

QUARTERLY STATEMENT

OF THE

Texas FAIR Plan Association

of **Austin**

in the state of **Texas**

TO THE

Insurance Department

OF THE

STATE OF

State of Texas

FOR THE QUARTER ENDED

March 31, 2016

PROPERTY AND CASUALTY

2016



11543201620100101

QUARTERLY STATEMENT

AS OF MARCH 31, 2016
OF THE CONDITION AND AFFAIRS OF THE

Texas FAIR Plan Association

NAIC Group Code 4766 (Current Period), 4766 (Prior Period) NAIC Company Code 11543 Employer's ID Number 43-1982873

Organized under the Laws of Texas State of Domicile or Port of Entry Texas

Country of Domicile US

Incorporated/Organized December 31, 2002 Commenced Business December 31, 2002

Statutory Home Office 5700 S. Mopac, Bldg A (Street and Number), Austin, TX US 78749 (City or Town, State, Country and Zip Code)

Main Administrative Office 5700 S. Mopac, Bldg A (Street and Number), Austin, TX US 78749 (City or Town, State, Country and Zip Code), 512-899-4900 (Area Code) (Telephone Number)

Mail Address PO Box 99080 (Street and Number or P.O. Box), Austin, TX US 78709-9080 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 5700 S. Mopac, Bldg A (Street and Number), Austin, TX US 78749 (City or Town, State, Country and Zip Code), 512-899-4900 (Area Code) (Telephone Number)

Internet Website Address http://www.texasfairplan.org/

Statutory Statement Contact Allen David Fulkerson (Name), 512-899-4988 (Area Code) (Telephone Number) (Extension), afulkerson@twia.org (E-Mail Address), 512-899-4952 (Fax Number)

OFFICERS

Edward James Sherlock

| Name | Title |
|------------------------------|----------------------------|
| 1. <u>Corise Morrison</u> | <u>Vice Chairman</u> |
| 2. <u>John Miletti</u> | <u>Secretary/Treasurer</u> |
| 3. <u>John William Polak</u> | <u>General Manager</u> |

Vice Presidents of TFWA

| Name | Title | Name | Title |
|---------------------------|------------------------|-----------------------------|------------------|
| <u>Lou Frank Cusano #</u> | <u>VP Underwriting</u> | <u>David Patrick Durden</u> | <u>VP Legal</u> |
| <u>James Colin Murphy</u> | <u>VP Actuary</u> | <u>David Scott Williams</u> | <u>VP Claims</u> |
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TFWA Governing Committee

| | | | |
|----------------------------------|-------------------------------|------------------------------|-----------------------------------|
| <u>Wendy Mueller</u> | <u>Debbie King</u> | <u>John Miletti</u> | <u>Georgia Rutherford Neblett</u> |
| <u>Timothy Lawrence McCarthy</u> | <u>Alicia Corise Morrison</u> | <u>Edward James Sherlock</u> | <u>Christina Ford</u> |
| <u>Frank Baumann, Jr #</u> | <u>Byron Haney #</u> | <u>Mark Solomon #</u> | |
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State of Texas
County of Travis ss

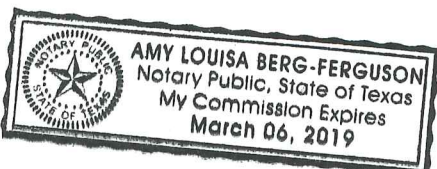
The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

| | | |
|---------------------------|--------------------------------|----------------|
| | | |
| (Signature) | (Signature) | (Signature) |
| <u>John William Polak</u> | <u>Peter Harold Gise</u> | |
| (Printed Name) | (Printed Name) | (Printed Name) |
| 1. | 2. | 3. |
| <u>General Manager</u> | <u>Chief Financial Officer</u> | |
| (Title) | (Title) | (Title) |

Subscribed and sworn to before me this 5th day of May, 2016

a. Is this an original filing? Yes No

b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached



ASSETS

| | Current Statement Date | | | 4 December 31 Prior Year Net Admitted Assets |
|---|------------------------|----------------------------|--|---|
| | 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | |
| 1. Bonds | | | | |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks | | | | |
| 2.2 Common stocks | | | | |
| 3. Mortgage loans on real estate: | | | | |
| 3.1 First liens | | | | |
| 3.2 Other than first liens | | | | |
| 4. Real estate: | | | | |
| 4.1 Properties occupied by the company (less \$ 0 encumbrances) | | | | |
| 4.2 Properties held for the production of income (less \$ 0 encumbrances) | | | | |
| 4.3 Properties held for sale (less \$ 0 encumbrances) | | | | |
| 5. Cash (\$ 75,534,089), cash equivalents (\$ 0), and short-term investments (\$ 0) | 75,534,089 | | 75,534,089 | 88,105,461 |
| 6. Contract loans (including \$ 0 premium notes) | | | | |
| 7. Derivatives | | | | |
| 8. Other invested assets | | | | |
| 9. Receivables for securities | | | | |
| 10. Securities lending reinvested collateral assets | | | | |
| 11. Aggregate write-ins for invested assets | | | | |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 75,534,089 | | 75,534,089 | 88,105,461 |
| 13. Title plants less \$ 0 charged off (for Title insurers only) | | | | |
| 14. Investment income due and accrued | 60,275 | | 60,275 | 30,758 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 2,738,531 | 45,086 | 2,693,445 | 2,607,574 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums) | 11,669,951 | | 11,669,951 | 11,946,240 |
| 15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0) | | | | |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | | | | |
| 16.2 Funds held by or deposited with reinsured companies | | | | |
| 16.3 Other amounts receivable under reinsurance contracts | | | | |
| 17. Amounts receivable relating to uninsured plans | | | | |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | | |
| 18.2 Net deferred tax asset | | | | |
| 19. Guaranty funds receivable or on deposit | | | | |
| 20. Electronic data processing equipment and software | | | | |
| 21. Furniture and equipment, including health care delivery assets (\$ 0) | | | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 23. Receivables from parent, subsidiaries and affiliates | | | | |
| 24. Health care (\$ 0) and other amounts receivable | | | | |
| 25. Aggregate write-ins for other than invested assets | 1,183,146 | 1,183,146 | | |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 91,185,992 | 1,228,232 | 89,957,760 | 102,690,033 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 28. Total (Lines 26 and 27) | 91,185,992 | 1,228,232 | 89,957,760 | 102,690,033 |

| DETAILS OF WRITE-IN LINES | | | | |
|---|-----------|-----------|--|--|
| 1101. | | | | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | | |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | | | | |
| 2501. Prepaid Expenses | 887,407 | 887,407 | | |
| 2502. Surcharge Receivable | 182,698 | 182,698 | | |
| 2503. Due from agents | 113,041 | 113,041 | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | | |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 1,183,146 | 1,183,146 | | |

NONE

LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1 | 2 |
|--|---------------------------|----------------------------|
| | Current Statement Date | December 31, Prior Year |
| 1. Losses (current accident year \$ 11,352,713) | 23,355,158 | 20,409,877 |
| 2. Reinsurance payable on paid losses and loss adjustment expenses | | |
| 3. Loss adjustment expenses | 7,721,691 | 6,863,046 |
| 4. Commissions payable, contingent commissions and other similar charges | 1,172,572 | 930,615 |
| 5. Other expenses (excluding taxes, licenses and fees) | 1,272,629 | 1,272,423 |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) | 97,000 | 602,429 |
| 7.1. Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses)) | | |
| 7.2. Net deferred tax liability | | |
| 8. Borrowed money \$ 0 and interest thereon \$ 0 | | |
| 9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 11,156,005 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act) | 51,534,939 | 43,239,771 |
| 10. Advance premium | 2,871,980 | 1,663,590 |
| 11. Dividends declared and unpaid: | | |
| 11.1. Stockholders | | |
| 11.2. Policyholders | | |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) | 8,353,313 | 19,949,815 |
| 13. Funds held by company under reinsurance treaties | | |
| 14. Amounts withheld or retained by company for account of others | | |
| 15. Remittances and items not allocated | 72,402 | 67,757 |
| 16. Provision for reinsurance (including \$ 0 certified) | 884,381 | 743,779 |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates | | |
| 18. Drafts outstanding | | |
| 19. Payable to parent, subsidiaries and affiliates | 865,839 | 1,054,610 |
| 20. Derivatives | | |
| 21. Payable for securities | | |
| 22. Payable for securities lending | | |
| 23. Liability for amounts held under uninsured plans | | |
| 24. Capital notes \$ 0 and interest thereon \$ 0 | | |
| 25. Aggregate write-ins for liabilities | 975,624 | 915,382 |
| 26. Total liabilities excluding protected cell liabilities (Lines 1 through 25) | 99,177,528 | 97,713,094 |
| 27. Protected cell liabilities | | |
| 28. Total liabilities (Lines 26 and 27) | 99,177,528 | 97,713,094 |
| 29. Aggregate write-ins for special surplus funds | | |
| 30. Common capital stock | | |
| 31. Preferred capital stock | | |
| 32. Aggregate write-ins for other than special surplus funds | | |
| 33. Surplus notes | | |
| 34. Gross paid in and contributed surplus | | |
| 35. Unassigned funds (surplus) | (9,219,768) | 4,976,939 |
| 36. Less treasury stock, at cost: | | |
| 36.1. 0 shares common (value included in Line 30 \$ 0) | | |
| 36.2. 0 shares preferred (value included in Line 31 \$ 0) | | |
| 37. Surplus as regards policyholders (Lines 29 to 35, less 36) | (9,219,768) | 4,976,939 |
| 38. Totals (Page 2, Line 28, Col. 3) | 89,957,760 | 102,690,033 |

| DETAILS OF WRITE-IN LINES | | |
|---|-------------|---------|
| 2501. Escheat Checks | 573,865 | 607,169 |
| 2502. Due to policy holders | 401,759 | 308,213 |
| 2503. | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 975,624 | 915,382 |
| 2901. | | |
| 2902. | NONE | |
| 2903. | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | | |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | | |
| 3201. | | |
| 3202. | NONE | |
| 3203. | | |
| 3298. Summary of remaining write-ins for Line 32 from overflow page | | |
| 3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above) | | |

STATEMENT OF INCOME

| | 1 | 2 | 3 |
|---|-------------------------|-----------------------|---------------------------------|
| | Current Year To Date | Prior Year To Date | Prior Year Ended December 31 |
| UNDERWRITING INCOME | | | |
| 1. Premiums earned: | | | |
| 1.1 Direct (written \$ 29,521,580) | 32,382,417 | 32,938,706 | 133,859,022 |
| 1.2 Assumed (written \$ 0) | | | |
| 1.3 Ceded (written \$ 0) | 11,156,005 | 10,296,925 | 42,906,684 |
| 1.4 Net (written \$ 29,521,580) | 21,226,412 | 22,641,781 | 90,952,338 |
| DEDUCTIONS: | | | |
| 2. Losses incurred (current accident year \$ 22,462,756): | | | |
| 2.1 Direct | 22,599,692 | 6,295,234 | 50,839,347 |
| 2.2 Assumed | | | |
| 2.3 Ceded | | | |
| 2.4 Net | 22,599,692 | 6,295,234 | 50,839,347 |
| 3. Loss adjustment expenses incurred | 5,464,251 | 2,791,572 | 17,753,983 |
| 4. Other underwriting expenses incurred | 6,323,320 | 6,464,881 | 24,675,091 |
| 5. Aggregate write-ins for underwriting deductions | | | |
| 6. Total underwriting deductions (Lines 2 through 5) | 34,387,263 | 15,551,687 | 93,268,421 |
| 7. Net income of protected cells | | | |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7) | (13,160,851) | 7,090,094 | (2,316,083) |
| INVESTMENT INCOME | | | |
| 9. Net investment income earned | 1,624 | (14,311) | (36,776) |
| 10. Net realized capital gains (losses) less capital gains tax of \$ 0 | | | |
| 11. Net investment gain (loss) (Lines 9 + 10) | 1,624 | (14,311) | (36,776) |
| OTHER INCOME | | | |
| 12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0) | (185,662) | (203,763) | (929,183) |
| 13. Finance and service charges not included in premiums | 96,183 | 100,945 | 400,503 |
| 14. Aggregate write-ins for miscellaneous income | | 1,027,301 | 1,027,301 |
| 15. Total other income (Lines 12 through 14) | (89,479) | 924,483 | 498,621 |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) | (13,248,706) | 8,000,266 | (1,854,238) |
| 17. Dividends to policyholders | | | |
| 18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17) | (13,248,706) | 8,000,266 | (1,854,238) |
| 19. Federal and foreign income taxes incurred | | | |
| 20. Net income (Line 18 minus Line 19) (to Line 22) | (13,248,706) | 8,000,266 | (1,854,238) |
| CAPITAL AND SURPLUS ACCOUNT | | | |
| 21. Surplus as regards policyholders, December 31 prior year | 4,976,939 | 5,978,071 | 5,978,071 |
| 22. Net income (from Line 20) | (13,248,706) | 8,000,266 | (1,854,238) |
| 23. Net transfers (to) from Protected Cell accounts | | | |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0 | | | |
| 25. Change in net unrealized foreign exchange capital gain (loss) | | | |
| 26. Change in net deferred income tax | | | |
| 27. Change in nonadmitted assets | (807,400) | (350,751) | 79,317 |
| 28. Change in provision for reinsurance | (140,602) | (375,342) | 773,789 |
| 29. Change in surplus notes | | | |
| 30. Surplus (contributed to) withdrawn from protected cells | | | |
| 31. Cumulative effect of changes in accounting principles | | | |
| 32. Capital changes: | | | |
| 32.1 Paid in | | | |
| 32.2 Transferred from surplus (Stock Dividend) | | | |
| 32.3 Transferred to surplus | | | |
| 33. Surplus adjustments: | | | |
| 33.1 Paid in | | | |
| 33.2 Transferred to capital (Stock Dividend) | | | |
| 33.3 Transferred from capital | | | |
| 34. Net remittances from or (to) Home Office | | | |
| 35. Dividends to stockholders | | | |
| 36. Change in treasury stock | | | |
| 37. Aggregate write-ins for gains and losses in surplus | | | |
| 38. Change in surplus as regards policyholders (Lines 22 through 37) | (14,196,708) | 7,274,173 | (1,001,132) |
| 39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38) | (9,219,769) | 13,252,244 | 4,976,939 |

| DETAILS OF WRITE-IN LINES | | | |
|---|-------------|-----------|-----------|
| 0501. | | | |
| 0502. | | | |
| 0503. | | | |
| 0598. Summary of remaining write-ins for Line 05 from overflow page | NONE | | |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above) | | | |
| 1401. Sales tax refund and other income | | 1,027,301 | 1,027,301 |
| 1402. | | | |
| 1403. | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | | | |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | | 1,027,301 | 1,027,301 |
| 3701. | | | |
| 3702. | | | |
| 3703. | | | |
| 3798. Summary of remaining write-ins for Line 37 from overflow page | NONE | | |
| 3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above) | | | |

CASH FLOW

| | 1 | 2 | 3 |
|--|-------------------------|-----------------------|---------------------------------|
| Cash from Operations | Current Year To Date | Prior Year To Date | Prior Year Ended December 31 |
| 1. Premiums collected net of reinsurance | 19,349,344 | 21,545,729 | 90,718,540 |
| 2. Net investment income | (79,005) | (22,124) | (5,242) |
| 3. Miscellaneous income | (89,479) | 525,344 | 524,392 |
| 4. Total (Lines 1 to 3) | 19,180,860 | 22,048,949 | 91,237,690 |
| 5. Benefit and loss related payments | 19,654,412 | 7,468,012 | 49,322,145 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 12,203,389 | 9,580,554 | 41,396,250 |
| 8. Dividends paid to policyholders | | | |
| 9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses) | | | |
| 10. Total (Lines 5 through 9) | 31,857,801 | 17,048,566 | 90,718,395 |
| 11. Net cash from operations (Line 4 minus Line 10) | (12,676,941) | 5,000,383 | 519,295 |
| Cash from Investments | | | |
| 12. Proceeds from investments sold, matured or repaid: | | | |
| 12.1 Bonds | | | |
| 12.2 Stocks | | | |
| 12.3 Mortgage loans | | | |
| 12.4 Real estate | | | |
| 12.5 Other invested assets | | | |
| 12.6 Net gains (or losses) on cash, cash equivalents and short-term investments | | | |
| 12.7 Miscellaneous proceeds | | | |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | | | |
| 13. Cost of investments acquired (long-term only): | | | |
| 13.1 Bonds | | | |
| 13.2 Stocks | | | |
| 13.3 Mortgage loans | | | |
| 13.4 Real estate | | | |
| 13.5 Other invested assets | | | |
| 13.6 Miscellaneous applications | | | |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | | | |
| 14. Net increase (or decrease) in contract loans and premium notes | | | |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) | | | |
| Cash from Financing and Miscellaneous Sources | | | |
| 16. Cash provided (applied): | | | |
| 16.1 Surplus notes, capital notes | | | |
| 16.2 Capital and paid in surplus, less treasury stock | | | |
| 16.3 Borrowed funds | | | |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | | |
| 16.5 Dividends to stockholders | | | |
| 16.6 Other cash provided (applied) | 105,569 | 105,035 | (347,032) |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) | 105,569 | 105,035 | (347,032) |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | (12,571,372) | 5,105,418 | 172,263 |
| 19. Cash, cash equivalents and short-term investments: | | | |
| 19.1 Beginning of year | 88,105,461 | 87,933,198 | 87,933,198 |
| 19.2 End of period (Line 18 plus Line 19.1) | 75,534,089 | 93,038,616 | 88,105,461 |

Note: Supplemental disclosures of cash flow information for non-cash transactions:

| | | | |
|---------|--|--|--|
| 20.0001 | | | |
| 20.0002 | | | |
| 20.0003 | | | |

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of Texas FAIR Plan Association (the "Association") have been prepared on the basis of accounting practices prescribed or permitted by the Texas Department of Insurance.

The state of Texas requires insurance companies domiciled in the state of Texas to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioner's ("NAIC") *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the Texas Insurance Department.

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

| Net Income | 2016 | 2015 |
|---|------------------------|-----------------------|
| Net Income as reported | (\$ 13,248,706) | (\$ 1,854,238) |
| Effect of Texas prescribed practices | - | - |
| Effect of Texas permitted practices | - | - |
| NAIC statutory accounting practices basis | <u>(\$ 13,248,706)</u> | <u>(\$ 1,854,238)</u> |

| Policyholder's surplus | March 31, 2016 | December 31, 2015 |
|---|-----------------------|---------------------|
| Policyholder's surplus as reported | (\$ 9,219,768) | \$ 4,976,939 |
| Effect of Texas prescribed practices | - | - |
| Effect of Texas permitted practices | - | - |
| NAIC statutory accounting practices basis | <u>(\$ 9,219,768)</u> | <u>\$ 4,976,939</u> |

B. Uses of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Significant estimates included in the accompanying financial statements are the reserve for losses, loss adjustment expenses, and premiums ceded.

C. Accounting Policies

Direct and ceded premiums are earned over the terms of the related policies or reinsurance contracts, respectively. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for both direct and ceded business. The Association has a minimum policy premium of \$100.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the company uses the following accounting policies:

- 1) Short-term investments are stated at historical cost, which approximates market value.
- 2) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports, and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amounts are adequate, the ultimate liabilities may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

D. Going Concern

Management has evaluated the Association's ability to continue as a going concern. There is no substantial doubt for the Association to continue as a going concern.

2. Accounting Changes and Corrections of Errors

A. Material Changes in Accounting Principles

There were no changes in accounting principles.

B. Correction of Errors- There were no corrections due to errors.

3. Business Combinations and Goodwill – Not Applicable

4. Discontinued Operations – Not Applicable

5. Investments

Short-term investments are stated at historical cost, which approximates market value.

NOTES TO FINANCIAL STATEMENTS

H. Restricted Assets

During the first quarter 2016, the Association has invested in time deposits with a bank that have a 31 day mandatory maturity where funds are available only at a future date. The value of time deposits totaled \$18,000,000 as of March 31, 2016.

6. Joint Ventures, Partnerships and Limited Liability Companies – Not Applicable

7. Investment Income

A. Accrued Investment Income

The Association does not admit investment income due and accrued if amounts are over 90 days past due.

B. Amounts Non admitted – None

8. Derivative Instruments – Not Applicable

9. Income Taxes

As of June 18, 2005, the Association is a tax exempt organization whose gross income is excludable under Internal Revenue Code Section 115 and is no longer required to file federal tax returns.

A. Components of Net Deferred Tax Assets – Not Applicable

B. Unrecognized Deferred Tax Liabilities – Not Applicable

C. Current Tax and Change in Deferred Tax– Not Applicable

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate – Not Applicable

E. Operating Loss and Tax Credit Carry-forward and Protective Tax Deposits – Not Applicable

F. Consolidated Federal Income Tax Return – Not Applicable

G. Federal or Foreign Federal Income Tax Loss Contingencies– Not Applicable

10. Information Concerning Parent, Subsidiaries, Affiliates, and Other Related Parties

A. Nature of Relationship

On October 10, 2002, the Texas Commissioner of Insurance enacted Article 21.49A of the Texas Insurance Code implementing the creation of the Texas FAIR Plan Association. The commissioner then instructed the Texas Windstorm Insurance Association (“TWIA”) to manage the Association. The Association entered into a service contract with TWIA in which the Association is to reimburse TWIA for all expenditures, professional fees, and consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by TWIA on behalf of the Association. There was no significant activity during 2016.

B. Detail of Transactions Greater than ½% of Admitted Assets – Not Applicable

C. Changes in Terms of Intercompany Arrangements – Not Applicable

D. Amounts Due from Related Parties- Not Applicable

E. Guarantees or Contingencies for Related Parties - Not Applicable

F. Management, Service Contracts, Cost Sharing Arrangements – See Nature of Relationship above

G. Nature of Relationships that Could Affect Operations – Not Applicable

H. Amount Deducted for Investment in Upstream Company - Not Applicable

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets – Not Applicable

J. Write-down for Impairments of Investments in Affiliates – Not Applicable

K. Foreign Insurance Subsidiary Valued Using CARVM – Not Applicable

L. Downstream Holding Company Valued Using Look-through Method– Not Applicable

11. Debt – Not Applicable

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans – Not Applicable

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations – Not Applicable

14. Contingencies

A. Contingent Commitments – Not Applicable

B. Guaranty Fund and Other Assessments

(1) Liability and Related Asset

The Association is subject to a fire assessment by the State of Texas in which the Association writes business. The assessment is premium-based and recorded at the time the premiums are written. The Association is not subject to loss-based assessments. There was no significant activity during 2016.

(2) Rollforward of Related Assets

The assets included in surcharge receivable have been fully non-admitted as of both 2016 and 2015. There was no significant activity during 2016.

C. Gain Contingencies – Not Applicable

D. Extra Contractual Obligation and Bad Faith Losses – None

E. Product Warranties– Not Applicable

F. Joint and Several Liabilities

G. Other Contingencies - None

The Association is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. Management believes that

NOTES TO FINANCIAL STATEMENTS

any liability that may ultimately result from the resolution of these matters in excess of the amounts provided will not have a material adverse effect on the financial position of the Association. These matters are subject to various uncertainties, and some of these matters may be resolved unfavorably to the Association.

15. Leases– Not Applicable
16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk – Not Applicable
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities – Not Applicable
18. Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans – Not Applicable
19. Direct Premium Written/Produced by Managing Federal Agents/Third Party Administrators – Not Applicable
20. Fair Value Measurement
- A. Inputs Used for Assets and Liabilities Measured and Reported at Fair Value - Not applicable
 - B. Other Fair Value Disclosures – Not Applicable
Not applicable
 - C. Fair Values for All Financial Instruments by Levels 1, 2 and 3

The table below reflects the fair values and admitted assets and liabilities that are financial instruments. The fair values are also categorized into the three-level fair value hierarchy. Cash, cash equivalents and short-term investments are the only financial instruments held by the Association in which carrying value and fair value are the same.

| <u>Type or Class of Financial Instrument</u> | <u>Aggregate Fair Value</u> | <u>Admitted Assets</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|-----------------------------|------------------------|----------------|----------------|----------------|
| Cash, cash equivalents and short-term investments | \$75,534,089 | \$ - | \$75,534,089 | \$ - | \$ - |

- D. Items for which Not Practicable to Estimate Fair Values – Not Applicable
21. Other Items
- A. Extraordinary Items – Not Applicable
 - B. Troubled Debt Restructuring for Debtors – Not Applicable
 - C. Other Disclosures – Not Applicable
 - D. Business Interruption Insurance Recoveries – Not Applicable
 - E. State Transferable Tax Credits – Not Applicable
 - F. Subprime Mortgage Related Exposure – Not Applicable

22. Subsequent Events

The Association has evaluated subsequent events occurring after March 31, 2016, the date of the most recent balance sheet date, through May 15, 2016, the date the quarterly statement was issued. The Association does not believe any subsequent events have occurred that would require further disclosure or adjustment to the statutory financial statements

23. Reinsurance

- A. Unsecured Reinsurance Recoverables – The Association is at a negative surplus. All unsecured reinsurer reinsurance recoverables are over a zero surplus. There were no changes in reinsurer mix from December 31, 2016.
- B. Reinsurance Recoverables in Dispute
The Association does not have reinsurance recoverables in dispute for paid losses and loss adjustment expenses that exceed 5% of policyholder’s surplus from an individual reinsurer or exceed 10% of policy holder’s surplus in aggregate.

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed and Ceded and Protected Cells

The following table summarizes ceded unearned premiums and the related commission equity at the end of the current quarter.

| | Assumed Unearned Premiums | Assumed Commission Equity | Ceded Unearned Premiums | Ceded Commission Equity | Net Unearned Premiums | Assumed Less Ceded Commission Equity |
|---------------|---------------------------------|---------------------------------|-------------------------------|-------------------------------|-----------------------------|---|
| Affiliates | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| All Others | - | - | 11,156,005 | 334,680 | (11,156,005) | (334,680) |
| Total | \$ - | \$ - | \$ 11,156,005 | \$334,680 | (\$11,156,005) | (\$334,680) |

Direct unearned premium reserves at the end of the quarter was \$62,690,945.

The amount of return commission that would have been due the reinsurers if they or the Association had cancelled the Association's excess of loss reinsurance agreement would have been approximately \$1,115,601 for the quarter ended March, 31 2016.

- D. Uncollectible Reinsurance – Not Applicable
- E. Commutation of Ceded Reinsurance – Not Applicable
- F. Retroactive Reinsurance – Not Applicable
- G. Reinsurance Accounted for as a Deposit – Not Applicable
- H. Run-off Agreements – Not Applicable
- I. Certified Reinsurance Downgraded or Status Subject to Revocation – Not Applicable
- J. Reinsurance Agreements Qualifying for Reinsurer Aggregation – Not Applicable

24. Retrospectively Rated Contracts and Contacts Subject to Redetermination – Not Applicable

25. Changes in Incurred Losses and Loss Adjustment Expenses

The estimated cost of loss and loss adjustment expense (LAE) attributable to insured events of prior years increased by approximately \$900 thousand during the first quarter of 2016 and decreased favorable by approximately \$1.6 million during fiscal year ending 2015. Increases and decreases of this nature occur as the result of claim settlements during the current year, and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims.

| | 1Q YTD 2016 | FY 2015 |
|---|--------------|--------------|
| Beginning Balance | \$27,272,923 | \$25,477,334 |
| Less: reinsurance recoverables | - | - |
| Net beginning balance | \$27,272,923 | \$25,477,334 |
| Net incurred related to: | | |
| Current loss year | \$27,174,808 | \$70,173,760 |
| Prior loss years | 889,135 | (1,580,430) |
| Net losses and loss adjustment expense incurred | 28,063,943 | 68,593,330 |
| Net paid related to: | | |
| Current loss year | 13,657,654 | (54,700,301) |
| Prior loss years | 10,602,363 | (12,097,440) |
| Net paid losses and loss adjustment expense | 24,260,017 | (66,797,741) |
| Net ending balance | \$31,076,849 | \$27,272,923 |
| Plus: reinsurance recoverables | - | - |
| Ending balance | \$31,076,849 | \$27,272,923 |

The Company attempts to consider all significant facts and circumstances known at the time loss reserves are established. Due to the inherently uncertain process involving loss and loss adjustment expense reserve estimates, the final resolution of the ultimate liability may be different from that anticipated at the reporting date. Therefore, actual paid damages in the future may yield a material different favorable or unfavorable amount than currently reserved. While the Company believes that the estimated for loss and loss adjustment expense reserves are adequate as of March 31, 2016, there can be no assurance that the estimates and the extended period of time that it can take to settle claims may change the results of operations.

The Company does not issue any retrospective rated policies, as such, the net incurred increase or decrease related to prior years did not result in any direct accrual of additional premiums.

26. Intercompany Pooling Arrangements – Not Applicable

27. Structured Settlements – Not Applicable

NOTES TO FINANCIAL STATEMENTS

28. Health Care Receivables – Not Applicable

29. Participating Policies – Not Applicable

30. Premium Deficiency Reserves

The Association evaluated the need to record a premium deficiency reserve as of the end of the current quarter. No such reserve was required. The Association does not anticipate investment income when evaluating the need for premium deficiency reserves.

31. High Deductibles – Not Applicable

32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses – Not Applicable

33. Asbestos / Environmental Reserves – Not Applicable

34. Subscriber Savings Account – Not Applicable

35. Multiple Peril Crop – Not Applicable

36. Financial Guaranty Insurance – Not Applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]

2.2 If yes, date of change: _____

3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [] No [X]

If yes, complete Schedule Y, Parts 1, and 1A.

3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]

3.3 If the response to 3.2 is yes, provide a brief description of those changes.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]

4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 Name of Entity | 2 NAIC Company Code | 3 State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
| | | |

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [X] N/A []
 If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2012 _____

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. _____ 12/31/2012 _____

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). _____ 10/24/2014 _____

6.4 By what department or departments?
 Texas Department of Insurance

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [X] No [] N/A []

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] N/A []

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]

GENERAL INTERROGATORIES

7.2 If yes, give full information

.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1 Affiliate Name | 2 Location (City, State) | 3 FRB | 4 OCC | 5 FDIC | 6 SEC |
|------------------------|--------------------------------|----------|----------|-----------|----------|
| | | | | | |

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules, and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

Yes [X] No []

9.11 If the response to 9.1 is No, please explain:

.....

9.2 Has the code of ethics for senior managers been amended? Yes [] No [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

.....

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

.....

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ _____

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [] No [X]

GENERAL INTERROGATORIES

11.2 If yes, give full and complete information relating thereto:

.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ _____

13. Amount of real estate and mortgages held in short-term investments: \$ _____

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [] No [X]

14.2 If yes, please complete the following:

| | 1 | 2 |
|--|---|--|
| | Prior Year-End Book/Adjusted Carrying Value | Current Quarter Book/Adjusted Carrying Value |
| 14.21 Bonds | \$ _____ | \$ _____ |
| 14.22 Preferred Stock | \$ _____ | \$ _____ |
| 14.23 Common Stock | \$ _____ | \$ _____ |
| 14.24 Short-Term Investments | \$ _____ | \$ _____ |
| 14.25 Mortgage Loans on Real Estate | \$ _____ | \$ _____ |
| 14.26 All Other | \$ _____ | \$ _____ |
| 14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) | \$ _____ | \$ _____ |
| 14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above | \$ _____ | \$ _____ |

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
 If no, attach a description with this statement. Yes [] No []

16. For the reporting entity's security lending program, state the amount of the following as current statement date:

| | |
|--|----------|
| 16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 | \$ _____ |
| 16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 | \$ _____ |
| 16.3 Total payable for securities lending reported on the liability page | \$ _____ |

17. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [] No [X]

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1 Name of Custodian(s) | 2 Custodian Address |
|---------------------------|------------------------|
| | |
| | |

17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1 Name(s) | 2 Location(s) | 3 Complete Explanation(s) |
|--------------|------------------|------------------------------|
| | | |
| | | |

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [] No [X]

GENERAL INTERROGATORIES

17.4 If yes, give full and complete information relating thereto:

| 1 Old Custodian | 2 New Custodian | 3 Date of Change | 4 Reason |
|--------------------|--------------------|---------------------|-------------|
| | | | |

17.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1 Central Registration Depository | 2 Name(s) | 3 Address |
|--|--------------|--------------|
| | | |

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed?

Yes [] No [X]

18.2 If no, list exceptions:

TFPA does not file with the Securities Valuation Office.

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [] No [X] N/A []
 If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [] No [X]
 If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [] No [X]

3.2 If yes, give full and complete information thereto:

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? Yes [] No [X]

4.2 If yes, complete the following schedule:

| 1 Line of Business | 2 Maximum Interest | 3 Discount Rate | TOTAL DISCOUNT | | | | DISCOUNT TAKEN DURING PERIOD | | | |
|-----------------------|-----------------------|--------------------|--------------------|-----------------|-----------|------------|------------------------------|-----------------|------------|-------------|
| | | | 4 Unpaid Losses | 5 Unpaid LAE | 6 IBNR | 7 TOTAL | 8 Unpaid Losses | 9 Unpaid LAE | 10 IBNR | 11 TOTAL |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| TOTAL | | | | | | | | | | |

5. Operating Percentages:
 5.1. A&H loss percent _____ %
 5.2. A&H cost containment percent _____ %
 5.3. A&H expense percent excluding cost containment expenses _____ %

6.1 Do you act as a custodian for health savings accounts? Yes [] No [X]

6.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ _____

6.3 Do you act as an administrator for health savings accounts? Yes [] No [X]

6.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ _____

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----------------------|-----------|-------------------|-----------------------------|-------------------------|---|---|
| NAIC Company Code | ID Number | Name of Reinsurer | Domiciliary Jurisdiction | Type of Reinsurer | Certified Reinsurer Rating (1 through 6) | Effective Date of Certified Reinsurer Rating |
| NONE | | | | | | |

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year To Date - Allocated by States and Territories

| States, Etc. | 1 Active Status | Direct Premiums Written | | Direct Losses Paid (Deducting Salvage) | | Direct Losses Unpaid | | |
|------------------------------|--------------------|-------------------------|--------------------|--|--------------------|----------------------|--------------------|------------|
| | | 2 | 3 | 4 | 5 | 6 | 7 | |
| | | Current Year to Date | Prior Year to Date | Current Year to Date | Prior Year to Date | Current Year to Date | Prior Year to Date | |
| 1. Alabama | AL | N | | | | | | |
| 2. Alaska | AK | N | | | | | | |
| 3. Arizona | AZ | N | | | | | | |
| 4. Arkansas | AR | N | | | | | | |
| 5. California | CA | N | | | | | | |
| 6. Colorado | CO | N | | | | | | |
| 7. Connecticut | CT | N | | | | | | |
| 8. Delaware | DE | N | | | | | | |
| 9. District of Columbia | DC | N | | | | | | |
| 10. Florida | FL | N | | | | | | |
| 11. Georgia | GA | N | | | | | | |
| 12. Hawaii | HI | N | | | | | | |
| 13. Idaho | ID | N | | | | | | |
| 14. Illinois | IL | N | | | | | | |
| 15. Indiana | IN | N | | | | | | |
| 16. Iowa | IA | N | | | | | | |
| 17. Kansas | KS | N | | | | | | |
| 18. Kentucky | KY | N | | | | | | |
| 19. Louisiana | LA | N | | | | | | |
| 20. Maine | ME | N | | | | | | |
| 21. Maryland | MD | N | | | | | | |
| 22. Massachusetts | MA | N | | | | | | |
| 23. Michigan | MI | N | | | | | | |
| 24. Minnesota | MN | N | | | | | | |
| 25. Mississippi | MS | N | | | | | | |
| 26. Missouri | MO | N | | | | | | |
| 27. Montana | MT | N | | | | | | |
| 28. Nebraska | NE | N | | | | | | |
| 29. Nevada | NV | N | | | | | | |
| 30. New Hampshire | NH | N | | | | | | |
| 31. New Jersey | NJ | N | | | | | | |
| 32. New Mexico | NM | N | | | | | | |
| 33. New York | NY | N | | | | | | |
| 34. North Carolina | NC | N | | | | | | |
| 35. North Dakota | ND | N | | | | | | |
| 36. Ohio | OH | N | | | | | | |
| 37. Oklahoma | OK | N | | | | | | |
| 38. Oregon | OR | N | | | | | | |
| 39. Pennsylvania | PA | N | | | | | | |
| 40. Rhode Island | RI | N | | | | | | |
| 41. South Carolina | SC | N | | | | | | |
| 42. South Dakota | SD | N | | | | | | |
| 43. Tennessee | TN | N | | | | | | |
| 44. Texas | TX | L | 29,521,580 | 32,296,401 | 19,654,412 | 7,468,012 | 23,355,158 | 17,719,395 |
| 45. Utah | UT | N | | | | | | |
| 46. Vermont | VT | N | | | | | | |
| 47. Virginia | VA | N | | | | | | |
| 48. Washington | WA | N | | | | | | |
| 49. West Virginia | WV | N | | | | | | |
| 50. Wisconsin | WI | N | | | | | | |
| 51. Wyoming | WY | N | | | | | | |
| 52. American Samoa | AS | N | | | | | | |
| 53. Guam | GU | N | | | | | | |
| 54. Puerto Rico | PR | N | | | | | | |
| 55. U.S. Virgin Islands | VI | N | | | | | | |
| 56. Northern Mariana Islands | MP | N | | | | | | |
| 57. Canada | CAN | N | | | | | | |
| 58. Aggregate Other Alien | OT | X X X | | | | | | |
| 59. Totals | (a) 1 | | 29,521,580 | 32,296,401 | 19,654,412 | 7,468,012 | 23,355,158 | 17,719,395 |

| DETAILS OF WRITE-INS | | | | | | | |
|----------------------|---|-------|--|--|--|--|--|
| 58001. | | X X X | | | | | |
| 58002. | | X X X | | | | | |
| 58003. | | X X X | | | | | |
| 58998. | Summary of remaining write-ins for Line 58 from overflow page | X X X | | | | | |
| 58999. | Totals (Lines 58001 through 58003 plus 58998) (Line 58 above) | X X X | | | | | |

NONE

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer;
 (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.
 (a) Insert the number of L responses except for Canada and Other Alien.

NONE Schedule Y - Part 1

PART 1 – LOSS EXPERIENCE

| Lines of Business | Current Year to Date | | | 4 Prior Year to Date Direct Loss Percentage |
|---|--------------------------------|--------------------------------|--------------------------------|--|
| | 1 Direct Premiums Earned | 2 Direct Losses Incurred | 3 Direct Loss Percentage | |
| 1. Fire | 1,420,050 | 1,175,621 | 82.8 | 84.2 |
| 2. Allied lines | 8,479,464 | 7,878,490 | 92.9 | 11.6 |
| 3. Farmowners multiple peril | | | | |
| 4. Homeowners multiple peril | 22,482,902 | 13,545,581 | 60.2 | 17.8 |
| 5. Commercial multiple peril | | | | |
| 6. Mortgage guaranty | | | | |
| 8. Ocean marine | | | | |
| 9. Inland marine | | | | |
| 10. Financial guaranty | | | | |
| 11.1 Medical professional liability-occurrence | | | | |
| 11.2 Medical professional liability-claims made | | | | |
| 12. Earthquake | | | | |
| 13. Group accident and health | | | | |
| 14. Credit accident and health | | | | |
| 15. Other accident and health | | | | |
| 16. Workers' compensation | | | | |
| 17.1 Other liability-occurrence | | | | |
| 17.2 Other liability-claims made | | | | |
| 17.3 Excess Workers' Compensation | | | | |
| 18.1 Products liability-occurrence | | | | |
| 18.2 Products liability-claims made | | | | |
| 19.1, 19.2 Private passenger auto liability | | | | |
| 19.3, 19.4 Commercial auto liability | | | | |
| 21. Auto physical damage | | | | |
| 22. Aircraft (all perils) | | | | |
| 23. Fidelity | | | | |
| 24. Surety | | | | |
| 26. Burglary and theft | | | | |
| 27. Boiler and machinery | | | | |
| 28. Credit | | | | |
| 29. International | | | | |
| 30. Warranty | | | | |
| 31. Reinsurance-Nonproportional Assumed Property | XXX | XXX | XXX | XXX |
| 32. Reinsurance-Nonproportional Assumed Liability | XXX | XXX | XXX | XXX |
| 33. Reinsurance-Nonproportional Assumed Financial Lines | XXX | XXX | XXX | XXX |
| 34. Aggregate write-ins for other lines of business | | | | |
| 35. TOTALS | 32,382,416 | 22,599,692 | 69.8 | 19.1 |

| DETAILS OF WRITE-INS | | | | |
|---|-------------|--|--|--|
| 3401. | NONE | | | |
| 3402. | | | | |
| 3403. | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34) | | | | |

PART 2 – DIRECT PREMIUMS WRITTEN

| Lines of Business | 1 | 2 | 3 |
|---|--------------------|-------------------------|----------------------------|
| | Current Quarter | Current Year to Date | Prior Year Year to Date |
| 1. Fire | 1,427,644 | 1,427,644 | 1,487,889 |
| 2. Allied lines | 8,208,559 | 8,208,559 | 8,739,930 |
| 3. Farmowners multiple peril | | | |
| 4. Homeowners multiple peril | 19,885,377 | 19,885,377 | 22,068,582 |
| 5. Commercial multiple peril | | | |
| 6. Mortgage guaranty | | | |
| 8. Ocean marine | | | |
| 9. Inland marine | | | |
| 10. Financial guaranty | | | |
| 11.1 Medical professional liability-occurrence | | | |
| 11.2 Medical professional liability-claims made | | | |
| 12. Earthquake | | | |
| 13. Group accident and health | | | |
| 14. Credit accident and health | | | |
| 15. Other accident and health | | | |
| 16. Workers' compensation | | | |
| 17.1 Other liability-occurrence | | | |
| 17.2 Other liability-claims made | | | |
| 17.3 Excess Workers' Compensation | | | |
| 18.1 Products liability-occurrence | | | |
| 18.2 Products liability-claims made | | | |
| 19.1, 19.2 Private passenger auto liability | | | |
| 19.3, 19.4 Commercial auto liability | | | |
| 21. Auto physical damage | | | |
| 22. Aircraft (all perils) | | | |
| 23. Fidelity | | | |
| 24. Surety | | | |
| 26. Burglary and theft | | | |
| 27. Boiler and machinery | | | |
| 28. Credit | | | |
| 29. International | | | |
| 30. Warranty | | | |
| 31. Reinsurance-Nonproportional Assumed Property | XXX | XXX | XXX |
| 32. Reinsurance-Nonproportional Assumed Liability | XXX | XXX | XXX |
| 33. Reinsurance-Nonproportional Assumed Financial Lines | XXX | XXX | XXX |
| 34. Aggregate write-ins for other lines of business | | | |
| 35. TOTALS | 29,521,580 | 29,521,580 | 32,296,401 |

| DETAILS OF WRITE-INS | | | | |
|---|-------------|--|--|--|
| 3401. | NONE | | | |
| 3402. | | | | |
| 3403. | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34) | | | | |

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|--------------------------------|---|---|--|--|--|---|---|--|------------------------------------|---|--|--|--|
| Years in Which Losses Occurred | Prior Year-End Known Case Loss and LAE Reserves | Prior Year-End IBNR Loss and LAE Reserves | Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2) | 2016 Loss and LAE Payments on Claims Reported as of Prior Year-End | 2016 Loss and LAE Payments on Claims Unreported as of Prior Year-End | Total 2016 Loss and LAE Payments (Cols 4 + 5) | Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End | Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End | Q.S. Date IBNR Loss & LAE Reserves | Total Q.S. Loss and LAE Reserves (Cols 7 + 8 + 9) | Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 - 1) | Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 - 2) | Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12) |
| 1. 2013 + prior | 5,413 | 1,573 | 6,986 | 1,406 | 27 | 1,433 | 2,744 | | 1,207 | 3,951 | (1,263) | (339) | (1,602) |
| 2. 2014 | 2,581 | 2,233 | 4,814 | 487 | 430 | 917 | 2,376 | 37 | 1,845 | 4,258 | 282 | 79 | 361 |
| 3. Subtotals 2014 + prior | 7,994 | 3,806 | 11,800 | 1,893 | 457 | 2,350 | 5,120 | 37 | 3,052 | 8,209 | (981) | (260) | (1,241) |
| 4. 2015 | 5,473 | 10,000 | 15,473 | 4,808 | 3,445 | 8,253 | 3,333 | 601 | 5,418 | 9,352 | 2,668 | (536) | 2,132 |
| 5. Subtotals 2015 + prior | 13,467 | 13,806 | 27,273 | 6,701 | 3,902 | 10,603 | 8,453 | 638 | 8,470 | 17,561 | 1,687 | (796) | 891 |
| 6. 2016 | X X X | X X X | X X X | X X X | 13,658 | 13,658 | X X X | 6,558 | 6,960 | 13,518 | X X X | X X X | X X X |
| 7. Totals | 13,467 | 13,806 | 27,273 | 6,701 | 17,560 | 24,261 | 8,453 | 7,196 | 15,430 | 31,079 | 1,687 | (796) | 891 |

8. Prior Year-End Surplus As Regards Policyholders

4,977

| | | |
|------------------|------------------|------------------|
| Col. 11, Line 7 | Col. 12, Line 7 | Col. 13, Line 7 |
| As % of Col. 1, | As % of Col. 2, | As % of Col. 3, |
| Line 7 | Line 7 | Line 7 |
| 1. <u>12.527</u> | 2. <u>-5.766</u> | 3. <u>3.267</u> |
| | | Col. 13, Line 7 |
| | | Line 8 |
| | | 4. <u>17.902</u> |

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

| | Response |
|--|----------|
| 1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement? | NO |
| 2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement? | NO |
| 3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement? | NO |
| 4. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC with this statement? | YES |

Explanation:

- Question 1: TFPA does not file this statement.

- Question 2: TFPA does not provide medical liability.

- Question 3: TFPA does not provide Medicare.

Bar Code:



OVERFLOW PAGE FOR WRITE-INS

- NONE Schedule A, B, BA and D Verification**
- NONE Schedule D - Part 1B**
- NONE Schedule DA - Part 1 and Verification**
- NONE Schedule DB - Part A and B Verification**
- NONE Schedule DB - Part C - Section 1**
- NONE Schedule DB - Part C - Section 2**
- NONE Schedule DB - Verification**
- NONE Schedule E Verification**
- NONE Schedule A - Part 2 and 3**
- NONE Schedule B - Part 2 and 3**
- NONE Schedule BA - Part 2 and 3**
- NONE Schedule D - Part 3**
- NONE Schedule D - Part 4**
- NONE Schedule DB - Part A - Section 1**
- NONE Schedule DB - Part B - Section 1**
- NONE Schedule DB - Part D - Section 1**
- NONE Schedule DB - Part D - Section 2**
- NONE Schedule DL - Part 1**
- NONE Schedule DL - Part 2**

NONE **Schedule E - Part 2**

NONE **Trusted Surplus Statement**

NONE **Medicare Part D**

Designate the type of health care providers reported on this page.



11543201645000010

**SUPPLEMENT "A" TO SCHEDULE T
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

| States, Etc. | 1 Direct Premiums Written | 2 Direct Premiums Earned | Direct Losses Paid | | 5 Direct Losses Incurred | Direct Losses Unpaid | | 8 Direct Losses Incurred But Not Reported |
|------------------------------|------------------------------------|-----------------------------------|--------------------|-----------------------------|-----------------------------------|-------------------------|-----------------------------|--|
| | | | 3 Amount | 4 Number of Claims | | 6 Amount Reported | 7 Number of Claims | |
| 1. Alabama | AL | | | | | | | |
| 2. Alaska | AK | | | | | | | |
| 3. Arizona | AZ | | | | | | | |
| 4. Arkansas | AR | | | | | | | |
| 5. California | CA | | | | | | | |
| 6. Colorado | CO | | | | | | | |
| 7. Connecticut | CT | | | | | | | |
| 8. Delaware | DE | | | | | | | |
| 9. District of Columbia | DC | | | | | | | |
| 10. Florida | FL | | | | | | | |
| 11. Georgia | GA | | | | | | | |
| 12. Hawaii | HI | | | | | | | |
| 13. Idaho | ID | | | | | | | |
| 14. Illinois | IL | | | | | | | |
| 15. Indiana | IN | | | | | | | |
| 16. Iowa | IA | | | | | | | |
| 17. Kansas | KS | | | | | | | |
| 18. Kentucky | KY | | | | | | | |
| 19. Louisiana | LA | | | | | | | |
| 20. Maine | ME | | | | | | | |
| 21. Maryland | MD | | | | | | | |
| 22. Massachusetts | MA | | | | | | | |
| 23. Michigan | MI | | | | | | | |
| 24. Minnesota | MN | | | | | | | |
| 25. Mississippi | MS | | | | | | | |
| 26. Missouri | MO | | | | | | | |
| 27. Montana | MT | | | | | | | |
| 28. Nebraska | NE | | | | | | | |
| 29. Nevada | NV | | | | | | | |
| 30. New Hampshire | NH | | | | | | | |
| 31. New Jersey | NJ | | | | | | | |
| 32. New Mexico | NM | | | | | | | |
| 33. New York | NY | | | | | | | |
| 34. North Carolina | NC | | | | | | | |
| 35. North Dakota | ND | | | | | | | |
| 36. Ohio | OH | | | | | | | |
| 37. Oklahoma | OK | | | | | | | |
| 38. Oregon | OR | | | | | | | |
| 39. Pennsylvania | PA | | | | | | | |
| 40. Rhode Island | RI | | | | | | | |
| 41. South Carolina | SC | | | | | | | |
| 42. South Dakota | SD | | | | | | | |
| 43. Tennessee | TN | | | | | | | |
| 44. Texas | TX | | | | | | | |
| 45. Utah | UT | | | | | | | |
| 46. Vermont | VT | | | | | | | |
| 47. Virginia | VA | | | | | | | |
| 48. Washington | WA | | | | | | | |
| 49. West Virginia | WV | | | | | | | |
| 50. Wisconsin | WI | | | | | | | |
| 51. Wyoming | WY | | | | | | | |
| 52. American Samoa | AS | | | | | | | |
| 53. Guam | GU | | | | | | | |
| 54. Puerto Rico | PR | | | | | | | |
| 55. US Virgin Islands | VI | | | | | | | |
| 56. Northern Mariana Islands | MP | | | | | | | |
| 57. Canada | CAN | | | | | | | |
| 58. Aggregate Other Alien | OT | | | | | | | |
| 59. Totals | | | | | | | | |

NONE

| DETAILS OF WRITE-INS | | | | | | | | |
|---|--|--|--|--|--|--|--|--|
| 58001. | | | | | | | | |
| 58002. | | | | | | | | |
| 58003. | | | | | | | | |
| 58998. Summary of remaining write-ins for Line 58 from overflow page | | | | | | | | |
| 58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above) | | | | | | | | |

NONE



11543201650500101

DIRECTOR AND OFFICER INSURANCE COVERAGE SUPPLEMENT

Year To Date For The Period Ended 2016

NAIC Group Code 4766

NAIC Company Code 11543

Company Name Texas FAIR Plan Association

If the reporting entity writes any director and officer (D&O) business, please provide the following:

1. Monoline Policies

| 1 Direct Written Premium | 2 Direct Earned Premium | 3 Direct Losses Incurred |
|-----------------------------------|----------------------------------|-----------------------------------|
| \$ | \$ | \$ |

2. Commercial Multiple Peril (CMP) Packaged Policies

2.1 Does the reporting entity provide D&O liability coverage as part of a CMP packaged policy? Yes [] No [X]

2.2 Can the direct premium earned for D&O liability coverage provided as part of a CMP packaged policy be quantified or estimated? Yes [] No [X]

2.3 If the answer to question 2.2 is yes, provide the quantified or estimated direct premium earned amount for D&O liability coverage in CMP packaged policies

2.31 Amount quantified: \$ _____

2.32 Amount estimated using reasonable assumptions: \$ _____

2.4 If the answer to question 2.1 is yes, provide direct losses incurred (losses paid plus change in case reserves) for the D&O liability coverage provided in CMP packaged policies. \$ _____