

**QUARTERLY STATEMENT**

**OF THE**

**Texas FAIR Plan Association**

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**of** **Austin**

---

**in the state of** **Texas**

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**TO THE**

**Insurance Department**

**OF THE**

**STATE OF**

**Texas**

**FOR THE QUARTER ENDED**

**March 31, 2018**

**PROPERTY AND CASUALTY**

**2018**



11543201820100101

# QUARTERLY STATEMENT

AS OF MARCH 31, 2018  
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 TX

Country of Domicile US

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

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

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

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

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

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

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

### OFFICERS

**Alicia Corise Morrison**

Name	Title
1. <u>John Miletto</u>	<u>Vice Chairman</u>
2. <u>Mark Solomon</u>	<u>Secretary/Treasurer</u>
3. <u>David Patrick Durden</u>	<u>Acting General Manager</u>

### VICE-PRESIDENTS

Name	Title	Name	Title
<u>David Patrick Durden</u>	<u>VP Legal</u>	<u>David Scott Williams</u>	<u>VP Claims</u>
<u>Camron Malik</u>	<u>VP IT</u>	<u>Juanita Deloris Lester</u>	<u>VP HR and Administration</u>
<u>Jennifer Taylor Armstrong</u>	<u>VP Communications&amp;Legislative Affairs</u>	<u>Denise Ingerson Larzalere</u>	<u>VP Underwriting</u>

### DIRECTORS OR TRUSTEES

<u>Wendy Mueller</u>	<u>Debbie King</u>	<u>John Miletto</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>Mark Solomon</u>	<u>Marilyn Hamilton</u>	

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>David Patrick Durden</u>	<u>Jerome Tonra Fadden</u>	
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
<u>Acting General Manager</u>	<u>Chief Financial Officer</u>	
(Title)	(Title)	(Title)

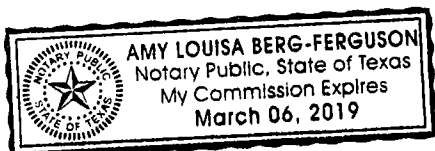
Subscribed and sworn to before me this 9th day of May, 2018

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 (\$ 33,828,808), cash equivalents (\$ 21,024,808), and short-term investments (\$ 0)	54,853,616		54,853,616	44,893,759
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)	54,853,616		54,853,616	44,893,759
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	24,985		24,985	42,972
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,011,371	26,191	1,985,180	2,129,019
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	9,035,956		9,035,956	9,307,629
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	3,814,722		3,814,722	16,757,962
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	56,157,794	1,216,758	54,941,036	
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	125,898,444	1,242,949	124,655,495	73,131,341
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	125,898,444	1,242,949	124,655,495	73,131,341

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. Assessment Receivable	54,941,036		54,941,036	
2502. Prepaid Expenses	1,055,308	1,055,308		
2503. Surcharge Receivable	90,808	90,808		
2598. Summary of remaining write-ins for Line 25 from overflow page	70,642	70,642		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	56,157,794	1,216,758	54,941,036	

NONE

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Statement Date	December 31, Prior Year
1. Losses (current accident year \$ 4,465,676)	14,790,826	17,513,381
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses	4,351,642	5,071,838
4. Commissions payable, contingent commissions and other similar charges	959,921	775,332
5. Other expenses (excluding taxes, licenses and fees)	2,449,774	3,918,777
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	73,000	306,562
7.1. Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2. Net deferred tax liability		
8. Borrowed money \$ 39,999,000 and interest thereon \$ 124,292	40,123,292	40,123,200
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 0 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)	43,295,907	36,597,531
10. Advance premium	2,323,065	1,259,270
11. Dividends declared and unpaid:		
11.1. Stockholders		
11.2. Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	8,672,634	18,098,952
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	75,023	32,043
16. Provision for reinsurance (including \$ 0 certified)	251,013	2,252,000
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	1,187,207	1,426,589
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	786,616	696,902
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	119,339,920	128,072,377
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	119,339,920	128,072,377
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)	5,315,575	(54,941,036)
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)	5,315,575	(54,941,036)
38. Totals (Page 2, Line 28, Col. 3)	124,655,495	73,131,341

DETAILS OF WRITE-IN LINES		
2501. Escheat Checks	626,490	626,494
2502. Due to policy holders	160,126	70,408
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	786,616	696,902
2901.		
2902.	<b>NONE</b>	
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.	<b>NONE</b>	
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 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ 24,412,010)	27,240,368	29,791,511	116,940,372
1.2 Assumed (written \$ 0)			
1.3 Ceded (written \$ 0)	9,526,733	10,524,871	40,103,209
1.4 Net (written \$ 24,412,010)	17,713,635	19,266,640	76,837,163
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 7,399,072):			
2.1 Direct	4,416,075	7,289,638	75,084,797
2.2 Assumed			
2.3 Ceded	565,925		21,913,671
2.4 Net	3,850,150	7,289,638	53,171,126
3. Loss adjustment expenses incurred	1,612,742	2,735,034	31,693,107
4. Other underwriting expenses incurred	7,615,312	7,671,874	29,738,690
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)	13,078,204	17,696,546	114,602,923
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	4,635,431	1,570,094	(37,765,760)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	(199,284)	49,647	102,715
10. Net realized capital gains (losses) less capital gains tax of \$ 0			
11. Net investment gain (loss) (Lines 9 + 10)	(199,284)	49,647	102,715
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)	(173,212)	(175,189)	(870,810)
13. Finance and service charges not included in premiums	71,217	82,245	312,959
14. Aggregate write-ins for miscellaneous income	54,941,036		
15. Total other income (Lines 12 through 14)	54,839,041	(92,944)	(557,851)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	59,275,188	1,526,797	(38,220,896)
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)	59,275,188	1,526,797	(38,220,896)
19. Federal and foreign income taxes incurred			
20. Net income (Line 18 minus Line 19) (to Line 22)	59,275,188	1,526,797	(38,220,896)
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year	(54,941,036)	(15,203,132)	(15,203,132)
22. Net income (from Line 20)	59,275,188	1,526,797	(38,220,896)
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	(1,019,564)	(865,897)	106,267
28. Change in provision for reinsurance	2,000,987	(94,775)	(1,623,275)
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)	60,256,611	566,125	(39,737,904)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	5,315,575	(14,637,007)	(54,941,036)

DETAILS OF WRITE-IN LINES			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 05 from overflow page	<b>NONE</b>		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)			
1401. Assessment Income	54,941,036		
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)	54,941,036		
3701.			
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page	<b>NONE</b>		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)			

## CASH FLOW

	1	2	3
<b>Cash from Operations</b>	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
1. Premiums collected net of reinsurance	16,466,751	17,802,615	74,442,312
2. Net investment income	(186,963)	60,700	111,054
3. Miscellaneous income	(101,995)	(92,944)	(557,850)
4. Total (Lines 1 to 3)	16,177,793	17,770,371	73,995,516
5. Benefit and loss related payments	(6,411,138)	8,558,042	70,434,414
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	12,770,645	11,936,393	59,411,165
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)	6,359,507	20,494,435	129,845,579
11. Net cash from operations (Line 4 minus Line 10)	9,818,286	(2,724,064)	(55,850,063)
<b>Cash from Investments</b>			
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)			
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds	92		40,123,200
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	141,479	104,462	39,312
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	141,571	104,462	40,162,512
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	9,959,857	(2,619,602)	(15,687,551)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	44,893,759	60,581,310	60,581,310
19.2 End of period (Line 18 plus Line 19.1)	54,853,616	57,961,708	44,893,759

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

20.0001			
20.0002			
20.0003			

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Summary of Significant Accounting Policies and Going Concern

#### A. Accounting Practices, Impact of NAIC/State Differences

The accompanying financial statements of Texas FAIR Plan Association (TFPA) have been prepared on the basis of accounting practices or permitted by the Department of Insurance of the State of Texas (TDI). Prescribed statutory accounting practices include state laws, regulations and general administrative rules applicable to all insurance companies domiciled in the State of Texas and the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the Texas Department of Insurance.

Reconciliations of net income and policyholders' surplus between the amounts reported in the accompanying financial statement (TX basis) and NAIC SAP follow:

Net Income	SSAP #	F/S Page	F/S Line #	2018	2017
1. Company state basis (P 4, Line 20, Columns 1&2)	XXX	XXX	XXX	\$ 59,275,188	(\$ 38,220,896)
2. State Prescribed Practices that is an increase / (decrease) from NAIC SAP				-	-
3. State Permitted Practices that is an increase / (decrease) from NAIC SAP				-	-
4. NAIC SAP (1 – 2 – 3 = 4)	XXX	XXX	XXX	\$ 59,275,188	(\$ 38,220,896)

Surplus	SSAP #	F/S Page	F/S Line #	2018	2017
5. Company state basis (Page 3, Line 37, Columns 11 & 2)	XXX	XXX	XXX	\$ 5,315,575	(\$ 54,941,036)
6. State Prescribed Practices that is an increase / (decrease) from NAIC SAP				-	-
7. State Permitted Practices that is an increase / (decrease) from NAIC SAP				-	-
8. NAIC SAP (5 – 6 – 7 = 8)	XXX	XXX	XXX	\$ 5,315,575	(\$ 54,941,036)

#### B. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in these financial statements and notes. Actual results could differ from these estimates.

#### C. Accounting Policy

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 policy:

1. Short-term investments are stated at amortized cost, which approximates market value.
2. through 9. Investment and mortgage loan related, Not applicable
10. The Association does not anticipate investment income when evaluating the need for premium deficiency reserves.
11. 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.
12. The Association has a written capitalization policy. The predefined capitalization policy thresholds have not changed from the prior year.
13. Not applicable as the Association does not write medical insurance with prescription drug coverage.

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## NOTES TO FINANCIAL STATEMENTS

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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.

**Note 2 – Accounting Changes and Correction of Errors**

A. Material Changes in Accounting Principal

There were no material changes in accounting principles.

B. Correction of Errors

Not applicable

**Note 3 – Business Combinations and Goodwill**

A. Not applicable

**Note 4 – Discontinued Operations**

A. Not applicable

**Note 5 – Investments**

A. Mortgage Loans, including Mezzanine Real Estate Loans

None

B. Debt Restructuring

None

C. Reverse Mortgages

None

D. Loan-Backed Securities

None

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

None

F. Repurchase Agreements Transactions Accounted for as a Secured Borrowing

None

G. Reverse Repurchase Agreements Transactions Accounted for as a Secured Borrowing

None

H. Repurchase Agreements Transactions Accounted for as a Sale

None

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

None

J. Real Estate

None

K. Low-Income Housing Tax Credits

None



## NOTES TO FINANCIAL STATEMENTS

**L. Restricted Assets**

1. The Association holds minimum maturity time deposits which have withdrawal provisions in that notice to withdrawal is given in advance of availability which is generally 90 days or less.

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						Current Year				
	Current Year					6	7	8	9	Percentage	
	1	2	3	4	5					10	11
	Total General Account (G/A)	G/A Supporting S/A Restricted Assets (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase / (Decrease) (5 minus 6)	Total Non-admitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Non-admitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. to m. None											
n. Other restricted assets	\$ -				-	1,111,291	(1,111,291)	-	-	0.00%	0.00%
o. Total restricted assets	-				-	1,111,291	(1,111,291)	-	-	0.00%	0.00%

- (a) Subset of column 1
- (b) Subset of column 3
- (c) Column 5 divided by Asset Page, Column 1, Line 28
- (d) Column 9 divided by Asset Page, Column 3, Line 28

2. Detail of assets pledged as collateral not captured in other categories (reported on line m above)

None

3. Detail of other restricted assets (reported on line n above)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						Percentage				
	Current Year					6	7	8	9	10	
	1	2	3	4	5						
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase / (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross (Admitted & Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets	
Minimum Maturity Time Deposits	\$ -				-	1,111,291	1,111,291	-	0.00%	0.00%	
Total other restricted assets	-				-	1,111,291	1,111,291	-	0.00%	0.00%	

- (a) Subset of column 1
- (b) Subset of column 3
- (c) Total Line for Columns 1 through 7 should equal 5L(1)n Columns 1 through 7 respectively and Total Line for Columns 8 through 10 should equal 5L(1)n Columns 9 through 11 respectively

4. Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

None

**M. Working Capital Finance Investments**

None

**N. Offsetting and Netting of Assets and Liabilities**

None

**O. Structured Notes**

None

**P. 5\* Securities**

None

## NOTES TO FINANCIAL STATEMENTS

Q. Short Sales

None

R. Prepayment Penalty and Acceleration Fees

None

### **Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

A. Not applicable

### **Note 7 – Investment Income**

A. There was no due and accrued income excluded from surplus.

### **Note 8 – Derivative Instruments**

A. Not applicable

### **Note 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.

### **Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

A. Nature of Relationships

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.

B. Detail of Transactions Greater than ½% of Admitted Assets

None

C. Change in Terms of Intercompany Arrangements

None

D. Amounts Due to or from Related Parties

The Association entered into a service contract with TWIA on April 1, 2009 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. During 2018 and during the full year 2017 the Association incurred expenses from TWIA under its contract in the amounts of \$3,444,570 and \$14,033,559 respectively. The amounts are recognized in the statutory statements of liabilities, surplus and other funds as a payable to Texas Windstorm Insurance Association.

E. Guarantees or Undertakings 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

None

H. Amount Deducted for Investment in Upstream Company

Not applicable

I. Detail of Investments in Affiliates Great than 10% of Admitted Assets

Not applicable

J. Write-downs for Impairment of Investments in Affiliates

Not applicable

## NOTES TO FINANCIAL STATEMENTS

- K. Foreign Insurance Subsidiary Valued Using CARVM  
Not applicable
- L. Downstream Holding Company valued Using Look-Through method  
Not applicable
- M. All SCA Investments  
Not applicable
- N. Investment in Insurance SCAs  
Not applicable

### **Note 11 – Debt**

- A. The Association has a \$40,000,000 line of credit with a bank. \$40,000,000 was drawn on the line of credit on November 17, 2017 and \$39,999,000 is outstanding as of March 31, 2018. Funds are used for liquidity and for paying claims that resulted from Hurricane Harvey. Accrued interest is \$124,291 and \$123,200 as of March 31, 2018 and December 31, 2017, respectively. Interest paid is \$268,197 and \$0 for the period ending March 31, 2018 and for the year ending December 31, 2017. Interest expense is \$269,289 and \$123,200 for the period ending March 31, 2018 and for the year ending December 31, 2017, respectively. Interest on the line of credit accrues at a variable rate between 2.48% and 3.32% which equals a 2.71% effective interest rate during 2018. As of the date of issuance of the financial statements, the line of credit has been repaid in its entirety from assessments received from member companies in 2018.
- B. FHLB (Federal Home Loan Bank) Agreements  
Not applicable

### **Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

- A. Defined Benefit Plan  
Not Applicable
- a. Description of Investment Policies  
Not Applicable
- b. Fair Value Measurements of Plan Assets at Reporting Date  
Not Applicable
- c. Rate of Return Assumptions  
Not Applicable
- d. Defined Contribution Plan  
Not Applicable
- e. Multiemployer Plans  
Not applicable
- G. Consolidated/Holding Company Plans  
Not applicable
- H. Postemployment Benefits and Compensated Absences  
  
The Association has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned personal time off. The liability for earned but untaken personal time off has been accrued.
- I. Impact of Medicare Modernization Act on Postretirement Benefits  
Not applicable

## NOTES TO FINANCIAL STATEMENTS

### Note 13 – Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

Not applicable

### Note 14 – Liabilities, Contingencies and Assessments

A. Capital Commitments

The Association has no commitments or contingent commitments to other entities.

B. 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. The Association has accrued a liability for fire assessment of \$73,000 as of March 31, 2018 and December 31, 2017, respectively. The amounts recorded represent management's best estimates based on assessment rate information received from the State of Texas. The assets included in surcharge receivable have been fully non-admitted as of March 31, 2018 and December 31, 2017, respectively. Policy surcharges collected were \$1,293 and \$131,304 for the period ending March 31, 2018 and for the year ending December 31, 2017, respectively.

2. Rollforward of Related Asset

Description	Amount
a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 92,101
b. Decreases current year:	
Premium tax offsets applied	-
Premium tax offsets charged off	-
Policy surcharges collected	1,293
Policy surcharges charged off	-
c. Increases current year:	
Premium tax offsets accrued	-
Policy surcharges accrued	-
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$ 90,808

3. Long-term Care Insolvencies

None

C. Gain Contingencies

Not applicable

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

The Association paid no amounts separately identified in the current year to settle claims related to extra contractual obligations or bad faith claims resulting from lawsuits.

Description	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$ 0

Number of claims for which amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits.

(a) 00-25 Claims	(b) 26-50 Claims	(c) 51-100 Claims	(d) 101-500 Claims	(e) More than 500 Claims
X				

Indicate whether claim count information is disclosed per claim or per claimant:

(f) Per Claim  (g) Per Claimant

E. Product Warranties

Not applicable

F. Joint and Several Liabilities

Not applicable

## NOTES TO FINANCIAL STATEMENTS

### G. Other Contingencies

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

### **Note 15 – Leases**

#### A. Lessee Leasing Arrangements

Not applicable

#### B. Lessor Leasing Arrangements

Not applicable

### **Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk**

Not applicable

### **Note 17 – Sales, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

Not applicable

### **Note 18 – Gain or Loss from Uninsured Plans and Uninsured Portion of Partially Insured Plans**

Not applicable

### **Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Not applicable

### **Note 20 – Fair Value Measurements**

#### A. Inputs Used for Assets and Liabilities Measured and Reported at Fair Value

Not applicable

#### B. Other Fair Value Disclosures

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	\$54,853,617	\$54,853,617	\$54,853,617	\$ -	\$ -

#### D. Items for which Not Practicable to Estimate Fair Values

Not applicable

### **Note 21 – Other Items**

#### A. Unusual or Infrequent Items

See Note 13

#### B. Troubled Debt Restructuring for Debtors

Not applicable

## NOTES TO FINANCIAL STATEMENTS

- C. Other Disclosures  
None
- D. Business Interruption Insurance Recoveries  
Not applicable
- E. State Transferable and Non-transferable Tax Credits  
Not applicable
- F. Subprime Mortgage Related Risk Exposure  
Not applicable
- G. Insurance Linked Securities  
Not applicable

### **Note 22 – Events Subsequent**

#### Type II – Nonrecognized Subsequent Events

Subsequent events occurring after March 31, 2018 have been considered through May 10, 2018, the date the quarterly statement was issued. The member assessment approved by the Texas Department of Insurance commission on March 16, 2018 for \$54,941,036 was invoiced on March 27, 2018 and collected in full as of May 10, 2018. The initial assessment proceeds were used to pay down the line of credit in full as of April 25, 2018.

The Association does not believe any other subsequent events have occurred that would require further disclosure or adjustment to the statutory financial statements.

### **Note 23 - Reinsurance**

- A. Unsecured Reinsurance Recoverables

The Association has unsecured reinsurance recoverables which exceed 3% of the Association's surplus with the following reinsurers as of March 31, 2018.

NAIC Code	Federal ID #	Name of Reinsurer	Amount
	AA-3194168	Aspen Bermuda Ltd.	\$ 634,290
	AA-3194122	DaVinci Reins thru Renaissance U/W	807,378
	AA-3194130	Endurance Specialty Ins Ltd.	1,388,138
<b>26921</b>	22-2005057	Everest Reinsurance Company	2,039,632
	AA-1340125	Hannover Rück SE (Pillar business)	379,834
	AA-1126033	Lloyd's Underwriter Syndicate No. 0033 HIS	877,017
	AA-1127183	Lloyd's Underwriter Syndicate No. 1084 CSL	162,807
	AA-1127183	Lloyd's Underwriter Syndicate No. 1183 TAL	341,382
	AA-1120102	Lloyd's Underwriter Syndicate No. 1458 RNR	557,949
	AA-1120083	Lloyd's Underwriter Syndicate No. 1910 ARE	1,511,380
	AA-1128001	Lloyd's Underwriter Syndicate No. 2001 AML	1,671,249
	AA-1128010	Lloyd's Underwriter Syndicate No. 2010 MMX	216,069
	AA-1128623	Lloyd's Underwriter Syndicate No. 2623 AFB	311,137
	AA-1120075	Lloyd's Underwriter Syndicate No. 4020 ARK	422,559
	AA-3190829	Markel Bermuda Limited	507,432
<b>23680</b>	47-0698507	Odyssey Reinsurance Company	260,686
	AA-3190686	Partner Reinsurance Company Ltd.	1,267,028
	AA-3190339	Renaissance Reinsurance Ltd.	1,224,041
<b>10677</b>	31-0542366	The Cincinnati Insurance Company	507,432
<b>19453</b>	13-5616275	Transatlantic Reinsurance Company	1,014,865
	AA-3190870	Validus Reinsurance, Ltd.	1,393,817

## NOTES TO FINANCIAL STATEMENTS

### 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 policyholders' surplus from an individual reinsurer or exceed 10% of policyholders' surplus in aggregate.

Name of Reinsurer	Total Amount in Dispute (Including IBNR)	Status of Dispute		
		Notification	Arbitration	Litigation
NONE				

### C. Reinsurance Assumed and Ceded

- The following table summarizes the assumed and ceded unearned premiums and related commissions equity at the end of the current year.

	Assumed		Ceded		Assumed Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
a. Affiliates						
b. All other			\$ 9,526,733	\$ 285,802	( \$ 9,526,733)	( \$ 285,802)
c. Totals			\$ 9,526,733	\$ 285,802	( \$ 9,526,733)	( \$ 285,802)
d. Direct Unearned Premium Reserve			\$52,822,641			

- 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 is \$952,673 as of March 31, 2018.
- The Association does not use protected cells as an alternative to traditional reinsurance.

### D. Uncollectible Reinsurance

None

### 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 Reinsurer Downgrades or Status Subject to Revocation

Not applicable

### J. Reinsurance Agreements Qualifying for Reinsurer Aggregation

Not applicable

### Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable

## NOTES TO FINANCIAL STATEMENTS

### **Note 25 – Changes in Incurred Losses and Loss Adjustment Expenses**

- A. The estimated cost of loss and loss adjustment expense (LAE) attributable to insured events of prior years decreased by approximately \$3,900,000 during 2018 and decreased by approximately \$1,700,000 during the year ending 2017. 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 2018	FY 2017
Balance as of January 1,	\$ 49,628,579	\$ 23,630,717
Less: Reinsurance Recoverable	27,043,360	-
Net Balance at January 1,	22,585,219	23,630,717
Incurred, net of reinsurance, related to:		
Current year	9,409,213	86,598,724
Prior years	(3,946,321)	(1,734,491)
Net Incurred	5,462,892	84,864,233
Paid, net of reinsurance, related to:		
Current year	(4,032,316)	(73,133,000)
Prior years	(4,873,328)	(12,776,726)
Net Paid Losses	(8,905,644)	(85,909,726)
Net Balance at December 31,	19,142,467	22,585,219
Plus: Reinsurance Recoverable	23,228,637	27,043,360
Balance at December 31,	\$ 42,371,104	\$ 49,628,579

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. During August 2017, the Association was impacted by Hurricane Harvey. Gross and net of reinsurance ultimate loss and loss adjustment expenses from Hurricane Harvey are estimated to be approximately \$85,000,000 and \$41,198,680, respectively and included in the figures above. The appointed actuary for the Association has opined that the loss and LAE as of March 31, 2018 make a reasonable provision for the Association's claims liabilities.

- B. Not applicable

### **Note 26 – Intercompany Pooling Arrangements**

Not applicable

### **Note 27 – Structured Settlements**

Not applicable

### **Note 28 – Health Care Receivables**

Not applicable

### **Note 29 – Participating Policies**

Not applicable

### **Note 30 – Premium Deficiency Reserves**

The Association did not record a premium deficiency reserve as of March 31, 2018.

### **Note 31 – High Deductibles**

Not applicable

### **Note 32 – Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**

Not applicable

### **Note 33 – Asbestos and Environmental Reserves**

Not applicable



## NOTES TO FINANCIAL STATEMENTS

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### **Note 34 – Subscriber Savings Accounts**

Not applicable

### **Note 35 – Multiple Peril Crop Insurance**

Not applicable

### **Note 36 – Financial Guaranty Insurance**

A. and B. 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.  
 .....  
 .....  
 .....

3.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes [ ] No [X]

3.5 If the response to 3.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group \_\_\_\_\_

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. \_\_\_\_\_ 12/31/2017

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 Investment management - Identify all investment advisors, investment managers, broker/dealers. Including individuals that have the authority to make investments decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["..that have access to the investment accounts";"..handle securities"]

1 Name of Firm or Individual	2 Affiliation
John Polak	I
Jerome Fadden	I
David Durden	I

17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets? Yes [ ] No [X]

17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 17.5, the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [ ] No [X]

17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed

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. ....  
.....  
.....

19. By self-designating 5\*GI securities, the reporting entity is certifying the following elements for each self-designated 5\*GI security:
- a. Documentation necessary to permit a full credit analysis of the security does not exist.
  - b. Issuer or obligor is current on all contracted interest and principal payments.
  - c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5\*GI securities? Yes [ ] No [X]

## 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. \$ \_\_\_\_\_

7. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes [ ] No [X]

7.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity Yes [ ] No [X]

**NONE    Schedule F**

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Current Year To Date - Allocated by States and Territories

States, Etc.	1 Active Status (a)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid		
		2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 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	24,412,010	27,380,036	8,406,526	8,559,032	26,853,475	16,765,936
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	X X X		24,412,010	27,380,036	8,406,526	8,559,032	26,853,475	16,765,936

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						

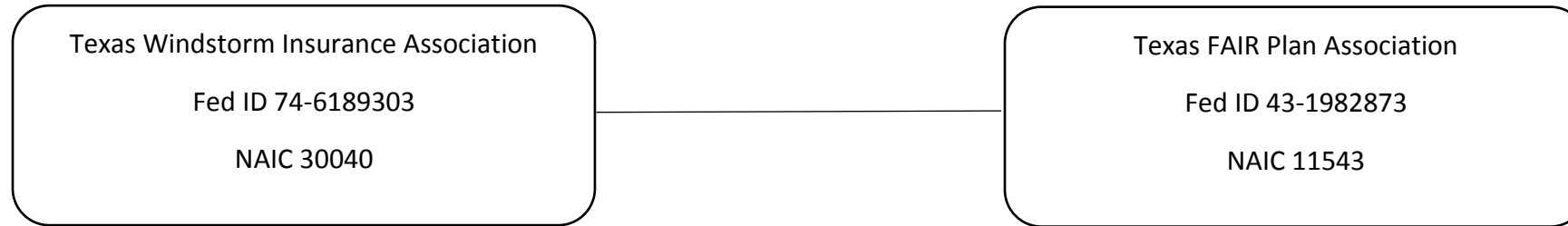
NONE

- (a) Active Status Counts
- L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG 1
  - R - Registered - Non-domiciled RRGs \_\_\_\_\_
  - E - Eligible - Reporting entities eligible or approved to write surplus lines in the state \_\_\_\_\_
  - Q - Qualified - Qualified or accredited reinsurer \_\_\_\_\_
  - D - Domestic Surplus Lines Insurer (DSL) - Reporting entities authorized to write surplus lines in the state of domicile \_\_\_\_\_
  - N - None of the above - Not allowed to write business in the state (other than their state of domicile - See DSLI) 56



## SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

### PART 1 - ORGANIZATIONAL CHART





### 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	1,495,687	1,073,643	71.8	33.5
2. Allied lines	7,818,921	1,152,615	14.7	28.5
3. Farmowners multiple peril				
4. Homeowners multiple peril	17,925,760	2,189,817	12.2	22.1
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	27,240,368	4,416,075	16.2	24.5

DETAILS OF WRITE-INS				
3401.	<b>NONE</b>			
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	1,531,774	1,531,774	1,541,033
2. Allied lines	7,577,350	7,577,350	7,975,413
3. Farmowners multiple peril			
4. Homeowners multiple peril	15,302,886	15,302,886	17,863,590
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	24,412,010	24,412,010	27,380,036

DETAILS OF WRITE-INS				
3401.	<b>NONE</b>			
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)	2018 Loss and LAE Payments on Claims Reported as of Prior Year-End	2018 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2018 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. 2015 + prior	1,426	3,268	4,694	376	2	378	1,061	1	2,111	3,173	11	(1,154)	(1,143)
2. 2016	1,835	2,590	4,425	776	119	895	1,126	26	2,111	3,263	67	(334)	(267)
3. Subtotals 2016 + prior	3,261	5,858	9,119	1,152	121	1,273	2,187	27	4,222	6,436	78	(1,488)	(1,410)
4. 2017	4,006	9,462	13,468	2,361	1,239	3,600	1,431	377	5,520	7,328	(214)	(2,326)	(2,540)
5. Subtotals 2017 + prior	7,267	15,320	22,587	3,513	1,360	4,873	3,618	404	9,742	13,764	(136)	(3,814)	(3,950)
6. 2018	X X X	X X X	X X X	X X X	4,033	4,033	X X X	1,160	4,218	5,378	X X X	X X X	X X X
7. Totals	7,267	15,320	22,587	3,513	5,393	8,906	3,618	1,564	13,960	19,142	(136)	(3,814)	(3,950)

8. Prior Year-End Surplus As Regards Policyholders

(54,941)

	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.	-1.871	2. -24.896	3. -17.488
			Col. 13, Line 7
			Line 8
		4.	7.190

## 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**

**Page 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Due from Agents	70,642	70,642		
2597. Totals (Lines 2501 through 2596) (Page 2, Line 2598)	70,642	70,642		

- 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**

## SCHEDULE E PART 2 - VERIFICATION

(Cash Equivalents)

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	14,000,000	
2. Cost of cash equivalents acquired	7,024,808	14,000,000
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals		
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	21,024,808	14,000,000
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	21,024,808	14,000,000



- 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**    **Trusted Surplus Statement**

**NONE**    **Medicare Part D**

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



11543201845000010

**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**



11543201850500101

## DIRECTOR AND OFFICER INSURANCE COVERAGE SUPPLEMENT

Year To Date For The Period Ended 2018

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. \$ \_\_\_\_\_