not to exceed 12 months, unless otherwise approved by the board of directors.

3. Money Market Fund Accounts with a maximum duration of 1 year or less, unless otherwise approved by the board of directors. Account must invest exclusively in US bonds backed by the full faith and credit of the US government.

4. Other investments proposed by the board of directors and approved by the Commissioner.

IV. Diversification and Evaluation of counterparty relationships:

The Association should evaluate bank financial performance, bank ranking and credit ratings from Moody or Standard & Poor's to assess the investment risk. All financial institutions ratings must meet 'AAA', 'AA', or 'A' ratings defined as "strong or superior" in credit ratings.

The Association must also evaluate the bank's capital strength through Tier 1 Capital Ratios. The Association's criterion is that the Tier 1 Capital Ratio must be above 10% for the Association to invest with such institution.

The Association should evaluate the total capital of all banks on a quarterly basis. National Association (N.A.) Regulatory Capital must be in excess of $25B.

Total investment in any one financial institution should not exceed .2% of the of the National Association's regulatory capital. Total investments in any one financial institution should not exceed 40% of TWIA's total portfolio.

The Association should perform the above evaluation on a quarterly and/or annual basis as information is available. To the extent certain information is not available quarterly at the N.A. level; the Association should review the Tier 1 Capital Ratio and Market Capitalization at the bank holding company level.

V. Monitoring, Evaluation and Compliance

TWIA's management will review the investment policy on an annual basis and make recommendations, if necessary, to the board of directors at that time. It is the responsibility of TWIA management to report to the board of directors all cash and investment balances, interest rates and diversification ratios on a quarterly basis.

Appendix to TWIA's Statement of Investment Objectives and Guidelines

I. Definitions related to the guidelines

a. Tier 1 Capital Ratio also known as Capital Adequacy is the amount of capital a bank or other financial institution has to hold as required by its financial regulator. These requirements are put into place to ensure that institutions do not take on excess leverage and become insolvent.

A firm must have a Tier 1 capital ratio of 6% or greater, and not pay any dividends or distributions that would affect its capital, to be classified as well capitalized according to the Federal Deposit Insurance Corporation (FDIC).

Formula = (Total Equity – Revaluation Reserves) / Risk Based Assets

b. Market Capitalization is the total value of the issued shares of a publicly traded company; it is equal to the share price times the shares outstanding. This allows investment community to determine a company's size, as opposed to sales or total asset figures.

Formula = stock price X total number of shares outstanding.

II. Permissible Assets as defined by the Plan of Operation:

All funds collected by the Association which are not otherwise required to be expended as provided in the Plan of Operation, may be retained in a checking account or accounts in any bank or banks doing business in the State of Texas and / or may be invested only in the following:

a. Interest bearing time deposits or certificates of deposit in any bank or banks doing business in the State of Texas and/or:

b. In treasury notes of the government of the United States of America; and/or

c. Money market funds which invest exclusively in the bonds or to the evidence of indebtedness of the United States of America or any of its agencies when such obligations are guaranteed as to principal and interest by the Unites States of America; except however:

    i. such money market funds may make loans to or purchases of the described bonds and other evidence of indebtedness from a solvent bank or securities broker, registered under the Securities Act of 1934, under an agreement (commonly called a "repurchase agreement") which provides for the purchase by the money market fund of the type of securities described and which agreement matures in 90 days or less and provides for the repurchase by such entity of the same or similar securities purchased by the money market fund, provided that the total market value of such securities shall equal or exceed the amount of such loan or repurchase when it is made; and

    ii. such loan collateral or securities purchased from any one bank or securities broker may not exceed the greater of 5.0% of the assets of the money market fund or 5.0% of the amount of capital, surplus, or individual profits of such bank or securities broker; and/or

d. In such other investments as may be proposed by the board of directors and approved by the Commissioner. The board of directors shall determine what portion of such funds shall be retained in a checking account or accounts and what portion of such reserve shall be invested in the investments listed in this subparagraph, as well as which specific investments, if any, shall be made.

6D. 2024 Hurricane Season Line of Credit

MEMORANDUM

DATE: April 7, 2024

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: **TWIA Line of Credit**

As we approach the 2024 Hurricane Season, it is time to reinstate the TWIA line of credit to provide short-term liquidity for claim payments after a catastrophic storm event.

Staff propose to obtain a credit line of $500 million with $400 million provided by JP Morgan Chase and the remaining $100 million from Bank of America. The purpose for maintaining the line of credit is to ensure cash is readily available to pay claims pending collection of debt proceeds and/or a member assessment below the reinsurance attachment, if needed. The line of credit would serve as a liquidity bridge to our permanent funding.

The proposed pricing for the 2024 line of credit includes a commitment fee of 42.5 basis points per annum on the unused portion of the revolving credit line and an upfront fee of 10 basis points or $500,000. The $500 million credit amount and the proposed pricing is consistent with the terms from the prior line of credit except that the commitment fee has been reduced from 47.5 to 42.5 basis points per annum. It is anticipated that this line of credit, if unused, would be terminated on December 27, 2024 which is the earliest cancellation date allowable under the contract terms.

I have attached additional exhibits for this item as follows:

1. A copy of the Indicative Term sheet for the proposed renewed line of credit
2. Line of credit proposed resolutions for adoption by the TWIA Board of Directors. We need to request action on this at the board meeting.

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

Thank you,

Stuart

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J.P.Morgan

Texas Windstorm Insurance Association

JPMorgan’s Financing Proposal for the 2024 Windstorm Credit Facility | April 2024

Disclaimer

This proposal is intended only as an outline of certain indicative terms of the facility described herein (the “Facility”) and does not purport to be an exhaustive or all-inclusive summary of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive documentation for the Facility. The final documentation may include terms and conditions required by JPMorgan Chase Bank, N.A. (together with its affiliates, “JPMorgan”) not included in this proposal. This proposal is non-binding, is not a commitment and is subject to final credit approval.

Texas Windstorm Insurance Association (“TWIA”) acknowledges and agrees that: (i) JPMorgan does not have an advisory or fiduciary relationship with TWIA and nothing in this proposal or our services in connection therewith or otherwise will be deemed to create an advisory or fiduciary relationship (irrespective of whether JPMorgan or any of its affiliates has provided other services or is currently providing other services to TWIA on other matters); (ii) JPMorgan has no obligations to TWIA with respect to the transaction contemplated hereby unless and except to the extent expressly stated in this proposal; and (iii) TWIA has consulted with and is relying on its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate in order to determine whether this proposal is in TWIA’s best interests.

This proposal from JPMorgan for the Facility is entirely independent from any proposal or other agreement from any other affiliate of JPMorgan to provide other services.

Transmittal Letter

April 2, 2024

Stuart Harbour, Chief Financial Officer
Texas Windstorm Insurance Association
sharbour@twia.org

Al Fulkerson, Controller
Texas Windstorm Insurance Association
afulkerson@twia.org

David Durden, General Manager
Texas Windstorm Insurance Association
ddurden@twia.org

Dear Mr. Harbour, Mr. Fulkerson, and Mr. Durden:

On behalf of JPMorgan Chase Bank, N.A. (“JPMorgan” or the “Bank”), thank you for the opportunity to partner with Texas Windstorm Insurance Association (“TWIA”) again on this transaction. Attached is a summary of terms and conditions for a $500,000,000 Line of Credit (the “Facility”) to provide short term liquidity during the upcoming hurricane season. The terms of the Facility will be substantially similar to the Credit Agreement between the Bank and TWIA, dated as of June 1, 2023.

Please note this proposal is subject to normal due diligence, credit approval, satisfactory documentation and agreement on terms and conditions, and is not a commitment at this time. Indicative pricing is as of April 2, 2024. Nothing expressed or implied herein constitutes any commitment of JPMorgan, or any of its affiliates, to lend or provide any other financial services in connection with the transaction; such obligations would arise only under separate written agreement(s) mutually acceptable to the TWIA and JPMorgan. We would reasonably expect final credit approval within ten (10) business days of receiving all necessary information from the TWIA.

Thank you and we look forward to working with TWIA again on this exciting opportunity.

Yours sincerely,

Allyson Goetschius

Allyson Goetschius, Executive Director
allyson.l.goetschius@jpmorgan.com
(212) 270-0335

Janice Fong

Janice Fong, Vice President
janice.r.fong@jpmorgan.com
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Texas Windstorm Insurance Association’s dedicated team at JPMorgan Chase

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Anjana Pillai
Vice President
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(469) 462-1626

Summary of Terms and Conditions

Borrower:	Texas Windstorm Insurance Association ("TWIA" or the "Borrower").			
Lead Arranger:	JPMorgan Chase Bank, N.A. ("JPMorgan" or the "Bank").			
Administrative Agent:	JPMorgan Chase Bank, N.A.			
Facility:	**Line of Credit Agreement**			**Facility Size**
	Total Senior Credit Facility			Up to $500.0 million
	JPMorgan Chase Bank, N.A. Line of Credit ("L/C" Commitment)			Up to $400.0 million
	Bank of America, N.A. ("BANA") Line of Credit ("L/C" Commitment)			Up to $100.0 million
Purpose:	To finance the short-term liquidity needs of the Borrower to pay insurance claims in the event of a natural disaster from a windstorm or hailstorm.			
Collateral:	First perfected security interest in proceeds of public securities and other financing arrangements and all member insurer assessments now or hereafter assessed, collected and/or otherwise received by the Borrower and second lien perfected security interest in net premiums.			
Tenor:	Facility will have a final maturity date of May 30, 2025.			
Amortization:	N/A			
Pricing Grid:	Level	Tenor of Fundings (1)	Commitment Fee (bps)	Drawn Spread (Adjusted Term SOFR + bps)
	I	**< 150 days**	**42.5**	**200.0**
	II	≥ 150 days	42.5	325.0
Conditions Precedent to Closing / Advances:	• Receipt and satisfactory review of the 2023 TWIA audit; • Completion and delivery of satisfactory legal documentation including satisfactory opinions of counsel; • Evidence that (i) the Plan of Operation is in place upon the closing date as well as that (ii) TWIA shall begin necessary steps to draft documents funding a post-event bond transaction; • For each advance, the Bank shall receive documentation demonstrating that the amount of claims being made under policies issued by the Borrower exceeds the aggregate amount of TWIA's available liquid funds including without limitation, all amounts available under any and all deposit accounts, savings accounts and securities or other investments now or hereafter maintained by TWIA; and • Advances shall not exceed the amount by which the aggregate amount of claims exceeds the aggregate amount of liquid assets.			
Mandatory Prepayment:	• After the occurrence of a natural windstorm or hailstorm, Class I Public Securities must be issued to prepay any fundings on the L/C; • In the event and on each occasion that TWIA receives any proceeds of any Public Securities or Member Assessments at any time, TWIA shall immediately prepay the L/C in an aggregate amount equal to the lesser of (i) 100% of such Public Securities proceeds or Member Assessments or (ii) the aggregate amount of the loans then outstanding; and • After the occurrence of a natural windstorm or hailstorm disaster, and in the event Public Securities are not issued, TWIA will levy assessments on its member insurers, subject to applicable legal requirements, in an amount sufficient to cover and repay in full the aggregate amount of loans (including, without limitation, accrued interest on such loans) to be advanced to TWIA in accordance with the other provisions of the agreement.			
Termination Option:	May be exercised by TWIA on either of the following dates: December 27, 2024 and March 28, 2025 at no penalty.			
Covenants:	The covenants will remain consistent with the Credit Agreement between the Bank and TWIA, dated June 1, 2023.			
Upfront Fee:	10.0 bps on Total Senior Credit Facility commitments at closing, allocated on a pro rata basis to all participating banks.			
Lender Counsel:	Locke Lord LLP. Legal fees are estimated at $40,000 and capped at $50,000.			

(1) Defined as the length of time after a funding on the L/C occurs to repayment either by public securities or member assessments.

RESOLUTIONS OF THE BOARD OF DIRECTORS
OF
TEXAS WINDSTORM INSURANCE ASSOCIATION

May 7, 2024

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 liquidity to facilitate payment by the Association of claims to its policyholders and related expenses, the Association may enter into a Credit Agreement (the "Credit Agreement") by and among the Association, JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent (the "Administrative Agent"), and each of the financial institutions which are signatories thereto or which may become a party thereto from time to time (each a "Lender" and, collectively, the "Lenders");

RESOLVED, FURTHER, that in connection with the Credit Agreement, the Association may execute and deliver to the Lenders one or more promissory notes in the original aggregate principal amount of up to $500,000,000 (collectively, the "Notes");

RESOLVED, FURTHER, to secure repayment of the Association's payment and performance obligations under the Credit Agreement and the Notes the Association may execute and deliver to the Administrative Agent, a Financing and Pledge Agreement (the "Pledge Agreement") and a Blocked Account Control Agreement (together with the Credit Agreement, the Notes, and the Pledge Agreement, , the "Credit Documents");

RESOLVED, FURTHER, that in connection with the Credit Agreement, the Notes 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 Notes being due and payable on the Interest Payment Dates (as defined in the Credit Agreement), and with the outstanding principal balance of the Notes being finally due and payable on the Maturity Date (as defined in the Credit Agreement);

RESOLVED, FURTHER, that in order to induce the Agent and the Lenders to enter into the Credit Agreement, the Association is hereby authorized to pay to the Administrative Agent and the Lenders any and all fees for extending credit to the Association thereunder as agreed pursuant to 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 Agent and the Lenders, the Credit Documents and such other instruments as Agent and Lenders may reasonably require in their discretion in connection with the Credit Documents (the "Ancillary Documents") and to take such other action in the consummation and/or administration of the renewal and extension of 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 Agent and the Lenders 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 Agent and the Lenders such documents as the Agent and the Lenders 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-described officer(s) 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)

6E. Financial Audit by Calhoun, Thomson + Matza

6E1. Audit Wrap-Up Reports

Texas Windstorm Insurance Association December 31, 2023

Audit Wrap Up

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

This presentation was prepared as part of our audit, has consequential limitations, is restricted to those charged with governance and, if appropriate, management, and is not intended and should not be used by anyone other than those specified parties.

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

May 1, 2024

Board of Directors
Texas Windstorm Insurance Association
Austin, Texas

Ladies and Gentlemen:

Professional standards require us to communicate with you regarding matters related to the statutory financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On July 13, 2023, we presented an overview of our plan for the audit of the statutory financial statements of Texas Windstorm Insurance Association (the "Association") as of and for the year ended December 31, 2023, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Association's accounting practices and policies, management's judgments and estimates, statutory financial statement disclosures, and other required matters.

We are pleased to be of service to the Association and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

Calhoun, Thomson & Matza, LLP

Discussion Outline

Status of Our Audit

Audit of Statutory Financial Statements

We have completed our audit of the statutory financial statements as of and for the year ended December 31, 2023. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the statutory financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable – not absolute – assurance about whether the statutory financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our engagement letter.
- We issued an unmodified opinion on the statutory financial statements on May 1, 2024.
- Our responsibility for other information in documents containing the Association's audited statutory financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Association and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the statutory financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- All records and information requested by Calhoun, Thomson + Matza, LLP were freely available for our inspection.
- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Association personnel throughout the course of our work.

Results of Our Audit

Accounting Practices, Policies, Estimates, and Statutory Financial Statement Disclosures

The following summarizes the more significant required communications related to our audit concerning the Association's accounting practices, policies, estimates, and statutory financial statement disclosures:

The Association's significant accounting practices and policies are those included within the statutory financial statements. These accounting practices and policies are appropriate, comply with accounting practices prescribed or permitted by the Texas Department of Insurance, and industry practice, were consistently applied, and are adequately described within the Summary of Significant Accounting Policies of the statutory financial statements.

- There were no changes in significant accounting policies and practices during 2023.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Association's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the Summary of Significant Accounting Policies of the statutory financial statements.

Significant accounting estimates include:
Loss and Loss Adjustment Expense Reserves
Pension Benefit Obligation

Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2023.

Corrected and Uncorrected Misstatements

There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.

There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

Internal Control Over Financial Reporting

In planning and performing our audit of the statutory financial statements, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statutory financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Association's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's statutory financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the statutory financial statements, we noted no material weaknesses.

Required Communications

Matters Required To Be Reported to Those Charged with Governance

Various professional guidance requires independent auditors to communicate with those charged with governance certain matters in relation to an audit. Following is a summary of those required items along with specific discussion points as they pertain to the Association.

Requirement	*Discussion Points*
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our audit engagement letter.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Association's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Auditor's judgment about the quality of the Association's accounting policies, estimates and statutory financial statement disclosures	In accordance with applicable auditing standards, a discussion was held regarding the quality of financial reporting, which included the Association's significant accounting practices, estimates and statutory financial statement disclosures.
Critical accounting policies and practices	Refer to the Accounting Practices, Policies, Estimates, and Statutory Financial Statement Disclosures section on page 2 for all critical accounting policies and practices used by the Association.
Adoption of a change in accounting principle	There were no situations involving the adoption of or a change in accounting principles where the application of alternative statutory accounting principles, including alternative methods of applying an accounting principle, would have a material effect on the Association's statutory financial statements.
Material, corrected misstatements brought to the attention of management by the auditor	There were no corrected misstatements brought to the attention of management by the auditor.
Unrecorded misstatements, other than those the auditor believes to be trivial	There were no unrecorded misstatements brought to the attention of management by the auditor.

Required Communications

Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Association's statutory financial statements or to our auditor's report.
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Significant findings and issues arising during the audit in connection with the Association's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the statutory financial statements from achieving fair presentation.
Other matters significant to the oversight of the Association's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the Association's financial reporting process that have not been previously communicated.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of statutory accounting principles.
Major issues discussed with management prior to retention	Prior to our being retained as auditor for the current fiscal year, there were no major accounting or other issues of concern discussed with management.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Material alternative accounting treatments discussed with management	There was no discussion with management concerning alternative accounting treatments.
Representations requested from management	Please refer to the management representation letter.

Independence Communication

Our engagement letter to you dated July 13, 2023 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Association with respect to independence as agreed to by the Association. Please refer to that letter for further information.

Texas Windstorm Insurance Association

December 31, 2023

Audit Wrap Up

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

This presentation was prepared as part of our audit, has consequential limitations, is restricted to those charged with governance and, if appropriate, management, and is not intended and should not be used by anyone other than those specified parties.

Calhoun, Thomson + Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

May 1, 2024

Board of Directors
Texas Windstorm Insurance Association
Austin, Texas

Ladies and Gentlemen:

Professional standards require us to communicate with you regarding matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On July 17, 2023, we presented an overview of our plan for the audit of the financial statements of Texas Windstorm Insurance Association (the "Association") as of and for the year ended December 31, 2023, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Association's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Association and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

Calhoun, Thomson & Matza, LLP

Discussion Outline

Status of Our Audit

Audit of Financial Statements

We have completed our audit of the financial statements as of and for the year ended December 31, 2023. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable – not absolute – assurance about whether the financial statements are free from material misstatements.

- The scope of the work performed was substantially the same as that described to you in our engagement letter.

- We issued an unmodified opinion on the financial statements on May 1, 2024.

- Our responsibility for other information in documents containing the Association's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Association and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.

- All records and information requested by Calhoun, Thomson + Matza, LLP were freely available for our inspection.

- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Association personnel throughout the course of our work.

Results of Our Audit

Accounting Practices, Policies, Estimates, and Financial Statement Disclosures

The following summarizes the more significant required communications related to our audit concerning the Association's accounting practices, policies, estimates, and financial statement disclosures:

The Association's significant accounting practices and policies are included within the financial statements. These accounting practices and policies are appropriate, comply with accounting principles generally accepted in the United States of America, were consistently applied, and are adequately described within the summary of significant accounting policies in the financial statements.

- A summary of recently issued accounting pronouncements is included in the summary of significant accounting policies in the financial statements.
- There were no changes in significant accounting policies and practices during 2023.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Association's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the summary of significant accounting policies in the financial statements.

Significant accounting estimates include:
Loss and Loss Adjustment Expense Reserves
Pension Benefit Obligation

Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2023.

Corrected and Uncorrected Misstatements

There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.

There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Association's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses.

Required Communications

Matters Required To Be Reported to Those Charged with Governance

Various professional guidance requires independent auditors to communicate with those charged with governance certain matters in relation to an audit. Following is a summary of those required items along with specific discussion points as they pertain to the Association:

Requirement	*Discussion Points*
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Association's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our audit engagement letter.
Auditor's judgment about the quality of the Association's accounting policies, estimates and financial statement disclosures	In accordance with applicable auditing standards, a discussion was held regarding the quality of financial reporting, which included the Association's significant accounting practices, estimates and financial statement disclosures.
Critical accounting policies and practices	Refer to the Accounting Practices, Policies, Estimates, and Financial Statement Disclosures section on page 2 for all critical accounting policies and practices used by the Association.
Material, corrected misstatements brought to the attention of management by the auditor	There were no corrected misstatements brought to the attention of management by the auditor.
Unrecorded misstatements, other than those the auditor believes to be trivial	There were no unrecorded misstatements brought to the attention of management by the auditor.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Association's financial statements or to our auditor's report.

Required Communications

Requirement	*Discussion Points*
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Significant findings and issues arising during the audit in connection with the Association's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.
Other matters significant to the oversight of the Association's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the Association's financial reporting process that have not been previously communicated.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of accounting principles.
Major issues discussed with management prior to retention	Prior to our being retained as auditor for the current fiscal year, there were no major accounting or other issues of concern discussed with management.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Material alternative accounting treatments discussed with management	There was no discussion with management concerning alternative accounting treatments.
Representations requested from management	Please refer to the management representation letter.

Independence Communication

Our engagement letter dated July 17, 2023 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Association with respect to independence as agreed to by the Association. Please refer to that letter for further information.

6E2. Statutory Report

Texas Windstorm Insurance Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2023 and 2022

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

Texas Windstorm Insurance Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2023 and 2022

Texas Windstorm Insurance Association

Contents

Calhoun, Thomson + Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

Accountants' Letter of Qualifications

Board of Directors
Texas Windstorm Insurance Association

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory financial statements of Texas Windstorm Insurance Association (the "Association") for the years ended December 31, 2023 and 2022, and have issued our report thereon dated May 1, 2024. In connection therewith, we advise you as follows:

a. We are independent certified public accountants with respect to the Association and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Texas State Board of Public Accountancy.

b. The engagement director, who is a certified public accountant, has 19 years of experience in public accounting and is experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and most of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

c. We understand that the Association intends to file its audited statutory financial statements and our report thereon with the Texas Department of Insurance and that the Insurance Commissioner of that state will be relying on that information in monitoring and regulating the statutory financial condition of the Association.

   While we understand that an objective of issuing a report on the statutory financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Association and Insurance Commissioner should understand that the objective of an audit of statutory financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, surplus and other funds, results of operations and cash flows in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements resulting from fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by the Insurance Commissioner.

It is the responsibility of the management of the Association to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain an internal control structure that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance.

The Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory financial position of insurers and should not rely solely upon the independent auditor's report.

d. We will retain the workpapers prepared in the conduct of our audit until the Texas Department of Insurance has filed a Report of Examination covering 2023, but not longer than seven years. After notification to the Association, we will make the workpapers available for review by the Texas Department of Insurance at the offices of the insurer, at our offices, at the Insurance Department or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Texas Department of Insurance, photocopies of pertinent audit working papers may be made (under the control of the accountant) and such copies may be retained by the Texas Department of Insurance.

e. The engagement director has served in that capacity with respect to the Association since 2023, is licensed by the Texas State Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

f. To the best of our knowledge and belief, we are in compliance with the requirements of section 7 of the NAIC's Model Rule (Regulation) Requiring Annual Audited Financial Reports regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the Texas Department of Insurance and is not intended to be and should not be used by anyone other than these specified parties.

Calhoun, Thomson & Matza, LLP

May 1, 2024

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

Independent Auditors' Report

Board of Directors
Texas Windstorm Insurance Association
Austin, Texas

Opinions on Statutory Basis of Accounting

We have audited the statutory basis financial statements of Texas Windstorm Insurance Association (the "Association"), which comprise the statutory basis statements of admitted assets, liabilities, surplus and other funds as of December 31, 2023 and 2022, and the related statutory statements of income and changes in surplus and other funds, and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying statutory basis financial statements present fairly, in all material respects, the admitted assets, liabilities, surplus and other funds of the Association as of December 31, 2023 and 2022, and the results of its operations, changes in its surplus and other funds, and its cash flows for the years then ended in accordance with the statutory accounting practices prescribed or permitted by the Texas Department of Insurance as described in the Summary of Significant Accounting Policies – "Basis of Accounting".

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of the report, the statutory basis financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of December 31, 2023 and 2022, or the results of its operations, changes in its surplus and others funds, and its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in the Summary of Significant Accounting Policies – "Basis of Accounting" of the statutory basis financial statements, the statutory basis financial statements are prepared by the Association on the basis of the accounting practices prescribed or permitted by the Texas Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Because of the differences between statutory basis accounting principles and accounting principles generally accepted in the United States of America identified above, as of December 31, 2023 and 2022 total assets were lower by approximately $31.6 million and $37.0 million, respectively. The differences identified above reduced total net position as of December 31, 2023 and 2022 by approximately $18.4 million and $21.7 million, respectively. The effects on change in net position for the years ended December 31, 2023 and 2022 were immaterial.

Emphasis of Matters

As of December 31, 2023, the Association had approximately $106.0 billion of insurance exposure in certain designated counties located in the gulf coast region of the State of Texas. By state statute, any net gain from operations must be paid to the Catastrophe Reserve Trust Fund ("CRTF"). As of December 31, 2023, the balance in the CRTF was approximately $283.0 million. If a major claim event occurs in the future, it could have a severe impact on the financial condition of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

In accordance with Senate Bill 900 ("SB 900") passed by the Texas Legislature during 2015, the Association is authorized to place $1.0 billion in public securities and assess member insurance companies $1.0 billion to fund catastrophic losses. The Association does not have taxing authority. In addition, the public securities, if issued, will not be guaranteed by any state or federal agency. Consequently, the ability of the Association to place all these public securities and the sufficiency of that amount to cover future losses will depend upon market conditions and the financial and operating results of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

Ultimate loss projections for Hurricane Harvey were estimated to be $1.655 billion by the Association's appointed actuary as of December 31, 2023. If the ultimate loss projection changes in the future it could have a material adverse effect on the financial condition of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory basis financial statements in accordance with accounting practices prescribed or permitted by the Texas Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statutory basis financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory basis financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the statutory basis financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory basis financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory basis financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory basis financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory basis financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory basis financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter – Supplementary Information

Our audits of the statutory basis financial statements were conducted for the purpose of forming an opinion on those statutory basis financial statements taken as a whole. The accompanying supplemental summary investment schedule, investment risk interrogatories, and the reinsurance interrogatories as of and for the year ended December 31, 2023, are presented for purposes of additional analysis and are not a required part of the basic statutory basis financial statements but is supplementary information required by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and Texas state law.

The accompanying supplementary information is the responsibility of the Association's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory basis financial statements. Such information has been subjected to the auditing procedures applied in our audits of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic statutory basis financial statements taken as a whole.

Cah, Thomas & Matza, LLP

May 1, 2024

Texas Windstorm Insurance Association

Statutory Statements of Admitted Assets, Liabilities, Surplus and Other Funds
(Amounts in Thousands)

December 31,		**2023**		2022
Admitted Assets				
Cash and cash equivalents	**$**	**647,820**	$	483,870
Uncollected premiums and agents' balances in the course of collection		**5,782**		2,880
Deferred premiums, agents' balances and installments booked but deferred		**37,447**		22,090
Other assets		**3,604**		2,012
Total admitted assets	**$**	**694,653**	$	510,852
Liabilities, Surplus and Other Funds				
Liabilities:				
Loss and loss adjustment expenses	**$**	**44,784**	$	58,175
Underwriting expenses payable		**14,582**		14,701
Unearned premiums		**341,024**		277,334
Ceded reinsurance premiums payable, net of ceding commissions		**77,739**		33,331
Statutory fund payable		**156,000**		74,962
Other liabilities		**14,671**		13,706
Total liabilities		**648,800**		472,209
Commitments and contingencies (Notes 6, 7, 8, 11, 13 and 14)				
Surplus and other funds:				
Unassigned surplus		**45,853**		38,643
Total liabilities and surplus and other funds	**$**	**694,653**	$	510,852

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Texas Windstorm Insurance Association

Statutory Statements of Income

(Amounts in Thousands)

Years ended December 31,		**2023**		2022
Underwriting income:				
Premiums earned	**$**	**589,353**	$	443,490
Premiums ceded		**(217,987)**		(132,095)
Net premiums earned		**371,366**		311,395
Deductions:				
Losses and loss expenses incurred		**91,373**		51,248
Underwriting expenses incurred		**140,015**		120,050
Total underwriting deductions		**231,388**		171,298
Net underwriting gain		**139,978**		140,097
Investment gain (loss):				
Net investment gain (loss)		**21,016**		(3,386)
Other income:				
Other income		**6**		36
Total other income		**6**		36
Net income before statutory fund cost federal income tax expense		**161,000**		136,747
Statutory fund cost		**156,000**		74,962
Net income before federal income tax expense		**5,000**		61,785
Federal income taxes incurred		**-**		-
Net income	**$**	**5,000**	$	61,785

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Texas Windstorm Insurance Association

Statutory Statements of Changes In Surplus and Other Funds

(Amounts in Thousands)

		Unassigned Surplus
Balance at January 1, 2022	$	(24,584)
Net income		61,785
Change in nonadmitted assets		(1,633)
Other		3,075
Balance at December 31, 2022		38,643
Net income		5,000
Change in nonadmitted assets		791
Other		1,419
Balance at December 31, 2023	$	45,853

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Texas Windstorm Insurance Association

Statutory Statements of Cash Flows
(Amounts in Thousands)

Years ended December 31,		**2023**		2022
Cash from operations:				
Premiums collected, net of reinsurance	**$**	**462,889**	$	366,302
Net investment gain (loss)		**19,297**		(5,067)
Miscellaneous income		**6**		203
Benefit and loss related payments		**(82,656)**		(47,047)
Commissions, expenses paid and aggregate write-ins for deductions		**(237,210)**		(140,782)
Net cash from operations		**162,326**		173,609
Cash from financing and miscellaneous sources:				
Principal and interest paid		**-**		(184,301)
Other cash provided		**1,624**		735
Net cash from financing and miscellaneous sources		**1,624**		(183,566)
Net change in cash and cash equivalents		**163,950**		(9,957)
Cash and cash equivalents, beginning of year		**483,870**		493,827
Cash and cash equivalents, end of year	**$**	**647,820**	$	483,870

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Nature of Business

Based upon its statutory purpose under Chapter 2210, Tex. Ins. Code (the "Act"), the Texas Windstorm Insurance Association (the "Association") is an entity created by the Texas legislature with its primary statutory purpose being the provision of an adequate market for windstorm and hail insurance in the seacoast territory of Texas ("seacoast territory"). Chapter 2210 provides a method by which adequate windstorm and hail insurance may be obtained in certain designated portions of the seacoast territory.

The Association is intended to serve as a residual insurer of last resort for windstorm and hail insurance in the seacoast territory. The Association shall function in such a manner as to not be a direct competitor in the private market and to provide windstorm and hail insurance coverage to those who are unable to obtain that coverage in the private market.

Organization

The Association was established in 1971 by the Texas Legislature to provide wind and hail coverage to applicants unable to obtain insurance in the Texas seacoast territory from the private market. The Legislature's action was a response to market constrictions along the Texas coast after several hurricanes. The Association is governed by Chapter 2210 of the Texas Insurance Code (Chapter 2210); however, it is not a state agency and does not receive funds from the general revenue.

The Association is a residual insurer of last resort and as such is not a direct competitor in the private market. The Association's primary purpose is to provide an adequate market for windstorm and hail insurance in certain designated portions of the seacoast territory of Texas. The seacoast territory includes 14 first tier and 14 second tier coastal counties. The designated catastrophe area is that portion of the seacoast territory where the Commissioner of Insurance has found that windstorm and hail insurance is not reasonably available. It currently includes the entire first tier counties and a portion of Harris County (second tier). The specific designated catastrophe areas are: Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio and Willacy, inside the city limits and east of Highway 146, and the following portions of Harris County: La Porte, Morgan's Point, Pasadena, Seabrook, and Shore Acres.

The Association operates as an insurance company by issuing policies, collecting premiums, and paying losses. The Association is required by law to use the net gain from operations each year to make payments to the CRTF, procure reinsurance, or use alternative risk mechanisms. The CRTF is an account maintained by the Texas Comptroller dedicated to funding the payment of Association catastrophe losses.

Association policies provide residential and commercial property coverage for losses resulting from windstorm or hail. No other perils are covered by Association policies. Applications for coverage may be submitted to the Association through a property and casualty agent properly licensed through the Texas Department of Insurance ("TDI"). Applications will be accompanied by a full annual premium or a deposit followed by installment payments. In order to be eligible for an Association policy, applicants and properties must meet certain criteria defined by the Texas Legislature:

- Applicants must have been denied coverage by at least one insurer in the private market.
- Properties must be located in the designated catastrophe area.
- Properties must be certified by the TDI as having been built to applicable building codes, with limited exceptions.
- Properties located in specified flood zones that were constructed, altered, remodeled, or enlarged after September 1, 2009 and that can obtain flood insurance through the National Flood Insurance Program must provide proof of flood insurance coverage.
- Properties must be in an insurable condition as specified by the Association in the Plan of Operation.

Texas Insurance Code Sections 2210.251 and 2210.258 - 2210.259 and the Association's Plan of Operation (28 TAC 5.4001 et seq.) outline the building code and inspection requirements for eligibility in the Association and provide for limited exceptions. In accordance with these sections, the Association requires a WPI-8 certificate of compliance on all structures constructed, altered, remodeled, enlarged, repaired, or to which additions have been made on or after January 1, 1988. To obtain a WPI-8, the TDI inspectors or the TDI-approved licensed professional engineers must inspect the property and certify that it is fully compliant with the windstorm building code.

Properties must be in an insurable condition to be eligible for Association coverage, i.e. in good repair with no unrepaired damage or hazardous conditions. The Association regularly inspects properties as part of its underwriting process to verify insurability. Properties may be inspected on-site by a vendor or remotely via high-quality aerial imagery. Inspections are used to determine the accuracy of rating information, discover any unrepaired damage, and identify any other conditions that affect the insurability of the property.

Approximately $4.508 billion in funding was secured for the 2023 hurricane season. SB 900, passed by the 84th Texas Legislature, took effect during 2015, and changed the Association's funding structure. $4.508 billion is sufficient to fund claims associated with 99% of all modeled hurricane seasons, or a 1 in 100-year season as required by statute.

The Association's funding structure for the 2023 hurricane season is, in order;

- Funds available in the Catastrophe Reserve Trust Fund
- $500,000 in pre/post-event Class 1 public securities
- $500,000 in Class 1 member assessments
- $250,000 in Class 2 public securities
- $250,000 in Class 2 member assessments
- $250,000 in Class 3 public securities
- $250,000 in Class 3 member assessments
- $2.243 billion in total reinsurance, including both traditional reinsurance and catastrophe bonds

(Amounts in Thousands)

Class 1, 2, and 3 public securities will be repaid by Association premiums and surcharges on Association policies. Class 2 and 3 public securities, after a finding by the Commissioner of Insurance, may also be repaid by surcharges on coastal policyholders of all authorized property carriers, if necessary.

Depopulation measures were introduced in the 84th Texas Legislature in 2015 authorizing assumption reinsurance agreements between the Association and the private market to facilitate depopulation. This allows private insurance companies interested in writing on the Texas coast to assume portions of the Association's book of business as of a point in time. Policyholders have the chance to opt-out of the assumption process.

The Association implemented the Assumption Reinsurance Depopulation Program ("Assumption Program") in 2016 and is still in effect as of December 31, 2023. Zero and one private market insurer participated in the 2023-2024 and 2022-2023 programs, respectively. There was no novation during the 2023-2024 program. For the 2022-2023 program, the novation occurred on March 1, 2023, and consisted of 46 policies. Approximately 16,000 policies have been novated through December 31, 2023 since the inception of the program.

Basis of Accounting

The accompanying financial statements have been prepared on a statutory basis in accordance with accounting practices prescribed or permitted by the TDI. Prescribed statutory accounting practices include state laws, regulations and general administrative rules applicable to all insurance companies domiciled in the State of Texas and the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual. Permitted statutory practices include practices not prescribed but allowed by the TDI.

Reconciliations of net income and policyholders' surplus between the amounts reported in the accompanying financial statements (Texas basis) and NAIC statutory accounting practices ("SAP") follow:

Years ended December 31,	**2023**	2022
Net income, Texas basis	**$ 5,000**	$ 61,785
Effect of Texas prescribed practices	**-**	-
Effect of Texas permitted practices	**-**	-
Net income, NAIC SAP basis	**$ 5,000**	$ 61,785

December 31,	**2023**	2022
Statutory surplus, Texas basis	**$ 45,853**	$ 38,643
Effect of Texas prescribed practices	**-**	-
Effect of Texas permitted practices	**-**	-
Policyholders' surplus, NAIC SAP basis	**$ 45,853**	$ 38,643

Significant differences between statutory accounting practices and accounting principles generally accepted in the United States of America ("GAAP"), as they relate to the Association include the following:

a) Certain assets designated as "non-admitted assets" are charged directly against surplus rather than capitalized and charged to income as used. These include certain past due member assessments, fixed assets, prepaid expenses and other assets.

b) Unearned premiums and loss and loss adjustment expense ("LAE") reserves are presented net of related reinsurance rather than on a gross basis as required under GAAP.

Use of Significant Estimates
The preparation of financial statements in accordance with statutory accounting practices prescribed or permitted by the TDI requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash consists of demand deposits at financial institutions. Cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

Furniture, Equipment and Depreciation
Furniture and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of 3-5 years. Amounts have been non-admitted.

Income Taxes
In 2010, the Association applied for and received a Private Letter Ruling ("PLR") from the Internal Revenue Service ("IRS"). The PLR requested acknowledgement that the Association's income is derived from an essential governmental function which accrues to a state or political subdivision and is therefore excluded from gross income under Section 115(1) of the Internal Revenue Code ("IRC"). On August 17, 2010, the IRS ruled that the Association performs an essential government function and that income from that function is excluded from gross income under IRC Section 115(1).

The Association had been filing form 1120-PC tax returns with the IRS as a property and casualty insurance company. Under the IRC the statute of limitations to be assessed additional taxes or to file amended tax returns is 3 years from the later of the due date of the return (including extensions) or the filing date of the return. There are existing net operating loss carryforwards in the open tax years that are not anticipated to be realized. As of December 31, 2023, the statute of limitations remains open for the 2020 to 2023 tax years. No further federal income tax impact is expected in the future.

Premiums
All policies issued by the Association have a maximum term of one year from date of issuance. Premiums earned are taken into income over the periods covered by the policies whereas the related acquisition costs are expensed when incurred. Premiums are generally recognized as revenue on a pro-rata basis over the policy term once the policy is effective.

Those premiums received for policies issued but not effective as of year-end are included in other liabilities within the Association's statutory statements of admitted assets, liabilities, surplus and other funds.

Those premiums received for policies which are not effective and not issued as of year-end are included in other liabilities within the Association’s statutory statements of admitted assets, liabilities, surplus and other funds.

Loss and Loss Adjustment Expense Reserves
Loss and LAE reserves are based upon claim estimates for (1) losses for claims reported prior to the close of the accounting period, (2) losses incurred but unreported prior to the close of the accounting period, and (3) expenses for investigating and adjusting claims. Such liabilities are necessarily based on assumptions and estimates and while management believes the amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

Reinsurance
In the normal course of business, the Association seeks to reduce losses that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Depopulation ceded premiums are recognized as the ceded policies’ premiums are earned.

Fair Value Measurements
Statement of Statutory Accounting Principles ("SSAP") No. 100R, Fair Value, requires disclosures of the aggregate fair value of all financial instruments, summarized by type of financial instrument, for which it is practicable to estimate fair value. SSAP No. 100R excludes obligations for pension benefits, substantively extinguished debt, insurance contracts, lease contracts, warranty obligations and rights, investments accounted for under the equity method and equity instruments issued by the entity. Accordingly, the aggregate fair value amounts presented herein do not necessarily represent the underlying value of the Association; similarly, care should be exercised in deriving conclusions about the Association's business or financial condition based on the fair value information presented herein.

The following methods and assumptions were used by the Association to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash: The carrying values approximate fair value.

Cash equivalents: Valued at the Net Asset Value ("NAV") of units held by the Association at year end.

The following methods and assumptions were used by the Association to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

The Association is required to categorize its assets and liabilities that are measured at fair value into the three-level fair value hierarchy. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

- Level 1 – Fair values are based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access as of the measurement date.

- Level 2 – Fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that can otherwise be corroborated by observable market data.

- Level 3 – Fair values are based on inputs that are considered unobservable where there is little, if any, market activity for the asset or liability as of the measurement date. In this circumstance, the Association has to rely on values derived by independent brokers or internally-developed assumptions. Unobservable inputs are developed based on the best information available to the Association which may include the Association's own data.

(Amounts in Thousands)

1. Cash and cash equivalents

Cash and cash equivalents are as follows:

December 31,		**2023**		2022
Cash	**$**	**69,635**	$	222,016
Cash equivalents:				
Money market mutual funds		**578,185**		261,854
Total cash equivalents		**578,185**		261,854
	$	**647,820**	$	483,870

Money Market Mutual Funds

The Association invests in money market mutual funds which are included in cash equivalents. The fair value of money market mutual funds was $578,185 and $261,854 as of December 31, 2023 and 2022, respectively. The admitted value of money market mutual funds was $578,185 and $261,854 as of December 31, 2023 and 2022, respectively.

2. Furniture and Equipment

Furniture and equipment consist of the following:

December 31,		**2023**		2022
Furniture and equipment	**$**	**768**	$	768
Electronic data processing equipment and software		**25,670**		25,670
Leasehold improvements		**1,994**		1,994
		28,432		28,432
Less: accumulated depreciation		**(16,426)**		(13,123)
		12,006		15,309
Less: non-admitted furniture and equipment		**(12,006)**		(15,309)
	$	**-**	$	-

Depreciation and amortization expense was approximately $3,303 and $2,359 for the years ended December 31, 2023 and 2022.

(Amounts in Thousands)

3. Reinsurance

During 2023 and 2022, the Association entered into reinsurance agreements. These agreements reduce the amount of losses that can arise from claims under a general reinsurance contract known as a catastrophe aggregate excess of loss reinsurance agreement ("aggregate excess of loss").

Effective June 1, 2023, the reinsurance program is to indemnify the Association in respect of the liability that may accrue to the Association as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate in respect of losses occurring during the term of this contract of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,265,000, subject to a limit of liability to the reinsurer of $2,243,000.

Effective June 1, 2022, the reinsurance program is to indemnify the Association in respect of the liability that may accrue to the Association as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate in respect of losses occurring during the term of this contract of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,200,000, subject to a limit of liability to the reinsurer of $2,036,000.

Ceded reinsurance is treated as the risk and liability of the assuming companies; however, the reinsurance contracts do not relieve the Association from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Association. The Association evaluates the financial conditions of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

The Association has entered into quota share reinsurance agreements in relation to the Assumption Program (See Note 12).

The Association has unsecured reinsurance recoverables which exceed 3% of the Association's surplus with the following reinsurers as of December 31, 2023 and 2022 as a result of the Assumption Program:

Name of reinsurer	**2023**	2022
Safepoint Insurance Company	**$ -**	$ 6
Total	**$ -**	$ 6

(Amounts in Thousands)

The effect of reinsurance on premiums written and earned for the years ended December 31, 2023 and 2022 is as follows:

		2023				2022		
		Written		**Earned**		Written		Earned
Direct premium	**$**	**653,043**	**$**	**589,353**	$	518,299	$	443,490
Excess of loss ceded premium		**(217,987)**		**(217,987)**		(132,095)		(132,095)
Net	**$**	**435,056**	**$**	**371,366**	$	386,204	$	311,395

Ceded premiums include premiums ceded to companies that assume policies pursuant to the Assumption Program (see Note 12).

As of December 31, 2023 and 2022, the Association had reinsurance recoverables of $0 on paid losses and LAE as a result of the Assumption Program.

4. Unearned Premiums

Unearned premiums are reported net of ceded unearned premiums as follows:

December 31,		**2023**		2022
Gross unearned premiums	**$**	**341,024**	$	277,334
Ceded unearned premiums		**-**		-
	$	**341,024**	$	277,334

The amount of return commission that would have been due to reinsurers if they or the Association had cancelled the Association's excess of loss reinsurance agreement would have been $0 as of December 31, 2023 and 2022.

(Amounts in Thousands)

5. **Loss and Loss Adjustment Expenses**

The following table provides a reconciliation of the beginning and ending reserve balances, net of reinsurance recoverables, for losses and loss adjustment expenses:

Years ended December 31,	**2023**	2022
Beginning balance	**$ 58,181**	$ 77,625
Less: reinsurance recoverable	**6**	40
Beginning net balance	**58,175**	77,585
Incurred related to:		
Current loss year	**99,140**	40,639
Prior loss years	**(7,767)**	10,609
Losses and loss adjustment expense incurred	**91,373**	51,248
Paid related to:		
Current loss year	**74,725**	28,938
Prior loss years	**30,039**	41,720
Paid losses and loss adjustment expense	**104,764**	70,658
Ending net balance	**44,784**	58,175
Plus: reinsurance recoverable	**-**	6
Ending balance	**$ 44,784**	$ 58,181

Current year changes in estimates of the cost of prior year losses and LAE affect the current year statutory statements of income. Increases in those estimates increase current year expense and are referred to as unfavorable development or prior year reserve shortages. Decreases in those estimates decrease current year expense and are referred to as favorable development or prior year reserve redundancies. Current year losses and LAE reflected on the statutory statements of income of $91,373 had favorable prior year development due to closure of claims related to Hurricane's Ike and Harvey. Ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,655,000 as of December 31, 2023, down $5 million from 2022 due to favorable development. Increases or decreases of this nature occur as the result of claim settlements and receipt and evaluation of additional information regarding unpaid claims. Recent development trends are also taken into account in evaluating the overall adequacy of reserves. Due to the inherently uncertain process involving loss and loss adjustment expense reserve estimates, the final resolution of the ultimate liability may be different from that anticipated at the reporting date. The appointed actuary for the Association has opined that the loss and LAE reserves as of December 31, 2023 and 2022 make a reasonable provision for the Association's claim liabilities.

6. Statutory Fund

In 1993, the Texas legislature created the CRTF. At the end of each year and pursuant to administrative rules, the Association shall deposit the net gain from operations of the Association in excess of incurred losses, operating expenses, public security obligations, and public security administrative expenses into the CRTF and/or purchase reinsurance. Pursuant to Tex. Ins. Code §2210.259, a surcharge is charged on non-compliant structures insured by the Association, and these surcharges are deposited monthly into the CRTF.

When there is an occurrence or series of occurrences in a catastrophe area, the Association shall pay losses in excess of premium and other revenue of the Association from available reserves of the Association and available amounts in the CRTF. Administrative rules adopted by the Commissioner of Insurance establish the procedures relating to the disbursement of money from the CRTF.

The Texas Comptroller of Public Accounts ("comptroller") administers the CRTF in accordance with Tex. Ins. Code, Chapter 2210. All money, including investment income, deposited in the CRTF, are state funds to be held by the comptroller outside the state treasury on behalf of, and with legal title in, the TDI until disbursed as provided by the Tex. Ins. Code, Chapter 2210 and administrative rules adopted by the TDI under the Association's Plan of Operation.

The CRTF may be terminated only by law. On termination of the CRTF, all assets of the CRTF revert to the State of Texas to provide funding for the mitigation and preparedness plan established under Tex. Ins. Code, §2210.454.

For the years ended December 31, 2023 and 2022, statutory fund costs were $156,000 and $74,962, based on the direction of the TDI and based on its interpretation of the relevant statutes. TDI's directive requires the Association to determine its net gain from operations based on catastrophe-year incurred losses, rather than calendar year reported losses. Starting at the end of calendar year 2018, the Association is required to use the net gain from operations of the Association to make payments to the CRTF, procure reinsurance, or use alternative risk financing mechanisms. Although amounts held in the CRTF are not presented as assets in the statutory statements of admitted assets, liabilities, surplus and other funds, once contributed to the CRTF, these funds will be held in trust with the Texas Treasury Safekeeping Trust Company ("TTSTC") and will be available for the exclusive use of the Association to pay losses and expenses of the Association as permitted by law. A contribution to the CRTF in the amounts of $156,000 and $74,962 has been accrued as of December 31, 2023 and 2022, respectively.

For the years ended December 31, 2023 and 2022, the CRTF held $283,006 and $190,004, respectively.

In August 2017, the Texas coverage area insured by the Association was struck by Hurricane Harvey. The ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,655,000.

The Act allows the Association to assess member companies Class 1 member assessments up to $500,000. A Class 1 member assessment was approved by the Commissioner of Insurance on May 25, 2018 for $175,000, a second Class 1 member assessment was approved on August 20, 2018 for $106,820, and a third Class 1 member assessment was approved on January 10, 2020 for $90,000 for a combined total of $371,820. As of December 31, 2020, $369,621 has been collected from the three assessments. One insurance group disputed whether they were subject to a 2018 assessment based on their interpretation of a 2017 legislative change. In 2020, the TDI Commissioner made a determination that the insurance group was not subject to the 2018 assessments. The insurance group's assessment of $2,199 has been non-admitted by the Association as of December 31, 2023 and 2022. The outstanding assessment will be reallocated and collected from the other member companies. Further assessments will be requested if needed as Hurricane Harvey paid loss development matures. As of December 31, 2023 and 2022, the surplus of the Association is $45,853 and $38,643, respectively.

(Amounts in Thousands)

7. Employee Benefit Plans

Defined Benefit Plan. The Association has a defined benefit pension plan (the "Plan"), which covers employees from their date of hire, if the employee is scheduled to work at least 1,000 hours in a twelve-month period. Pension benefits are based on years of service and the employee's compensation during the five highest consecutive years' earnings from the last ten years of employment. An employee's benefits vest 5 years from date of hire. The Association makes contributions to the Plan that comply with the minimum funding provisions of the Employee Retirement Income Security Act. Such contributions are included in general expenses. As of December 31, 2023 and 2022, the Association accrued in accordance with actuarially determined amounts with an offset to the pension cost accrual for the incremental asset amortization.

The following sets forth a summary of projected benefit obligations, plan assets, funded status, benefit costs and assumptions of the defined benefit pension plan as follows:

December 31,	**2023**	2022
Change in Projected Benefit Obligations (PBO) (Underfunded):		
Benefit obligation at beginning of year	**$ 27,936**	$ 38,949
Service cost	**1,631**	2,755
Interest cost	**1,587**	1,255
Actuarial loss (gain)	**1,426**	(14,353)
Benefits paid	**(741)**	(670)
Projected benefit obligation at end of year	**31,839**	27,936
Change in Plan Assets:		
Fair value of plan assets at beginning of year	**22,890**	30,127
Actual return (loss) on plan assets	**4,098**	(10,083)
Employer contributions	**3,669**	3,516
Benefits paid	**(741)**	(670)
Fair value of plan assets at end of year	**29,916**	22,890
Funded status	**$ (1,923)**	$ (5,046)

(Amounts in Thousands)

December 31,		**2023**		2022
Funded Status:				
Assets (non-admitted):				
Prepaid benefit costs	**$**	**-**	$	-
Total assets (non-admitted)		**-**		-
Liabilities recognized:				
Accrued benefit costs		**520**		2,225
Liability for pension benefits		**1,403**		2,821
Total liabilities recognized		**1,923**		5,046
Unrecognized liabilities as a component of net periodic benefit cost		**-**		-
Funded status	**$**	**(1,923)**	$	(5,046)
Accumulated benefit obligation	**$**	**27,850**	$	24,655

Years ended December 31,		**2023**		2022
Components of Net Periodic Benefit Costs:				
Service costs	**$**	**1,631**	$	2,755
Interest costs		**1,587**		1,256
Expected return on plan assets		**(1,298)**		(1,415)
Loss amortization		**-**		176
Prior service cost		**44**		44
Total net periodic benefit cost	**$**	**1,964**	$	2,816

(Amounts in Thousands)

Years ended December 31,		**2023**		2022
Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost:				
Items not yet recognized as a component of net periodic cost – prior year	**$**	**2,821**	$	5,896
Net transition asset or obligation recognized		**-**		-
Net prior service cost or credit arising during the period		**-**		-
Net prior service cost recognized		**(44)**		(44)
Net (gain) loss arising during the period		**(1,374)**		(2,855)
Net gain recognized		**-**		(176)
Items not yet recognized as a component of net periodic cost – current year	**$**	**1,403**	$	2,821

Years ended December 31,		**2023**		2022
Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost:				
Amortization of net transition asset or obligation	**$**	**-**	$	-
Amortization of net prior service cost		**44**		44
Amortization of net loss	**$**	**-**	$	-

Years ended December 31,		**2023**		2022
Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost:				
Net transition asset or obligation	**$**	**-**	$	-
Net prior service cost		**134**		178
Net loss	**$**	**1,269**	$	2,643

(Amounts in Thousands)

Pension Assumptions:

December 31,	**2023**	2022
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	**5.75%**	3.25%
Rate of compensation increase	**3.00%**	2.50%
Expected long-term rate of return of plan assets	**5.25%**	4.50%
Weighted-average assumptions used to determine projected benefit obligations:		
Weighted-average discount rate	**5.50%**	5.75%
Rate of compensation increase	**3.50%**	4.00%

The amount of accumulated benefit obligation for the defined benefit pension plan was approximately $27,850 and $24,655 as of December 31, 2023 and 2022, respectively.

Measurement Date
A measurement date of December 31, 2023 was used to determine the above.

Asset Allocation
The defined benefit pension plan asset allocation as of the measurement date presented as a percentage of total plan assets were as follows:

December 31,	**2023**	2022
Equity securities	**36.7%**	38.6%
Debt securities	**58.0%**	55.7%
Real estate	**4.8%**	4.8%
Other	**0.5%**	0.9%
	100.0%	100.0%

(Amounts in Thousands)

The investment policy of the Plan is to maximize the total return of the fund while maintaining a strong emphasis on preservation of capital. The total portfolio is expected to be less volatile than the market the vast majority of the time. The Plan assets are invested in a mix of equity and fixed income investments subject to target allocation ranges. The target allocation is to increase the percentage of fixed income investments depending on market conditions. Remaining funds not invested in the categories above are to be invested in short-term cash equivalents such as money market funds.

The long-term rate of return represents the expected average rate of return on the Plan assets based on the expected long-term asset allocation of the Plan. Several factors are considered, including historical market index returns, expectations of future returns in each asset classes, and the potential to outperform market index returns.

Future Payments

The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Years ending December 31,	Amount
2024	$ 938
2025	1,083
2026	1,265
2027	1,423
2028	1,558
2029 and thereafter	9,920

Planned Contributions

The Association expects to make contributions of $3,039 during 2024.

(Amounts in Thousands)

Fair value measurements of Plan assets as of December 31, 2023 and 2022:

	Fair Value Measurements at December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash	**$ 234**	**$ -**	**$ -**	**$ 234**
Large cap equity	**5,855**	**-**	**-**	**5,855**
Small cap equity	**963**	**-**	**-**	**963**
Mid cap equity	**1,982**	**-**	**-**	**1,982**
International equity	**2,553**	**-**	**-**	**2,553**
Realty fund	**1,495**	**-**	**-**	**1,495**
Fixed income	**6,416**	**10,418**	**-**	**16,834**
Total plan assets	**$ 19,498**	**$ 10,418**	**$ -**	**$ 29,916**

	Fair Value Measurements at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash	$ 185	$ -	$ -	$ 185
Large cap equity	4,666	-	-	4,666
Small cap equity	711	-	-	711
Mid cap equity	1,595	-	-	1,595
International equity	4,573	-	-	4,573
Realty fund	2,680	-	-	2,680
Fixed income	-	7,924	-	7,924
Limited partnerships	556	-	-	556
Total plan assets	$ 14,966	$ 7,924	$ -	$ 22,890

(Amounts in Thousands)

<u>Defined Contribution Plan</u>. The Association has a defined contribution 401(k) plan available to eligible employees after six months of employment. Matching contributions totaling $1,067 and $1,003 (before allocation to Texas FAIR Plan Association ("TFPA")) were made for the years ended December 31, 2023 and 2022, respectively. The Association's portion was approximately $705 and $695 for the years ended December 31, 2023 and 2022, respectively.

8. Lease Commitments

The Association leases office space under a non-cancellable operating lease agreement which expires in 2033. Future minimum lease payments, by year and in the aggregate, under a non-cancellable operating lease with initial or remaining terms of one year or more consisted of the following at December 31, 2023:

Years ending December 31,		Amount
2024	$	880
2025		905
2026		930
2027		955
2028 and thereafter		5,840
	$	9,510

Rental expense under the non-cancelable operating lease was approximately $1,460 and $1,415 for the years ended December 31, 2023 and 2022, respectively.

9. Governance

Pursuant to SB 900 signed into law during 2015, the Board of Directors composition changed and now consists of nine members: three industry representatives from companies actively writing and renewing windstorm and hail insurance in the first tier coastal counties, three public members residing in the first tier coastal counties, and three non-coastal representatives who live more than 100 miles from the Texas coast. One of the public members must also be a property and casualty agent who is licensed under this code and is not a captive agent.

10. Service Contract with Texas Fair Plan Association

During 2002, the Association entered into a service contract with TFPA in which the Association is to be fully reimbursed for all expenditures, professional fees, consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by the Association on behalf of TFPA. During 2023 and 2022, the Association paid expenses for TFPA under its management contract and was reimbursed $15,270 and $13,202, respectively. As of December 31, 2023 and 2022, the Association incurred or paid expenses for which it has not been reimbursed of $1,087 and $1,215, respectively, on behalf of TFPA, and are included in other assets in the statutory statements of admitted assets, liabilities, surplus and other funds. This arrangement is subject to a written agreement which requires that balances be settled within 30 days.

11. Borrowed Money – Bonds Payable

In 2014, the Texas Public Finance Authority (the "Authority" or the "Issuer") issued bonds on behalf of the Association for purposes of financing catastrophe loss costs in the amount of $500,000. The Bonds are issued pursuant to a master resolution adopted by the Board of Directors of the Authority on September 24, 2014 (the "Master Resolution"), and a first supplemental resolution adopted by the Board of Directors of the Authority on September 24, 2014 (the "First Supplemental Resolution", and together with the Master Resolution, the "Resolutions"). The Bonds constitute the initial series of Class 1 Public Securities of the Authority secured and payable from Class 1 Pledged Revenues irrevocably pledged under the Resolutions. The Association pledged the Class 1 Pledged Revenues to the Authority pursuant to a Financing and Pledge Agreement dated as of September 1, 2014 between the Authority and the Association.

The Bonds were issued on September 30, 2014 for $500,000 of which $0 principal balance was outstanding as of December 31, 2023 and 2022. On December 7, 2021, the Association Board of Directors approved an early redemption of the remaining $177,000 of the Bonds and directed staff to request approval from the Commissioner of Insurance to redeem the outstanding Bonds prior to their scheduled maturity dates. The redemption was completed on May 9, 2022. In conjunction with the redemption, the Association obtained a short-term loan totaling $29,118. The Association repaid the short-term loan amount and interest in its entirety on July 21, 2022. The original Bonds bear interest from 5.25% to 8.25% with an effective interest rate of 8.03%. The Bonds were secured by the Association's net premium and other revenue which is used to fund the debt service and related accounts held by the TTSTC.

(Amounts in Thousands)

At December 31, 2023 and 2022, the Bonds had no unamortized premium or discount. Bond issuance costs are expensed as incurred.

Interest expense incurred on the Bonds is recorded as an investment expense and totaled $0 and $5,192 for the years ended December 31, 2023 and 2022, respectively. Interest of $0 and $12,493 was paid to bondholders for the years ended December 31, 2023 and 2022, respectively. Interest expense on the short-term loan totaled $0 and $296 for the years ended December 31, 2023 and 2022, respectively.

Changes in borrowed money - bonds payable for the year ended December 31, 2023 is as follows:

Description	Bonds Outstanding January 1, 2023	Bonds Issued	Bonds Matured/Redeemed	Bonds Outstanding December 31, 2023
Bonds	$ -	$ -	$ -	$ -

Changes in borrowed money - bonds payable for the year ended December 31, 2022 is as follows:

Description	Bonds Outstanding January 1, 2022	Bonds Issued	Bonds Matured/Redeemed	Bonds Outstanding December 31, 2022
Bonds	$ 177,000	$ -	$ 177,000	$ -

12. Depopulation

Depopulation measures were introduced in the 84th Texas Legislature in 2015 authorizing assumption reinsurance agreements between the Association and the private market to facilitate depopulation. The Association implemented the Assumption Program in 2016 and is still in effect as of December 31, 2023. Zero and one private market insurer participated in the 2023-2024 and 2022-2023 programs, respectively. There was not a novation during for the 2023-2024 program. For the 2022-2023 program, the novation occurred on March 1, 2023, and consisted of 46 policies. Approximately 16,000 policies have been novated through December 31, 2023 since the inception of the program.

As of December 31, 2023 and 2022, funds held by company under reinsurance treaties was $0.

During 2023 and 2022, the Association recognized ceded written premiums of $0 as a result of the Assumption Program.

13. Commitments and Contingencies

The Association is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters in excess of the amounts provided will not have a material adverse effect on the financial position of the Association. These matters are subject to various uncertainties, and some of these matters may be resolved unfavorably to the Association.

The Association obtained a $500,000 committed line of credit with two of its primary financial institutions during 2023. The line of credit agreement was entered into June 1, 2023 subsequent to the Association's Board of Directors approval on May 23, 2023. No amounts have been drawn against the line of credit. Issuance fees for the line of credit were $500 and the Association paid the lenders a 0.475% commitment fee against the unused portion of the line of credit. The commitment was originally set to mature on May 31, 2024, however, the line of credit was terminated by the Association as of December 27, 2023 without penalty.

The Association obtained a $500,000 committed line of credit with two of its primary financial institutions during 2022. The line of credit agreement was entered into June 1, 2022 subsequent to the Association's Board of Directors approval on May 17, 2022. No amounts have been drawn against the line of credit. Issuance fees for the line of credit were $500 and the Association paid the lenders a 0.475% commitment fee against the unused portion of the line of credit. The commitment was originally set to mature on May 31, 2023, however, the line of credit was terminated by the Association as of December 27, 2022 without penalty.

14. Concentration of Credit Risk

The Association maintains deposits of cash in excess of federally insured limits with certain financial institutions. The Association has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash.

The Association writes windstorm and hail coverage primarily in the 14 counties along the Texas coast in which it has approximately $106,000,000 and $83,800,000 of insurance exposure as of December 31, 2023 and 2022, respectively.

(Amounts in Thousands)

15. Nonadmitted Assets

Nonadmitted assets consisted of the following:

December 31,		**2023**		2022
Prepaid expenses and receivables	**$**	**4,148**	$	1,636
Member assessment receivable		**2,199**		2,199
Electronic data processing equipment and software		**12,006**		13,050
Furniture and equipment		**-**		2,259
Total nonadmitted assets	**$**	**18,353**	$	19,144

16. Fair Value Measurements

The following table reflects the fair values and admitted assets and liabilities that are financial instruments. The fair values are also categorized into the three-level fair value hierarchy. Cash and cash equivalents are the only financial instruments held by the Association. The investment strategy for the Association is to hold highly liquid cash and cash equivalents for funding catastrophe events. The Association does not believe that the assets stated at NAV have any significant restrictions to liquidate or to be sold for less than NAV.

	Fair Value Measurements at December 31, 2023 Using:					
	Aggregate Fair Value	**Net Asset Value**	**Admitted Assets**	**Level 1**	**Level 2**	**Level 3**
Cash	**$ 69,635**	**$ -**	**$ 69,635**	**$ 69,635**	**$ -**	**$ -**
Cash equivalents*	**-**	**578,185**	**578,185**	**-**	**-**	**-**
	$ 69,635	**$ 578,185**	**$ 647,820**	**$ 69,635**	**$ -**	**$ -**

	Fair Value Measurements at December 31, 2022 Using:					
	Aggregate Fair Value	Net Asset Value	Admitted Assets	Level 1	Level 2	Level 3
Cash	$ 222,016	$ -	$ 222,016	$ 222,016	$ -	$ -
Cash equivalents*	-	261,854	261,854	-	-	-
	$ 222,016	$ 261,854	$ 483,870	$ 222,016	$ -	$ -

* In accordance with SSAP 100R, certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation to the line items presented in the statutory statements of admitted assets, liabilities, surplus and other funds.

17. Reconciliation with Annual Statement

There were no differences between the 2023 and 2022 annual statements as filed with the TDI and the 2023 and 2022 audited statutory financial statements.

18. Subsequent Events

The Association has evaluated subsequent events occurring after December 31, 2023, the date of the most recent statutory statements of admitted assets, liabilities, surplus, and other funds through May 1, 2024, the date the statutory financial statements were issued. The Association does not believe any subsequent events have occurred that would require further disclosure or adjustment to the statutory financial statements.

Texas Windstorm Insurance Association

Summary Investment Schedule

December 31, 2023

(Amounts in Thousands)

Investment categories	Gross Investment Holdings * Amount	%	Admitted Assets as Reported in the Annual Statement ** Amount	%
Long- Term Bonds (Schedule D, Part 1):				
U.S. Governments	$ -	-	$ -	-
All other governments	-	-	-	-
U.S. states, territories and possessions, etc. guaranteed	-	-	-	-
U.S. political subdivisions of states, territories, and possessions, guaranteed	-	-	-	-
U.S. special revenue and special assessment obligations, etc. non-guaranteed	-	-	-	-
Industrial and miscellaneous	-	-	-	-
Hybrid securities	-	-	-	-
Parent, subsidiaries and affiliates	-	-	-	-
SVO identified funds	-	-	-	-
Unaffiliated bank loans	-	-	-	-
Total long-term bonds	-	-	-	-
Preferred stocks (Schedule D, Part 2, Section 1):				
Industrial and miscellaneous (Unaffiliated)	-	-	-	-
Parent, subsidiaries and affiliates	-	-	-	-
Total preferred stocks	-	-	-	-
Common stocks (Schedule D, Part 2, Section 2):				
Industrial and miscellaneous Publicly traded (Unaffiliated)	-	-	-	-
Industrial and miscellaneous Other (Unaffiliated)	-	-	-	-
Parent, subsidiaries and affiliates Publicly traded	-	-	-	-
Parent, subsidiaries and affiliates Other	-	-	-	-
Mutual funds	-	-	-	-
Unit investments trusts	-	-	-	-
Closed-end funds	-	-	-	-
Total common stocks	-	-	-	-
Mortgage loans (Schedule B):				
Farm mortgages	-	-	-	-
Residential mortgages	-	-	-	-
Commercial mortgages	-	-	-	-
Mezzanine real estate loans	-	-	-	-
Total mortgage loans	-	-	-	-
Real Estate (Schedule A):				
Properties occupied by company	-	-	-	-
Properties held for production of income	-	-	-	-
Properties held for sale	-	-	-	-
Total real estate	-	-	-	-

See accompanying independent auditors' report on supplemental information.

Texas Windstorm Insurance Association

Summary Investment Schedule
December 31, 2023
(Amounts in Thousands)

Investment categories	Gross Investment Holdings * Amount	%	Admitted Assets as Reported in the Annual Statement ** Amount	%
Cash, cash equivalents and short-term investments:				
Cash (Schedule E, Part 1)	69,635	10.75	69,635	10.75
Cash equivalents (Schedule E, Part 2)	578,185	89.25	578,185	89.25
Short-term investments (Schedule DA)	-	-	-	-
Total cash, cash equivalents and short-term investments	647,820	100.00	647,820	100.00
Contract loans		-	-	-
Derivatives (Schedule DB)	-	-	-	-
Other invested assets (Schedule BA)	-	-	-	-
Receivables for securities	-	-	-	-
Securities Lending (Schedule DL, Part 1)	-	-	-	-
Other invested assets (Page 2, Line 11)	-	-	-	-
Total invested assets	$ 647,820	100.00	$ 647,820	100.00

**Gross investment holdings as valued in compliance with the NAIC Accounting Procedures Manual.*
*** The Association has no securities lending reinvested collateral at December 31, 2023.*

See accompanying independent auditors' report on supplemental information.

Supplemental Investment Risk Interrogatories
December 31, 2023
(Amounts in Thousands)

1)	Reporting entity's total admitted assets as reported in the accompanying financial statements.	$	694,653

Questions 2 through 23 are not applicable.

See accompanying independent auditors' report on supplemental information.

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES[ ] NO [X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. N/A

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES[ ] N/A [X]

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year–end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity; or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

(c) Aggregate stop loss reinsurance coverage;

(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

(e) A provision permitting reporting of losses, or payment of losses, less frequently than a quarterly basis (unless there is no activity during the period); or

(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES[ ] NO [X]

See accompanying independent auditors' report on supplemental information.

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling by, or under control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract? YES[ ] NO [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

N/A

9.4 Except for transactions meeting the requirements of paragraph 37 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (“SAP”) and as a deposit under generally accepted accounting principles (“GAAP”); or

(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES [ ] NO [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP. N/A

See accompanying independent auditors' report on supplemental information.

6E3. GASB

Texas Windstorm Insurance Association

Financial Statements and Required Supplementary Information

For the Years Ended December 31, 2023 and 2022

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

Texas Windstorm Insurance Association

Financial Statements and Required Supplementary Information

For the Years Ended December 31, 2023 and 2022

Texas Windstorm Insurance Association

Table of Contents

Calhoun, Thomson + Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
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Independent Auditors' Report

Board of Directors
Texas Windstorm Insurance Association
Austin, Texas

Opinion

We have audited the financial statements of Texas Windstorm Insurance Association (the "Association"), a component unit of the State of Texas, which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022, and the results of its operations, changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in the Summary of Significant Accounting Policies, the financial statements present only the Association and do not purport to, and do not, fairly present the financial position of the State of Texas, the changes in its financial position, or, where applicable, its cash flows for the years ended 2023 and 2022, in accordance with accounting principles generally accepted in the United States of America. The auditors' opinion is not modified with respect to the matter emphasized.

As discussed in Note 14, as of December 31, 2023, the Association had approximately $106.0 billion of insurance exposure in certain designated counties located in the gulf coast region of the State of Texas. As discussed in Note 9, by state statute, any net gain from operations must be paid to the Catastrophe Reserve Trust Fund ("CRTF"). As of December 31, 2023, the balance in the CRTF was approximately $283.0 million. If a major claim event occurs in the future, it could have a severe impact on the financial condition of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

As discussed in the summary of significant accounting policies, in accordance with Senate Bill 900 ("SB 900") passed by the Texas Legislature during 2015, the Association is authorized to place $1.0 billion in public securities and assess member insurance companies $1.0 billion to fund catastrophic losses. The Association does not have taxing authority. In addition, the public securities, if issued, will not be guaranteed by any state or federal agency. Consequently, the ability of the Association to place these public securities and the sufficiency of that amount to cover future losses will depend on market conditions and the financial and operating results of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

As discussed in Note 5, ultimate loss projections for Hurricane Harvey were estimated to be $1.655 billion by the Association's appointed actuary as of December 31, 2023. If the ultimate loss projection changes in the future it could have a material adverse impact on the financial condition of the Association. The auditors' opinion is not modified with respect to the matter emphasized.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 6 to 14, schedules of changes in net pension liability and related ratios, on page 43, and schedules of employer contributions on page 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cohn, Thomas & Metza, LLP

May 1, 2024

Our discussion and analysis of the financial performance of Texas Windstorm Insurance Association (the "Association") provides an overview of the Association's financial activities for the years ended December 31, 2023 and 2022. The information should be read in conjunction with the Association's financial statements.

Nature of Business

Based upon its statutory purpose under Chapter 2210, Tex. Ins. Code (the "Act"), the Association is an entity created by the Texas legislature with its primary statutory purpose being the provision of an adequate market for windstorm and hail insurance in the seacoast territory of Texas ("seacoast territory"). Chapter 2210 provides a method by which adequate windstorm and hail insurance may be obtained in certain designated portions of the seacoast territory.

The Association is intended to serve as a residual insurer of last resort for windstorm and hail insurance in the seacoast territory. The Association shall function in such a manner as to not be a direct competitor in the private market and to provide windstorm and hail insurance coverage to those who are unable to obtain that coverage in the private market.

(Amounts in Thousands)

Financial Summary

A summary of the statements of net position for the Association is presented below:

December 31,		**2023**		2022
Cash and cash equivalents	**$**	**647,820**	$	483,870
Premiums receivable		**43,702**		25,459
Assessment receivable		**2,199**		2,199
Capital assets		**19,748**		23,071
Other assets		**7,277**		3,164
Total assets		**720,746**		537,763
Deferred outflows of resources		**5,519**		10,049
	$	**726,265**	$	547,812

Other liabilities	**$**	**500,373**	$	409,305
Statutory fund payable		**156,000**		74,962
Total liabilities		**656,373**		484,267
Deferred inflows of resources		**5,599**		3,211
Total liabilities and deferred inflows of resources		**661,972**		487,478
Net position:				
Investment in capital assets		**19,748**		23,071
Unrestricted		**44,545**		37,263
Total net position		**64,293**		60,334
	$	**726,265**	$	547,812

(Amounts in Thousands)

A summary of the statements of revenues, expenses, and changes in net position for the Association is presented below:

Years ended December 31,		**2023**		2022
Operating revenues:				
Net premiums earned	**$**	**371,366**	$	311,395
Operating expenses:				
Losses and loss adjustment expenses		**91,373**		51,248
Underwriting expenses		**140,720**		121,700
Total expenses		**232,093**		172,948
Operating income		**139,273**		138,447
Nonoperating expense, net		**135,314**		78,360
Increase in net position before federal income tax expense		**3,959**		60,087
Federal income tax expense		**-**		-
Change in net position		**3,959**		60,087
Net position at beginning of year		**60,334**		247
Net position at end of year	**$**	**64,293**	$	60,334

ANALYSIS OF FINANCIAL POSITION

Assets

All funds collected by the Association which are not otherwise required to be expended are held in cash or cash equivalents. As of December 31, 2023, cash and cash equivalents totaled $647,820, an increase of $163,950 from December 31, 2022. The increase is partially attributable to the increase in written premium in 2023. As of December 31, 2022, cash and cash equivalents totaled $483,870, a decrease of $9,957 from December 31, 2021. The decrease is partially attributable to the increase in premium receivable as installments were implemented in the prior year.

Liabilities

The liability for the statutory fund expense payment to the CRTF was $156,000 and $74,962 as of December 31, 2023 and 2022, respectively, based on the TDI's interpretation of the relevant statutes.

Loss and loss adjustment expense (LAE) reserves are based on past loss experience and consideration of current claim trends as well as prevailing social, economic and legal conditions. Loss and LAE reserves are not discounted. A review of the reserves is conducted quarterly by management to evaluate the accuracy of the determination of the loss and LAE reserves in accordance with corporate policy.

The reserve for losses and LAE is based upon claim estimates for (1) losses for claims reported prior to the close of the accounting period, (2) losses incurred but unreported prior to the close of the accounting period, and (3) expenses for investigating and adjusting

Net Loss and LAE reserves as of December 31, 2023 totaled $44,784, a decrease of approximately $13,397 from the same period ended in 2022. The decrease in reserves is attributable to payments made on prior year claims and reductions of reserves no longer needed. Reserves associated with 2017 Hurricane Harvey were reduced by $5,000 in 2023. The Association believes that the loss and LAE reserves as of December 31, 2023 make a reasonable provision for the Association's claim liabilities.

Net loss and LAE reserves as of December 31, 2022 totaled $58,181, a decrease of $19,445 from the same period ended in 2021. The decrease in reserves is attributable to payments made on prior year claims and reductions of reserves no longer needed. Reserves associated with 2017 Hurricane Harvey were reduced by $10,000 in 2022. The Association believes that the loss and LAE reserves as of December 31, 2022 make a reasonable provision for the Association's claim liabilities.

Capital and Surplus

The net gain from operations of the Association are contributed to the Trust Fund after the close of each business year. Per statute, monies in the Trust Fund are to be used for purposes directly related to funding the payment of insured losses from windstorm and hail catastrophe losses in excess of premium and other revenue of the Association in a catastrophe year.

For the years ended December 31, 2023 and 2022, statutory fund costs were $156,000 and $74,962, respectively.

Reinsurance

During 2023 and 2022, the Association entered into reinsurance agreements. These agreements reduce the amount of losses that can arise from claims under a general reinsurance contract known as a catastrophe aggregate excess of loss reinsurance agreement ("aggregate excess of loss").

Effective June 1, 2023, the reinsurance contracts indemnified the Association in respect to the liability that may accrue as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate in respect of losses occurring during the term of this contract of 100% of the ultimate net loss over and above an initial ultimate aggregate net loss of $2,265,000, subject to a limit of liability to the Reinsurer of $2,243,000.

Effective June 1, 2022, the reinsurance contracts indemnified the Association in respect to the liability that may accrue as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate for 100% of the ultimate net loss over and above an initial ultimate aggregate net loss of $2,200,000, subject to a limit of liability to the reinsurer of $2,036,000.

Ceded reinsurance is treated as the risk and liability of the assuming companies; however, the reinsurance contracts do not relieve the Association from its obligations to policyholders. Failure of the reinsurers to honor their obligations could result in losses to the Association. The Association evaluates the financial conditions of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Non-collateralized reinsurers must be A.M. Best Rated "A-" or better and have a policyholder's surplus of $150,000,000 or greater.

(Amounts in Thousands)

The effect of reinsurance on premiums written and earned for the years ended December 31, 2023 and 2022 is as follows:

	2023		2022	
	Written	**Earned**	Written	Earned
Direct premium	**$ 653,043**	**$ 589,353**	$ 518,299	$ 443,490
Excess of loss ceded premium	**(217,987)**	**(217,987)**	(132,095)	(132,095)
Net	**$ 435,056**	**$ 371,366**	$ 386,204	$ 311,395

Unearned premiums are reported net of ceded unearned premiums as follows:

December 31,	**2023**	2022
Gross unearned premiums	**$ 341,024**	$ 277,334
Ceded unearned premiums	**-**	-
	$ 341,024	$ 277,334

Lease Obligation

The Association leases office space under a non-cancellable lease agreement which expires in 2033. The remaining lease term related to the Association's lease liability as of December 31, 2023 is 9-years. The Association's lease arrangement may contain both lease and non-lease components. The Association has elected to account for lease and non-lease components separately.

The Association does not have any variable lease payments. Lease costs associated with fixed payments on the Association's leases were $849 and $810 for the years ended December 31, 2023 and 2022, respectively, and are included in underwriting expenses in the statements of revenues, expenses and changes in net position.

Lease liability maturities as of December 31, 2023, are as follows:

Years ending December 31,	Financing Leases
2024	$ 880
2025	905
2026	930
2027	955
2028 and thereafter	5,840
Total lease payments	9,510
Less: imputed interest	(1,768)
Total lease liabilities	$ 7,742

Governance

Pursuant to SB 900 signed into law during 2015, the Board of Directors composition changed and now consists of nine members: three industry representatives from companies actively writing and renewing windstorm and hail insurance in the first tier coastal counties, three public members residing in the first tier coastal counties, and three non-coastal representatives who live more than 100 miles from the Texas coast. One of the public members must also be a property and casualty agent who is licensed under this code and is not a captive agent.

Depopulation

Depopulation measures were introduced in the 84th Texas Legislature in 2015 authorizing assumption reinsurance agreements between the Association and the private market to facilitate depopulation. The Association implemented the Assumption Program in 2016 and is still in effect as of December 31, 2023. One private market insurer participated in the 2022-2023 and 2021-2022 programs. The novations occurred on March 1, 2023 and 2022, and consisted of 46 and 125 policies, respectively. Approximately 16,000 policies have been novated through December 31, 2023 since the inception of the program.

As of December 31, 2023 and 2022, funds held by company under reinsurance treaties was $0.

During 2023 and 2022, the Association recognized ceded written premiums of $0 as a result of the Assumption Program.

Service Contract with Texas Fair Plan Association

During 2002, the Association entered into a service contract with TFPA in which the Association is to be fully reimbursed for all expenditures, professional fees, consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by the Association on behalf of TFPA. During 2023 and 2022, the Association paid expenses for TFPA under its management contract and was reimbursed $15,270 and $13,202, respectively. As of December 31, 2023 and 2022, the Association incurred or paid expenses for which it has not been reimbursed of $1,087 and $1,215, respectively, on behalf of TFPA, and are included in other assets in the statutory statements of admitted assets, liabilities, surplus and other funds. This arrangement is subject to a written agreement which requires that balances be settled within 30 days.

RESULTS OF OPERATIONS

Revenues

Direct written premium was $653,043 and $518,299 for the years ending December 31, 2023 and 2022, respectively. The 26% increase in gross premium was attributed to steady growth in property values and in policy counts. Direct written premium was $518,299 and $395,113 for the years ended December 31, 2022 and 2021, respectively. The 31% increase from 2021 to 2022 was attributed to steady growth in property values and in policy counts. The increase in policies is partially attributable to the migration of policies from Weston and Federated National who were declared insolvent in 2022.

Net earned premium was $371,366 and $311,395 for the years ended December 31, 2023 and 2022, respectively. The 19% increase from 2022 to 2023 was attributable to steady growth in property values and in policy counts. Net earned premium was $311,395 and $276,372 for the years ended December 31, 2022 and 2021, respectively. The 13% increase from 2021 to 2022 was attributable to steady growth in property values and in policy counts. The increase in policies is partially attributable to the migration of policies from Weston and Federated National who were declared insolvent in 2022.

Net investment income was $21,017 and $1,806 for the years ended December 31, 2023 and 2022, respectively. The increase in net investment income is due to the Association’s investments in money market mutual funds that provided high yields as the Federal Reserve raised interest rates to combat inflation. Net investment income (expense) was $1,806 and $(1,905) for the years ended December 31, 2022 and 2021, respectively. The increase in net investment income is due to increasing interest rates earned and minimal change in investment expenses during 2022.

In August 2017, the Texas coverage area insured by the Association was struck by Hurricane Harvey. The ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,655,000. The Act allows the Association to assess member companies Class 1 member assessments up to $500,000. A Class 1 member assessment was approved by the Commissioner of Insurance on May 25, 2018 for $175,000, a second Class 1 member assessment was approved on August 20, 2018 for $106,820, and a third Class 1 member assessment was approved on January 10, 2020 for $90,000 for a combined total of $371,820. As of December 31, 2020, $369,621 has been collected from the three assessments. One insurance group disputed whether they were subject to a 2018 assessment based on their interpretation of a 2017 legislative change. In 2020, the TDI Commissioner made a determination that the insurance group was not subject to the 2018 assessments. The outstanding assessment will be reallocated and collected from the other member companies. Further assessments will be requested if needed as Hurricane Harvey paid loss development matures. As of December 31, 2023 and 2022, the net position of the Association is $64,293 and $60,335, respectively. As of December 31, 2022 and 2021, the net position of the Association is $60,335 and $247, respectively.

Net Loss and Loss Adjustment Expenses

Net loss and LAE was $91,373 and $51,248 for the years ended December 31, 2023 and 2022, respectively. In 2023, the Association's policyholders experienced a relatively calm hurricane season along the Texas coast. These results were positively impacted by favorable development from the closure of Hurricane Ike claims and the $5,000 reduction in the Hurricane Harvey gross ultimate. Net loss and LAE was $51,248 and $19,048 for the years ended December 31, 2022 and 2021, respectively. In 2022, the Association's policyholders experienced a relatively calm hurricane season along the Texas coast. These results however were negatively impacted by adverse development of reserves related to Hurricane Nicholas which occurred in 2021. Benefiting the overall results was a $10,000 reduction in gross Hurricane Harvey ultimates.

Underwriting Expenses

Underwriting expenses were $140,720 and $121,700 for the years ended December 31, 2023 and 2022, respectively. Underwriting expenses increased from 2022 to 2023 by 16% due to higher commission and premium taxes in conjunction with higher written premiums. Underwriting expenses were $121,700 and $95,216 for the years ended December 31, 2022 and 2021, respectively. Underwriting expenses increased from 2021 to 2022 by 28% due to higher commissions associated with the increased premiums.

Texas Windstorm Insurance Association

Statements of Net Position
(Amounts in Thousands)

December 31,		**2023**		2022
Assets and deferred outflows of resources				
Assets				
Cash and cash equivalents	**$**	**647,820**	$	483,870
Premiums receivable		**43,702**		25,459
Assessment receivable		**2,199**		2,199
Capital assets, net		**19,748**		23,071
Other assets		**7,277**		3,164
Total assets		**720,746**		537,763
Deferred outflows of resources related to pensions				
Differences between expected and actual experience		**487**		674
Changes in assumptions		**1,198**		1,852
Net difference between projected and actual earnings on plan investments		**3,834**		7,523
Total deferred outflows of resources		**5,519**		10,049
	$	**726,265**	$	547,812

See accompanying summary of significant accounting policies and notes to financial statements.

Statements of Net Position
(Amounts in Thousands)
(Continued)

December 31,	**2023**	2022
Liabilities, deferred inflows of resources and net position		
Liabilities		
Losses and loss adjustment expense reserves	**$ 44,784**	$ 58,181
Unearned premiums	**341,024**	277,334
Ceded reinsurance premiums payable, net of ceding commissions	**77,739**	33,331
Statutory fund payable	**156,000**	74,962
Lease liability	**7,742**	7,762
Other liabilities	**29,084**	32,697
Total liabilities	**656,373**	484,267
Deferred inflows of resources related to pensions		
Net difference between projected and actual earnings on plan investments	**-**	-
Differences between expected and actual experience	**261**	190
Changes in assumptions	**5,338**	3,021
Total deferred inflows of resources	**5,599**	3,211
Total liabilities and deferred inflows of resources	**661,972**	487,478
Net position		
Investment in capital assets	**19,748**	23,071
Unrestricted	**44,545**	37,263
Total net position	**64,293**	60,334
	$ 726,265	$ 547,812

See accompanying summary of significant accounting policies and notes to financial statements.

Texas Windstorm Insurance Association

Statements of Revenues, Expenses and Changes in Net Position
(Amounts in Thousands)

Years ended December 31,	**2023**	2022
Operating revenues		
Premiums earned	**$ 589,353**	$ 443,490
Premiums ceded	**(217,987)**	(132,095)
Total operating revenues	**371,366**	311,395
Operating expenses		
Losses and loss adjustment expenses	**91,373**	51,248
Underwriting expenses	**140,720**	121,700
Total operating expenses	**232,093**	172,948
Operating income	**139,273**	138,447
Nonoperating revenues and (expenses)		
Net investment income	**21,017**	1,806
Interest expense	**-**	(5,192)
Statutory fund costs	**(156,000)**	(74,962)
Lease expense	**(337)**	(48)
Other income	**6**	36
Total nonoperating expenses	**(135,314)**	(78,360)
Increase in net position before federal income tax expense	**3,959**	60,087
Federal income tax expense	**-**	-
Change in net position	**3,959**	60,087
Net position:		
Net position, beginning of year	**60,334**	247
Change in net position	**3,959**	60,087
Net position, end of year	**$ 64,293**	$ 60,334

See accompanying summary of significant accounting policies and notes to financial statements.

Texas Windstorm Insurance Association

Statements of Cash Flows
(Amounts in Thousands)

Years ended December 31,		**2023**		2022
Cash flows from operating activities:				
Premiums collected, net of reinsurance	**$**	**462,580**	$	366,526
Losses and loss adjustment expense paid		**(104,758)**		(70,623)
Underwriting expenses paid		**(137,481)**		(115,246)
Receivable from affiliate		**127**		(56)
Net cash provided by operating activities		**220,468**		180,601
Cash flows from noncapital financing activities:				
Bond principal paid		**-**		(177,000)
Financing costs paid		**(2,011)**		(2,270)
Statutory fund paid		**(74,962)**		-
Bond interest paid		**-**		(12,789)
Other		**6**		36
Net cash used in noncapital financing activities		**(76,967)**		(192,023)
Cash flows from capital and related financing activities:				
Capital assets		**(512)**		(2,063)
Lease interest		**(337)**		(48)
Net cash used in capital and related financing activities		**(849)**		(2,111)
Cash flows from investing activities:				
Net investment income		**21,298**		3,576
Net cash provided by investing activities		**21,298**		3,576
Net increase (decrease) in cash and cash equivalents		**163,950**		(9,957)
Cash and cash equivalents, beginning of year		**483,870**		493,827
Cash and cash equivalents, end of year	**$**	**647,820**	$	483,870

See accompanying summary of significant accounting policies and notes to financial statements.

Statements of Cash Flows
(Amounts in Thousands)
(Continued)

Years ended December 31,		**2023**		2022
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	**$**	**139,273**	$	138,447
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization		**3,815**		501
Changes in assets and liabilities:				
Losses and loss adjustment expense reserves		**(13,391)**		(19,410)
Unearned premiums		**63,690**		74,809
Ceded reinsurance premiums payable		**44,409**		7,380
Premiums receivable		**(18,243)**		(23,364)
Other liabilities		**(1,221)**		8,662
Other assets		**2,136**		(6,424)
Net cash provided by operating activities	**$**	**220,468**	$	180,601

Supplemental schedule of non-cash capital and related financing activities:		**2023**		2022
Intangible right-of-use asset obtained on lease commencement	**$**	**-**	$	7,762

See accompanying summary of significant accounting policies and notes to financial statements.

Nature of Business

Based upon its statutory purpose under Chapter 2210, Tex. Ins. Code (the "Act"), the Texas Windstorm Insurance Association (the "Association") is an entity created by the Texas legislature with its primary statutory purpose being the provision of an adequate market for windstorm and hail insurance in the seacoast territory of Texas ("seacoast territory"). Chapter 2210 provides a method by which adequate windstorm and hail insurance may be obtained in certain designated portions of the seacoast territory.

The Association is intended to serve as a residual insurer of last resort for windstorm and hail insurance in the seacoast territory. The Association shall function in such a manner as to not be a direct competitor in the private market and to provide windstorm and hail insurance coverage to those who are unable to obtain that coverage in the private market.

Organization

The Association was established in 1971 by the Texas Legislature to provide wind and hail coverage to applicants unable to obtain insurance in the Texas seacoast territory from the private market. The Legislature's action was a response to market constrictions along the Texas coast after several hurricanes. The Association is governed by Chapter 2210 of the Texas Insurance Code (Chapter 2210); however, it is not a state agency and does not receive funds from the general revenue.

The Association is a residual insurer of last resort and as such is not a direct competitor in the private market. The Association's primary purpose is to provide an adequate market for windstorm and hail insurance in certain designated portions of the seacoast territory of Texas. The seacoast territory includes 14 first tier and 14 second tier coastal counties. The designated catastrophe area is that portion of the seacoast territory where the Commissioner of Insurance has found that windstorm and hail insurance is not reasonably available. It currently includes the entire first tier counties and a portion of Harris County (second tier). The specific designated catastrophe areas are: Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio and Willacy, inside the city limits and east of Highway 146, and the following portions of Harris County: La Porte, Morgan's Point, Pasadena, Seabrook, and Shore Acres.

The Association operates as an insurance company by issuing policies, collecting premiums, and paying losses. The Association is required by law to use the net gain from operations each year to make payments to the CRTF, procure reinsurance, or use alternative risk mechanisms. The CRTF is an account maintained by the Texas Comptroller dedicated to funding the payment of Association catastrophe losses.

Association policies provide residential and commercial property coverage for losses resulting from windstorm or hail. No other perils are covered by Association policies. Applications for coverage may be submitted to the Association through a property and casualty agent properly licensed through the Texas Department of Insurance ("TDI"). Applications will be accompanied by a full annual premium or a deposit followed by installment payments. In order to be eligible for an Association policy, applicants and properties must meet certain criteria defined by the Texas Legislature:

- Applicants must have been denied coverage by at least one insurer in the private market.
- Properties must be located in the designated catastrophe area.
- Properties must be certified by the TDI as having been built to applicable building codes, with limited exceptions.
- Properties located in specified flood zones that were constructed, altered, remodeled, or enlarged after September 1, 2009 and that can obtain flood insurance through the National Flood Insurance Program must provide proof of flood insurance coverage.
- Properties must be in an insurable condition as specified by the Association in the Plan of Operation.

Texas Insurance Code Sections 2210.251 and 2210.258 - 2210.259 and the Association's Plan of Operation (28 TAC 5.4001 et seq.) outline the building code and inspection requirements for eligibility in the Association and provide for limited exceptions. In accordance with these sections, the Association requires a WPI-8 certificate of compliance on all structures constructed, altered, remodeled, enlarged, repaired, or to which additions have been made on or after January 1, 1988. To obtain a WPI-8, the TDI inspectors or the TDI-approved licensed professional engineers must inspect the property and certify that it is fully compliant with the windstorm building code.

Properties must be in an insurable condition to be eligible for Association coverage, i.e. in good repair with no unrepaired damage or hazardous conditions. The Association regularly inspects properties as part of its underwriting process to verify insurability. Properties may be inspected on-site by a vendor or remotely via high-quality aerial imagery. Inspections are used to determine the accuracy of rating information, discover any unrepaired damage, and identify any other conditions that affect the insurability of the property.

Approximately $4,508,000 in funding was secured for the 2023 hurricane season. SB 900, passed by the 84th Texas Legislature, took effect during 2015, and changed the Association's funding structure. $4,508,000 is sufficient to fund claims associated with 99% of all modeled hurricane seasons, or a 1 in 100-year season as required by statute.

The Association's funding structure for the 2023 hurricane season is, in order:

- Funds available in the Catastrophe Reserve Trust Fund
- $500,000 in pre/post-event Class 1 public securities
- $500,000 in Class 1 member assessments
- $250,000 in Class 2 public securities
- $250,000 in Class 2 member assessments
- $250,000 in Class 3 public securities
- $250,000 in Class 3 member assessments
- $2,243,000 in total reinsurance, including both traditional reinsurance and catastrophe bonds

Class 1, 2, and 3 public securities will be repaid by Association premiums and surcharges on Association policies. Class 2 and 3 public securities, after a finding by the Commissioner of Insurance, may also be repaid by surcharges on coastal policyholders of all authorized property carriers, if necessary.

Depopulation measures were introduced in the 84th Texas Legislature in 2015 authorizing assumption reinsurance agreements between the Association and the private market to facilitate depopulation. This allows private insurance companies interested in writing on the Texas coast to assume portions of the Association's book of business as of a point in time. Policyholders have the chance to opt-out of the assumption process.

The Association implemented the Assumption Reinsurance Depopulation Program ("Assumption Program") in 2016 and the program is still in effect as of December 31, 2023. Zero and one private market insurer participated in the 2023-2024 and 2022-2023 programs, respectively. No policies were transferred through Assumption Depopulation for the 2023-2024 program. For the 2022-2023 program, the novation occurred on March 1, 2023, and consisted of 46 policies. Approximately 16,000 policies have been novated through December 31, 2023 since the inception of the program.

Basis of Accounting

While the Association is an instrumentality of the State of Texas, the State of Texas General Fund is not liable for the Associations claims, losses, or other liabilities. However, the Association meets the definition of a governmental organization, as defined by accounting principles generally accepted in the United States of America.

The Association is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. The Association uses the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

In June of 2017, the Governmental Accounting Standards Board ("GASB") issued Statement No. 87, *Leases*. In January of 2020, GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3. In May of 2020, GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*. This statement postponed the effective date of GASB 87 to fiscal years beginning after June 15, 2021. The Association adopted GASB 87 effective January 1, 2022. The adoption of this standard did not have a material effect on the Association's financial statements.

Use of Significant Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The reserves for unpaid losses and loss adjustment expense are significant estimates made by management.

Cash Equivalents
For the purposes of the statements of cash flows, the Association considers all highly liquid investments with original maturities of three months or less as cash equivalents. Cash equivalents, which include money market mutual funds, are recorded at Net Asset Value ("NAV"), which approximates fair value.

Capital Assets
The Association has invested funds in electronic data processing equipment and software, in addition to furniture and equipment and is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of 3-5 years.

Income Taxes
In 2010, the Association applied for and received a Private Letter Ruling ("PLR") from the Internal Revenue Service ("IRS"). The PLR requested acknowledgement that the Association's income is derived from an essential governmental function which accrues to a state or political subdivision and is therefore excluded from gross income under Section 115(1) of the Internal Revenue Code ("IRC"). On August 17, 2010, the IRS ruled that the Association performs an essential government function and that income from that function is excluded from gross income under IRC Section 115(1).

The Association had been filing form 1120-PC tax returns with the IRS as a property and casualty insurance company. Under the IRC the statute of limitations to be assessed additional taxes or to file amended tax returns is 3 years from the later of the due date of the return (including extensions) or the filing date of the return. There are existing net operating loss carryforwards in the open tax years that are not anticipated to be realized. As of December 31, 2023, the statute of limitations remains open for the 2020 to 2023 tax years. No further federal income tax impact is expected in the future.

Operating Revenues and Expenses
Operating revenues are those revenues that are generated directly from the primary activity of the Association. For the Association, these revenues are primarily the premiums charged to policyholders. Operating expenses include incurred losses and necessary costs incurred to provide and administer claims.

All revenue not meeting the definition of operating revenue and expenses are reported as nonoperating revenues and expenses. Significant or major components of nonoperating revenues and expenses include interest expense, assessment income, statutory fund costs, and statutory fund income and are included in the statements of revenues, expenses and changes in net position.

Premiums
All policies issued by the Association have a maximum term of one year from date of issuance. Premiums are generally recognized as revenue on a pro-rata basis over the policy term once the policy is effective. The liability for unearned premiums as of the end of the Association's year is computed on a pro-rata basis over the term of the policies. All premium rates charged by the Association must be approved by the TDI Commissioner.

Those premiums received for policies issued but not effective as of year-end are included in other liabilities within the Association's statements of net position.

Those premiums received for policies which are not effective and not issued as of year-end are included in other liabilities within the Association’s statements of net position.

Policy Acquisition Costs
Acquisition costs consisting of commissions and premium taxes, vary with and are primarily related to the issuance of new and renewal insurance policies. Acquisition costs are expensed as incurred.

Losses and Loss Adjustment Expenses
Loss and LAE reserves are based upon claim estimates for (1) losses for claims reported prior to the close of the accounting period, (2) losses incurred but unreported prior to the close of the accounting period, and (3) expenses for investigating and adjusting claims. Such liabilities are necessarily based on assumptions and estimates and while management believes the amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

Reinsurance
In the normal course of business, the Association seeks to reduce losses that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Depopulation ceded premiums are recognized as the ceded policies' premiums are earned.

Long-Lived Assets – Impairment and Disposal
The Association reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less cost to sell.

Leases
The Association accounts for leases in accordance with GASB 87. The Association is a lessee in one office lease. All leases are considered financing leases in accordance with GASB 87. The Association determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Association determines if an arrangement conveys the right to use an identified asset and whether the Association obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Association recognizes a lease liability and an intangible right-of-use ("ROU") asset at the commencement date of the lease. ROU assets are considered capital assets and are included within capital assets in the statements of net position (see Note 2).

(Amounts in Thousands)

1. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

December 31,		**2023**		2022
Cash	**$**	**69,635**	$	222,016
Cash equivalents:				
Money market mutual funds		**578,185**		261,854
Cash equivalents		**578,185**		261,854
	$	**647,820**	$	483,870

Money Market Mutual Funds

The Association invests in money market mutual funds which are included in cash equivalents. The fair value of money market mutual funds was $578,185 and $261,854 as of December 31, 2023 and 2022, respectively.

(Amounts in Thousands)

2. **Capital assets**

Capital assets consist of the following:

December 31,		**2023**		2022
Furniture and fixtures	**$**	**768**	$	768
Electronic data processing equipment and software		**25,670**		25,670
Intangible right-of-use asset – office buidling		**8,296**		7,762
Leasehold improvements		**1,994**		1,994
		36,728		36,194
Less: accumulated depreciation		**(16,980)**		(13,123)
	$	**19,748**	$	23,071

Depreciation and amortization expense was $3,815 and $501 for the years ended December 31, 2023 and 2022, respectively.

3. **Reinsurance**

During 2023 and 2022, the Association entered into reinsurance agreements. These agreements reduce the amount of losses that can arise from claims under a general reinsurance contract known as a catastrophe aggregate excess of loss reinsurance agreement ("aggregate excess of loss").

Effective June 1, 2023, the reinsurance program is to indemnify the Association in respect of the liability that may accrue to the Association as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate in respect of losses occurring during the term of this contract of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,265,000, subject to a limit of liability to the reinsurer of $2,243,000.

Effective June 1, 2022, the reinsurance program is to indemnify the Association in respect of the liability that may accrue to the Association as a result of loss or losses under policies classified by the Association as property business, including, but not limited to residential, commercial and inland marine business, in force at the inception of this contract, or written or renewed during the term of this contract by or on behalf of the Association. The reinsurer shall be liable in the aggregate in respect of losses occurring during the term of this contract of 100% of the ultimate net loss over and above an initial ultimate net loss of $2,200,000, subject to a limit of liability to the reinsurer of $2,036,000.

(Amounts in Thousands)

Ceded reinsurance is treated as the risk and liability of the assuming companies; however, the reinsurance contracts do not relieve the Association from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Association. The Association evaluates the financial conditions of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

The Association has entered into quota share reinsurance agreements in relation to the Assumption Program (see Note 10).

The effect of reinsurance on premiums written and earned for the years ended December 31, 2023 and 2022 is as follows:

	2023		2022	
	Written	**Earned**	Written	Earned
Direct premium	**$ 653,043**	**$ 589,353**	$ 518,299	$ 443,490
Excess of loss ceded premium	**(217,987)**	**(217,987)**	(132,095)	(132,095)
Net	**$ 435,056**	**$ 371,366**	$ 386,204	$ 311,395

Ceded premiums include premiums ceded to companies that assume policies pursuant to the Assumption Program (see Note 10).

As of December 31, 2023 and 2022, the Association had reinsurance recoverables of $0 on paid losses and LAE as a result of the Assumption Program.

4. Unearned Premiums

Unearned premiums are reported as follows:

December 31,	**2023**	2022
Gross unearned premiums	**$ 341,024**	$ 277,334
Ceded unearned premiums	**-**	-
	$ 341,024	$ 277,334

(Amounts in Thousands)

5. Losses and Loss Adjustment Expense Reserves

The following table provides a reconciliation of the beginning and ending reserve balances, net of reinsurance recoverables, for losses and loss adjustment expenses:

Years ended December 31,		**2023**		2022
Beginning balance	**$**	**58,181**	$	77,625
Less: reinsurance recoverable		**6**		40
Beginning net balance		**58,175**		77,585
Incurred related to:				
Current loss year		**99,140**		40,639
Prior loss years		**(7,767)**		10,609
Losses and loss adjustment expense incurred		**91,373**		51,248
Paid related to:				
Current loss year		**74,725**		28,938
Prior loss years		**30,039**		41,720
Paid losses and loss adjustment expense		**104,764**		70,658
Ending net balance		**44,784**		58,175
Plus: reinsurance recoverable		**-**		6
Ending balance	**$**	**44,784**	$	58,181

Current year changes in estimates of the cost of prior year losses and LAE affect the current year statements of revenues, expenses and changes in net position. Increases in those estimates increase current year expense and are referred to as unfavorable development or prior year reserve shortages. Decreases in those estimates decrease current year expense and are referred to as favorable development or prior year reserve redundancies. Current year losses and LAE reflected on the statutory statements of income of $91,373 had favorable prior year development due to closure of claims related to Hurricane’s Ike and Harvey. Ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,655,000 as of December 31, 2023, down $5 million from 2022 due to favorable development. Increases or decreases of this nature occur as the result of claim settlements and receipt and evaluation of additional information regarding unpaid claims. Recent development trends are also taken into account in evaluating the overall adequacy of reserves. Due to the inherently uncertain process involving loss and loss adjustment expense reserve estimates, the final resolution of the ultimate liability may be different from that anticipated at the reporting date. The appointed actuary for the Association has opined that the loss and LAE reserves as of December 31, 2023 and 2022 make a reasonable provision for the Association’s claim liabilities.

6. **Governance**

Pursuant to SB 900 signed into law during 2015, the Board of Directors composition changed and now consists of nine members: three industry representatives from companies actively writing and renewing windstorm and hail insurance in the first tier coastal counties, three public members residing in the first tier coastal counties, and three non-coastal representatives who live more than 100 miles from the Texas coast. One of the public members must also be a property and casualty agent who is licensed under this code and is not a captive agent.

7. **Service Contract with Texas FAIR Plan Association**

During 2002, the Association entered into a service contract with the Texas Fair Plan Association (“TFPA") in which the Association is to be fully reimbursed for all expenditures, professional fees, consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by the Association on behalf of TFPA. During 2023 and 2022, the Association paid expenses for TFPA under its management contract and was reimbursed $15,270 and $13,202, respectively. As of December 31, 2023 and 2022, the Association incurred or paid expenses for which it has not been reimbursed of $1,087 and $1,215, respectively, on behalf of TFPA, and are included in other assets in the statements of net position. This arrangement is subject to a written agreement which requires that balances be settled within 30 days.

8. **Borrowed Money – Bonds Payable**

In 2014, the Texas Public Finance Authority (the “Authority” or the “Issuer”) issued bonds on behalf of the Association for purposes of financing catastrophe loss costs in the amount of $500,000. The Bonds are issued pursuant to a master resolution adopted by the Board of Directors of the Authority on September 24, 2014 (the “Master Resolution”), and a first supplemental resolution adopted by the Board of Directors of the Authority on September 24, 2014 (the “First Supplemental Resolution”, and together with the Master Resolution, the “Resolutions”). The Bonds constitute the initial series of Class 1 Public Securities of the Authority secured and payable from Class 1 Pledged Revenues irrevocably pledged under the Resolutions. The Association has pledged the Class 1 Pledged Revenues to the Authority pursuant to a Financing and Pledge Agreement dated as of September 1, 2014 between the Authority and the Association.

The Bonds were issued on September 30, 2014 for $500,000 of which $0 principal balance was outstanding as of December 31, 2023 and 2022. On December 7, 2021, the Association Board of Directors approved an early redemption of the remaining $177,000 of the Bonds and directed staff to request approval from the Commissioner of Insurance to redeem the outstanding Bonds prior to their scheduled maturity dates. The redemption was completed on May 9, 2022. In conjunction with the redemption, the Association obtained a short-term loan totaling $29,118. The Association repaid the short-term loan amount and interest in its entirety on July 21, 2022. The original Bonds bear interest from 5.25% to 8.25% with an effective interest rate of 8.03%. The Bonds were secured by the Association’s net premium and other revenue which is used to fund the debt service and related accounts held by the TTSTC.

(Amounts in Thousands)

As of December 31, 2023 and 2022, the Bonds had no unamortized premium or discount. Bond issuance costs are expensed as incurred.

Interest expense incurred on the Bonds is recorded as a nonoperating expense and totaled $0 and $5,192 for the years ended December 31, 2023 and 2022, respectively, and is included in the statements of revenues, expenses and changes in net position. Interest of $0 and $12,493 was paid to bond holders for the years ended December 31, 2023 and 2022, respectively. Interest expense on the short-term loan totaled $0 and $296 for the years ended December 31, 2023 and 2022, respectively.

Changes in borrowed money - bonds payable for the year ended December 31, 2023 is as follows:

Description	Bonds Outstanding January 1, 2023	Bonds Issued	Bonds Matured/Redeemed	Bonds Outstanding December 31, 2023
Taxable Series 2014	**$ -**	**$ -**	**$ -**	**$ -**

Changes in borrowed money - bonds payable for the year ended December 31, 2022 is as follows:

Description	Bonds Outstanding January 1, 2022	Bonds Issued	Bonds Matured/Redeemed	Bonds Outstanding December 31, 2022
Taxable Series 2014	$ 177,000	$ -	$ 177,000	$ -

9. Statutory Fund

In 1993, the Texas legislature created the CRTF. At the end of each year and pursuant to administrative rules, the Association shall deposit the statutory net gain from operations of the Association in excess of incurred losses, operating expenses, public security obligations, and public security administrative expenses into the CRTF and/or purchase reinsurance. Pursuant to Tex. Ins. Code §2210.259, a surcharge is charged on non-compliant structures insured by the Association, and these surcharges are deposited monthly into the CRTF.

When an occurrence or series of occurrences in a catastrophe area occurs, the Association shall pay losses in excess of premium and other revenue of the Association from available reserves of the Association and available amounts in the CRTF. Administrative rules adopted by the commissioner of insurance establish the procedures relating to the disbursement of money from the CRTF.

The Texas Comptroller of Public Accounts ("comptroller") administers the CRTF in accordance with Tex. Ins. Code, Chapter 2210. All money, including investment income, deposited in the CRTF, are state funds to be held by the comptroller outside the state treasury on behalf of, and with legal title in the TDI until disbursed as provided by the Tex. Ins. Code, Chapter 2210 and administrative rules adopted by the TDI under the Association's Plan of Operation.

The CRTF may be terminated only by law. On termination of the CRTF, all assets of the CRTF revert to the State of Texas to provide funding for the mitigation and preparedness plan established under Tex. Ins. Code, §2210.454.

For the years ended December 31, 2023 and 2022, statutory fund costs were $156,000 and $74,962, based on the direction of the TDI and based on its interpretation of the relevant statutes. TDI's directive requires the Association to determine its net gain from operations based on catastrophe-year incurred losses, rather than calendar year reported losses. Starting at the end of calendar year 2018, the Association is required to use the net gain from operations of the Association to make payments to the CRTF, procure reinsurance, or use alternative risk financing mechanisms. Although amounts held in the CRTF are not presented as assets in the statements of net position, once contributed to the CRTF, these funds will be held in trust with the TTSTC and will be available for the exclusive use of the Association to pay losses and expenses of the Association as permitted by law. A contribution to the CRTF in the amounts of $156,000 and $74,962 has been accrued as of December 31, 2023 and 2022, respectively.

For the years ended December 31, 2023 and 2022, the CRTF held $283,006 and $190,004, respectively.

In August 2017, the Texas coverage area insured by the Association was struck by Hurricane Harvey. The ultimate loss and LAE from Hurricane Harvey are estimated to be approximately $1,655,000. The Act allows the Association to assess member companies Class 1 member assessments up to $500,000. A Class 1 member assessment was approved by the Commissioner of Insurance on May 25, 2018 for $175,000, a second Class 1 member assessment was approved on August 20, 2018 for $106,820, and a third Class 1 member assessment was approved on January 10, 2020 for $90,000 for a combined total of $371,820. As of December 31, 2020, $369,621 has been collected from the three assessments. One insurance group disputed whether they were subject to a 2018 assessment based on their interpretation of a 2017 legislative change. In 2020, the TDI Commissioner made a determination that the insurance group was not subject to the 2018 assessments. The outstanding assessment will be reallocated and collected from the other member companies. Further assessments will be requested if needed as Hurricane Harvey paid loss development matures. As of December 31, 2023 and 2022, the net position of the Association is $64,293 and $60,334, respectively.

10. Depopulation

Depopulation measures were introduced in the 84th Texas Legislature in 2015 authorizing assumption reinsurance agreements between the Association and the private market to facilitate depopulation. The Association implemented the Assumption Program in 2016 and is still in effect as of December 31, 2023. Zero and one private market insurer participated in the 2023-2024 and 2022-2023 programs, respectively. No policies were transferred through Assumption Depopulation for the 2023-2024 program. For the 2022-2023 program, the novation occurred on March 1, 2023, and consisted of 46 policies. Approximately 16,000 policies have been novated through December 31, 2023 since the inception of the program.

As of December 31, 2023 and 2022, funds held by company under reinsurance treaties was $0.

During 2023 and 2022, the Association recognized ceded written premiums of $0 as a result of the Assumption Program.

(Amounts in Thousands)

11. Employee Benefit Plans

Defined Benefit Plan

Plan Description. The Association is a participating employer in The Pension Plan for Insurance Organizations (PPIO) (the "Plan") which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The PPIO is an agent multi-employer defined benefit pension plan administered by The Named Fiduciaries of The Pension Plan for Insurance Organizations (c/o Greenberg Traurig, LLP). The authority to establish and amend the benefit provisions of the plans that participate in the multiple-employer pension plan administered by The Named Fiduciaries of The Pension Plan for Insurance Organizations is assigned to the respective employer entities. For the Association, that authority rests with the Association's Board of Directors. The Named Fiduciaries of The Pension Plan for Insurance Organizations issue publicly available information about the Plan that is prepared to comply with the Employee Retirement Income Security Act of 1974 (ERISA). That information may be obtained from the plan administrator, The Named Fiduciaries of The Pension Plan for Insurance Organizations, c/o Greenberg Traurig, LLP, 200 Park Avenue, 20th Floor, New York, NY 10166.

Covered employees are the only class of employees covered under the pension plan and are employees who have completed 1,000 hours of service within a 12-month consecutive period. The benefits are paid based on specific events and in the form of a monthly benefit payment. A lump sum benefit is payable if its present value of the monthly benefit is less than $20,000. The key elements of the pension formula consist of a percentage of average earnings multiplied by years and months of service. There are no automatic post-employment benefit changes or automatic cost of living adjustments affecting benefit payments.

Employees covered by benefit terms: As of December 31, 2023 and 2022, the following employees were covered by the benefit terms:

December 31,	**2023**	2022
Inactive employees or beneficiaries currently receiving benefits	**66**	59
Inactive employees entitled to but not yet receiving benefits	**68**	68
Active employees	**215**	215
Total	**349**	342

Contributions. PPIO members are not required to contribute to the Plan. The Association is required to contribute at an actuarially determined rate: employer contributions is 20.07 percent and 19.87 percent of covered payroll for the years 2023 and 2022, respectively. The contribution requirements of plan members and the Association are established and may be amended by The Named Fiduciaries of the PPIO.

(Amounts in Thousands)

Net Pension Liability

The Association's net pension liability was measured as of December 31, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of these dates.

Actuarial assumptions. The total pension liability in the December 31, 2023 and 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

December 31,	**2023**	2022
Inflation	**2.50%**	2.50%
Salary increases	**3.50%**	4.00%
Investment rate of return	**5.25%**	4.50%

As of December 31, 2023, mortality rates were based on the Pri-2012 separate employee, retiree and contingent annuitant rates, and the MP-2021 mortality improvement scale. As of December 31, 2022, mortality rates were based on the Pri-2012 separate employee, retiree and contingent annuitant rates, and the MP-2021 mortality improvement scale.

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using an expected geometric mean return and portfolio weighting method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The overall 20-year geometric mean portfolio real return is 3.18% and 1.40% during 2023 and 2022, respectively. The overall 20-year geometric median portfolio real return is 3.05% and 1.29% during 2023 and 2022, respectively. The overall 20-year geometric 75th percentile portfolio real return is 4.08% and 2.25% during 2023 and 2022, respectively. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The pension valuation assumes an annual inflation rate of 2.5%. The expected returns above assume passive investing and do not include any premium for active management.

(Amounts in Thousands)

The target allocation and best estimates of expected geometric mean returns for each major asset class during 2023 are summarized in the following table:

Asset Class	Target Allocation	Expected geometric mean returns
Large cap U.S. equity	19.7%	4.30%
Mid cap U.S. equity	6.8%	4.30%
Small cap U.S. equity	3.1%	3.92%
Real estate	4.8%	3.26%
International equity	8.9%	4.30%
Fixed income	55.7%	0.68%
Cash	1.0%	0.92%
Total	100.0%	

The target allocation and best estimates of expected geometric mean returns for each major asset class during 2022 are summarized in the following table:

Asset Class	Target Allocation	Expected geometric mean returns
Large cap U.S. equity	19.5%	4.07%
Mid cap U.S. equity	6.4%	4.06%
Small cap U.S. equity	2.9%	3.68%
Real estate	5.2%	2.28%
International equity	8.2%	4.07%
Fixed income	57.0%	(1.13)%
Cash	0.8%	(0.89)%
Total	100.0%	

Discount Rate: The discount rate used to measure the total pension liability was 6.0 and 5.25 percent during 2023 and 2022, respectively. Willis Towers Watson used their firm's proprietary capital market assumptions as of January 2023 for the various asset classes and applied those to the asset allocation of the PPIO as of January 1, 2023 to develop an overall average rate. As the Plan is a Qualified Plan under ERISA, the assumption has been made that the Plan will be sufficiently funded to pay benefits at all times. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. There are no non-employer contributing entities and there are no employee contributions.

(Amounts in Thousands)

Changes in Net Pension Liability. The Association's changes in net pension liability for the years ended December 31, 2023 and 2022 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, January 1, 2023	**$ 32,225**	**$ 22,890**	**$ 9,335**
Changes for the year:			
Service cost	**1,893**	**-**	**1,893**
Interest	**1,772**	**-**	**1,772**
Demographic gains	**(134)**	**-**	**(134)**
Contributions - employer	**-**	**3,669**	**(3,669)**
Net investment income	**-**	**4,263**	**(4,263)**
Assumption changes	**(3,345)**	**-**	**(3,345)**
Benefit payments	**(741)**	**(741)**	**-**
Administrative expenses	**-**	**(165)**	**165**
Balance, December 31, 2023	**$ 31,670**	**$ 29,916**	**$ 1,754**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, January 1, 2022	$ 32,792	$ 30,127	$ 2,665
Changes for the year:			
Service cost	2,238	-	2,238
Interest	1,561	-	1,561
Demographic gains	(193)	-	(193)
Contributions - employer	-	3,516	(3,516)
Net investment loss	-	(9,904)	9,904
Assumption changes	(3,503)	-	(3,503)
Benefit payments	(670)	(670)	-
Administrative expenses	-	(179)	179
Balance, December 31, 2022	$ 32,225	$ 22,890	$ 9,335

(Amounts in Thousands)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Association as of December 31, 2023 and 2022, respectively, calculated using the discount rate of 6.0 percent and 5.25 percent as well as what the Association's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent and 4.25 percent) or 1-percentage-point higher (7.0 percent and 6.25 percent) than the current rate:

December 31, 2023	1% Increase (7.0%)	Current Discount Rate (6.0%)	1% Decrease (5.0%)
Net pension liability	**$ (2,120)**	**$ 1,754**	**$ 6,445**

December 31, 2022	1% Increase (6.25%)	Current Discount Rate (5.25%)	1% Decrease (4.25%)
Net pension liability	$ 5,179	$ 9,335	$ 14,406

Pension Plan Fiduciary Net Position: The pension plan's basic financial statements can be obtained from the Plan Administrator located at: The Managing Fiduciary of The Pension Plan for Insurance Organizations, c/o Greenberg Traurig, LLP; 200 Park Avenue, 20th Floor; New York, NY 10166.

(Amounts in Thousands)

<u>*Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension:*</u> For the years ended December 31, 2023 and 2022, the Association recognized pension expense of $3,007 and $4,513, respectively. During 2023 and 2022, the Association allocated pension expense of $665 and $897, respectively, to TFPA. Net pension expense included in underwriting expenses in the statements of revenues, expenses and changes in net position was $2,341 and $3,616 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2023		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	**$**	**487**	**$**	**261**
Changes in assumptions		**1,198**		**5,338**
Net difference between projected and actual earnings on plan investments		**3,834**		**-**
Total	**$**	**5,519**	**$**	**5,599**

December 31, 2022		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	674	$	190
Changes in assumptions		1,852		3,021
Net difference between projected and actual earnings on plan investments		7,523		-
Total	$	10,049	$	3,211

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31,		Amount
2024	$	888
2025		1,074
2026		868
2027		(1,062)
2028		(992)
Thereafter		(316)
	$	460

(Amounts in Thousands)

Defined Contribution Plan:
The Association has a defined contribution 401(k) plan available to eligible employees after six months of employment. Matching contributions totaling $1,067 and $1,003 (before allocation to Texas FAIR Plan Association ("TFPA")) were made for the years ended December 31, 2023 and 2022, respectively. The Association's portion was approximately $705 and $695 for the years ended December 31, 2023 and 2022, respectively.

12. Lease Obligation

The Association leases office space under a non-cancellable lease agreement which expires in 2033. The Association's lease arrangement may contain both lease and non-lease components. The Association has elected to account for lease and non-lease components separately.

The Association does not have any variable lease payments. Lease costs associated with fixed payments on the Association's leases were $849 and $810 for the years ended December 31, 2023 and 2022, respectively, and are included in underwriting expenses in the statements of revenues, expenses and changes in net position.

Lease liability maturities as of December 31, 2023, are as follows:

Years ending December 31,		Financing Leases
2024	$	880
2025		905
2026		930
2027		955
2028 and thereafter		5,840
Total lease payments		9,510
Less: imputed interest		(1,768)
Total lease liabilities	$	7,742

The weighted average lease term related to the Association's lease liability as of December 31, 2023 and 2022 is 9.58 and 10.58 years, respectively.

The weighted-average discount rate related to the Association's lease liabilities as of December 31, 2023 and 2022 was 4.3%. The Association uses the incremental borrowing rate to discount future lease payments.

As of December 31, 2023 and 2022, the Association had no additional leases that had not yet commenced.

The Association had $0 termination penalties or residual value guarantees during 2023 or 2022.

13. Commitments and Contingencies

The Association is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters in excess of the amounts provided will not have a material adverse effect on the financial position of the Association. These matters are subject to various uncertainties, and some of these matters may be resolved unfavorably to the Association.

The Association obtained a $500,000 committed line of credit with two of its primary financial institutions during 2023. The line of credit agreement was entered into June 1, 2023 subsequent to the Association's Board of Directors approval on May 23, 2023. No amounts have been drawn against the line of credit. Issuance fees for the line of credit were $500 and the Association paid the lenders a 0.475% commitment fee against the unused portion of the line of credit. The commitment was originally set to mature on May 31, 2024, however, the line of credit was terminated by the Association as of December 27, 2023 without penalty.

The Association obtained a $500,000 committed line of credit with two of its primary financial institutions during 2022. The line of credit agreement was entered into June 1, 2022 subsequent to the Association's Board of Directors approval on May 17, 2022. No amounts have been drawn against the line of credit. Issuance fees for the line of credit were $500 and the Association paid the lenders a 0.475% commitment fee against the unused portion of the line of credit. The commitment was originally set to mature on May 31, 2023, however, the line of credit was terminated by the Association on December 27, 2022 without penalty.

14. Concentration of Credit Risk

The Association maintains deposits of cash in excess of federally insured limits with certain financial institutions. The Association has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash.

The Association writes windstorm and hail coverage primarily in the 14 counties along the Texas coast in which it has approximately $106,000,000 and $83,800,000 of insurance exposure as of December 31, 2023 and 2022, respectively.

15. Fair Value Measurements

GASB Statement No. 72, Fair Value Measurement and Application, ("GASB Statement No. 72") requires the Association to make estimates of the fair value for financial assets and financial liabilities based on the framework established in the Fair Value Measurements and Disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Association's significant market assumptions. The three levels of the hierarchy are as follows:

- Level 1 – Fair values are based on inputs using quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed on the measurement date.

- Level 2 – Fair values are based on inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly.

- Level 3 – Fair values are based on unobservable inputs for an asset or liability.

In accordance with GASB Statement No. 72, cash equivalents that were measured at NAV have not been classified in the fair value hierarchy. The investment strategy for the Association is to hold highly liquid cash and cash equivalents for funding catastrophe events. The Association does not believe that the assets stated at NAV have any significant restrictions to liquidate or to be sold for less than NAV. The Association's financial assets measured at NAV included in cash equivalents as of December 31, 2023 and 2022 are as follows:

- Money market mutual funds of $578,185 and $261,854, respectively, are valued using NAV per share of $1.

The Association has no financial liabilities measured at estimated fair value on a recurring basis.

16. Subsequent Events

The Association has evaluated subsequent events occurring after December 31, 2023, the date of the most recent statements of net position through May 1, 2024, the date the financial statements were issued. The Association does not believe any subsequent events have occurred that would require further disclosure or adjustment to the financial statements.

Required Supplementary Information

Texas Windstorm Insurance Association

Schedules of Changes in Net Pension Liability and Related Ratios
(Amounts in Thousands)

December 31,	**2023**	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service cost	$ **1,893**	$ 2,238	$ 2,106	$ 1,606	$ 1,396	$ 1,378	$ 1,116	$ 1,043	$ 880	$ 812
Interest	**1,772**	1,561	1,407	1,366	1,233	1,109	1,018	951	848	716
Plan amendments	**-**	-	-	-	-	-	-	-	398	-
Demographic losses (gains)	**(134)**	(193)	347	373	317	133	(105)	58	146	(455)
Assumption changes	**(3,345)**	(3,503)	78	743	2,377	221	(113)	1,046	481	728
Benefit payments	**(741)**	(670)	(625)	(663)	(597)	(578)	(506)	(511)	(428)	(360)
Net change in total pension liability	**(555)**	(567)	3,313	3,425	4,726	2,263	1,410	2,587	2,325	1,441
Total pension liability – beginning	**32,225**	32,792	29,479	26,054	21,328	19,065	17,655	15,068	12,743	11,302
Total pension liability – ending	$ **31,670**	$ 32,225	$ 32,792	$ 29,479	$ 26,054	$ 21,328	$ 19,065	$ 17,655	$ 15,068	$ 12,743
Plan fiduciary net position:										
Contributions – employer	$ **3,669**	$ 3,516	$ 2,961	$ 2,568	$ 2,360	$ 2,180	$ 1,594	$ 1,024	$ 931	$ 1,034
Net investment income (loss)	**4,263**	(9,904)	1,983	2,426	3,702	(959)	1,870	869	(134)	759
Benefit payments	**(741)**	(670)	(625)	(663)	(597)	(578)	(506)	(511)	(428)	(360)
Administrative expenses	**(165)**	(179)	(148)	77	(88)	(69)	(72)	(75)	(53)	(55)
Net change in plan fiduciary net position	**7,026**	(7,237)	4,171	4,408	5,377	574	2,886	1,307	316	1,378
Plan fiduciary net position – beginning	**22,890**	30,127	25,956	21,548	16,171	15,597	12,711	11,404	11,088	9,710
Plan fiduciary net position – ending	$ **29,916**	$ 22,890	$ 30,127	$ 25,956	$ 21,548	$ 16,171	$ 15,597	$ 12,711	$ 11,404	$ 11,088
Net pension liability - ending	$ **1,754**	$ 9,335	$ 2,665	$ 3,523	$ 4,506	$ 5,157	$ 3,468	$ 4,944	$ 3,664	$ 1,655
Plan fiduciary net position as a percentage of the total pension liability	**94.46%**	71.03%	91.87%	88.05%	82.71%	75.82%	81.81%	72.00%	75.68%	87.01%
Covered payroll	$ **18,282**	$ 17,698	$ 16,960	$ 15,730	$ 15,388	$ 15,086	$ 12,747	$ 13,214	$ 13,847	$ 13,365
Net pension liability as a percentage of covered payroll	**9.59%**	52.75%	15.71%	22.40%	29.28%	34.18%	27.21%	37.41%	26.46%	12.38%

See accompanying independent auditors' report.

Texas Windstorm Insurance Association

Schedules of Employer Contributions
(Amounts in Thousands)

Date	Actuarial Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2023	$ 3,669	$ 3,669	$ -	$ 18,282	20.07%
2022	3,516	3,516	-	17,698	19.87%
2021	2,961	2,961	-	16,960	17.46%
2020	2,568	2,568	-	15,730	16.33%
2019	2,360	2,360	-	15,388	15.34%
2018	2,180	2,180	-	15,086	14.45%
2017	1,594	1,594	-	12,747	12.50%
2016	1,024	1,024	-	13,214	7.75%
2015	931	931	-	13,847	6.72%
2014	1,034	1,034	-	13,365	7.74%

See accompanying independent auditors' report.

6E4. Internal Control Letter

Calhoun, Thomson + Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

May 1, 2024

Board of Directors
Texas Windstorm Insurance Association
Austin, Texas

In planning and performing our audit of the financial statements of Texas Windstorm Insurance Association, (the "Association") as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the board of directors, and for filing with the Texas Department of Insurance, and is not intended to be and should not be used by anyone other than these specified parties.

Calhoun, Thomson & Matza, LLP

7. Actuarial

6A. Policy Counts/Exposures

Texas Windstorm Insurance Association
Statistical Report
As of March 31, 2024

County	Policies In-Force 3/31/23	Policies In-Force 3/31/24	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 3/31/23	Exposure In-Force 3/31/24	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 3/31/23	YTD Written Premium 3/31/24	Premium Growth Actual	Premium Growth Percentage
Aransas	7,107	7,874	767	10.80%	2,821,000,033	3,453,039,800	$632,039,767	22.40%	5,112,350	5,645,877	$533,527	10.40%
Brazoria	40,002	46,495	6,493	16.20%	13,658,529,143	17,829,691,000	$4,171,161,857	30.50%	19,247,212	24,242,237	$4,995,025	26.00%
Calhoun	4,309	4,499	190	4.40%	1,279,831,754	1,474,318,200	$194,486,446	15.20%	1,763,065	2,058,894	$295,829	16.80%
Cameron	10,012	11,362	1,350	13.50%	3,552,124,871	4,717,896,900	$1,165,772,029	32.80%	5,227,283	6,178,056	$950,773	18.20%
Chambers	5,725	6,948	1,223	21.40%	2,224,840,953	2,988,862,600	$764,021,647	34.30%	2,760,725	3,801,530	$1,040,805	37.70%
Galveston	72,796	79,107	6,311	8.70%	28,227,122,731	34,005,190,600	$5,778,067,869	20.50%	42,250,769	48,664,162	$6,413,393	15.20%
Harris	4,015	4,350	335	8.30%	1,459,252,892	1,794,758,600	$335,505,708	23.00%	1,424,807	1,669,048	$244,241	17.10%
Jefferson	28,658	30,833	2,175	7.60%	8,006,416,709	9,813,494,800	$1,807,078,091	22.60%	11,241,610	13,363,704	$2,122,094	18.90%
Kenedy	27	33	6	22.20%	7,144,282	6,853,300	-$290,982	-4.10%	19,741	6,308	-$13,433	-68.00%
Kleberg	859	1,001	142	16.50%	232,004,600	322,174,600	$90,170,000	38.90%	396,188	453,029	$56,841	14.30%
Matagorda	5,035	5,376	341	6.80%	1,460,525,702	1,744,891,500	$284,365,798	19.50%	2,172,860	2,667,803	$494,943	22.80%
Nueces	41,789	45,356	3,567	8.50%	14,370,957,815	17,920,539,000	$3,549,581,185	24.70%	21,310,662	26,254,853	$4,944,191	23.20%
Refugio	379	427	48	12.70%	110,603,135	133,044,900	$22,441,765	20.30%	170,366	181,143	$10,777	6.30%
San Patricio	7,502	8,387	885	11.80%	2,348,987,615	2,919,416,000	$570,428,385	24.30%	3,304,725	4,141,078	$836,353	25.30%
Willacy	362	385	23	6.40%	106,938,156	132,040,000	$25,101,844	23.50%	128,660	138,650	$9,990	7.80%
Total	228,577	252,433	23,856	10.40%	79,866,280,391	99,256,211,800	$19,389,931,409	24.30%	116,531,023	139,466,372	$22,935,349	19.70%

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2024

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Aransas										
Commercial	81	81	185	185	1,564,276	1,564,276	516,366,900	14,028,385	433	1,024
Manufactured Home	44	44	44	44	77,803	77,803	13,478,000	0	192	192
Residential	1,467	1,467	1,467	1,467	4,003,798	4,003,798	2,923,194,900	255,366,120	7,249	7,249
Total	1,592	1,592	1,696	1,696	5,645,877	5,645,877	3,453,039,800	269,394,505	7,874	8,465
Brazoria										
Commercial	168	168	327	327	2,239,213	2,239,213	826,005,500	26,698,949	807	1,529
Manufactured Home	91	91	91	91	186,268	186,268	22,837,300	0	291	291
Residential	9,948	9,948	9,948	9,948	21,816,756	21,816,756	16,980,848,200	2,334,076,220	45,397	45,397
SUM:	10,207	10,207	10,366	10,366	24,242,237	24,242,237	17,829,691,000	2,360,775,169	46,495	47,217
Calhoun										
Commercial	40	40	89	89	257,857	257,857	168,665,600	5,030,245	205	450
Manufactured Home	15	15	15	15	23,945	23,945	5,175,700	0	77	77
Residential	829	829	829	829	1,777,092	1,777,092	1,300,476,900	115,227,960	4,217	4,217
SUM:	884	884	933	933	2,058,894	2,058,894	1,474,318,200	120,258,205	4,499	4,744
Cameron										
Commercial	198	198	402	402	2,936,257	2,936,257	2,000,208,500	27,113,060	846	2,371
Manufactured Home	17	17	17	17	32,325	32,325	3,823,800	0	75	75
Residential	1,890	1,890	1,890	1,890	3,209,474	3,209,474	2,713,864,600	249,103,400	10,441	10,441
SUM:	2,105	2,105	2,309	2,309	6,178,056	6,178,056	4,717,896,900	276,216,460	11,362	12,887

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2024

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Chambers										
Commercial	17	17	24	24	263,782	263,782	103,385,000	2,517,465	119	187
Manufactured Home	21	21	21	21	37,764	37,764	5,827,700	0	77	77
Residential	1,453	1,453	1,453	1,453	3,499,984	3,499,984	2,879,649,900	403,403,700	6,752	6,752
SUM:	1,491	1,491	1,498	1,498	3,801,530	3,801,530	2,988,862,600	405,921,165	6,948	7,016
Galveston										
Commercial	439	439	860	860	7,955,927	7,955,927	3,706,736,500	90,943,370	2,155	4,402
Manufactured Home	56	56	56	56	103,071	103,071	17,238,700	0	259	259
Residential	16,791	16,791	16,791	16,791	40,605,164	40,605,164	30,281,215,400	3,613,998,260	76,693	76,693
SUM:	17,286	17,286	17,707	17,707	48,664,162	48,664,162	34,005,190,600	3,704,941,630	79,107	81,354
Harris										
Commercial	14	14	27	27	205,798	205,798	221,880,000	6,662,070	89	260
Manufactured Home	0	0	0	0	0	0	327,000	0	6	6
Residential	912	912	912	912	1,463,250	1,463,250	1,572,551,600	213,175,440	4,255	4,255
SUM:	926	926	939	939	1,669,048	1,669,048	1,794,758,600	219,837,510	4,350	4,521
Jefferson										
Commercial	159	159	290	290	1,527,926	1,527,926	1,029,986,800	31,607,939	875	1,820
Manufactured Home	18	18	18	18	31,931	31,931	5,391,200	0	71	71
Residential	5,887	5,887	5,887	5,887	11,803,847	11,803,847	8,778,116,800	1,163,331,260	29,887	29,887
SUM:	6,064	6,064	6,195	6,195	13,363,704	13,363,704	9,813,494,800	1,194,939,199	30,833	31,778

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2024

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Kenedy										
Commercial	0	0	0	0	0	0	0	0	0	0
Manufactured Home	0	0	0	0	0	0	0	0	0	0
Residential	4	4	4	4	6,308	6,308	6,853,300	40,800	33	33
SUM:	4	4	4	4	6,308	6,308	6,853,300	40,800	33	33
Kleberg										
Commercial	14	14	18	18	49,909	49,909	60,497,000	842,490	54	84
Manufactured Home	0	0	0	0	0	0	259,500	0	3	3
Residential	245	245	245	245	403,120	403,120	261,418,100	28,061,180	944	944
SUM:	259	259	263	263	453,029	453,029	322,174,600	28,903,670	1,001	1,031
Matagorda										
Commercial	34	34	104	104	448,639	448,639	162,930,000	5,533,160	177	416
Manufactured Home	9	9	9	9	22,486	22,486	3,556,200	0	42	42
Residential	1,104	1,104	1,104	1,104	2,196,678	2,196,678	1,578,405,300	167,310,940	5,157	5,157
SUM:	1,147	1,147	1,217	1,217	2,667,803	2,667,803	1,744,891,500	172,844,100	5,376	5,615
Nueces										
Commercial	519	519	1,121	1,121	6,988,625	6,988,625	3,839,377,000	106,653,060	2,352	5,496
Manufactured Home	12	12	12	12	29,898	29,898	3,907,100	0	61	61
Residential	9,514	9,514	9,514	9,514	19,236,330	19,236,330	14,077,254,900	1,597,275,400	42,943	42,943
SUM:	10,045	10,045	10,647	10,647	26,254,853	26,254,853	17,920,539,000	1,703,928,460	45,356	48,500

Texas Windstorm Insurance Association
Quarterly Liability Report
As of March 31, 2024

Class of Business	Policies Written During Qtr	Policies Written YTD	Risks Written During Qtr	Risks Written YTD	Premium Written During Qtr	Premium Written YTD	Liability at End of Quarter Direct	Liability at End of Quarter Indirect	In-Force at End of Quarter Policies	In-Force at End of Quarter Risks
Refugio										
Commercial	1	1	5	5	-4,928	-4,928	21,085,000	177,900	31	56
Manufactured Home	2	2	2	2	3,773	3,773	1,794,700	0	23	23
Residential	95	95	95	95	182,298	182,298	110,165,200	11,783,880	373	373
SUM:	98	98	102	102	181,143	181,143	133,044,900	11,961,780	427	452
San Patricio										
Commercial	56	56	98	98	600,019	600,019	232,795,600	5,143,690	280	535
Manufactured Home	11	11	11	11	18,078	18,078	4,263,300	0	56	56
Residential	1,695	1,695	1,695	1,695	3,522,981	3,522,981	2,682,357,100	336,603,740	8,051	8,051
SUM:	1,762	1,762	1,804	1,804	4,141,078	4,141,078	2,919,416,000	341,747,430	8,387	8,642
Willacy										
Commercial	4	4	5	5	9,022	9,022	25,249,000	99,900	29	69
Manufactured Home	2	2	2	2	2,620	2,620	742,100	0	10	10
Residential	61	61	61	61	127,008	127,008	106,048,900	7,575,040	346	346
SUM:	67	67	68	68	138,650	138,650	132,040,000	7,674,940	385	425
Total All Counties										
Commercial	1,744	1,744	3,555	3,555	25,042,322	25,042,322	12,915,168,400	323,051,683	8,452	18,699
Manufactured Home	298	298	298	298	569,962	569,962	88,622,300	0	1,243	1,243
Residential	51,895	51,895	51,895	51,895	113,854,088	113,854,088	86,252,421,100	10,496,333,340	242,738	242,738
SUM:	53,937	53,937	55,748	55,748	139,466,372	139,466,372	99,256,211,800	10,819,385,023	252,433	262,680

7B. Reserve Adequacy

MEMORANDUM

DATE: April 22, 2024

TO: David Durden
General Manager

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

RE: TWIA Reserve Adequacy as of March 31, 2024

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of March 31, 2024.

After reviewing recently settled and remaining outstanding claims, the ultimate estimate for Hurricane Harvey remains at 1.655 billion. The actual ultimate costs of Hurricane Harvey may still differ substantially from the selected ultimate estimate due to variability in the outcome of disputed claims.

As of March 31, 2024, TWIA carried $77.1 million in total gross loss and loss adjustment expense reserves. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Harvey and all other outstanding claims.

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

JM

7C. 2024 Funding: Reinsurance

MEMORANDUM

DATE: April 22, 2024

TO: David Durden
General Manager

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

RE: 2024 Reinsurance Program

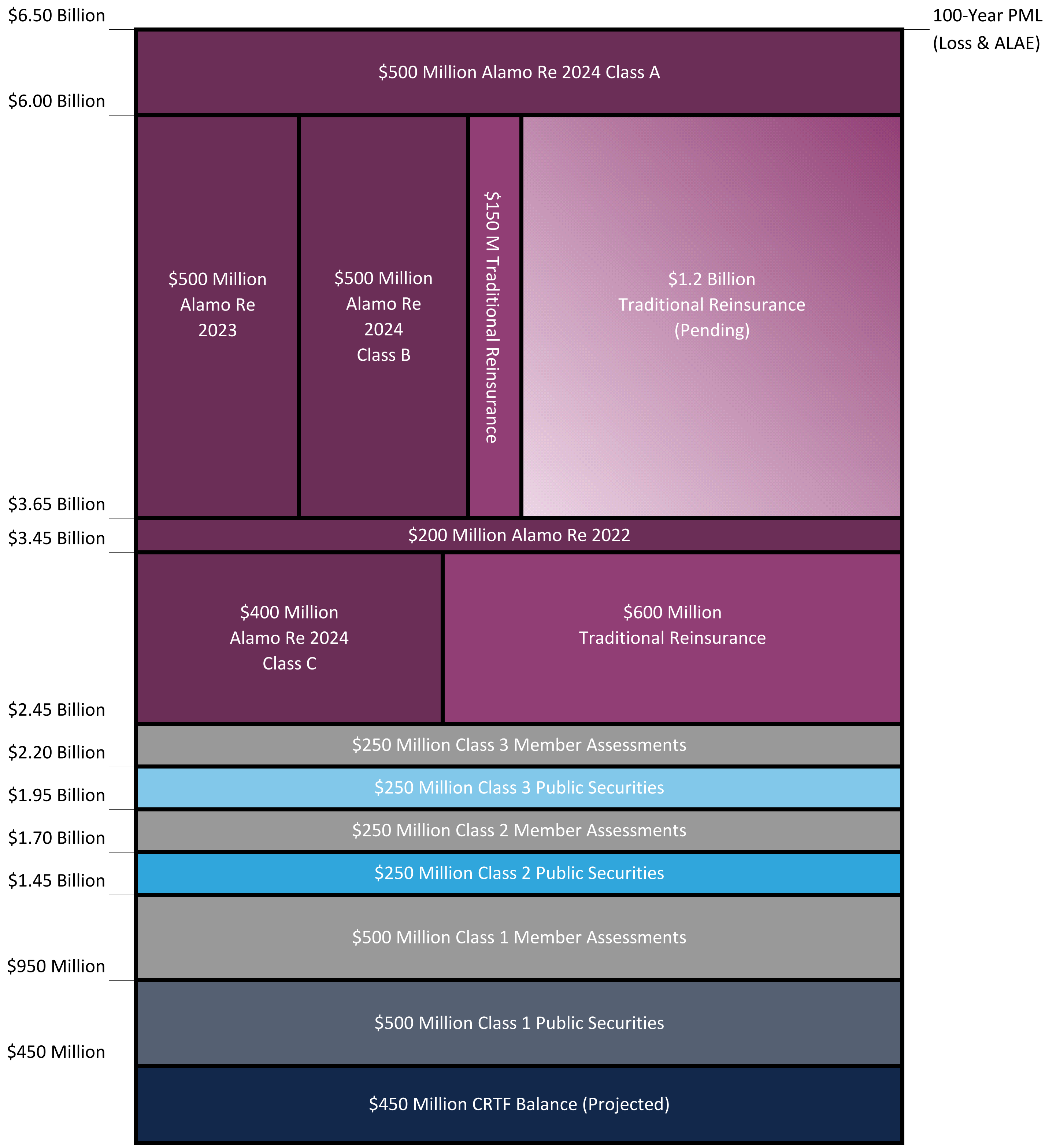
The TWIA Board of Directors established at its February 20, 2024 meeting the 100-year probable maximum loss (PML) for the 2024 hurricane season at $6.5 billion. In order to satisfy the minimum funding level required by statute, the Association is in the process of securing $4.05 billion total reinsurance coverage, comprising $700 million in existing catastrophe bonds originally issued in 2022 and 2023 and $3.35 billion in traditional reinsurance and new catastrophe bonds as shown in the attached exhibit.

TWIA staff has worked with Gallagher Re and Gallagher Securities to reposition the existing catastrophe bonds within our 2024 reinsurance program and to issue $1.4 billion in new catastrophe bonds for 2024. We have also secured $750 million in traditional reinsurance for the 2024 hurricane season. We are in the process of placing the remaining $1.2 billion of coverage now, which is expected to be provided by the traditional reinsurance market. We plan to have the complete reinsurance program placed in advance of the June 1 effective date.

Gallagher Re will be in attendance at the Board meeting to discuss the current state of the program placement and answer any questions from the Board.

JM

Texas Windstorm Insurance Association
2024 Funding
$6.5 Billion in Total Funding
Reinsurance Effective 6/1/24 - 5/31/25
as of April 22, 2024



TEXAS WINDSTORM INSURANCE ASSOCIATION

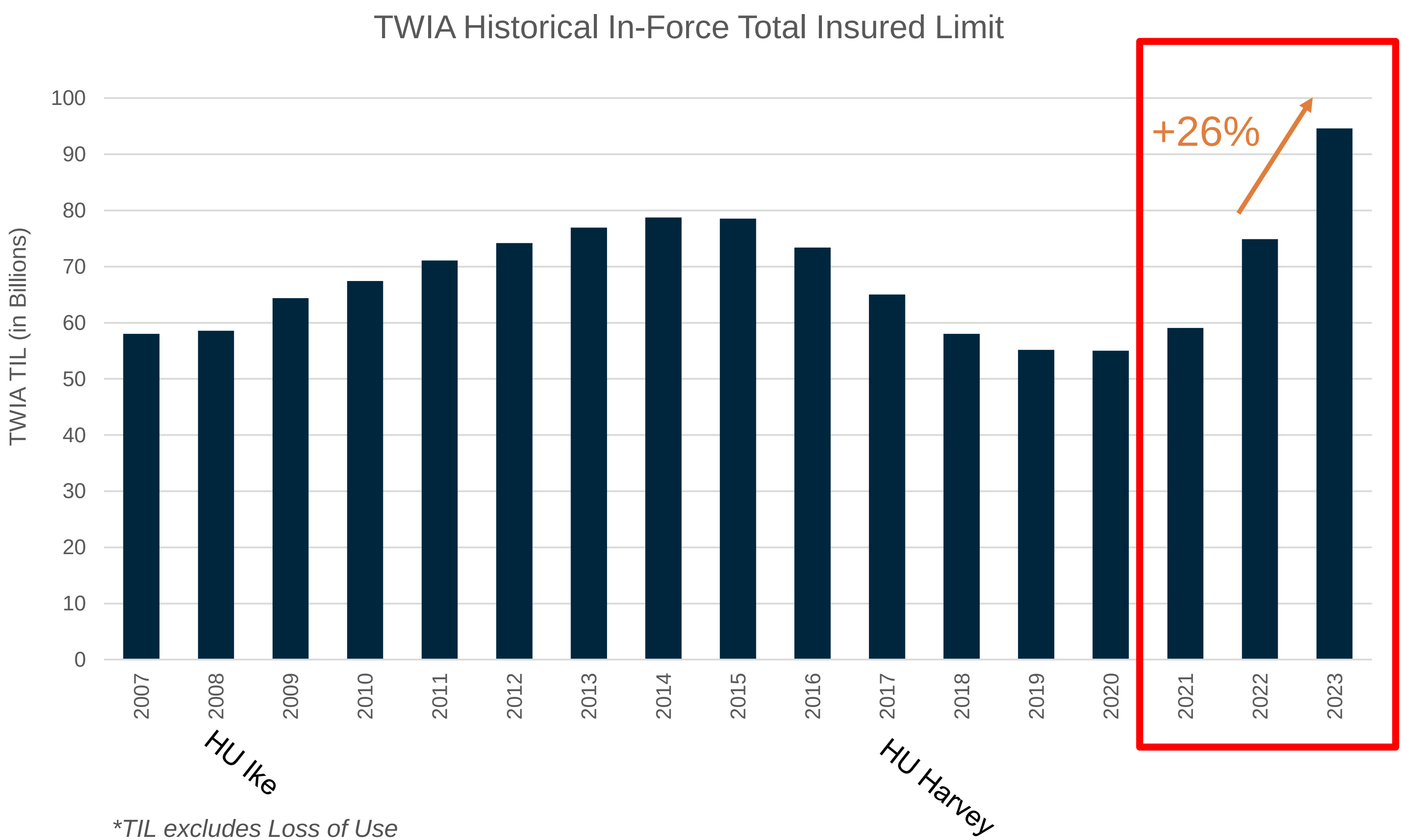
Texas Windstorm Insurance Association

Board of Directors Meeting

May 7th, 2024

Gallagher Re

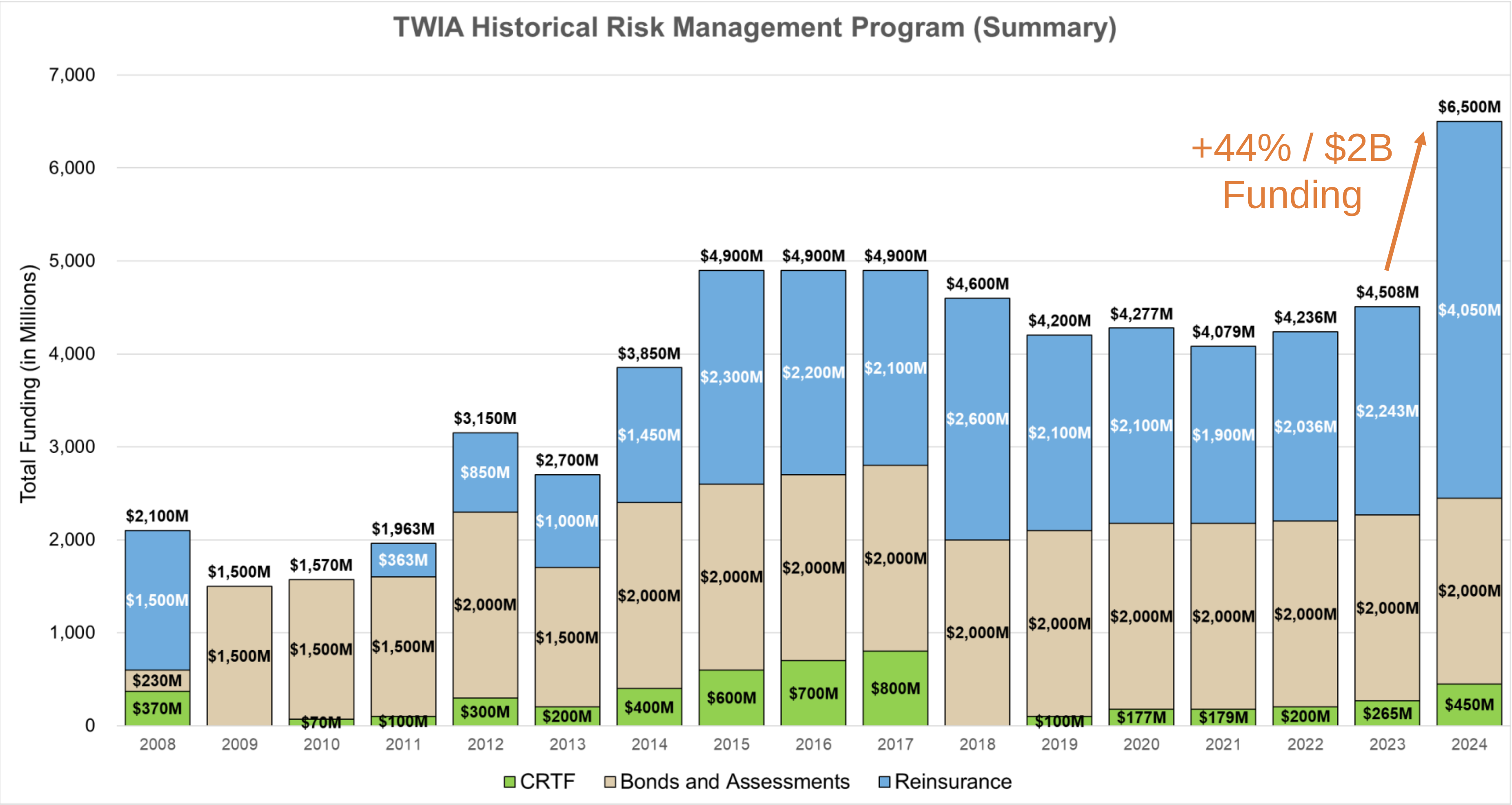
TWIA Historical Exposure



**TIL excludes Loss of Use*

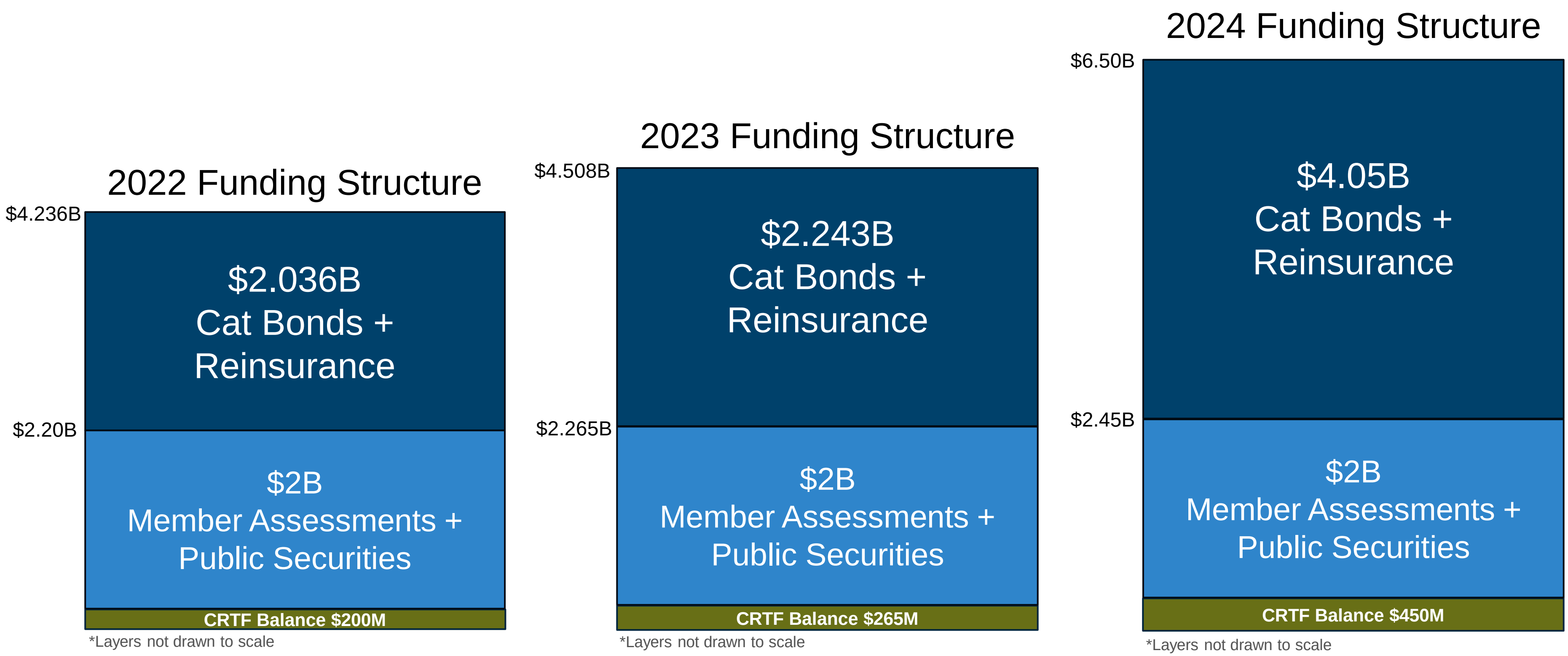
***Years represent modeled exposure at time of placement*

TWIA Historical Funding Structure



TWIA Funding Structure

2022-2024

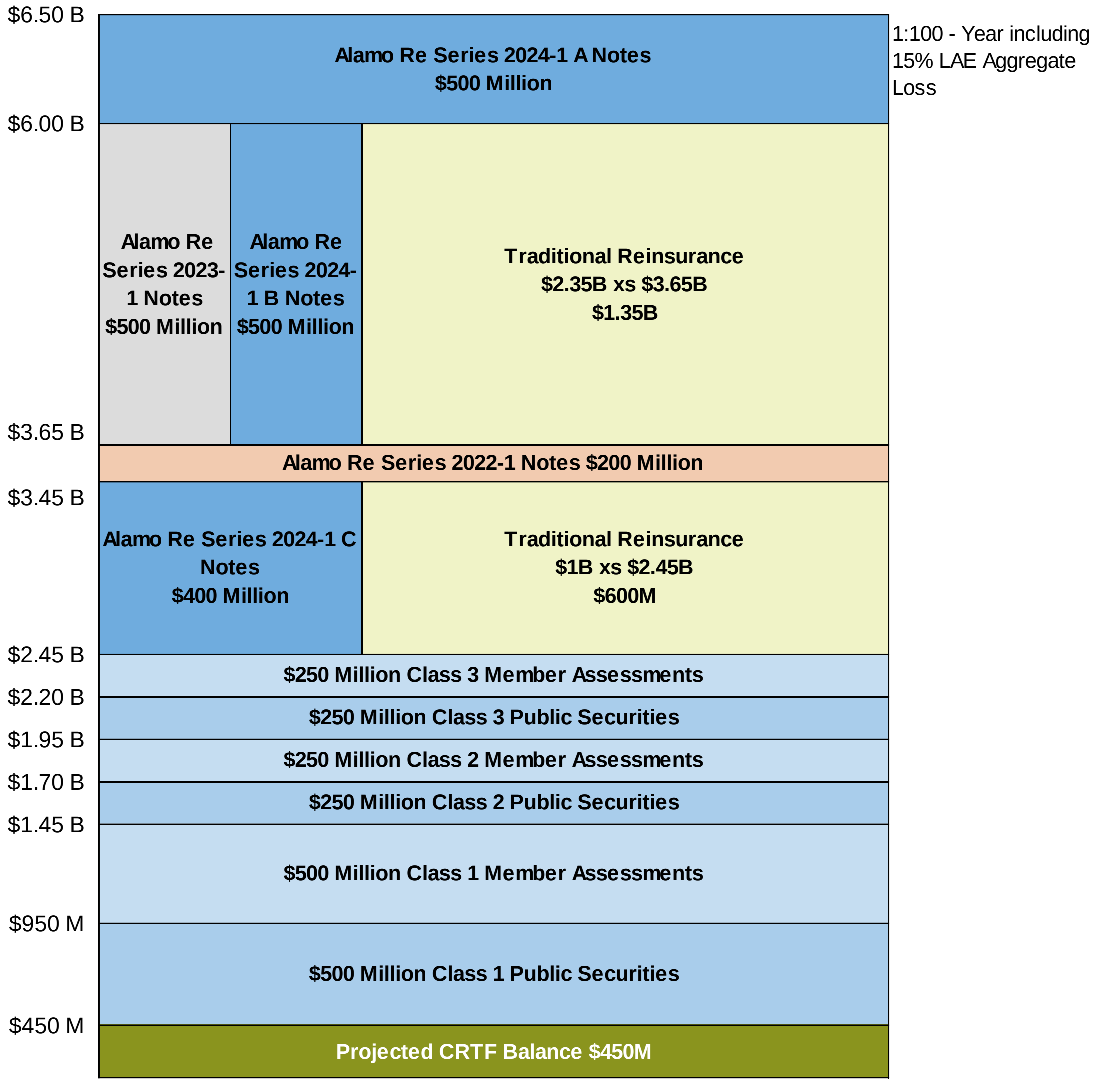


	2022		2023		2024	
	$	% of Total Tower	$	% of Total Tower	$	% of Total Tower
Cat Bonds Total	1,100,000,000	26%	1,200,000,000	27%	2,100,000,000	32%
Traditional Reinsurance	936,000,000	22%	1,043,000,000	23%	1,950,000,000	30%
Member Assessments + Public Securities	2,000,000,000	47%	2,000,000,000	44%	2,000,000,000	31%
CRTF Balance	200,000,000	5%	265,000,000	6%	450,000,000	7%
Total	**4,236,000,000**	**100%**	**4,508,000,000**	**100%**	**6,500,000,000**	**100%**

TWIA Funding Structure

Final 2024 Structure

2024 TWIA Funding Structure



*Layers not drawn to scale

8. Internal Audit
8A. Status & Update

MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: May 7, 2024

SUBJECT: Status of Internal Audit Activities

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

- **Current Activities:**

Activity Description	Status
Legal and Compliance	Final report review phase
Application and Database Administration	Final report review phase
Application Development	Final report review phase
Accounts Payable and Expense Processing	Complete – issued
Accounts Receivable	Complete – issued
Depopulation	Complete – issued
Actuarial	Complete – issued
Underwriting	Complete – issued
Funding Structure	Complete – issued
Legislative and External Affairs	Final report review phase
Financial Close and Reporting	Fieldwork complete – report drafting phase
Catastrophe Plan	Fieldwork in progress

- **Upcoming Audits and Activities:**

Activity Description	Timing
Customer Experience	2nd Quarter
Strategic Communications	3rd Quarter
Executive Management, Operational Planning and Reporting	3rd Quarter
Cash Management	4th Quarter

- **ELT meetings:**
    - Attended Executive Leadership Team and Operations meetings.

Texas Windstorm Insurance Association
Internal Audit Plan – Lookback (2022-2023) and Prospective (2024-2026)

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

8B. IT Audit Update

This item will be covered in closed session.

9. Underwriting Operational Review Update

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: April 17, 2024

TO: David Durden, General Manager

FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

First Quarter 2024 Results

TWIA Underwriting Metrics	Monthly Summary				Quarterly Summary					YTD		
	Jan-24	Feb-24	Mar-24		Q1 2024	Q2 2024	Q3 2024	Q4 2024		2024	2024 Goal	▲
Transaction Issuance	99.85%	99.95%	99.98%		99.93%					99.93%	90%	9.93
Internal Underwriting QA	99.53%	98.92%	99.57%		99.34%					99.34%	95%	4.34
Phone Service Level	93.85%	88.70%	91.19%		91.25%					91.25%	80%	11.25
Internal Telephone QA	96.35%	93.95%	96.45%		95.58%					95.58%	95%	0.58

I. Overview:

- 99.93% of transactions were issued within 10 days of receiving the application and payment.
  a. 98% of the transactions were straight through processed by the system.
  b. 2% of the transactions were referred by the system to Underwriting for additional information, review, and approval prior to issuance.
- Out of 83,613 calls for the quarter, 91.25% of the calls were answered under 20 seconds.

II. Agency Compliance Audits:

A standard sample of agencies (20) were selected for review in the first quarter of 2024 to verify compliance with the Texas Windstorm Insurance Association (TWIA) declination of coverage and flood insurance requirements. One hundred percent (100%) of agencies have completed their responses.

- All policies/agents reviewed were one hundred percent (100%) compliant with the requirement for proof of declination of coverage.
- All policies/agents reviewed were one hundred (100%) percent compliant with the flood coverage requirements. Noting that only 3% of the policies selected/reviewed required flood insurance. All agents selected have an active property and casualty insurance license.

10. Claims

10A. Claims Operations

TWIA Claims Operations 2024

TWIA Claims - 2024 Results (year-to-date)					
Key Cycle Times (In days)	**Industry Average, TX**	**TWIA**	**TWIA Plan**	**Variance to Plan**	**% Variance to Plan**
FNOL to Inspect Property	5.3	2.6	<3	-0.4	-13%
Inspect Property to Receipt by TWIA	3.9	1.5	<8	-6.5	-81%
Total Cycle Time FNOL to Payment - Daily	N/A	8.3	<12	-3.7	-23%
Total Cycle Time FNOL to Payment - Cat	N/A	6.9	<12	-5.1	-32%
TDI Complaint Ratio					
2023	0.25% - 22 complaints from 8,867 new claims				
2024	0.09% - 3 complaints from 3,250 new claims				

Year	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Actual Volume	834	567	693	924	1,257	1,238	608	773	585	502	440	446	832	684	1,734
Actuarial Projected	669	467	467	1,698	1,698	471	475	681	681	688	333	333	809	569	574
Staffing Plan	572	572	572	572	572	572	572	572	572	572	572	572	703	703	703
Open Inventory	3,217	3,402	3,465	3,453	3,756	4,252	4,116	4,007	3,843	3,711	3,531	3,449	3,799	3,940	5,131

Historical TWIA Claim Volume	
Year	**Claims**
2005	**12,783**
2006	**1,862**
2007	**4,195**
2008	**99,813**
2009	**4,812**
2010	**4,801**
2011	**10,608**
2012	**8,601**
2013	**10,541**
2014	**2,843**
2015	**18,889**
2016	**8,393**
2017	**80,257**
2018	**7,242**
2019	**6,704**
2020	**14,432**
2021	**12,535**
2022	**5,066**
2023	**8,867**
2024	**3,250**

TWIA - Claim Severity by Accident Year and LOB

Reported Claims by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Claims	% Δ	Claims	% Δ	Claims	% Δ
2020	14,464	-	377	-	14,841	-
2021	12,266	-15.2%	286	-24.1%	12,552	-15.4%
2022	4,422	-63.9%	60	-79.0%	4,482	-64.3%
2023	9,187	107.8%	167	178.3%	9,354	108.7%
2024	2,720	-	28	-	2,748	-

Paid Amounts by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2020	$56,576,879	-	$7,132,559	-	$63,709,437	-
2021	$57,890,490	2.3%	$8,162,442	14.4%	$66,052,933	3.7%
2022	$26,932,731	-53.5%	$1,447,225	-82.3%	$28,379,956	-57.0%
2023	$62,804,029	133.2%	$4,905,679	239.0%	$67,709,708	138.6%
2024	$20,415,845	-	$211,629	-	$20,627,474	-

Paid Claim Severity by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Severity	% Δ	Severity	% Δ	Severity	% Δ
2020	$3,912	-	$18,919	-	$4,293	-
2021	$4,720	20.7%	$28,540	50.9%	$5,262	22.6%
2022	$6,091	29.0%	$24,120	-15.5%	$6,332	20.3%
2023	$6,836	12.2%	$29,375	21.8%	$7,239	14.3%
2024	$7,506	-	$7,558	-	$7,506	-

*Paid amounts exclude loss adjustment expenses and IBNR reserves

TWIA - 2024 Claims				
Total Claims	Claims With No Supplemental Payments	% Claims With No Supplemental Payments	Claims With Supplemental Payments	% Claims With Supplemental Payments
3,250	3,200	98.5%	50	1.5%

TWIA - 2024 Disputed Claims					
Dispute Frequency			Type of Dispute		
Total Claims	Disputed Claims	% of Disputed Claims	Appraisals	Notice of Intent	Suits
3,250	17	0.52%	13	4	0

TWIA - 2024 Disputed Claims With Appraisal Invoked				
Total	Open/Pending	Appraisal Complete	Appraisal Process Stopped	
Appraisals	Active	Awarded	Withdrawn	Ineligible**
13	13	0	0	0
	100%	0%	0%	

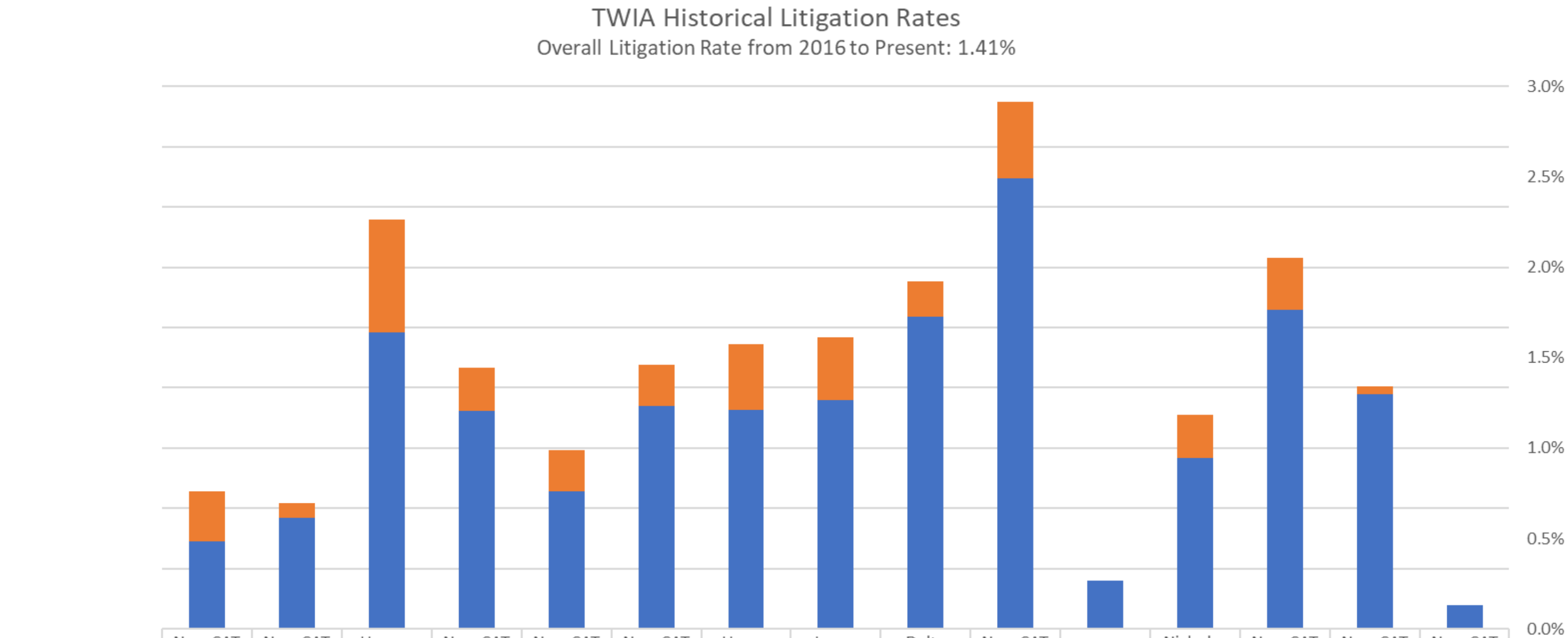
TWIA - 2024 Claims With Notice of Intent or Lawsuit Served				
Total NoI / Suit	Notices of Intent Received	Notices of Intent Resolved	Lawsuits Received	Lawsuits Resolved
4	4	0	0	0

A single disputed claim may have more than one "type of dispute."

10B. Claims Litigation

TEXAS WINDSTORM INSURANCE ASSOCIATION

TWIA Litigation Summary



	Non-CAT (2016)	Non-CAT (2017)	Harvey (2017)	Non-CAT (2018)	Non-CAT (2019)	Non-CAT (2020)	Hanna (2020)	Laura (2020)	Delta (2020)	Non-CAT (2021)	Uri (2021)	Nicholas (2021)	Non-CAT (2022)	Non-CAT (2023)	Non-CAT (2024)
Total # of Claims (by DOL)	7,883	6,179	76,728	4,648	6,689	4,789	1,650	4,345	4,057	5,421	376	6,755	4,482	9,159	2,321
% Suit	0.28%	0.08%	0.62%	0.24%	0.22%	0.23%	0.36%	0.35%	0.20%	0.42%	0.00%	0.24%	0.29%	0.04%	0.00%
% NOIS	0.48%	0.61%	1.64%	1.20%	0.76%	1.23%	1.21%	1.27%	1.73%	2.49%	0.27%	0.95%	1.76%	1.30%	0.13%

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

TWIA Litigation Tracking Activity

Litigation Quarter Summary

First Quarter 2024

Summary of TWIA Claims in Suit (1st Quarter 2024)

	New	Settled	Closed
January	0	0	9
February	0	0	2
March	2	0	4
	2	**0**	**15**

Summary of TWIA Claims with LORs (1st Quarter 2024)

	New	Settled	Closed
January	21	0	32
February	13	0	20
March	17	0	12
	51	**0**	**64**

TWIA Claims Litigation
March 2024

TWIA Claims in Suit			
Beginning Inventory	New	Closed	Ending Inventory
75	2	(4)	73

TWIA Claims with LORs				
Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
286	17	(12)	(2)	289

TWIA Detail of Ending Inventory				
Active Unsettled Claims				GRAND TOTAL
Suits		LORs		
Res	Comm	Res	Comm	
52	21	281	8	362

Mar-24	TWIA Active HB3 Claims with Suits/LORs: Breakdown by County											
	Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Kleberg	Matagorda	Nueces	San Patricio	Grand Total
	4	63	2	98	3	102	12	43	1	10	23	1	362

11. TWIA Operations
11A. IT Systems Updates

MEMORANDUM

DATE: April 22, 2024

TO: David Durden, General Manager

FROM: Camron Malik, CIO / VP IT

RE: TWIA Information Technology status

The Cloud program is in the Construction phase with development and testing underway. Upon completing Inception, we discovered some work was under estimated and there was a lack of expert resources in the Enterprise Data Warehouse and Portals space. Both of which were addressed by the System Integrator and Guidewire. The System Integrator and TWIA continue to work well together and the project teams are focused on achieving the goals of the program.

We have reviewed the ITS Agent Time study and followed up on all items with the agents. The affected departments and IT worked to identify and prioritize the work. The business teams are now working to nail down requirements and development will commence as they become available.

All projects are making good progress and we are under budget. Overall, systems continue in production support mode with monthly releases and the Infrastructure and Operations team continues to support the organization meeting quality goals.

11B. Communications and Legislative Affairs Update

MEMORANDUM

DATE: April 17, 2024

TO: David Durden, General Manager

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

RE: Legislative Affairs & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) Interim Charges: Lieutenant Governor Dan Patrick issued interim charges on topics for Senate committees to study before the 2025 legislative session. Among the issues to be studied by the Senate Business & Commerce Committee is:

*"**Addressing the Rising Cost of Insurance:** Assess the impact of rising property and casualty insurance costs on Texas property owners, real estate lenders, and commercial and industrial development. Identify ways to increase consumer transparency to better inform coverage decisions and make recommendations to ensure a competitive and affordable insurance market for consumers."*

b) Senate Hearings: The Business & Commerce Committee has scheduled three hearings during the interim (June 12, August 27, and October 1) but has not yet announced the charges they will address at the hearings. Association staff is prepared for potential requests for information or testimony from the Committee.

c) Legislative Implementation: Following is the status of enacted Association-related legislation from last year's legislative session:

- Senate Bill 2232 – Agent Requirements: We plan to provide and solicit feedback from the Agent Advisory Group on the requirements draft at their July meeting. We expect to deploy the new agent standards by the end of Q3 2024.
- Senate Bill 2233 – Exclude Commercial Risks from Automatic Renewal Process: We expect to implement by the end of Q2 2024, affecting commercial policy renewals beginning in Q3 2024.
- House Bill 998 – TFPA Property Owner's Association Policies: Association staff are working with outside counsel to develop coverage forms. TFPA is completing a contract with Arden Insurance Services to administer most aspects of these policies. TDI is developing rules for a process to designate areas where this coverage will be offered.

d) Legislative Meetings: In February, Association staff met with the following :

- Staff of the Senate Business & Commerce Committee to discuss TWIA's funding structure and potential interim charges;
- Staff of Sen. Mayes Middleton (Galveston County) to discuss TWIA's reinsurance program and its potential impact on rate adequacy; and
- Rep. Ed Thompson (Brazoria County) and staff to discuss private-market coverage availability in TWIA's coverage area;

e) Stakeholder Inquiries: From January 1 to March 31, 2024, we received and responded to ten legislative and TDI inquiries about general TWIA issues.

f) Operational Updates: We continue to provide regular email updates to the Board, the Texas Department of Insurance (TDI), legislative staff, and coastal elected officials and stakeholders about TWIA's operational activities.

II. Agent Advisory Group (AAG)

a) The AAG met for its second quarterly meeting on April 4, 2024. Discussion topics for the meeting included:

- The status of legislative changes staff is implementing from last year's legislative session;
- An update on claims received from the St. Patrick's Day storms in mid-March;
- System functionality updates, including multifactor authentication, implementation of the Paymentus digital bill payment system, and the transition to the cloud; and
- Recommended billing and email notification improvements during the premium payment process from AAG Chair Garry Kaufman.

b) At the Board's request from the February quarterly Board meeting, staff also reviewed and solicited the AAG's feedback on the system enhancement recommendations from ITS Consulting's agent time study report that the Association decided not to pursue.

- The AAG had no feedback on these recommendations and agreed with staff's decision not to pursue them.

c) Former TWIA Board member Josh Fields was appointed to the AAG to fill Carie Roach's vacancy and attended the April meeting.

15. Future Meetings
August 6, 2024 –Tremont House– Galveston, TX
December 10, 2024 – Omni Hotel – Corpus Christi, TX