



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

Tremont House
2300 Ships Mechanic Row
Galveston, TX

August 8, 2023

The Following Board Members were Present:

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

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

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

The Following Guests Were Present:

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| 1. Jeff Jones | Weaver |
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The Following In Person Attendees Were Present:

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| 1. Ryan Brannan | Brannan Firm |
| 2. Tammie Caballero | City Bank |
| 3. Ryan Skrobarczyk | City of Corpus Christi |
| 4. Sally Bakko | City of Galveston |
| 5. Marie Robb | City of Galveston |
| 6. Miguel Rendon | Corpus Christi Regional Transportation Auth. |
| 7. Joey Walker | Gallagher Re |
| 8. Erik Stramblad | Galtex Pilots |

9. Jay Carnes	Galveston Chamber of Commerce
10. Jolene Kambhu	Galveston Chamber of Commerce
11. Darlene Lucchesi	Galveston Chamber of Commerce
12. Robert Evans	Galveston Chamber of Commerce
13. Gabrielle Maxwell	Galveston ISD
14. Keith Grey	GEDP
15. Linda Burton	Guest
16. Veronda Durden	Guest
17. Jim Wade	Guest
18. Mary Longoria	Guest
19. Abel Longoria	Guest
20. David Wilson	Guest
21. Paul Wendt	Guest
22. Tammy Malik	Guest
23. Paul Hosni	Guy Carpenter
24. Regan Ellmer	IIAT
25. Terrilyn Tarlton Shannon	Insurance Junction
26. E. Jay Sherlock	JS Edwards & Sherlock
27. Trace Finley	Port of Corpus Christi
28. Stacy Weber-Rubio	Realtor
29. Jesse Rubio	Realtor
30. Andrea Sunseri	Sand N' Sea Pearl Real Estate
31. Alicia Swartz	Sand N' Sea Pearl Real Estate
32. Julie Loreenwell	Sand N' Sea Pearl Real Estate
33. Alison Christensen	Sand N' Sea Pearl Real Estate
34. Andrew Herrell	Sen. Middleton's Office
35. Rep. Briscoe Cain	State Representative
36. Rep. Terri Leo-Wilson	State Representative
37. Chairman Todd Hunter	State Representative
38. Sen. Mayes Middleton	State Senator
39. George Taylor	Taylor Insurance
40. Beaman Floyd	TCAIS
41. Marianne Baker	TDI
42. David Muckerheide	TDI
43. Andy MacLarin	TDI

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

1. Geri Bentley	23. Minchong Mao
2. Katelyn Boehm	24. Travis McDavid
3. David Bolduc	25. Ruben O'Bell
4. Shirley Bowler	26. Leslie Olson
5. Brandon Campos	27. Anne ORyan
6. Jolene Chowdhury	28. Susan Parker
7. Ebony Cormier	29. Dan Paschal

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| 8. Ginny Cross | 30. Jennifer Prochaska |
| 9. Alex Donkervoet | 31. Jeff Rech |
| 10. Victoria Duncan | 32. Kenisha Schuster |
| 11. Nicole Elliott | 33. Eric Shaffstall |
| 12. Theresa Elliott | 34. Anna Stafford |
| 13. Allen Fulkerson | 35. Jocelyn Strong |
| 14. Jeff Gordon | 36. Aaron Taylor |
| 15. Sara Hays | 37. Clark Thomson |
| 16. Jarrett Hill | 38. Lucy Tiblier |
| 17. Kathy Kendrick | 39. Rep. Cody Vasut |
| 18. Randall Kopfer | 40. Joey Walker |
| 19. Rep. Morgan LaMantia | 41. Susan Zielke |
| 20. Max Largent | |
| 21. Lee Loftis | |
| 22. Lauren Lumsden | |

1. Call to Order: Ms. Franklin Womack called the meeting to order at 9:01 a.m. Board members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Mr. Durden asked for a moment of silence to mark the passing of Otie Zapp. Mr. Perkins presented the required conflict-of-interest disclosures on behalf of each board member. Ms. Donley reviewed the housekeeping items.
2. Approval of Minutes: The minutes from the May 23, 2023 meeting were reviewed. Ms. Neblett moved to approve the minutes as presented. Mr. Garrett seconded the motion. The motion passed unanimously.
3. TWIA Operational Dashboard: Mr. Durden reported the operational dashboard is meant to give an “at a glance” look at the Association. Exposure growth and policy growth has increased over the last quarter. Written and earned premiums are up. Claims activity is a bit higher. There was an error in the formatting of the claims disputes section. There were six TDI complaints. The disputes section should have read 46 and there were 10 lawsuits received. Mr. Durden reviewed the status of enterprise projects.
4. Public Comment: Ms. Donley reviewed the written public comments received before the meeting. One comment concerned agent commissions and 456 concerned the required annual rate filing. Verbal public comment was offered by Sen. Morgan LaMantia, Rep. Cody Vasut, Sen. Mayes Middleton, Rep. Terri Leo-Wilson, Rep. Briscoe Cain, Chairman Todd Hunter, Linda Burton, Paul Wendt, Sally Bakko, Ryan Skrobarczyk, Regan Ellmer, Miguel Rendon, Terrilyn Tarlton Shannon, Marie Robb and Jim Wade.
5. Financial:

- A. Report of the Secretary/Treasurer: Ms. Guard reviewed the Treasurer's Report. Ms. Neblett moved to approve the report. Mr. Garrett seconded the motion. The motion passed unanimously.
- B. Financial Statement Review by Staff: Mr. Harbour reported that direct written premiums for the second quarter were \$300.5 million, a variance of \$38.8 million from the second quarter budget of \$261.7 million. Direct earned premiums were \$273.2 million, a variance of \$9.7 million over the second quarter budget of \$263.5 million.

The 2023-2024 reinsurance program was inceptioned on June 1, 2023. Coverage for the 2023 hurricane season consists of \$1.2 billion of collateralized catastrophe bonds and \$1.043 billion of traditional reinsurance. Gross ceded premiums associated with the \$2.243 billion in coverage totaled \$204.4 million compared to a budgeted estimate of \$225.5 million. This total reflects an overall rate-on-line (ROL) of 9.1% compared to the 6.5% ROL for the 2022 program. The net cost of the reinsurance program after ceding commission was \$195.8 million. Reinsurance premiums ceded are recognized over the hurricane season beginning June 1 and ending on November 30 of each year.

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

Direct losses and LAE for the period January 1 to June 30 was \$80.9 million, a variance of \$2.7 million over the budget of \$78.2 million. Loss and LAE ratio was 29.6% with the budgeted amount being 29.7%. The ultimate loss and loss adjustment expense estimate for Hurricane Harvey remains at \$1.66 billion.

Operating expenses for the period January 1 to June 30 were \$16.8 million with the budgeted amount of \$18.1 million. The operating expense ratio for the quarter was 6.2%, which was slightly under the budgeted amount of 6.9%. Notable expense items under budget include personnel expenses (\$928,000), other professional services (\$260,000) and software purchases and licensing (\$357,000).

Commission expenses for the period January 1 to June 30 were \$48 million, a variance of \$6.1 million from the budgeted amount of \$41.9 million. Premium taxes were \$5.5 million, a variance of \$ 0.6 million over the budgeted amount of \$4.9 million.

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

Gross investment income for the period January 1 to June 30 was \$9.1 million, which was \$7.1 million over the budgeted amount of \$2.0 million. Net income for the period January 1 to June 30 was \$104.7 million. The amount in surplus improved over the prior year end amount due to the year-to-date net income of \$104.7 million. The increase in surplus was offset by \$80.2 million for the CRTF accrual and an increase of \$1.6 million in non-admitted assets which consists primarily of prepaid expenses and reinsurance.

- C. Investment of Trust Fund Balances (Texas Insurance Code Sec. 2210.4521): Mr. Harbour reported that SB 900 added the following requirement regarding the Catastrophe Reserve Trust Fund (CRTF):

At least once each 12-month period, the board of directors shall determine a balance for the trust fund that the board considers to be sufficient to meet the cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a).

Mr. Walenta moved that based on Association staff analysis and recommendation, the TWIA Board of Directors hereby determines that at this time the entire balance of the Catastrophe Reserve Trust Fund is required to be kept available to meet the cash flow requirements of the fund in funding the payment of insured losses as provided by Section 2210.452(a) of the Texas Insurance Code. Thus, staff is directed to notify the Texas Comptroller's Office that the fund balance does not exceed the sufficient balance as defined in statute. Mr. Garrett seconded the motion. The motion passed unanimously.

- D. Selection of Auditors/Accountants for 2023 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) were selected to continue in their role as the Association's independent auditor. Staff recommends the TWIA Board of Directors engage CTM for the upcoming audits and use them 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. Garrett 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. Ms. Neblett seconded the motion. The motion passed unanimously.

6. Agent Commission Study Update: Staff are on track to provide the TWIA Board of Directors with an update on the agent commission study at the December 12th board meeting.

Staff has selected a vendor, Information Technology Services (ITS) Consulting, Inc., to complete an agent policy issuance time study before the December board meeting. The time study will involve in-person visits to key agency stakeholders to measure their efforts to submit new and renewal residential policy applications following the implementation of the ELEVATE systems upgrade project in 2022. The conclusions of the time study will be reported to the board at the December 2023 meeting.

Staff also plan to provide updated data and policy system changes related to the ELEVATE systems upgrade, legislation passed in the recent legislative session which may impact agency workflows and other information relevant to the agent commission study for the board's consideration. Ms. Neblett asked if the update will include a statement from the independent agents showing they had time to study, review and respond to the study. Mr. Durden said that will be the case and the report will be submitted to them for their comments.

7. Actuarial:

- A. Policy Counts/Exposures: Policy counts are up year over year are up just over 20%. The growth is spread pretty evenly across the coast. Policy exposures are up 36%. That reflects limits on the new business coming in and renewals. Premium growth is just over 33%.
- 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, 2023.

The ultimate estimate for Hurricane Harvey remains at \$1.66 billion. The actual ultimate costs of Hurricane Harvey may differ substantially from the selected ultimate estimate due to variability in the adequacy of case reserves and the outcome of disputed claims.

As of June 30, 2023, TWIA carried \$73.6 million in total gross loss and loss adjustment expense reserves with approximately \$6,000 of the gross reserve ceded to carriers who have participated in the Association's Assumption Reinsurance Depopulation Program. The total gross loss and loss adjustment expense reserves include the reserves for Hurricane Harvey, Delta, Laura, Hanna, Nicholas and all other outstanding claims. Collectability risk has been

reviewed and found to be immaterial relative to total gross reserves.

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. Aon Contract – Notice of Termination: At the last TWIA Board of Directors meeting, staff was instructed to discuss contractual provisions contained in the Aon Statement of Work (SOW) under which they provide catastrophe modeling services to the Association. Specifically, the board asked staff to discuss the costs of the services provided, the automatic renewal provisions of the contract and the potential treatment of out-of-pocket expenses. Mr. Murphy and Mr. Durden met with representatives from Aon to discuss the contract. Ms. Neblett moved to continue with the contract as it is and make no changes. Mr. Garrett seconded the motion. Mr. Walenta said there is an issue as this is an evergreen contract. Mr. Murphy said the staff recommendation would be to do an RFP in 2026. Mr. Walenta asked if there is any way Aon will negotiate the contract, particularly for a lower fee. The motion passed with Mr. Walenta and Mr. Gerik voting no. The Aon contract review will be added to the August meeting agendas going forward.
- D. 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. There is a zero percent change across all structures because the indicated change for the period under review is negative. Mr. Garrett moved to accept the limits as presented. Ms. Neblett seconded the motion. The motion passed unanimously.
- E. Review of TWIA Staff Adequacy Analysis and Actuarial & Underwriting Committee Recommendations: Debbie King, Chair of the Actuarial & Underwriting Committee, provided a report of the committee's July meeting. The committee recommended a 5% increase for residential and an 8% increase for commercial to the TWIA Board of Directors.
- F. Required 2023 Annual Rate Filing: Mr. Walenta moved to accept the rate increases as proposed. Ms. Grossman seconded the motion. Ms. Grossman commented that she listened thoughtfully to the public comments but there is discussion to be had on economic impact on insurers. Companies have exited the market because of economic impact and paying for catastrophic losses. The board needs to consider what is happening in Louisiana and Florida, where carriers have exited the market. She believes the nominal increase is reasonable. The average premium is around \$2000, making a 5% increase \$100 to a policy. With that in mind, she is inclined to vote yes on the rate increase and thinks it is reasonable. Mr. Walenta said there is a need to start

capitalizing on the CRTF. Reinsurance is the life blood for TWIA and the CRTF needs to be repopulated. Ms. Neblett said there is still an increase to the premium even without a rate increase, whether it is MSB or increased value of homes.

A roll call vote was taken.

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

The motion did not pass due to a lack of a 2/3 majority, which is required for the board to initiate a TWIA rate increase filing with TDI. Ms. Neblett moved staff file for a zero percent rate increase. Mr. Garrett seconded the motion.

A roll call vote was taken.

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

The motion did not pass due to a lack of a simple majority, which is what is needed for the passage of this motion to proceed with the ministerial task of making a required filing with TDI consistent with the previous vote. Mr. Perkins said if anyone who voted no wants to change their vote, a motion could be put forth to reconsider the vote. The only path to staff making a rate filing is for someone on the winning side of the vote on the failed motion to make the filing to reconsider their vote. Staff will not be given any guidance on filing with TDI unless it comes through a board vote. With no instruction from the board there would be no basis for staff to make a filing. Mr. Garrett said the members need to do what is right as a board of directors. Mr. Gerik said he was willing to change his vote. Mr. Gerik moved to reconsider the motion that failed to instruct staff to make a zero percent rate filing with TDI. Ms.

Neblett seconded the motion.

A roll call vote was taken.

Georgia Neblett – Yes
Esther Grossman – Yes
Tim Garrett – Yes
Tony Schrader – Yes
Mike Gerik – Yes
Karen Guard – Yes
Peggy Guard – Yes
Ron Walenta – Yes
Chandra Franklin Womack – Yes

The motion passed unanimously.

Mr. Garrett moved to instruct staff to file for a zero percent rate increase by August 15. Ms. Neblett seconded the motion. Mr. Gerik asked that it be stated in the public record that five members voted initially for a rate increase and it is so noted here.

A roll call vote was taken.

Georgia Neblett – Yes
Esther Grossman – Yes
Tim Garrett – Yes
Tony Schrader – Yes
Mike Gerik – Yes
Karen Guard – Yes
Peggy Gonzalez – Yes
Ron Walenta – Yes
Chandra Franklin Womack – Yes

The motion passed unanimously.

8. Internal Audit & Status and Update: Mr. Jones reported that the current audit activities include facilities and services, accounts payable and expense processing, accounts receivable, depopulation, CAT plan tabletop exercises, underwriting, app development and database access, model audit rule and reinsurance funding. Upcoming audits include actuarial, communications, legal and compliance and plan of operation.
9. Underwriting Operational Review Update: For the second quarter, 97.85% of transactions were issued within 10 days of receiving the application and payment. Of those transactions, 73% were straight-through processed by the system and 27% were

referred by the system to underwriting for additional information, review and approval prior to issuance. Out of 99,326 calls for the quarter, 82.49% of the calls were answered under 20 seconds.

A standard sample of agencies (20) were selected for review in the second quarter of 2023 to verify compliance with the Texas Windstorm Insurance Association declination of coverage and flood insurance requirements. Of those selected agencies, 100% have completed their response. All policies/agents were compliant with the requirement for proof of declination of coverage. All policies/agents reviewed were 100% compliant with flood coverage requirements. Only 4.5% of policies selected/reviewed required flood insurance. All agents selected have an active property and casualty insurance agent license.

10. Claims:

- A. Claims Operations: First notice of loss to property inspection is averaging 3.4 days. Total cycle time of first notice of loss to payment for daily claims is 9.3 days and 9.4 days in a catastrophe. The historical claim volume for 2023 is 5,558. Mr. Walenta asked about the six complaints received in 2023. Mr. Williams thought they were from public adjusters or roof contractors and they are complaining about what TWIA paid or a possible denial.
- B. Claims Litigation: Ms. Crass reported that five new TWIA claims in suit were received during the second quarter and 16 were closed. For the second quarter, 74 new TWIA claims with letters of representation were received and 123 were closed. The majority of the active claims with suits and letters of representation were being held by the Furlow Law Firm and Baker Law. Ms. Grossman asked if staff is seeing new causes of action. Ms. Crass said her staff isn't seeing any new trends. They seem to be sticking with the traditional causes of action

11. TWIA Operations:

- A. IT Systems Update: Staff have started early preparations for the cloud conversion effort with individuals taking cloud training on Guidewire core applications. The team is in on-going discussions on infrastructure, such as tools and technologies, that will change with the move to the cloud. The project is still on track to start January 2024.

Since the last update to the board, staff have been focused on the issues which impact agent productivity and efficiency of the policy issuance process. The performance of print quote and commercial policy workflow have been improved and positive feedback has been received. This involved software and hardware changes, including code changes to PolicyCenter, portals and document processing systems. Additional hardware was added to support more concurrent processing. The plan is to monitor the performance and work on additional changes as needed.

Staff have added self-service capabilities for identity management to allow agents to perform certain functions without calling for assistance from the support team. This has led to an 80% reduction in expired password errors and reduced support calls to retrieve forgotten user names.

The team also continues to work with agents to get a better understanding of the usage scenarios and evaluate features requested by users. An example is the ability to generate multiple quotes with varying options.

Overall, TWIA systems continue in production support mode with a monthly cadence of releases and the infrastructure and operations team continues to support remote work with excellent quality. All technological efforts are on track.

- B. Legislative Affairs Update and Legislative Implementation: The regular session of the 88th Legislature concluded on May 29. Five bills affecting TWIA have been signed by the governor and will become law.

The Agent Advisory Group met on July 20th for its third quarterly meeting of 2023. Discussion topics included TWIA's 2023 rate adequacy analysis and the Actuarial and Underwriting Committee's rate filing recommendation, information about an agent policy issuance time study being completed as part of the agent commission study and the outcome of the 88th Legislative Session and next steps for implementing TWIA legislation. Ms. Franklin Womack asked for the communications report to be added back to the meeting materials.

12. Closed Session: There was no closed session.

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

14. Committees; Including Filling Actuarial & Underwriting Committee Vacancy(ies): Two members of the actuarial committee resigned. There are currently five members of the committee. TDI's statute only mentions an executive committee so it is up to the board if they want to add additional members. Mr. Gerik asked if the statute requires an actuarial committee and it does not. Ms. Franklin Womack said the board could think about this item as it appears on every agenda. If any members have any suggestions or recommendations, she will consider them.

15. Future Meetings:

- December 12, 2023 – Omni Hotel – Corpus Christi, TX
- February 20, 2024 – Moody Gardens Hotel – Galveston, TX

16. Adjourn: The meeting adjourned at 12:11 pm.

Prepared by: Amy Koehl
Senior Project Administrator

Approved by: Chandra Franklin Womack
TWIA Chair

Approved by: Georgia Neblett
TWIA Vice Chair