Meeting of the Board of Directors
Texas Windstorm Insurance Association
Teleconference/Web Conference
November 10, 2026
Omni Hotel
900 North Shoreline Blvd.
Corpus Christi, TX 78401
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 access the video conferencing website with instructions available on www.twia.org.

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

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

1. Call to Order — *5 minutes*
   A. Welcoming Remarks – *Tim Garrett/David Durden*
   B. Anti-Trust Statement and Conflict of Interest Disclosure – *Counsel*
   C. Meeting Format Information – *Kristina Contardo*

2. Approve the Minutes from Prior Board of Directors Meetings – *5 minutes*
   –*Tim Garrett* – ***Action/Vote Likely****

3. Public Comment — *30 minutes*

4. Agent Commission – *David Durden/Anna Stafford* – ***Action/Vote Likely**** — *30 minutes*

5. TWIA Operational Dashboard – *David Durden* — *10 minutes*

6. Financial – *Stuart Harbour* — *20 minutes*
   A. Report of the Secretary/Treasurer – *Greg Smith* – ***Action/Vote Likely****
      1. Income Statement
      2. Management Discussion and Analysis
   B. Financial Statement Review
   C. Short Term Bank Loan – Beryl Excess Losses – ***Action/Vote Likely****
   D. Review and Approval of 2027 Budget – ***Action/Vote Likely****

7. Actuarial – *Jim Murphy* — *30 minutes*
   A. Policy Count/Exposures
   B. Reserve Adequacy
   C. Status of Filings
   D. Catastrophe Modeler RFP – ***Action/Vote Likely****

8. Internal Audit Status Report – *Dan Graves – Weaver* — *10 minutes*

9. HB 12 Efficiency Audit – *David Durden/Jessica Crass* *10 minutes*

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

11. Claims *20 minutes*
    A. Claims Operations – *Dave Williams*
    B. Litigation Summary – *Jessica Crass*

12. TWIA Operations *20 minutes*
    A. IT Update – *Michael Eleftheriades*
    B. Communications and Legislative Update – *David Durden*

13. Closed Session **(Board Only)** *60 minutes*
    A. Personnel Issues
    B. Legal Advice

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

15. Committees – *David Durden* *5 minutes*

16. Future Meetings – *David Durden* *5 minutes*
    - February 23, 2027 – Moody Gardens Hotel – Galveston

17. Adjourn

1. Call to Order

TEXAS WINDSTORM INSURANCE ASSOCIATION

ANTI-TRUST COMPLIANCE STATEMENT

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

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

- Someone on the TWIA staff shall be present at all times during meetings of the TWIA Board of Directors or other official activities such as meetings of various TWIA committees unless such meetings are for the purpose of discussing personnel matters;

- At any such meetings or official activities, there shall be no discussion of voluntary market rates, prices, discounts or other terms and conditions of sale without the General Manager or the General Counsel being present;

- There shall be no discussion of the areas in which TWIA Board members and their respective member companies will compete for the products and services that they will offer; and

- There shall be no discussion of any agreement or understanding to boycott a third party or to deal with a third party only on certain terms.

Texas Windstorm Insurance Association
4801 Southwest Parkway, Building 1, Suite 200 Austin, Texas 78735 ● P.O. Box 99090, Austin, Texas 78709-9090
512-899-4900 / Fax 512-899-4950

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.

2. Approve the Minutes From Prior Board of Directors Meetings

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

Tremont House
2300 Ships Mechanic Row
Galveston, TX

August 4, 2026

The Following Board Members were Present:

1.	Karen Guard (Chair)	Industry Representative
2.	Tim Garrett (Vice Chair)	Non-Seacoast Territory Representative
3.	Greg Smith (Secretary/Treasurer)	First Tier Coastal Representative
4.	John Todd	Industry Representative
5.	Jamie Carsey	Industry Representative
6.	Etti Baranoff	Non-Seacoast Territory Representative
7.	Mark Shewmaker	Non-Seacoast Territory Representative
8.	Rolando Rubiano	First Tier Coastal Representative
9.	Terrilyn Tarlton Shannon	First Tier Coastal Representative

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

1.	David Durden, General Manager	TWIA
2.	Stuart Harbour, CFO	TWIA
3.	Jessica Crass, VP Legal	TWIA
4.	Michael Ledwik, VP Underwriting	TWIA
5.	Michelle Friesenhahn, VP People and Business Operations	TWIA
6.	Jim Murphy, Chief Actuary	TWIA
7.	Amy Koehl, Senior Project Administrator	TWIA
8.	Kristina Contardo, Training, QA and Agency Audit Manager	TWIA
9.	Michael Eleftheriades, VP Technology	TWIA
10.	Dave Williams, VP Claims	TWIA
11.	Jessica Davidson, Project Administrator	TWIA
12.	Anna Stafford, Senior Manager, Legislative and External Affairs	TWIA
13.	Mike Perkins, Association Counsel	Perkins Law Group PLLC

The Following Guests Were Present:

1.	Dan Graves	Weaver
2.	Debbie King	AmTrust

The Following In Person Attendees Were Present:

1.	Josh Carson	Aon
2.	Dan Dick	Aon

3. Scot Kibbe	APCIA
4. Sally Bakko	City of Galveston
5. Miguel Rendon	Corpus Christi Regional Transportation Authority
6. Allen Cashin	Gallagher Re
7. Morgan Huhndorff	Gallagher Re
8. Alicia Robinson	Gallagher Re
9. Joey Walker	Gallagher Re
10. Alex Donkervoet	Guy Carpenter
11. Megan Perkins	Guy Carpenter
12. Brian O'Neill	Howden Re
13. Josh Fields	IIAT
14. Garry Kaufman	IIAT
15. Travis McDavid	IIAT
16. Mark Ray	IIAT
17. E. Jay Sherlock	IIAT
18. Travis McDavid	IIAT
19. David Bolduc	OPIC
20. Lauren Pinkston	POCCA
21. Rep. Todd Hunter	State Representative
22. Beaman Floyd	TCAIS
23. Denise Romo	Texana Public Affairs
24. Joel Romo	Texana Public Affairs
25. Marianne Baker	Texas Department of Insurance
26. David Muckerheide	Texas Department of Insurance
27. Elisabeth Ret	Texas Department of Insurance
28. Ginny Cross	United Corpus Christi Chamber of Commerce

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

1. Jason Rudis	10. Nicole Elliott
2. William Dubinsky	11. Shirley Bowler
3. Liana Pineda	12. Jeff Rech
4. Si Yuan He	13. Anne O'Ryan
5. Jade Nguyen	14. Darrell McClanahan
6. Brooke Adam	15. Sonia Craig
7. Ryan Skrobarczyk	16. David Garrelick
8. Angela Fang	17. Steve Evans
9. Aaron Taylor	18. Kenisha Schuster

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

Contardo reviewed the meeting logistics information with the attendees.

2. Approval of Minutes: Mr. Garrett moved to approve the minutes from the May 19, 2026 meeting. Mr. Todd seconded the motion. The motion passed unanimously.

3. Public Comment: As of August 3, 261 written public comments were received. Of those 260 were against a rate increase or expressed concerns about premiums. One requested premiums be lowered and no rate increase. Verbal public comments were given by Joel Romo, Rep. Todd Hunter, Miguel Rendon, Sally Bakko and Ginny Cross.

4. Annual TWIA Rate Filing:
   A. Review of TWIA Staff Rate Adequacy Analysis and Actuarial & Underwriting Committee Recommendations: The TWIA Actuarial and Underwriting Committee met on June 30, 2026. The committee voted to recommend that the TWIA Board of Directors instruct staff to make an annual rate filing with the Texas Department of Insurance, proposing a 0% change to both residential and commercial rates.

      The rate adequacy analysis prepared by TWIA actuarial staff indicates that TWIA rates are adequate by 9% for residential coverage and 4% for commercial coverage. The analysis continues to show significant improvement in TWIA's rate adequacy and can be directly attributed to legislation passed in the 2025 session of the Texas legislature which reduced TWIA's expected costs related to reinsurance, premium taxes, and maintenance taxes.

      The committee heard public comments, received a presentation summarizing the rate adequacy analysis by TWIA staff and after discussion, voted 4 to 1 to recommend no change in TWIA rates.
   B. Required 2026 Annual Rate Filing: Mr. Garrett moved to accept the committee's recommendation of filing for a zero rate increase for either residential or commercial policies. Dr. Baranoff seconded the motion. Mr. Smith said one of the votes taken during the Actuarial and Underwriting Committee meeting was for a rate reduction, but it didn't pass. The 89th Legislature has made some big changes and now TWIA has rate adequacy. It is now time to consider a rate decrease.

      A roll call vote was conducted.

      John Todd – Yes
      Jamie Carsey – Yes
      Tim Garrett – Yes
      Etti Baranoff – Yes
      Mark Shewmaker – Yes
      Terrilyn Tarlton Shannon – Yes
      Greg Smith – Yes

Rolando Rubiano – Yes
Karen Guard – Yes

The motion passed unanimously.

5. TWIA Operational Dashboard: Mr. Durden reviewed the data from the operational dashboard. There is some leveling out of exposure growth, policies in force and total insured value. Operating expenses are below budget. Complaints are in the normal range, no trends or outliers. Ms. Tarlton Shannon asked if there were any trends for agent complaints. Ms. Crass said it was a smattering of reasons. Ms. Carsey asked what a dispute was. Mr. Durden said it is a challenge to a payment. Mr. Rubiano asked why the Association was so low on projected premiums. Mr. Durden said the number is for year end and we are not there yet.

6. Public Comment: Agent Commission: Public comment concerning agent commission was given by Garry Kaufman, Josh Fields, Mark Ray, Carrie Ann Roach, Travis McDavid and E. Jay Sherlock.

7. Agent Commissions: Mr. Durden introduced Anna Stafford to review the presentation. This was meant to bring the board up to speed on what has been studied, consider what has been done and what the board has considered. Agents currently receive a 16% commission on new and renewal policies and commercial policies. Commissions for manufactured homes are 12%.

   After reviewing the presentation, Mr. Rubiano asked about the Sunset Commission review. In 2019, they asked TWIA to look at agent commissions, particularly new policies versus renewals. Staff presented a timeline from 2019-2023. In those four years, what has staff recommended? Ms. Stafford said the recommendations were in the 2022 report, and it was to give the agents a year to get used to the new system. Mr. Rubiano said he thinks there is a need to look at agent expenses as the Association is carrying a significant load with commissions. He asked if staff have been pulled in on errors and omissions insurance with the agents. Mr. Perkins said the relationship between TWIA agents and other carrier agents is very different. An agent that brings a policy to another carrier is an agent of that company and the company is the principal. That isn't the case with TWIA. The agent is servicing the policyholder, not TWIA.

   Mr. Rubiano said he thinks there is a need to thoroughly look at the entire business portfolio when policyholders are asking for no rate increase. He asked when the next Sunset Commission review will take place. Mr. Durden said 2031. Mr. Rubiano asked why the Sunset Commission report recommended a new rate. Ms. Stafford said it was because TWIA's commission rates are higher than the market. The commission asked staff to look at a streamlined renewal process. Mr. Rubiano asked if TWIA has a streamlined renewal process and Mr. Durden assured him that it did. Mr. Rubiano asked what staff thinks the Sunset Commission will say in 2031 if the commission rate

isn't addressed. Mr. Durden said he didn't know what they would say. Part of the process is to talk to interested stakeholders and as part of the process, TWIA conducts a self-review. Mr. Rubiano said this topic can't be ignored, and he would like to see some cost savings. Mr. Smith said IIAT offered four pages of recommendations to improve the process and staff listened.

Staff were instructed to bring back documentation of whether Errors and Omission Insurance coverage is more expensive for agents who work with TWIA and if so, why and identify statutory language that is required for TWIA and not carriers in the voluntary market for processing new policies.

8. Financial:
   A. Report of the Secretary/Treasurer: Mr. Smith reviewed the Treasurer's Report. Mr. Rubiano moved to approve the report. Mr. Garrett seconded the motion. The motion passed unanimously.
   B. Financial Statement Review: Mr. Harbour reported that year-to-date direct written premiums were $399.2 million. Direct earned premiums were $406.8 million. Current policies in force are 288,676.

      The 2026-2027 reinsurance program incepted June 1, 2026. Coverage for the 2026 hurricane season consists of $1.05 billion of collateralized catastrophe bonds and $1.23 billion of traditional reinsurance. Gross ceded premiums associated with the $2.28 billion in coverage totaled $209.9 million compared to a budgeted estimate of $237.0 million. This total reflects an overall rate-on-line (ROL) of 9.21% compared to the 10.2% ROL for the 2025/2026 program. The net cost of the reinsurance program after ceding commission was $199.4 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

      There was no round nine (2025-2026) or round 10 (2026-2027) of the Assumption Reinsurance Depopulation Program as no carriers applied to participate.

      Year to date direct losses and LAE totaled $111.1 million. Loss and LAE ratio was 27.3%. The ultimate loss and loss adjustment expense estimate for Hurricane Beryl is $545 million as of June 30, 2026.

      Year to date operating expenses were $19.9 million. The year-to-date operating expense ratio is 4.9%. Notable expenses under budget include personnel expenses ($1,484,000), hardware and software ($263,000) and other operating expenses ($104,000).

      Year-to-date commission expenses were $63.8 million.
   C. Investment of Trust Fund Balances (Texas Insurance Code Sec. 2210.4521): Mr. Shewmaker moved that based on Association staff analysis and

recommendation, the TWIA Board of Directors hereby determines that at this time the entire balance of the Catastrophe Reserve Trust Fund is required to be kept available to meet the cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a) of the Texas Insurance Code. Thus, staff is directed to notify the Texas Comptroller's Office that the fund balance does not exceed the sufficient balance as defined in statute. Dr. Baranoff seconded the motion. Mr. Shewmaker said he wanted to work with Mr. Durden and Mr. Harbour on how the CRTF is invested. He thinks the methods used are significantly conservative and there might be some opportunities to improve yield. The motion passed unanimously.

D. Selection of Auditors/Accountants for 2026 and Authorization of Non-Audit Services: Each year, the Association retains an accounting firm to conduct an independent audit of the Association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2021, Calhoun, Thomson + Matza (CTM) was selected to continue in their role as the Association's independent auditor. Association counsel has reviewed the statutory and GASB engagement letters from CTM and reports that the terms are unchanged from last year except for an increase of $2,350 for the statutory audit and $400 for the GASB/GAAP audit. Staff recommend the TWIA Board of Directors approve the engagements and execute the letters. Staff also request authority to use CTM as needed over the coming year for assistance with certain tax-related items and for non-audit services associated with the issuance of catastrophe bonds.

   Mr. Smith moved that the TWIA Board of Directors, acting as the audit committee, authorizes and directs that the firm of Calhoun, Thomson + Matza be engaged to conduct the upcoming annual audits of the Association's financial statements on the terms set forth in the statutory and GASB engagement letters included in the board book. The staff of the Association is further authorized to engage Calhoun, Thomson + Matza to provide permitted tax-related non-audit services and certain non-audit services in connection with the issuance of catastrophe bonds during the coming year as needed. Mr. Garrett seconded the motion. The motion passed unanimously.

9. Actuarial:
   A. Policy Counts/Exposures: There has been a gradual decline in policies in force and total insured value growth over the last 12 months. Growth is projected to be flat through 2026. New policy issuances are down 12% year over year and retention is steady at 87%. The top county growth is seen in Chambers and Brazoria.
   B. Reserve Adequacy: TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of June 30, 2026.

      As of June 30, 2026, TWIA carried $177.0 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, Hurricane Beryl and all other outstanding claims.

The estimate of ultimate gross loss & expense associated with Hurricane Beryl remains $545 million. TWIA actuarial staff will continue to monitor the development of claims associated with this event and update the ultimate estimate as necessary going forward. The selected ultimate gross loss and expense estimate for Hurricane Harvey remains at $1.655 billion.

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

C. Reinsurance Broker RFP: As discussed at the May 19, 2026 TWIA Board of Directors meeting, TWIA has completed a request for proposals (RFP) for its reinsurance broker. As a result of that process, TWIA recommends that the TWIA Board of Directors formally award the reinsurance broker role to Gallagher Re.

   The RFP was issued on May 26, 2026 with a response deadline of June 26, 2026. TWIA received two responses, from Gallagher Re and Guy Carpenter. An evaluation committee comprising members of the executive leadership team and other subject matter experts evaluated the responses across three areas: the experience and background of the proposed vendor team, the services provided as part of the response and the overall cost of each proposal. The evaluation committee found that both respondents currently or have previously served as TWIA's reinsurance broker. Both proposals exceeded the minimum standards across all three evaluation areas and either respondent would be able to provide reinsurance brokerage services at an exceptional level.

   The evaluation committee overall scored the response from Gallagher Re slightly higher than the response from Guy Carpenter.

   Dr. Baranoff moved to adopt staff's recommendation to award Gallagher Re the reinsurance broker contract. Mr. Garrett seconded the motion. The motion passed unanimously.

D. Catastrophe Modeling Contract RFP: With the anticipated decision on a reinsurance broker at the August 4, 2026, TWIA Board of Directors meeting, TWIA staff intends to continue the vendor selection process by issuing a request for proposals (RFP) for catastrophe modeler after the 2026 reinsurance program has been finalized. TWIA last issued an RFP for this function in 2021.

Staff will evaluate all responses received and make a recommendation to the board at its November 10, 2026 meeting to allow for the timely modeling of exposures in advance of the 2027 probable maximum loss (PML) determination.

E. Statutory Maximum Limits of Liability: Section 2210.502(a) of the Texas Insurance Code states that the Texas Windstorm Insurance Association shall propose to the commissioner inflation adjustments to its maximum liability limits at a rate that reflects any change in the BOECKH index. TWIA actuarial staff has completed its review of Texas Windstorm Insurance Association adjustments to its maximum liability limits. The indicated limits are:

Dwellings and individually owned townhouses:
Current 2025: $1,773,000 Proposed 2026: $1,809,000 % Change: 2.0%

Manufactured Homes:
Current 2025: $116,700 Proposed: $119,000 % Change: 2.0%

Contents of an Apartment, Condominium or Townhouse:
Current 2025: $374,000 Proposed: $382,000 % Change: 2.1%

Commercial Structures and Associated Contents:
Current 2025: $4,424,000 Proposed: $4,547,000 % Change: 2.8%

Dr. Baranoff moved to accept the limits as presented. Mr. Smith seconded the motion. The motion passed unanimously.

F. Automatic Adjusted Building Cost Factors: The TWIA 220 Automatic Adjusted Building Cost (ABC) Endorsement automatically revised the limit of liability on residential policies each year at renewal by a percentage established by a building cost index.

The percentages used to revise policy limits vary by the first three digits of the insured location's ZIP code. Since 2021, TWIA has applied a two-year average of changes in building cost indices to mitigate the immediate impact of increasing building costs on policyholders. The updated percentages will apply to all residential policies renewing on or after September 1, 2026.

G. 2026 Hurricane Season Funding: TWIA staff, with the assistance of reinsurance broker Gallagher Re, has finalized its 2026 reinsurance program effective June 1, 2026.

The program consists of $300 million in continuing catastrophe bonds originally issued in 2025, $750 million in new catastrophe bonds issued in 2026 and $1.23 billion in traditional reinsurance. Total funding for the 2026 hurricane season is $4.305 billion across all statutory funding sources, which equals the 50-year probable maximum loss (PML) set by the board earlier this year and satisfies the minimum funding level required by statute.

The net cost of the reinsurance program is $199.4 million, well under the budget of $225.2 million. The favorable budget variance is a result of the PML being set slightly below the initial estimate incorporated into the budget as well as a softening of the global reinsurance market, resulting in lower reinsurance costs overall.

Mr. Rubiano said he would like staff to have all channels of communication open with the comptroller's office to ensure the swift transfer of funds in event of a catastrophe.

10. Internal Audit & Status and Update: Mr. Graves reported on the current internal audit activities including funding sources and reinsurance and accounts payable. Upcoming activities include underwriting and policy services, cash management and the risk assessment update.

11. Underwriting Operational Review Update: Mr. Ledwik reported 99.86% of underwriting transactions were issued within 10 days of receiving the application and payment and 86.67% of calls were answered within 20 seconds.

    A sample of 20 agencies were selected for review in the second quarter of 2026. Each agency had a minimum of one deficient policy. Regulatory factors represented most of the findings. Risk eligibility assessment represented the most deficiencies found in an assessment area. Non-statutory deficiencies accounted for 63% of all findings, indicating challenges with procedural, document and administrative requirements. No agency suspensions or enforcement actions were taken during the audit period.

12. Claims:
    A. Claims Operations: Total cycle time of first notice of loss to payment for daily claims is 8.1 days and 7.9 days in a catastrophe. The historical claim volume for 2026 is 6,403.
    B. Litigation Summary: Ms. Crass reported that 11 new TWIA claims in suit were received during the second quarter, 13 were closed and 5 were settled. For the second quarter, 112 new TWIA claims with letters of representation were received, 122 were closed and 49 were settled.

13. TWIA Operations:
    A. IT Systems Update: The Association is contractually mandated to maintain version currency with Guidewire cloud framework releases. In Q2, the Association team tested and released the upgrade to the latest Guidewire "Palisade" version for the Association's applications. The next upgrade will occur in Q1 of 2027 to avoid an upgrade cycle during the 2026 storm season.

       The Association has identified artificial intelligence as a technology for review in the strategic plans. A continuing AI Committee will identify and review both

AI platforms and AI enhanced tools as part of the technology roadmap. These efforts also include targeting general education for all Association team members as a part of the new learning management system. Additionally, there will be a focus on AI introduction and training for senior management and executive teams.

An authentication software project will replace the current software used for validation of registration and logins to the external portals used by agents and policyholders with a comprehensive cloud-based customer identity solution. This project is in the execution phase. There will be a hold placed on deployment during the 2026 storm season. It will go live at the end of Q4 2026.

B. Legislative Affairs Update and Legislative Implementation: Association staff continues efforts to implement bills enacted during last year's legislative session. TWIA successfully made its first statistical data submission to TDI in June on declinations, cancellations and non-renewals of residential policies under House Bill 2067. TDI is developing rules to require similar statistical reporting for commercial policies. The department held a hearing on June 15 to receive public comments on the draft rules.

Association staff continue meeting with representatives from the comptroller's office, Texas Treasury Safekeeping Trust Company and the Texas Department of Insurance to discuss TDI's development of rules implementing House Bill 3689, as well as the mechanics of accessing and repaying the state financing arrangement under the new law. Staff is currently working with these stakeholders to draft template finance arrangement documents for use in the event a storm requires the Association to access this funding source.

From April 1 to June 30, Legislative and External Affairs staff received and responded to five TWIA related legislative and key stakeholder inquiries. Three inquiries were from legislators seeking assistance for their constituents, one from the TDI Ombudsman regarding a claim denial and one legislative inquiry regarding TWIA funding and a recommendation from the 2024 TWIA Biennial Report.

14. Closed Session: There was no closed session.

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

16. Committees:

A. General Manager Performance Criteria Committee: Mr. Durden reviewed the progress made so far on the TWIA General Manager performance review criteria document. The performance pillars for the review include catastrophe readiness and resources (40%), operations, leadership and governance (20%),

regulatory, legislative and external relations (20%), Association mission & market stability (10%) and compliance and controls (10%). Mr. Smith moved to approve the process as presented. Dr. Baranoff seconded the motion. Mr. Shewmaker asked if the performance review would be conducted in closed session. Mr. Perkins said it would legally be done in closed session. The motion passed unanimously.

B. Legislative and External Affairs Committee Update: Mr. Durden reported that the committee met on June 22 and selected Dr. Baranoff to chair the committee. It considered six legislative recommendations, two of which were in 2024 TWIA Biennial Report that were not introduced in the 2025 session and two that were suggested by board members.

17. Future Meetings:
    - October 8, 2026 – TWIA 2027 Budget Meeting
    - November 10, 2026 – Omni Hotel – Corpus Christi, TX
    - February 23, 2027 – Moody Gardens Hotel – Galveston, TX

18. Adjourn: The meeting adjourned at 1:00 p.m.

_____	_____
Prepared by: Amy Koehl	Approved by: Karen Guard
Senior Project Administrator	Chair

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

October 8, 2026

The Following Board Members Were Present:

1.	Karen Guard (Chair)	Industry Representative
2.	Tim Garrett (Vice Chair)	Non-Seacoast Territory Representative
3.	Greg Smith (Secretary/Treasurer)	First Tier Coastal Representative
4.	Terrilyn Tarlton Shannon	First Tier Coastal Representative
5.	John Todd	Industry Representative
6.	Rolando Rubiano	First Tier Coastal Representative
7.	Etti Baranoff	Non-Seacoast Territory Representative
8.	Mark Shewmaker	Non-Seacoast Territory Representative
9.	Jamie Carsey	Industry Representative

The Following TWIA Staff and Counsel Were Present:

1.	David Durden, General Manager	TWIA
2.	Jessica Crass, VP Legal and Compliance	TWIA
3.	Stuart Harbour, Chief Financial Officer	TWIA
4.	Jim Murphy, Chief Actuary	TWIA
5.	Mike Ledwik, VP Underwriting	TWIA
6.	Amy Koehl, Senior Project Administrator	TWIA
7.	Kristina Contardo, Training, QA and Agency Audit Manager	TWIA
8.	Al Fulkerson, Controller	TWIA
9.	Rubi Harman, Senior Financial Analyst	TWIA
10.	Dave Williams, VP Claims	TWIA
11.	Michael Eleftheriades, VP Technology	TWIA
12.	Michelle Friesenhahn, VP People and Business Operations	TWIA
13.	Anna Stafford, Senior Manager, Legislative and External Affairs	TWIA
14.	Mike Perkins, Association Counsel	Perkins Law Group

The Following In Person Attendees Were Present:

1.	Joel Romo	Texana Public Affairs
2.	Marianne Baker	TDI
3.	Andrew Hurt	TDI
4.	David Muckerheide	TDI
5.	Elisabeth Ret	TDI

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

1. Jeff Berg
2. David Bolduc
3. Donny Cox
4. Lou Cusano
5. William Dubinsky
6. Steve Evans
7. Ninad Shekhar Gokhale
8. Jesus Guerrero
9. Rep. Todd Hunter
10. Jason Rudis
11. Kenisha Schuster
12. Aaron Taylor
13. David Walling
14. Keandra Waters
15. Shelia Wilson
16. Danny Winburn

1. Call to Order: Karen Guard called the meeting to order at 9:02 a.m. Board members were reminded of the anti-trust statement by counsel and the required conflict of interest disclosures were made. Kristina Contardo provided meeting logistics information to the attendees.

2. Public Comment: Ms. Donley read a letter from Rep. Dennis Paul in full. Verbal public comment was given by Rep. Todd Hunter.

3. Receive and Act on Recommendations from Legislative and External Affairs Committee Regarding Recommendations to Legislature and Biennial Report to Legislature: Mr. Durden reported that five recommendations came out of the last Legislative and External Affairs Committee meeting. The committee will now need to determine which items will go into the Biennial Report.

Multidistrict Litigation

Texas Insurance Code (TIC) Section 2210.575(e) requires all suits concerning denied claims to be presided over by a judge appointed by the judicial panel on multidistrict litigation (MDL). However, the statute does not provide a procedure for securing that appointment and the existing rules on multidistrict litigation do not contemplate appointing presiding judges in individual cases. Until recently, no litigant had ever requested an appointment by the MDL panel in the 14 plus years the law has been in effect.

A possible solution to consider is legislation to eliminate the provision requiring an MDL-appointed judge or make the appointment optional to prevent collateral attacks on settled judgements. Mr. Durden said this is a procedure required by statute. TWIA is required to have the judge appointed by a multi district panel. The recommendation is asking to modify or remove that requirement. The benefit of the panel is that it offers a more efficient process when there are a large number of cases that have common facts and issues involved. It allows a judge to expedite procedural expectations. It is a much more efficient process when there are many lawsuits, but it is inefficient when there are

small numbers of suits. Mr. Rubiano asked why staff wants to eliminate this. Mr. Durden said it was a required step, and the recommendation is asking the legislature to remove the requirement but keep the option. Mr. Garrett moved to recommend item one move forward to review by the board. Dr. Baranoff seconded the motion. The motion passed unanimously.

Fortified Home Construction

While compliance with the windstorm building code is required for properties to be eligible for TWIA coverage, the Association does not specifically have any programs associated with FORTIFIED Home construction. A possible solution to consider is legislation providing funding support from TWIA revenues, the Catastrophe Reserve Trust Fund (CRTF), the State of Texas or other sources for FORTIFIED Home construction.

Mr. Shewmaker asked where Governor Abbott was going to get the money for the strengthened homes plan. Ms. Stafford said it would come from state appropriation funds. Rep. Oliverson's bill didn't have a specific dollar amount spelled out for the plan. Staff does not know the fine details of Governor Abbott's plan. The governor's program is statewide; staff's proposal is for TWIA policyholders. Dr. Baranoff asked if there would be any premium discounts. Mr. Durden said no, this is simply authorizing the program.

Ms. Carsey said it would be prudent to wait to see what happens with the statewide program before TWIA does anything specific. Mr. Rubiano said he was broadly for this idea but thinks it will cause confusion for policyholders. Mr. Smith said he doesn't want to touch the CRTF. Mr. Todd said he likes the idea of encouraging fortified homes, but he doesn't like the idea of using the CRTF to fund it. He thinks TWIA should strengthen discounts and let the state handle funding. If TWIA wasn't funding it, he would be for it.

Mr. Smith moved to put item two forward with the exception of the fifth bullet in the recommendation that would remove the use of the CRTF to help fund the program. Ms. Tarlton Shannon seconded the motion.

A roll call vote was conducted.

Terrilyn Tarlton Shannon – Yes
Roland Rubiano – No
Greg Smith – Yes
Mark Shewmaker – Yes
Tim Garrett – Yes
Etti Baranoff – Yes
Jamie Carsey – No
John Todd – Yes
Ms. Guard was no longer in attendance at the meeting.

The motion passed.

House Bill 3689 Refinement

House Bill 3689, passed by the 89th Texas Legislature, made significant changes to TWIA's catastrophic funding structure. As the Association works with TDI, the Texas Comptroller's Office and the Texas Treasury Safekeeping Trust Company to implement the bill, some statutory provisions that could be modified have been identified. A possible solution is to propose one or both of the following modifications to address the statutory issues identified by TWIA staff. These proposals may need to be aligned with or developed in tandem with TDI, the Texas Comptroller's Office and the Texas Treasury Safekeeping Trust Company.

- Extend the term of the state financing arrangement to include a period, not to exceed one year, prior to the initiation of the collection of statewide policy surcharges.

- Provide an alternate repayment mechanism (e.g., TWIA premium revenue) for the state financing arrangements less than a specified amount (or at the TDI Commissioner's discretion).

Mr. Smith moved to approve this recommendation as presented. Dr. Baranoff seconded the motion. The motion passed unanimously.

Depopulation Program

TWIA's Assumption Reinsurance Depopulation Program ("Assumption Program") has been dormant since 2023 due to a lack of carrier interest. Prior to 2023, participation from carriers, agents and policyholders had steadily declined since the first program round in 2016. In 2022, two carriers who had participated in TWIA's Assumption Program (Weston and Maison) were placed into receivership, requiring the Association to rewrite more than 12,000 policies previously taken out of TWIA.

A possible proposal would modify the structure of TWIA's Assumption Reinsurance Depopulation Program ("Assumption Program") to encourage carrier and agent participation and, under certain parameters, require policyholders to accept offers made through the program or seek coverage in the private insurance market. The proposed changes to the program include authorizing takeout bonuses paid by TWIA, adopting a premium comparability ("20%" rule) for policyholder eligibility, strengthening agent protections and expanding participation to approved surplus lines insurers and consider Florida Citizens' depopulation program.

Mr. Todd said the concept of the proposal is that TWIA's takeout program doesn't work. Is TWIA truly an insurer of last resort or not? This is a method to encourage participation and bring in private carriers. With takeout bonuses, it could encourage carriers to participate. Ms. Carsey asked how the bonuses would be funded and Mr.

Durden said it would be TWIA paying the bonuses. She asked what that cost would be year over year and Mr. Durden said it would depend on how many policies move out. Mr. Rubiano asked if anyone has reached out to private carriers to see if they will step back in. Mr. Durden said staff has not had conversations with the insurance market about what would entice them to come back and participate in the depopulation program. His expectation is TWIA writes 50% of the business on the coast. When the depopulation program was active, participants were new carriers trying to break into the market.

Mr. Rubiano said he didn't think depopulation was something this small group could handle. It needs to be more market or legislative based. It comes across that TWIA doesn't want to support the coastal community. Mr. Todd said the reinsurance market has softened in the last 18 months. A takeout bonus could lead to companies being more willing to write policies on the Texas coast. Mr. Rubiano said he was committed to depopulating TWIA but not at the coastal resident's expense. He doesn't know how to single handedly get carriers to come back in but a statement that TWIA is broadly supportive of depopulation methods the legislature comes up with could be helpful.

Mr. Smith moved to authorize TWIA to pay a bonus per risk removed to participating carriers, subject to multi-year removal requirements and TDI's approval. Mr. Todd seconded the motion. Mr. Smith said this gives the board some flexibility. The motion passed with Mr. Rubiano and Ms. Tarlton Shannon opposed.

The next depopulation consideration is adopting a premium comparability for policyholder eligibility. A policyholder becomes ineligible for TWIA renewal if a private (or approved surplus lines) insurer offers comparable coverage at a premium no more than 20% higher than TWIA's premium. Mr. Rubiano asked how does this not equate to a 20% rate increase. Mr. Shewmaker said he believes in light of the funding structure changes within the actuarial assumptions and lower reinsurance costs; he doesn't want to move to support this item. He wants to see how the new funding structure plays out for the next few years.

Ms. Carsey moved that the board recommend for the legislature to consider passing legislation to motivate carriers to depopulate TWIA by looking at adopting a premium comparability rule for policyholder eligibility, the percentage of which to be considered with market conditions and additional information to be provided. There will be parameters around the proposal such as a premium threshold that, if met, could require the insured to accept the takeout offer. Mr. Rubiano seconded the motion. Mr. Todd asked if it would be appropriate to add language to the motion that includes the ability to contact the policyholder directly. Ms. Carsey said she had no problem with adding that to the motion. Mr. Rubiano said if that modification is made, he would pull his second. He agrees with trying to offer the legislature ideas that reinforce depopulation, but he imagines every carrier sending everyone on the coast offers that could create havoc. He liked the vagueness of the original motion. Adding this motion and bypassing the agent isn't something he can support. Mr. Perkins reiterated the motion on the

floor is the board recommends the legislature pass legislation to motivate insurance carriers to depopulate TWIA in a manner that might include a premium threshold that, if met, could require the insured to accept a takeout offer. The motion was made by Ms. Carsey and seconded by Mr. Rubiano.

A roll call vote was conducted.

Terrilyn Tarlton Shannon – No
Rolando Rubiano – Yes
Greg Smith – No
Mark Shewmaker – No
Tim Garrett – No
Etti Baranoff – Abstain
Jamie Carsey – Yes
John Todd – Yes

The motion did not pass.

The board decided to not move forward regarding the provisions suggesting strengthening agent protections and expanding participation to approve surplus lines insurers. These items will not appear in the TWIA Biennial Report.

Tort Reform

The Texas Legislature has passed several insurance litigation and tort reform measures over the past two decades to address litigation abuse and its impact on insurance costs. A possible proposal is to consider legislative changes similar to measures passed by the Florida Legislature to address litigation issues impacting insurance costs.

The board decided to not move forward regarding this recommendation. It will not appear in the TWIA Biennial Report.

Mr. Rubiano moved to direct staff to prepare the TWIA Biennial Report in accordance with what has been discussed today and present that to the legislature. Mr. Shewmaker seconded the motion. The motion passed unanimously.

4. Review of 2027 TWIA Budget: Mr. Harbour reviewed several key assumptions including no change in rates for 2027. The number of policies in force is projected to decrease slightly from the forecast of 288,898 policies at year end to 286,201 at year end 2027, a decrease of 0.9%. Loss and loss adjustment expenses ratios used are based on actuarial review and correspond to the non-hurricane loss ratios included in the annual rate indications. Merit increases are budgeted at 3.0%. The $500 million line of credit is assumed to be renewed on June 1, 2027, with the same late December cancellation date, inception fees and commitment fees at 42.5 basis points. Commissions are budgeted at $123 million using the current rate of 16.0% for new and renewal policies.

A place holder of $173 million for the 2027/2028 TWIA reinsurance program is based on forecasted exposures, expected attachment point and market conditions. Non hurricane losses for 2027 are projected at $100 million. TWIA does not budget for hurricanes. Losses and loss adjustment expenses include estimates for average convective storm seasons.

Direct written premiums are projected to decrease by $36.0 million (4.5%) from $807.0 million in 2026 to $770.6 million in 2027. Ceded premiums for 2026/2027 reinsurance were $209.9 million at the inception date. For 2027, the current placeholder is $173.0 million.

Employee headcount for 2027 is 287 full-time employees and 51 contractors. The decrease in contractor and temporary help reflects the reduction in external desk examiners required to settle claims outstanding from Hurricane Beryl. The increase in hardware and software is primarily attributable to Guidewire licensing fees.

5. Adjourn: The meeting was adjourned at 12:03 p.m.

_____ _____

Prepared by: Amy Koehl
Senior Project Administrator

Approved by: Karen Guard
Chair

4. Agent Commission

MEMORANDUM

TEXAS WINDSTORM INSURANCE ASSOCIATION

DATE: October 27, 2026

TO: David Durden, General Manager

FROM: Anna Stafford, Director of Legislative & External Affairs

RE: Request for Information on Agent Commissions

At the August 4 TWIA Board meeting in Galveston, the Board received a staff report on agent commissions. The Board requested additional information in response to the report, including:

1. Whether agents that submit applications to TWIA have higher errors and omissions (E&O) insurance costs, and if so, why; and

2. A comparison of the statutory requirements in place for issuing a TWIA policy versus a policy for an admitted carrier.

Agents E&O Insurance Expenses

At the request of Association staff, the Independent Insurance Agents of Texas (IIAT) provided written information, submitted as public comment for the November 10 TWIA Board meeting, documenting their research on Texas coastal agents' E&O insurance expenses. Staff met with IIAT representatives to discuss their research. IIAT gathered information on this issue from several E&O carriers, including the largest writer of agents' E&O insurance in the United States. The carrier applies a 25% surcharge to any coastal agents in Texas applying for this coverage. Other E&O carriers reported charging higher rates for this coverage to agents in Texas's coastal counties. IIAT has made a representative available to answer questions about this issue during the November 10 TWIA Board meeting.

TWIA Policy Issuance Statutory Requirements

TWIA staff have included a slide that outlines the statutory requirements for issuing a TWIA policy, how they compare with admitted carriers, and the requirements for agents related to the cited statute.

Agent Commission Report: TWIA Statutory Requirements for Policy Issuance

Most requirements, outlined in Texas Insurance Code, Chapter 2210, related to TWIA policy issuance are to verify a property's eligibility for Association coverage.

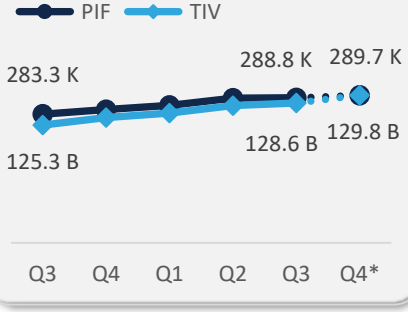
	Chapter 2210 Requirement	Admitted Carrier Comparison	Agent Requirement
Voluntary Market Declination Requirement	Applicants must be unable to obtain insurance coverage through the voluntary market as evidenced by one declination from an insurer authorized to and actively writing windstorm and hail coverage in TWIA's coverage area ***§2210.202***	Texas statute does not require an admitted carrier's applicant to obtain a declination from another carrier to qualify for insurance coverage.	Chapter 2210 requires agents to state in a new business application that they possess proof of the required declination; Statute requires evidence of a declination every three calendar years before renewal of a TWIA policy.
Windstorm Code Compliance	Applicable construction, alterations, additions, and repairs must comply with windstorm building-code standards as evidenced by a certificate of compliance (WPI-8), subject to statutory exceptions. ***§2210.215, 2210.258***	Admitted carriers may require properties to undergo inspections or meet certain construction standards, but they are not statutorily required to limit eligibility to properties that meet certificate-based building code standards.	Agents must verify a new applicant's eligibility for Association coverage by confirming that the property has obtained all required Certificates of Compliance and uploading them to the application before submitting it to TWIA. Agents should verify with existing policyholders whether any changes to their property require new Certificate(s) to be uploaded to the policy file before renewal.
Flood Coverage, If Available	Applicants located in Zone V or similar zones, as defined by the NFIP, who can obtain flood insurance must submit proof of flood insurance to the Association ***§2210.202, 2210.203***	Admitted carriers may underwrite for flood exposure, but do not have a statutory requirement for policy issuance.	Chapter 2210 requires agents to state that they possess on behalf of the applicant proof or unavailability of flood insurance coverage. If available, an agent offering or selling a TWIA policy, must offer flood insurance to a prospective insured.

5. TWIA Operational Dashboard

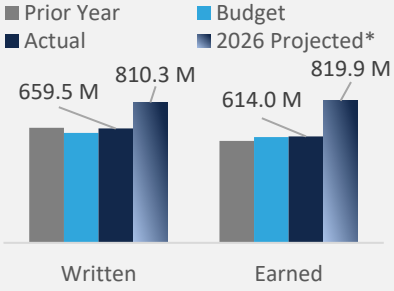
Operational Dashboard

Reporting as of September 30, 2026

Exposure Growth



Premiums



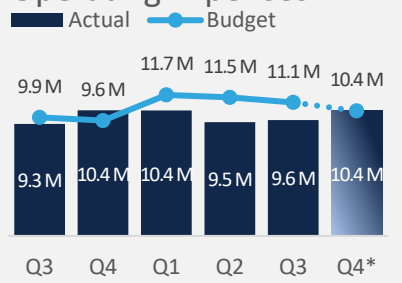
Net Income

Actual:	**$ 250.1 M**
Budget:	**244.4 M**
	▲ 5.7 M

CRTF Balance

$58.8 M

Operating Expenses



Claims Activity

Reported Claims:	**9,135**
Incurred Loss & LAE:	**$132.2 M**
Loss Ratio:	**21.5%**

Claims Disputes

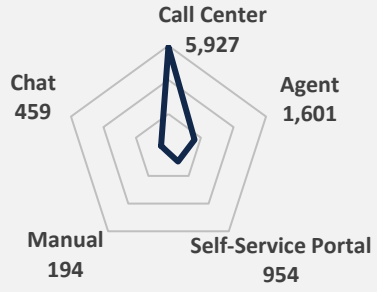
(% of Reported Claims)

TDI Complaints:	**25**	**(0.3%)**
Disputes:	**214**	**(2.3%)**
Lawsuits:	**82**	**(0.9%)**

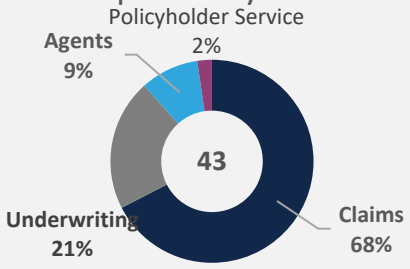
Headcount

Employees:	**253**
Contractors:	**74**
Total:	**327**

Claims Reporting



Complaints by Reason



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

Enterprise Projects

Status Update as of September 30, 2026

Enterprise Projects	Initiative Type	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2
89th Legislative Implementation Program (LIP89)	Mandatory								
Project Enhance (Multifactor Authentication)	Discretionary Planned								
Claims Electronic Indemnity Payment	Discretionary Planned								
PlanetPress Software Upgrade	Discretionary Planned								
Security System Upgrade (Facilities)	Discretionary Planned								

Project Health Definitions - Scope, Schedule, Budget

- On Track
- On Hold
- At Risk
- Needs Action

6. Financial
6A. Report of the Secretary/Treasurer
6A1. Income Statement

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

	For the nine months ended September 30,	
	Actuals - 2026	Actuals - 2025
Premiums Written:		
Direct	$ 659,522	$ 663,926
Ceded	(209,925)	(416,548)
Net	449,597	247,378
Premiums Earned:		
Direct	614,017	587,541
Ceded	(139,950)	(277,698)
Net	474,067	309,842
Deductions:		
Direct Losses and LAE Incurred	132,173	40,372
Direct Losses and LAE Incurred - Beryl	(10,000)	35,000
Direct Losses and LAE Incurred - Harvey	(4,660)	0
Operating Expenses	29,507	28,725
Commission Expense	105,389	106,135
Ceding commissions / brokerage	(10,537)	(9,325)
Other Taxes	1	45
Total Deductions	241,871	200,952
Net Underwriting Gain or (Loss)	232,196	108,890
Other Income or (Expense):		
Gross Investment Income	19,115	17,524
Debt Related & Other Investment Fees	(50)	(69)
Line of Credit Fees	(1,145)	(1,263)
Premium Charge offs/Write offs	0	(1)
Billing Fees	0	0
Miscellaneous Income (Expense)	0	0
Total Other Income or (Expense)	17,919	16,192
Net Income (Loss)	**$ 250,115**	**$ 125,082**
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	(17,445)	(413,511)
Net Income (Loss)	250,115	125,082
Change in Provision for Reinsurance	0	0
Change in nonadmitted assets	7,980	998
Statutory Fund Income (Expense)	(210,023)	326,626
Ending Surplus (Deficit)	**$ 30,626**	**$ 39,195**

6A2. Management Discussion and Analysis

Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results
For the Nine Months Ended September 30, 2026

Written and Earned Premiums

Actual vs Budget	Sep-2026 YTD Actual	Sep-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 659.5 M	$ 633.7 M	$ 25.8 M	4.1%
Direct Earned Premiums	$ 614.0 M	$ 609.8 M	$ 4.3 M	0.7%
Policies In-Force	288,815	279,134	9,681	3.5%

Current Yr vs Prior Yr Actual	Sep-2026 YTD Actual	Sep-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 659.5 M	$ 663.9 M	($ 4.4 M)	(0.7%)
Direct Earned Premiums	$ 614.0 M	$ 587.5 M	$ 26.5 M	4.5%
Policies In-Force	288,815	283,333	5,482	1.9%

Reinsurance Costs

- The 2026-2027 reinsurance program incepted on June 1, 2026. Coverage for the 2026 hurricane season consisted of $1.05 billion of collateralized catastrophe bonds and $1.23 billion of traditional reinsurance. Gross ceded premiums associated with the $2.28 billion in coverage totaled $209.9 million compared to a budgeted estimate of $237.0 million. This total reflects an overall rate-on-line (ROL) of 9.21% compared to 10.2% ROL for the 2025/2026 program. The net cost of the reinsurance program after ceding commission was $199.4 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

Depopulation Program

- There will be no round 9 (2025-2026) or round 10 (2026-2027) of the Assumption Reinsurance Depopulation Program as no carriers applied to participate.

Texas Windstorm Insurance Association
Management's Discussion and Analysis of Financial Results
(cont'd)

Loss and Loss Adjustment Expense Incurred

Actual vs Budget	Sep-2026 YTD Actual	Sep-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 92.4 M	$ 83.9 M	$ 8.5 M	10.2%
Direct LAE Incurred	$ 25.1 M	$ 14.4 M	$ 10.7 M	74.6%
Total Direct Losses & LAE	**$ 117.5 M**	**$ 98.3 M**	**$ 19.3 M**	**19.6%**
Loss & LAE Ratio	**19.1%**	**16.1%**		**3.0%**

Current Yr vs Prior Yr Actual	Sep-2026 YTD Actual	Sep-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 92.4 M	$ 41.6 M	$ 50.8 M	122.3%
Direct LAE Incurred	$ 25.1 M	$ 33.8 M	($ 8.7 M)	(25.8%)
Total Direct Losses & LAE	**$ 117.5 M**	**$ 75.4 M**	**$ 42.1 M**	**55.9%**
Loss & LAE Ratio	**19.1%**	**12.8%**		**6.3%**

- The ultimate loss and loss adjustment expense estimate for Hurricane Beryl is $535 million as of September 30, 2026. Hurricane Beryl and Hurricane Harvey ultimates were reduced by $10 million and $4.6 million, respectively, in September 2026.

Operating Expenses

Actual vs Budget	Sep-2026 YTD Actual	Sep-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 29.5 M	$ 34.3 M	($ 4.8 M)	(14.0%)
Operating Expense Ratio	4.8%	5.6%		(0.8%)

Current Yr vs Prior Yr Actual	Sep-2026 YTD Actual	Sep-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 29.5 M	$ 28.7 M	$ 0.8 M	2.7%
Operating Expense Ratio	4.8%	4.9%		(0.1%)

- 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 included Personnel Expenses ($2,190,000), Professional & Consulting Services ($1,499,000), Hardware & Software ($546,000), and Other Operating Expenses ($169,000).

Commission Expense and Premium / Other Taxes

Actual vs Budget	Sep-2026 YTD Actual	Sep-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 105.4 M	$ 101.4 M	$ 4.0 M	3.9%
Other Taxes	$ 0.0 M	$ 0.1 M	($ 0.1 M)	(98.6%)

Current Yr vs Prior Yr Actual	Sep-2026 YTD Actual	Sep-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 105.4 M	$ 106.1 M	($ 0.7 M)	(0.7%)
Other Taxes	$ 0.0 M	$ 0.0 M	($ 0.0 M)	0.0%

- Premium taxes recorded in 2025 were later reversed due to HB 2517 which exempted TWIA from premium and maintenance tax for calendar year 2025 and forward.

Other Income (Expense)

Actual vs Budget	Sep-2026 YTD Actual	Sep-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 19.1 M	$ 16.3 M	$ 2.9 M	17.6%

Current Yr vs Prior Yr Actual	Sep-2026 YTD Actual	Sep-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 19.1 M	$ 17.5 M	$ 1.6 M	9.1%

Net Income (Loss)

Actual vs Budget	Sep-2026 YTD Actual	Sep-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 250.1 M	$ 244.4 M	$ 5.7 M	2.3%

Current Yr vs Prior Yr Actual	Sep-2026 YTD Actual	Sep-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 250.1 M	$ 125.1 M	$ 125.0 M	100.0%

Surplus (Deficit)

Current Period vs. Prior Year End Actual	Sep-2026 YTD Actual	Dec-25 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	$ 30.6 M	($ 17.4 M)	$ 48.1 M	275.6%

- The Association's deficit of $17.4 million at December 31, 2025, improved to a surplus of $30.6 million as of September 30, 2026, due primarily to the net income of $250.1 million offset by the estimated CRTF expense of $210.0 million.

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6B. Financial Statement Review



TEXAS WINDSTORM
INSURANCE ASSOCIATION

FINANCIAL STATEMENTS AND SCHEDULES

September 2026

Statutory Income Statement
(In 000s)

	For the nine months ended September 30,			
	Actuals - 2026	**Budget - 2026**	**Variance - 2026**	**Actuals - 2025**
Premiums Written:				
Direct	$ 659,522	633,733	$ 25,789	$ 663,926
Ceded	(209,925)	(237,000)	27,075	(416,548)
Net	449,597	396,733	52,864	247,378
Premiums Earned:				
Direct	614,017	609,754	4,263	587,541
Ceded	(139,950)	(158,000)	18,050	(277,698)
Net	474,067	451,754	22,313	309,842
Deductions:				
Direct Losses and LAE Incurred	132,173	98,257	33,916	40,372
Direct Losses and LAE Incurred - Beryl	(10,000)	0	(10,000)	35,000
Direct Losses and LAE Incurred - Harvey	(4,660)	0	(4,660)	0
Operating Expenses	29,507	34,328	(4,821)	28,725
Commission Expense	105,389	101,397	3,992	106,135
Ceding commissions / brokerage	(10,537)	(11,850)	1,313	(9,325)
Other Taxes	1	58	(57)	45
Total Deductions	241,871	222,190	19,682	200,952
Net Underwriting Gain or (Loss)	232,196	229,565	2,631	108,890
Other Income or (Expense):				
Gross Investment Income	19,115	16,256	2,859	17,524
Debt Related & Other Investment Fees	(50)	(108)	58	(69)
Line of Credit Fees	(1,145)	(1,268)	122	(1,263)
Premium Charge offs/Write offs	0	0	0	(1)
Billing Fees	0	0	0	0
Miscellaneous Income (Expense)	0	0	0	0
Total Other Income or (Expense)	17,919	14,881	3,039	16,192
Net Income (Loss)	$ 250,115	$ 244,445	$ 5,670	$ 125,082

Surplus (Deficit) and Key Operating Ratios (In 000s)

	For the nine months ended September 30,			
	Actuals - 2026	**Budget - 2026**	**Variance - 2026**	**Actuals - 2025**
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	(17,445)	(17,445)	0	(413,511)
Net Income (Loss)	250,115	244,445	5,670	125,082
Change in nonadmitted assets	7,980	1,700	6,280	998
Statutory Fund Income (Expense) [1]	(210,023)	(241,599)	31,576	326,626
Ending Surplus (Deficit)	$ 30,626	$ (12,899)	$ 43,525	$ 39,195
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	21.5%	16.1%	5.4%	6.9%
Hurricane Beryl	(1.6%)	0.0%	(1.6%)	6.0%
Hurricane Harvey	(0.8%)	0.0%	(0.8%)	0.0%
Loss & LAE Ratio	19.1%	16.1%	3.0%	12.8%
UW Expense Ratio:				
Acquisition	16.0%	16.0%	(0.0%)	16.0%
Non Acquisition	4.8%	5.6%	(0.8%)	4.9%
UW Expense Ratio	20.8%	21.6%	(0.9%)	20.9%
Combined Ratio	39.9%	37.8%	2.2%	33.7%
Net:				
Loss & LAE Ratio:				
Non Hurricane	27.9%	21.8%	6.1%	13.0%
Hurricane Beryl	(2.1%)	0.0%	(2.1%)	11.3%
Hurricane Harvey	(1.0%)	0.0%	(1.0%)	0.0%
Loss & LAE Ratio	24.8%	21.8%	3.0%	24.3%
UW Expense Ratio:				
Acquisition	18.9%	19.4%	(0.6%)	31.1%
Non Acquisition	6.2%	7.6%	(1.4%)	9.3%
UW Expense Ratio	25.1%	27.0%	(1.9%)	40.3%
Combined Ratio	49.9%	48.8%	1.1%	64.7%

[1] CRTF Funds Received	$ -		$ 462,728
CRTF Expense Accrued	(210,023)		(136,101)
Net Statutory Fund Income (Expense)	$ (210,023)		$ 326,626

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

Statutory Expense Statement
(In 000s)

	Description	For the nine months ended September 30, Actuals - 2026	Budget - 2026	Variance - 2026	Actuals - 2025
3	Personnel Expenses				
4	Salaries & Wages - Permanent	$ 13,307	$ 14,212	$ (905)	$ 12,050
5	Contractor & Temporary Help	10,592	14,927	(4,335)	19,418
6	Payroll Taxes	1,000	1,020	(20)	886
7	Employee Benefits	3,727	4,140	(412)	3,550
8	Recruiting, Training & Other	164	394	(229)	73
9	Subtotal	28,791	34,693	(5,902)	35,977
10					
11	Professional & Consulting Services				
12	Legal	379	371	8	291
13	Accounting & Auditing	140	211	(71)	205
14	Information Technology	1,592	1,890	(299)	2,275
15	Actuarial Services	24	102	(78)	89
16	Omsbudsman Program	121	110	11	105
17	Surveys & Inspections	372	920	(548)	290
18	Disaster Recovery Services	8	7	1	6
19	Other Services [1]	4,055	4,714	(659)	4,537
20	Subtotal	6,691	8,325	(1,635)	7,798
21					
22	Hardware/Software Purchases & Licensing	5,946	6,606	(660)	4,989
23	Rental & Maintenance - Office/Equipment	790	875	(85)	764
24	Travel Expenses	195	309	(115)	116
25	Postage, Telephone and Express	1,254	1,491	(237)	1,283
26	Capital Management Expenses	0	0	0	0
27	Depreciation & Amortization	2,315	2,315	0	2,315
28	Other Operating Expenses	1,377	1,586	(209)	1,301
29	**Total Operating Expenses**	**$ 47,357**	**$ 56,201**	**$ (8,843)**	**$ 54,543**
30					
31	Capitalization of Fixed Assets	0	0	0	0
32	Reimbursement of Depop Servicing Expense	0	0	0	0
33	Allocation To ULAE	(17,800)	(21,810)	4,010	(25,750)
34	Allocation To Investing & Other Expense	(50)	(63)	13	(69)
35	Net Operating Expense - UW Operations	**$ 29,507**	**$ 34,328**	**$ (4,821)**	**$ 28,725**

[1] Summary Details for Other Services:

VENDOR	Amount	Department
Moody's Analytics Inc.	$ 801	Slab Claim Evaluation Program
AON Re Inc	450	Actuary
Clear Point Claims LLC	398	Underwriting
Accenture LLP	370	Slab Claim Evaluation Program
Xactware Solutions Inc	303	Underwriting
Marshall & Swift/Boeckh	285	Claims
ISO Services Inc	212	Underwriting / Legal
LexisNexis Risk Solutions FL Inc	157	Claims
Nearmap US, Inc	149	Slab Claim Evaluation Program
Risk Management Solutions Inc	144	Claims
LYNX Services LLC	101	Claims
OnStrategy	69	Corporate
Floatbot, Inc	66	Claims
Gartner Inc	64	The People Team
Genesys Cloud Services, Inc.-	62	Underwriting
*Other Outside Services below $50K	423	Various Departments
Total Other Services	**$ 4,055**	

Statutory Balance Sheet
(In 000s)

		September 2026	December 2025	
1				1
2	**Admitted Assets**			2
3	Cash and short term investments:			3
4	Unrestricted	$ 836,649	$ 735,549	4
5	Restricted - Funds Held at TTSTC	0	0	5
6	Restricted - Funds Held at TTSTC (Nonadmitted)	0	0	6
7	Total cash and short term investments	836,649	735,549	7
8	Premiums receivable & other	81,102	66,901	8
9	Assessment receivable	0	0	9
10	Amounts recoverable from reinsurers	0	0	10
11	**Total admitted assets**	**$ 917,750**	**$ 802,449**	11
12				12
13	**Liabilities, Surplus and other funds**			13
14	**Liabilities:**			14
15	Loss and Loss adjustment expenses	139,587	169,589	15
16	Underwriting expenses payable	17,251	12,252	16
17	Unearned premiums, net of ceded unearned premiums	392,687	417,158	17
18	Ceded reinsurance premiums payable	100,826	158,756	18
19	Provision for reinsurance	0	0	19
20	Other payables	26,750	23,060	20
21	Statutory fund payable	210,023	39,080	21
22	**Total liabilities**	**887,124**	**819,895**	22
23				23
24	**Surplus and other funds**			24
25	Unassigned surplus (deficit)	30,626	(17,445)	25
26	**Total liabilities, surplus and other funds**	**$ 917,750**	**$ 802,449**	26
27				27
28				28
29	**Balance in CRTF**	**$ 58,847**	**$ 14,125**	29
30				30
31	**Balance in CRTF including Statutory fund payable**	**$ 268,871**	**$ 53,204**	31

Statement of Cash Flows
(In 000s)

		For the nine months ended September 30,		
		Actual - 2026	**Budget - 2026**	**Variance - 2026**
	Cash flows from operating activities:			
	Premiums collected, net of reinsurance	$ 378,960	$ 410,191	$ (31,232)
	Losses and loss adjustment expense paid [1] [2]	(147,514)	(98,822)	(48,693)
	Underwriting expenses paid	(109,051)	(117,959)	8,908
	Member assessment received	0	0	0
	Other	(1,225)	0	(1,225)
	Net cash provided by operating activities	121,170	193,411	(72,241)
	Cash flows from non-operating activities:			
	Statutory fund received/(paid)	(39,080)	(173,000)	133,920
	Other	0	0	0
	Net cash provided by non-operating activities	(39,080)	(173,000)	133,920
	Cash flows from investing activities:			
	Sales and maturities of investments	0	0	0
	Net investment income	20,155	16,256	3,899
	Net cash provided by investing activities	20,155	16,256	3,899
	Cash flows from financing activities:			
	Borrowed funds	0	0	0
	Borrowed funds repaid	0	0	0
	Debt and Credit Agreement Fees	(1,145)	(1,376)	230
	Net cash provided by financing activities	(1,145)	(1,376)	230
	Net increase (decrease) in cash and short-term investments	101,100	35,291	65,809
	Cash and short-term investments, Beginning	735,549	735,549	0
	Cash and short-term investments, Ending	**$ 836,649**	**$ 770,840**	**$ 65,809**

[1] Direct Beryl Loss/LAE payments	$ 24,125
[2] Direct Harvey Loss/LAE payments	$ 143

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

Cash and Short-Term Investments
(In 000s)

Unrestricted Cash and Short Term Investments ($ in 000s)
September 30, 2026

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 09/30/2026:											
Bank of America, Operating	$ 162	$ 26,650	26,812	$ 38,102	$ 234	2.5%	3%	Superior	12.1%	$187	No
JP Morgan Chase	0	21,194	21,194	59,465	283	1.9%	3%	Superior	15.0%	$303	No
JP Morgan U.S. Treasury Plus Money Market Fund [1]	0	212,160	212,160	202,401	1,834	3.6%	25%	N/A	N/A	N/A	N/A
Chase Goldman Sachs [1]	0	131,516	131,516	131,107	1,185	3.6%	16%	N/A	N/A	N/A	N/A
BOA Morgan Stanley [2]	0	53,550	53,550	52,652	479	3.6%	6%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury [2]	0	65,649	65,649	68,836	622	3.6%	8%	N/A	N/A	N/A	N/A
Fidelity Treasury [2]	0	325,768	325,768	264,758	2,440	3.7%	39%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 162**	**$ 836,486**	**$ 836,649**	**$ 817,321**	**$ 7,077**	**3.5%**	**100%**				
Balances as of 06/30/2026:											
Bank of America, Operating	$ 162	$ 30,741	$ 30,903	$ 48,611	$ 297	2.4%	4%	Superior	12.2%	$187	No
JP Morgan Chase	0	31,401	31,401	55,342	251	1.8%	4%	Superior	15.1%	$296	No
JP Morgan U.S. Treasury Plus Money Market Fund [1]	0	200,385	200,385	185,229	1,631	3.5%	27%	N/A	N/A	N/A	N/A
Chase Goldman Sachs [1]	0	130,349	130,349	144,758	1,269	3.5%	17%	N/A	N/A	N/A	N/A
BOA Morgan Stanley [2]	0	53,071	53,071	52,780	461	3.5%	7%	N/A	N/A	N/A	N/A
BOA Dreyfus Treasury [2]	0	75,027	75,027	74,614	654	3.5%	10%	N/A	N/A	N/A	N/A
Fidelity Treasury [2]	0	233,327	233,327	174,806	1,553	3.6%	31%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 162**	**$ 754,301**	**$ 754,463**	**$ 736,141**	**$ 6,116**	**3.3%**	**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 June 30, 2026. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

Historical Data
($ in 000s)

1971 - 2026

($ with 000s omitted)

		GROSS						NET					
		LIABILITY IN FORCE		RATE CHANGES						UNDERWRITING EXPENSES			
	YEAR	END OF PERIOD	POLICY COUNT	RESIDENTIAL	COMMERCIAL	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	INCURRED	UNDERWRITING GAIN (LOSS)	CRTF BALANCE END OF PERIOD
	1971-1987	$ 4,401,486	57,976			$ 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	-	-	653,043	91,367	371,366	91,373	140,022	139,972	283,006
	2024	113,745,440	272,567	-	-	758,845	634,413	311,911	634,413	161,578	(484,080)	466,330
	2025	126,455,725	284,846	-	-	820,865	246,190	362,489	246,190	160,579	(44,280)	14,125
	2026	128,643,660	288,815	-	-	659,522	117,513	474,067	117,513	124,359	232,195	58,847
	TOTAL*					**$ 10,763,998**	**$ 7,083,583**	**$ 6,920,375**	**$ 5,612,009**	**$ 2,335,858**	**$ (1,027,491)**	

*2026 data through 9/30/2026

6C. Short Term Bank Loan – Beryl Excess Losses

MEMORANDUM

TEXAS WINDSTORM INSURANCE ASSOCIATION

DATE: October 26, 2026

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: Short-Term Financing Arrangement — Hurricane Beryl Loss Development

---

Synopsis:

Association staff requests authorization from the Texas Windstorm Insurance Association ("TWIA") Board of Directors to negotiate and obtain approximately $44 million in short-term financing from JPMorgan Chase Bank. The financing would fund additional losses from Hurricane Beryl and other severe convective storms that occurred during the 2024 catastrophe year. This arrangement is preferable to issuing public securities and represents the next available level in TWIA's statutory funding structure under Chapter 2210 of the Texas Insurance Code. TWIA expects to repay the principal and interest from the final 2026 net gain from operations. The remainder of this memorandum explains the funding need, statutory basis, and repayment approach.

2024 Catastrophe-Year Loss Development and Funding

Hurricane Beryl struck the Texas coast in July 2024, and severe convective storms occurred in March and May of the same year. Together, these events produced losses and expenses significantly greater than premiums and other revenues available for the 2024 catastrophe year. This required TWIA to ultimately withdraw all the 2024 funds available in the Catastrophe Reserve Trust Fund ("CRTF"). As claims continued to develop throughout 2025 and 2026, TWIA updated its ultimate loss estimates for Hurricane Beryl and the other 2024 events. Because Chapter 2210 requires additional losses from a prior catastrophe year to be paid using the funding structure in place for the original loss year, the revised estimates create the need to access the next available funding level.

The following table compares the current estimate of ultimate losses for the 2024 catastrophe year with the funding sources used to date, showing the remaining amount that must be financed through the next available funding level.

MEMORANDUM

TEXAS WINDSTORM INSURANCE ASSOCIATION

		Activity	Funding (Shortfall)
2024 Financial Results			
Net earnings before Hurricane Beryl		$ 17,272,441	
Ultimate Hurricane Beryl losses estimated at 12/31/2024	A	$ (480,000,000)	
CAT losses and expenses in excess of CY premiums		$ (462,727,559)	$ (462,727,559)
2025 Funding Activities			
Withdrawal from Catastrophe Reserve Trust Fund ("CRTF")		$ 462,727,559	$0
Beryl unfavorable development (increase in losses)	B	$ (65,000,000)	$ (65,000,000)
Non-Beryl 2024 favorable development (decrease in 2024 losses)		$ 4,027,779	$ (60,972,221)
2026 Funding Activities			
Withdrawal of remainder of 2024 CRTF balance		$ 3,602,168	$ (57,370,053)
Beryl favorable development (Adjust ultimate to final estimate)	C	$ 10,000,000	$ (47,370,053)
Non-Beryl 2024 favorable Development in 2026		$ 3,713,985	$ (43,656,068)
			$ (43,656,068)
			Short Term Borrowing
Estimated ultimate loss and loss adjustment expense for Beryl at 9/30/2026	(A+B+C)	$ 535,000,000	

Because the 2026 hurricane season has been relatively quiet, TWIA anticipates having sufficient cash reserves to repay the financing arrangement within a few days, minimizing interest expense. The principal and interest will then be repaid to TWIA by subtracting the debt service amount from TWIA's 2026 net gain from operations when the 2026 books are closed at year end.

Chapter 2210 authorizes TWIA to enter into a financing arrangement to pay losses in this level of the funding structure. TWIA has consulted with representatives from the Texas Department of Insurance ("TDI"), which expressed its agreement that the proposed financing and repayment approach complies with applicable Texas statutes and TDI rules in the Texas Administrative Code.

Indicative Pricing

The interest rate for the proposed financing arrangement is a base rate + 2%. In recognition of our long relationship with Chase, the bank agreed to waive any origination fee for the facility. TWIA will incur legal expenses associated with the creation of the credit agreements required to execute the loan.

MEMORANDUM

TEXAS WINDSTORM INSURANCE ASSOCIATION

Board Action and Exhibits

The following exhibits are included in the meeting materials:

1. Indicative terms sheet for the proposed short-term financing arrangement
2. Resolutions for adoption by the TWIA Board of Directors

We will need to request action on this item at the November 10, 2026 TWIA Board meeting.

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

Thank you,

Stuart

J.P.Morgan



Texas Windstorm Insurance Association

JPMorgan's Financing Proposal for a Taxable Loan | October 2026

STRICTLY PRIVATE AND CONFIDENTIAL

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

October 30, 2026

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

Elizabeth Gonzales, CTP, Manager – Treasury & Revenue Accounting
Texas Windstorm Insurance Association
egonzales@twia.org

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

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") on this transaction. Attached is a summary of terms and conditions for a $[45],000,000 taxable loan (the "Facility") to provide interim financing for TWIA's 2024 claims from Hurricane Beryl. The terms of the Facility will be substantially similar to the Credit Agreement between the Bank and TWIA, dated as of May 4, 2022.

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 October 30, 2026. 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, Executive Director
allyson.l.goetschius@jpmorgan.com
(212) 270-0335

Janice Fong, Vice President
janice.r.fong@jpmorgan.com
(212) 270-3762

Summary of Terms and Conditions

Borrower:	Texas Windstorm Insurance Association ("TWIA" or the "Borrower").
Facility Provider:	JPMorgan Chase Bank, N.A. ("JPMorgan" or the "Bank"). 100% hold.
Facility:	$[45.0] million taxable loan (the "Facility"). The Facility will be fully funded on the Closing Date.
Purpose:	Provide interim financing for TWIA's 2024 claims from Hurricane Beryl.
Security:	All obligations owed under the Facility will be secured by net premiums and other revenues of TWIA.
Closing Date:	On or around November [30], 2026.
Tenor:	30-days from the Closing Date. The maturity date must be prior to December 31, 2026.
Amortization:	N/A.
Upfront Fee:	None.
Interest Rate:	The Facility will accrue interest at rate of ABR plus the taxable Applicable Margin of 2.00%. "ABR" or "Alternate Base Rate" means the greatest of the (a) Prime Rate, (b) Fed Funds + 0.5%, and (c) Adjusted Term SOFR plus 1.0%. "Adjusted Term SOFR" means Term SOFR plus 0.10% credit spread adjustment.
Prepayment Flexibility:	Prepayable anytime without any prepayment penalty. TWIA shall provide notice three (3) business days prior to the prepayment of the Facility in order to allow JPMorgan to apply repayment of the funds from a blocked account.
Conditions Precedent to Closing / Advance:	• Receipt and satisfactory review of due diligence requested by the Bank; • Filing of UCC lien; and • Completion and delivery of satisfactory legal documentation including satisfactory opinions of counsel.
Covenants:	Proceeds of the Facility will be deposited in a JPMorgan account and will be subject to lender control under the Blocked Account Control Agreement dated as of June 1, 2026 by and among TWIA and JPMorgan as secured party.
Documentation:	We expect documentation to be similar to the Credit Agreement dated as of May 4, 2022 between TWIA and JPMorgan (the "2022 Agreement"). Documentation will include inter alia, a Credit Agreement between JPMorgan and the Borrower (the "Agreement"). The Agreement will include, but not be limited to, the terms and conditions outlined herein as well as JPMorgan's standard provisions with respect to representations and warranties, covenants, events of default, remedies, indemnification (gross negligence standard), exculpation waiver of jury trial/ judicial reference, OFAC, anti-terrorism and anti-corruption, and full protection against increased costs and changes in capital adequacy requirements (including, without limitation, in connection with the Dodd Frank Act and Basel III, regardless of the date enacted).
Governing Law:	Similar to the 2022 Agreement.
Lender Counsel:	Troutman Pepper Locke LLP. Legal fees are estimated at $30,000 and capped at $35,000.

RESOLUTIONS OF THE BOARD OF DIRECTORS

OF

TEXAS WINDSTORM INSURANCE ASSOCIATION

November 10, 2026

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

RESOLVED, that in order to provide the Association with funds to pay losses related to Hurricane Beryl in 2024 that exceed amounts available therefor in the Catastrophe Reserve Trust Fund, the Association may enter into a Credit Agreement (the "Credit Agreement") by and between the Association and JPMorgan Chase Bank, N.A. (the "Lender");

RESOLVED, FURTHER, that in connection with the Credit Agreement, the Association may execute and deliver to the Lender a promissory note in the original aggregate principal amount of up to $50,000,000 (the "Note");

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

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

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

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

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

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

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

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

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

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

Executed and effective as of the date first written above.

Authorized Officer of the Association:

By: _____
(Signature)

Its: _____
(Printed Name and Title)

6D. Review and Approval of 2027 Budget

Texas Windstorm Insurance Association

2027 Budget Summary

Board of Directors

November 10, 2026

TWIA 2027 Proposed Budget - Income Statement
(In 000s)

		A	B	C	D	E	F	
		For the twelve months ended December 31,				Variance	Variance	
		Forecast FY2026	Budget FY2026	Variance 2026	Budget FY2027	B2027 vs B2026	B2027 vs F2026	
	Premiums Written:							
1	Direct	$807,016	$781,032	$25,984	$770,599	($10,433)	($36,417)	1
2	**Premiums Earned:**							2
3	Direct	$817,909	$808,261	$9,648	$789,271	($18,990)	($28,638)	3
4	Ceded	(209,925)	(237,000)	27,075	($173,000)	64,000	36,925	4
5	Net	607,984	571,261	36,723	616,271	45,010	8,287	5
6	**Deductions:**							6
7	Losses and LAE Incurred	136,469	110,887	25,583	99,942	(10,945)	(36,527)	7
8	Operating Expenses	42,144	44,714	(2,569)	44,098	(616)	1,954	8
9	Commission Expense	129,020	124,965	4,055	123,296	(1,669)	(5,725)	9
10	Ceding commissions / brokerage	(10,537)	(11,850)	1,313	(7,000)	4,850	3,537	10
11	Other Taxes and fees	17	58	(41)	22	(35)	6	11
12	Total Deductions	297,113	268,773	28,341	260,358	(8,415)	(36,756)	12
13	**Net Underwriting Gain or (Loss)**	310,871	302,488	8,383	355,913	53,425	45,042	13
14	**Other Income or (Expense):**							14
15	Gross Investment Income	25,884	21,597	4,287	24,613	3,016	(1,271)	15
16	Line of Credit Fees and Other Investment Expenses	(1,754)	(1,953)	200	(1,748)	205	5	16
17	Interest Expense on Debt	0	0	0	0	0	0	17
18	Premium Charge Offs/Write Offs	0	0	0	0	0	0	18
19	Other Income (Expense)	0	0	0	0	0	0	19
20	Total Other Income or (Expense)	24,130	19,644	4,487	22,865	3,221	(1,266)	20
21								
22	**Net Income (Loss)**	**$335,001**	**$322,132**	**$12,869**	**$378,778**	**$56,646**	**$43,777**	22

TWIA 2027 Budgeted Surplus and Key Ratios
(In 000s including footnote)

		A	B	C	D	E	F	
		For the twelve months ended December 31,				Variance	Variance	
		Forecast FY2026	Budget FY2026	Variance 2026	Budget FY2027	B2027 vs B2026	B2027 vs F2026	
1	**Surplus (Deficit) Account:**							1
2	Beginning Surplus (Deficit)	(17,445)	15,951	(33,397)	41,631	25,680	59,076	2
3	Net Income (Loss)	335,001	322,132	12,869	378,778	56,646	43,777	3
4	Change in Provision for Reinsurance	0	0	0	0	-	-	4
5	Change in Non-Admitted Assets	1,706	4,548	(2,842)	1,116	(3,432)	(590)	5
6	Statutory Fund (Cost)/Received (1)	(277,631)	(322,132)	44,501	(378,778)	(56,646)	(101,147)	6
7	**Ending Surplus (Deficit)**	**$41,631**	**$20,500**	**$21,132**	**$42,747**	**$22,248**	**$1,116**	7
8								8
9	**Key Operating Ratios:**							9
10	Direct:							10
11	Loss & LAE Ratio	**16.7%**	**13.7%**	3.0%	**12.7%**	**(1.1%)**	**(4.0%)**	11
12	UW Expense Ratio:							12
13	Acquisition	16.0%	16.0%	(0.0%)	16.0%	**(0.0%)**	**0.0%**	13
14	Non Acquisition	5.2%	5.5%	(0.4%)	5.6%	**0.1%**	**0.4%**	14
15	UW Expense Ratio	21.1%	21.5%	(0.4%)	21.6%	**0.1%**	**0.4%**	15
16	**Direct Combined Ratio**	**37.8%**	**35.3%**	**2.6%**	**34.3%**	**(1.0%)**	**(3.6%)**	16
17								17
18	**Ending Balance in CRTF**	**59,216**	**202,418**	**(143,203)**	**350,520**	**148,101**	**291,304**	18

(1) *$57 million Net Gain from operations allocated to repay borrowings related to Hurricane Beryl*

TWIA 2027 Proposed Budget

EXPENSES

Proposed 2027 Budget Expense Summary (Gross and Net)

In (000s)

	A	B	C	D	E	F	G	
		For the twelve months ended December 31,				B2027 vs B2026	B2027 vs F2026	
		Forecast FY2026	Budget FY2026	Variance 2026	Budget FY2027	Inc (Dec)	Inc (Dec)	
1	Personnel Expenses	$40,109	$43,949	($3,840)	$38,269	($5,680)	($1,840)	1
2	Professional & Consulting Services	9,466	10,070	(604)	10,389	319	923	2
3	Hardware/Software Purchases & Licensing	8,291	8,531	(239)	9,947	1,416	1,656	3
4	Rental & Maintenance - Office/Equipment	1,111	1,152	(41)	1,116	(37)	5	4
5	Travel Expenses	297	381	(84)	320	(61)	23	5
6	Postage, Telephone and Express	1,779	1,914	(135)	1,848	(65)	70	6
7	Capital Management Expenses	0	0	0	0	0	0	7
8	Depreciation	3,086	3,086	0	806	(2,281)	(2,281)	8
9	All Other Operating Expenses	2,006	2,094	(88)	2,133	39	127	9
10	**Gross Operating Expenses**	**66,145**	**71,178**	**(5,032)**	**64,828**	**(6,350)**	**(1,318)**	10
11	**Less: Adjustments/Allocations**							11
12	Capitalization of Fixed Assets	0	0	0	0	0	0	12
13	Reimbursement of Depopulation Servicing Expense	0	0	0	0	0	0	13
14	Allocation To ULAE	(23,930)	(26,380)	2,450	(20,658)	5,722	3,272	14
15	Allocation To Investing	(71)	(84)	13	(72)	12	(1)	15
16	**Total Adjustments/Allocations**	**(24,001)**	**(26,464)**	**2,463**	**(20,730)**	**5,734**	**3,271**	16
17								17
18	**Net Operating Expense - UW Operations**	**$42,144**	**$44,714**	**($2,569)**	**$44,098**	**(616)**	**1,954**	18

ULAE – Unallocated loss adjustment expense

Consolidated Headcount Summary TWIA/TFPA

	A	B	C	D	
	Headcount	**FINAL Proposed 2027 Budget**	**2027 Budget Workshop October 8**	**Change**	
1	FTE	287	287	0	*1*
2	Contractors	50	51	(1)	*2*
3	**Total**	**337**	**338**	**(1)**	*3*

Questions & Discussion

Thank You

For Your Attention!

Any Questions



7. Actuarial
7A. Policy Count and Exposures

TEXAS WINDSTORM INSURANCE ASSOCIATION

Executive Summary

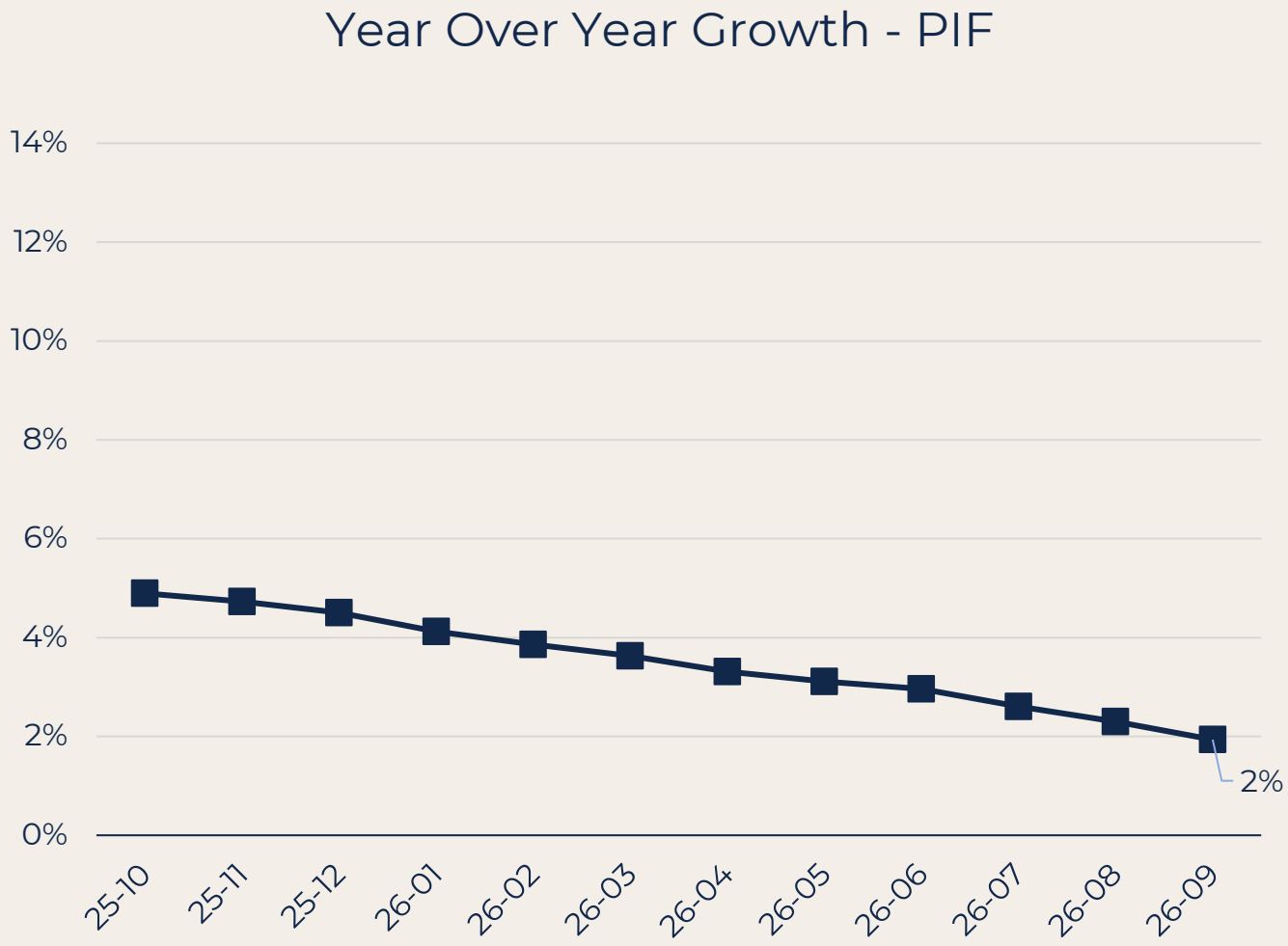
- Gradual decline in YOY PIF and TIV growth rate over the last 12 months
- **Negative growth in Q3**: PIF declined for two consecutive months
- **New Policy Issuances**: Down 20% year-over-year
- **Retention**: 89%
- **County TIV changes** range from –3% to +6% YOY, with Cameron declining

TWIA		
	09/30/2026	YOY Growth
Policies In-Force	288,815	+2%
Total Insured Value	128.6B	+3%
YTD Written Premium	660M	-0.7%

Detailed reports available on the TWIA website at:
https://www.twia.org/about-us/financial-reports/

YOY Summary

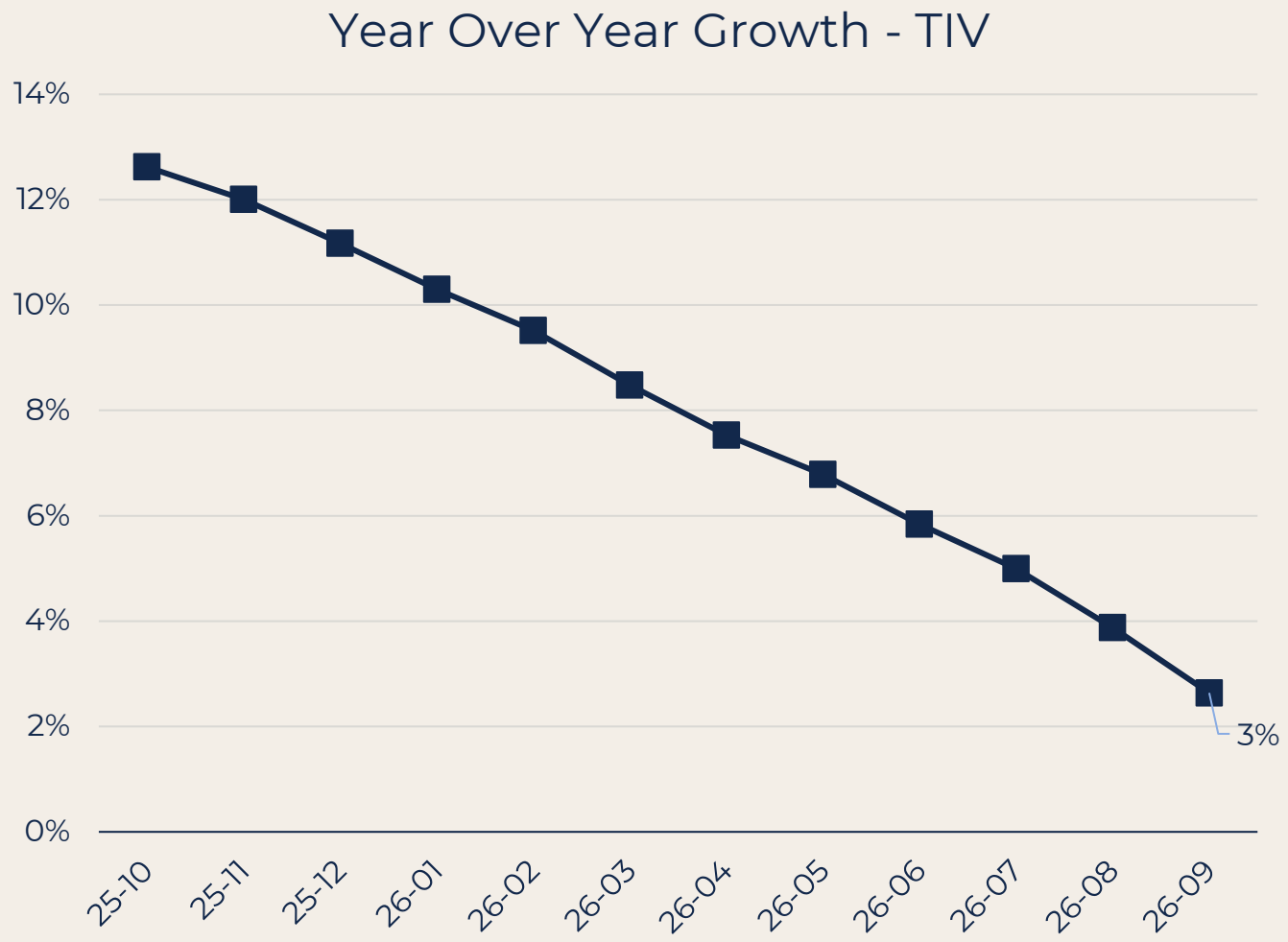
- **Gradual decline in PIF growth rate over the last 12 months**



Year/Month	2025-10	2025-11	2025-12	2026-01	2026-02	2026-03	2026-04	2026-05	2026-06	2026-07	2026-08	2026-09
PIF	283,740	284,148	284,846	284,694	285,338	286,251	287,046	287,578	288,676	289,168	289,135	288,815

YOY Summary

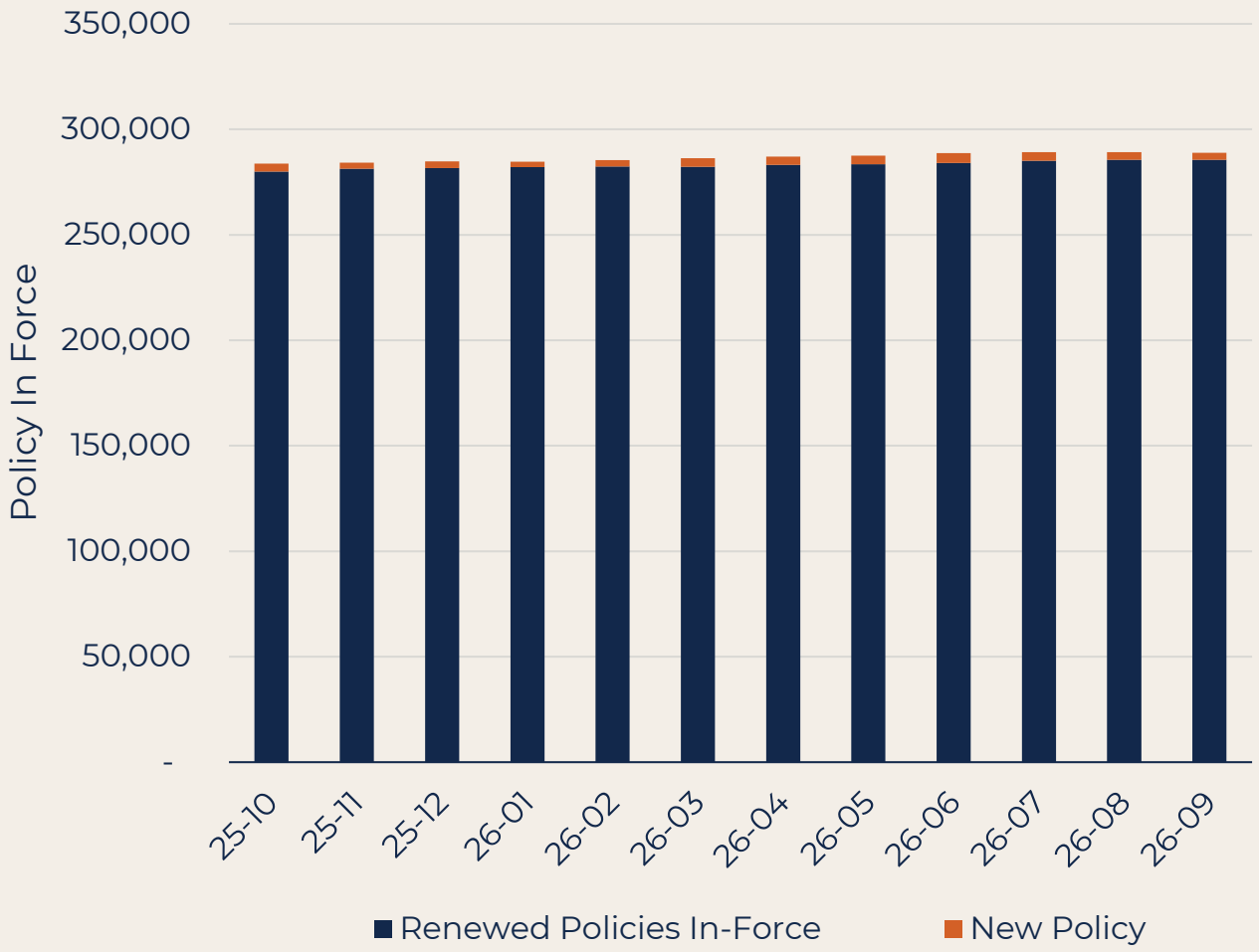
- **Steady decline in TIV growth rate over the last 12 months**



Year/Month	2025-10	2025-11	2025-12	2026-01	2026-02	2026-03	2026-04	2026-05	2026-06	2026-07	2026-08	2026-09
TIV (000,000s)	126,057	126,282	126,456	126,508	126,784	127,128	127,531	127,694	128,252	128,598	128,570	128,644

New Business versus Renewal

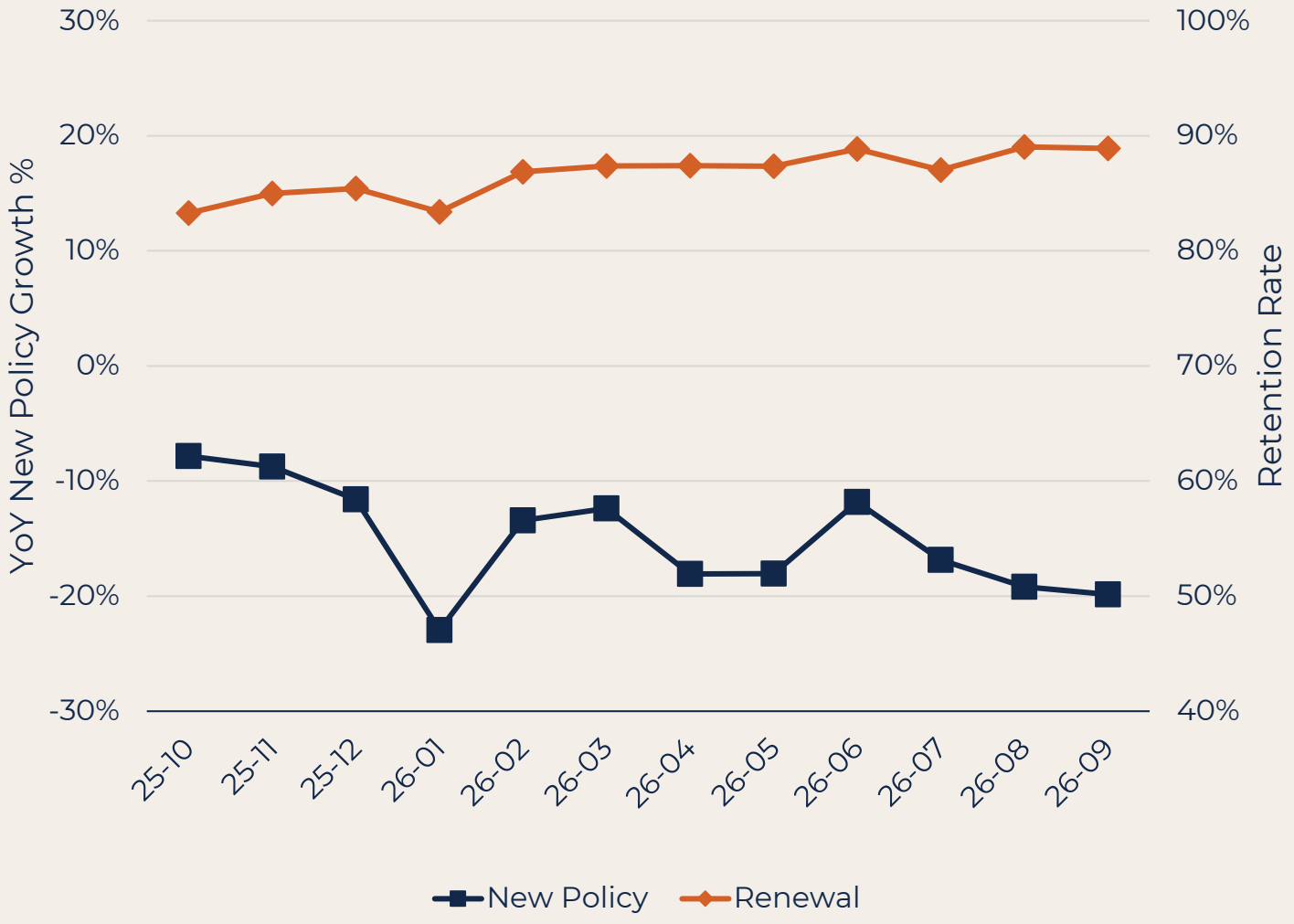
- **New policies account for roughly 1% of total PIF each month**



Year/Month	2025-10	2025-11	2025-12	2026-01	2026-02	2026-03	2026-04	2026-05	2026-06	2026-07	2026-08	2026-09
New Policy	3,835	2,859	3,200	2,618	2,883	3,952	3,873	4,088	4,584	4,129	3,543	3,259
Renewal	279,905	281,289	281,646	282,076	282,455	282,299	283,173	283,490	284,092	285,039	285,592	285,556

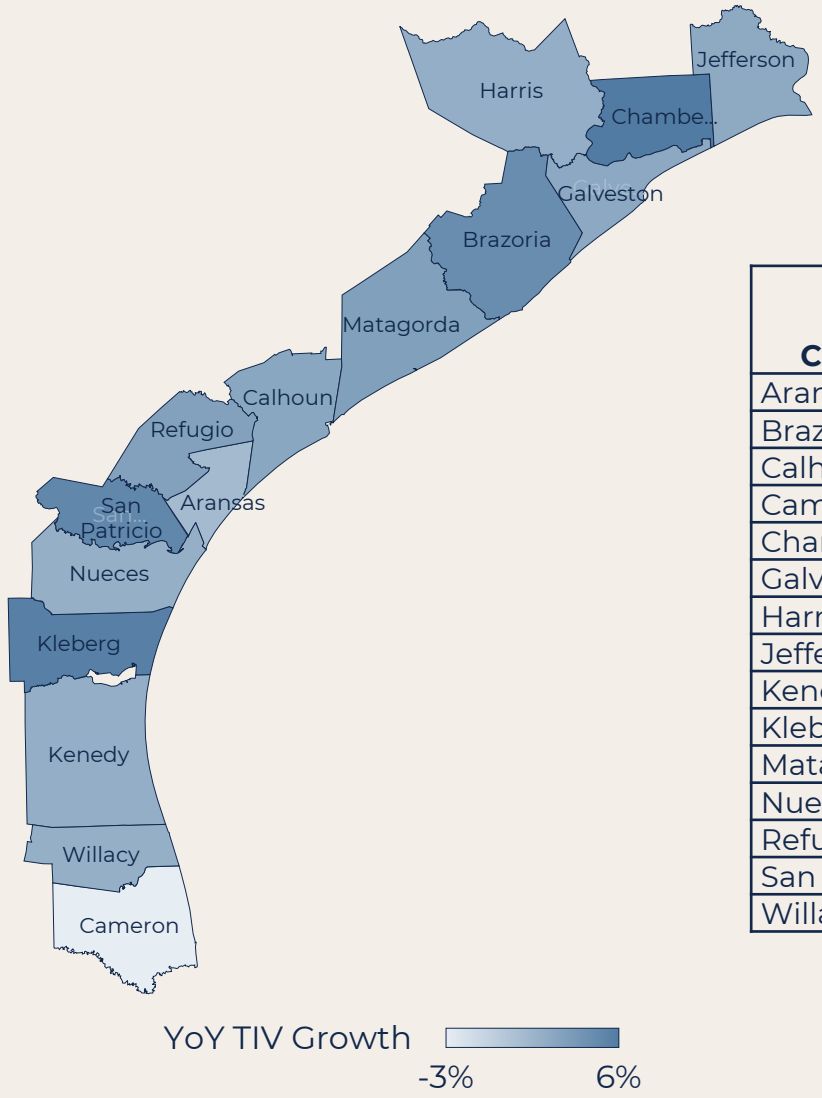
New Business versus Renewal

- **New policy issuance is down 20% YoY**
- **Retention rate approaches 90%**



TIV Growth by County

- **Overall growth of 3% YOY**



County	TIV (in millions)	YoY Growth %
Aransas	4,438	1.1%
Brazoria	25,847	4.4%
Calhoun	1,841	2.5%
Cameron	5,082	-2.6%
Chambers	4,517	5.7%
Galveston	42,851	2.4%
Harris	2,081	2.0%
Jefferson	12,830	2.3%
Kenedy	10	2.0%
Kleberg	431	5.3%
Matagorda	2,247	3.0%
Nueces	22,182	1.9%
Refugio	183	2.9%
San Patricio	3,937	4.8%
Willacy	167	1.9%

7B. Reserve Adequacy

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: October 26, 2026

TO: David Durden
General Manager

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

RE: TWIA Reserve Adequacy as of September 30, 2026

The TWIA actuarial staff has completed a review of Texas Windstorm Insurance Association loss and loss adjustment expense reserves as of September 30, 2026.

As of September 30, 2026, TWIA carried $139.6 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, Hurricane Beryl, and all other outstanding claims.

The estimate of ultimate gross loss & expense associated with Hurricane Beryl has been reduced to $535 million. TWIA actuarial staff will continue to monitor the development of claims associated with this event and update the ultimate estimate as necessary going forward. The selected ultimate gross loss & expense estimate for Hurricane Harvey has also been reduced, to $1.650 billion.

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

JM

7C. Status of Filings

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: October 26, 2026

TO: David Durden
General Manager

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

RE: Status of Filings

The TWIA Board of Directors directed staff to make two filings at its August 4, 2026 meeting.

TWIA made its annual rate filing for no change in TWIA rates as directed by the Board. Because this filing was not for an increase, no specific approval from TDI was required.

TWIA also filed for changes to its maximum statutory limits as directed. The Commissioner issued an order approving changes to the maximum limits for manufactured homes and disapproving changes to all other limits. Following are the maximum statutory limits approved for 2027:

	Current 2026	Approved 2027	% Change
Dwellings and individually owned townhouses	$1,773,000	$1,773,000	0.0%
Manufactured Home	$119,000	$123,000	3.4%
Contents of an apartment, condominium, or townhouse	$374,000	$374,000	0.0%
Commercial structures and associated contents	$4,424,000	$4,424,000	0.0%

JM

7D. Catastrophe Modeler RFP

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: October 26, 2026

TO: David Durden
General Manager

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

RE: Request for Proposals for Catastrophe Modeler

As discussed at the August 4, 2026 TWIA Board of Directors meeting, TWIA has completed a request for proposals (RFP) for its catastrophe modeler. As a result of that process, TWIA recommends that the TWIA Board of Directors formally award the catastrophe modeler role to Howden Re.

The RFP was issued on August 10, 2026, with a response deadline of September 18, 2026. TWIA received three responses: Aon, the current vendor; Howden Re; and Juniper Re. An evaluation committee comprising members of the executive leadership team and other subject matter experts evaluated the responses across three areas: the experience and background of the proposed vendor team, the services provided as part of the response, and the overall cost of each proposal. Additionally, the evaluation committee met with representatives from Howden Re and Juniper Re and requested a best and final offer from each of the three respondents. The evaluation committee found:

- All three respondents have experience modeling for TWIA or other, similar residual markets;
- All proposals exceeded the minimum standards across all three evaluation areas; and
- All respondents would be able to provide catastrophe modeling services at an exceptional level

In its initial review, the evaluation committee scored the response from Aon slightly higher than the other two respondents. However, after taking into consideration the best value to TWIA, the evaluation committee unanimously recommended Howden Re. The proposal review process, findings, and recommendation have been reviewed and approved by TWIA General Manager David Durden.

In order to provide Howden Re an opportunity to present up to date information on the catastrophe models and other relevant information, staff recommends the Board schedule an interim meeting prior to its regularly scheduled February 2027 meeting to finalize the methodology for determining the statutorily required one-in-50-year probable maximum loss (PML).

JM

8. Internal Audit Status Report

Texas Windstorm Insurance Association
Proposed Internal Audit Plan

MEMORANDUM

TO: The Board of Directors - Texas Windstorm Insurance Association
FROM: Dan Graves, Weaver - Internal Audit
DATE: November 10, 2026
SUBJECT: Status of Internal Audit Activities

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

- **Upcoming Audits and Activities:**

Activity Description	Status
Fraud Claims	In progress
Accounts Payable	Reporting
Follow-Up Procedures	In progress
Underwriting and Policy Services	Reporting
Cash Management – Limited Annual Procedures	Reporting
Risk Assessment Update	In progress

- **Summary of Open Findings:**

Weaver will perform validation procedures to evaluate whether corrective actions taken by management sufficiently remediate the following open findings:

Actuarial 2023

- Document management review of the Schedule P reconciliation and establish defined variance thresholds
- Establish and retain documented evidence of management review and approval of quarterly IBNR calculations prior to financial posting
- Establish a documented reconciliation process with variance thresholds, explanations, and management sign-offs for differences between internal actuarial estimates and the independent actuary's report

9. HB 12 Efficiency Audit

MEMORANDUM

TEXAS WINDSTORM INSURANCE ASSOCIATION

DATE: November 1, 2026

TO: David Durden, General Manager

FROM: Jessica Crass, Vice President, Legal & Compliance

RE: Efficiency Audit

Attached please find *An Efficiency Audit of the Texas Windstorm Insurance Association*, SAO Report No. 27-009. The State Auditor's Office contracted with Weaver and Tidwell, L.L.P. (Weaver) to conduct this audit in accordance with Texas Government Code, Chapter 327.

Background and Applicability

The Texas Legislature recently enacted a law (House Bill 12, 89th Texas Legislature, Regular Session) requiring state agencies to undergo a new efficiency audit by the State Auditor's Office. Texas Windstorm Insurance Association was determined to be subject to this review process because the new law applies to entities expressly made subject to the Texas Sunset Act (see Tex. Gov. Code 327.001(6)). Under Texas Insurance Code 2210.002(b), TWIA is subject to review under the Texas Sunset Act, though it cannot be abolished under that law.

Review Scope and Process

A team of Weaver staff conducted the audit on behalf of the State Auditor's Office, across a broad swathe of categories, including: strategic planning, financial resources, operations, personal and real property, technology, staffing, and performance measures and reporting. Association staff provided documentation and met with Weaver staff to discuss these topics and Weaver's questions following their review.

While the impetus for this audit centers around the use of state funds, and whether those funds are being utilized efficiently across these broad categories of operations, the Association notes that its sources of funding as outlined in Texas Insurance Code 2210 do not include the state's general revenue fund.

Results and Next Steps

Auditors did not identify any duplication, overlap, or conflict with other state agencies or misalignment between the Association's rules in the Texas Administrative Code and its statutory authority and mission.

Weaver identified one opportunity for improving efficiency related to the Association's depopulation program—specifically how the Association defines a successful depopulation outcome and how it reports depopulation results.

The Association agreed to implement Weaver's recommendation and provided an implementation plan, as noted in the attached report. Staff will work with the Board to effectuate this plan by December of 2027. We selected this implementation timeline to allow staff sufficient time to gather data and engage with the Board, as well as to allow the Texas Legislature through its upcoming 90th Session the opportunity to address the Board's recommendation related to the depopulation programs as presented in its Biennial Report.

Legislative Requirement:

An Efficiency Audit of the Texas Windstorm Insurance Association

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

October 15, 2026

Members of the Legislative Audit Committee:

The State Auditor's Office contracted with Weaver to conduct an efficiency audit of the Texas Windstorm Insurance Association (Association), as required by Texas Government Code, Section 327.002. Texas Government Code, Section 327.003, allows the State Auditor's Office to contract with an external auditor to conduct these audits.

Weaver determined that the Association could improve the efficiency of its depopulation programs[1] by clearly defining success criteria and annual targets for the programs, with input from its Board of Directors, and strengthening periodic reporting of results to help oversight entities assess the programs' performance.

Weaver did not identify any duplication, overlap, or conflict with other state agencies or misalignment between the Association's rules in the Texas Administrative Code and its statutory authority and mission.

The Association provided an implementation plan, which is presented on page 7 of the attached report. Overall, the Association agreed to implement Weaver's recommendations.

Sincerely,

Lisa R. Collier

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

cc: The Honorable Greg Abbott, Governor
Members of the Texas Windstorm Insurance Association Board of Directors
Mr. David Durden, General Manager, Texas Windstorm Insurance Association

[1] The depopulation programs provide Association policyholders with alternative options for wind and hail insurance in the private market.

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TEXAS GOVERNMENT EFFICIENCY AUDIT

An Efficiency Audit of the Texas Windstorm Insurance Association

weaver
Assurance • Tax • Advisory

Prepared under contract with the Texas State Auditor's Office

TWIA Efficiency Audit | October 2026



Executive Summary

- **Background | p. 4**
- **Audit Objective | p. 8**

To address the requirements in Texas Government Code, Section 327, under the authority of the Texas State Auditor's Office, Weaver and Tidwell, L.L.P. (Weaver) reviewed the Texas Windstorm Insurance Association's (TWIA or the Association) use of funding resources in the following areas: strategic planning, financial resources, operations, personal and real property, technology, staffing, and performance measures and reporting. This audit was conducted in accordance with Texas Government Code, Sections 327.

The audit identified one Opportunity for Efficiency related to TWIA's depopulation program, specifically how TWIA defines a successful depopulation outcome and how it reports depopulation results.

The audit did not identify duplication, overlap, or conflict between the Association's activities and those of other state programs.

Summary of Results:

Opportunities for Efficiency: Items that present efficiency opportunities that reside within the TWIA operating environment and that TWIA has the standing and authority to act upon.

Results at a Glance

Opportunities for Efficiency

1

Depopulation reporting could be improved by defining what program success looks like and presenting results in context.

Figure 1. Results at a Glance, Opportunities for Efficiency



Opportunities for Efficiency:

The Texas Windstorm Insurance Association has an opportunity to improve efficiency by:

- Defining more clearly what a successful depopulation outcome looks like and strengthening periodic depopulation reporting. TWIA should establish success criteria with its Board of Directors and, where appropriate, annual targets. TWIA should also present depopulation results in context, showing multi-year trends against those criteria together with the market conditions affecting carrier participation.

Summary of Management's Implementation Plan:

Auditors made recommendations to address the inefficiency identified during this audit (see Page 6). Management agreed with the recommendation and provided information on the planned implementation of the corrective action (see Management's Implementation Plan starting on Page 7).



Background

Texas Windstorm Insurance Association

The Texas Windstorm Insurance Association (TWIA or the Association) is the residual insurer of last resort for wind and hail coverage in 14 first-tier coastal counties and the portion of Harris County east of Highway 146. The Legislature created the Association in 1971 and TWIA operates under Texas Insurance Code, Chapter 2210. TWIA is a not-for-profit insurance company and does not receive state general revenue. It is funded through policyholder premiums, with catastrophe losses covered by the Catastrophe Reserve Trust Fund, member assessments, state financing arrangements, and reinsurance. Texas Insurance Code, Section 2210.002(b), expressly makes the Association subject to review under the Texas Sunset Act. A nine-member Board of Directors appointed by the Commissioner of Insurance governs the Association, composed of three members residing in the first-tier coastal counties, three residing outside the catastrophe area, and three insurance industry representatives.

Texas Insurance Code, Chapter 2210, Subchapter O, directs the Association to administer a depopulation program that encourages the transfer of Association policies to insurers through the voluntary market or assumption reinsurance. TWIA therefore administers the program through two channels, the *Assumption Reinsurance Depopulation Program* and the *Voluntary Market Depopulation Program*.

Texas Windstorm Insurance Association at a Glance

Residual wind and hail market for the Texas coast, created by the Legislature in 1971

9 **Board Members** Three coastal, three outside of catastrophe area, three industry representatives	**233** **Employees** Active roster as of June 2026	**286,251** **Policies in Force** As of March 31, 2026
Exposure Profile | Approximately **$127.1** billion in direct exposure as of **March 31, 2026**		
Coverage Area 14 first-tier coastal counties and part of Harris County east of Highway 146	**Funding Sources** Operations: Policyholder premiums, Losses: Catastrophe Reserve Trust Fund, member assessments, state financing arrangements, and reinsurance	**Written Premium** $162.0 million through March 31, 2026; $812.1 million projected for 2026
Depopulation Programs | Assumption Reinsurance and Voluntary Market, authorized under Chapter 2210, Subchapter O		

Figure 2. Texas Windstorm Insurance Association organizational and program profile.



Detailed Audit Results

The detailed result of this audit is presented below as an Opportunity for Efficiency. The Appendix describes the resource and operational areas evaluated during the audit and the procedures Weaver performed within each area.

Opportunities for Efficiency:

OPPORTUNITY 1

TWIA Should Define Depopulation Program Success and Strengthen Depopulation Reporting

TWIA administers its depopulation program in two parts. Under the Assumption Reinsurance Depopulation Program, participating private carriers assume selected books of TWIA policies through annual rounds. Under the Voluntary Market Depopulation Program, which runs continuously, participating carriers authorized under program requirements make offers to individual TWIA policyholders, and each accepted offer moves that policy to the private market. Participation in both channels is elective. The Association administers the program, processes the transfers, and publishes the results, but the volume the program produces depends on decisions made by private carriers that TWIA does not control.

Since inception, the Voluntary Market Depopulation Program has bound 4,854 policies, while the Assumption Reinsurance Depopulation Program has transferred 16,051 policies across six completed rounds. The table below presents assumption round results by program year, as reported in the Association's depopulation quarterly reports.

Program Year	Participating Carriers	Policies Selected	Agent-Approved Offers	Policies Assumed
2016-2017	4	102,171	18,047	11,164
2017-2018	3	109,356	3,091	1,634
2018-2019	2	75,039	3,967	2,080
2019-2020	2	64,380	1,866	1,002
2021-2022	1	32,318	210	125
2022-2023	1	31,959	79	46
2023-2024 through 2026-2027	0	None	None	None
Total policies assumed				**16,051**

Figure 3. Assumption Reinsurance Depopulation Program results by program year, as reported in the Association's depopulation quarterly report for the first quarter of 2026. No round was conducted for the 2020-2021 program year.

Both programs remain open and administered, but neither has produced any movement of policies to the private market in recent years. Under the Voluntary Market Depopulation Program, the cumulative policies bound has remained unchanged at 4,854 in every quarterly report from December 31, 2022 through the quarter ended March 31, 2026. As of March 31, 2026, no carriers are approved to make active offers.



Under the Assumption Reinsurance Depopulation Program, the last round with carrier participation was Round 6, covering the 2022-2023 program year, which transferred 46 policies effective March 1, 2023. No carrier has submitted an application for rounds 7 through 10, covering program years 2023-2024 through 2026-2027.

The Association's published 2026-2028 Strategic Plan does not address depopulation, and depopulation does not appear in the Performance Measures by Department schedule or in the Operational Dashboard as of December 31, 2025. Depopulation is reported to the Board through a recurring statement within the quarterly financial report, supplemented by a dedicated underwriting agenda item when a round is active. Since program activity ceased, that reporting has consisted of a single recurring sentence noting that no carriers are registered to participate. Within this framework, TWIA can strengthen accountability for the depopulation program by working with the Board to define success, establish clear success criteria, and, where appropriate, set annual targets that reflect progress.

Board reporting is the primary vehicle by which TDI, TWIA's Board, and the public assess program performance. Our review of the depopulation performance data presented across the Association's annual reports, quarterly reports, and Board materials indicates that presentation of the program's results could be strengthened. Results are currently reported as cumulative counts at a point in time, without multi-year trends or the market context that would allow a reader to have more comprehensive data for better understanding.

In a coastal market where market conditions have limited carrier participation, several program years with no policy movement may reflect conditions outside of TWIA's control, though neither the market conditions nor TWIA's expectations for the program appear in the reports. Defining program success and reporting depopulation results in context would allow TWIA to demonstrate the program's performance. It would also give management, the Board, TDI, and the public an understanding of how the program is performing and what plans exist to improve its design, particularly when private-market conditions limit new activity.

Recommendations

TWIA should:

- Define success with the Board by establishing qualitative success criteria to benchmark and, where useful, annual targets that reflect realistic progress and carrier engagement in today's environment.
- Strengthen reporting by presenting multi-year depopulation trends against the defined criteria and/or measures, together with information on the market conditions affecting carrier participation.



- Revisit the program framework periodically as coastal market conditions change, so that the program's design continues to reflect what is achievable in the current coastal market.

Management Implementation Plan

Management appreciates the review and supports the efficiency opportunity identified. TWIA notes that while depopulation outcomes depend on voluntary participation by private insurers, agents, and policyholders, staff will recommend establishing success criteria with its Board of Directors. TWIA will also strengthen its reporting on depopulation efforts by making this information a more visible part of its quarterly report reviewed and discussed by the Board at its quarterly meetings, and where appropriate, provide depopulation information within the context of market conditions.

Implementation Date: December 2027

Responsible Party: Vice President of Legal & Compliance



APPENDIX

Objective, Scope, and Methodology

Objective

The objective of this efficiency audit was to assess whether the Texas Windstorm Insurance Association administers selected resources and operations efficiently, consistent with applicable requirements and recognized best practices.

Scope

The audit scope included the Association's administration of wind and hail insurance operations from calendar year 2022 through calendar year 2025, as well as its use of resources for governance, workforce, facilities, information technology, procurement, performance measurement, and reporting during that period. We reviewed depopulation program data from program inception through March 31, 2026. Internal control was not significant to the audit objectives.

Methodology

We conducted this performance audit from March 2026 through September 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The phased approach through which Weaver planned and performed this audit, Planning, Fieldwork, Validation, and Reporting, is illustrated above.

Addressing the Audit Objective

To gather the information necessary to perform the audit procedures, we:

- Interviewed and conducted walkthroughs with Association leadership, department heads, and process owners to gain an understanding of TWIA's functions, activities and processes.
- Identified the relevant criteria:
  - Texas Insurance Code, Chapter 2210, including Subchapter O (depopulation programs), Section 2210.107 (Board objectives and annual reporting), and Section 2210.002(b) (Sunset review).
  - The TWIA Plan of Operation, the Association's published 2026-2028 Strategic Plan, and the Association's departmental performance measures.



- Reviewed the Association's depopulation quarterly reports from the third quarter of 2022 through the first quarter of 2026, the 2025 Annual Report and the 2026 Annual Report covering the period June 1, 2025, through May 31, 2026. We also reviewed the Board of Directors and committee minutes from February 2023 through November 2025.
- Analyzed Association-provided workforce and contractor rosters, budget-to-actual records, reinsurance placement documentation and procurement records.

Procedures Performed by Resource Area

Weaver evaluated the resource and operational areas within the audit scope by performing the procedures described below within each area.

Strategic Planning

We evaluated the Association's published 2026-2028 Strategic Plan, its mission, goals, objectives, and reviewed whether the strategic framework aligned with the statutory purpose and Board objectives established by Texas Insurance Code, Chapter 2210. We also compared the Board's mission and responsibilities with those of other related state agencies for consistency.

Financial Resources

We evaluated the Association's administrative cost ratio, the economy of its reinsurance placement, budget-to-actual results, and cost by function using Association financial records, Board financial reports, and the 2025 reinsurance wrap-up documentation.

Operations

We evaluated the Association's underwriting, claims, and depopulation processes through walkthroughs and document review, and evaluated the relationship between TWIA and the Texas FAIR Plan Association, whose coverages are mutually exclusive with TWIA coverage by statute.

Personal and Real Property

We reviewed the Association's facilities footprint and utilization, including its office locations and the space supporting the Association's workforce.

Technology

We evaluated the Association's information technology spending, its use of information technology contractors, and the technology supporting policy administration and claims.



Staffing

We evaluated the Association's use of workforce resources, including the mix of employees and contractors by department, hiring and turnover data, and contractor conversion activity using the Association's workforce and contractor rosters.

Performance Measures and Reporting

We evaluated the design and accuracy of the Association's performance measures, the timeliness and sufficiency of its statutory reporting, and the depopulation results presented in the Association's quarterly reports, annual reports, and Board materials. This area produced the results reported above.

Data Reliability

The reliability of the data used to support each result was assessed. The data was determined to be sufficiently reliable for the objective. The following data sources were relied upon, and each was reconciled or reviewed as appropriate:

- The Association's depopulation quarterly reports for the third quarter of 2022 through the first quarter of 2026 were traced quarter-by-quarter for cumulative voluntary market policies bound, participating carriers, and round status. The quarterly reports for the first and second quarters of 2025 were not available in the records provided. The December 31, 2024 and September 30, 2025 quarterly reports each reflect 4,854 cumulative policies bound. Because the unavailable quarters fall between identical reported totals, there was no net change in cumulative policies bound during that period.
- The 2025 and 2026 TWIA Annual Reports were compared against the quarterly reports for cumulative program results, carrier participation by program year, and program inception dates.
- TWIA Board of Directors and committee minutes from February 2023 through November 2025 were reviewed for depopulation reporting to the Board and for round identification.
- The Association's published 2026-2028 Strategic Plan, the Performance Measures by Department schedule, and the Operational Dashboard as of December 31, 2025 were reviewed for depopulation objectives, measures and targets.
- The Association's workforce and contractor rosters as of June 12, 2026 were used to determine the active employee count presented in Figure 2.

10. Underwriting Operational Review Update

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: October 15, 2026

TO: David Durden, General Manager

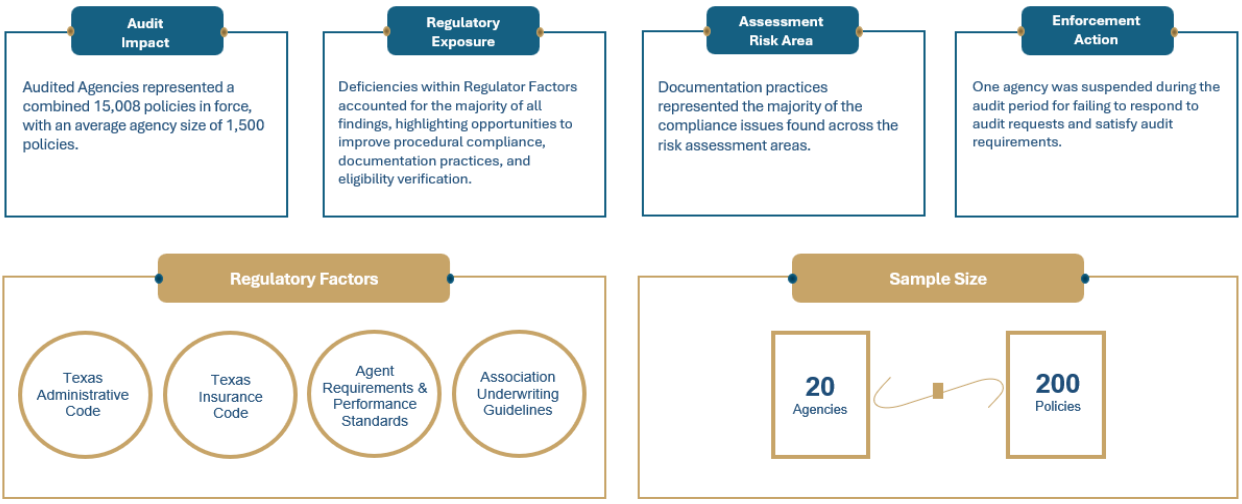
FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

Third Quarter 2026 Results

TWIA Underwriting Metrics	Monthly Summary				Quarterly Summary				YTD		
	Jul-26	Aug-26	Sep-26		Q1 2026	Q2 2026	Q3 2026		2026	2026	▲
% of New Business/Renewal policies issued in 10 Days	99.67%	99.64%	99.64%		99.99%	99.86%	99.65%		99.83%	90%	9.83
New Business Policies Issued	4,295	3,693	3,384		9,796	12,827	11,372		33,995		
Renewal Policies Issued	24,433	27,825	28,320		50,764	72,801	80,578		204,143		
Internal Underwriting Quality Control	99.00%	98.00%	99.00%		99.38%	99.00%	99.00%		99.13%	95%	4.13
Phone Service Level (calls answered in 20 seconds)	87.00%	87.00%	86.00%		89.33%	86.67%	86.67%		87.56%	80%	7.56
Number of Calls	15,995	16,208	15,325		63,127	45,864	47,528		156,519		
Internal Telephone Quality Control	98.00%	98.00%	98.00%		98.67%	98.00%	98.00%		98.22%	95%	3.22

TWIA Agent Audit Executive Summary



11. Claims
11A. Claims Operations

TWIA Claims Operations 2026

TWIA Claims - 2026 Q3 Results (year-to-date)					
Key Cycle Times (In days)	**Industry Average, TX**	**TWIA**	**TWIA Plan**	**Variance to Plan**	**% Variance to Plan**
Avg. Days - FNOL to TWIA Receipt - Daily	9.4	4.4	<7	-2.6	-37%
Avg. Days - FNOL to TWIA Receipt - Cat	9.4	4.2	<14	-9.8	-70%
Avg. Days - FNOL to ACV Payment - Daily	N/A	8.5	<12	-3.5	-29%
Avg. Days - FNOL to ACV Payment - CAT	N/A	8.1	<21	-12.9	-61%
TDI Complaint Ratio					
2025	0.52% - 53 complaints from 10,248 new claims				
2026	0.27% - 25 complaints from 9,135 new claims				

Year	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Actual Volume	540	415	376	436	3,782	608	603	806	772	587	2,358	1,277	766	525	1,467
Actuarial Projected	227	706	320	311	449	413	1,743	338	1,436	1,521	2,771	1,529	583	302	263
Staffing Plan	578	578	578	578	578	578	950	950	950	950	950	950	950	950	950
Open Inventory	17,257	15,618	14,230	13,628	15,696	14,886	11,904	9,154	8,196	7,601	8,951	9,078	8,538	7,991	8,349

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	**43,012**
2025	**10,248**
2026	**9,135**

TWIA - Claim Severity by Accident Year and LOB

Reported Claims by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Claims	% Δ	Claims	% Δ	Claims	% Δ
2022	4,414	-	59	-	4,473	-
2023	9,398	112.9%	174	194.9%	9,572	114.0%
2024	43,263	360.3%	952	447.1%	44,215	361.9%
2025	9,106	-79.0%	210	-77.9%	9,316	-78.9%
2026	6,744	-	92	-	6,836	-

Paid Amounts by LOB

Year	Residential		Commercial		GRAND TOTAL	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2022	$ 27,419,234	-	$ 1,447,225	-	$ 28,866,459	-
2023	$ 71,014,959	159.0%	$ 6,634,350	358.4%	$ 77,649,309	169.0%
2024	$ 449,682,015	533.2%	$ 55,460,901	736.0%	$ 505,142,916	550.5%
2025	$ 121,164,889	-73.1%	$ 14,898,314	-73.1%	$ 136,063,203	-73.1%
2026	$ 50,048,898	-	$ 1,482,596	-	$ 51,531,493	-

Paid Claim Severity by LOB

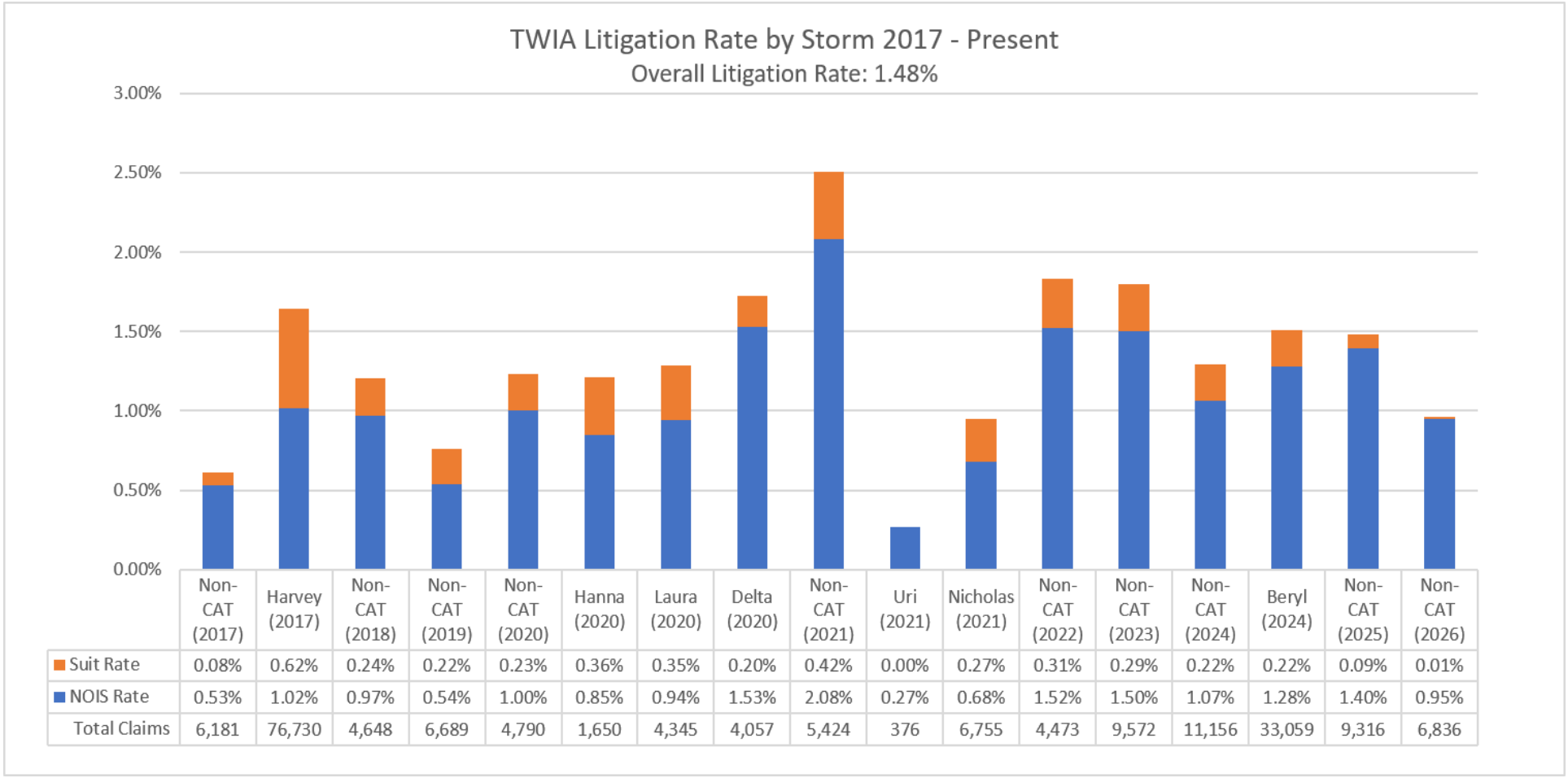
Year	Residential		Commercial		GRAND TOTAL	
	Severity	% Δ	Severity	% Δ	Severity	% Δ
2022	$ 6,212	-	$ 24,529	-	$ 6,453	-
2023	$ 7,556	21.6%	$ 38,128	55.4%	$ 8,112	25.7%
2024	$ 10,394	37.6%	$ 58,257	52.8%	$ 11,425	40.8%
2025	$ 13,306	28.0%	$ 70,944	21.8%	$ 14,605	27.8%
2026	$ 7,421	-	$ 16,115	-	$ 7,538	-

*Paid amounts exclude loss adjustment expenses and IBNR reserves

TWIA Tropical Storm Edouardo (9/1/26 - 9/3/26) as of 10/18/26	
Claims	**1,169**
Open	**911**
Closed	**258**
Paid Indemnity	**$4,853,730**
Paid Expense	**$800,356**

11B. Litigation Summary

TWIA Litigation Summary



	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)	Beryl (2024)	Non-CAT (2025)	Non-CAT (2026)
Suit Rate	0.08%	0.62%	0.24%	0.22%	0.23%	0.36%	0.35%	0.20%	0.42%	0.00%	0.27%	0.31%	0.29%	0.22%	0.22%	0.09%	0.01%
NOIS Rate	0.53%	1.02%	0.97%	0.54%	1.00%	0.85%	0.94%	1.53%	2.08%	0.27%	0.68%	1.52%	1.50%	1.07%	1.28%	1.40%	0.95%
Total Claims	6,181	76,730	4,648	6,689	4,790	1,650	4,345	4,057	5,424	376	6,755	4,473	9,572	11,156	33,059	9,316	6,836

- NOIS: Notice of Intent to Sue

TEXAS WINDSTORM INSURANCE ASSOCIATION

TWIA Litigation Tracking Activity

Litigation Quarter Summary

Third Quarter 2026

3rd Quarter 2026

Summary of TWIA Claims in Suit

	New	Settled	Closed
July	22	3	4
August	28	3	3
September	12	10	11
	62	16	18

3rd Quarter 2026

Summary of TWIA Claims with LORs

	New	Settled	Closed
July	51	13	50
August	25	8	40
September	45	6	71
	121	27	161

TEXAS WINDSTORM INSURANCE ASSOCIATION

TWIA Claims Litigation

September 2026

	TWIA Claims in Suit			
	Beginning Inventory	New	Closed	Ending Inventory
Sep-26	99	12	11	100
	Breakdown			
	Normal	3	3	
	Beryl 2024	9	0	
	Nicholas 2021	0	3	
	Jan-21	0	3	
	Delta 2020	0	1	
	Corpus Christi 2015	0	1	

	TWIA Claims with LORs				
	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory
Sep-26	718	45	71	12	680
	Breakdown				
	Normal	42	23	3	
	Beryl 2024	3	47	9	
	Nicholas 2021	0	1	0	

	TWIA Active Claims with Suits/LORs: Breakdown by Storm					
	Event	Total claims	Total Suits	Active Suits	Total LORs	Active LORS
Sep-26	Harvey 082517	76,730	482	0	1,105	0
	Nicholas 2021	6,755	21	1	115	1
	Laura 2020	4,345	17	0	181	0
	Delta 2020	4,057	11	0	154	1
	Beryl 2024	34,342	72	60	814	331

TEXAS WINDSTORM INSURANCE ASSOCIATION

Sep-26	TWIA Claims with Suits/LORs: Detail of Ending Inventory				
	Active Unsettled Claims				
	Suits		LORS		Total
	Residential	Commercial	Residential	Commercial	
	68	20	610	43	741

Sep-26	TWIA Claims with Suits/LORs: Detail of Ending Inventory				
	Settled & Funded (closing documents and final invoices pending)				
	Suits		LORS		Total
	Residential	Commercial	Residential	Commercial	
	9	3	26	1	39

Sep-26	TWIA Active Claims with Suits/LORs: Breakdown by County													
	Aransas	Brazoria	Calhoun	Cameron	Chambers	Galveston	Harris	Jefferson	Kleberg	Matagorda	Nueces	San Patricio	Willacy	Grand Total
	1	156	1	58	11	313	24	63	1	9	25	78	1	741

12. TWIA Operations
12A. IT Systems Update

TEXAS WINDSTORM INSURANCE ASSOCIATION

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: October 22, 2026

TO: David Durden, General Manager

FROM: Michael Eleftheriades, CIO / VP IT

RE: TWIA Information Technology Status

The following are key Projects that the Information Technology group is involved in:

Artificial Intelligence (AI)

- The Association has previously identified Artificial Intelligence as a technology for comprehensive attention in our Strategic Plans. A continuing AI Steering Committee was formed and is in place to govern, guide, and provide for the responsible adoption of Artificial Intelligence across the Association.

Authentication Software

- This project will replace the current on-premises authentication software, used for validation of registration and logins to the external portals (used by Agents and Policyholders), with a full-featured cloud-based customer identity solution. This project development phase was completed during Q3 2026 and deployment into production is on hold during the 2026 storm season. The target to go live is the end of Q4 2026.

General Status:

- Systems are functioning well with monthly maintenance releases deployed with business-critical work items selected and curated by the respective departments. These monthly maintenance releases included several residual functional changes that support the 89th Texas Legislation session.

12B. Communications and Legislative Update

TEXAS WINDSTORM INSURANCE ASSOCIATION

MEMORANDUM

DATE: October 21, 2026

TO: David Durden, General Manager

FROM: Anna Stafford, Director of Legislative & External Affairs

RE: Legislative & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) **Legislative Implementation Program:** Association staff continues efforts to implement bills enacted during last year's legislative session:

i. **Declinations, Cancellations, and Non-Renewals:** Texas Department of Insurance (TDI) has published an online tool allowing the public to search geographic data on declinations, cancellations, and non-renewals reported by residential insurers, including TWIA, under **House Bill 2067**. The tool is expected to be updated quarterly with data provided by insurers.

TDI reported at the October 5 House Insurance Committee hearing *(see below)* that the rules related to statistical reporting requirements for commercial policies for the bill will be finalized by the end of the year, with reporting to begin in 2027.

ii. **TWIA Catastrophe Funding Rules:** Association staff continues working with representatives from TDI, the Comptroller's office, and the Texas Treasury Safekeeping Trust Company on the rules, financial agreements, and processes to initiate and repay the state financing arrangement authorized under **House Bill 3689**.

b) **Texas Legislature Interim Activity**

i. **House Interim Hearing:** The House Insurance Committee held a hearing on its interim charges related to property and casualty insurance on October 5. TWIA was invited to provide testimony on the implementation of House Bill 3689. Questions from Committee members focused on the Legislative & External Affairs Committee's consideration of a proposal to recommend legislation limiting TWIA coverage to primary residences, the TWIA Board's composition, and the location of TWIA's office.

ii. **House Appointments to Windstorm Insurance Legislative Oversight Board:** House Speaker Dustin Burrows made appointments in August to the Windstorm Insurance Legislative Oversight Board. The Board is composed of members of the House and Senate and is charged by statute with monitoring the windstorm insurance market in Texas and producing a biennial report on its activities. The Speaker appointed Reps.

Ryan Guillen (Willacy County), Todd Hunter (Nueces County), Christian Manuel (Jefferson County), and Terri Leo Wilson (Galveston County) to new terms on the Board.

c) **Texas Department of Insurance Activity:** In August, Gov. Abbott sent a letter to Insurance Commissioner Amanda Crawford directing TDI to take certain actions to address the affordability of homeowners' insurance. Among actions taken by the Commissioner in response to the letter that are potentially of interest to the Association:

   i. TDI issued a bulletin emphasizing that companies should offer premium discounts for homes that have implemented mitigation measures for wind, hail, or wildfire.

   ii. TDI proposed revisions to its rules to clarify that insurers may not consider the age of individual components of a structure as an indicator for the condition of a structure when deciding whether to write or renew coverage. (This rule includes a provision allowing TWIA to require insured structures to meet building code standards.)

   iii. TDI has created a task force on insurance losses due to fraud. Stakeholders representing consumers and plaintiffs' attorneys have responded by calling for the task force to investigate claims practices they allege constitute fraud by insurers. The first meeting of the task force was held on October 19.

d) **Stakeholder Inquiries:** From July 1 to September 30, Legislative & External Affairs staff received and responded to four TWIA-related legislative and key stakeholder inquiries:

   i. An inquiry from the Speaker's office that included multiple questions about various aspects of TWIA's funding and coverage,

   ii. An inquiry from a legislator's office seeking assistance for a policyholder who needed a claim check reissued,

   iii. An inquiry from a policyholder with issues related to windstorm certification, and

   iv. An inquiry about legislative recommendations from the Insurance Council of Texas.

II. Agent Advisory Group (AAG)

a) The Q4 AAG meeting was held on October 12. Topics discussed included:

   i. Biennial review and proposed updates to the AAG charter;

   ii. The implementation status of legislative changes from the 2025 session;

   iii. A review of the October 5 House Insurance Committee hearing;

   iv. An update on the status of the 2026 Biennial Report process;

   v. The status of recent TWIA statutory filings with TDI;

vi. A recap of the August TWIA Board meeting, including the Board's request for more information on CRTF investment options and the Board's consideration of a staff report on agent commissions; and

vii. An update on Tropical Storm Edouard claims.

16. Future Meetings

February 23, 2027 – Moody Gardens Hotel Galveston