

Texas Windstorm Insurance Association Fact Book

Data & Information as of Q4 2024

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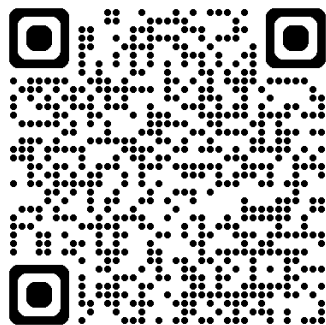
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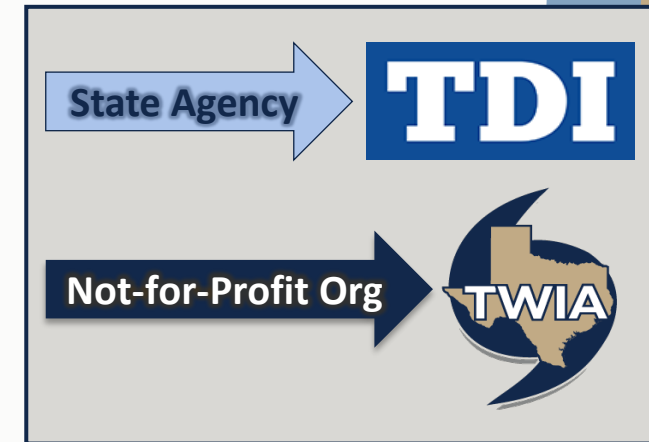
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What is TWIA?

- Established by Texas Legislature in 1971
 - In response to market constrictions on Texas coast after several hurricanes
 - TWIA's governing statute is Texas Insurance Code, Chapter 2210
 - Regulated by the Texas Department of Insurance (TDI)
- Residual Market Insurer – Market of Last Resort
 - Provide adequate market for wind and hail insurance on the Texas coast
 - Do not compete with the private insurance market
 - Provide coverage to those unable to obtain it in the private market
 - All property insurers authorized to write property insurance in Texas are members of TWIA
- Operate as a Not-for-Profit Insurance Company
 - Collect premiums, issue policies, pay claims
 - Annually deposit net gains into Catastrophe Reserve Trust Fund (CRTF)
 - Do not receive Texas General Revenue Funds
 - Not a State Agency





TWIA Governance

- **Regulated by the Texas Department of Insurance (TDI)**

- TDI adopts the rules to implement TWIA’s governing statute, Texas Insurance Code, Chapter 2210
- TWIA’s Plan of Operation is a TDI rule

- **Nine-member, Volunteer Board of Directors**

- Members Appointed by the Commissioner of Insurance
- Composed of 3 coastal, 3 inland, and 3 industry members
- Conflict of interest requirements apply to coastal and inland members

Name	Member Representation
Vacant	First-Tier Coastal Representative
Vacant	Insurance Industry Representative
Vacant	Inland Territory Representative
Vacant	Inland Territory Representative
Karen Guard	Insurance Industry Representative
Peggy Gonzalez	First-Tier Coastal Representative
Esther Grossman	Insurance Industry Representative
Greg Smith	First-Tier Coastal Representative
Tim Garrett	Inland Territory Representative

TWIA Facts & Figures¹

- As of December 31, 2024, TWIA insures 272,567 coastal properties.
- TWIA's total insured value is approximately \$113.7 billion (insured building and contents coverage).
- TWIA collected more than \$758 million in written premiums in 2024.
- The Association currently has 229 employees and 218 contractors.
- Comparing operating costs as a % of premium:
TWIA: 5.4% | TX Private Market: 9.7%² | 37 Residual Market Plans: 39.9%³
- TWIA is the largest residential allied lines writer in Texas⁴ and has the 3rd most policies in force of the 37 residual market plans behind Citizens of Florida and California FAIR Plan⁵.

¹ Data as of 12/31/2024

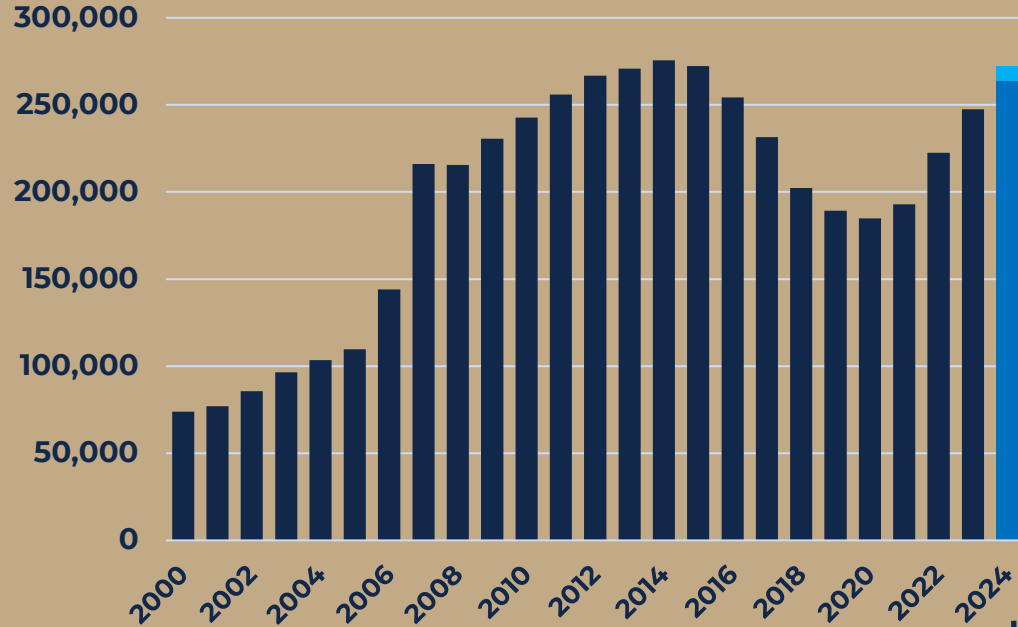
² From the State of Texas Insurance Expense Exhibits for Calendar Year 2023

³ Data for 37 US Property Insurance Plans as of 12/31/2023

⁴ Based on the TDI 2023 Property & Casualty Experience by Coverage & Carriers Report

⁵ Among the 37 US Property Insurance Plans

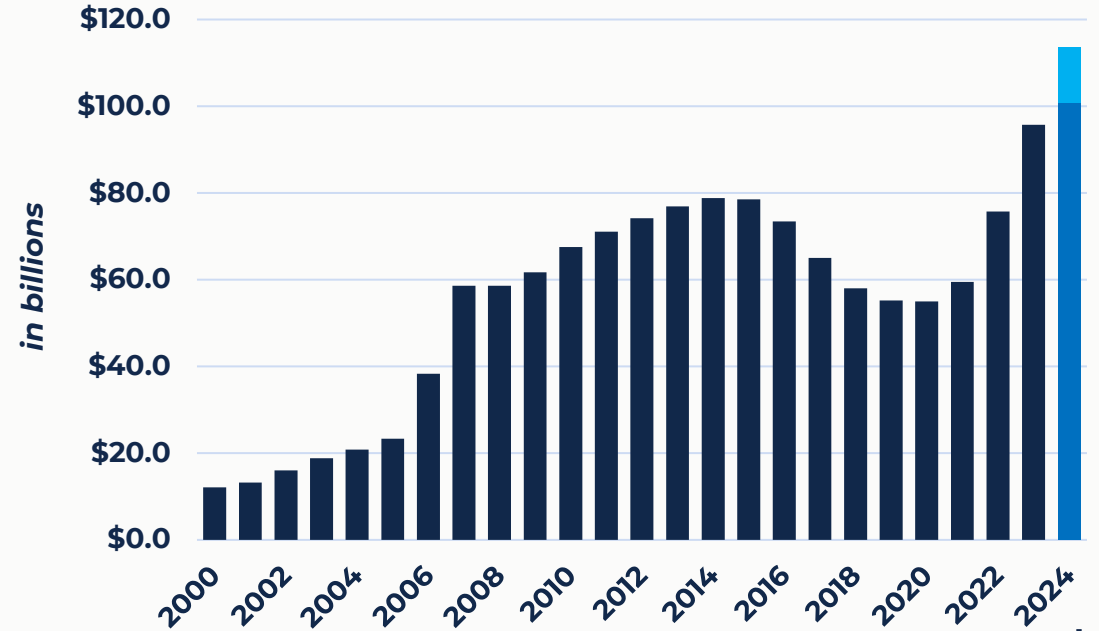
Policy Count



Q4 2024 Data:

Residential & Manufactured Homes: 263,973 ■
 Commercial & Governmental: 8,594 ■

Exposures

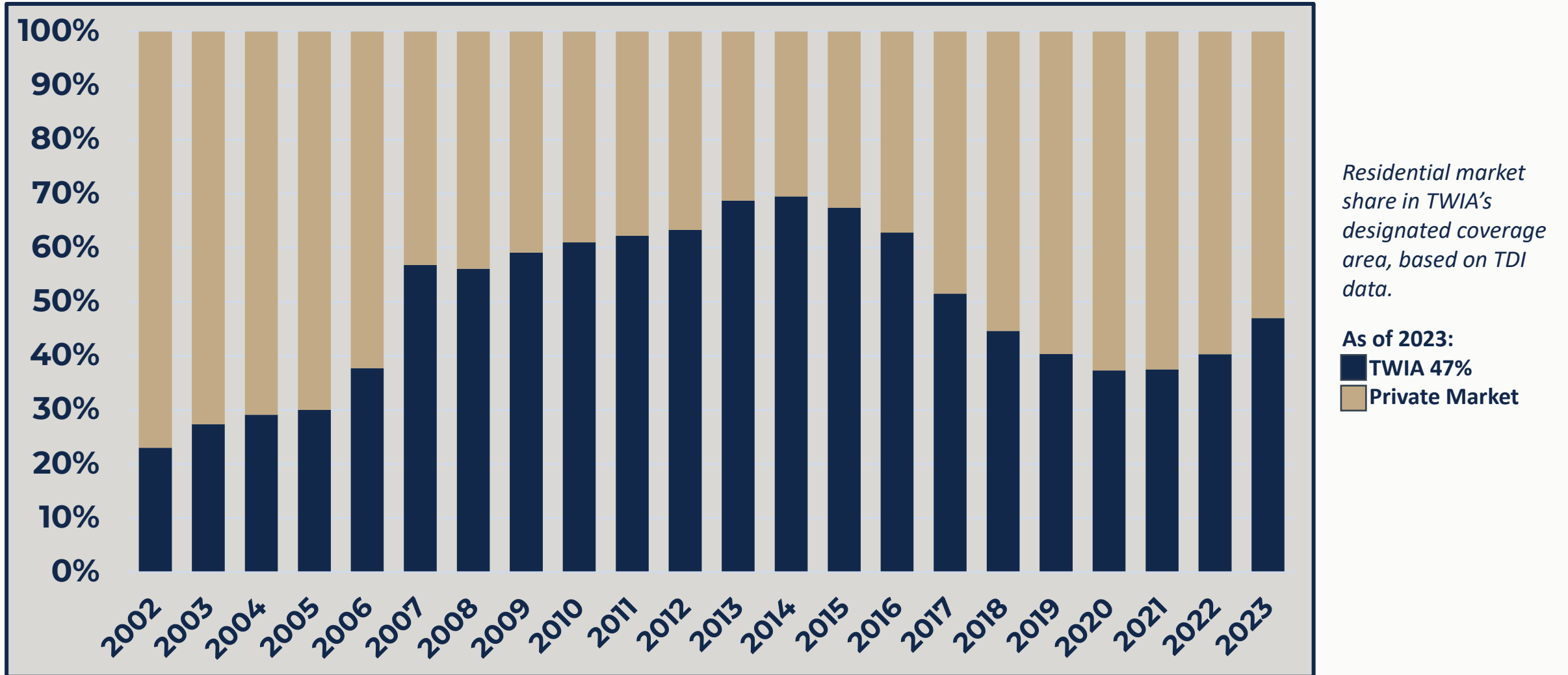


Q4 2024 Data:

Residential & Manufactured Homes: \$100.9B ■
 Commercial & Governmental: \$12.8B ■

- TWIA's policy count began rising in 2021 for the first time since 2014, suggesting private market coverage is becoming more difficult to obtain.
- TWIA added 25,000 policies in 2023 and 30,000 policies in 2024. TWIA's exposures increased approximately 27% in 2023 and approximately 19% in 2024.

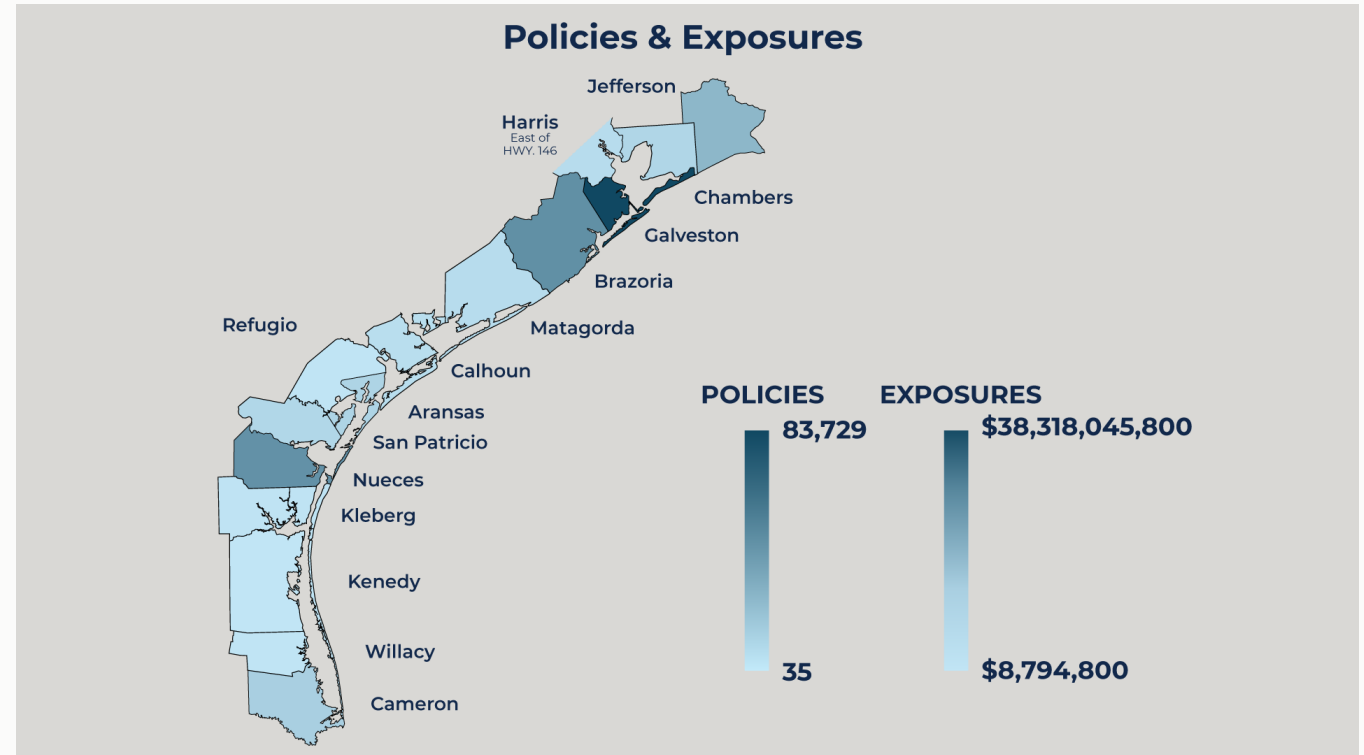
Market Share: TWIA vs. Private Market



Policy & Exposure Distribution by County

More than 50% of TWIA's exposures are in Galveston and Nueces counties.

County	Policies	Exposures
Aransas	8,626	\$4,034,089,800
Brazoria	52,243	\$21,539,650,800
Calhoun	4,672	\$1,654,444,600
Cameron	11,525	\$4,989,983,400
Chambers	7,955	\$3,660,109,400
Galveston	83,729	\$38,318,045,800
Harris	4,546	\$1,978,651,500
Jefferson	33,362	\$11,265,203,600
Kenedy	35	\$8,794,800
Kleberg	1,079	\$371,899,100
Matagorda	5,715	\$1,972,063,600
Nueces	48,979	\$20,246,591,500
Refugio	479	\$155,267,100
San Patricio	9,213	\$3,398,129,900
Willacy	409	\$152,515,500
Total	272,567	\$113,745,440,400



Eligibility Requirements

1. Properties must be **located in the area designated by the Commissioner of Insurance**
 - Includes the 14 first tier coastal counties and a portion of Harris County east of Hwy. 146
2. Applicants must have been **denied coverage** by at least 1 private market insurer actively writing wind and hail insurance in the 14 first tier coastal counties.
3. Policyholders in flood zones may be required to purchase **flood insurance**
4. Properties must comply with applicable **windstorm building code** requirements
5. Properties must be in an **insurable condition**



Maximum Liability Limits

- TWIA must file proposed changes to policy coverage limits with TDI by September 30 each year.
- Few policies are insured to the maximum limits available for each policy type TWIA covers.

The current maximum limits are:



Dwellings and individually owned townhouses:

\$1,773,000 | 0.3% Insured to Max Limit

Commercial structures and associated contents:

\$4,424,000 | 2.1% Insured to Max Limit



Manufactured homes:

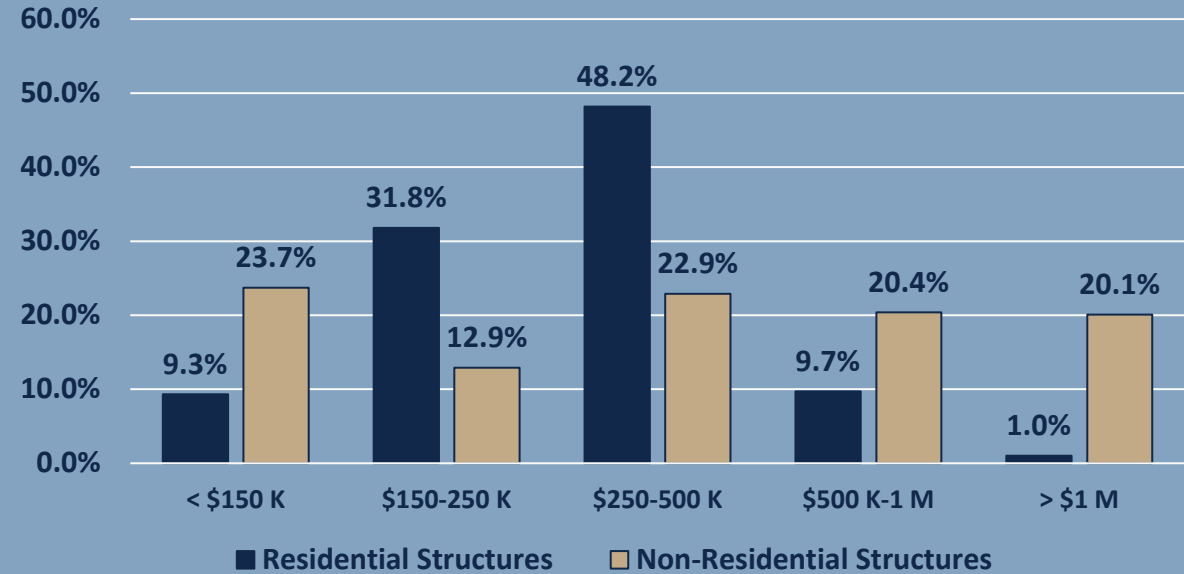
\$116,700 | 5.9% Insured to Max Limit

Contents of an apartment, condo, or townhouse:

\$374,000 | 1.2% Insured to Max Limit



Amount of Insurance Coverage



- The average amount of insurance for residential structures is \$316,089.
- The average amount of insurance for non-residential structures (commercial and governmental) is \$708,815.



How We Work with Insurance Agents

- **TWIA does not employ or contract with insurance agents**
 - Any TDI licensed insurance agent may register with TWIA
- **Agents:**
 - Submit policy applications to TWIA for their clients
 - Represent the policyholder in policy transactions
 - Handle policyholders' coverage questions and policy changes
- **Agent commissions**
 - 16% commission on residential and commercial policies
 - 12% commission on manufactured home policies

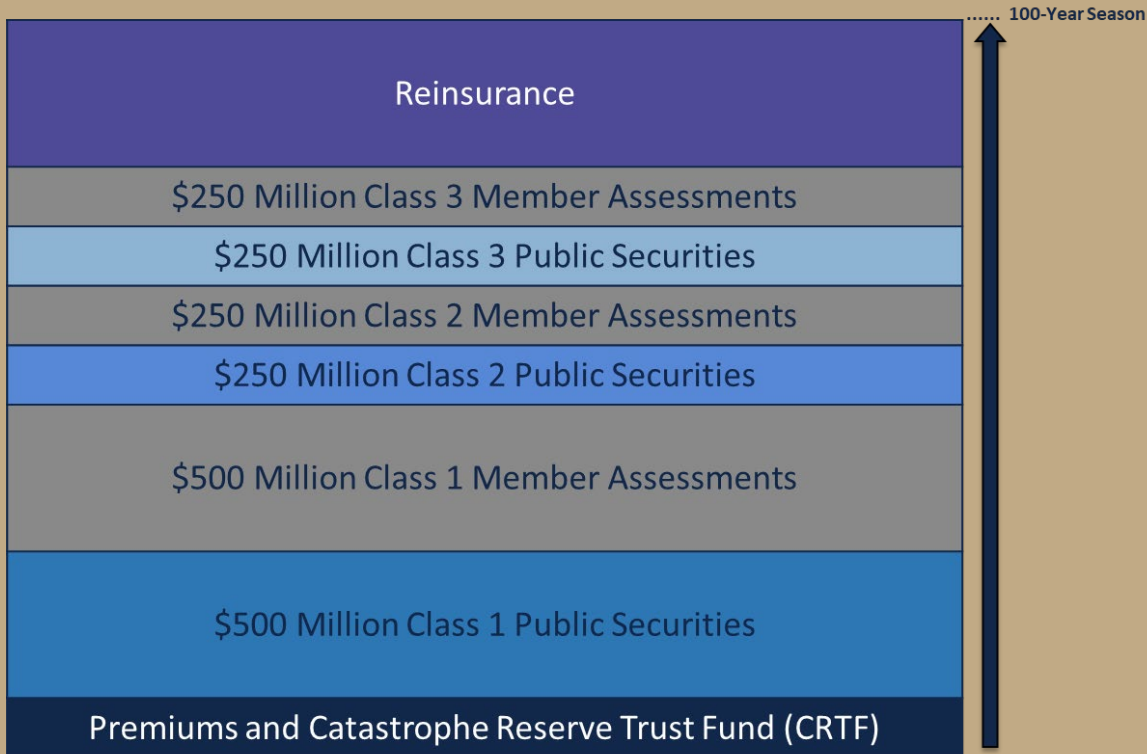


TWIA Funding Structure

- TWIA's funding structure provides the sources of funds to pay catastrophic losses from a single storm season.
- Total annual funding must equal, at a minimum, the probable maximum loss (PML) for the Association for a catastrophe year with a probability of one in 100.

Funding Sources and Order:

- **Premium and Other Revenue:** Premiums collected in the normal course of business.
- **The CRTF balance:** Account maintained by the Texas Comptroller for TWIA to save funds for future catastrophe claims.
- **Public securities:** TWIA may issue bonds to borrow money from private capital markets to pay claims.
 - Backed by TWIA revenue, not obligations of the state
 - Repaid by TWIA premiums and policyholder/coastal property surcharges
- **Member Assessments:** TWIA may charge assessments to Texas private-market property insurers to pay claims.
- **Reinsurance or Alternative Risk Financing:** Insurance coverage purchased by TWIA to ensure money is available to honor claim payments when catastrophic losses exceed current funds.
 - Reinsurance purchased using policyholder premiums and must be in an amount sufficient to meet the minimum required funding level
 - Member companies may be assessed for reinsurance purchased above the minimum required funding level of a 100-year storm season





Public Securities

- The Texas Public Finance Authority is authorized to issue, on TWIA's behalf, up to \$1 billion in public securities to fund TWIA losses.
- Public securities (or bonds) allow TWIA to borrow funds from the financial market to cover losses. The funds must be repaid over a maximum of 14 years.
- The sources of repayment are TWIA premiums, surcharges on TWIA policies, and, if necessary, surcharges on all property and auto policies in the designated catastrophe area.
- There are three different classes of public securities available in TWIA's funding structure, in differing amounts and with different sources of repayment.

Member Company Assessments

- TWIA has the authority to assess its member companies up to \$1 billion to fund losses.
- Member companies include all insurance companies authorized to write property insurance in Texas, with limited exceptions.
- These assessments are levied by the TWIA Board of Directors with approval by TDI.
- Member companies are not permitted to recoup the assessments through premium surcharges or tax credits.
- Payment of assessments is enforced by TDI, and there have, historically, been very few uncollected assessments.

Reinsurance Funding

- TWIA utilizes reinsurance and catastrophe bonds as part of its overall reinsurance program.
 - These are the last sources that may be accessed in TWIA's funding structure for the payment of hurricane losses.
- Current statute requires TWIA to purchase reinsurance to cover any losses in excess of the other funding sources up to the 100-year PML.
 - The cost of this reinsurance is paid directly from TWIA premiums.
- Funds from reinsurance and catastrophe bonds are available immediately after a qualifying event, as determined contractually.

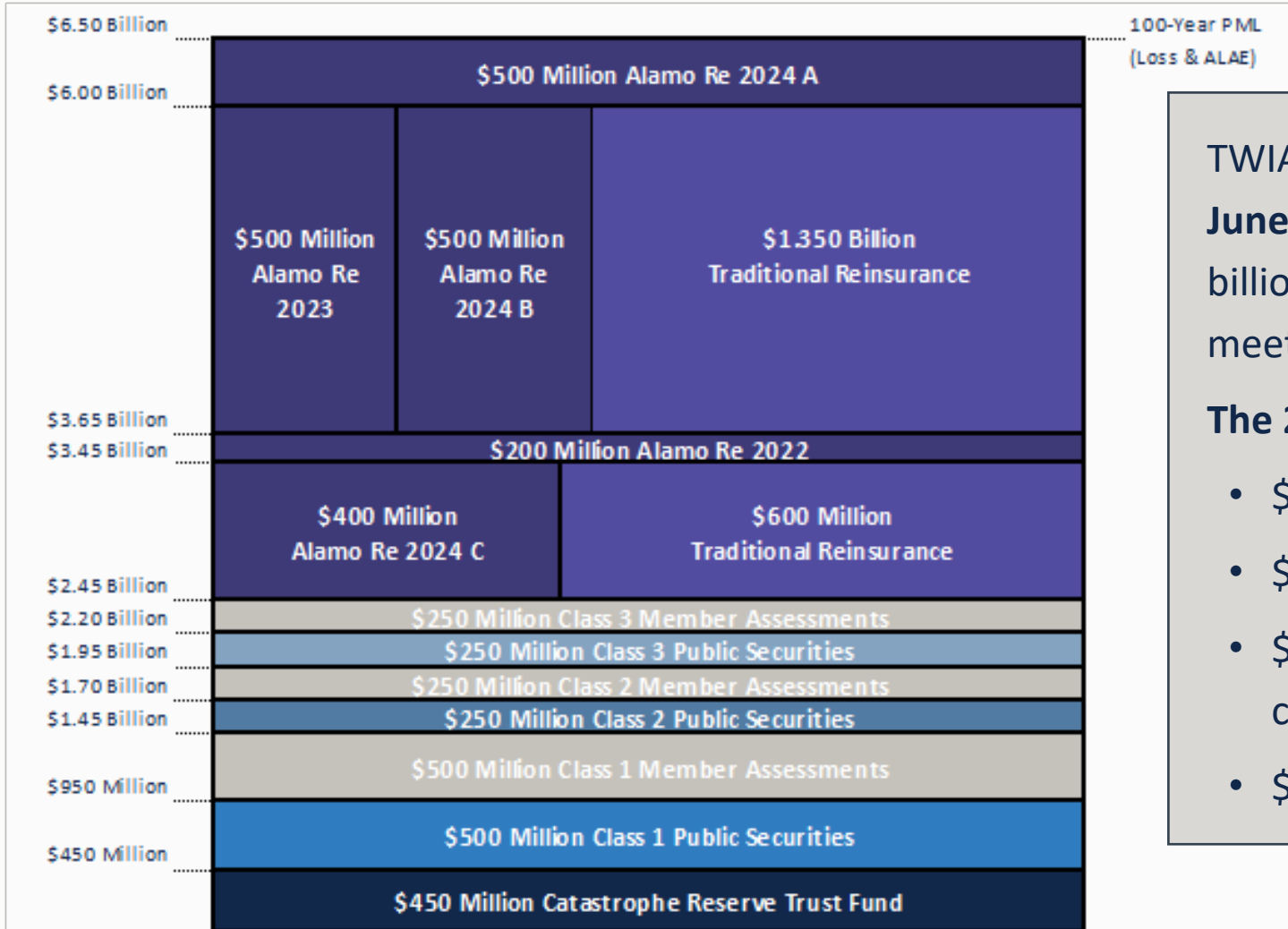
Traditional Reinsurance

Reinsurance is a form of insurance purchased by insurance companies from specialized reinsurance companies.

Catastrophe Bonds

Catastrophe Bonds are a form of collateralized reinsurance in which one or more investors provide the funding for the reinsurance amount in exchange for risk-based interest payments.

2024 Hurricane Season Funding

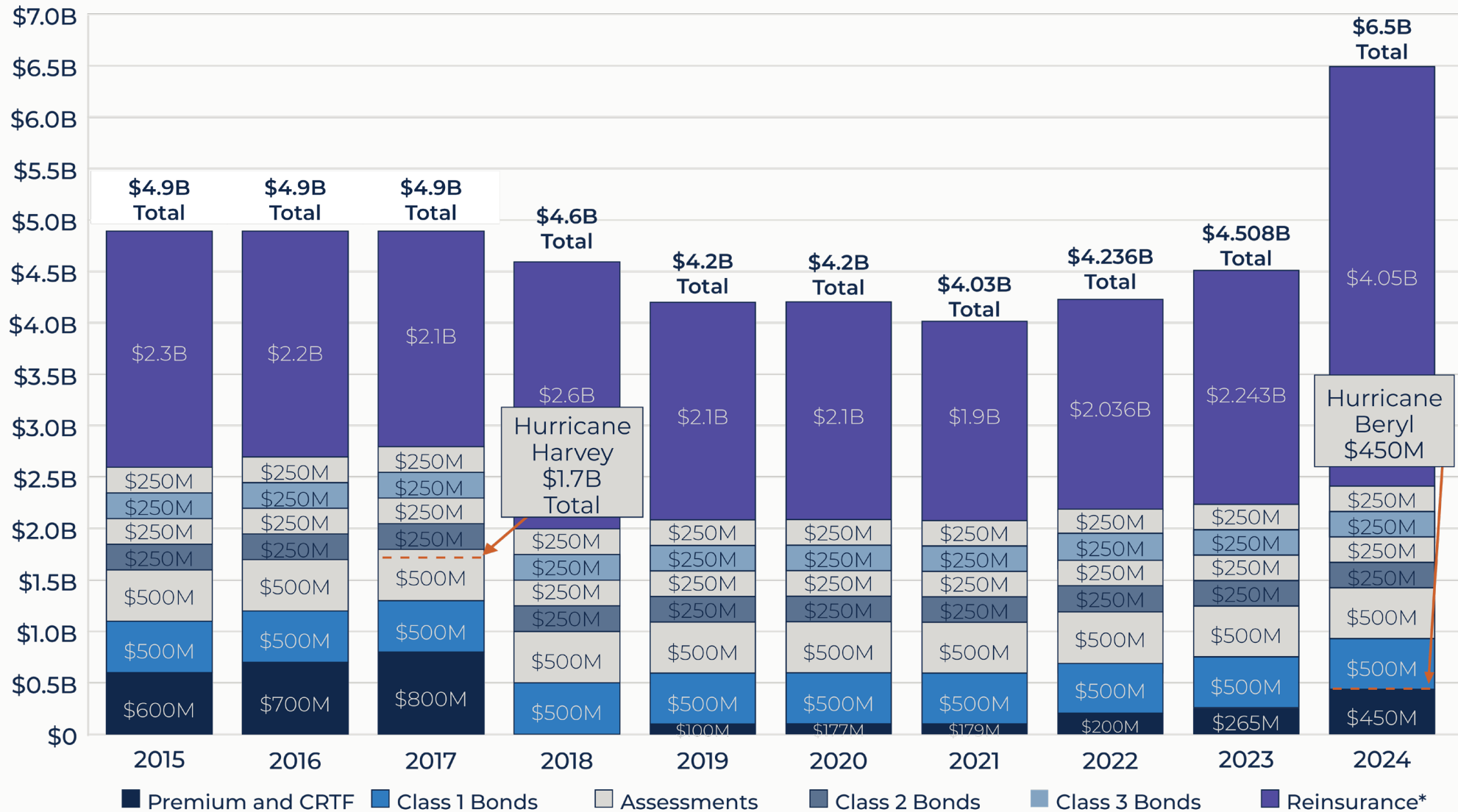


TWIA's 2024 reinsurance program is effective from **June 1, 2024, to May 31, 2025**, and provides \$6.5 billion in total aggregate funding, an amount that meets the statutory minimum funding requirement.

The 2024 reinsurance program includes:

- \$1.95 billion of traditional reinsurance
- \$2.1 billion in catastrophe bonds
- \$2.0 billion in public securities and member company assessments
- \$450 million projected in the CRTF

Historical Funding Comparison



* TWIA has not used reinsurance to cover storm losses since Hurricane Ike in 2008

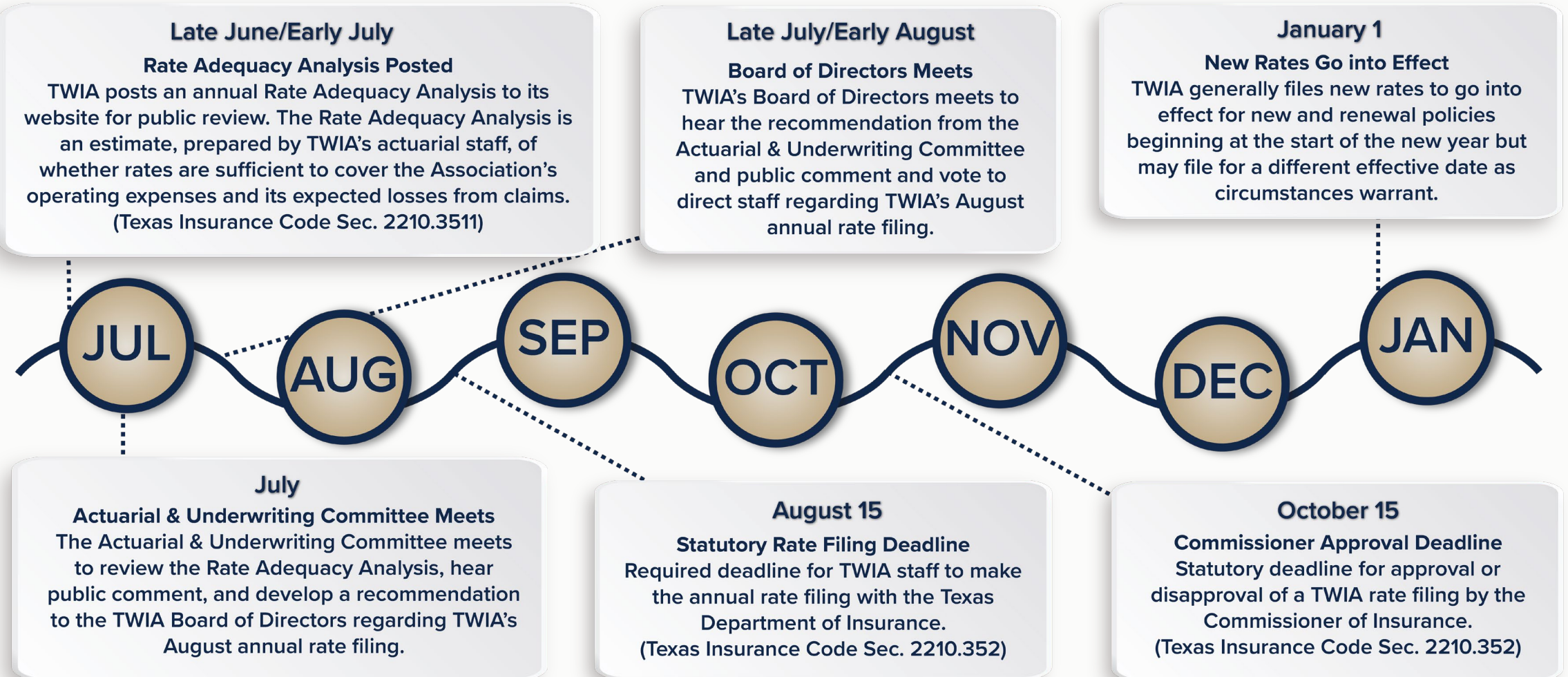
TWIA Rates

- By law, TWIA rates must be reasonable, adequate, not unfairly discriminatory, and non-confiscatory as to any class of insurer
 - Texas Insurance Code requires that all insurance carriers' rates must be "fair" and "just."
- TWIA must make an annual rate filing with TDI by August 15 each year
- All filings for a rate increase are subject to review/approval by the Insurance Commissioner

Procedural Requirements for TWIA Rate Filings

- 2/3 Board vote required to file a rate increase
- The Board may not vote on a proposed rate increase if there is a Board vacancy for 60 or more days
- Rate adequacy analyses considered by the Board must be posted to TWIA's website 14 days prior to the Board's rate filing vote
- Public comment must be accepted prior to the Board's vote
 - Public comment may be verbal or written

Annual Rate Filing Process

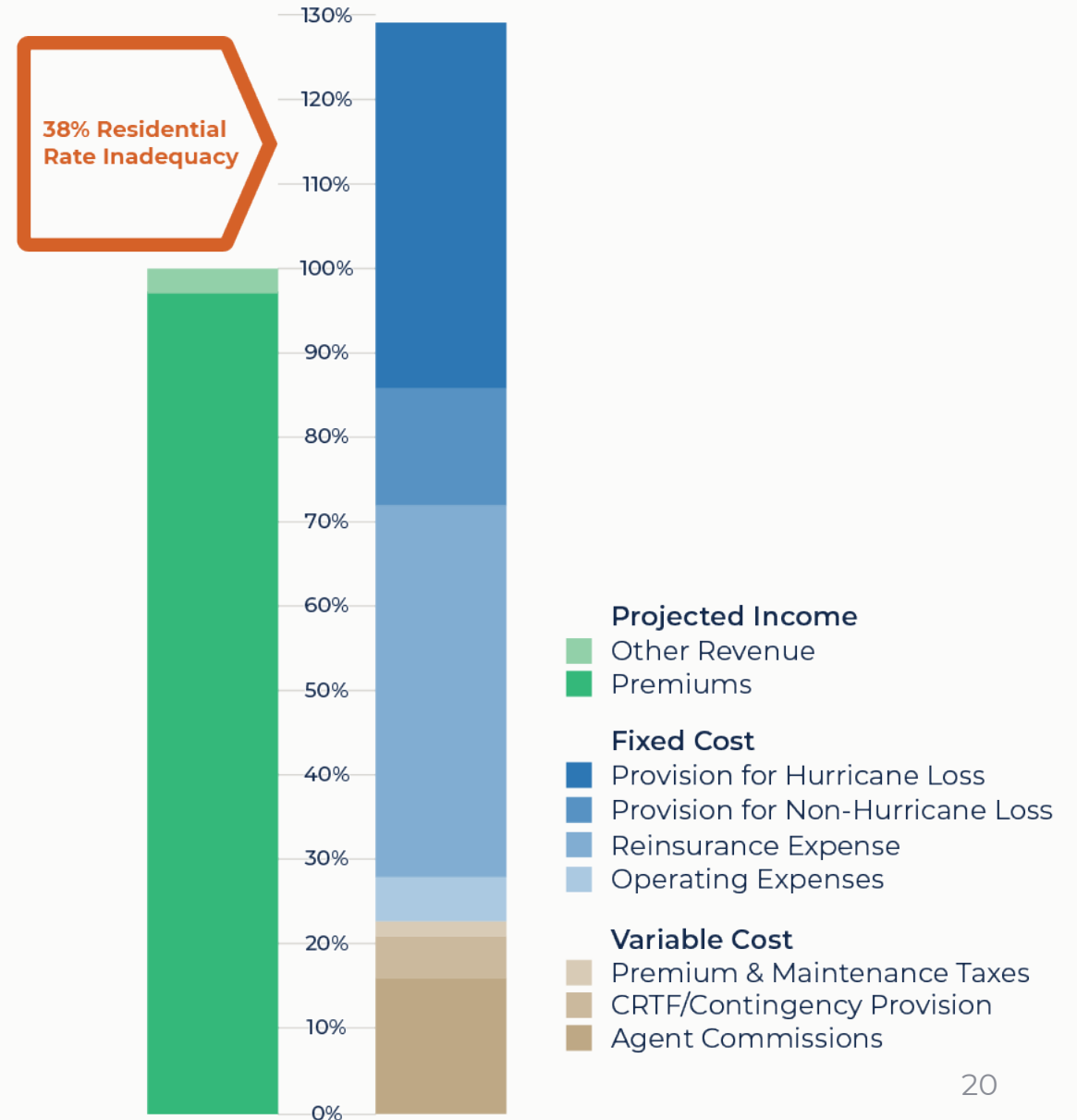


Recent Rate Activity

- TWIA's 2024 Rate Adequacy Analysis indicates that TWIA's current rates are inadequate by 38 percent for residential coverage and 45 percent for commercial coverage.
- At its August 2024 meeting, the TWIA Board of Directors voted to direct staff to file a 10% rate change with the Texas Department of Insurance.
- The Insurance Commissioner found that the rate filing met the criteria set forth in Chapter 2210, TWIA's governing statute, but she held that the rate filing did not meet the "fair" and "just" requirements of Insurance Code § 560.002.

Residential Rate Components and TWIA Income

Based on 2024 TWIA Rate Adequacy Analysis



Depopulation Programs

- **TWIA has two depopulation programs to help policyholders find coverage in the private insurance market**
- **Voluntary Market Depopulation Program**
 - Allows participating insurers to make offers on TWIA policies one at a time at policy renewal
 - 4,536 Policies Bound through the Voluntary Program
- **Assumption Reinsurance Depopulation Program**
 - Allows participating insurers to assume large numbers of TWIA policies at one time (program repeats annually)
 - Completed 6 program rounds from 2016 to 2023, resulting in the takeout of more than 16,000 policies
 - No rounds have occurred since 2023 because of a lack of insurer interest in the program

Assumption Reinsurance Depopulation Program						
Program Year	2016-2017	2017-2018	2018-2019	2019-2020	2021-2022	2022-2023
Participating Carriers	4	3	2	2	1	1
Policies Selected by Carrier	102,171	109,356	75,039	64,380	32,318	31,959
Agent-Approved Offers	18,047	3,091	3,552	1,866	210	79
Policies Assumed	11,164	1,634	2,093	1,009	125	57

TWIA Claims

- Texas Insurance Code Chapter 2210 outlines specific judicial remedies available to TWIA policyholders to resolve disputes arising over the amount of a loss or coverage of damages.
- TWIA claims are not subject to Texas Insurance Code Chapters 541 (Unfair Settlement Practices) and 542 (Prompt Payment of Claims Act), and Business Commerce Code Chapter 17 (Deceptive Trade Practices Act).
- Very few TWIA claims involve a dispute (approximately 4%).
 - Most disputed claims (88%) involve an appraisal request.
 - Only 0.36% of claims involve a lawsuit.

Accepted Claims

- If a policyholder disputes the amount TWIA will pay for an accepted loss, the policyholder must work with TWIA to resolve any disputes or request appraisal.
- Policyholders have 60 days after receiving TWIA's claim decision to request appraisal.

Denied Claims

- If a policyholder disputes TWIA's decision to partially or fully deny coverage for a claim, they must provide notification that they intend to bring suit against TWIA.
- The policyholder has two years after receipt of a claim decision to notify TWIA of their intent to file suit.

Supplemental Payments

- TWIA also offers a supplemental payment process, which allows policyholders to provide TWIA with new information about their claim so the Association may re-evaluate the claim decision for the purposes of issuing additional payment.
- Policyholders do not have to engage in the appraisal process or file a lawsuit to request a supplemental payment.

Windstorm Certification Requirements

- Texas Insurance Code Chapter 2210 requires TWIA-insured properties to be certified as meeting the windstorm building code requirements for its area, with some exceptions.
- A structure must have a **Certificate of Compliance** (WPI-8, WPI-8-E, or WPI-8-C) showing the structure conforms to the applicable windstorm building codes to be considered insurable and eligible for TWIA coverage.
- TDI administers the **Windstorm Inspection Program** and issues all Certificates of Compliance.
- TDI Windstorm Inspections:
 - **Website:** tdi.texas.gov/wind
 - **Phone:** (800) 248-6032, option 3
 - **Email:** windstorm@tdi.texas.gov

Certificates of Compliance

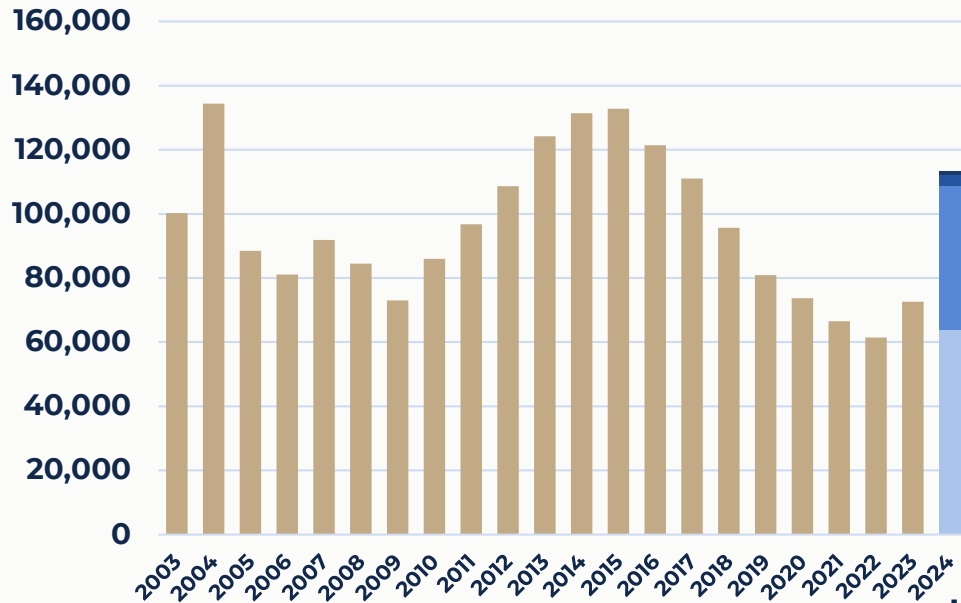
- There are three different Certificates of Compliance:
 - **WPI-8:** A Certificate of Compliance issued by the Texas Department of Insurance for new and ongoing improvements.
 - **WPI-8-E:** A Certificate of Compliance issued by the Texas Department of Insurance for completed improvements. The Texas Department of Insurance began accepting applications for WPI-8-Es on June 1, 2020.
 - **WPI-8-C:** A Certificate of Compliance issued by TWIA for completed improvements. TWIA accepted applications for WPI-8-Cs from January 1, 2017, to May 31, 2020.

Texas FAIR Plan Association

- **Administered by TWIA**
- **Authorized by Texas Legislature in 1995; activated by TDI in 2002**
 - Response to mold crisis
 - Governing Statute is Texas Insurance Code, Chapter 2211
- **Residual market insurance company for entire state of Texas**
 - Insures residential properties only
 - Homeowners and Dwelling coverages
 - Cannot provide wind/hail coverage in TWIA's coverage area
- **As of December 31, 2024:**
 - 113,860 policies in force
 - \$32.9 billion in total exposures
 - \$237.3 million in written premiums



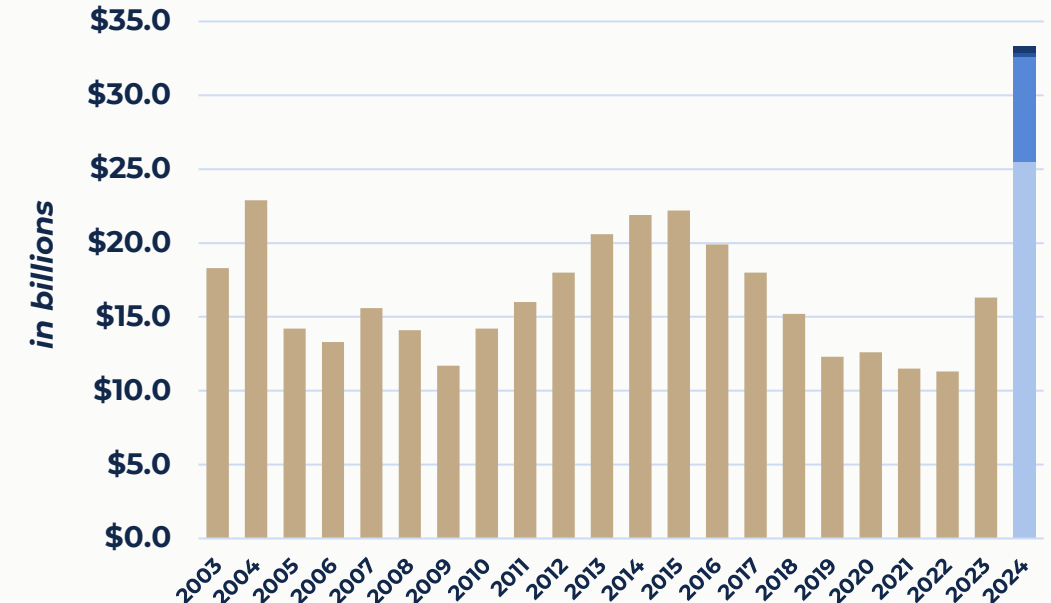
FAIR Plan Policy Count



Q4 2024 Data:

Homeowners: 63,712	Condominium: 3,234
Dwelling: 45,144	Tenant: 1,170

FAIR Plan Exposures



Q4 2024 Data:

Homeowners: \$25.5B	Condominium: \$277M
Dwelling: \$7.1B	Tenant: \$46M

- FAIR Plan’s policy count began rising in 2022 for the first time since 2015, suggesting private market coverage is becoming more difficult to obtain.
- TFPA added 11,000 policies in 2023 and nearly 41,000 policies in 2024. TFPA’s exposures increased approximately 44% in 2023 and approximately 105% in 2024.