

# Meeting of the Governing Committee Texas FAIR Plan Association Teleconference/Web Conference\*\*

August 3, 2020 Webinar 3:00 p.m.

Interested parties can listen to the meeting live by going to <a href="www.texasfairplan.org">www.texasfairplan.org</a>.

Go to "About Us/Governing Committee" and click on the webinar link.

- 1. Call to Order
  - A. Welcoming Remarks John Miletti

5 minutes

- B. Reminder of Anti-Trust Statement-John Miletti/Counsel
- C. Meeting Format Information Kristina Donley
- 2. Consideration and Action to:

Approve the Minutes from Prior Governing Committee Meetings

- John Miletti\* 5 minutes

- 3. TFPA Operational Highlights John Polak
- 4. Financial 20 minutes

Consideration and Possible Action on the Following Financial Topics:

- A. Report of the Secretary/Treasurer Wendy Mueller\*
  - 1. Income Statement
- B. Financial Statement Review by Staff Jerry Fadden
  - 1. Management Discussion and Analysis
  - 2. Income Statement
  - 3. Expense Statement
  - 4. Balance Sheet
  - 5. Cash Flow Statement
  - 6. Cash & Short-Term Investments
  - 7. Historical Data
  - 8. Policy Count/Exposures
- C. 2020 Hurricane Season Funding Including Renewal of Line of Credit *Jerry Fadden\**
- D. Selection of Auditors/Accountants for 2020 Jerry Fadden\*
- 5. Actuarial *Jerry Fadden*

15 minutes

Consideration and Possible Action on the Following Actuarial Topics:

A. Reserve Adequacy

FAIR Plan Agenda 1

6. Internal Audit – Bruce Zaret – Weaver

5 minutes

Consideration and Possible Action on the Following Internal Audit

A. Internal Audit Status & Update

5 minutes

7. Underwriting – *Denise Larzalere* 

Consideration and Possible Action on the Following Underwriting Topics:

A. Operational Review Update

15 minutes

8. Claims and Litigation

Consideration and Possible Action on the Following Claims and Litigation Topics:

A. Claims Operations – Dave Williams

B. Litigation Report – David Durden

20 minutes

9. TFPA Operations

Consideration and Possible Action on the Following:

A. IT Systems Enhancements – John Polak

B. Communications Update – Jennifer Armstrong

30 minutes

10. Closed Session (Governing Committee Only)

A. Personnel Issues

B. Legal Advice

5 minutes

11. Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, if any, of the Governing Committee\*

5 minutes

- 12. Future Meetings John Polak
  - December 7, 2020 Webinar
  - February 2021 TBD
  - May 2021–TBD

5 minutes

13. Committees – John Miletti

2 hours 20 minutes 14. Adjourn

Estimated Total Length of Meeting

\*Indicates item on which the General Manager believes the TFPA Governing Committee is likely to take action. However, the Governing Committee may take action on any item that appears on this agenda.

\*\* In accordance with Governor Abbott's directive suspending certain statutory provisions relating to open meetings and requiring certain actions of the boards of governmental bodies, this meeting may be conducted entirely by teleconference or web conference with no one gathered at a physical location.

FAIR Plan Agenda 2 1. Anti-Trust Statement



#### **Anti-Trust Statement**

The creation and operation of the Fair Access to Insurance Requirements (FAIR) Plan Association is authorized under Article 21.49A (now Chapter 2211) of the Texas Insurance Code. The Governing Committee is authorized to administer the FAIR Plan.

When involved in meetings or other activities of the FAIR Plan, Governing Committee members and insurer and agent participants are bound to limit their discussions and actions to matters relating solely to the business of the FAIR Plan and shall not discuss or pursue the business interests of individual insurers, agents, or others. There should be no discussions of or agreements to act that serve to restrain competition. This prohibition includes the exchange of information concerning individual company rates, coverage, market practices, claim settlement practices and other competitive aspects of individual company operations. Each member is obligated to speak up immediately for the purpose of preventing any discussion of any of the foregoing subjects. Counsel is asked to help us be mindful of these restraints and to alert us when our discussion goes into any of the prohibited subject areas.

2. Approve the Minutes

#### Minutes of the Texas FAIR Plan Association **Governing Committee Meeting Teleconference (Webinar)**



5700 South Mopac Expressway Building A Austin, Texas 78749

#### May 11, 2020

#### The following Governing Committee members were present, representing:

1. John Miletti, Chair Travelers 2. Mark Solomon, Vice Chair Assurnet 3. Wendy Mueller, Secretary/Treasurer State Farm 4. Debbie King Republic 5. Frank Baumann Public Member 6. Georgia Neblett **Public Member** 7. Tim McCarthy Texas Farm Bureau 8. Marilyn Hamilton **Public Member** 9. Edward J. (E. Jay) Sherlock **Public Member** 

10. Corise Morrison USAA

11. Marianne Baker Ex-Officio Non-Voting Member, TDI

Absent: Christina Ford

#### The following TFPA staff, counsel, and agents were present:

A.	John Polak, General Manager	TFPA
В.	Jerry Fadden, Chief Financial Officer	TFPA
C.	Denise Larzalere, VP Underwriting	TFPA
D.	Dave Williams, VP Claims	TFPA
E.	David Durden, VP Legal	TFPA
F.	Jennifer Armstrong, VP Communications and	TFPA
	Lagislativa Affairs	

Legislative Affairs

**TFPA** G. Amy Koehl, Executive Assistant

H. Mike Perkins, Association Counsel Perkins Law Group, PLLC

### The Association's webinar tool attendance report indicates the following attendees

26. Aaron Taylor

#### were online.

12. Allen Fulkerson

<u>were online:</u>	
1. Allen Cashin	15. Stuart Harbour
2. Angie Cervantes	16. Xiuyu Li
3. Brant Chandler	17. Clarisse Lilley
4. Jessica Crass	18. Laura Machado
5. Tad Delk	19. David Muckerheide
6. Matt Diamond	20. Jim Murphy
7. Sarah Edstrom	21. Elisabeth Ret
8. Rachel Ernst	22. Brian Ryder
9. Angela Fang	23. Kenisha Schuster
10. Craig Fegley	24. Anna Stafford
11. Sandra Foreman	25. Fred Strauss

13. Carlos Garcia14. Dan Halladay27. Tyler Thomas28. Scott Weiss

- 1. <u>Call to Order:</u> Chairman John Miletti called the meeting to order at 3:03 p.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Kristina Donley provided housekeeping information to the attendees.
- 2. <u>Welcoming Remarks:</u> Ms. Donley reviewed the staff and board member attendees.
- 3. <u>Approval of the Minutes from Prior Governing Committee Meeting:</u> The minutes from the February 17, 2020 meeting in Austin were reviewed. Ms. Neblett moved to approve the minutes. Mr. Sherlock seconded the motion. Ms. Baker said she was listed as a guest at the meeting instead of as a member of the committee. This item will be amended in the document. The motion passed.
- 4. TFPA Operational Highlights: Mr. Polak reported that nearly 100% of Association staff was transitioned to remote operations while continuing to meet service level objectives and obligations. A temporary payment option was implemented providing payment leniency to support policyholders impacted by COVID-19. Operating expenses for Q1 remain below plan. The Association is on track to complete objectives for all strategic initiatives in 2020. Underwriting and claims have exceeded turnaround time and quality standards on service levels. Litigated claims and complaints remain below plan in Q1 2020.

#### 5. Financial:

- A. <u>Report of the Secretary/Treasurer</u>: Ms. Mueller reviewed the Treasurer's Report. Ms. Morrison moved to approve the report. Ms. Neblett seconded the motion. The motion passed.
- B. <u>Financial Statement Review by Staff</u>: Year to date direct written premiums through March 2020 totaled \$19.3 million, a decrease of 10.4% from the \$21.5 million for the same period last year due to continued declines in policy count. Direct written premium was \$1.4 million higher than the budgeted \$17.9 million. Policies in force totaled 78,218 or 318 policies above the budget of 77,900.

Direct premiums earned through March 2020 were \$21.0 million or \$2.3 million (9.9%) lower than the same period in 2019. Earned premiums were \$741,000 higher than the budget of \$20.3 million.

Ceded earned premiums for the quarter ended March 31, 2020 were on budget at \$7.3 million resulting in net earned premium of \$13.7 million which was \$1.5 million below the 2019 net earned of \$15.2 million. Net earned premium exceeded the 2020 budget by \$726,000. Ceded premium is written in July of each year and earned throughout the following twelve months.

Year to date direct loss and LAE totaled \$9.8 million and was based on estimated reserves as calculated by the internal actuary as of March 31, 2020. Losses and LAE are above the prior year by \$3.4 million and above budget by \$3.3 million due in part to a large loss (explosion) at a manufacturing facility in Houston on January 24, 2020. The reported loss ratio for the first quarter 2020 is 46.5% compared to the budget of 32.0% and the prior year first quarter of 27.2%.

Total year to date operating expenses of \$3.7 million are below prior year totals by \$225,000 and under budget by \$93,000. Costs incurred year to date for IT consultants and hardware/software were over budget by \$200,000 but were more than offset by personnel related costs and postage, which were under budget by \$233,000 and \$33,000.

Commission expense and premium taxes year to date were below 2019 expense levels by \$241,000 due to lower 2020 written premiums but were above budget by \$126,000 or 5.6% due to higher than budgeted written premium.

Year to date gross investment income was \$99,000 which is below the prior year income of \$248,000 and also the budget of \$153,000. This trend is likely to continue given the recent Fed rate cuts in response to the economic threats associated with the Coronavirus outbreak. Billing fees (including installment, late fees and phone payment fees) of \$119,000 exceeded the budgeted amounts by \$65,000.

FAIR Plan results for the three months ended March 31, 2020 reflect a net loss of \$2.0 million compared to et income of \$2.5 million for the prior year period. Lower 2020 net earned premiums and higher losses and DAE associated with the Houston explosion accounted for the variance from prior year results. The net loss of \$2.0 million was \$2.5 million below the budgeted income of \$460,000.

The ending surplus as of March 31, 2020 was \$9.5 million or \$2.6 million below the surplus at December 31, 2019 of \$12.1 million. Surplus was also reduced during the period by \$662,000 due to an increase in non-admitted assets which was primarily prepaid license fees for Guidewire software and prepaid premium taxes.

C. <u>Investment Plan Review:</u> Annually, the TFPA Governing Committee reviews the adequacy and implementation of the Association's investment plan as reflected in the Statement of Investment Objectives and Guidelines.

The primary focus of the investment plan is asset preservation and liquidity, along with compliance with the Texas Insurance Code and Plan of Operation of the Association.

On a quarterly basis, TFPA reviews the following criteria to monitor counterparty relationships:

- Bank ratings and credit ratings from Moody or Standard and Poor's must meet 'AAA,' 'AA,' or 'A' ratings defined as "superior or strong in credit ratings.
- Tier 1 Capital Ratio must be above a 10% ratio.
- The National Association Regulatory Capital must be in excess of \$25 billion.
- Total investment in any one financial institution will not exceed .2% of the National Association's regulatory capital.
- Total investment in any one financial institution will not exceed 40% of TFPA's total portfolio.

At this time, staff is not recommending any changes to the investment plan. Ms. Neblett moved that the Governing Committee of the Texas FAIR Plan Association acknowledges its review of the adequacy and implementation of the investment plan of the Association and accepts staff's recommendation to make no changes to the investment plan at this time. Mr. Solomon seconded the motion. The motion passed.

D. <u>Financial Audit by Calhoun, Thomson + Matza:</u> Clark Thomson provided a review of the audit findings. Ms. Morrison moved to accept the audit report. Ms. Mueller seconded the motion. The motion passed.

#### 6. <u>Actuarial</u>:

A. <u>Reserve Adequacy:</u> TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of March 31, 2020.

Based on this review the "indicated" ultimate cost of Harvey is \$83.9 million, the same as the indicated ultimate loss and expense estimate based on the review at December 31, 2019. Due to uncertainties surrounding the adequacy of case reserves and the outcomes of disputed claims, the "selected" ultimate gross loss & expense estimate has been maintained at \$85 million.

As of March 31, 2020, TFPA carried \$27 million in total gross loss and loss adjustment expense reserves with \$11.47 million of the total gross losses and expenses ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

In the opinion of the senior actuary, the Association's net reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements. The senior actuary's opinion on the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible.

- B. <u>Update on Rate Filing:</u> A series of rate changes were proposed at the December TFPA Governing Committee meeting. The rates were filed with TDI at the end of December. On March 19<sup>th</sup>, the commissioner approved the proposed rate changes. On April 9<sup>th</sup>, the Association received an order changing the effective date from May 1 to August 1, 2020. Ms. Mueller said an annual review will be done in December, is it possible it will move to May 1 in the future or is it stuck at August 1 for the foreseeable future. Mr. Fadden said this is a conversation to have in December. Ms. Neblett asked if the delay will have an impact on the budget. Mr. Fadden will provide this information to the board.
- C. Policy Count/Exposures: Policy counts are down year over year 15.2%.
- D. Reinsurance Options for 2020 Storm Season: Tad Delk from Guy Carpenter reviewed a presentation regarding reinsurance options. Mr. Miletti asked if the average rate online is higher this year or lower. Mr. Delk said the rate online is lower. Mr. McCarthy asked if the risk adjusted charge was going up. Mr. Delk said yes. After additional discussion and in order to maintain consistency with past purchase patterns, Ms. Morrison moved to pursue reinsurance purchase of 385M x 40M, effective July 1, 2020 and ask staff to conduct analysis to view the blended models and determine if the TFPA Governing Committee wants to continue with that standard. The number is based on prior year blending of models. Ms. Neblett seconded the motion. Ms. Morrison would like to start looking at another way to blend a short term/long term view. Mr. Milletti said if the comparisons are made, is 385M x 40M is the appropriate number. Mr. McCarthy said he thought that was number to go with. The motion passed.

#### 7. Internal Audit:

A. <u>Internal Audit Status & Update:</u> Mr. Zaret reported current activities for internal audit include reviews of business continuity/continuity of operations, accounts receivable, underwriting, reinsurance and database and application administration. Upcoming audits include financial close and reporting, information security, claims processing and disaster recovery.

#### 8. <u>Underwriting</u>:

A. Operational Review Update: Underwriting continues to have consistent turnaround time on all policy transactions. Over 90% of new business submissions and renewals were processed within 10 days, with approximately 80% via straight through processing. Quality assurance scores on the underwriting decisions continue to meet or exceed established goals. Customer service telephone response time is within established goals, with survey responses being positive. Service observation has become standard procedure as well as calibrating expectations within the entire Association. Underwriting operated under budget in the first quarter, driven by lower head count and fewer inspections.

Ten agents (100 properties/policies) were selected for review in the first quarter of 2020 to verify compliance with the declination of coverage requirement and TFPA producer requirements and performance standards. Due to transitions in staffing

and the COVID-19 health crisis, this review is ongoing. To date five of the ten agents have responded and one additional agent has asked for an extension. Proof of declination was received for forty percent of the policies selected. Staff is following up for outstanding proof of declinations. Signed applications and eligibility statements were provided for approximately forty seven percent of the policies selected. Staff is following up with agents who have not yet provided signed applications. All ten agents have an active property & casualty insurance license.

#### 9. Claims:

- A. <u>Claims Operations:</u> There is an open inventory of 324 Harvey claims making 98.2% closed. There are 26 active appraisals for TFPA Harvey claims with appraisal invoked.
- B. <u>Claims Litigation</u>: For the first quarter of 2020, there are five first party claims in suit. There are 30 first party TFPA claims with letters of representation and 1 third party suit. Fifteen first party suits and 1 third party suit was closed in the first quarter. Fourteen first party claims and one third party with letters of representation closed in the first quarter. The majority of the suits are held by the Buzbee Law Firm.

#### 10. TFPA Operations:

- A. <u>IT Systems Enhancements:</u> The IT systems projects are progressing smoothly.
- B. <u>Communications Update:</u> In Q1, 2020, staff maintained regular contact with state legislators and regulatory officials, providing operational updates on the status of the implementation of new laws passed by the 86<sup>th</sup> Legislature, primarily impacting TWIA and answering questions related to our operations. The Legislative Implementation Program continues to manage initiatives resulting from the legislative session and monitor legislative activities of the Association. Staff remains on track to comply with the deadlines of the seven remaining legislative provisions related to the Association, which will go into effect this year or in early 2021.
- 11. <u>Closed Session</u>: There was no closed session.
- 12. <u>Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, If Any, of the Governing Committee</u>: There were no items to consider.
- 13. Future Meetings: The next meetings will take place on the following dates:
  - August 3, 2020 Tremont House Galveston
  - December 7, 2020 Omni Hotel Corpus Christi
- 14. <u>Committees:</u> There was nothing to report.
- 15. Adjourn: There being no further business the meeting adjourned at 5:15 pm.

Prepared by: Amy Koehl	Approved by: John Miletti
Executive Assistant	TFPA Chairman

# 3. TFPA Operational Highlights

## 2020 TFPA Enterprise Scorecard

TEXAS FAIR PLAN ASSOCIATION

Reporting YTD as of June 30, 2020

	YTD	Trend	Goal	Δ	Performance
Operating Expense Ratio	17.3%	<b></b>	19.1%	-1.8%	
Net Gains from Operations	-\$6.2 M	<b>~</b>	-\$2.7 M	-\$3.5 M	
Enterprise Projects	91%	$\rightarrow$	90%	1%	
Policy Administration	97%		90%	7%	
Claims Handling	98%	$\rightarrow$	90%	8%	
Litigated Claims	0.03%		1.00%	-0.97%	
Complaints	6		20	-14	Ĭ

Reference I	<u>Data</u>
Policies In-Force	76,406
Exposures In-Force	\$13.2 billion
Written Premiums YTD	\$41.9 million
Claims Received YTD	2,931
Losses Incurred YTD <sup>1</sup>	\$16.4 million
<sup>1</sup> Excludes IBNR	

#### Key Quarterly Activities

- Secured \$490 million in total funding for the 2020 hurricane season.
- Trained nearly 1,000 adjuster resources virtually in the Claims department's annual Hurricane Preparedness and Adjuster Certification Conference.
- Remain below plan for Q2 2020 operating expenses.
- On track to complete Association objectives for all strategic initiatives in 2020.
- Exceeded turnaround time and quality standards on Underwriting and Claim service levels.
- Remain well below plan on litigated claims and complaints in Q2 2020.

# 4. Financial 4A. Report of the Secretary/Treasurer 4A1. Income Statement

1	TEXAS FAIR PLAN ASSOCIA	TION				
2	Statutory Income Statement - Treas	surer's l	Report			
3	for the six months ended Ju	ne 30,				
4	(000's omitted)					
5						
6		2020			2019	
7						
8	Direct Premiums Written	\$	41,894	\$	45,505	
9			_		_	
LO	Premiums Earned:					
11	Direct Premiums Earned	\$	41,532	\$	46,207	
12	Ceded Reinsurance Premiums		(14,602)		(16,196)	
13	Net Premiums Earned		26,930		30,011	
L4						
.5	Deductions:					
16	Direct Losses and LAE Incurred		20,933		24,841	
.7	Direct Losses and LAE Incurred - Harvey		-		-	
18	Ceded Losses and LAE Incurred - Harvey		-		-	
19	Operating Expenses		7,167		8,664	
20	Commission Expense		4,402		4,687	
21	Ceding commissions / brokerage		-		-	
22	Premium / Maintenance Tax		790		871	
23	Total Deductions		33,292	-	39,063	
24				-		
25	Net Underwriting Gain or (Loss)		(6,362)	-	(9,052)	
26						
27	Other Income or (Expense):					
28	Investment Income		117		489	
29	Investment Expenses (Line of Credit Commitment Fee)		(62)		(60)	
80	Interest Expense on Line of Credit Advance		-		-	
31	Sales Tax Refund and Other Income (Expense)		-		-	
32	Member Assessment Income		-		-	
33	Charge off's /Write off		(12)		(157)	
34	Billing Fees		137		179	
35	Total Other Income or (Expense)		179		451	
36	Night Impages (Local)	ć	(C 402)	<b>.</b>	(0.004)	
37	Net Income (Loss)	\$	(6,183)	\$	(8,601)	
38	Combre (Deficit) Associate					
19	Surplus (Deficit) Account:		40.400		45.000	
0	Beginning Surplus (Deficit)		12,133		15,088	
1	Net Income (Loss)		(6,183)		(8,601)	
12	Change in Provision for Reinsurance		95		46	
43	Change in nonadmitted assets		(250)		(162)	
44	Other		- -		- C 274	
45	Ending Surplus (Deficit)	\$	5,796	\$	6,371	

## 4B. Financial Statement Review by Staff

4B1. Management Discussion and Analysis
4B2. Income Statement
4B3. Expense Statement
4B4. Balance Sheet
4B5. Cash Flow Statement
4B6. Cash & Short-Term Investments
4B7. Historical Data
4B8. Policy Count/Exposures

# Texas FAIR Plan Association Management's Discussion and Analysis of Financial Results for the Six Months Ended June 30, 2020

#### **Direct Written Premium:**

- Year-to-date direct written premiums through June 2020 totaled \$41.9 million, a decrease of 7.9% from the \$45.5 million for the same period in the prior year due to continued declines in policy count.
- Direct Written Premium was \$3.1 million higher than the budgeted \$38.8 million. Policies in force totaled 76,406 or 1,406 policies above the budget of 75,000.

#### **Direct Premiums Earned:**

• Direct premiums earned through June 2020 were \$41.5 million or \$4.7 million (10.1%) lower than the same period in 2019 and \$1.7 million higher than the budget of \$39.9 million.

#### **Reinsurance Costs:**

- TFPA successfully placed the 2020-2021 reinsurance program, incepting on July 1, 2020. The program provides coverage of \$385 million in excess of a \$40 million initial retention. In addition, the program includes a "second event" cover that reduces the net retention to \$10 million. The program includes a reinstatement option and a reinstatement premium protection cover. The 2020 program provides coverage for roughly a 1-in-100 year event based on a blend of catastrophe model results. The program was placed at a cost of \$28.8 million, slightly less than the 2020 budget of \$29.1 million.
- Total ceded earned premiums for the six months ended June 30, 2020 were slightly higher than budget at \$14.6 million. Ceded premium is written in July of each year and earned throughout the following twelve months.

#### **Net Premiums Earned**

• Net earned premium for January through June 2020 totaled \$26.9 million which exceeded the budget of \$25.3 million by \$1.6 million.

#### **Loss and Loss Adjustment Expense Incurred:**

- Year-to-date Direct losses and LAE totaled \$20.9 million and were based on estimated reserves as calculated by our internal actuary as of June 30, 2020.
- Losses and LAE are above budget by \$5.4 million due primarily to losses related to spring storm activity and an explosion at the Watson Grinding & Manufacturing facility in Houston on January 24, 2020.
- The YTD loss ratio is 50.4% compared to the budgeted loss ratio of 39.0%

#### **Operating Expenses:**

- Total year-to-date Operating expense of \$7.2 million was under budget by \$439,000.
- Costs incurred year-to-date for IT consultants were overbudget by \$316,000 but were more than
  offset by savings in IT Personnel, Hardware and Software expenses which were under budget by
  \$465,000.

• Other notable items under budget were Underwriting Personnel (\$79,000), Surveys & Inspections (\$52,000) and Postage/Telephone in Operations which combined was under budget by \$80,000.

#### **Commissions and Premium Taxes:**

• Commission expense and premium taxes year-to-date were above budget by \$281,000 or 5.7% due to higher than budgeted written premium.

#### Other Income (Expense):

• Year-to-date gross investment income was \$117,000 which is \$192,000 below the budget of \$308,000. This trend is likely to continue given the recent Fed rate cuts in response to the economic threats associated with the Coronavirus outbreak.

#### **Net Loss:**

• TFPA's financial results for the six months ended June 30, 2020 reflect a net loss of \$6.2 million compared to the budgeted loss of \$2.7 million.

#### Surplus:

- The ending surplus as of June 30, 2020 was \$5.8 million, or \$6.3 million below the surplus at December 31, 2019 of \$12.1 million.
- Surplus was also reduced year-to-date by \$250,000 due to an increase in non-admitted assets which was primarily prepaid license fees for Guidewire software.

1 2	Statutory Inco	ome Stat	-	0's o	mitted)			1 2
3	for the s	ix monti	hs ended J	une 3	su,			3
5 6			Actuals - 2020		dget - 2020	Variance - 2020	Act	uals - 2019 5
	miums Written:							7
	rect	\$	41,894	\$	38,766		\$	45,505 8
	rded Net		41,894		38,766	3,128	· -	- 9 45,505 10
11			. 1,00		33,733	3,123		11
	miums Earned: rect	\$	41,532	Ġ	39,873	\$ 1,659	\$	12 46,207 13
_	eded	Ş	(14,602)	Ą	(14,572)	(30)	Ą	(16,196) 14
	Net		26,930		25,301	1,629		30,011 15
16	luctions							16
	luctions: rect Losses and LAE Incurred		20,933		15,536	5,397		17 24,841 18
	rect Losses and LAE Incurred - Harvey		-		-	-		- 19
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	perating Expenses ommission Expense		7,167 4,402		7,606 4,148	(439) 254		8,664 21 4,687 22
	ding commissions / brokerage		-		-	-		- 23
	emium / Maintenance Tax		790		763	27		871 24
25 T 26	otal Deductions		33,292		28,053	5,239		39,063 25 26
	Underwriting Gain or (Loss)		(6,362)		(2,752)	(3,611)	· <del></del>	(9,052) 27
28			, , , ,			, ,		28
	er Income or (Expense):		117		200	(102)		480 30
	vestment Income vestment Expenses (Line of Credit Commitment Fee)		117 (62)		308 (60)	(192) (2)		489 30 (60) 31
	terest Expense on Line of Credit Advance		-		-	-		- 32
	les Tax Refund and Other Income (Expense)		-		-	-		- 33
	ember Assessment Income large offs /Write offs		- (12)		- (271)	- 259		- 34 (157) 35
	ling Fees		137		117	20		179 36
	otal Other Income or (Expense)		179		94	85		451 37
38 30 No	et Income (Loss)	\$	(6,183)	ċ	(2,657)	\$ (3,525)	\$	38 (8,601) 39
40	t income (2003)		(0,103)	7	(2,037)	<del>y</del> (3,323)		40
	olus (Deficit) Account:							41
	ginning Surplus (Deficit)		12,133		12,133	- (2.525)		15,088 42
	Net Income (Loss) Change in Provision for Reinsurance		(6,183) 95		(2,657) 600	(3,525) (505)		(8,601) 43 46 44
	Change in nonadmitted assets		(250)		-	(250)		(162) 45
	Other			ć	- 10.076	- (4.200)		- 46
47 48	Ending Surplus (Deficit)	\$	5,796	\$	10,076	\$ (4,280)	\$	6,371 47 48
	Operating Ratios:							49
50 Di	rect:							50
51 L 52	oss & LAE Ratio: Non Hurricane		50.4%		39.0%	11.4%		51 53.8% 52
53	Hurricane Harvey		0.0%		0.0%	0.0%		0.0% 53
54	Loss & LAE Ratio		50.4%		39.0%	11.4%		53.8% 54
55 ເ 56	JW Expense Ratio: Acquisition		10 40/		13 70/	0.20/		55 12.2% 56
57	Non Acquisition		12.4% 17.3%		12.7% 19.1%	-0.3% -1.8%		12.2% 56 18.7% 57
58	UW Expense Ratio		29.6%		31.7%	-2.1%		31.0% 58
59 60	Combined Patio	-	00 10/		70.70/	0.20/		59 84.7% 60
60 61	Combined Ratio		80.1%		70.7%	9.3%		84.7% 60 61
62 Ne	et:							62
	oss & LAE Ratio:		77 701		64.401	40.001		63
64 65	Non Hurricane Hurricane Harvey		77.7% 0.0%		61.4% 0.0%	16.3% 0.0%		82.8% 64 0.0% 65
66	Loss & LAE Ratio		77.7%		61.4%	16.3%		82.8% 66
67 L	JW Expense Ratio:							67
68 60	Acquisition		17.5%		18.3%	-0.9%		17.1% 68
69 70	Non Acquisition UW Expense Ratio		26.6% 44.1%		30.1% 48.4%	-3.4% -4.3%		28.9% 69 46.0% 70
71			/0		.3.470	1.570		71
72	Combined Ratio		121.8%		109.8%	12.0%		128.8% 72

1	TEXAS FAIR PLAN ASS	OCIATION			1			
2 Statu	Statutory Expense Report (000's omitted) 2							
3 <b>fc</b>	for the six months ended June 30,							
4	4							
5 <b>Description</b>	Description Actuals - 2020 Budget - 2020 Variance - 2020							
6 Personnel Expenses			_		6			
7 Salaries & Wages - Permanent	\$ 3,121	\$ 3,333	\$ (212)	\$ 2,960	7			
8 Contractor & Temporary Help	1,099	1,453	(355)	1,643	8			
9 Payroll Taxes	241	279	(38)	228	9			
10 Employee Benefits	1,216	1,218	(3)	1,169	10			
11 Recruiting, Training & Other	48	94	(46)	40	11			
12 Subtotal	5,724	6,377	(653)	6,040	12			
13				•	13			
14 Professional & Consulting Services					14			
15 Legal	59	81	(22)	81	15			
16 Accounting & Auditing	47	52	(5)	53	16			
17 Information Technology	1,078	957	121	1,569	17			
18 Actuarial Services	18	19	(1)	27	18			
19 Surveys & Inspections	251	302	(52)	366	19			
20 Disaster Recovery Services	58	33	25	17	20			
21 Other Services (1)	736	789	(53)	633	21			
22 Subtotal	2,247	2,234	13	2,747	22			
23					23			
24 Hardware/Software Purchases & Licensing	771	884	(113)	842	24			
25 Rental & Maintenance - Office/Equipment	362	352	10	334	25			
26 Travel Expenses	10	42	(32)	23	26			
27 Postage, Telephone and Express	179	294	(115)	170	27			
28 Capital Management Expenses	62	60	2	60	28			
29 Other Operating Expenses	276	333	(58)	254	29			
30 Total Operating Expenses	\$ 9,631	\$ 10,577	\$ (946)	\$ 10,470	30			
31					31			
32 Capitalization of Fixed Assets	-	-	-	-	32			
33 Allocation To ULAE	(2,402)	(2,911)	509	(1,746	) 33			
34 Allocation To Investing & Other Expense	(62)	(60)	(2)	(60	) 34			
35 Net Operating Expense - UW Operations	\$ 7,167	\$ 7,606	\$ (439)	\$ 8,664	35			
36			<u> </u>	-	36			

(1) Other Services	Amount	Department
Call Center Expenses	250	Claims & Underwriting
Insurance Services Office Inc. fees	169	Claims & Underwriting
Marshall & Swift/Boeckh	79	Underwriting
Eagleview Technologies	52	Claims
Xactware Fees	38	Claims
Xactware Solutions Inc	21	Claims
ADP	17	Human Resources
Property & Liability Resource Bureau	17	Claims
Cornerstone OnDemand	17	Human Resources
Lexis Nexis - Risk Solutions	13	Underwriting
Scan Mailboxes Solutions LLC	11	Operations
McLean and Company	10	Human Resources
Other Vendors (paid less than \$10K)	41	Various departments
Total Other Services	736	<b>=</b>

1 TEXAS FAIR PLAN ASSOCI	1 TEXAS FAIR PLAN ASSOCIATION 1					
2 Statutory Balance Sheet (000	Statutory Balance Sheet (000's omitted)					
3					3	
4					4	
5	J	une-20	Dec	ember-19	5	
6 Admitted Assets					6	
7 Cash and short term investments	\$	59,263	\$	66,137	7	
8 Premiums receivable		7,829		6,825	8	
9 Assessment receivable		-		-		
10 Amounts recoverable from reinsurers		3,297		1,149	10	
11 Other assets		6		27	11	
12 Total admitted assets	\$	70,394	\$	74,138	12	
13					13	
14 Liabilities, Surplus and other funds					14	
15 Liabilities:					15	
16 Loss and Loss adjustment expenses	\$	16,348	\$	14,962	16	
17 Underwriting expenses payable		2,612		2,142	17	
18 Unearned premiums, net of ceded unearned premiums		42,309		27,345	18	
19 Ceded reinsurance premiums payable		-		14,276	19	
20 Principal outstanding on line of credit advance		-		-	20	
21 Interest payable on line of credit advance		-		-	21	
22 Provision for reinsurance		-		95	22	
23 Other payables		3,330		3,184	23	
24 Total liabilities		64,599		62,004	24	
25					25	
26 Surplus and others funds					26	
27 Unassigned Surplus (Deficit)		5,796		12,133	27	
28 Total liabilities, surplus and other funds	\$	70,394	\$	74,138	28	
29					29	

1	TEXAS FAIR PLAN ASS	OCIATIO	ON			1	
2	Statement of Cash Flows (000's omitted)						
3	for the six months ended June 30,						
4						4	
5		Actu	ıals - 2020	Budget - 2020	Variance - 2020	5	
6						6	
7 Cash flows from operating active	ities:					7	
8 Premiums collected, net of reir	nsurance	\$	27,018	\$ 24,781	\$ 2,237	8	
9 Losses and loss adjustment exp	ense paid		(21,695)	(22,035)	339	9	
10 Underwriting expenses paid			(11,890)	(11,110)	(780)	10	
11 Member assessment			-	-	-	11	
12 Other			(384)	(154)	(230)	12	
13 Net cash provided by operati	ng activities		(6,952)	(8,518)	1,566	13	
14 Cash flows from nonoperating a	ectivities:					14	
15 Other			-	-	-	15	
16 Net cash provided by nonope	rating activities		-	-	-	16	
17 Cash flows from investing activi	ties:					17	
19 Net investment income			77	248	(171)	19	
20 Net cash provided by investing	g activities		77	248	(171)	20	
21 Cash flows from financing activi	ties:					21	
22 Borrowed funds			-	-	-	22	
23 Borrowed funds repaid			-	-	-	23	
24 Net cash provided by financir	ng activities		-	-	-	24	
25						25	
26 Net increase (decrease) in cas	sh and short-term investments		(6,875)	(8,270)	1,395	26	
27 Cash and short-term investment	ents, Beginning		66,137	66,137	<u>-</u>	27	
28 Cash and short-term investr	nents, Ending	\$	59,263	\$ 57,867	\$ 1,395	28	
29						29	

TEXAS FAIR PLAN ASSOCIATION
Cash and Short Term Investments (\$ in 000's)
June 30, 2020

6 <b>Bank</b>	Interest earing	Intere	est Bearing	tal Amount of Deposits	nce for the Quarter	Income dur	_	Annual Average Yield	of TFPA's Portfolio	N.A. Bank Credit Rating	N.A. Tier 1 Capital Ratio	N.A. Regulatory Capital	N.A. Regulator Capital?
										Superior or			> .2% of N.A.
7									< 40%	Strong	> 10%	> \$25B	Reg Capital
8 Balances as of 6/30/2020:													
9 Bank of America	\$ 1,940	\$	10,000	\$ 11,940	\$ 10,000	\$	5	0.20%	20%	Superior	12.3%	\$192	No
10 Citibank	9		21,418	21,426	11,414		6	0.20%	36%	Superior	12.9%	\$137	No
11 JPMorgan Chase	21,050		-	21,050					36%	Superior	13.4%	\$205	No
12 JP Morgan U.S. Treasury Plus Money Market Fund (1)	-		4,846	4,846	18,118		7	0.15%	8%	N/A	N/A	N/A	N/A
13 Wells Fargo	-		-	-					0%	Superior	12.6%	\$147	No
14										_			
15 Total of all financial institutions	\$ 22,999	\$	36,263	\$ 59,263	\$ 39,532	\$	18	0.18%	100%	_			
16													
17 Balances as of 3/31/2020:													
18 Bank of America	\$ 3,441	\$	5,000	\$ 8,441	\$ 5,000	\$	0	0.01%	14%	Superior	12.5%	\$155	No
19 Citibank	9		11,412	11,421	11,392		33	1.17%	18%	Superior	13.0%	\$133	No
20 JPMorgan Chase	20,707		-	20,707					33%	Superior	14.2%	\$207	No
21 JP Morgan U.S. Treasury Plus Money Market Fund (1)	-		21,826	21,826	21,800		66	1.20%	35%	N/A	N/A	N/A	N/A
22 Wells Fargo	-		-	-					0%	Superior	12.6%	\$145	No
23										_			
24 Total of all financial institutions	\$ 24,157	\$	38,238	\$ 62,395	\$ 38,192	\$	99	1.04%	100%	<del>_</del>			

Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of March 31, 2020. Rates, ratios and regulatory capital are comparable and consistent with year end National Association [N.A.] results.

#### TEXAS FAIR PLAN ASSOCIATION HISTORICAL DATA

2003 - 2020

4							(\$	with 000's omitted	d)							4
6				GROSS		I	T				NET				Т	6
7		LIABILITY IN									UNDERWRITING					SURPLUS OR 7
8		FORCE	POLICY	RATE	WRITTEN	LOSS &		EARNED		LOSS &	<b>EXPENSES</b>	UNI	DERWRITING	MEMBER		(DEFICIT) 8
9	YEAR	END OF PERIOD	COUNT	CHANGES	PREMIUMS	LAE INCURRED		PREMIUMS		LAE INCURRED	INCURRED	G	GAIN (LOSS)	ASSESSMENTS	E	END OF PERIOD 9
10																10
11		\$ 18,272,542	100,223		\$ 82,004			\$ 31,287	\$	19,580	\$ 26,618	\$	(14,911)		\$	(15,948) 11
12	2004	22,904,408	134,350		100,666	37,184		85,238		37,184	28,470	)	19,584			(1,821) 12
13	2005	14,165,560	88,512		60,969	31,262		77,389		31,262	18,588	;	27,539			31,563
14	2006	13,321,087	81,129		59,873	22,545		45,867		22,545	17,304		6,017			40,063
15	2007	15,556,965	91,847	3.9%	73,058	24,578		52,955		24,578	19,362		9,015			52,081 15
16	2008	14,060,852	84,438		64,488	239,886		48,364		82,774	18,797		(53,208)			209 16
17	2009	11,706,721	72,989	10.7%	60,255	32,961		28,136		6,659	18,811		2,666			(9,753) 17
18	2010	14,246,999	85,984	5%	73,924	86,187		40,905		34,601	17,019	)	(10,715)			(17,449) 18
19	2011	15,979,040	96,710		83,066	78,009		47,063		53,009	15,897		(21,843)			(33,860) 19
20	2012	17,966,799	108,637	15%	102,383	28,453		56,880		28,453	20,346	i	8,081			(25,722) 20
21	2013	20,594,317	124,222	16.7% (a)	122,683	39,438		75,343		39,438	22,610	)	13,295			(13,422) 21
22	2014	21,944,280	131,376		133,206	45,070		89,405		45,070	24,058	;	20,277			5,978 22
23	2015	22,154,205	132,734		132,879	68,593		90,952		68,593	24,675		(2,316)			4,977 23
24	2016	19,883,769	121,413	8% (b)	122,486	78,008		84,401		78,008	26,419	)	(20,026)			(15,203) 24
25	2017	18,029,369	110,989	5% (c)	112,316	128,666		76,837		84,864	29,739	)	(37,766)			(54,941) 25
26	2018	15,223,344	95,637	8.1% (d)	95,882	26,733		69,239		26,733	29,527		12,979	54,941		15,088 26
27	2019	12,299,224	80,923		85,327	38,241		59,625		38,241	25,310	)	(3,926)			12,133 27
28	2020	11,289,640	76,406		41,894	20,933		26,930		20,933	12,358	;	(6,362)			5,796 28
29																29
30	TOTAL				\$ 1,607,358	\$ 1,046,328		\$ 1,086,816	\$	742,526	\$ 395,909	\$	(51,619)	\$ 54,941		30

32 33

34 35

36

3

<sup>32 (</sup>a) Effective July 1, 2013

<sup>33 (</sup>b) Effective April 1, 2016

<sup>34 (</sup>c) Effective June 1, 2017

<sup>35 (</sup>d) Effective October 1, 2018 and November 1, 2018 for new business and renewal business, respectively.

<sup>36 \*2020</sup> data through 6/30/2020

## Texas FAIR Plan Association Liability Report

As of 6/30/20 All Forms Combined



	Policies In-l	Force	PIF Growth		Exposure In-Force	e	Exposure Growth	1	YTD Written F	Premium	Premium Gro	wth
County	06/30/19	06/30/20	Actual	Percentage	06/30/19	06/30/20	Actual	Percentage	06/30/19	06/30/20	Actual	Percentage
Harris	57,705	49,154	(8,551)	(14.82%)	8,413,925,963	7,673,965,694	(739,960,270)	(8.79%)	32,845,264	29,975,256	(2,870,008)	(8.74%)
Fort Bend	6.110	5,257	(853)	(13.96%)	1,058,629,835	976,992,304	(81,637,531)	(7.71%)	3,419,605	3,227,692	(191,913)	(5.61%)
Galveston	4,666	4,454	(212)	(4.54%)	1,066,867,902	1,124,636,963	57,769,060	5.41%	975.742	982,207	6,466	0.66%
Dallas	3,052	2,623	(429)	(14.06%)	491,662,561	455,597,484	(36,065,077)	(7.34%)	1,625,658	1,456,573	(169,085)	(10.40%)
Tarrant	2,336	1,984	(352)	(15.07%)	366,930,958	336,722,704	(30,208,254)	(8.23%)	1,392,849	1,251,796	(141,053)	(10.40%)
Brazoria	1,957	1,817	(140)	(7.15%)	451,462,180	459,141,241	7,679,061	1.70%	440,060	436,650	(3,410)	(0.77%)
Nueces	1,452	1,365	(87)	(5.99%)	269,750,708	268,599,645	(1,151,063)	(0.43%)	371,044	377,952	6,908	1.86%
Jefferson	1,339	1,189	(150)	(11.20%)	295,463,370	271,601,300	(23,862,070)	(8.08%)	271.680	263,532	(8,147)	(3.00%)
El Paso	1,097	1,109	(130)	1.00%	233,486,249	251,935,335	18,449,086	7.90%	384,714	433,681	48,967	12.73%
Montgomery	978	828	(150)	(15.34%)	156,477,374	148,087,689	(8,389,685)	(5.36%)	449,380	454,390	5,010	1.11%
Bexar	802	709	(93)	(13.34 %)	122,103,880	119,347,808	(2,756,072)	(2.26%)	341,857	326,235	(15,622)	(4.57%)
Cameron	483	449	(34)	(7.04%)	83,729,240	76,423,930	(7,305,310)	(8.72%)	103,948	92,187	(13,022)	(4.37 %)
Calhoun	405	396	(9)	(2.22%)	91,053,915	93,977,455	2,923,540	3.21%	97,536	98,613	1,077	1.10%
Orange	433	395	(38)	(8.78%)	62,969,045	64,105,603	1,136,558	1.80%	280,822	305,626	24,804	8.83%
Travis	357	303	(56)	(15.13%)	59,227,645	57,813,868	(1,413,777)	(2.39%)	119,202	102,194	(17,008)	(14.27%)
Hidalgo	329	267	(62)	(18.84%)	34,870,625	29,786,365	(5,084,260)	(2.39%)	140,353	134,889	(5,464)	(3.89%)
Chambers	271	250	(21)	(7.75%)	71,531,840	68,183,408	(3,348,432)	(4.68%)	64,770	68,446	3,676	(3.69%)
	229	230	` ,	, ,	46,943,020	50,410,730	3,467,710	7.39%	70,830	74,420	3,590	5.07%
Matagorda	229	225	(4)	(1.75%)		, ,	365,980	7.39% 1.46%	151,032	,	,	
Liberty Collin	243		(7)	(3.14%)	25,094,570	25,460,550	,		125,634	145,263	(5,769)	(3.82%)
	243 197	202		(16.87%)	48,895,325	42,994,290	(5,901,035)	(12.07%)	,	125,342	(292)	(0.23%)
Aransas	197	185	(12)	(6.09%)	49,043,530	41,638,140	(7,405,390)	(15.10%)	50,987	47,418	(3,569)	(7.00%)
San Patricio		160	(13)	(7.51%)	39,772,580	37,848,987	(1,923,593)	(4.84%)	39,012	38,929	(83)	(0.21%)
Denton	166	138	(28)	(16.87%)	35,091,820	30,903,698	(4,188,122)	(11.93%)	99,472	78,815	(20,657)	(20.77%)
Brazos	142	122	` ,	(14.08%)	14,874,660	16,111,710	1,237,050	8.32%	37,754	41,126	3,372	8.93%
Waller	123	112	(11)	(8.94%)	17,354,050	17,419,170	65,120	0.38%	67,712	65,244	(2,469)	(3.65%)
Top 25 Counties	85,268	73,908	(11.360)	(13.32%)	13,607,212,846	12,739,706,070	(867,506,776)	(6.38%)	43.966.916	40.604.475	(3,362,441)	(7.65%)
All Other Counties	2,818	2,498	(320)	(11.36%)	457,331,260	437,568,540	(19,762,720)	(4.32%)	1,583,094	1,537,793	(45,302)	(2.86%)
Tier 1	11,300	10,601	(699)	(6.19%)	2,494,597,475	2,519,817,588	25,220,113	1.01%	2,523,854	2,510,001	(13,853)	(0.55%)
Tier 2	65,133	55,598	(9,535)	(14.64%)	9,639,596,249	8,815,632,396	(823,963,853)	(8.55%)	37,081,277	34,030,375	(3,050,902)	(8.23%)
All Other Counties	11,653	10,207	(1,446)	(12.41%)	1,930,350,382	1,841,824,626	(88,525,756)	(4.59%)	5,944,880	5,601,892	(342,988)	(5.77%)
Statewide Total	88,086	76,406	(11,680)	(13.26%)	14,064,544,106	13,177,274,610	(887,269,495)	(6.31%)	45,550,011	42,142,268	(3,407,743)	(7.48%)

**HO-A Policies** 



	Policies In-F	orce	PIF Growth		Exposure In-Forc	<u>e</u>	Exposure Growth		YTD Written F	<u>Premium</u>	Premium Grov	<u>vth</u>
County	06/30/19	06/30/20	Actual	Percentage	06/30/19	06/30/20	Actual	Percentage	06/30/19	06/30/20	Actual	Percentage
Harris	21,232	17,039	(4,193)	(19.75%)	4,762,513,567	4,205,507,752	(557,005,816)	(11.70%)	18,959,003	16,888,177	(2,070,826)	(10.92%
Fort Bend	1,612	1,322	(290)	(17.99%)	422,301,200	377,168,080	(45,133,120)	(10.69%)	1,458,689	1,363,302	(95,387)	(6.54%
Galveston	3,193	3,125	(68)	(2.13%)	952,220,091	1,015,131,198	62,911,106	6.61%	743,846	773,616	29,770	4.00%
Dallas	1,481	1,235	(246)	(16.61%)	349,063,730	314,860,400	(34,203,330)	(9.80%)	1,184,849	1,043,219	(141,630)	(11.95%
Tarrant	1,259	1,063	(196)	(15.57%)	268,682,041	242,598,430	(26,083,611)	(9.71%)	1,043,492	921,469	(122,023)	(11.69%
Brazoria	1,442	1,344	(98)	(6.80%)	398,684,680	404,067,380	5,382,700	1.35%	358,496	356,507	(1,989)	(0.55%
Nueces	774	743	(31)	(4.01%)	216,139,030	217,292,630	1,153,600	0.53%	265,577	273,888	8,311	3.13%
Jefferson	1,048	898	(150)	(14.31%)	272,317,010	247,472,070	(24,844,940)	(9.12%)	231,260	223,148	(8,113)	(3.51%
El Paso	893	931	38	4.26%	213,279,510	233,417,460	20,137,950	9.44%	344,052	390,405	46,352	13.47%
Montgomery	494	442	(52)	(10.53%)	110,662,329	107,513,919	(3,148,410)	(2.85%)	315,702	331,827	16,125	5.11%
Bexar	476	436	(40)	(8.40%)	97,704,950	98,002,450	297,500	0.30%	269,973	265,279	(4,694)	(1.74%
Cameron	299	266	(33)	(11.04%)	67,596,120	61,017,100	(6,579,020)	(9.73%)	76,213	65,362	(10,851)	(14.24%
Calhoun	338	331	(7)	(2.07%)	86,027,320	88,988,660	2,961,340	3.44%	87,693	87,996	303	0.35%
Orange	249	239	(10)	(4.02%)	49,029,580	51,448,478	2,418,898	4.93%	219,970	246,821	26,851	12.21%
Travis	181	168	(13)	(7.18%)	45,417,165	45,351,020	(66,145)	(0.15%)	86,315	76,883	(9,431)	(10.93%
Hidalgo	91	83	(8)	(8.79%)	11,388,625	11,265,165	(123,460)	(1.08%)	51,567	59,648	8,081	15.67%
Chambers	222	200	(22)	(9.91%)	66,847,050	62,672,870	(4,174,180)	(6.24%)	56,976	56,784	(192)	(0.34%
Matagorda	197	196	(1)	(0.51%)	44,572,370	48,050,080	3,477,710	7.80%	65,310	66,227	917	1.40%
Liberty	129	115	(14)	(10.85%)	18,355,520	17,647,780	(707,740)	(3.86%)	105,737	88,480	(17,257)	(16.32%
Collin	87	65	(22)	(25.29%)	26,848,500	21,164,680	(5,683,820)	(21.17%)	55,620	50,107	(5,513)	(9.91%
Aransas	159	151	(8)	(5.03%)	46,392,130	39,216,840	(7,175,290)	(15.47%)	46,787	41,778	(5,008)	(10.70%
San Patricio	132	124	(8)	(6.06%)	36,702,230	34,775,887	(1,926,343)	(5.25%)	34,919	34,721	(198)	(0.57%
Denton	104	77	(27)	(25.96%)	28,320,790	23,954,120	(4,366,670)	(15.42%)	78,958	54,396	(24,562)	(31.11%
Brazos	37	43	6	16.22%	7,743,540	10,282,710	2,539,170	32.79%	16,927	24,635	7,708	45.54%
Waller	60	59	(1)	(1.67%)	11,505,650	12,281,790	776,140	6.75%	40,180	40,734	554	1.38%
Top 25 Counties	36,189	30,695	(5,494)	(15.18%)	8,610,314,729	7,991,148,949	(619,165,780)	(7.19%)	26,198,113	23,825,409	(2,372,704)	(9.06%
All Other Counties		1,508	(158)	(9.48%)	367,919,674	352,230,488	(15,689,186)	(4.26%)	1,211,801	1,186,728	(25,073)	(2.07%
Tier 1	7,899	7,467	(432)	(5.47%)	2,213,915,621	2,244,594,304	30,678,683	1.39%	1,994,903	2,004,247	9,344	0.47%
Tier 2	23,483	18,958	(4,525)	(19.27%)	5,296,580,233	4,697,380,755	(599,199,478)	(11.31%)	20,973,044	18,814,934	(2,158,109)	(10.29%
All Other Counties		5,778	(695)	(10.74%)	1,467,738,549	1,401,404,377	(66,334,172)	(4.52%)	4,441,967	4,192,955	(249,012)	(5.61%
Statewide Total	37,855	32,203	(5,652)	(14.93%)	8,978,234,403	8,343,379,437	(634,854,966)	(7.07%)	27,409,913	25,012,137	(2,397,777)	(8.75%

TDP-1 Policies



County	Policies In-F	-orce 06/30/20	PIF Growth Actual	Percentage	Exposure In-Force	<u>e</u> 06/30/20	Exposure Growth Actual	Percentage	YTD Written F 06/30/19	<u>Premium</u> 06/30/20	Premium Grov Actual	<u>vth</u> Percentage
Harris	31.890	28,190	(3,700)	(11.60%)	3,423,937,384	3,268,268,542	(155,668,842)	(4.55%)	13.160.528	12,472,517	(688,012)	(5.23%)
Fort Bend	4,281	3,755	(526)	(12.29%)	627,130,395	591,436,704	(35,693,691)	(5.69%)	1,933,545	1,841,888	(91,657)	(4.74%)
Galveston	823	708	(115)	(13.97%)	82,211,970	78,903,965	, , ,	(4.02%)	164,816	144,976	(19,840)	(12.04%)
Dallas	1,351	1,213	(138)	(10.21%)	133,464,431	133,162,564	( ' ' '	(0.23%)	414,907	396,459	(18,448)	(4.45%)
Tarrant	987	861	(126)	(12.77%)	95,727,717	92,117,874	, ,	(3.77%)	342,551	325,090	(17,461)	(5.10%)
Brazoria	419	396	(23)	(5.49%)	49,512,660	51,694,421	2,181,761	`4.41% <sup>´</sup>	72,246	73,390	1,144	`1.58% <sup>´</sup>
Nueces	371	362	(9)	(2.43%)	34,437,538	34,152,535	(285,003)	(0.83%)	62,833	64,559	1,726	2.75%
Jefferson	251	253	2	0.80%	21,216,760	22,646,510	1,429,750	6.74%	37,943	37,887	(56)	(0.15%)
El Paso	200	170	(30)	(15.00%)	20,117,939	18,196,275	(1,921,664)	(9.55%)	40,446	42,344	1,898	4.69%
Montgomery	399	327	(72)	(18.05%)	42,206,165	37,685,490	(4,520,675)	(10.71%)	123,564	113,979	(9,585)	(7.76%)
Bexar	274	214	(60)	(21.90%)	22,648,130	18,707,758	(3,940,372)	(17.40%)	64,060	52,121	(11,938)	(18.64%)
Cameron	101	97	(4)	(3.96%)	9,724,520	9,047,310		(6.96%)	16,426	15,385	(1,041)	(6.34%)
Calhoun	57	54	(3)	(5.26%)	4,538,195	4,479,995	(58,200)	(1.28%)	8,537	8,867	330	3.86%
Orange	169	139	(30)	(17.75%)	13,464,625	12,099,125	(1,365,500)	(10.14%)	60,074	57,099	(2,975)	(4.95%)
Travis	83	67	(16)	(19.28%)	9,363,280	8,838,128	(525,152)	(5.61%)	24,808	20,170	(4,639)	(18.70%)
Hidalgo	232	179	(53)	(22.84%)	23,248,000	18,383,200	(4,864,800)	(20.93%)	87,902	74,495	(13,406)	(15.25%)
Chambers	44	44	O O	0.00%	4,530,950	5,392,698	861,748	19.02%	7,846	11,343	3,497	44.57%
Matagorda	29	27	(2)	(6.90%)	2,291,450	2,317,450	26,000	1.13%	5,390	8,063	2,673	49.59%
Liberty	92	99	7	7.61%	6,673,050	7,734,770	1,061,720	15.91%	45,195	56,640	11,445	25.32%
Collin	127	108	(19)	(14.96%)	20,897,225	20,309,450	(587,775)	(2.81%)	67,291	72,952	5,662	8.41%
Aransas	15	13	(2)	(13.33%)	1,303,200	1,073,100	(230,100)	(17.66%)	874	2,249	1,375	157.25%
San Patricio	38	32	(6)	(15.79%)	2,932,350	2,917,100	(15,250)	(0.52%)	3,784	3,746	(39)	(1.02%)
Denton	57	57	0	0.00%	6,351,030	6,853,578	502,548	7.91%	20,285	24,492	4,207	20.74%
Brazos	35	35	0	0.00%	3,209,400	3,318,600	109,200	3.40%	11,240	12,129	889	7.91%
Waller	60	52	(8)	(13.33%)	5,722,400	5,131,380	(591,020)	(10.33%)	26,980	24,510	(2,470)	(9.16%)
Top 25 Counties All Other Counties	42,385 991	37,452 880	(4,933) (111)	(11.64%) (11.20%)	4,666,860,764 82,354,626	4,454,868,522 80,059,612	(211,992,242) (2,295,014)	(4.54%) (2.79%)	16,804,070 348,168	15,957,349 332,801	(846,722) (15,367)	(5.04%) (4.41%)
Tier 1	2,177	2,006	(171)	(7.85%)	215,099,193	214,035,284	(1,063,909)	(0.49%)	390,993	376,164	(14,829)	(3.79%)
Tier 2	36,812	32,499	(4,313)	(11.72%)	4,105,117,924	3,908,492,721	(196,625,203)	(4.79%)	15,351,953	14,573,794	(778,159)	(5.07%)
All Other Counties	4,387	3,827	(560)	(12.76%)	428,998,273	412,400,129	(16,598,144)	(3.87%)	1,409,292	1,340,191	(69,101)	(4.90%)
Statewide Total	43,376	38,332	(5,044)	(11.63%)	4,749,215,390	4,534,928,134	(214,287,256)	(4.51%)	17,152,238	16,290,149	(862,089)	(5.03%)

**HO-CONB** Policies



	Policies In-	Force	PIF Growth		Exposure In-Force	<u>!</u>	Exposure Growth		YTD Written	<u>Premium</u>	Premium Grov	<u>vth</u>
County	06/30/19	06/30/20	Actual	Percentage	06/30/19	06/30/20	Actual I	Percentage	06/30/19	06/30/20	Actual	Percentage
Harris	2,711	2,480	(231)	(8.52%)	185,908,212	168,446,280	(17,461,932)	(9.39%)	554,023	508,031	(45,992)	(8.30%)
Fort Bend	98	87	(11)	(11.22%)	6,513,840	6,111,720	(402,120)	(6.17%)	17,017	14,431	(2,586)	(15.20%)
Galveston	293	259	(34)	(11.60%)	21,451,262	19,008,480	(2,442,782)	(11.39%)	40,202	37,289	(2,913)	(7.25%)
Dallas	139	120	(19)	(13.67%)	7,149,840	6,183,720	(966,120)	(13.51%)	18,540	13,504	(5,036)	(27.17%)
Tarrant	9	5	(4)	(44.44%)	588,000	408,000	(180,000)	(30.61%)	798	905	107	13.40%
Brazoria	10	15		50.00%	760,800	1,308,000	547,200	`71.92% <sup>´</sup>	2,210	2,425	215	9.73%
Nueces	275	233	(42)	(15.27%)	18,196,740	16,401,480	(1,795,260)	(9.87%)	40,245	37,401	(2,844)	(7.07%)
Jefferson	15	11	(4)	(26.67%)	1,123,800	620,400	(503,400)	(44.79%)	1,074	779	(295)	(27.44%)
El Paso	4	3	` '	(25.00%)	88,800	28,800	(60,000)	(67.57%)	215	215	` (0)	(0.06%)
Montgomery	28	22	( )	(21.43%)	2,236,080	1,591,080	(645,000)	(28.85%)	5,707	4,656	(1,051)	(18.42%)
Bexar	14	33	` '	135.71%	1,132,800	2,078,400	945,600	83.47%	5,226	7,063	1,838	`35.16% <sup>°</sup>
Cameron	75	81	6	8.00%	6,126,600	6,061,920	(64,680)	(1.06%)	10,059	10,991	933	9.27%
Calhoun	2	4	2	100.00%	186,000	336,000	, ,	80.65%	859	1,446	587	68.34%
Orange	0	0	0	N/A	0	. 0		N/A	0	0	0	N/A
Travis	43	37	(6)	(13.95%)	3,432,000	2,904,120	(527,880)	(15.38%)	6,804	3,836	(2,968)	(43.62%)
Hidalgo	4	2		(50.00%)	204,000	96,000	(108,000)	(52.94%)	637	374	(263)	(41.26%)
Chambers	0	0		` N/Á	0	0	, ,	` N/Á	0	0	` o´	` N/A
Matagorda	1	1	0	0.00%	30,000	30,000	0	0.00%	130	130	0	0.00%
Liberty	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Collin	18	21	3	16.67%	903,600	1,316,160	412,560	45.66%	1,564	1,556	(8)	(0.54%)
Aransas	19	18	(1)	(5.26%)	1,216,200	1,240,200	24,000	1.97%	2,727	3,004	277	10.15%
San Patricio	2	2		0.00%	114,000	114,000		0.00%	309	309	(0)	(0.12%)
Denton	1	1	0	0.00%	36,000	36,000		0.00%	138	138	(0)	(0.12%)
Brazos	46	27	(19)	(41.30%)	3,531,720	2,176,800	(1,354,920)	(38.36%)	8,969	4,172	(4,797)	(53.49%)
Waller	0	0	, ,	N/Á	0	0	, ,	N/A	0	0	0	N/A
Top 25 Counties	3,807	3,462	, ,	(9.06%)	260,930,294	236,497,560	(24,432,734)	(9.36%)	717,452	652,655	(64,797)	(9.03%)
All Other Counties	38	28	(10)	(26.32%)	3,268,560	2,290,440	(978,120)	(29.93%)	9,887	8,198	(1,689)	(17.08%)
Tier 1	693	624	(69)	(9.96%)	49,325,402	45,120,480	(4,204,922)	(8.52%)	97,815	93,378	(4,437)	(4.54%)
Tier 2	2,815	2,570	(245)	(8.70%)	192,734,052	174,756,000	(17,978,052)	(9.33%)	572,173	523,332	(48,841)	(8.54%)
All Other Counties		296	` ,	(12.17%)	22,139,400	18,911,520	(3,227,880)	(14.58%)	57,352	44,143	(13,209)	(23.03%)
Statewide Total	3,845	3,490	(355)	(9.23%)	264,198,854	238,788,000	(25,410,854)	(9.62%)	727,340	660,853	(66,486)	(9.14%)

**HO-BT Policies** 



	Policies In-	Force	PIF Growth		Exposure In-Force	!	<b>Exposure Growth</b>		YTD Written	<u>Premium</u>	Premium Grov	
County	06/30/19	06/30/20	Actual	Percentage	06/30/19	06/30/20	Actual	Percentage	06/30/19	06/30/20	Actual	Percentage
Harris	1,872	1,445	(427)	(22.81%)	41,566,800	31,743,120	(9,823,680)	(23.63%)	171,710	106,531	(65,179)	(37.96%)
Fort Bend	119	,	` ,	(21.85%)	2,684,400	2,275,800	( ' ' '	(15.22%)	10,354	8,072	(2,283)	(22.05%)
Galveston	357	362	` ,	` 1.40% <sup>´</sup>	10,984,579	11,593,320	608,741	5.54%	26,879	26,326	(552)	(2.05%)
Dallas	81	55	(26)	(32.10%)	1,984,560	1,390,800	(593,760)	(29.92%)	7,362	3,391	(3,971)	(53.94%)
Tarrant	81	55	. ,	(32.10%)	1,933,200	1,598,400	(334,800)	(17.32%)	6,008	4,332	(1,676)	(27.90%)
Brazoria	86	62	(24)	(27.91%)	2,504,040	2,071,440	(432,600)	(17.28%)	7,109	4,329	(2,780)	(39.10%)
Nueces	32	27	(5)	(15.63%)	977,400	753,000	(224,400)	(22.96%)	2,389	2,105	(284)	(11.90%)
Jefferson	25	27	2	8.00%	805,800	862,320	56,520	` 7.01% <sup>´</sup>	1,403	1,719	`316 <sup>′</sup>	22.55%
El Paso	0	4	4	N/A	0	292,800	292,800	N/A	0	717	717	N/A
Montgomery	57	37	(20)	(35.09%)	1,372,800	1,297,200	(75,600)	(5.51%)	4,407	3,928	(479)	(10.87%)
Bexar	38	26	, ,	(31.58%)	618,000	559,200	(58,800)	(9.51%)	2,599	1,771	(828)	(31.85%)
Cameron	8	5	(3)	(37.50%)	282,000	297,600	, ,	5.53%	1,250	449	(801)	(64.09%)
Calhoun	8	7		(12.50%)	302,400	172,800	(129,600)	(42.86%)	446	303	(143)	(32.08%)
Orange	15	17	` ,	13.33%	474,840	558,000		`17.51% <sup>´</sup>	778	1,706	928	119.25%
Travis	50	31	(19)	(38.00%)	1,015,200	720,600		(29.02%)	1,275	1,305	30	2.37%
Hidalgo	2	3	` 1	`50.00% <sup>´</sup>	30,000	42,000		40.00%	247	372	125	50.53%
Chambers	5		1	20.00%	153,840	117,840		(23.40%)	(52)	319	371	(713.46%)
Matagorda	2	1	(1)	(50.00%)	49,200	13,200	(36,000)	(73.17%)	O		0	` N/A
Liberty	2			0.00%	66,000	78,000	12,000	`18.18% <sup>´</sup>	100	143	43	43.00%
Collin	11	8	(3)	(27.27%)	246,000	204,000	(42,000)	(17.07%)	1,159	727	(432)	(37.25%)
Aransas	4	3		(25.00%)	132,000	108,000		(18.18%)	598	386	(212)	(35.48%)
San Patricio	1	2	ì	100.00%	24,000	42,000		`75.00% <sup>´</sup>	0	154	154	` N/A
Denton	4	3	(1)	(25.00%)	384,000	60,000		(84.38%)	90	(212)	(302)	(335.17%)
Brazos	24	17	(7)	(29.17%)	390,000	333,600	(56,400)	(14.46%)	618	`190 <sup>°</sup>	(428)	(69.27%)
Waller	3	1	(2)	(66.67%)	126,000	6,000	, , ,	(95.24%)	552	0	(552)	(100.00%)
Top 25 Counties	2,887	2,299	(588)	(20.37%)	69,107,059	57,191,040	(11,916,019)	(17.24%)	247,281	169,063	(78,218)	(31.63%)
All Other Counties	s 123	82	(41)	(33.33%)	3,788,400	2,988,000	(800,400)	(21.13%)	13,238	10,065	(3,173)	(23.97%)
Tier 1	531	504	(27)	(5.08%)	16,257,259	16,067,520	(189,739)	(1.17%)	40,143	36,211	(3,932)	(9.79%)
Tier 2	2,023	1,571	(452)	(22.34%)	45,164,040	35,002,920	(10,161,120)	(22.50%)	184,107	118,314	(65,793)	(35.74%)
All Other Counties			(150)	(32.89%)	11,474,160	9,108,600	(2,365,560)	(20.62%)	36,269	24,603	(11,666)	(32.17%)
Statewide Total	3,010	2,381	(629)	(20.90%)	72,895,459	60,179,040	(12,716,419)	(17.44%)	260,519	179,128	(81,391)	(31.24%)

# 4C. 2020 Hurricane Season Funding

#### Texas FAIR Plan 2020-2021 Reinsurance Program

TFPA successfully placed the 2020-2021 reinsurance program, incepting on July 1, 2020. The 2020 program provides coverage for roughly a 1-in-100 year event based on a blend of catastrophe model results.

The program provides coverage of \$385 million in excess of a \$40 million initial retention. In addition, the program includes a \$30 million "second event" cover that reduces the net retention to \$10 million. The program includes a reinstatement option and a reinstatement premium protection cover.

The program was placed at a cost of \$28.8 million, slightly less than the 2020 budget of \$29.1 million.

A.M. Best Rating of Reinsurers

Rating	% of Total Placement	Sum of Total Line (\$)
A++	6%	\$23,702,500
A+	55%	\$228,912,500
Α	34%	\$139,282,500
A-	6%	\$23,102,500
Grand Total	100%	\$415,000,000

94% of the TWIA Cat program is placed with reinsurers rated A or better by AM Best

Surplus Level of Reinsurers

Surplus	% of Total Placement	Sum of Total Line (\$)
>\$10B	9%	\$38,565,000
\$5B - \$9.9B	6%	\$24,162,500
\$1B - \$4.9B	47%	\$196,000,000
Lloyd's backed	22%	\$90,297,500
<\$1B	16%	\$65,975,000
Grand Total	100%	\$415,000,000

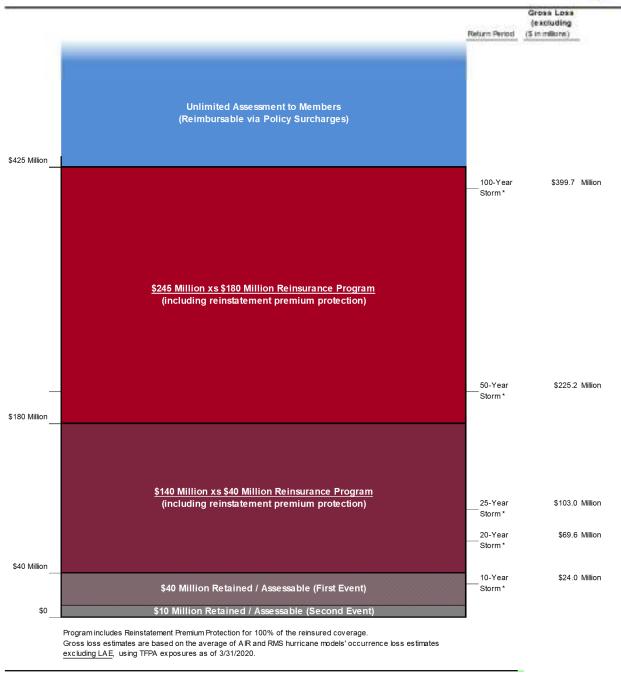
84% of the program is placed with reinsurers carrying a PHS in excess of \$1B

Geographic Domicile of Reinsurers

Country	% of Total Placement	Sum of Total Line (\$)
Bermuda	47%	\$193,550,000
USA	24%	\$98,637,500
Lloyd's (UK)	22%	\$90,297,500
UK Non Lloyd's	4%	\$14,600,000
Continental Europe	3%	\$14,125,000
Asia PAC	1%	\$3,790,000
Grand Total	100%	\$415,000,000

- 22% is placed with Lloyd's syndicates backed by the Lloyd's trust.
- 47% is placed with reinsurers domiciled in Bermuda.





## 4D. Selection of Auditors/ Accountants for 2020



#### **MEMORANDUM**

DATE: July 10, 2020

TO: John Polak, General Manager

FROM: Jerry Fadden, Chief Financial Officer

RE: Appointment of Auditors/Accountants for 2020

Each year the association retains an accounting firm to conduct an audit of the association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2013, Calhoun Thomson + Matza (CTM) was selected to continue in their role as the association's independent auditor. I have attached the engagement letter from CTM for use in connection with the audit of the association's 2020 statutory financial statements. Counsel has reviewed the letter and reports that it is the same as last year with no changes in terms or fee amounts. Staff recommends to the Board of Directors that the engagement be approved, and the letter executed. Resolution language follows.

The Governing Committee of the association acting as the audit committee authorizes and directs that the firm of Calhoun, Thomson + Matza be engaged to conduct the upcoming annual audit of the association's financial statements on the terms set forth in the engagement letter included in the board book.

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



9500 Arboretum Blvd. Suite 120 Austin, Texas 78759 512.439.8400 Fax: 512.439.8401 www.ctmllp.com

#### Agreement to provide services

July 10, 2020

Mr. John Miletti, Chair of the Governing/Audit Committee Texas FAIR Plan Association 5700 S. Mopac Expressway Building A Austin, Texas 78749

Dear Mr. Miletti:

This agreement to provide services (the "Agreement") is intended to describe the nature and scope of our services.

#### **Statutory Audit**

As agreed, Calhoun, Thomson + Matza, LLP ("CTM" or "we") will audit the statutory statement of admitted assets, liabilities, surplus and other funds of Texas FAIR Plan Association (the "Association" or "you") as of December 31, 2020 and the related statutory statements of income, changes in surplus and other funds, and cash flows for the year then ending, in accordance with auditing standards generally accepted in the United States of America. The financial records and financial statements are the responsibility of the Association's management. In that regard, management is responsible for establishing and maintaining effective internal control over financial reporting, establishing and maintaining proper accounting records, selecting appropriate accounting principles, safeguarding the Association's assets, designing and implementing programs and controls to prevent and detect fraud, complying with relevant laws and regulations, and making all financial records and related information available to us.

Also, the supplementary information accompanying the statutory financial statements, as listed below, which are presented to comply with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and Texas state law, will be subjected to the auditing procedures applied in our audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditors' report will provide an opinion on it in relation to the statutory financial statements as a whole.

- Summary Investment Schedule as of December 31, 2020.
- Supplemental Investment Risk Interrogatories as of December 31, 2020.
- Reinsurance Interrogatories as of December 31, 2020.

You acknowledge and understand your responsibility for the preparation of the supplementary information in accordance with the applicable criteria. You also agree to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. You also agree to present the supplementary information with the audited financial statements, or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and our report thereon.

Our responsibility is to express an opinion on the statutory financial statements based on our audit. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statutory financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We are also responsible for communicating with those charged with governance what our responsibilities are under generally accepted auditing standards, an overview of the planned scope and timing of the audit, and significant findings from the audit. The term "those charged with governance" is defined as the person(s) with responsibility for overseeing the strategic direction of the Association and obligations related to the accountability of the Association, including overseeing the financial reporting process. For the Association, we agree that Governing/Audit Committee meets that definition.

At the conclusion of our audit, we will submit to you a report containing our opinion as to whether the statutory financial statements, taken as a whole, are fairly presented based on accounting principles prescribed or permitted by the Texas Department of Insurance. If, during the course of our work, it appears for any reason that we will not be in a position to render an unqualified opinion on the statutory financial statements, or that our report will require an explanatory paragraph, we will discuss this with you. It is possible that, because of unexpected circumstances, we may determine that we cannot render a report or otherwise complete the engagement. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If, in our professional judgment, the circumstances require, we may resign from the engagement prior to completion.

We will design our audit, in accordance with auditing standards generally accepted in the United States of America, to obtain reasonable assurance about whether the

statutory financial statements are free of material misstatements, whether caused by error or fraud. Our work will be based primarily upon selected tests of evidence supporting the amounts and disclosures in the statutory financial statements and, therefore, will not include a detailed check of all of the Association's transactions for the period. Accordingly, an audit performed in accordance with auditing standards generally accepted in the United States of America is not a guarantee of the accuracy of the statutory financial statements, and there is a risk that material errors or fraud may exist and not be detected by us. Also, an audit is not designed to detect errors or fraud that are immaterial to the statutory financial statements. However, we will promptly inform you of any material errors or any fraud, whether material or not, that come to our attention. We will also inform you of possible illegal acts that come to our attention. In addition, during the course of our audit, statutory financial statement misstatements may be identified, either through our audit procedures or through communication by the Association's employees to us, and we will bring these misstatements to your attention as proposed adjustments. Management is responsible for recording such adjustments in the statutory financial statements, after evaluating their propriety based on a review of both the applicable authoritative literature and the underlying supporting evidence from the Association's files; or otherwise concluding and confirming in a representation letter provided to us at the conclusion of our audit that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the statutory financial statements taken as a whole. At the conclusion of our audit we will communicate to those charged with governance all such uncorrected misstatements.

An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we will express no such opinion. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses in internal control. However, we are responsible for ensuring that you are aware of any significant deficiencies or material weaknesses that come to our attention during our engagement.

CTM is retaining the Association as a client in reliance on information obtained during the course of our continuing client reacceptance procedures. Scott Weiss has been assigned the role of engagement director and is responsible for directing the engagement and issuing the appropriate report on the Association's statutory financial statements.

#### Responsibility to Communicate with the Audit Committee

Although the objective of our audit of the statutory financial statements is not to report on the Association's internal control and we are not obligated to search for reportable conditions as part of our audit, we will communicate reportable conditions to you to the

extent they come to our attention.

We will report to you, in writing, the following matters:

- 1. Audit adjustments detected during the audit that could, in our judgment, either individually or in aggregate have a significant effect on the Association's financial reports. Audit adjustments, whether or not recorded by the Association, are proposed corrections of the financial statements that may not have been detected except through the auditing procedures.
- 2. Uncorrected misstatements aggregated during the current engagement that were determined by management to be immaterial.
- 3. Any disagreements with management or other serious difficulties encountered during the audit.
- 4. Any other matter that is required to be communicated by generally accepted auditing standards.

We will also read the minutes of Audit Committee meetings for consistency with our understanding of the communications made to you and determine that you have received copies of all material written communications between ourselves and management.

#### **E-mail Communication**

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of e-mail transmissions, or for the unauthorized use or failed delivery of e-mails transmitted by us in connection with the performance of this engagement. In that regard, the Association agrees that we shall have no liability for any loss or damage from the use of email, including any punitive, consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure of confidential information.

#### **Ownership of Working Papers**

The working papers prepared in conjunction with our audit are the property of our Firm, constitute confidential information, and will be retained by us in accordance with our

Firm's policies and procedures. However, we may be required to make certain working papers available to State insurance regulators pursuant to authority given them by law or regulation. Access to the requested working papers will be provided to the State insurance regulators pursuant to a request under Chapter 401 of the Texas Insurance Code.

#### **Reproduction of Audit Report**

If the Association plans any reproduction or publication of our report, or any portion of it, copies of masters' or printers' proofs of the entire document, or if there is no proof, a copy of the entire document in its final form, should be submitted to us in sufficient time for our review and written approval before printing. You also agree to provide us with a copy of the final reproduced material for our written approval before it is distributed. If, in our professional judgment, the circumstances require, we may withhold our written approval.

#### Posting of Audit Report and Statutory Financial Statements on Your Web Site

You agree that, if you plan to post an electronic version of the statutory financial statements and audit report on your Web site, you will ensure that there are no differences in content between the electronic version of the statutory financial statements and audit report on your Web site and the signed version of the statutory financial statements and audit report provided to management by CTM.

#### Review of Documents for Sale of Securities

The audited statutory financial statements and our report thereon should not be provided or otherwise made available to recipients of any document to be used in connection with the sale of securities (including securities offerings on the Internet) without first submitting copies of the document to us in sufficient time for our review and written approval. If, in our professional judgment, the circumstances require, we may withhold our written approval.

#### Management Representations and Indemnification

As required by auditing standards generally accepted in the United States of America, we will request certain written representations from the Association's management at the close of our audit to confirm oral representations given to us and to indicate and document the continuing appropriateness of such representations and reduce the possibility of misunderstanding concerning matters that are the subject of the representations.

#### Availability of Records and Personnel

The Association agrees that all records, documentation, and information we request in connection with our audit will be made available to us (including those pertaining to related parties), that all material information will be disclosed to us, and that we will have the full cooperation of, and unrestricted access to, the Association's personnel during the course of the engagement.

You also agree to ensure that any third party valuation reports and/or actuarial reports that the Association provides to us to support amounts or disclosures in the statutory financial statements a) indicate the purpose for which they were intended, which is consistent with your actual use of such reports; and b) do not contain any restrictive language that would preclude us from using such reports as audit evidence.

#### Assistance by the Association's Personnel and Internet Access

We also ask that the Association's personnel prepare various schedules and analyses for our staff. However, except as otherwise noted by us, no personal information other than names related to the Association's employees and/or customers should be provided to us. In addition, we ask that the Association provides high-speed Internet access to our engagement team, if practicable, while working on the Association's premises. This assistance will serve to facilitate the progress of our work and minimize costs to the Association.

#### Other Services

We are always available to meet with you or other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting the Association. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas. We will also be pleased, at your request, to attend your committee meetings.

#### Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the Association in the performance of our services. Any discussions that you have with personnel of our Firm regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence. In addition, if you hire one of our personnel, you agree to pay us a fee of 20% of that individual's base compensation at your Association 90 days from the first day of employment.

Provisions of the National Association of Insurance Commissioners' Model Audit Rule also require the Association's audit committee to pre-approve all permissible non-attest services. We agree not to perform any services without audit committee pre-approval and you agree to implement appropriate policies and procedures to ensure that the audit committee pre-approves any services that we or other independent auditors are asked to perform.

#### **Dispute Resolution Procedure**

If any dispute, controversy, or claim arises out of, relates to, or results from the performance or breach of this Agreement, excluding claims for non-monetary or equitable relief (collectively, the "Dispute"), either party may, upon written notice to the other party, request non-binding mediation. A recipient party of such notice may waive its option to resolve such Dispute by non-binding mediation by providing written notice to the party requesting mediation and then such parties hereto shall resolve such Dispute by binding arbitration as described below. Such mediation shall be assisted by a neutral mediator acceptable to both parties and shall require the commercially reasonable efforts of the parties to discuss with each other in good faith their respective positions and different interests to finally resolve such Dispute. If the parties are unable to agree on a mediator within twenty (20) days from delivery of the written notice, either party may invoke the mediation service of the American Arbitration Association (the "AAA").

Each party may disclose any facts to the other party or to the mediator that it, in good faith, considers reasonably necessary to resolve the Dispute. However, all such disclosures shall be deemed in furtherance of settlement efforts and shall not be admissible in any subsequent proceeding against the disclosing party. Except as agreed to in writing by both parties, the mediator shall keep confidential all information disclosed during mediation. The mediator shall not act as a witness for either party in any subsequent proceeding between the parties.

Unless waived, such mediation shall conclude after the parties have engaged in good faith settlement negotiations, but nonetheless are unable to resolve the Dispute through the mediation process. The attorneys' fees and costs incurred by each party in such mediation shall be borne solely by such party, except that the fees and expenses of the mediator, if any, shall be borne equally by the parties.

Any Dispute not resolved first by mediation between the parties (or if the mediation process is waived as provided herein) shall be decided by binding arbitration. The arbitration proceeding shall take place in Austin, Texas, unless the parties agree in writing to a different locale. The arbitration shall be governed by the provisions of the laws of the state in which the arbitration is to take place (except if there is no applicable state law providing for such arbitration, then the Federal Arbitration Act shall apply) and the substantive law of such state shall be applied without reference to conflicts of law rules. In any arbitration instituted hereunder, the proceedings shall proceed in

accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that the Arbitration Panel (as defined below) shall permit discovery that is consistent with the scope of discovery typically permitted by the Federal Rules of Civil Procedure and/or is otherwise customary in light of the complexity of the Dispute and the amount in controversy. Any Dispute regarding discovery, or the relevance or scope thereof, shall be determined by the Arbitration Panel (as defined below).

The arbitration shall be conducted before a panel of three persons, one selected by each party, and the third selected by the two party-selected arbitrators (the "Arbitration Panel"). The party-selected arbitrators shall be treated as neutrals. The Arbitration Panel shall have no authority to award non-monetary or equitable relief, but nothing herein shall be construed as a prohibition against a party from pursuing non-monetary or equitable relief in a state or federal court. The parties also waive the right to punitive damages and the arbitrators shall have no authority to award such damages or any other damages that are not strictly compensatory in nature. In rendering their award, the Arbitration Panel shall issue in writing findings of fact and conclusions of law. Arbitration Panel shall not have authority to grant an award that is not supported by substantial evidence or that is based on an error of law, and such absence of substantial evidence or such error of law may be reviewed on appeal to vacate an award based on the standard of review otherwise applicable in the Federal Appellate Court responsible for the jurisdiction in which the arbitration is venued, and without regard to any heightened standard of review otherwise applicable to an arbitration decision rendered by the AAA. The confidentiality provisions applicable to mediation shall also apply to arbitration. The award issued by the Arbitration Panel may be confirmed in a judgment by any federal or state court of competent jurisdiction. No payment of any award or posting of any bond of any kind whatsoever is required to be made or posted until such Dispute is finally determined.

In no event shall a demand for arbitration be made after the date on which the initiation of the legal or equitable proceeding on the same Dispute would be barred by the applicable statute of limitations or repose. For the purposes of applying the statute of limitations or repose, receipt of a written demand for arbitration by the AAA shall be deemed the initiation of the legal or equitable proceeding based on such Dispute.

#### **Fees**

Our charges to the Association for the audit services described above will be \$55,100 all-inclusive except for out-of-town travel to Governing Committee meetings (if attendance is requested).

Our hourly rates are as follows:

Partner \$225

Senior Manager \$175 Senior Associate \$130 Audit Associate \$110

This engagement includes only those services specifically described in this letter; any additional services not specified herein will be agreed to in a separate letter. Reasonable costs and time spent in legal matters or proceedings arising from our engagement (other than litigation to which we are a party), such as subpoenas, testimony, or consultation involving private litigation or arbitration, or government regulatory inquiries at your request or by subpoena, will be billed to the Association separately and the Association agrees to pay the same.

Bills will be rendered on a semi-monthly or other periodic basis, with payment terms of net due upon receipt. If payments are not received promptly, we reserve the right to stop work on the engagement.

If we elect to terminate our services for nonpayment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all of our time expended, and to reimburse us for all of our out-of-pocket expenses and internal charges incurred, through the date of termination.

#### Miscellaneous

This Agreement is only intended to cover the services specified herein, although we look forward to many more years of pleasant association with the Association. This engagement is a separate and discrete event and any future services will be covered by a separate agreement to provide services.

Many banks have engaged a third party to electronically process cash or debt audit confirmation requests, and a few of those banks have mandated the use of this service. To the extent applicable, the Association hereby authorizes CTM to participate in this electronic confirmation process through the third party's Web site (e.g., by entering the Association's bank account information to initiate the process and then accessing the bank's confirmation response) and agrees that CTM shall have no liability in connection therewith.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, or published interpretations, but if any provision of this Agreement shall be deemed prohibited, invalid, or otherwise unenforceable for any reason under such applicable laws, regulations, or published interpretations, such provisions shall be ineffective only to the extent of such prohibition, invalidity, or unenforceability and such revised provision

shall be made a part of this Agreement as if it was specifically set forth herein. Furthermore, the provisions of the foregoing sentence shall not invalidate the remainder of such provision or the other provisions of this Agreement.

This Agreement may be transmitted in electronic format and shall not be denied legal effect solely because it was formed or transmitted, in whole or in part, by electronic record; however, this Agreement must then remain capable of being retained and accurately reproduced, from time to time, by electronic record by the parties to this Agreement and all other persons or entities required by law. An electronically transmitted signature to this Agreement will be deemed an acceptable original for purposes of consummating this Agreement and binding the party providing such electronic signature.

#### Assignability

This Agreement is nonassignable.

#### **Entire Agreement**

This Agreement constitutes the entire agreement between the parties hereto with regard to the subject matter hereof and supersedes all other agreements relating to the subject matter hereof. There are no agreements, understandings, specific restrictions, warranties or representations relating to said subject matter between the parties other than those set forth herein or herein provided.

#### Amendment and Modification

This Agreement may only be amended or modified by the mutual written agreement of the parties.

#### **Public Information**

Notwithstanding any provision herein to the contrary, the parties hereby acknowledge and agree that TFPA is subject to the Texas Public Information Act, Tex. Gov't Code \$552.001 et seq. ("Public Information Act") and Attorney General Opinions issued under that statute and must comply with the provisions of Texas law including the Public Information Act. Within three (3) days of receipt, CTM will refer to TFPA any third party requests, received directly by CTM, for information to which CTM has access as a result of or in the course of performing services under this Agreement.

#### Confidential Information and Subpoenas

CTM will not disclose to anyone, directly or indirectly, any work-papers, data, databases, materials, information or reports in any form that are designated as

confidential or that are or could be construed as confidential or subject to restrictions on disclosure under applicable law ("Confidential Information") and received from TFPA or such Confidential Information to which CTM has access as a result of or in the course of performing services under this Agreement without the prior written consent of TFPA. This confidentiality provision does not apply to information required to be disclosed by law, legal process, and applicable professional standards or to information disclosed in connection with litigation relating to the Agreement or CTM's performance. Each party will protect the confidentiality of the Confidential Information in the same manner that it protects the confidentiality of its own proprietary and confidential information of like kind. Nothing in this Agreement shall prohibit or limit either party's use or disclosure of information (including, but not limited to, ideas, concepts, know-how, techniques, and methodologies) (I) previously known to it without obligation of confidence, (ii) independently developed by it, (iii) acquired by it from a third party which is not, to its knowledge, under an obligation of confidence with respect to such information, or (iv) which is or becomes publicly available through no breach of the Agreement. In the event either party receives a subpoena or other validly issued administrative or judicial process requesting Confidential Information, it shall provide prompt notice to the other of such receipt. The party receiving the subpoena shall thereafter be entitled to comply with such subpoena or other process to the extent permitted by law.

#### **GAAP Basis Audit Report**

Very truly yours,

If the Association needs an audit report prepared in accordance with accounting principles generally accepted in the United States of America for general distribution, we will prepare a separate engagement letter covering that service.

Cah. Thoman & Matza, LLP
Acknowledged:

By	
,	Mr. John Miletti, Chair of the Governing/Audit Committee
Date_	
(Pleas	se sign and return to us one copy; retain the other copy for your files)

# 5. Actuarial5A. Reserve Adequacy



Xiuyu Li, ACAS, MAAA Senior Actuary

#### **MEMORANDUM**

REVIEW DATE: July 13, 2020

TO: John Polak, General Manager

Cc: Jerry Fadden, Chief Financial Officer

FROM: Xiuyu Li, Senior Actuary

RE: Reserve Adequacy

TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of June 30, 2020.

Based on this review the "indicated" ultimate costs of Harvey is \$84.2 million, almost the same as the indicated ultimate loss and expense estimate based on the review at March 31, 2020. Due to uncertainties surrounding the adequacy of case reserves and the outcomes of disputed claims, the "selected" ultimate gross loss & expense estimate has been maintained at \$85 million.

As of June 30, 2020, TFPA carried \$26.5 million in total gross loss and loss adjustment expense reserves with \$10.1 million of the total gross losses and expenses ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

In my opinion, the Association's net reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements. My opinion on the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible.

The complete actuarial analysis is available on request.

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# 6. Internal Audit 6A. Internal Audit Status & Update

#### **MEMORANDUM**

TO: The Governing Committee - Texas FAIR Plan Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: August 3, 2020

SUBJECT: Status of Internal Audit Activities

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

#### Current Activities:

Activity Description	Status
Accounts Receivable Audit	Report to be issued in July
Underwriting Audit	Report to be issued in July
Reinsurance Audit	Fieldwork in process
Database and Application Administration Audit	Fieldwork complete – workpapers being reviewed and report being drafted
Claims Processing	Fieldwork in process

#### > Upcoming Audits:

Activity Description	Timing
Financial Close and Reporting	Scheduled modified and will occur in 3 <sup>rd</sup> quarter
Risk Assessment Update	To be scheduled – targeted 3 <sup>rd</sup> quarter
Disaster Recovery	Scope being discussed, timing is to be determined
Facilities and Services	Scheduled for 3 <sup>rd</sup> quarter
Communications	Scheduled for 4 <sup>th</sup> quarter
Legal and Compliance/Legislative	Scheduled for 3 <sup>rd</sup> /4 <sup>th</sup> quarter

#### > ELT meetings:

• Attended Executive Leadership Team and Operations meetings.

# Texas FAIR Plan Association Rolling Three-Year Internal Audit Plan (2019-2021)

2019	
Process Area	Risk Rating
Risk Assessment	N/A
Claims Processing	High
Database and Application Administration	High
Vendor Management	High
BCP/Continuity of Operations (COOP)	Moderate
Accounts Payable and Expense Processing	Moderate
Underwriting	Moderate
Accounts Receivable Including Agent Commissions	Low
Human Resources Administration	Low
Payroll	Low

2020	
Process Area	Risk Rating
Information Security	High
Reinsurance	High
Disaster Recovery	High
Communication	High
Legislative Action Implementation	High
Legal & Compliance	Moderate
Financial Close and Reporting	Moderate
Facilities and Services	Low

2021	
Process Area	Risk Rating
Risk Assessment	N/A
Application Development	High
Information Technology Services	Moderate
Actuarial (Pricing and Reserving)	Moderate
Executive Management, Management Planning & Reporting	Moderate
Cash Management	Low
Taxes	Low

# 7. Underwriting7A. Operational Review Update



#### **MEMORANDUM**

DATE: July 15, 2020

TO: John Polak, General Manager

FROM: Denise Larzalere, Vice President Underwriting

RE: Update on Underwriting Operational Highlights

#### **Second Quarter 2020 Highlights**

#### I Service Results:

- a. Underwriting continues to have consistent turnaround time on all policy transactions. Our goal is to issue 90% of new business submissions, endorsements, renewals, and cancellations within 10 days; we are surpassing this standard with over 96% of all transactions processed within 10 days and with approximately 80% of new business via straight through processing.
- b. Quality Assurance scores on the underwriting decisions continue to meet or exceed established goals.
- c. Customer Service telephone response time is within our established goals. We continue to experience increased call volume since transitioning to teleworking. Payment leniency (telephone payments) have increased, as well as general training questions from agents. We have increased utilization of the external call center and modified some scheduling to ensure acceptable service levels. We continue to perform service observation (listening to phone calls and scoring them) as well as calibrating expectations within the entire Association.
- d. Underwriting operated under budget in the second quarter, driven by lower head count and fewer inspections. Due to the COVID-19 health crisis, we have suspended interior inspections and are following recommended and required health guidelines to complete exterior inspections as needed.

#### II. TFPA Agent Audit Results:

- a. 10 agents (100 properties/policies) were selected for review in the first quarter of 2020 to verify compliance with the declination of coverage requirement and TFPA Producer Requirements and Performance Standards. All 10 agents have responded, with 2 receiving extensions to provide documentation due to the public health crisis.
  - Proof of declination was received for eighty-five percent of the policies selected from the 8 agents who have provided documentation. Staff is following up for outstanding proof of declinations.



- ii. Signed applications and eligibility statements were provided for approximately ninetyone percent of the policies selected from the 8 agents who have provided documentation. Staff is following up with the agents who have not yet provided signed applications.
- b. All 10 agents have an active property & casualty insurance license, and all 10 agents have the required direct standard market appointments.

#### III. Additional items to note:

- a. We have notified CGI that we are ready to decommission the I/O policy administration system effective September 30, 2020, with a cost savings of approximately \$110,500 per month.
- b. All policies and claims previously housed in CGI have migrated to the new Guidewire Policy Center and Claims Center.

8. Claims and Litigation

8A. Claims Operations

### **TFPA Claims Operations 2020**

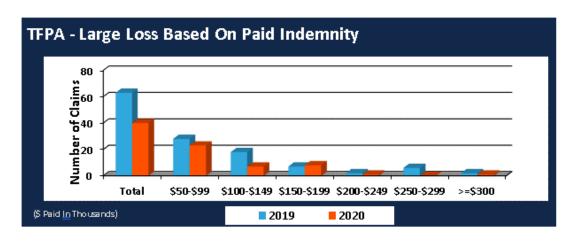
TFPA Claims - 2020 Results (through Q2)									
Key Cycle Times (In days)	Industry Average, TX	TFPA	TFPA Plan	Variance to Plan	% Variance to Plan				
FNOL to Inspect Property	4.9	2.6	<3	-0.4	-13%				
Inspect Property to Receipt by TFPA	3.2	2.3	<8	-5.7	-71%				
Total Cycle Time FNOL to Payment	N/A	8.4	<12	-7.6	-48%				
TDI Complaint Ratio									
2019	0.19% - 13 complaints from 6,950 new claims								
2020	0.07%	5 - 2 co	mplaints fr	om 2,931 nev	v claims				

Year	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Actual Volume	618	1,115	721	606	574	805	599	360	361	523	382	400	392	658	576
Actuarial Projected	651	668	357	367	364	350	358	343	351	400	296	292	737	727	281
Median Staffing	361	361	361	361	361	361	361	361	361	286	286	286	286	286	286
Open Inventory	681	930	857	785	760	886	678	612	584	617	592	558	529	491	712

Comments: 24 disputed claims out of 2,931 new claims (0.82%).

	rted Claims b Fire	y r em	Liabili	itae	Thef		Wate	N.	Wind /	Hall	All Peri	ile.
Year	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ
016	332	70 6	108	70 13	333	70 1	1,010	70 11	8,774	70 0	10,989	70 13
017		-15.1%	119	10.2%	271	-18.6%	959	-5.0%		130.7%	22,269	102.6%
018			108	-9.2%	184	-32.1%	1,007	5.0%	2,923	-85.6%	4,761	-78.6%
019	231	9.5%	71	-34.3%	154	-16.3%	725	-28.0%	4,790	63.9%		32.6%
2020		-72.3%	39	-45.1%	53	-65.6%	313	-56.8%	1,359	-71.6%	2,070	-67.2%
ncur	red Amounts	by Per			The C				sating t		All Dos	ll-
Year	Fire		Liabili		Thef	_	Wate	_	Wind /		All Peri	
	Incurred	% ∆	Incurred	% <b>∆</b>	Incurred	% ∆	Incurred	% ∆	Incurred	% ∆	Incurred	% ∆
016	\$12,596,494		\$1,200,709		\$994,015		\$963,568		\$42,514,623		\$59,723,816	
017	\$11,533,193		\$1,023,968	-14.7%	\$628,257	-36.0%	\$906,433	-5.9%	,,		\$65,417,257	9.5%
018	\$9,524,538	-17.4%	\$289,039	-71.8%	\$512,246	-18.5%	\$967,647	6.8%	\$8,891,776		\$20,761,361	-68.3%
2019	\$9,707,723	1.9%	\$255,045	-11.8%	\$384,936	-24.9%	\$551,611		\$19,763,449		\$31,198,337	50.3%
2020	\$3,419,649	-64.8%	\$21,196	-91.7%	\$59,600	-84.5%	\$234,198	-57.5%	\$5,026,925	-74.6%	\$11,017,162	-64.7%
ncur	red Claim Se	verity b	y Peril									
	Fire		Liabili	ity	Thef	t	Wate	er	Wind /	Hail	All Peri	ls
Year	Severity	% △	Severity	% △	Severity	% △	Severity	% △	Severity	% △	Severity	% ∆
2016	\$37,941		\$11,118		\$2,985		\$954		\$4,846		\$5,435	
2017	\$40,898	7.8%	\$8,605	-22.6%	\$2,318	-22.3%	\$945	-0.9%	\$2,504	-48.3%	\$2,938	-45.9%
2018	\$45,140	10.4%	\$2,676	-68.9%	\$2,784	20.1%	\$961	1.7%	\$3,042	21.5%	\$4,361	48.4%
					40.000		4000		44404			
2019	\$42,025	-6.9%	\$3,592	34.2%	\$2,500	-10.2%	\$761	-20.8%	\$4,126	35.6%	\$4,941	13.3%

<sup>\*</sup>Case incurred amounts exclude loss adjustment expenses and IBNR reserves



Date	Total	\$50-\$99	\$100-\$149	\$150-\$199	\$200-\$249	\$250-\$299	>=\$300
2019 (complete year)	63	28	18	7	2	6	2
Liability	0	0	0	0	0	0	0
2020 (YTD)	37	21	7	7	1	0	1
Liability	3	2	0	1	0	0	0
Variance	-23	-5	-11	1	-1	-6	-1

### **Hurricane Harvey**

TFPA Harvey	As of 3/31/20	As of 6/30/20	Change	% Change
Claims	17,650	17,644	-6	-0.03%
Open	324	290	-34	-10.5%
Closed	17,326	17,374	48	0.3%
% Closed	98.20%	98.40%	0	0.2%
Paid Indemnity	\$34,403,466	\$34,825,838	\$422,372	1.2%
Paid Expense	\$21,042,425	\$21,639,186	\$596,761	2.8%
Active Appraisals	67	19	-48	-71.6%

## 8B. Litigation Report



### **TFPA Litigation Tracking Activity**

# **Litigation Quarter Summary Second Quarter 2020**

	Summ	Summary of TFPA Claims in Suit												
2020		Ne	ew	Set	tled	Closed								
		1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party							
Quarter	Apr	2	0	0	0	20	0							
_	May	4	1	0	0	12	0							
2nd	Jun	1	0	0	0	15	0							
	Total	7	1	0	0	47	0							

	Summa	Summary of TFPA Claims with LORs											
2020		Ne	ew	Set	tled	Closed							
		1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party						
Quarter	Apr	11	1	0	0	10	0						
_	May	8	0	0	0	9	0						
2nd	Jun	14	0	0	0	24	1						
	Total	33	1	0	0	43	1						



# TFPA Claims Litigation June 2020

	TFPA Claims in Suit										
		Beginning	Now	Classed	Ending Inventory						
0		Inventory	New	Closed	1st Party	3rd Party	TOTAL				
-2	Wind/Hail	275	1	(15)	261	0	261				
ľnu	Other Perils	8	0	0	8	0	8				
,	Bodily Injury	4	0	0	0	4	4				
	Property Damage	0	0	0	0	0	0				
	TOTAL	287	1	(15)	269	4	273				

	TFPA Claims with LORs										
		Beginning	Now	Closed	Converted	Ending Inventory					
		Inventory	New		to Suit	1st Party	3rd Party	TOTAL			
-20	Wind/Hail	74	13	(23)	(1)	63	0	63			
Jun	Other Perils	20	1	(1)	0	20	0	20			
	Bodily Injury	2	0	(1)	0	0	1	1			
	Property Damage	0	0	0	0	0	0	0			
	TOTAL	96	14	(25)	(1)	83	1	84			

	TFPA Claims with Suits/LORs: Detail of Ending Inventory											
Jun-20	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)				GRAND	
Ju		Sui	its	LO	Rs		Su	iits	LC	Rs		TOTAL
		1st	3rd	1st	3rd	Total	1st	3rd	1st	3rd	Total	
	TOTAL	269	4	81	1	355	0	0	2	0	2	357



	TFPA Active Claims with Suits/LORs: Breakdown by Plaintiff Firm								
	Firm	Total							
	Buzbee Law/Manuel Solis	150							
	Manuel Solis, P.C.	52							
	Dick Law Firm	34							
	Daly & Black	30							
	Arnold & Itkin LLP	11							
20	Buzbee Law Firm	10							
Jun-20	Lane Law Firm	8							
J	Cristobal M. Galindo P.C.	6							
	Perry & Shields	5							
	Fitts Law Firm	5							
	Chad T. Wilson Law Firm	5							
	Daly & Black/Arnold & Itkin	4							
	Potts Law Firm	3							
	Arguello Law Firm	2							
	Remaining 29 firms	30							
	TOTAL	355							

	TFPA Active Claims with Suits/LORs: County of Loss Location									
	County	1st Party	3rd Party	Total						
	Brazoria	0	1	1						
	Dallas	2	1	3						
	Denton	1	0	1						
Jun-20	Ft. Bend	15	0	15						
-ur	Galveston	3	0	3						
Jı	Harris	321	3	324						
	Jefferson	2	0	2						
	Montgomery	2	0	2						
	Orange	2	0	2						
	Tarrant	1	0	1						
	Webb	1	0	1						
	TOTAL	350	5	355						

## 9. TFPA Operations

9A. IT Systems Enhancements





#### **MEMORANDUM**

DATE: July 15, 2020

TO: John Polak, General Manager

FROM: Camron Malik, CIO / VP IT

RE: TFPA Information Technology status

The IT department supported the move to a remote work model due to the COVID-19 pandemic and has been successful in keeping the organization working smoothly. All technology support and projects are on-track.

The TFPA implementation is in Production Support mode with policies successfully migrated off the legacy CGI platform on to the new Guidewire system. We are now working on the associated decommission of the CGI system and the transfer of old data to our archives. This effort is expected to be complete by October 2020.

The Systems Development/Production Support releases continue with their monthly cadence, delivering various defect fixes and features for the business with quality and timeliness. The Infrastructure and Operations team successfully transitioned the staff to remote work and continues to provide outstanding service.

## 9B. Communications Update



#### **MEMORANDUM**

DATE: July 15, 2020

TO: TFPA Governing Committee

FROM: Jennifer Armstrong, Vice President, Communications & Legislative Affairs

RE: Communications & Legislative Affairs Operational Highlights

#### 1) Legislative & Regulatory Affairs

- a) In Q2 2020, our engagement with legislative offices continued to be limited as legislators focus on COVID-19's continued impact on the state. We are checking in periodically with the offices of the House Insurance Committee and Senate Business and Commerce Committee Chairs. These offices have shared that there is no indication yet of when they might move forward with the study by the Windstorm Insurance Legislative Oversight Board related to the potential merger of TWIA and TFPA as authorized by House Bill 1900. Staff is preparing to provide information on this issue when the legislative offices are ready to commence the study.
- b) From April 1 through June 30, 2020, all legislative and regulatory inquiries received during the second quarter were related to TWIA matters. There were no FAIR Plan inquiries to report.
- c) On July 1, we sent an agent bulletin to remind agents of TDI's delayed implementation of the approved rate changes for TFPA's Homeowners, Dwelling, Tenant, and Condominium coverage forms. The rate changes were originally set to go into effect in May of this year but were delayed by TDI due to the COVID-19 pandemic and now go into effect on August 1.

12. Future Meetings
December 7, 2020 – Omni Hotel –
Corpus Christi
February 2021 – TBD
May 2021 – TBD