Meeting of the Governing Committee
Texas FAIR Plan Association
Teleconference/Web Conference
August 3, 2026
Tremont House
2300 Ships Mechanic Row
Galveston, TX 77550
3:00 pm

Interested parties may attend in person or listen to the meeting live by going to www.texasfairplan.org.
Go to "About Us/Governing Committee" and click on the webinar link.

***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.**

1. Call to Order
   A. Welcoming Remarks – *Ryan Bridges* — *5 minutes*
   B. Reminder of Anti-Trust Statement – *Ryan Bridges/Counsel*
   C. Meeting Format Information – *Kristina Contardo*

2. Approve the Minutes from Prior Governing Committee Meeting – *Ryan Bridges* – ***Action/Vote Likely**** — *5 minutes*

3. TFPA Operational Dashboard – *David Durden* — *5 minutes*

4. Financial — *20 minutes*
   A. Report of the Secretary/Treasurer – *Georgia Neblett* – ***Action/Vote Likely****
      1. Income Statement
      2. Management Discussion and Analysis
   B. Financial Statement Review – *Stuart Harbour*
   C. Selection of Auditors/Accountants for 2026 and Authorization of Non-Audit Services – *Stuart Harbour* – ***Action/Vote Likely****

5. Actuarial – *Jim Murphy* — *15 minutes*
   A. Policy Count/Exposures
   B. Reserve Adequacy
   C. Rate Filing Update
   D. 2026 Hurricane Season Funding
   E. Building Cost Adjustments on Renewal Policies

6. Internal Audit Status & Update – *Dan Graves – Weaver* — *5 minutes*

7. Underwriting Operational Review Update – *Michael Ledwik* *5 minutes*

8. Claims and Litigation *15 minutes*
   A. Claims Operations – *David Williams*
   B. Litigation Summary – *Jessica Crass*

9. TFPA Operations *20 minutes*
   A. IT Systems Update – *Michael Eleftheriades*
   B. Legislative Affairs Update and Legislative Implementation – *David Durden*

10. Closed Session **(Governing Committee Only)** *10 minutes*
    A. Personnel Issues
    B. Legal Advice

11. Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, if any, of the Governing Committee – ***Action/Vote Likely**** *5 minutes*

12. Future Meetings – *David Durden* *5 minutes*
    - October 13, 2026 – 2027 Budget Review Meeting
    - November 9, 2026 – Omni Hotel – Corpus Christi, TX
    - February 22, 2027 – Moody Gardens Hotel – Galveston, TX

13. Committees – *Ryan Bridges* *5 minutes*

14. Adjourn

1. Anti-Trust Statement

TEXAS FAIR PLAN ASSOCIATION

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 from Prior Governing Committee Meeting

Minutes of the Texas FAIR Plan Association
Governing Committee Meeting
Teleconference/Webinar

Hyatt Regency Hotel
208 Barton Springs Road
Austin, TX

May 18, 2026

The Following Governing Committee Members were Present, Representing:

1.	Ryan Bridges (Chair)	Public Member
2.	E. Jay Sherlock (Vice Chair)	Agent Member
3.	Georgia Neblett (Secretary/Treasurer)	Public Member
4.	John Miletti	Travelers
5.	Mark Solomon	Agent Member
6.	Pamela Hurley	Public Member
7.	Kacey Diede	State Farm
8.	Cody Marsh	AAA Texas
9.	Amanda Hourican	Farmers Insurance
10.	Craig Daughtery	Texas Farm Bureau
11.	Marianne Baker	Ex-Officio Non-Voting Member, TDI

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

1.	David Durden, General Manager	TFPA
2.	Stuart Harbour, Chief Financial Officer	TFPA
3.	Jessica Crass, VP Legal and Compliance	TFPA
4.	Michael Eleftheriades, VP Technology	TFPA
5.	Michelle Friesenhahn, VP People and Business Operations	TFPA
6.	Jim Murphy, Chief Actuary	TFPA
7.	Michael Ledwik, VP Underwriting	TFPA
8.	Amy Koehl, Senior Project Administrator	TFPA
9.	Kristina Donley, Manager, Training, QA and Agency Audit	TFPA
10.	David Williams, VP Claims	TFPA
11.	Jessica Davidson, Project Administrator	TFPA
12.	Liana Pineda, Senior Manager, Underwriting	TFPA
13.	Mike Perkins, Association Counsel	Perkins Law Group PLLC

The Following In Person Attendees Were Present:

1.	Josh Carson	Aon
2.	Dan Dick	Aon
3.	Max McClure	Aon
4.	Clark Thomson	Calhoun, Thomson + Matza
5.	Allen Cashin	Gallagher Re
6.	Morgan Huhndorff	Gallagher Re
7.	Alicia Robinson	Gallagher Re

8. Joey Walker	Gallagher Re
9. William Dubinsky	Gallagher Securities
10. Beaman Floyd	TCAIS
11. Nicole Beall	TDI
12. Katelyn Boehm	TDI
13. Insurance Commissioner Amanda Crawford	TDI
14. Erin Dinsmore	TDI
15. David Muckerheide	TDI
16. Al Fulkerson	TFPA
17. Dan Graves	Weaver

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

1. Jordan He
2. Angela Fang
3. Spencer Johnson
4. Jeff Berg
5. Shelina Jamani
6. Anna Stafford
7. Angie Cervantes
8. Aaron Taylor
9. Rubi Harman
10. Darrell McClanahan
11. Lou Cusano
12. Jarrett Hill
13. Nash Noal
14. Dan Paschal
15. Kenisha Schuster

1. Call to Order: Governing Committee Chair Ryan Bridges called the meeting to order at 3:00 p.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the statement by counsel. Kristina Donley provided meeting logistics information to the attendees. Mr. Bridges reported that TFPA Governing Committee member Frank Baumann passed away and held a moment of silence. Mr. Bridges introduced the new committee members Cody Marsh and Amanda Hourican.

2. Approval of the Minutes from Prior Governing Committee Meeting: Ms. Neblett moved to approve the minutes from the February 23, 2026 meeting held in Galveston. Mr. Solomon seconded the motion. The motion passed unanimously.

3. TFPA Operational Dashboard: Mr. Durden reviewed the operational dashboard. The TFPA numbers are declining for policies in force and total insured value. For the past several quarters, policy counts have increased rapidly but are now declining. Net income is slightly below what was budgeted. Operating expenses are at budget. The number of contractors has gone down since the last meeting.

4. Financial:
   A. Report of the Secretary/Treasurer: Ms. Neblett reviewed the Treasurer's Report. Ms. Neblett moved to approve the report as presented. Mr. Sherlock seconded the motion. The motion passed unanimously.

B. Financial Statement Review: Direct written premiums for the first quarter of 2026 were $63.5 million. Direct earned premiums were $72.9 million. There were 124,445 policies in force.

The 2026-2026 TFPA reinsurance program incepted on July 1, 2025 and will expire on May 31, 2026, to accelerate the purchase process and coincide with the TWIA reinsurance program. Coverage for 2025-2026 consists of $200 million of collateralized catastrophe bonds and $540 million of traditional reinsurance. The program also includes a "second event" cover that reduces the net retention to $20 million. Reinstatement premium protection was also purchased to cover 100% of the cost to reinstate the first $120 million of reinsurance limit. The final cost includes the December true-up to actual exposures as of September 30, 2025. Gross ceded premium for the 2025/26 reinsurance program totaled $108.4 million, which includes $0.8 million of reinstatement premium associated with Hurricane Beryl. This total reflects an overall rate-on-line (ROL) of 14.5% compared to 17.5% ROL for the 2024/25 program. The net cost of the reinsurance program after ceding commission was $100.7 million. Ceded premiums are earned on a pro-rata basis of the term of the reinsurance coverage.

Total direct losses and LAE totaled $24.1 million.

Year to date operating expenses totaled $4.7 million. Net operating expenses shown above and on the statutory income statement exclude claims related expenses which are recorded in losses and loss adjustment expenses. Expenses were under budget as of March 31, 2026 were due primarily to savings in personnel related expenses and benefits.

Year to date commission expense is $6.6 million.

C. Investment Plan Review: 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. Currently, staff do not recommend any changes to the Texas FAIR Plan Association investment plan.

Mr. Solomon 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. Ms. Neblett seconded the motion. The motion passed unanimously.

D. Financial Audit by Calhoun, Thomson + Matza: Mr. Thomson reviewed the financial audit conducted by his firm. Ms. Neblett moved to accept the audit report. Mr. Sherlock seconded the motion. The motion passed unanimously.

5. Actuarial:
   A. Policy Count/Exposures: Mr. Murphy reported there was a continued decline in policies in force and total insured value since Q3 2025. Growth is projected to be negative through 2026. New policy issuance is down 53% year over year and the retention rate is holding steady at 70%. Growth is concentrated in Tier 1 counties.
   B. Reserve Adequacy: TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of March 31, 2026.

      As of March 31, 2026, TFPA carried $46.2 million in total gross loss and loss adjustment expense reserves with $11.5 million of the total gross loss and expense reserves 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.

      Based on this review, the estimate of ultimate gross loss and expense associated with Hurricane Beryl remains unchanged at $122 million. TFPA actuarial staff will continue to monitor the development of claims associated with this event and update the ultimate estimate as necessary going forward. The selected ultimate gross loss and expense estimate for Hurricane Harvey remains $82.5 million.
   C. Rate Filing Update: The Texas FAIR Plan Association voted at its February 23, 2026 meeting to file for the full actuarial indications for all policy forms, limited to no more than a 25% change in any territory. The filing was made the same day with a proposed effective date of August 1, 2026.

      The filing is currently pending approval by the Texas Department of Insurance, which exercised its right to extend the review period from 60 days to 90 days. As a result, TFPA has amended the proposed effective date of the change to September 1, 2026. Additionally, TFPA has made minor revisions to the filing in response to comments raised by TDI in their review.
   D. 2026 Funding; Reinsurance: Staff is working with Gallagher Re, the Association's reinsurance broker, to secure reinsurance coverage for the 2026 hurricane season as directed by the Governing Committee at its February 23, 2026 meeting, subject to the approved budget of $95 million.

      The 2026 reinsurance program will be effective from June 1, 2026 to May 31, 2027 and will provide protection up to $800 million as follows:
      - $80 million xs $100 million (including reinstatement premium protection)
      - $200 million xs $180 million, provided by catastrophe bonds issued in 2025
      - $420 million xs $380 million in traditional reinsurance
      - $80 million of second event coverage, reducing the Association's retention from $100 million to $20 million for a second event

      The commitments will be signed shortly and the reinsurance will be placed by June 1. Mr. Murphy noted it was all placed under budget.

6. Internal Audit Status & Update: Mr. Graves reported the upcoming audit activities include funding sources and reinsurance, accounts payable, underwriting and policy services, cash management and the risk assessment update.

7. Underwriting:
   A. Underwriting Operational Results: For the first quarter of 2026, 99.98% of new business/renewal policies were issued within 10 days. New business policies issued for the quarter numbered 7,577. For the quarter, 24,163 renewal policies were issued. The number of calls for the quarter was 32,875 with 89.33% answered within 20 seconds.
   B. Agent Audit Process: Several enhancements are being made to the agent audit program and Mr. Ledwik introduced Liana Pineda, a senior manager in the underwriting department who is leading those changes. There will be four regulatory factors that shape the audit guidelines for the program, which are the Texas Administrative Code, the Texas Insurance Code, agent requirements and performance standards and TWIA underwriting guidelines.

      For the quarter, each agency audited had a minimum of at least one deficient policy. All the findings were administrative in nature; nothing was found where the policy written was ineligible. The main trend found by the audit team was agents failing to upload the certificate of compliance in the underwriting system.

      The auditing team did work with each agency, audited and provided training, corrective measures and remediation plans. Regarding remediation plans, that means each agency must come up with preventative measures to understand guidelines and not commit future deficiencies. In coming quarters, some of these agents will be reaudited and if the deficiencies show up again, those agencies could be subjected to new business suspension, depending on what the findings show.

      There was an enforcement action where an agency was suspended for the quarter due to non-responsiveness while trying to address the deficiency.

8. Claims:
   A. Claims Operations: Total cycle time of first notice of loss to payment (daily) was 7.8 days. The total cycle time of first notice of loss to payment (catastrophe) was 4.0 days. Total claim volume for 2026 is 1,337.
   B. Litigation Summary: For the first quarter of 2026, seven first-party suits and five third party suits were received. Eleven first party suits were closed and three third party suits was closed. Fifteen first party suits were settled. For TFPA claims with letters of representation, 70 first party and five third party claims were received and 52 first party and four third party claims were closed for the quarter. Eleven first party claims were settled.

9. TFPA Operations:
    A. IT Systems Enhancements: The Association is contractually mandated to maintain version currency with Guidewire cloud framework releases. In Q2, the Association team will test the latest Guidewire framework release version for compatibility. The current target for the release is July 2026 to deploy Guidewire applications using this latest version.

       The Association has identified artificial intelligence as a technology for review in its strategic plan. The plans include setting up an AI Committee identifying and reviewing both AI platforms and AI enhanced tools as part of the technology roadmap. Additional efforts include targeting general education for Association team members.

       The Association's first evaluation of any AI technology was the Microsoft Office 365 add-on tool called Microsoft Copilot. This tool is a conversational, AI powered assistant that helps boost productivity and streamline workflows by offering contextual assistance, automating routine tasks and analyzing data. This basic license offering for Copilot 365 has now been made available to all Association users.

       The Association is currently working on selecting an experienced vendor to review the foundation and ensure the configuration needed for the premium license of Microsoft Pilot 365. Due to the additional capabilities that are offered by the premium license, IT wants to make sure monitoring and permissions are in place to protect the interests and information of the Association.

       Staff is working on a replacement for the current on-premise authentication software used for validation of registration and logins to the external portals (used by agents and policyholders) with a comprehensive cloud-based customer identity solution. The project is in the execution phase.
    B. Communications and Legislative Affairs Update: FAIR Plan has received no applications for property owners' association (POA) coverage under House Bill 998, enacted in 2023, since the last quarterly update. To date, no POAs have been enrolled for coverage.

       On April 27, the Texas Department of Insurance published proposed rules to implement Senate Bill 458, enacted last year. The law requires personal automobile and residential property insurance policies in Texas (including FAIR Plan policies) to include an appraisal provision. An appraisal process is already available for FAIR Plan claims, but Association staff are reviewing the proposed rules to determine whether they will require changes to the existing processes. TDI will hold a public hearing on the proposed rules on June 2 and will accept written comments on the proposed rules through June 8.

       TDI's rule implementing statistical reporting requirements for declinations, cancellations and non-renewals of residential policies under House Bill 2067, enacted last year, went into effect on April 1. TDI reported that it will soon propose similar rules for commercial policies. Association staff has implemented and is testing updates to data systems to facilitate the residential reporting requirements. The first quarterly statistical report under the new rule will be due in June.

Association staff received no legislative or key stakeholder inquiries related to FAIR Plan in Q1 2026.

C. Coastal Preparedness Expo: TWIA is planning a Coastal Preparedness Expo on Saturday, July 18 to be held in Galveston County. This free, in-person event will focus on hurricane preparedness, claims education and coordination with emergency response partners for both agents and policyholders.

Policyholders and agents residing in Galveston, Brazoria and Chambers Counties, and the portion of Harris County east of Highway 146 will be invited. The expo is designed to help coastal residents and agents by bringing TWIA staff and key response partners together in one place prior to the heart of hurricane season.

10. Closed Session: There was no closed session.

11. Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, If Any, of the Governing Committee: There were no items to consider.

12. Future Meetings: The next meetings are scheduled to take place on the following dates in the following locations:
    - August 3, 2026 – Tremont House – Galveston
    - November 9, 2026 – Omni Hotel – Corpus Christi
    - February 22, 2027 – Moody Gardens Hotel – Galveston, TX

13. Committees: There was nothing to report.

14. Adjourn: There being no further business the meeting adjourned at 4:09 p.m.

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Prepared by: Amy Koehl
Senior Project Administrator

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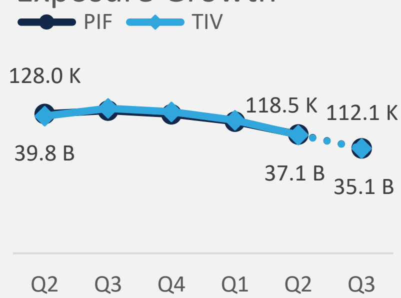
Approved by: Ryan Bridges
TFPA Chair

3. TFPA Operational Dashboard

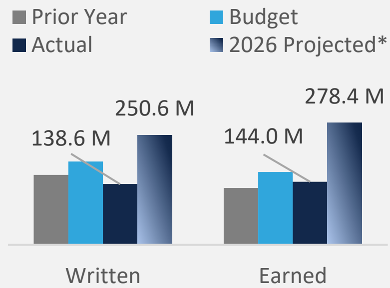
Operational Dashboard

Reporting as of June 30, 2026

Exposure Growth



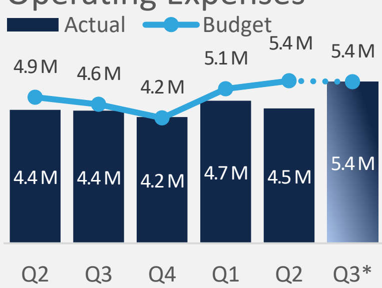
Premiums



Net Income

Actual: $ 23.5 M
Budget: 28.4 M
▼ 4.9 M

Operating Expenses



Claims Activity

Reported Claims: 3,403

Incurred Loss & LAE: $49.5M

Loss Ratio: 34.4%

Claims Disputes

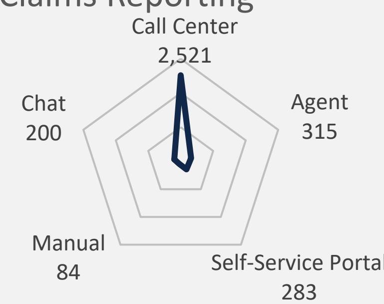
(% of Reported Claims)

TDI Complaints: 15 (0.4%)
Disputes: 84 (2.5%)
Lawsuits: 27 (0.8%)

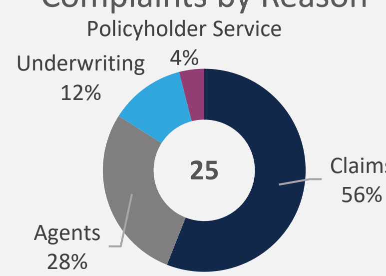
Headcount

Employees: 255
Contractors: 80
Total: 335

Claims Reporting



Complaints by Reason



Exposure Growth, Operating Expenses, and Headcount as of Reporting Date
All other amounts are Year to Date

Enterprise Projects

Status Update as of June 30, 2026

Enterprise Projects	Initiative Type	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
● 89th Legislative Implementation Program (LIP89)	Mandatory								
● Project Enhance (Multifactor Authentication)	Discretionary Planned								
● Claims Electronic Indemnity Payment	Discretionary Planned								
● Centralized Info Ph2 - Scalable MS 365 - *On Hold*	Discretionary Planned								
● Learning Management System (LMS) Migration	Discretionary Planned								

Project Health Definitions - Scope, Schedule, Budget

- ● On Track
- ● On Hold
- ● At Risk
- ● Needs Action

4. Financial

4A. Report of the Secretary/Treasurer

4A1. Income Statement

Statutory Income Statement – Treasurer's Report
(In 000s)

	For the six months ended June 30,	
	Actuals - 2026	Actuals - 2025
Premiums Written:		
Direct	$ 138,640	$ 159,387
Ceded	(73,356)	(352)
Net	65,284	159,034
Premiums Earned:		
Direct	$ 143,981	$ 129,700
Ceded	(54,867)	(45,755)
Net	89,114	83,945
Deductions:		
Direct Losses and LAE Incurred	49,514	45,763
Direct Losses and LAE Incurred - Beryl	0	14,000
Direct Losses and LAE Incurred - Harvey	0	0
Ceded Losses and LAE Incurred - Beryl	0	(13,249)
Ceded Losses and LAE Incurred - Harvey	0	0
Operating Expenses	9,231	9,098
Commission Expense	14,432	17,532
Ceding commissions / brokerage	(3,934)	0
Premium / Maintenance Tax	0	2,769
Total Deductions	69,244	75,912
Net Underwriting Gain or (Loss)	19,870	8,033
Other Income or (Expense):		
Gross Investment Income	3,675	1,322
Line of Credit Fees	(45)	(45)
Interest Expense on Line of Credit Advance	0	0
Member Assessment Income	0	0
Premium Charge offs/Write offs	(580)	(579)
Billing Fees	567	600
Miscellaneous Income (Expense)	0	0
Total Other Income or (Expense)	3,616	1,299
Net Income (Loss)	**$ 23,486**	**$ 9,332**
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	$ 65,372	$ (60,144)
Net Income (Loss)	23,486	9,332
Change in nonadmitted assets	(236)	(7,209)
Other	0	0
Ending Surplus (Deficit)	**$ 88,622**	**$ (58,021)**

4A2. Management Discussion and Analysis

Texas FAIR Plan Association
Management's Discussion and Analysis of Financial Results
For the Six Months Ended June 30, 2026

Written and Earned Premiums

Actual vs Budget	Jun-2026 YTD Actual	Jun-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 138.6 M	$ 190.3 M	($ 51.7 M)	(27.2%)
Direct Earned Premiums	$ 144.0 M	$ 166.1 M	($ 22.1 M)	(13.3%)
Policies In-Force	118,486	130,374	(11,888)	(9.1%)

Current Yr vs Prior Yr Actuals	Jun-2026 YTD Actual	Jun-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 138.6 M	$ 159.4 M	($ 20.7 M)	(13.0%)
Direct Earned Premiums	$ 144.0 M	$ 129.7 M	$ 14.3 M	11.0%
Policies In-Force	118,486	127,957	(9,471)	(7.4%)

Reinsurance Costs

- The 2026-2027 TFPA reinsurance program incepted on June 1, 2026, and will expire on May 31, 2027. Coverage for 2026-2027 consists of $200 million of collateralized catastrophe bonds and $500 million of traditional reinsurance. The program also includes a "second event" cover that reduces the net retention to $20 million. Reinstatement premium protection was also purchased to cover 100% of the cost to reinstate the first $80 million of reinsurance limit. Gross ceded premium associated with the $700 million in coverage totaled $73.4 million compared to a budgeted estimate of $125.0 million. This total reflects an overall rate-on-line (ROL) of 10.4% compared to 14.5% ROL for the 2025/26 program. The net cost of the reinsurance program after ceding commission was $69.4 million. Ceded premiums are earned on a monthly pro-rata basis over the term of the reinsurance coverage.

Loss and Loss Adjustment Expense Incurred

Actual vs Budget	Jun-2026 YTD Actual	Jun-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 39.9 M	$ 45.8 M	($ 5.8 M)	(12.7%)
Direct LAE Incurred	$ 9.6 M	$ 7.8 M	$ 1.8 M	23.0%
Total Direct Losses & LAE	**$ 49.5 M**	**$ 53.6 M**	**($ 4.0 M)**	**(7.6%)**
Loss & LAE Ratio	**34.4%**	**32.2%**		**2.1%**

Current Yr vs Prior Yr Actuals	Jun-2026 YTD Actual	Jun-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 39.9 M	$ 46.2 M	($ 6.3 M)	(13.6%)
Direct LAE Incurred	$ 9.6 M	$ 13.5 M	($ 4.0 M)	(29.3%)
Total Direct Losses & LAE	**$ 49.5 M**	**$ 59.8 M**	**($ 10.2 M)**	**(17.1%)**
Loss & LAE Ratio	**34.4%**	**46.1%**		**(11.7%)**

Operating Expenses

Actual vs Budget	Jun-2026 YTD Actual	Jun-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 9.2 M	$ 10.5 M	($ 1.3 M)	(12.5%)
Operating Expense Ratio	6.4%	6.3%		0.1%

Current Yr vs Prior Yr Actuals	Jun-2026 YTD Actual	Jun-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 9.2 M	$ 9.1 M	$ 0.1 M	1.5%
Operating Expense Ratio	6.4%	7.0%		(0.6%)

- Net operating expenses shown above and on the statutory income statement exclude claims related expenses which are recorded in losses and loss adjustment expense. Expenses under budget included Personnel Expense ($893,000) and Professional & Consulting Services ($294,000).

Texas FAIR Plan Association
Management's Discussion and Analysis of Financial Results
(cont'd)

Commission Expense and Premium Taxes

Actual vs Budget	Jun-2026 YTD Actual	Jun-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 14.4 M	$ 21.9 M	($ 7.5 M)	(34.1%)
Premium Taxes	$ 0.0 M	$ 0.0 M	$ 0.0 M	0.0%

Current Yr vs Prior Yr Actuals	Jun-2026 YTD Actual	Jun-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 14.4 M	$ 17.5 M	($ 3.1 M)	(17.7%)
Premium Taxes	$ 0.0 M	$ 2.8 M	($ 2.8 M)	(100.0%)

- Premium taxes recorded in 2025 were later reversed due to HB 2517 which exempted TFPA from premium and maintenance tax for calendar year 2025 and forward.

Other Income (Expense)

Actual vs Budget	Jun-2026 YTD Actual	Jun-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 3.7 M	$ 2.4 M	$ 1.3 M	55.4%

Current Yr vs Prior Yr Actuals	Jun-2026 YTD Actual	Jun-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 3.7 M	$ 1.3 M	$ 2.4 M	177.9%

Net Income (Loss)

Actual vs Budget	Jun-2026 YTD Actual	Jun-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 23.5 M	$ 28.4 M	($ 4.9 M)	(17.4%)

Current Yr vs Prior Yr Actuals	Jun-2026 YTD Actual	Jun-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 23.5 M	$ 9.3 M	$ 14.2 M	151.7%

Surplus (Deficit)

Current Period vs. Prior Year End Actual	Jun-2026 YTD Actual	Dec-25 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	$ 88.6 M	$ 65.4 M	$ 23.3 M	35.6%

- The Association beginning surplus of $65.4 million increased to $88.6 million due to the year-to-date net income of $23.5 million.

****

4B. Financial Statement Review

TEXAS FAIR PLAN ASSOCIATION

Financial Statements and Schedules

June 2026

Statutory Income Statement
(In 000s)

1		For the six months ended June 30,				1
2		**Actuals - 2026**	**Budget - 2026**	**Variance - 2026**	**Actuals - 2025**	2
3						3
4	**Premiums Written:**					4
5	Direct	$ 138,640	$ 190,346	$ (51,707)	$ 159,387	5
6	Ceded	(73,356)	(125,000)	51,644	(352)	6
7	Net	65,284	65,346	(62)	159,034	7
8						8
9	**Premiums Earned:**					9
10	Direct	$ 143,981	$ 166,106	$ (22,125)	$ 129,700	10
11	Ceded	(54,867)	(62,751)	7,884	(45,755)	11
12	Net	89,114	103,355	(14,241)	83,945	12
13						13
14	**Deductions:**					14
15	Direct Losses and LAE Incurred	$ 49,514	$ 53,563	$ (4,049)	$ 45,763	15
16	Direct Losses and LAE Incurred - Beryl	0	0	0	14,000	16
17	Direct Losses and LAE Incurred - Harvey	0	0	0	0	17
18	Ceded Losses and LAE Incurred - Beryl	0	0	0	(13,249)	18
19	Ceded Losses and LAE Incurred - Harvey	0	0	0	0	19
20	Operating Expenses	9,231	10,546	(1,314)	9,098	20
21	Commission Expense	14,432	21,890	(7,457)	17,532	21
22	Ceding commissions / brokerage	(3,934)	(8,605)	4,671	0	22
23	Premium / Maintenance Tax (1)	0	0	0	2,769	23
24	Total Deductions	69,244	77,394	(8,149)	75,912	24
25						25
26	**Net Underwriting Gain or (Loss)**	19,870	25,961	(6,091)	8,033	26
27						27
28	**Other Income or (Expense):**					28
29	Gross Investment Income	$ 3,675	$ 2,364	$ 1,311	$ 1,322	29
30	Line of Credit Fees	(45)	(50)	5	(45)	30
31	Interest Expense on Line of Credit Advance	0	0	0	0	31
32	Member Assessment Income	0	0	0	0	32
33	Premium Charge offs/Write offs	(580)	(476)	(104)	(579)	33
34	Billing Fees	567	628	(61)	600	34
35	Miscellaneous Income (Expense)	0	0	0	0	35
36	Total Other Income or (Expense)	3,616	2,466	1,150	1,299	36
37						37
38	**Net Income (Loss)**	**$ 23,486**	**$ 28,427**	**$ (4,941)**	**$ 9,332**	38
39						39
40	**Note: (1) The balance reflects the impact of HB 2517 which exempted Texas FAIR Plan from Premium and Mainenance taxes**					40

Surplus (Deficit) and Key Operating Ratios
(In 000s)

	For the six months ended June 30,			
	Actuals - 2026	Budget - 2026	Variance - 2026	Actuals - 2025
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	65,372	65,372	0	(60,144)
Net Income (Loss)	23,486	28,427	(4,941)	9,332
Change in nonadmitted assets	(236)	(980)	744	(7,209)
Other	0	0	0	0
Ending Surplus (Deficit)	$ 88,622	$ 92,819	$ (4,197)	$ (58,021)
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	34.4%	32.2%	2.1%	35.3%
Hurricane Beryl	0.0%	0.0%	0.0%	10.8%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	34.4%	32.2%	2.1%	46.1%
UW Expense Ratio:				
Acquisition	10.4%	11.5%	(1.1%)	12.7%
Non Acquisition	6.4%	6.3%	0.1%	7.0%
UW Expense Ratio	16.8%	17.8%	(1.0%)	19.8%
Combined Ratio	51.2%	50.1%	1.1%	65.8%
Net:				
Loss & LAE Ratio:				
Non Hurricane	55.6%	51.8%	3.7%	54.5%
Hurricane Beryl	0.0%	0.0%	0.0%	0.9%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	55.6%	51.8%	3.7%	55.4%
UW Expense Ratio:				
Acquisition	12.1%	13.9%	(1.8%)	16.2%
Non Acquisition	10.4%	10.2%	0.2%	10.8%
UW Expense Ratio	22.5%	24.1%	(1.7%)	27.0%
Combined Ratio	78.0%	76.0%	2.1%	82.4%
Note: Beginning budgeted surplus adjusted to actual for comparative purposes.				

Statutory Expense Statement
(In 000s)

		For the six months ended June 30,				
1						1
2	**Description**	**Actuals - 2026**	**Budget - 2026**	**Variance - 2026**	**Actuals - 2025**	2
3	Personnel Expenses					3
4	Salaries & Wages - Permanent	$ 4,424	$ 4,639	$ (215)	$ 4,085	4
5	Contractor & Temporary Help	1,773	3,034	(1,262)	3,415	5
6	Payroll Taxes	341	339	2	309	6
7	Employee Benefits	1,259	1,365	(106)	1,104	7
8	Recruiting, Training & Other	28	106	(77)	19	8
9	Subtotal	7,825	9,483	(1,658)	8,933	9
10						10
11	Professional & Consulting Services					11
12	Legal	55	56	(1)	68	12
13	Accounting & Auditing	60	93	(33)	92	13
14	Information Technology	603	666	(63)	793	14
15	Actuarial Services	24	24	0	22	15
16	Surveys & Inspections	442	513	(71)	867	16
17	Disaster Recovery Services	2	3	(1)	2	17
18	Other Services [1]	1,119	1,340	(220)	896	18
19	Subtotal	2,306	2,695	(389)	2,740	19
20						20
21	Hardware/Software Purchases & Licensing	1,605	1,623	(18)	1,255	21
22	Rental & Maintenance - Office/Equipment	265	314	(49)	270	22
23	Travel Expenses	80	126	(46)	47	23
24	Postage, Telephone and Express	425	345	80	347	24
25	Capital Management Expenses	45	50	(5)	45	25
26	Other Operating Expenses	463	531	(67)	451	26
27						27
28	**Total Operating Expenses**	**$ 13,016**	**$ 15,168**	**$ (2,152)**	**$ 14,088**	28
29						29
30	Capitalization of Fixed Assets	0	0	0	0	30
31	Allocation To ULAE	(3,739)	(4,572)	833	(4,945)	31
32	Allocation To Investing & Other Expense	(45)	(50)	5	(45)	32
33	**Net Operating Expense - UW Operations**	**$ 9,231**	**$ 10,546**	**$ (1,314)**	**$ 9,098**	33

[1] **Summary Details for Other Services:**

VENDOR	Amount	Department
Insurance Services Office, Inc.	336	Underwriting / Claims
Clear Point Claims LLC	204	Underwriting
Marshall & Swift/Boeckh	117	Underwriting
Nearmap US, Inc	77	Claims
Xactware Solutions Inc	55	Claims
*Other Outside Services below $50K	330	Various Departments
Total Other Services	**1,119**	

Statutory Balance Sheet
(In 000s)

1		Jun-2026	Dec-2025	1
2	**Admitted Assets**			2
3	Cash and short term investments:	249,971	219,456	3
4	Premiums receivable & other	27,817	26,784	4
5	Assessment receivable	48	48	5
6	Amounts recoverable from reinsurers	1,257	1,110	6
7	Other Assets	410	572	7
8	**Total admitted assets**	**$ 279,503**	**$ 247,970**	8
9				9
10	**Liabilities, Surplus and other funds**			10
11	**Liabilities:**			11
12	Loss and Loss adjustment expenses	35,724	27,017	12
13	Underwriting expenses payable	5,083	4,030	13
14	Unearned premiums, net of ceded unearned premiums	76,209	100,039	14
15	Ceded reinsurance premiums payable	64,454	41,070	15
16	Principal outstanding on line of credit advance	0	0	16
17	Interest payable on line of credit advance	0	0	17
18	Provision for reinsurance	120	120	18
19	Other payables	9,292	10,323	19
20	**Total liabilities**	**190,881**	**182,599**	20
21				21
22	**Surplus and others funds**			22
23	Unassigned surplus (deficit)	88,622	65,372	23
24	**Total liabilities, surplus and other funds**	**$ 279,503**	**$ 247,970**	24

Statement of Cash Flows
(In 000s)

1		For the six months ended June 30,			1
2		**Actuals - 2026**	**Budget - 2026**	**Variance - 2026**	2
3					3
4	**Cash flows from operating activities:**				4
5	Premiums collected, net of reinsurance	$ 89,698	$ 131,777	$ (42,079)	5
6	Losses and loss adjustment expense paid [(1)(2)]	(40,955)	(38,242)	(2,713)	6
7	Underwriting expenses paid	(21,360)	(23,487)	2,127	7
8	Other	(661)	152	(814)	8
9	Net cash provided by operating activities	26,722	70,201	(43,479)	9
10	**Cash flows from non-operating activities:**				10
11	Other (Member Assessment)	0	0	0	11
12	Net cash provided by non-operating activities	0	0	0	12
13	**Cash flows from investing activities:**				13
14	Sales and maturities of investments	0	0	0	14
15	Net investment income	3,838	2,364	1,474	15
16	Net cash provided by investing activities	3,838	2,364	1,474	16
17	**Cash flows from financing activities:**				17
18	Borrowed funds	0	0	0	18
19	Borrowed funds repaid	0	0	0	19
20	Interest Expense/Fees - Line of Credit Advance	(45)	(50)	5	20
21	Net cash provided by financing activities	(45)	(50)	5	21
22					22
23	Net increase (decrease) in cash and short-term investments	30,515	72,515	(42,000)	23
24	Cash and short-term investments, Beginning	219,456	219,456	0	24
25	**Cash and short-term investments, Ending**	**$ 249,971**	**$ 291,971**	**$ (42,000)**	25
26					26
27	[(1)] Direct Beryl Loss/LAE Payments	$ 2,332			27
28	[(2)] Direct Harvey Loss/LAE Payments	$ 8			28
29	**Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.**				29

Cash and Short-Term Investments
(In 000s)

Unrestricted Cash and Short Term Investments ($ in 000s)
June 30, 2026

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Annual Average Yield	Total Deposit % of TFPA's Portfolio	N.A. Bank Credit Rating	N.A. Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital?
							< 40%	**Superior or Strong**	**> 10%**	**> $25B**	**> .2% of N.A. Reg Capital**
Balances as of 06/30/2026:											
Bank of America	$ 8,711	0	$ 8,711	0	0	0.0%	3%	Superior	12.2%	$187	No
JPMorgan Chase	0	$ 18,535	18,535	$ 35,603	$ 127	1.4%	7%	Superior	15.1%	$296	No
JP Morgan U.S. Treasury Plus Money Market Fund [1]	0	82,291	82,291	76,795	676	3.5%	33%	N/A	N/A	N/A	N/A
JP Morgan Goldman Sachs [1]	0	51,977	51,977	51,824	454	3.5%	21%	N/A	N/A	N/A	N/A
Fidelity Treasury [1]	0	88,457	88,457	77,744	690	3.6%	35%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 8,711**	**$ 241,260**	**$ 249,971**	**$ 241,966**	**$ 1,948**	**3.2%**	**100%**				
Balances as of 03/31/2026:											
Bank of America	$ 12,550	0	$ 12,550	0	0	0.0%	5%	Superior	12.5%	$191	No
JPMorgan Chase	0	$ 25,895	25,895	$ 35,453	$ 123	1.4%	11%	Superior	15.3%	$295	No
JP Morgan U.S. Treasury Plus Money Market Fund [1]	0	71,674	71,674	54,411	479	3.5%	30%	N/A	N/A	N/A	N/A
JP Morgan Goldman Sachs [1]	0	51,518	51,518	51,368	449	3.5%	22%	N/A	N/A	N/A	N/A
Fidelity Treasury [1]	0	76,558	76,558	76,332	676	3.5%	32%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 12,550**	**$ 225,645**	**$ 238,195**	**$ 217,563**	**$ 1,727**	**3.2%**	**100%**				

[1] The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury.

Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of March 31, 2026. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

Historical Data
($ In 000s)

2003 - 2026
($ with 000s omitted)

	GROSS					NET					
YEAR	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	MEMBER ASSESSMENTS	SURPLUS OR (DEFICIT) END OF PERIOD
2003	$ 18,272,542	100,223		$ 82,004	$ 19,580	$ 31,287	$ 19,580	$ 26,618	$ (14,911)		$ (15,948)
2004	22,904,408	134,350		100,666	37,184	85,238	37,184	28,470	19,584		(1,821)
2005	14,165,560	88,512		60,969	31,262	77,389	31,262	18,588	27,539		31,563
2006	13,321,087	81,129		59,873	22,545	45,867	22,545	17,304	6,017		40,063
2007	15,556,965	91,847	3.9%	73,058	24,578	52,955	24,578	19,362	9,015		52,081
2008	14,060,852	84,438		64,488	239,886	48,364	82,774	18,797	(53,208)		209
2009	11,706,721	72,989	10.7%	60,255	32,961	28,136	6,659	18,811	2,666		(9,753)
2010	14,246,999	85,984	5.0%	73,924	86,187	40,905	34,601	17,019	(10,715)		(17,449)
2011	15,979,040	96,710		83,066	78,009	47,063	53,009	15,897	(21,843)		(33,860)
2012	17,966,799	108,637	14.6%	102,383	28,453	56,880	28,453	20,346	8,081		(25,722)
2013	20,594,317	124,222	16.7% (a)	122,683	39,438	75,343	39,438	22,610	13,295		(13,422)
2014	21,944,280	131,376		133,206	45,070	89,405	45,070	24,058	20,277		5,978
2015	22,154,205	132,734		132,879	68,593	90,952	68,593	24,675	(2,316)		4,977
2016	19,883,769	121,413	8.0% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5.0% (c)	112,316	128,666	76,837	84,864	29,739	(37,766)		(54,941)
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
2019	12,299,224	80,923		85,327	38,241	59,625	38,241	25,310	(3,926)		12,133
2020	12,618,291	73,713	9.6% (e)	79,477	36,620	53,092	36,620	22,398	(5,926)		6,006
2021	11,471,201	66,512	9.2% (f)	75,648	34,070	49,414	34,070	19,050	(3,705)		2,105
2022	11,301,744	61,452	7.3% (g)	76,881	27,146	45,620	27,146	19,033	(559)		1,451
2023	16,275,783	72,626	9.8% (h)	113,460	47,339	53,316	49,839	23,917	(20,439)		(17,655)
2024	32,930,398	113,860	9.9% (i)	237,277	183,906	99,261	120,364	41,652	(62,764)	17,655	(60,144)
2025	40,419,648	127,835	14.1% (j)	300,094	81,972	174,503	68,723	42,520	63,260	60,144	65,372
2026	37,072,415	118,486		138,640	49,514	89,114	49,514	19,730	19,870		88,622
TOTAL				$ 2,586,941	$ 1,485,962	$ 1,624,207	$ 1,107,869	$ 571,850	$ (55,520)	$ 132,740	

(a) Effective July 1, 2013
(b) Effective April 1, 2016
(c) Effective June 1, 2017
(d) Effective October 1, 2018 and November 1, 2018 for new business and renewal business, respectively.
(e) Effective August 1, 2020
(f) Effective August 1, 2021
(g) Effective August 1, 2022
(h) Effective August 1, 2023
(i) Effective August 1, 2024
(j) Effective August 1, 2025
*2026 data through 06/30/2026

4C. Selection of Auditors/ Accountants for 2026 and Authorization of Non-Audit Services

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: July 15, 2026

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: **Selection of FAIR Plan Auditors/Accountants for 2026 and Authorization of Non-Audit Services**

Each year the association retains an accounting firm to conduct an independent audit of the association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2021, Calhoun Thomson + Matza ("CTM") 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 2026 statutory financial statements. Counsel has reviewed the letter and reports that the terms are the same as last year except for an increase in the total audit fee from $58,100 to $59,850. Staff recommends to the Governing Committee that the engagement be approved, and the letter executed. Staff also requests authority to use CTM as needed over the coming year for non-audit services associated with the issuance of catastrophe bonds. Resolution language is provided below:

> **The Governing Committee of the Texas FAIR Plan 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 2026 financial statements on the terms set forth in the engagement letter included in the governing committee book. The staff of the association is further authorized to engage Calhoun, Thomson + Matza to provide certain non-audit services in connection with the issuance of catastrophe bonds during the coming year as needed.**

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

Thank you,

Stuart

PO Box 99090, Austin, TX 78709-9090 | Call 1-800-788-8247 | twia.org

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

Agreement to provide services

July 13, 2026

Mr. Ryan Bridges, Chair of the Governing/Audit Committee
Texas FAIR Plan Association
4801 Southwest Pkwy Building One, Suite 200
Austin, Texas 78735

Dear Mr. Bridges:

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, 2026 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, 2026.

- Supplemental Investment Risk Interrogatories as of December 31, 2026.
- Reinsurance Interrogatories as of December 31, 2026.

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. Clark Thomson 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. The 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 $59,850 all-inclusive except for out-of-town travel to Governing Committee meetings (if attendance is requested).

Our hourly rates are as follows:

Partner	$300
Senior Manager	$225
Senior Associate	$175
Audit Associate	$145

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

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.

Very truly yours,

Calhoun, Thomson & Matza, LLP

Acknowledged:

By____

Mr. Ryan Bridges, Chair of the Governing/Audit Committee

Date______________________________

(Please sign and return to us one copy; retain the other copy for your files)

5. Actuarial

5A. Policy Count/Exposures

Executive Summary

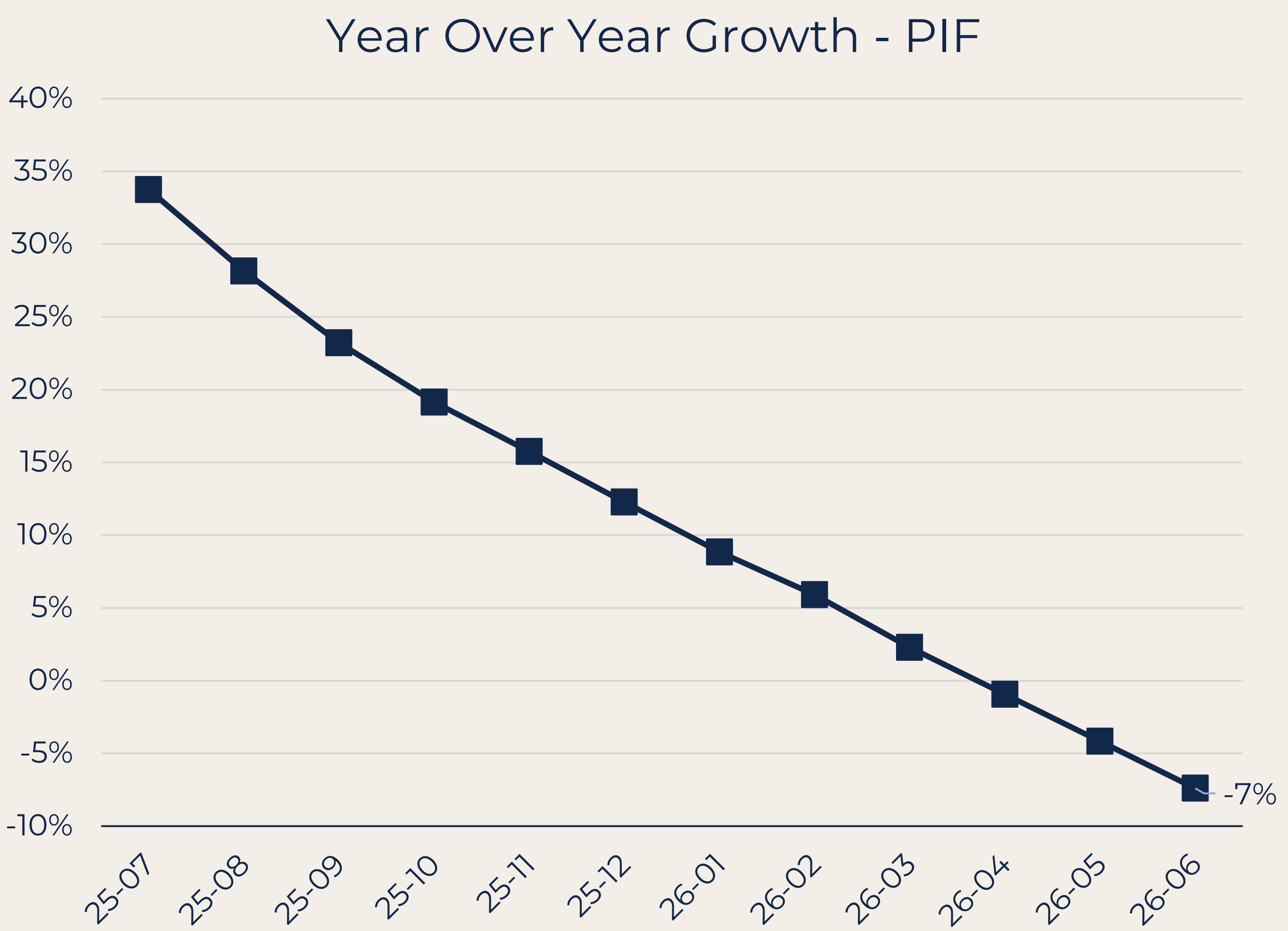
- PIF and TIV YoY growth negative in current quarter
- Growth projected to continue negative through 2026
- **New Policy Issuances**: Down 53% year-over-year
- **Retention Rate**: Steady at 68%
- Significant growth in Tier 1 counties

TFPA		
	06/30/2026	YOY Growth
Policies In-Force	118,486	-7%
Total Insured Value	37.1B	-7%
YTD Written Premium	138.6M	-13%

Detailed reports available under Liability Reports in the Financials and Reports section of the TFPA website at: https://www.texasfairplan.org/about-us/#financials-reports

YOY Summary

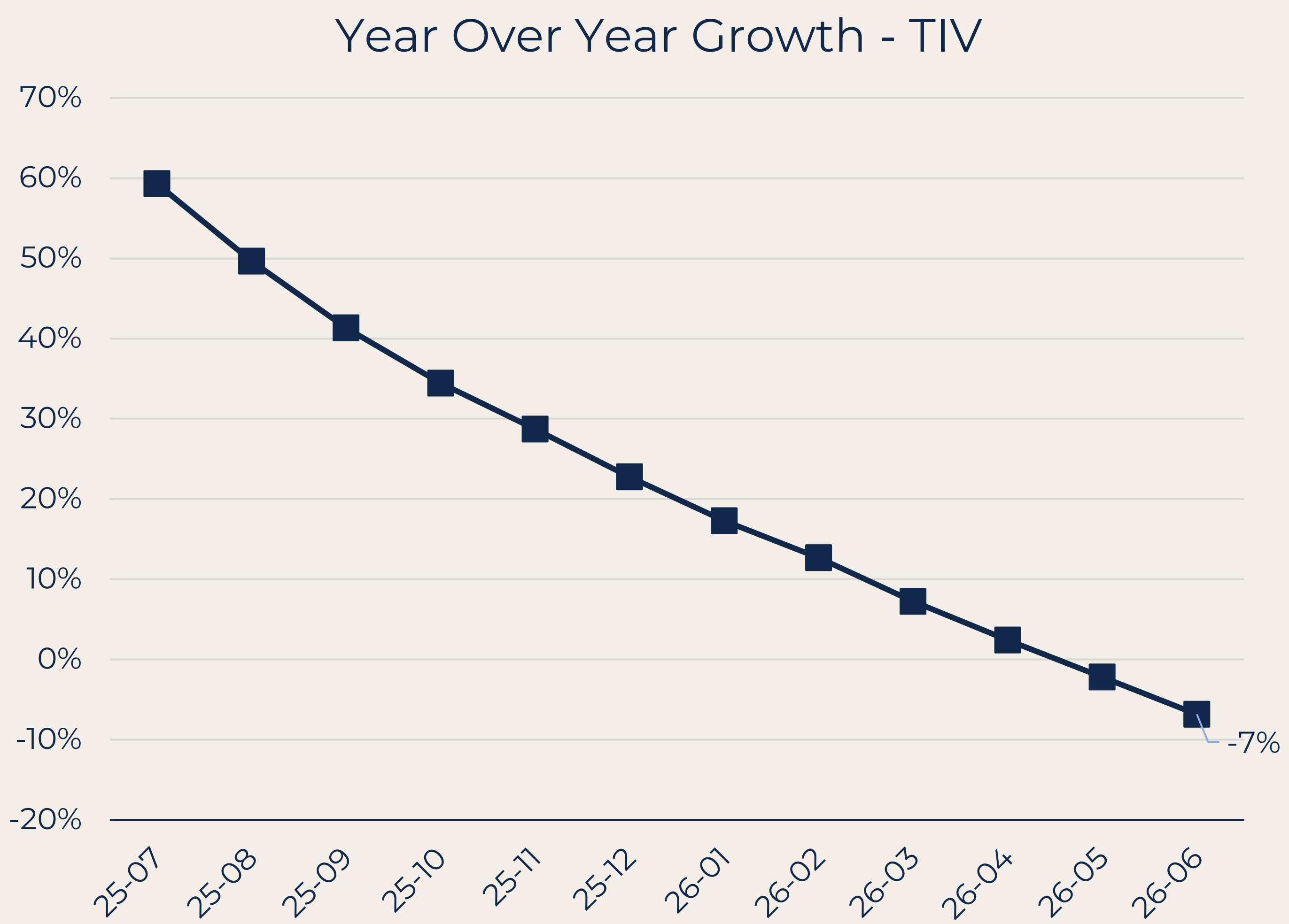
- **PIF YoY growth has flipped into negative territory, declining to -7% by Jun-26**



Year/Month	2025-07	2025-08	2025-09	2025-10	2025-11	2025-12	2026-01	2026-02	2026-03	2026-04	2026-05	2026-06
PIF	129,583	129,705	129,526	129,180	128,494	127,835	126,869	125,969	124,445	122,688	120,660	118,486

YOY Summary

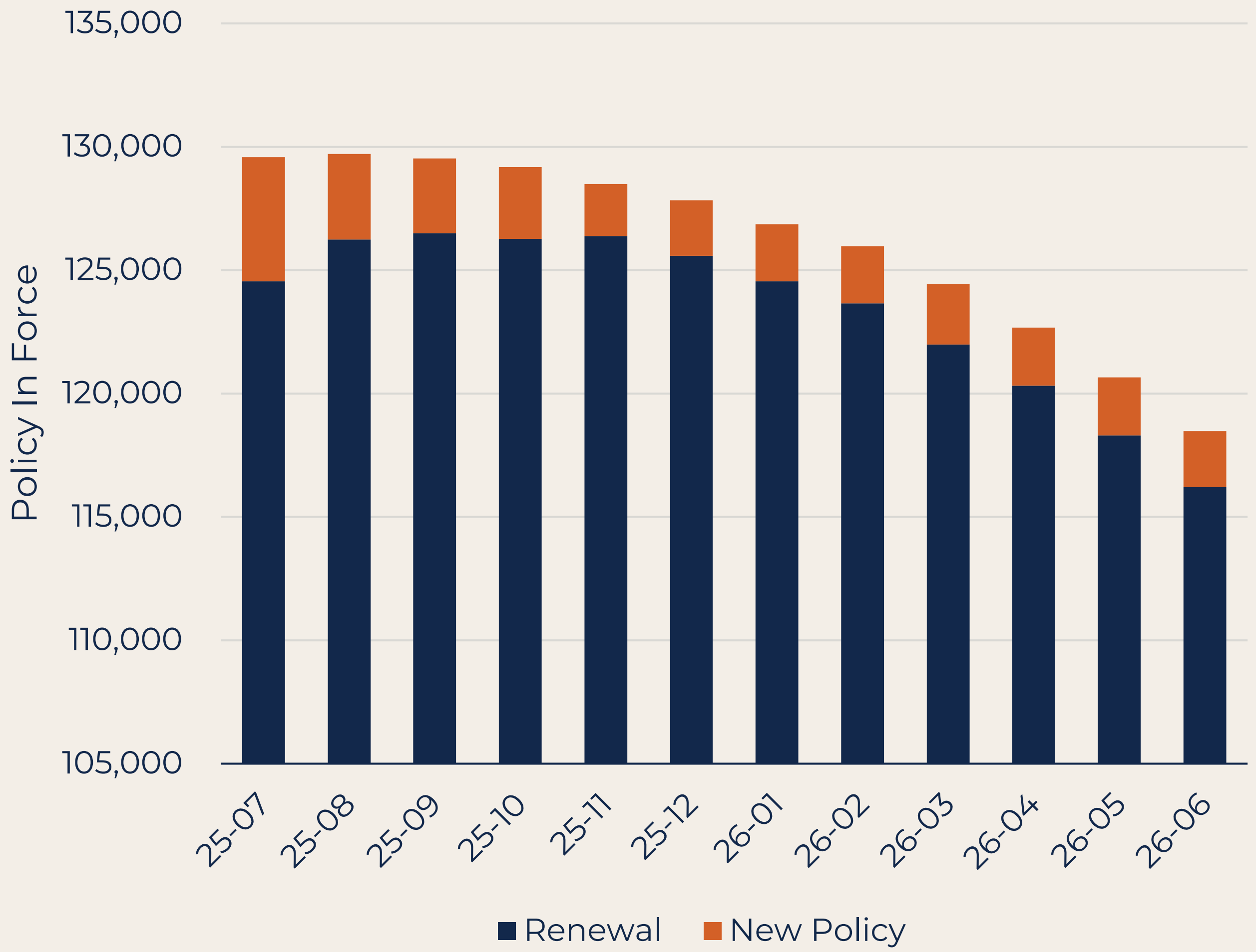
- **TIV YoY growth has flipped into negative territory, declining to -7% by Jun-26**
- **Decrease in exposure in-force since October**



Year/Month	2025-07	2025-08	2025-09	2025-10	2025-11	2025-12	2026-01	2026-02	2026-03	2026-04	2026-05	2026-06
TIV (000,000s)	40,670	40,885	40,924	40,909	40,688	40,420	40,055	39,745	39,201	38,583	37,857	37,072

New Business versus Renewal

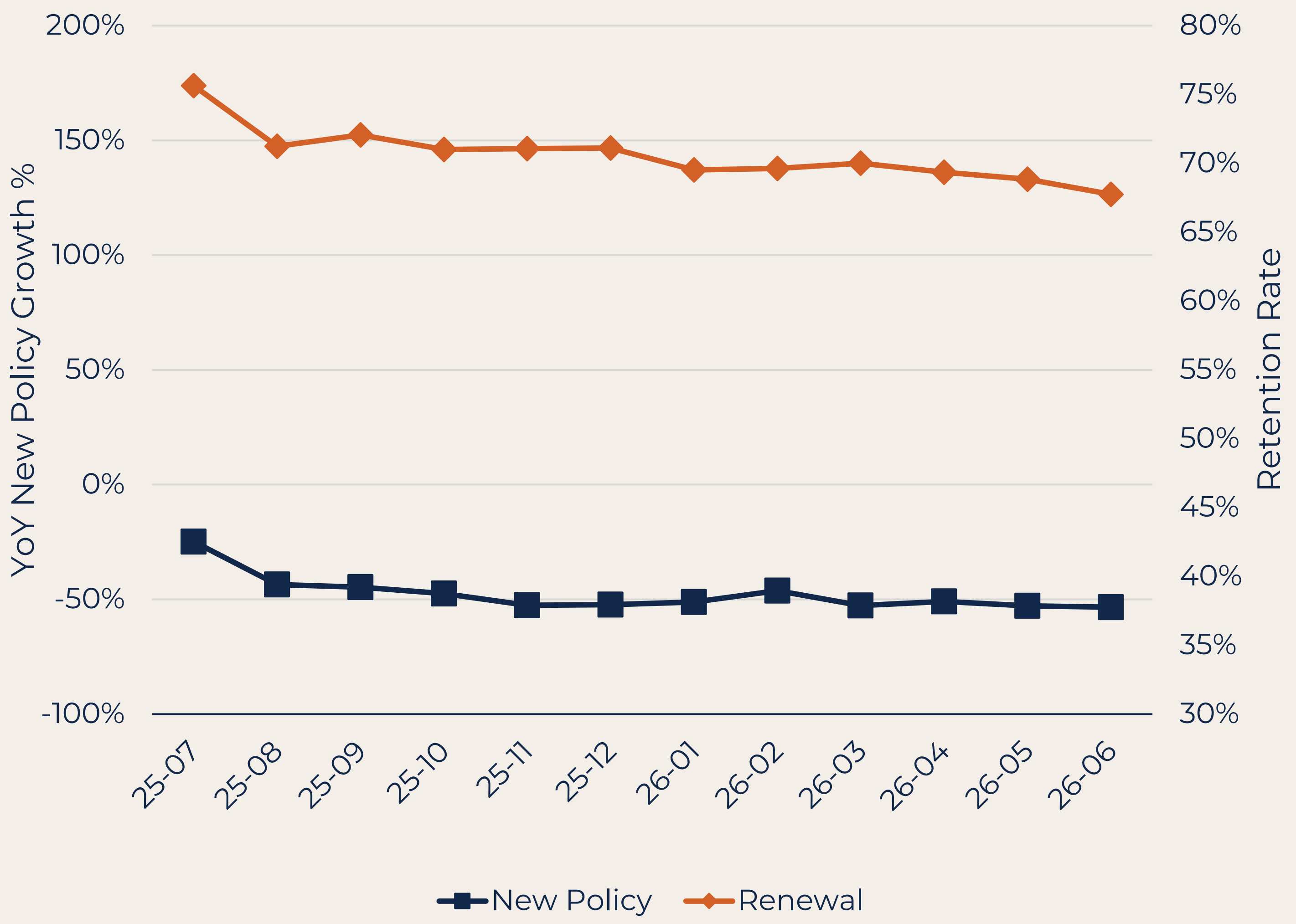
- **New policies account for roughly 2% of total PIF each month**



Year/Month	2025-07	2025-08	2025-09	2025-10	2025-11	2025-12	2026-01	2026-02	2026-03	2026-04	2026-05	2026-06
New Policy	5,033	3,468	3,028	2,906	2,115	2,251	2,322	2,308	2,454	2,346	2,365	2,282
Renewal	124,550	126,237	126,498	126,274	126,379	125,584	124,547	123,661	121,991	120,322	118,295	116,204

New Business versus Renewal

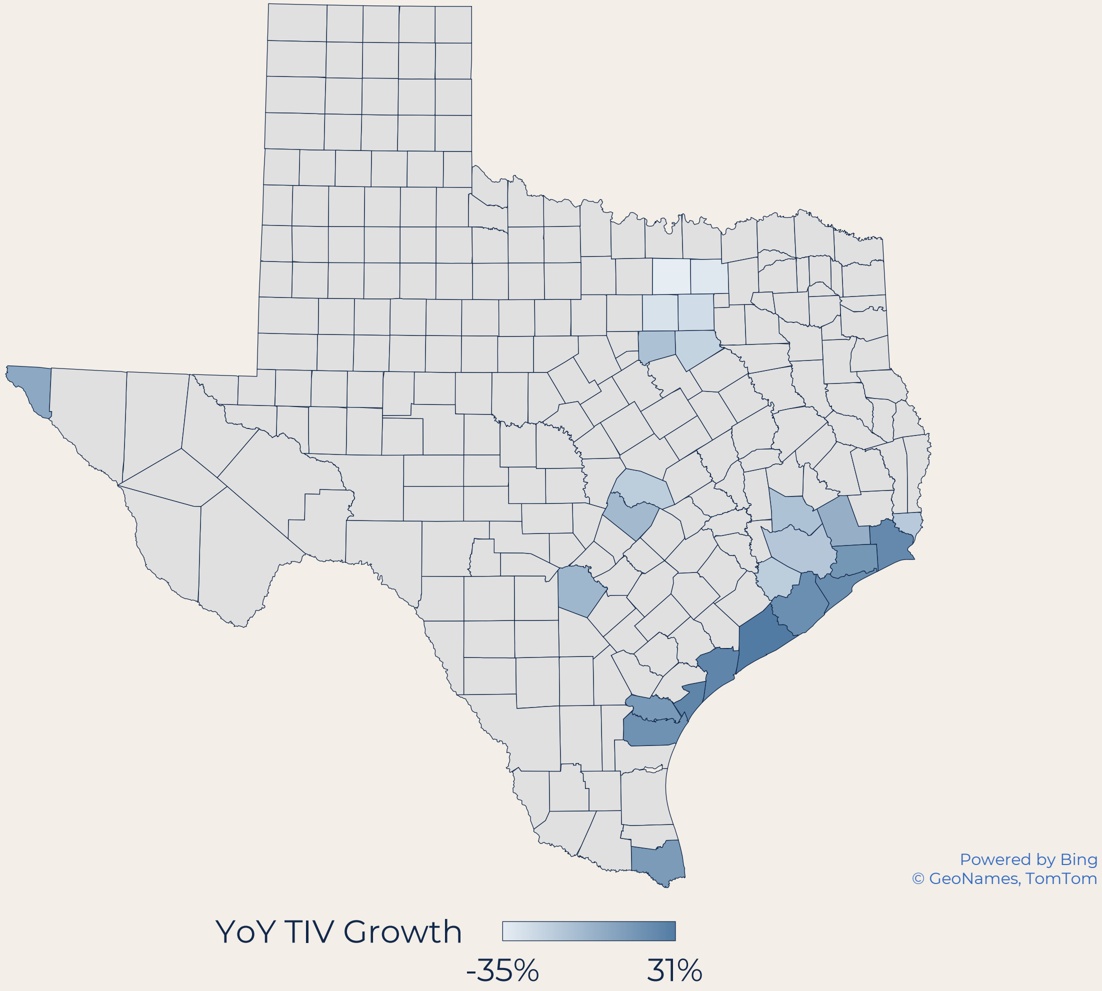
- **New policy issuance is down 53% YoY**
- **Retention rate of 68%**



TIV Growth by County

- **Statewide growth of -7%**
  - **Tier 1: 20%**
  - **Tier 2: -14%**
  - **All other: -16%**

Top 10 County	TIV (in millions)	YoY Growth %
Harris	15,074	(13.10%)
Galveston	3,841	20.11%
Fort Bend	2,829	(16.91%)
Brazoria	2,535	18.93%
Jefferson	1,746	22.41%
El Paso	1,588	4.37%
Dallas	1,286	(25.64%)
Tarrant	1,003	(29.15%)
Montgomery	749	(10.41%)
Nueces	728	17.17%



5B. Reserve Adequacy

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: July 17, 2026

TO: David Durden
General Manager

FROM: James Murphy, FCAS, MAAA
Chief Actuary, Vice President – Enterprise Analytics

RE: TFPA Reserve Adequacy as of June 30, 2026

TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of June 30, 2026.

As of June 30, 2026, TFPA carried $45.9 million in total gross loss and loss adjustment expense reserves with $10.7 million of the total gross loss and expense reserves 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.

Based on this review, the estimate of ultimate gross loss & expense associated with Hurricane Beryl remains unchanged at $122 million. TFPA actuarial staff will continue to monitor the development of claims associated with this event and update the ultimate estimate as necessary going forward. The selected ultimate gross loss & expense estimate for Hurricane Harvey remains at $82.5 million.

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.

JM

5C. Rate Filing Update

MEMORANDUM

DATE: July 17, 2026

TO: David Durden, General Manager

FROM: Jim Murphy, Chief Actuary

RE: TFPA 2025 Rate Filing Update

The Texas FAIR Plan Association Governing Committee voted at its February 23, 2026 meeting to file for the full actuarial indications for all policy forms, limited to no more than a 25% change in any territory.

The filing was approved by the Texas Department of Insurance on May 20, 2026, with an effective date of September 1, 2026. A summary of the approved changes by form follows:

Product	Approved
Homeowners	-2.6%
Tenants	-25.0%
Condo	-7.5%
Dwelling (Fire)	3.5%
Dwelling (EC)	21.6%

Similar information by territory is shown on the following page.

JM

Homeowners	In-force Premium	Approved
Central North - Greater Dallas / Ft. Worth	25,848,420	-4.5%
Central North - Remainder	3,843,670	-1.2%
Central South	24,553,210	-4.1%
North/Northwest	2,240,253	-2.1%
Seacoast - Tier 1	17,302,795	-21.6%
Seacoast - Tier 2	144,063,486	0.3%
Overall Statewide	217,851,834	-2.6%

Tenants	In-force Premium	Approved
Central North - Greater Dallas / Ft. Worth	18,078	-25.0%
Central North – Remainder	3,912	-25.0%
Central South	27,751	-25.0%
North/Northwest	1,300	-25.0%
Seacoast - Tier 1	76,285	-25.0%
Seacoast - Tier 2	172,697	-25.0%
Overall Statewide	300,023	-25.0%

Condos	In-force Premium	Approved
Central North - Greater Dallas / Ft. Worth	115,194	-13.7%
Central North - Remainder	3,479	-19.6%
Central South	126,634	-5.7%
North/Northwest	2,805	-21.0%
Seacoast - Tier 1	311,986	-17.0%
Seacoast - Tier 2	1,765,854	-5.5%
Overall Statewide	2,325,952	-7.5%

Dwelling (Fire)	Approved
Overall Statewide	3.5%

Dwelling (EC)	In-force Premium	Approved
Central North - Greater Dallas / Ft. Worth	4,523,691	25.0%
Central North - Remainder	366,466	25.0%
Central South	2,007,899	25.0%
North/Northwest	189,366	25.0%
Seacoast - Tier 1	227,107	-22.0%
Seacoast - Tier 2	52,115,434	21.3%
Overall Statewide	59,429,963	21.6%

5D. 2026 Hurricane Season Funding

MEMORANDUM

DATE: July 17, 2026

TO: David Durden, General Manager

FROM: Jim Murphy, Chief Actuary

RE: TFPA Funding for the 2026 Hurricane Season

TFPA staff, with the assistance of our reinsurance broker Gallagher Re, has finalized its reinsurance program for the 2026 hurricane season effective June 1, 2026.

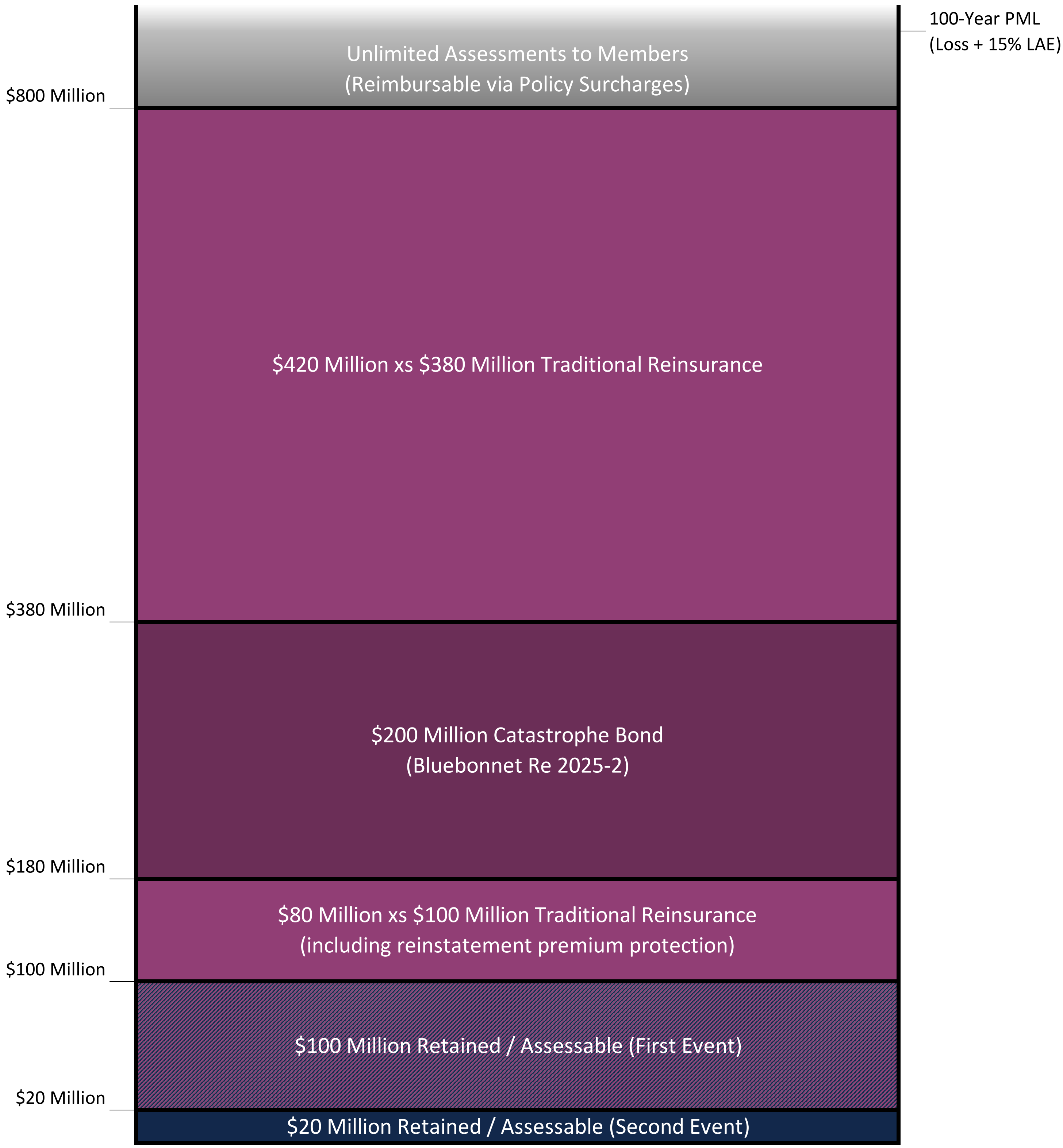
The 2026 reinsurance program is effective from June 1, 2026 to May 31, 2027 and includes $200 million in continuing catastrophe bonds issued in 2025 and $500 million in traditional reinsurance coverage, above a $100 million retention for a first event and a reduced, $20 million retention for a second event.

The net cost of the reinsurance program is $69.4 million, well under the approved budget of $95 million. The favorable budget variance is primarily a result of a softening of the global reinsurance market, resulting in lower reinsurance costs overall.

An illustration of the 2026 reinsurance program is attached for reference.

JM

Texas FAIR Plan Association
2026 Funding
Reinsurance Effective 6/1/26 - 5/31/27



Probable Maximum Loss estimates based on TFPA exposures as of 11/30/25,
using average of RMS and Verisk near-term per occurrence estimates and including a 15% provision for LAE

5E. Building Cost Adjustments on Renewal Policies

MEMORANDUM

DATE: July 17, 2026

TO: David Durden
General Manager

FROM: James Murphy, FCAS, MAAA
Chief Actuary, Vice President – Enterprise Analytics

RE: Updated Factors for TFPA Annual Limit Adjustments

Since August 1, 2024, TFPA has applied an automatic increase to the coverage limit on policies insuring structures on a replacement cost basis. This annual adjustment automatically increases a policy's coverage limit at renewal by applying a building cost index factor in order to better reflect current construction costs.

The percentages used to revise policy limits vary by the first three digits of the insured location's ZIP code. Current factors are between 1.0% and 3.6%. Effective September 1, 2026, adjustment factors will be updated to be between 2.8% and 6.0%. The average factor statewide is 3.8%.

JM

6. Internal Audit Status & Update

Texas FAIR Plan Association
Proposed Internal Audit Plan

MEMORANDUM

TO: The Governing Committee – Texas FAIR Plan Association
FROM: Dan Graves, Weaver - Internal Audit
DATE: August 3, 2026
SUBJECT: Status of Internal Audit Activities

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

➢ **Upcoming Audits and Activities:**

Activity Description	Status
Accounts Payable	In progress
Follow-Up Procedures	In progress
Underwriting and Policy Services	Q3 2026
Cash Management – Limited Annual Procedures	Q3 2026
Risk Assessment Update	Q4 2026

➢ **Summary of Open Findings:**
Weaver will perform validation procedures to evaluate whether corrective actions taken by management sufficiently remediate the following open findings:

Actuarial 2023

- Document management review of the Schedule P reconciliation and establish defined variance thresholds
- Establish and retain documented evidence of management review and approval of quarterly IBNR calculations prior to financial posting.

7. Underwriting Operational Review Update

MEMORANDUM

DATE: July 13, 2026

TO: David Durden, General Manager

FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

Second Quarter 2026 Results

TFPA Underwriting Metrics	Monthly Summary			Quarterly Summary		YTD		
	Apr-26	May-26	Jun-26	Q1 2026	Q2 2026	2026	2026	▲
% of New Business/Renewal policies issued in 10 Days	99.91%	99.96%	99.94%	99.98%	99.94%	99.96%	90%	9.96
New Business Policies Issued	2,511	2,544	2,282	7,577	7,337	14,914		
Renewal Policies Issued	9,485	10,226	9,713	24,163	29,424	53,587		
Internal Underwriting Quality Control	99.00%	99.00%	99.00%	98.80%	99.00%	98.90%	95%	3.9
Number of Calls	14,825	10,694	11,377	32,875	36,896	69,771		
Phone Service Level (calls answered in 20 seconds)	87.00%	87.00%	86.00%	89.33%	86.67%	88.00%	80%	8.00

TFPA Agent Audit Executive Summary

Audit Impact

Each agency had a minimum of one deficient policy.

Regulatory Exposure

Regulatory Factors represented most of the findings.

Assessment Risk Area

Risk Eligibility Assessment represented the most deficiencies found in an assessment area.

Trend Identified

Statutory deficiencies accounted for 66% of all findings, indicating challenges with Declinations requirements.

Enforcement Action

No agency suspensions or enforcement actions were taken during the audit period.

Regulatory Factors

- Texas Administrative Code
- Texas Insurance Code
- Agent Requirements & Performance Standards
- Association Underwriting Guidelines

Sample Size

20 Agencies

200 Policies

8. Claims

8A. Claims Operations

TFPA Claims Operations 2026

TFPA Claims - 2026 Q2 Results (year-to-date)					
Key Cycle Times (In days)	**Industry Average, TX**	**TFPA**	**TFPA Plan**	**Variance to Plan**	**% Variance to Plan**
Avg. Days - FNOL to TFPA Receipt - Daily	9.1	4.2	<7	-2.8	-40%
Avg. Days - FNOL to TFPA Receipt - Cat	9.1	4.4	<14	-9.6	-69%
Avg. Days - FNOL to ACV Payment - Daily	N/A	8.2	<12	-3.8	-32%
Avg. Days - FNOL to ACV Payment - CAT	N/A	8.0	<21	-13.0	-62%
TDI Complaint Ratio					
2025	0.38% - 23 complaints from 6,005 new claims				
2026	0.44% - 15 complaints from 3,403 new claims				

Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
539	567	709	513	488	467	467	342	350	406	388	543	483	881	702
699	2,346	891	342	580	475	472	361	511	724	249	1,130	483	2,770	452
546	546	546	546	546	546	546	546	546	682	682	682	682	682	682
2,793	2,895	2,966	2,838	2,719	2,564	2,564	2,534	2,341	1,842	1,438	1,503	1,552	1,800	1,867

Historical TFPA Claim Volume	
Year	**Claims**
2005	5,581
2006	3,067
2007	4,039
2008	27,777
2009	3,640
2010	3,200
2011	4,200
2012	5,886
2013	5,974
2014	5,498
2015	9,387
2016	11,509
2017	24,096
2018	5,720
2019	6,950
2020	2,931
2021	9,471
2022	3,322
2023	4,694
2024	16,933
2025	6,005
2026	3,403

TFPA - Claim Severity by Accident Year and Peril

Reported Claims by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ
2022	98	-	71	-	62	-	718	-	1,933	-	3,184	-
2023	84	-14.3%	66	-7.0%	54	-12.9%	576	-19.8%	3,595	86.0%	4,683	47.1%
2024	136	61.9%	92	39.4%	68	25.9%	780	35.4%	16,189	350.3%	17,677	277.5%
2025	159	16.9%	69	-25.0%	72	5.9%	974	24.9%	3,917	-75.8%	5,622	-68.2%
2026	83	-	33	-	26	-	512	-	1,703	-	2,560	-

Paid Amounts by Peril

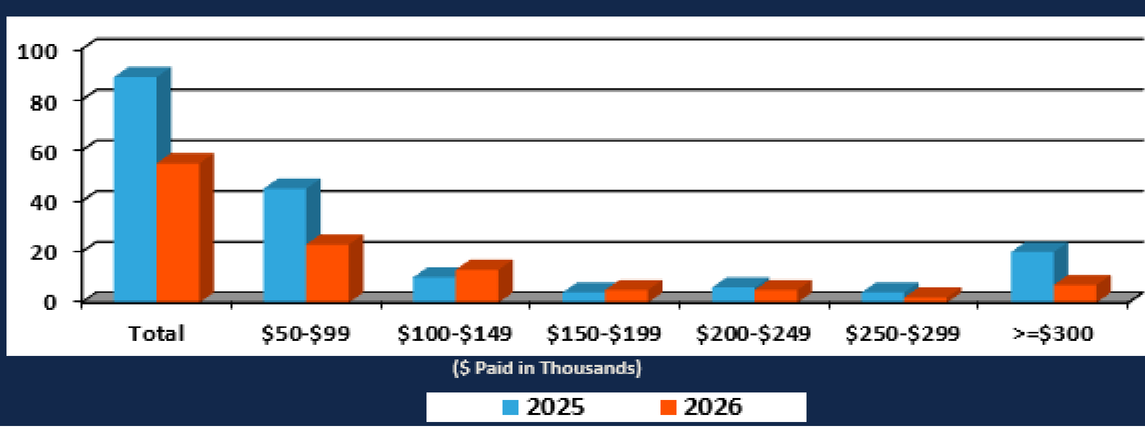
Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2022	$ 7,043,987	-	$ 782,401	-	$ 188,149	-	$ 695,647	-	$ 10,602,091	-	$ 19,744,666	-
2023	$ 7,308,045	3.7%	$ 814,209	4.1%	$ 44,576	-76.3%	$ 648,871	-6.7%	$ 28,156,417	165.6%	$ 37,597,590	90.4%
2024	$ 11,829,643	61.9%	$ 489,109	-39.9%	$ 152,486	242.1%	$ 990,182	52.6%	$ 136,551,657	385.0%	$ 151,804,499	303.8%
2025	$ 18,040,600	52.5%	$ 106,586	-78.2%	$ 257,303	68.7%	$ 927,564	-6.3%	$ 34,310,858	-74.9%	$ 54,447,464	-64.1%
2026	$ 8,012,656	-	$ 37,587	-	$ 39,442	-	$ 405,496	-	$ 12,769,516	-	$ 21,569,866	-

Paid Claim Severity by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ
2022	$ 71,877	-	$ 11,020	-	$ 3,035	-	$ 969	-	$ 5,485	-	$ 6,201	-
2023	$ 87,001	21.0%	$ 12,336	11.9%	$ 825	-72.8%	$ 1,127	16.3%	$ 7,832	42.8%	$ 8,029	29.5%
2024	$ 86,983	0.0%	$ 5,316	-56.9%	$ 2,242	171.6%	$ 1,269	12.7%	$ 8,435	7.7%	$ 8,588	7.0%
2025	$ 113,463	30.4%	$ 1,545	-70.9%	$ 3,574	59.4%	$ 952	-25.0%	$ 8,759	3.8%	$ 9,685	12.8%
2026	$ 96,538	-	$ 1,139	-	$ 1,517	-	$ 792	-	$ 7,498	-	$ 8,426	-

*Paid amounts exclude loss adjustment expenses and IBNR reserves

TFPA - Large Loss Based On Paid Indemnity



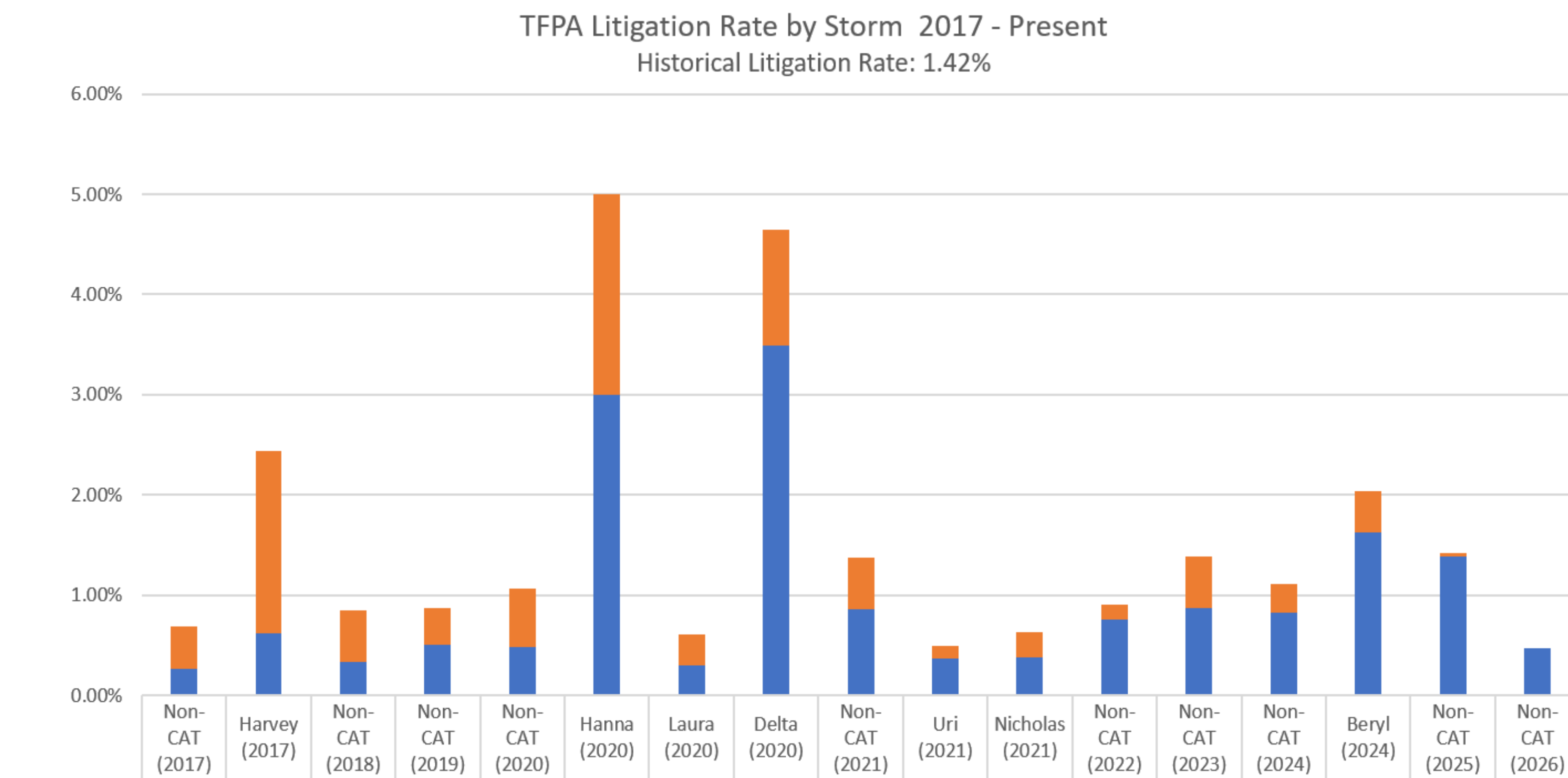
Date	Total	$50-$99	$100-$149	$150-$199	$200-$249	$250-$299	>=$300
2025 (complete year)	89	45	10	4	6	4	20
Liability	0	0	0	0	0	0	0
2026 (year-to-date)	55	23	13	5	5	2	7
Liability	0	0	0	0	0	0	0
Variance	-34	-22	3	1	-1	-2	-13

Origin of Fire	2023	2024	2025	2026	Total	%
Faulty wiring / outdated electrical	22	33	31	10	96	26.4%
Human Error (Not Cooking Related)	13	25	23	7	68	18.7%
Undetermined	7	14	13	10	44	12.1%
External Causes	10	8	15	2	35	9.6%
Product failure	5	16	8	1	30	8.3%
Other	5	5	10	6	26	7.2%
Cooking	7	11	5	2	25	6.9%
Arson / Incendiary / Intentional	6	4	6	1	17	4.7%
Heating Sources	3	6	1	2	12	3.3%
Natural Causes ? Lightning, Wildfire	2	1	3	0	6	1.7%
Flammable Liquids Accidental	1	2	1	0	4	1.1%
Total	81	125	116	41	363	100.0%

8B. Litigation Summary

TEXAS FAIR PLAN
ASSOCIATION

TFPA Litigation Summary



	Non-CAT (2017)	Harvey (2017)	Non-CAT (2018)	Non-CAT (2019)	Non-CAT (2020)	Hanna (2020)	Laura (2020)	Delta (2020)	Non-CAT (2021)	Uri (2021)	Nicholas (2021)	Non-CAT (2022)	Non-CAT (2023)	Non-CAT (2024)	Beryl (2024)	Non-CAT (2025)	Non-CAT (2026)
Suit Rate	0.43%	1.82%	0.51%	0.37%	0.58%	2.00%	0.30%	1.16%	0.52%	0.12%	0.25%	0.16%	0.51%	0.29%	0.42%	0.04%	0.00%
NOIS Rate	0.26%	0.62%	0.33%	0.50%	0.48%	3.00%	0.30%	3.49%	0.86%	0.37%	0.38%	0.75%	0.88%	0.82%	1.62%	1.39%	0.47%
Total Claims	6,950	18,008	5,085	7,365	5,155	100	330	86	3,491	4,916	789	3,184	4,683	7,187	10,490	5,621	2,561

***NOIS: Notice of Intent to Sue**

TFPA Litigation Tracking Activity

Litigation Summary

Second Quarter 2026

Summary of TFPA Claims in Suit (2nd Quarter 2026)

	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
April	1	0	1	0	3	0
May	5	1	5	0	2	1
June	7	1	2	0	5	2
	13	2	8	0	10	3

Summary of TFPA Claims with LORs (2nd Quarter 2026)

	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
April	25	1	13	0	10	1
May	18	5	5	0	16	2
June	40	3	8	0	15	1
	83	9	26	0	41	4

TFPA Claims Litigation
June 2026

	TFPA Claims in Suit							
	Beginning Inventory	New		Closed		Ending Inventory		
		1st Party	3rd Party	1st party	3rd Party	1st Party	3rd Party	Total
Jun-26	54	7	1	5	2	45	10	55
	Breakdown							
	Normal	3	1	2	2			
	Beryl 2024	4	0	3	0			

	TFPA Claims with LOR									
	Beginning Inventory	New		Closed		Converted to Suit		Ending Inventory		
		1st Party	3rd Party	1st party	3rd Party	1st party	3rd Party	1st Party	3rd Party	Total
Jun-26	260	40	3	15	1	6	0	266	15	281
	Breakdown									
	Normal	37	3	7	1	2	0			
	Beryl 2024	3	0	8	0	4	0			

	TFPA Active Claims with Suits/LORs: Breakdown by CAT Event					
	Event	Total claims	Total Suits	Active Suits	Total LORs	Active LORS
Jun-26	Harvey 082517	18,008	320	1	170	0
	Valentines Freeze	4,917	8	0	58	0
	Houston 051624	1,702	6	2	17	4
	Beryl 2024	10,500	40	13	235	93

9. TFPA Operations
9A. IT Systems Update

MEMORANDUM

DATE: July 21, 2026

TO: David Durden, General Manager

FROM: Michael Eleftheriades, CIO / VP IT

RE: TFPA Information Technology Status

The following are key Projects that the Information Technology group is involved in:

Guidewire Application Version Upgrade

- The Association is contractually mandated to maintain version currency with Guidewire cloud framework releases.
- In Q2 the Association team tested and released the upgrade to the latest Guidewire "Palisade" (P) version for our Guidewire applications.
- The next upgrade will occur in Q1 of 2027, avoiding an upgrade cycle during the 2026 storm season.

Artificial Intelligence (AI)

- The Association has identified Artificial Intelligence as a technology for review in our Strategic Plans. A continuing AI Committee will identify and review both AI Platforms and AI enhanced tools as part of the technology roadmap. These efforts also include targeting general education for all Association team members as a part of our new Learning Management System. Additionally, there will be a focus on AI introduction and training for the senior management and executive teams.

Authentication Software

- This project will replace the current on-premises authentication software, used for validation of registration and logins to the external portals (used by Agents and Policyholders), with a comprehensive cloud-based customer identity solution. This project is in the execution phase. There will be a hold placed on deployment during the 2026 storm season. The target to go live is the end of Q4 2026.

NAIC Homeowners Market Data Call

- The Enterprise Data Warehouse team, as directed by the Texas Department of Insurance (TDI), has provided the data requested by the nationwide NAIC Homeowners Market Data Call.

General Status:

- Systems are functioning well with monthly releases with business-critical items selected and curated by the respective departments. These monthly maintenance releases also continue to include functional changes that support the 89th Texas Legislation session.

9B. Legislative Affairs Update and Legislative Implementation

MEMORANDUM

DATE: July 15, 2026

TO: David Durden, General Manager

FROM: Anna Stafford, Senior Manager, Legislative & External Affairs

RE: Legislative & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) **Legislative Implementation Program:** Association staff continues efforts to implement bills enacted during last year's legislative session:

   i. **Appraisals:** On June 2, the Texas Department of Insurance held a public hearing on its proposed rules to implement **Senate Bill 458**. The law requires personal automobile and residential property insurance policies in Texas (including FAIR Plan policies) to include an appraisal provision. An appraisal process is already available for FAIR Plan claims, but we expect that the proposed rule will require some revisions to our policy documents.

   ii. **Declinations, Cancellations, and Non-Renewals:** FAIR Plan successfully made its first statistical data submission to TDI in June on declinations, cancellations, and non-renewals of residential policies under **House Bill 2067**. TDI is developing rules to require similar statistical reporting for commercial policies. The Department held a hearing on June 15 to receive public comments on the draft rules, which would apply to potential TFPA property owners' association policies.

b) **Texas Legislature Interim Activity**

   i. **Senate Interim Hearing:** The Senate Business & Commerce Committee held an interim hearing on property insurance costs (among other issues) on June 24. At the Committee's invitation, I testified on Texas FAIR Plan's role in the state's insurance market. A homebuilder testifying at the hearing discussed building code requirements for homes built in TWIA's coverage area.

   We later received and responded to a question from Committee staff about whether TWIA provides mandatory discounts for properties built to the FORTIFIED construction standard.

c) **Stakeholder Inquiries:** Association staff received and responded to one stakeholder inquiry related to FAIR Plan in Q2 2026. TDI forwarded a communication from a legislative office requesting follow-up with a policyholder regarding the status of their FAIR Plan claim.

12. Future Meetings
October 13, 2026 – 2027 Budget Review Meeting
November 9, 2026 – Omni Hotel
Corpus Christi, TX
February 22, 2027 – Moody Gardens Hotel
Galveston, TX