

**Meeting of the Governing Committee
Texas FAIR Plan Association**

Teleconference/Web Conference**

December 7, 2020

Webinar

3:00 p.m.



Interested parties can listen to the meeting live by going to www.texasfairplan.org.
Go to “About Us/Board Meetings” and access the video conferencing website with
instructions available on www.texasfairplan.org.

1. Call to Order – Reminder of the Anti-Trust Statement
 - A. Welcoming Remarks – *John Milette* 5 minutes
 - B. Reminder of Anti-Trust Statement – *John Milette or Counsel*
 - C. Meeting Format Information – *Kristina Donley*
2. Consideration and Action to:
Approve the Minutes from Prior Governing Committee Meetings
– *John Milette** 5 minutes
3. TFPA Operational Highlights – *John Polak* 5 minutes
4. Financial 30 minutes
Consideration and possible action on the following Financial topics:
 - A. Report of the Secretary/Treasurer – *Wendy Mueller**
 1. Income Statement
 2. Management Discussion and Analysis
 - B. Financial Statement Review by Staff – *Jerry Fadden*
 1. Income Statement and Expense Statement
 2. Balance Sheet
 3. Cash & Short-Term Investments
 4. Cash Flow Statement
 5. Historical Data
5. Actuarial – *Jerry Fadden* 15 minutes
Consideration and possible action on the following Actuarial topics:
 - A. Reserve Adequacy
 - B. Policy Count/Exposures
 - C. Rate Indications*
6. Internal Audit – *Bruce Zaret – Weaver* 20 minutes
Consideration and possible action on the following Audit topics:
 - A. Internal Audit Status Update
 - B. Risk Assessment and Audit Plan

- | | |
|---|--------------------|
| 7. Underwriting – <i>Denise Larzalere</i> | 10 minutes |
| Consideration and possible action on the following Underwriting topics: | |
| A. Operational Review Update | |
| 8. Claims | 15 minutes |
| Consideration and possible action on the following Claims topics: | |
| A. Claims Operations – Overview – <i>Dave Williams</i> | |
| B. Claims Litigation – <i>David Durden</i> | |
| 9. TFPA Operations | 20 minutes |
| Consideration and possible action on the following: | |
| A. IT System Enhancements – <i>Camron Malik</i> | |
| B. Communications Update – <i>Jennifer Armstrong</i> | |
| C. Review/Approval of 2021 Budget – <i>John Polak*</i> | |
| 10. Closed Session (Governing Committee Only) | 30 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* | 5 minutes |
| 12. Future Meetings – <i>John Polak</i> | 5 minutes |
| • February 22, 2021 – Webinar | |
| • May 17, 2021 – Webinar | |
| • August 2021 – TBD | |
| 13. Committees – <i>John Milette</i> | 5 minutes |
| 14. Adjourn | |
| Estimated Total Length of Meeting | 2 hours 50 minutes |

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

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

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

**Minutes of the Texas FAIR Plan Association
Governing Committee Meeting
Teleconference (Webinar)**
5700 South Mopac Expressway
Building A
Austin, Texas 78749



August 3, 2020

The Following Governing Committee Members were Present, Representing:

1. John Milette, Chair	Travelers
2. Mark Solomon, Vice Chair	Assurnet
3. Wendy Mueller, Secretary/Treasurer	State Farm
4. Debbie King	Republic
5. Frank Baumann	Public Member
6. Georgia Neblett	Public Member
7. Tim McCarthy	Texas Farm Bureau
8. Marilyn Hamilton	Public Member
9. Edward J. (E. Jay) Sherlock	Public Member
10. Corise Morrison	USAA
11. Marianne Baker	Ex-Officio Non-Voting Member, TDI

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

A. John Polak, General Manager	TFPA
B. Jerry Fadden, Chief Financial Officer	TFPA
C. Denise Larzalere, VP Underwriting	TFPA
D. Dave Williams, VP Claims	TFPA
E. David Durden, VP Legal	TFPA
F. Jennifer Armstrong, VP Communications and Legislative Affairs	TFPA
G. Camron Malik, Chief Information Officer	TFPA
H. Amy Koehl, Executive Assistant	TFPA
I. Kristina Donley, Senior Instructional Designer	TFPA
J. Mike Perkins, Association Counsel	Perkins Law Group, PLLC
K. Katie Porter, Association Counsel	Perkins Law Group, PLLC

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

1. Ebony Cormier
2. Sarah Edstrom
3. Jesus Guerrero
4. Xiuyu Li
4. Stuart Harbour
5. David Muckerheide
7. Jim Murphy
6. Daryl Parrish
7. Anna Stafford
8. Aaron Taylor
9. Clark Thomson

1. Call to Order: Chairman John Milette called the meeting to order at 3:03 p.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Kristina Donley provided housekeeping information to the attendees. Mr. Perkins conducted a roll call of attendees.
2. Approval of the Minutes from Prior Governing Committee Meeting: The minutes from the May 11, 2020 meeting in Austin were reviewed. Ms. Neblett moved to approve the minutes. Ms. Mueller seconded the motion. The motion passed.
3. TFPA Operational Highlights: Mr. Polak reported the Association secured \$490 million in total funding for the 2020 hurricane season. Nearly 1,000 adjuster resources were trained virtually in the claims department's annual Hurricane Preparedness and Adjuster Certification Conference. Operating expenses remain below plan for Q2 2020. The Association is on track to complete objectives for all strategic initiatives in 2020. Underwriting and claim service levels exceeded turnaround time and quality standards. The Association remains well below plan on litigated claims and complaints in Q2 2020.
4. Financial:
 - A. Report of the Secretary/Treasurer: Ms. Mueller reviewed the Treasurer's Report. Ms. Morrison moved to approve the report. Mr. Solomon seconded the motion. The motion passed.
 - B. Financial Statement Review by Staff: Year to date direct written premiums through June 2020 totaled \$441.9 million, a decrease of 7.9% from the \$45.5 million for the same period in the prior year due to continued declines in policy count. Direct written premium was \$3.1 million higher than the budgeted \$38.8 million. Policies in force totaled 76,406 or 1,406 policies above the budget of 75,000. Direct premiums earned through June 2020 were \$41.5 million or \$4.7 million (10.1%) lower than the same period in 2019 and \$1.7 million higher than the budget of \$39.9 million.

Texas FAIR Plan Association successfully placed the 2020-2021 reinsurance program, incepting on July 1, 2020. The program provides coverage of \$385 million in excess of a \$40 million initial retention. In addition, the program includes a "second event" cover that reduces the net retention to \$10 million. The program includes a reinstatement option and a reinstatement premium protection cover. The 2020 program provides coverage for roughly a 1-in-100 year event based on a blend of catastrophe model results. The program was placed at a cost of \$28.8 million, slightly less than the 2020 budget of \$29.1 million.

Total ceded earned premiums for the six months ended June 30, 2020 were slightly higher than budget at \$14.6 million. Ceded premium is written in July of each year and earned throughout the following twelve months. Net earned premium for

January through June 2020 totaled \$26.9 million which exceeded the budget of \$25.3 million by \$1.6 million.

Year to date direct losses and LAE totaled 420.9 million and were based on estimated reserves as calculated by our internal actuary as of June 30, 2020. Losses and LAE are above budget by \$5.4 million due primarily to losses related to spring storm activity and an explosion at the Watson Grinding & Manufacturing facility in Houston on January 24, 2020. The YTD loss ratio is 50.4% compared to the budgeted loss ratio of 39.0%.

Total year to date operating expense is \$7.2 million was under budget by \$439,000. Costs incurred year to date for IT consultants were overbudget by \$316,000 but were more than offset by savings in IT personnel, hardware and software expenses which were under budget by \$465,000. Other notable items under budget were underwriting personnel (\$79,000), surveys and inspections (\$52,000) and postage/telephone in operations which combined was under budget by \$80,000.

Commission expense and premium taxes year to date were above budget by \$281,000 or 5.7% due to higher than budgeted written premium. Year to date gross investment income was \$117,000 which is \$192,000 below the budget of \$308,000. This trend is likely to continue give the recent Fed rate cuts in response to the economic threats associated with the Coronavirus outbreak.

TFPA's financial results for the six months ended June 30, 2020 reflect a net loss of \$6.2 million compared to the budgeted loss of \$2.7 million. The ending surplus as of June 30, 2020 was \$5.8 million or \$6.3 million below the surplus at December 31, 2019 as of \$12.1 million. Surplus was also reduced year to date by \$250,000 due to an increase in non-admitted assets which was primarily prepaid license fees for Guidewire software.

- C. 2020 Hurricane Season Funding Including Renewal of Line of Credit: TFPA successfully placed the 2020-2021 reinsurance program, incepting on July 1, 2020. The 2020 program provides coverage for roughly a 1 in 100 year event based on a blend of catastrophe model results. The program provides coverage of \$385 million in excess of a \$40 million initial retention. In addition, the program includes a \$30 million "second event" cover that reduces the net retention to \$10 million. The program includes a reinstatement option and a reinstatement premium protection cover. The program was placed at a cost of \$28.8 million, slightly less than the 2020 budget of \$29.1 million. Mr. Miletti asked about the most favorable terms available. Mr. Fadden said with the ongoing pandemic and dislocation in capital markets, the price of credit has gone up. The credit depends on the security of the member companies. Mr. Fadden cannot predict what the fees will be. If they aren't acceptable, staff will circle back to the governing committee. The governing committee asked Mr. Fadden to secure firm quotes and convene another meeting. Staff will poll for another meeting date at the end of the month.

- D. Selection of Auditors/Accountants for 2020: Each year, the Association retains an accounting firm to conduct an audit of the Association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2013, Calhoun, Thomson + Matza (CTM) was selected to continue in their role as the Association's independent auditor. Ms. Neblett moved the governing committee of the Association, acting as the audit committee, authorizes and directs that the firm of Calhoun, Thomson + Matza be engaged to conduct the upcoming annual audit of the Association's financial statements on the terms set forth in the engagement letter included in the board book. Ms. Neblett then amended the motion to state the board will look for staff to conduct an RFP for accounting/auditing services in 2021. Mr. Polak asked if that item should be included separately or could her amendment be included. Mr. Perkins said it could be included as one. Ms. Neblett changed her amendment to recommend to the TWIA board that they also recommending conducting an RFP in 2021. Ms. Morrison seconded the motion. The motion passed.

5. Actuarial:

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

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

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

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

6. Internal Audit:

- A. Internal Audit Status & Update: Mr. Zaret reported current activities for internal audit include reviews of accounts receivable, underwriting, reinsurance, database and application administration and claims. Upcoming audits include financial close and reporting, risk assessment, disaster recovery, facilities and services, communications and legal and compliance/legislative.

7. Underwriting:

- A. Operational Review Update: Underwriting continues to have consistent turnaround time on all policy transactions. The goal is to issue 90% of new business submissions, endorsements, renewals and cancellations within 10 days. The department is surpassing this standard with over 96% of all transactions processed within 10 days and with approximately 80% of new business via straight through processing.

Quality assurance scores on the underwriting decisions continue to meet or exceed established goals. Customer service telephone response time is within our established goals. Staff continues to experience increased call volume since transitioning to telework. Payment leniency (telephone payments) have increased as well as general training questions from agents. Staff has increased utilization of the external call center and modified some scheduling to ensure acceptable service levels. Service observation (listening to phone calls and scoring them) continues as well as calibrating expectations within the entire Association.

Underwriting operated under budget in the second quarter, driven by lower head count and fewer inspections. Due to the COVID-19 health crisis, interior inspections have been suspended and are following recommended and required health guidelines to complete exterior inspections as needed.

Ten agents (100 properties/policies) were selected for review in the first quarter of 2020 to verify compliance with the declination of coverage requirement and TFPA producer requirements and performance standards. All 10 agents have responded with two receiving extensions to provide documentation due to the public health crisis. Proof of declination was received for 85% of the policies selected from the eight agents who have provided documentation. Staff is following up for outstanding proof of declinations. Signed applications and eligibility statements were provided for approximately 91% of the policies selected from the eight agents who have provided documentation. Staff is following up with the agents who have not yet provided signed applications. All 10 agents have an active property and casualty insurance license and all 10 agents have the required direct standards market appointments.

Management has notified CGI that about the decommission of the I/O policy administration system effective September 30, 2020 with a cost savings of approximately \$110,000 per month. All policies and claims previously housed in CGI have migrated to the new Guidewire Policy Center and Claims Center.

8. Claims:

- A. Claims Operations: TFPA had only 700 policies in force that were in the path of any hurricane force winds. Only 55 claims were reported as of this morning for Hurricane Hanna. Mr. Williams reported that first notice of loss to property

inspection was 2.6 days. Total cycle time from first notice of loss to payment was 8.4 days. There have only been 2 complaints through the end of June.

- B. Claims Litigation: Mr. Durden reported there were seven first party and one third party suits for the second quarter. There were 47 first party suits closed in the quarter. The majority of the suits are held by the Buzbee Law Firm.

9. TFPA Operations:

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

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

The systems development/production support releases continue with their monthly cadence, delivering various defect fixes and features for the business with quality and timeliness. The infrastructure and operations team successfully transitioned the staff to remote work and continues to provide outstanding service.

- B. Communications Update: In Q2, engagement with legislative offices continues to be limited as legislators focus on COVID-19's continued impact on the state. Staff is checking in periodically with the offices of the House Insurance Committee and the Senate Business and Commerce Committee chairs. These offices have shared that there is no indication yet of when they might move forward with the study by the Windstorm Insurance Legislative Oversight Board related to the potential merger of TWIA and TFPA as authorized by House Bill 1900. Staff is preparing to provide information on this issue when the legislative offices are ready to commence the study.

From April 1 through June 30, 2020, all legislative and regulatory inquiries received during the second quarter were related to TWIA matters. There were no FAIR Plan inquiries to report.

On July 1, an agent bulletin was sent to remind agents of TDI's delayed implementation of the approved rate changes for TFPA's Homeowners, Dwelling, Tenant and Condominium coverage forms. The rate changes were originally set to go into effect May of this year but were delayed by TDI due to the COVID-19 pandemic and now go into effect on August 1.

- 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.

8/3/20

12. Future Meetings: The next meetings will take place on the following dates:

- December 7, 2021 – Webinar
- February 2021 – TBD
- May 2021 – TBD

13. Committees: There was nothing to report.

14. Adjourn: There being no further business the meeting adjourned at 4:05 pm.

Prepared by: Amy Koehl
Executive Assistant

Approved by: John Milette
TFPA Chairman

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

5700 South Mopac Expressway

Building A

Austin, Texas 78749



August 20, 2020

The following Governing Committee members were present, representing:

- | | |
|---------------------------------------|-----------------------------------|
| 1. John Miletti, Chair | Travelers |
| 2. Mark Solomon, Vice Chair | Agent Member |
| 3. Wendy Mueller, Secretary/Treasurer | State Farm |
| 4. Debbie King | Republic |
| 5. Frank Baumann | Public Member |
| 6. Georgia Neblett | Public Member |
| 7. Tim McCarthy | Texas Farm Bureau |
| 8. Marilyn Hamilton | Public Member |
| 9. Edward J. (E. Jay) Sherlock | Agent Member |
| 10. Marianne Baker | Ex-Officio Non-Voting Member, TDI |

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

- | | |
|---|-------------------------|
| 1. John Polak, General Manager | TFPA |
| 2. Jerry Fadden, Chief Financial Officer | TFPA |
| 3. Denise Larzalere, VP Underwriting | TFPA |
| 4. Dave Williams, VP Claims | TFPA |
| 5. David Durden, VP Legal | TFPA |
| 6. Jennifer Armstrong, VP Communications and
Legislative Affairs | TFPA |
| 7. Amy Koehl, Executive Assistant | TFPA |
| 8. Kristina Donley, Senior Instructional Designer | TFPA |
| 9. Jim Murphy, Director of Special Projects | TFPA |
| 10. Mike Perkins, Association Counsel | Perkins Law Group, PLLC |
| 11. Katie Porter, Association Counsel | Perkins Law Group, PLLC |

The Association's webinar tool attendance report indicates the following attendees
were online:

1. Ebony Cormier
2. Matt Diamond
3. Jesus Guerra
4. Stuart Harbour
5. Xiuyu Li
6. Laura Machado
7. Anna Stafford
8. Aaron Taylor
9. Amy Wills

1. Call to Order: Chairman John Milette called the meeting to order at 10:01 a.m. Governing Committee members were reminded of the prohibitions in the anti-trust statement. Kristina Donley provided housekeeping information to the attendees.
2. 2020 Hurricane Season Funding Including Renewal of Line of Credit: Mr. Polak explained that at the last governing committee meeting, there were discussions about the changes to the terms and conditions to the liquidity portion of the reinsurance program for which a line of credit was used. It was known that the cost was going to be higher but there wasn't a term sheet with specific amounts available from the bank at that time. The committee asked staff to come back with the final terms to review and potentially approve. At the last meeting, Chase had not yet received credit approval for the line of credit. Soon after the meeting, Chase received approval and made an offer of a one year or a two-year line of credit. The two-year line of credit had a commitment fee of 70 basis points. The one-year line of credit had a commitment fee of 50 basis points. This compares to the expiring facility that has a commitment fee of 30 basis points. In light of the lower cost, staff recommended selection of the one-year option.

Mr. Fadden read the following motion: The Governing Committee approves the renewal of the Association's line of credit with JP Morgan Chase Bank for a term of one year in accordance with the attached term sheet presented by staff and authorizes and directs association staff to execute all documents and take all action necessary to consummate the transaction. Ms. Mueller said she would make the motion. Mr. Solomon seconded the motion. Ms. King asked if staff was able to get quotes from other banks. Is that something that could be done in the future? Mr. Fadden said the Association has a long-standing relationship with Chase and received competitive quotes. Given the current economic environment, there isn't much appetite from banks to provide credit. The motion passed.

3. Adjourn: There being no further business the meeting adjourned at 10:17 am.

Prepared by: Amy Koehl
Executive Assistant

Approved by: John Milette
TFPA Chairman



August 7, 2020

Mr. Jerry Fadden
Chief Financial Officer
Texas FAIR Plan Association
5700 South MOPAC, Bldg. E, Suite 530
Austin, TX 78789

Dear Jerry,

JPMorgan Chase Bank, N.A. is interested in providing a renewal of the Texas FAIR Plan Association's existing \$40,000,000.00 Revolving Line of Credit. We have prepared the following summary of terms for discussion purposes and are ready to obtain the appropriate approval once you indicate acceptance of these terms. We appreciate the opportunity to expand our relationship with Texas FAIR Plan Association.

This Summary of Indicative Terms and Conditions is for preliminary discussion purposes only and is not a commitment to lend. Any such commitment is subject to (i) the execution and delivery of mutually acceptable legal documentation, (ii) credit approval by JPMorgan Chase Bank, N.A. ("Lender"), and (iii) completion of due diligence to the satisfaction of Bank in its sole discretion.

Summary of Indicative Terms and Conditions

<u>BORROWER:</u>	Texas FAIR Plan Association
<u>LENDER:</u>	JPMorgan Chase Bank, N.A.
<u>FACILITY:</u>	\$40,000,000 Revolving Line of Credit
<u>PURPOSE:</u>	To ensure adequate liquidity to pay claims in the event of a natural disaster from windstorm or hailstorm.
<u>MATURITY DATE:</u>	One year from execution of loan documents.
<u>COLLATERAL:</u>	Security interest in the proceeds of the assessment and reinsurance payments and insurance premiums.
<u>REPAYMENT:</u>	Interest payable monthly or at maturity of LIBOR Tranches. Principal and interest are due at maturity.
<u>RATE, FEES AND EXPENSES:</u>	As set forth in attached Addendum I.



ADVANCES ON FACILITY:

Advance requests on the Facility will be submitted according to an advance request form acceptable to the Lender; and (i) will be subject to written evidence which Borrower sufficiently confirms that the aggregate amount of all claims then being made under insurance policies issued by Borrower exceeds the aggregate amount of Borrower's then available liquid funds; (ii) one or more schedules or other reasonably satisfactory work product of Borrower detailing Borrower's contemplated member assessment plan that will result in assessment payments sufficient to pay the amount of such requested Loan, together with all other amounts, if any, then outstanding under the Loan Agreement, and (iii) Borrower certifies that Borrower currently has sufficient remaining member assessment capacity to fully implement such contemplated member assessment plan.

COVENANTS:

No material adverse change in Chapter 2211 of Texas Insurance Code that would negatively affect the current assessment mechanism

BANKING SERVICES:

The Facility is being provided with the requirement that the Borrower maintains its primary banking depository and disbursement relationship with the Bank.

CONDITIONS PRECEDENT:

Bank shall have no obligation to fund Loans under the proposed Facility unless and until the Borrower shall have delivered to the Bank a certificate of the Secretary or any Assistant Secretary of the Borrower dated on or after the date hereof, as to the resolutions of the Board of Directors of the Borrower authorizing the Borrower to renew, extend and increase the existing Loan Agreement and Note.

EVENTS OF DEFAULT:

Usual and customary for transactions of this type.

I appreciate your providing JPMorgan Chase Bank with the opportunity to discuss your credit needs. I look forward to hearing your comments on the above and arriving at a final structure that is beneficial for both Texas FAIR Plan Association and JPMorgan Chase Bank. If you have any questions about the Term Sheet, please call me at 479-2695.

Sincerely,


Craig Fegley
Executive Director



**ADDENDUM I
PRICING, FEES AND EXPENSES**

UPFRONT FEE:

None

**UNUSED
COMMITMENT FEE:**

The Borrower shall pay a fee (the "Commitment Fee"), determined in accordance with the Pricing grid set forth below, on the unused portion of the Facility. The Commitment Fee is payable quarterly in arrears commencing upon closing.

INTEREST RATE:

The Facility shall bear interest at a rate equal to LIBOR plus the Applicable Margin. The Borrower may select interest periods of one, two or three months for LIBOR loans, subject to availability. Interest shall be payable monthly or at maturity of LIBOR tranches.

PRICING:

The Commitment Fee and Applicable Margin for any fiscal quarter shall be the applicable rate per annum set forth in the table below.

One Year Maturity

Applicable Margin on Drawn Loan- first 120 days (over Adjusted LIBOR)	Applicable Margin on Drawn Loan- over 120 days (over Adjusted LIBOR)	Commitment Fee
110bp	150bp	50bps

EXPENSES:

The Borrower will pay all reasonable costs and expenses associated with the preparation, due diligence, administration and enforcement of all documentation executed in connection with the Facility, including without limitation, the legal fees of counsel to the Lender.

Note: Drawn Loan rate is one month Adjusted LIBOR, plus the Applicable Margin. The current one month LIBOR indicative rate as of August 7, 2020 is .166%.

3. TFPA Operational Highlights

2020 TFPA Enterprise Scorecard

Reporting YTD as of September 30, 2020



	YTD	Trend	Goal	Δ	Performance
Operating Expense Ratio	16.9%		18.6%	-1.7%	
Net Gain from Operations	-\$8.6 M		-\$2.1 M	-\$6.5 M	
Enterprise Projects	90%		90%	0%	
Policy Administration	98%		90%	8%	
Claims Handling	98%		90%	8%	
Litigated Claims	0.09%		1.00%	-0.91%	
Complaints	9		34	-25	

Reference Data

Policies In-Force	75,370
Exposures In-Force	\$12.9 billion
Written Premiums YTD	\$62.8 million
Claims Received YTD	4,678
Losses Incurred YTD*	\$24.8 million

* Excludes IBNR

Key Quarterly Activities

- Responded to four named storms during the 2020 hurricane season and continued to maintain low claim response times and high customer survey scores.
- Remain below plan for Q3 2020 operating expenses.
- On track to complete Association objectives for all strategic initiatives in 2020.
- Exceeded turnaround time and quality standards on Underwriting and Claim service levels.
- Remain well below plan on litigated claims and complaints in Q3 2020.

4. Financial

4A. Report of the Secretary/Treasurer

4A1. Income Statement

4A2. Management Discussion and Analysis

TEXAS FAIR PLAN ASSOCIATION
Statutory Income Statement - Treasurer's Report
for the nine months ended September 30,
(000's omitted)

	2020	2019
Direct Premiums Written	\$ 62,798	\$ 67,798
Premiums Earned:		
Direct Premiums Earned	\$ 61,974	\$ 68,581
Ceded Reinsurance Premiums	(21,800)	(23,482)
Net Premiums Earned	40,174	45,099
Deductions:		
Direct Losses and LAE Incurred	31,321	34,022
Direct Losses and LAE Incurred - Harvey	-	-
Ceded Losses and LAE Incurred - Harvey	-	-
Operating Expenses	10,487	12,154
Commission Expense	6,594	7,009
Ceding commissions / brokerage	(689)	(707)
Premium / Maintenance Tax	1,181	1,296
Total Deductions	48,894	53,773
Net Underwriting Gain or (Loss)	(8,720)	(8,674)
Other Income or (Expense):		
Investment Income	122	695
Investment Expenses (Line of Credit Commitment Fee)	(93)	(91)
Interest Expense on Line of Credit Advance	-	-
Sales Tax Refund and Other Income (Expense)	-	-
Member Assessment Income	-	-
Charge off's /Write off	(55)	(99)
Billing Fees	155	289
Total Other Income or (Expense)	129	794
Net Income (Loss)	\$ (8,591)	\$ (7,880)
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	12,133	15,088
Net Income (Loss)	(8,591)	(7,880)
Change in Provision for Reinsurance	95	(31)
Change in nonadmitted assets	(318)	(283)
Other	-	-
Ending Surplus (Deficit)	\$ 3,320	\$ 6,894

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

Direct Written Premium:

- Year-to-date direct written premiums through September 2020 totaled \$62.8 million, a decrease of 7.4% from the \$67.8 million for the same period in the prior year due to continued declines in policy count.
- Direct Written Premium was \$4.2 million higher than the budgeted \$58.6 million. Policies in force totaled 75,370 or 3,070 policies above the budget of 72,300.

Direct Premiums Earned:

- Direct premiums earned through September 2020 were \$62.0 million or \$6.6 million (9.6%) lower than the same period in 2019 but \$2.9 million higher than the budget of \$59.1 million.

Reinsurance Costs:

- TFPA successfully placed the 2020-2021 reinsurance program, incepting on July 1, 2020. The program provides coverage of \$385 million in excess of a \$40 million initial retention and includes a "second event" cover that reduces the net retention to \$10 million. The program was placed at a cost of \$28.8 million, slightly less than the 2020 budget of \$29.1 million.
- Total ceded earned premiums for the nine months ended September 30, 2020 were slightly below budget at \$21.8 million. Ceded premium is written in July of each year and earned throughout the following twelve months.

Net Premiums Earned

- Net premium earned from January through September 2020 totaled \$40.2 million which exceeded the budget of \$37.2 million by \$3.0 million.

Loss and Loss Adjustment Expense Incurred:

- Year-to-date Direct losses and LAE totaled \$31.3 million and were based on estimated reserves as calculated by our internal actuary as of September 30, 2020.
- Ultimate TFPA losses and LAE attributable to Hurricane Hanna and Hurricane Laura are estimated at \$0.5 million and \$4.0 million respectively. Hurricane Delta made landfall near Creole, Louisiana on October 9, 2020 and will be included in fourth quarter operating results.
- Losses and LAE are above budget by \$9.6 million due primarily to spring storm activity, Hurricanes Hanna and Laura, and an explosion at the Watson Grinding & Manufacturing facility in Houston on January 24, 2020.
- The YTD loss & LAE ratio is 50.5% compared to the budgeted loss & LAE ratio of 36.7%

Operating Expenses:

- Total year-to-date Operating expense of \$10.5 million was under budget by \$508,000.
- Costs incurred year-to-date for IT consultants were overbudget by \$543,000 but were more than offset by savings in IT Personnel, Hardware and Software expenses which were under budget by \$731,000.

- Other notable expense items under budget were Underwriting Personnel (\$131,000), Surveys & Inspections (\$65,000), Postage & Telephone and Printing & Supplies in Operations which combined was under budget by \$150,000.

Commissions and Premium Taxes:

- Commission expense and premium taxes year-to-date were above budget by \$346,000 or 4.7% due to higher than budgeted written premium.

Other Income (Expense):

- Year-to-date gross investment income was \$122,000 which is \$284,000 below the budget of \$406,000. This trend is likely to continue given the Federal Reserve interest rate cuts in response to the economic threats associated with the Coronavirus outbreak.

Net Loss:

- TFPA's financial results for the nine months ended September 30, 2020 reflect a net loss of \$8.6 million compared to the budgeted loss of \$2.1 million.

Surplus:

- The ending surplus as of September 30, 2020 was \$3.3 million, or \$8.8 million below the surplus at December 31, 2019 of \$12.1 million.
- Surplus was also reduced year-to-date by \$318,000 due to an increase in non-admitted assets which was primarily prepaid license fees for Guidewire software.

4B. Financial Statement Review by Staff

4B1. Income Statement and
Expense Statement

4B2. Expense Statement

4B3. Balance Sheet

4B4. Cash & Short-Term Investments

4B4. Cash Flow Statement

4B5. Historical Data

TEXAS FAIR PLAN ASSOCIATION				
Statutory Income Statement (000's omitted)				
for the nine months ended September 30,				
	Actuals - 2020	Budget - 2020	Variance - 2020	Actuals - 2019
7 Premiums Written:				
8 Direct	\$ 62,798	\$ 58,640	\$ 4,158	\$ 67,798
9 Ceded	(28,789)	(29,144)	355	(29,144)
10 Net	34,009	29,496	4,513	38,654
12 Premiums Earned:				
13 Direct	\$ 61,974	\$ 59,071	\$ 2,903	\$ 68,581
14 Ceded	(21,800)	(21,858)	58	(23,482)
15 Net	40,174	37,213	2,961	45,099
17 Deductions:				
18 Direct Losses and LAE Incurred	31,321	21,679	9,642	34,022
19 Direct Losses and LAE Incurred - Harvey	-	-	-	-
20 Ceded Losses and LAE Incurred - Harvey	-	-	-	-
21 Operating Expenses	10,487	10,995	(508)	12,154
22 Commission Expense	6,594	6,274	320	7,009
23 Ceding commissions / brokerage	(689)	(707)	18	(707)
24 Premium / Maintenance Tax	1,181	1,155	26	1,296
25 Total Deductions	48,894	39,396	9,498	53,773
27 Net Underwriting Gain or (Loss)	(8,720)	(2,183)	(6,537)	(8,674)
29 Other Income or (Expense):				
30 Investment Income	122	406	(284)	695
31 Investment Expenses (Line of Credit Commitment Fee)	(93)	(90)	(3)	(91)
32 Interest Expense on Line of Credit Advance	-	-	-	-
33 Sales Tax Refund and Other Income (Expense)	-	-	-	-
34 Member Assessment Income	-	-	-	-
35 Charge offs /Write offs	(55)	(410)	355	(99)
36 Billing Fees	155	177	(22)	289
37 Total Other Income or (Expense)	129	83	46	794
39 Net Income (Loss)	\$ (8,591)	\$ (2,100)	\$ (6,491)	\$ (7,880)
41 Surplus (Deficit) Account:				
42 Beginning Surplus (Deficit)	12,133	12,133	-	15,088
43 Net Income (Loss)	(8,591)	(2,100)	(6,491)	(7,880)
44 Change in Provision for Reinsurance	95	300	(205)	(31)
45 Change in nonadmitted assets	(318)	-	(318)	(283)
46 Other	-	-	-	-
47 Ending Surplus (Deficit)	\$ 3,320	\$ 10,334	\$ (7,014)	\$ 6,894
49 Key Operating Ratios:				
50 Direct:				
51 Loss & LAE Ratio:				
52 Non Hurricane	50.5%	36.7%	13.8%	49.6%
53 Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
54 Loss & LAE Ratio	50.5%	36.7%	13.8%	49.6%
55 UW Expense Ratio:				
56 Acquisition	12.4%	12.7%	(0.3%)	12.2%
57 Non Acquisition	16.9%	18.6%	(1.7%)	17.7%
58 UW Expense Ratio	29.3%	31.3%	(2.0%)	30.0%
59 Combined Ratio	79.8%	68.0%	11.9%	79.6%
60 Net:				
61 Loss & LAE Ratio:				
62 Non Hurricane	78.0%	58.3%	19.7%	75.4%
63 Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
64 Loss & LAE Ratio	78.0%	58.3%	19.7%	75.4%
65 UW Expense Ratio:				
66 Acquisition	17.5%	18.5%	(1.0%)	17.0%
67 Non Acquisition	26.1%	29.5%	(3.4%)	26.9%
68 UW Expense Ratio	43.6%	48.1%	(4.4%)	44.0%
69 Combined Ratio	121.6%	106.3%	15.3%	119.4%

1	TEXAS FAIR PLAN ASSOCIATION				1
2	Statutory Expense Report (000's omitted)				2
3	for the nine months ended September 30,				3
4					4
5	Description	Actuals - 2020	Budget - 2020	Variance - 2020	Actuals - 2019
6	Personnel Expenses				
7	Salaries & Wages - Permanent	\$ 4,643	\$ 5,013	\$ (370)	\$ 4,485
8	Contractor & Temporary Help	1,654	2,056	(402)	1,970
9	Payroll Taxes	348	404	(56)	335
10	Employee Benefits	1,761	1,825	(64)	1,743
11	Recruiting, Training & Other	34	137	(103)	90
12	Subtotal	8,439	9,434	(995)	8,622
13					
14	Professional & Consulting Services				
15	Legal	89	119	(30)	118
16	Accounting & Auditing	51	56	(5)	68
17	Information Technology	1,707	1,438	270	2,161
18	Actuarial Services	26	19	7	20
19	Surveys & Inspections	389	454	(65)	563
20	Disaster Recovery Services	99	62	37	47
21	Other Services (1)	1,092	983	109	1,038
22	Subtotal	3,454	3,131	323	4,015
23					
24	Hardware/Software Purchases & Licensing	1,003	1,143	(140)	1,071
25	Rental & Maintenance - Office/Equipment	522	527	(5)	502
26	Travel Expenses	10	66	(56)	48
27	Postage, Telephone and Express	313	428	(115)	290
28	Capital Management Expenses	93	91	2	91
29	Other Operating Expenses	387	425	(38)	341
30	Total Operating Expenses	\$ 14,221	\$ 15,245	\$ (1,024)	\$ 14,980
31					
32	Capitalization of Fixed Assets	-	-	-	-
33	Allocation To ULAE	(3,641)	(4,159)	518	(2,735)
34	Allocation To Investing & Other Expense	(93)	(91)	(2)	(91)
35	Net Operating Expense - UW Operations	\$ 10,487	\$ 10,995	\$ (508)	\$ 12,154
36					

(1) Other Services	Amount	Department
Call Center Expenses	395	Claims & Underwriting
Insurance Services Office Inc. fees	168	Claims & Underwriting
Marshall & Swift/Boeckh	79	Underwriting
Eagleview Technologies	77	Claims
Xactware Fees	66	Claims
Xactware Solutions Inc	32	Claims
ADP	27	Human Resources
Property & Liability Resource Bureau	17	Claims
Cornerstone OnDemand	19	Human Resources
Lexis Nexis - Risk Solutions	14	Underwriting
Scan Mailboxes Solutions LLC	17	Operations
McLean and Company	10	Human Resources
Other Vendors (less than \$10K)	171	Various departments
Total Other Services	1,092	

1	TEXAS FAIR PLAN ASSOCIATION			1
2	Statutory Balance Sheet (000's omitted)			2
3				3
4				4
5		September-20	December-19	5
6	Admitted Assets			6
7	Cash and short term investments	\$ 55,815	\$ 66,137	7
8	Premiums receivable	7,767	6,825	8
9	Assessment receivable	-	-	9
10	Amounts recoverable from reinsurers	4,599	1,149	10
11	Other assets	0	27	11
12	Total admitted assets	\$ 68,182	\$ 74,138	12
13				13
14	Liabilities, Surplus and other funds			14
15	Liabilities:			15
16	Loss and Loss adjustment expenses	\$ 17,017	\$ 14,962	16
17	Underwriting expenses payable	2,296	2,142	17
18	Unearned premiums, net of ceded unearned premiums	21,180	27,345	18
19	Ceded reinsurance premiums payable	21,075	14,276	19
20	Principal outstanding on line of credit advance	-	-	20
21	Interest payable on line of credit advance	-	-	21
22	Provision for reinsurance	-	95	22
23	Other payables	3,295	3,184	23
24	Total liabilities	64,862	62,004	24
25				25
26	Surplus and others funds			26
27	Unassigned Surplus (Deficit)	3,320	12,133	27
28	Total liabilities, surplus and other funds	\$ 68,182	\$ 74,138	28
29				29

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

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 9/30/2020:											
Bank of America	\$ 4,521	\$ -	\$ 4,521	\$ -	\$ 2	0.00%	8%	Superior	13.5%	\$197	No
Citibank	9	9,419	9,428	13,201	2	0.05%	17%	Superior	13.9%	\$140	No
JPMorgan Chase	20,018	-	20,018				36%	Superior	15.6%	\$226	No
JP Morgan U.S. Treasury Plus Money Market Fund (1)	-	21,849	21,849	16,576	2	0.04%	39%	N/A	N/A	N/A	N/A
Wells Fargo	-	-	-				0%	Superior	13.7%	\$149	No
Total of all financial institutions	\$ 24,548	\$ 31,268	\$ 55,815	\$ 29,777	\$ 5	0.07%	100%				
Balances as of 6/30/2020:											
Bank of America	\$ 1,940	\$ 10,000	\$ 11,940	\$ 10,000	\$ 5	0.20%	20%	Superior	12.3%	\$192	No
Citibank	9	21,418	21,426	11,414	6	0.20%	36%	Superior	12.9%	\$137	No
JPMorgan Chase	21,050	-	21,050				36%	Superior	13.4%	\$205	No
JP Morgan U.S. Treasury Plus Money Market Fund (1)	-	4,846	4,846	18,118	7	0.15%	8%	N/A	N/A	N/A	N/A
Wells Fargo	-	-	-				0%	Superior	12.6%	\$147	No
Total of all financial institutions	\$ 22,999	\$ 36,263	\$ 59,263	\$ 39,532	\$ 18	0.18%	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 June 30, 2020. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.											

1	TEXAS FAIR PLAN ASSOCIATION	1
2	Statement of Cash Flows (000's omitted)	2
3	for the nine months ended September 30,	3
4		4
5		5
6		6
7	Cash flows from operating activities:	7
8	Premiums collected, net of reinsurance	8
9	Losses and loss adjustment expense paid	9
10	Underwriting expenses paid	10
11	Member assessment	11
12	Other	12
13	Net cash provided by operating activities	13
14	Cash flows from nonoperating activities:	14
15	Other	15
16	Net cash provided by nonoperating activities	16
17	Cash flows from investing activities:	17
19	Net investment income	19
20	Net cash provided by investing activities	20
21	Cash flows from financing activities:	21
22	Borrowed funds	22
23	Borrowed funds repaid	23
24	Net cash provided by financing activities	24
25		25
26	Net increase (decrease) in cash and short-term investments	26
27	Cash and short-term investments, Beginning	27
28	Cash and short-term investments, Ending	28
29		29

TEXAS FAIR PLAN ASSOCIATION
HISTORICAL DATA
2003 - 2020
(\$ with 000's omitted)

YEAR	GROSS					NET					SURPLUS OR (DEFICIT) END OF PERIOD
	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	
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%	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	15%	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% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5% (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	12,931,805	75,370		62,798	31,321	40,174	31,321	17,573	(8,720)		3,320
TOTAL				\$ 1,628,262	\$ 1,056,715	\$ 1,100,060	\$ 752,914	\$ 401,123	\$ (53,977)	\$ 54,941	

(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.

*2020 data through 9/30/2020

5. Actuarial

5A. Reserve Adequacy



TEXAS FAIR PLAN
ASSOCIATION

Xiuyu Li, ACAS, MAAA
Senior Actuary

MEMORANDUM

REVIEW DATE: October 19, 2020

TO: John Polak, General Manager
Cc: Jerry Fadden, Chief Financial Officer
FROM: Xiuyu Li, Senior Actuary
RE: Reserve Adequacy

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

Hurricane Hanna made landfall on July 25, 2020 at Padre Island, Texas as a Category 1 hurricane. With 96 Hanna related claims reported to the Association as of November 18, the ultimate loss and expense estimate for Hanna is around \$0.5 million. Hurricane Laura made landfall on Cameron, Louisiana on August 26 as a Category 4 hurricane. As of November 18, 2020, 312 Laura related claims were reported to the Association and the total incurred loss and expense is estimated at around \$4 million. Hurricane Delta made landfall near Creole, Louisiana on October 9, 2020 as a Category 2 hurricane. Loss and Expense related to Hurricane Delta is estimated less than \$0.5 million, which is not included in Q3 financials.

Based on this review, the “indicated” ultimate costs of Harvey is \$84.3 million, almost the same as the indicated ultimate loss and expense estimate based on the review at June 30, 2020. Due to uncertainties surrounding the adequacy of case reserves and the outcomes of disputed claims, the “selected” ultimate gross loss & expense estimate has been maintained at \$85 million.

As of September 30, 2020, TFPA carried \$25.8 million in total gross loss and loss adjustment expense reserves with \$8.8 million of the total gross losses and expenses ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

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

The complete actuarial analysis is available on request.

XL

5B. Policy Count/Exposures

Texas FAIR Plan Association
Liability Report
As of 9/30/20
All Forms Combined



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	09/30/19	09/30/20	Actual	Percentage	09/30/19	09/30/20	Actual	Percentage	09/30/19	09/30/20	Actual	Percentage
Harris	54,814	48,357	(6,457)	(11.78%)	8,134,638,526	7,491,656,752	(642,981,774)	(7.90%)	48,840,294	44,862,219	(3,978,075)	(8.15%)
Galveston	4,574	4,488	(86)	(1.88%)	1,079,601,433	1,130,225,203	50,623,769	4.69%	1,509,396	1,536,853	27,457	1.82%
Brazoria	1,898	1,821	(77)	(4.06%)	447,642,901	462,890,531	15,247,630	3.41%	679,526	685,801	6,275	0.92%
Fort Bend	5,783	5,186	(597)	(10.32%)	1,018,971,095	950,673,126	(68,297,969)	(6.70%)	5,143,290	4,811,145	(332,145)	(6.46%)
Dallas	2,909	2,539	(370)	(12.72%)	478,385,470	436,633,158	(41,752,312)	(8.73%)	2,374,983	2,123,682	(251,301)	(10.58%)
Tarrant	2,188	1,919	(269)	(12.29%)	353,798,786	324,154,784	(29,644,002)	(8.38%)	1,983,092	1,763,873	(219,219)	(11.05%)
El Paso	1,065	1,132	67	6.29%	229,958,209	255,913,645	25,955,436	11.29%	553,473	620,568	67,096	12.12%
Jefferson	1,273	1,148	(125)	(9.82%)	285,166,010	261,230,540	(23,935,470)	(8.39%)	442,884	423,748	(19,136)	(4.32%)
Nueces	1,433	1,330	(103)	(7.19%)	271,743,308	261,278,180	(10,465,128)	(3.85%)	581,419	569,861	(11,557)	(1.99%)
Montgomery	912	826	(86)	(9.43%)	147,524,294	148,732,814	1,208,520	0.82%	634,500	640,189	5,689	0.90%
Bexar	790	684	(106)	(13.42%)	120,184,610	115,878,508	(4,306,102)	(3.58%)	512,757	483,624	(29,133)	(5.68%)
Calhoun	401	403	2	0.50%	92,196,155	95,084,015	2,887,860	3.13%	154,072	155,472	1,400	0.91%
Cameron	464	443	(21)	(4.53%)	77,700,460	73,339,930	(4,360,530)	(5.61%)	144,145	128,968	(15,177)	(10.53%)
Orange	406	395	(11)	(2.71%)	60,429,215	65,193,403	4,764,188	7.88%	419,647	460,523	40,876	9.74%
Matagorda	230	235	5	2.17%	48,779,020	52,454,110	3,675,090	7.53%	106,785	118,374	11,589	10.85%
Chambers	258	246	(12)	(4.65%)	67,358,770	67,586,338	227,568	0.34%	110,016	110,492	476	0.43%
Travis	326	301	(25)	(7.67%)	56,643,033	58,377,948	1,734,915	3.06%	185,437	171,599	(13,838)	(7.46%)
Aransas	189	197	8	4.23%	46,245,470	44,568,500	(1,676,970)	(3.63%)	76,201	79,178	2,977	3.91%
San Patricio	174	158	(16)	(9.20%)	39,878,660	38,166,143	(1,712,517)	(4.29%)	64,302	62,264	(2,038)	(3.17%)
Liberty	212	218	6	2.83%	25,413,950	24,979,880	(434,070)	(1.71%)	234,471	231,432	(3,039)	(1.30%)
Hidalgo	317	258	(59)	(18.61%)	34,151,835	27,958,365	(6,193,470)	(18.14%)	205,243	184,714	(20,529)	(10.00%)
Denton	161	132	(29)	(18.01%)	33,277,690	30,308,558	(2,969,132)	(8.92%)	147,695	125,664	(22,032)	(14.92%)
Johnson	113	96	(17)	(15.04%)	18,065,351	16,444,750	(1,620,601)	(8.97%)	95,987	94,841	(1,147)	(1.19%)
Polk	86	86	0	0.00%	13,654,840	14,897,800	1,242,960	9.10%	71,248	90,081	18,833	26.43%
Collin	227	202	(25)	(11.01%)	47,259,890	41,469,480	(5,790,410)	(12.25%)	191,632	172,540	(19,093)	(9.96%)
Top 25 Counties	81,203	72,800	(8,403)	(10.35%)	13,228,668,981	12,490,096,461	(738,572,520)	(5.58%)	65,462,494	60,707,704	(4,754,790)	(7.26%)
All Other Counties	2,775	2,570	(205)	(7.39%)	453,880,984	441,708,315	(12,172,669)	(2.68%)	2,382,238	2,363,954	(18,284)	(0.77%)
Tier 1	11,022	10,581	(441)	(4.00%)	2,486,252,467	2,513,641,750	27,389,282	1.10%	3,926,523	3,920,923	(5,600)	(0.14%)
Tier 2	61,858	54,731	(7,127)	(11.52%)	9,318,434,911	8,608,119,336	(710,315,575)	(7.62%)	55,191,355	50,915,497	(4,275,858)	(7.75%)
All Other Counties	11,098	10,058	(1,040)	(9.37%)	1,877,862,587	1,810,043,690	(67,818,897)	(3.61%)	8,726,854	8,235,237	(491,616)	(5.63%)
Statewide Total	83,978	75,370	(8,608)	(10.25%)	13,682,549,965	12,931,804,775	(750,745,189)	(5.49%)	67,844,732	63,071,658	(4,773,074)	(7.04%)

Exposure includes Dwelling, Contents, and Loss of Use coverages
Premium totals are not audited and may not match published financial statements



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	09/30/19	09/30/20	Actual	Percentage	09/30/19	09/30/20	Actual	Percentage	09/30/19	09/30/20	Actual	Percentage
Harris	19,735	16,588	(3,147)	(15.95%)	4,542,812,449	4,071,907,362	(470,905,087)	(10.37%)	28,263,410	25,320,358	(2,943,052)	(10.41%)
Galveston	3,145	3,160	15	0.48%	965,182,311	1,022,389,978	57,207,666	5.93%	1,170,516	1,227,039	56,523	4.83%
Brazoria	1,386	1,358	(28)	(2.02%)	392,043,840	410,121,970	18,078,130	4.61%	546,139	563,619	17,480	3.20%
Fort Bend	1,493	1,313	(180)	(12.06%)	399,495,410	366,266,670	(33,228,740)	(8.32%)	2,186,578	2,008,020	(178,558)	(8.17%)
Dallas	1,400	1,182	(218)	(15.57%)	337,432,810	298,766,600	(38,666,210)	(11.46%)	1,744,798	1,531,315	(213,483)	(12.24%)
Tarrant	1,194	1,026	(168)	(14.07%)	259,834,021	233,271,150	(26,562,871)	(10.22%)	1,487,568	1,299,682	(187,885)	(12.63%)
El Paso	878	946	68	7.74%	211,107,820	236,473,620	25,365,800	12.02%	498,260	559,495	61,235	12.29%
Jefferson	985	861	(124)	(12.59%)	262,643,030	237,352,110	(25,290,920)	(9.63%)	377,572	354,920	(22,652)	(6.00%)
Nueces	770	737	(33)	(4.29%)	218,428,270	213,049,360	(5,378,910)	(2.46%)	423,863	423,047	(816)	(0.19%)
Montgomery	461	450	(11)	(2.39%)	103,039,999	109,440,579	6,400,580	6.21%	438,166	462,962	24,796	5.66%
Bexar	461	421	(40)	(8.68%)	95,903,770	94,948,150	(955,620)	(1.00%)	400,401	384,953	(15,448)	(3.86%)
Calhoun	337	333	(4)	(1.19%)	87,323,160	89,596,220	2,273,060	2.60%	137,326	137,467	141	0.10%
Cameron	279	259	(20)	(7.17%)	61,416,190	58,621,750	(2,794,440)	(4.55%)	96,602	87,340	(9,263)	(9.59%)
Orange	235	239	4	1.70%	47,413,800	52,818,278	5,404,478	11.40%	332,270	372,878	40,608	12.22%
Matagorda	199	205	6	3.02%	46,415,470	50,016,460	3,600,990	7.76%	93,843	102,384	8,541	9.10%
Chambers	210	197	(13)	(6.19%)	62,511,130	62,315,200	(195,930)	(0.31%)	91,266	91,819	553	0.61%
Travis	175	167	(8)	(4.57%)	43,341,455	45,468,000	2,126,545	4.91%	130,156	122,585	(7,571)	(5.82%)
Aransas	155	161	6	3.87%	43,698,570	41,659,640	(2,038,930)	(4.67%)	68,600	67,639	(961)	(1.40%)
San Patricio	132	125	(7)	(5.30%)	36,685,710	35,281,043	(1,404,667)	(3.83%)	53,215	52,608	(607)	(1.14%)
Liberty	123	114	(9)	(7.32%)	18,712,650	17,176,310	(1,536,340)	(8.21%)	163,571	149,223	(14,348)	(8.77%)
Hidalgo	87	87	0	0.00%	11,127,935	10,848,765	(279,170)	(2.51%)	72,489	80,152	7,663	10.57%
Denton	97	72	(25)	(25.77%)	26,586,890	23,246,380	(3,340,510)	(12.56%)	118,966	92,659	(26,306)	(22.11%)
Johnson	73	63	(10)	(13.70%)	15,137,701	13,892,220	(1,245,481)	(8.23%)	81,821	80,363	(1,458)	(1.78%)
Polk	60	61	1	1.67%	11,707,240	13,042,500	1,335,260	11.41%	60,676	78,698	18,022	29.70%
Collin	81	60	(21)	(25.93%)	26,623,980	19,856,730	(6,767,250)	(25.42%)	100,812	76,810	(24,002)	(23.81%)
Top 25 Counties	34,151	30,185	(3,966)	(11.61%)	8,326,625,611	7,827,827,045	(498,798,566)	(5.99%)	39,138,881	35,728,035	(3,410,846)	(8.71%)
All Other Counties	1,584	1,487	(97)	(6.12%)	357,145,633	347,618,093	(9,527,540)	(2.67%)	1,804,990	1,782,185	(22,806)	(1.26%)
Tier 1	7,696	7,481	(215)	(2.79%)	2,203,988,861	2,245,338,591	41,349,729	1.88%	3,104,125	3,147,149	43,023	1.39%
Tier 2	21,848	18,508	(3,340)	(15.29%)	5,054,348,384	4,555,458,615	(498,889,769)	(9.87%)	31,283,638	28,202,685	(3,080,953)	(9.85%)
All Other Counties	6,191	5,683	(508)	(8.21%)	1,425,433,999	1,374,647,932	(50,786,067)	(3.56%)	6,556,109	6,160,386	(395,723)	(6.04%)
Statewide Total	35,735	31,672	(4,063)	(11.37%)	8,683,771,244	8,175,445,138	(508,326,106)	(5.85%)	40,943,872	37,510,220	(3,433,652)	(8.39%)

Exposure includes Dwelling, Contents, and Loss of Use coverages
Premium totals are not audited and may not match published financial statements

Texas FAIR Plan Association
Liability Report
As of 9/30/20
TDP-1 Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	09/30/19	09/30/20	Actual	Percentage	09/30/19	09/30/20	Actual	Percentage	09/30/19	09/30/20	Actual	Percentage
Harris	30,754	27,924	(2,830)	(9.20%)	3,373,272,204	3,222,357,790	(150,914,414)	(4.47%)	19,528,336	18,610,598	(917,738)	(4.70%)
Galveston	792	701	(91)	(11.49%)	82,754,060	77,134,425	(5,619,635)	(6.79%)	240,552	214,855	(25,697)	(10.68%)
Brazoria	417	386	(31)	(7.43%)	51,871,021	49,338,121	(2,532,900)	(4.88%)	119,512	110,908	(8,603)	(7.20%)
Fort Bend	4,087	3,689	(398)	(9.74%)	610,879,005	575,731,176	(35,147,829)	(5.75%)	2,921,122	2,770,511	(150,610)	(5.16%)
Dallas	1,304	1,188	(116)	(8.90%)	131,826,660	130,006,438	(1,820,222)	(1.38%)	594,569	565,222	(29,347)	(4.94%)
Tarrant	920	838	(82)	(8.91%)	91,816,765	89,147,234	(2,669,531)	(2.91%)	485,099	456,636	(28,463)	(5.87%)
El Paso	182	178	(4)	(2.20%)	18,659,589	19,103,425	443,836	2.38%	54,588	60,042	5,454	9.99%
Jefferson	253	247	(6)	(2.37%)	20,963,460	22,389,710	1,426,250	6.80%	61,371	64,883	3,512	5.72%
Nueces	363	346	(17)	(4.68%)	34,268,398	31,922,740	(2,345,658)	(6.84%)	93,965	89,232	(4,733)	(5.04%)
Montgomery	378	323	(55)	(14.55%)	41,404,615	36,667,355	(4,737,260)	(11.44%)	182,360	166,388	(15,972)	(8.76%)
Bexar	260	213	(47)	(18.08%)	21,619,240	18,521,958	(3,097,282)	(14.33%)	96,598	86,130	(10,467)	(10.84%)
Calhoun	54	58	4	7.41%	4,424,195	4,942,995	518,800	11.73%	14,838	15,990	1,152	7.76%
Cameron	100	95	(5)	(5.00%)	9,907,470	8,171,460	(1,736,010)	(17.52%)	29,213	22,557	(6,657)	(22.79%)
Orange	154	139	(15)	(9.74%)	12,504,575	11,841,125	(663,450)	(5.31%)	84,821	84,599	(222)	(0.26%)
Matagorda	29	28	(1)	(3.45%)	2,320,350	2,394,450	74,100	3.19%	12,612	15,760	3,148	24.96%
Chambers	44	42	(2)	(4.55%)	4,753,800	5,093,298	339,498	7.14%	18,852	17,980	(872)	(4.63%)
Travis	76	72	(4)	(5.26%)	9,627,778	9,437,028	(190,750)	(1.98%)	40,412	37,296	(3,116)	(7.71%)
Aransas	13	15	2	15.38%	1,240,700	1,448,100	207,400	16.72%	2,070	5,648	3,578	172.82%
San Patricio	39	31	(8)	(20.51%)	3,054,950	2,777,100	(277,850)	(9.10%)	10,641	9,193	(1,448)	(13.61%)
Liberty	88	102	14	15.91%	6,647,300	7,731,570	1,084,270	16.31%	70,639	81,809	11,169	15.81%
Hidalgo	225	168	(57)	(25.33%)	22,849,900	17,019,600	(5,830,300)	(25.52%)	131,693	103,841	(27,852)	(21.15%)
Denton	58	57	(1)	(1.72%)	6,258,800	6,960,178	701,378	11.21%	27,791	32,843	5,052	18.18%
Johnson	36	31	(5)	(13.89%)	2,789,650	2,440,090	(349,560)	(12.53%)	13,554	14,059	505	3.73%
Polk	25	23	(2)	(8.00%)	1,899,600	1,795,300	(104,300)	(5.49%)	10,361	11,184	824	7.95%
Collin	116	114	(2)	(1.72%)	19,145,750	20,391,150	1,245,400	6.50%	85,208	92,109	6,901	8.10%
Top 25 Counties	40,767	37,008	(3,759)	(9.22%)	4,586,759,835	4,374,763,816	(211,996,019)	(4.62%)	24,930,777	23,740,274	(1,190,502)	(4.78%)
All Other Counties	988	930	(58)	(5.87%)	86,305,071	86,147,062	(158,009)	(0.18%)	532,482	548,067	15,585	2.93%
Tier 1	2,131	1,975	(156)	(7.32%)	217,701,504	207,477,799	(10,223,705)	(4.70%)	616,001	577,927	(38,073)	(6.18%)
Tier 2	35,444	32,161	(3,283)	(9.26%)	4,035,747,134	3,845,501,841	(190,245,293)	(4.71%)	22,817,708	21,742,280	(1,075,428)	(4.71%)
All Other Counties	4,180	3,802	(378)	(9.04%)	419,616,268	407,931,238	(11,685,030)	(2.78%)	2,029,550	1,968,134	(61,416)	(3.03%)
Statewide Total	41,755	37,938	(3,817)	(9.14%)	4,673,064,906	4,460,910,878	(212,154,028)	(4.54%)	25,463,258	24,288,341	(1,174,917)	(4.61%)

Exposure includes Dwelling, Contents, and Loss of Use coverages
Premium totals are not audited and may not match published financial statements

Texas FAIR Plan Association
Liability Report
As of 9/30/20
HO-CONB Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	09/30/19	09/30/20	Actual	Percentage	09/30/19	09/30/20	Actual	Percentage	09/30/19	09/30/20	Actual	Percentage
Harris	2,628	2,458	(170)	(6.47%)	180,396,873	166,241,640	(14,155,233)	(7.85%)	809,596	764,465	(45,131)	(5.57%)
Galveston	283	254	(29)	(10.25%)	20,604,902	18,714,720	(1,890,182)	(9.17%)	57,188	53,215	(3,973)	(6.95%)
Brazoria	15	14	(1)	(6.67%)	1,218,000	1,152,000	(66,000)	(5.42%)	3,807	3,522	(285)	(7.48%)
Fort Bend	95	88	(7)	(7.37%)	6,201,480	6,208,080	6,600	0.11%	22,336	20,774	(1,562)	(6.99%)
Dallas	136	121	(15)	(11.03%)	7,369,440	6,523,320	(846,120)	(11.48%)	26,106	21,906	(4,200)	(16.09%)
Tarrant	7	4	(3)	(42.86%)	516,000	348,000	(168,000)	(32.56%)	1,700	1,646	(54)	(3.18%)
El Paso	4	3	(1)	(25.00%)	88,800	28,800	(60,000)	(67.57%)	215	215	(0)	(0.06%)
Jefferson	13	10	(3)	(23.08%)	853,800	500,400	(353,400)	(41.39%)	2,101	1,298	(803)	(38.20%)
Nueces	266	224	(42)	(15.79%)	17,967,240	15,589,080	(2,378,160)	(13.24%)	59,392	54,733	(4,659)	(7.84%)
Montgomery	23	20	(3)	(13.04%)	1,774,080	1,500,480	(273,600)	(15.42%)	7,581	5,959	(1,622)	(21.40%)
Bexar	32	32	0	0.00%	2,008,800	1,992,000	(16,800)	(0.84%)	11,603	10,226	(1,376)	(11.86%)
Calhoun	2	5	3	150.00%	186,000	372,000	186,000	100.00%	859	1,611	752	87.54%
Cameron	76	85	9	11.84%	6,022,800	6,297,120	274,320	4.55%	16,770	18,622	1,853	11.05%
Orange	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Matagorda	1	1	0	0.00%	30,000	30,000	0	0.00%	130	130	0	0.00%
Chambers	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Travis	39	37	(2)	(5.13%)	2,851,200	2,884,920	33,720	1.18%	10,672	9,026	(1,646)	(15.42%)
Aransas	17	18	1	5.88%	1,174,200	1,352,760	178,560	15.21%	4,932	5,505	573	11.61%
San Patricio	2	1	(1)	(50.00%)	114,000	78,000	(36,000)	(31.58%)	446	309	(137)	(30.77%)
Liberty	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Hidalgo	3	1	(2)	(66.67%)	144,000	60,000	(84,000)	(58.33%)	815	374	(441)	(54.09%)
Denton	1	1	0	0.00%	36,000	36,000	0	0.00%	138	138	(0)	(0.12%)
Johnson	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Polk	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Collin	20	20	0	0.00%	1,292,160	1,023,600	(268,560)	(20.78%)	3,984	2,694	(1,290)	(32.39%)
Top 25 Counties	3,663	3,397	(266)	(7.26%)	250,849,775	230,932,920	(19,916,855)	(7.94%)	1,040,372	976,369	(64,003)	(6.15%)
All Other Counties	82	63	(19)	(23.17%)	6,686,280	4,787,160	(1,899,120)	(28.40%)	25,411	18,564	(6,847)	(26.94%)
Tier 1	676	612	(64)	(9.47%)	48,290,942	44,086,080	(4,204,862)	(8.71%)	145,625	138,550	(7,076)	(4.86%)
Tier 2	2,728	2,548	(180)	(6.60%)	186,850,353	172,611,720	(14,238,633)	(7.62%)	833,244	786,109	(47,135)	(5.66%)
All Other Counties	341	300	(41)	(12.02%)	22,394,760	19,022,280	(3,372,480)	(15.06%)	86,914	70,274	(16,640)	(19.14%)
Statewide Total	3,745	3,460	(285)	(7.61%)	257,536,055	235,720,080	(21,815,975)	(8.47%)	1,065,783	994,933	(70,850)	(6.65%)

Exposure includes Dwelling, Contents, and Loss of Use coverages
Premium totals are not audited and may not match published financial statements

Texas FAIR Plan Association
Liability Report
As of 9/30/20
HO-BT Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	09/30/19	09/30/20	Actual	Percentage	09/30/19	09/30/20	Actual	Percentage	09/30/19	09/30/20	Actual	Percentage
Harris	1,697	1,387	(310)	(18.27%)	38,157,000	31,149,960	(7,007,040)	(18.36%)	238,952	166,798	(72,154)	(30.20%)
Galveston	354	373	19	5.37%	11,060,160	11,986,080	925,920	8.37%	41,141	41,744	604	1.47%
Brazoria	80	63	(17)	(21.25%)	2,510,040	2,278,440	(231,600)	(9.23%)	10,069	7,751	(2,317)	(23.01%)
Fort Bend	108	96	(12)	(11.11%)	2,395,200	2,467,200	72,000	3.01%	13,254	11,840	(1,414)	(10.67%)
Dallas	69	48	(21)	(30.43%)	1,756,560	1,336,800	(419,760)	(23.90%)	9,509	5,239	(4,270)	(44.90%)
Tarrant	67	51	(16)	(23.88%)	1,632,000	1,388,400	(243,600)	(14.93%)	8,726	5,908	(2,817)	(32.29%)
El Paso	1	5	4	400.00%	102,000	307,800	205,800	201.76%	410	817	407	99.18%
Jefferson	22	30	8	36.36%	705,720	988,320	282,600	40.04%	1,840	2,647	807	43.88%
Nueces	34	23	(11)	(32.35%)	1,079,400	717,000	(362,400)	(33.57%)	4,198	2,849	(1,350)	(32.14%)
Montgomery	50	33	(17)	(34.00%)	1,305,600	1,124,400	(181,200)	(13.88%)	6,393	4,880	(1,513)	(23.66%)
Bexar	37	18	(19)	(51.35%)	652,800	416,400	(236,400)	(36.21%)	4,156	2,314	(1,842)	(44.32%)
Calhoun	8	7	(1)	(12.50%)	262,800	172,800	(90,000)	(34.25%)	1,048	403	(645)	(61.54%)
Cameron	9	4	(5)	(55.56%)	354,000	249,600	(104,400)	(29.49%)	1,559	449	(1,110)	(71.21%)
Orange	17	17	0	0.00%	510,840	534,000	23,160	4.53%	2,556	3,046	490	19.17%
Matagorda	1	1	0	0.00%	13,200	13,200	0	0.00%	200	100	(100)	(50.00%)
Chambers	4	7	3	75.00%	93,840	177,840	84,000	89.51%	(102)	693	795	(779.41%)
Travis	36	25	(11)	(30.56%)	822,600	588,000	(234,600)	(28.52%)	4,197	2,692	(1,505)	(35.85%)
Aransas	4	3	(1)	(25.00%)	132,000	108,000	(24,000)	(18.18%)	598	386	(212)	(35.48%)
San Patricio	1	1	0	0.00%	24,000	30,000	6,000	25.00%	0	154	154	N/A
Liberty	1	2	1	100.00%	54,000	72,000	18,000	33.33%	261	401	140	53.64%
Hidalgo	2	2	0	0.00%	30,000	30,000	0	0.00%	247	347	100	40.42%
Denton	5	2	(3)	(60.00%)	396,000	66,000	(330,000)	(83.33%)	801	23	(778)	(97.09%)
Johnson	4	2	(2)	(50.00%)	138,000	112,440	(25,560)	(18.52%)	612	418	(194)	(31.64%)
Polk	1	2	1	100.00%	48,000	60,000	12,000	25.00%	211	198	(13)	(6.27%)
Collin	10	8	(2)	(20.00%)	198,000	198,000	0	0.00%	1,628	927	(701)	(43.07%)
Top 25 Counties	2,622	2,210	(412)	(15.71%)	64,433,760	56,572,680	(7,861,080)	(12.20%)	352,464	263,025	(89,439)	(25.38%)
All Other Counties	121	90	(31)	(25.62%)	3,744,000	3,156,000	(588,000)	(15.71%)	19,355	15,138	(4,216)	(21.78%)
Tier 1	519	513	(6)	(1.16%)	16,271,160	16,739,280	468,120	2.88%	60,772	57,298	(3,474)	(5.72%)
Tier 2	1,838	1,514	(324)	(17.63%)	41,489,040	34,547,160	(6,941,880)	(16.73%)	256,765	184,422	(72,343)	(28.17%)
All Other Counties	386	273	(113)	(29.27%)	10,417,560	8,442,240	(1,975,320)	(18.96%)	54,281	36,444	(17,838)	(32.86%)
Statewide Total	2,743	2,300	(443)	(16.15%)	68,177,760	59,728,680	(8,449,080)	(12.39%)	371,819	278,164	(93,655)	(25.19%)

Exposure includes Dwelling, Contents, and Loss of Use coverages
Premium totals are not audited and may not match published financial statements

5C. Rate Indications



MEMORANDUM

REVIEW DATE: November 18, 2020

TO: Jerry Fadden, Chief Financial Officer

FROM: Xiuyu Li, Senior Actuary

RE: TFPA 2020 Rate Review

TFPA actuarial staff has updated its analysis of TFPA indicated rate needs. The analysis incorporates the most current data for loss experience and operating expenses as of December 31, 2019. Modeled catastrophe exposures as of March 31, 2020 and the cost of the 2020 reinsurance program have also been incorporated.

The indicated rate changes by territory, by product are as follows, capped at $\pm 10\%$:

Region	Homeowners			
	In-force Policy	In-force Premium	Indicated	Proposed
Central North - Greater Dallas / Ft. Worth	2,582	4,320,488	50.3%	10.0%
Central North - Remainder	188	357,916	11.5%	10.0%
Central South	2,952	3,220,919	18.5%	10.0%
North/Northwest	138	293,097	28.3%	10.0%
Seacoast - Tier 1	7,488	3,897,544	27.3%	10.0%
Seacoast - Tier 2	19,682	38,262,010	9.5%	9.5%
Overall Statewide	33,030	50,351,976	15.1%	9.6%

Region	TDP-Fire			
	In-force Policy	In-force Premium	Indicated	Proposed
Overall Statewide	39,109	10,739,519	6.8%	6.8%



TDP-EC

Region	In-force Policy	In-force Premium	Indicated	Proposed
Central North - Greater Dallas / Ft. Worth	2,309	1,258,196	62.0%	10.0%
Central North - Remainder	167	94,215	41.2%	10.0%
Central South	1,394	523,261	31.7%	10.0%
North/Northwest	70	59,652	17.9%	10.0%
Seacoast - Tier 1	2,033	180,857	-49.1%	-10.0%
Seacoast - Tier 2	33,136	25,029,140	12.0%	10.0%
Overall Statewide	39,109	27,145,322	13.6%	9.5%

Condo

Region	In-force Policy	In-force Premium	Indicated	Proposed
Central North - Greater Dallas / Ft. Worth	155	42,087	21.9%	10.0%
Central North - Remainder	1	332	137.7%	10.0%
Central South	148	55,256	16.8%	10.0%
North/Northwest	8	3,098	26.8%	10.0%
Seacoast - Tier 1	633	167,021	4.1%	4.1%
Seacoast - Tier 2	2,632	1,039,909	23.2%	10.0%
Overall Statewide	3,577	1,307,702	20.5%	9.2%

Tenant

Region	In-force Policy	In-force Premium	Indicated	Proposed
Central North - Greater Dallas / Ft. Worth	121	16,326	19.3%	10.0%
Central North - Remainder	14	5,340	32.1%	10.0%
Central South	183	24,856	3.0%	3.0%
North/Northwest	11	1,503	4.6%	4.6%
Seacoast - Tier 1	513	64,940	39.1%	10.0%
Seacoast - Tier 2	1,660	239,580	25.7%	10.0%
Overall Statewide	2,502	352,545	26.3%	9.5%

The methodology used in this analysis is consistent to that used in previous rate analyses.

I recommend the Governing Committee file for the full actuarial indications for all policy forms, limited to no more than a 10% change in any territory, to be effective July 1, 2021.

XL

6. Internal Audit

6A. Internal Audit Status Update

MEMORANDUM

TO: The Governing Committee - Texas FAIR Plan Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: December 7, 2020

SUBJECT: Status of Internal Audit Activities

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

➤ **Current Activities:**

Activity Description	Status
Internal Audit Risk Assessment and Updated Internal Audit Plan	Update and plan complete – submitted for Board discussion
Claims Processing	Report issued
Office Facilities	Report issued
Reinsurance Audit	Report in process
Database and Application Administration Audit	Report in process
Financial Close and Reporting	Report in process
Legal and Compliance	Fieldwork in process

➤ **Upcoming Audits:**

Activity Description	Timing
Communications & Legislative Implementation	December 2020
Confirm 2021 Audit Schedule	December 2020
Disaster Recovery	December 2020

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

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

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

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

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

6B. Risk Assessment and Audit Plan



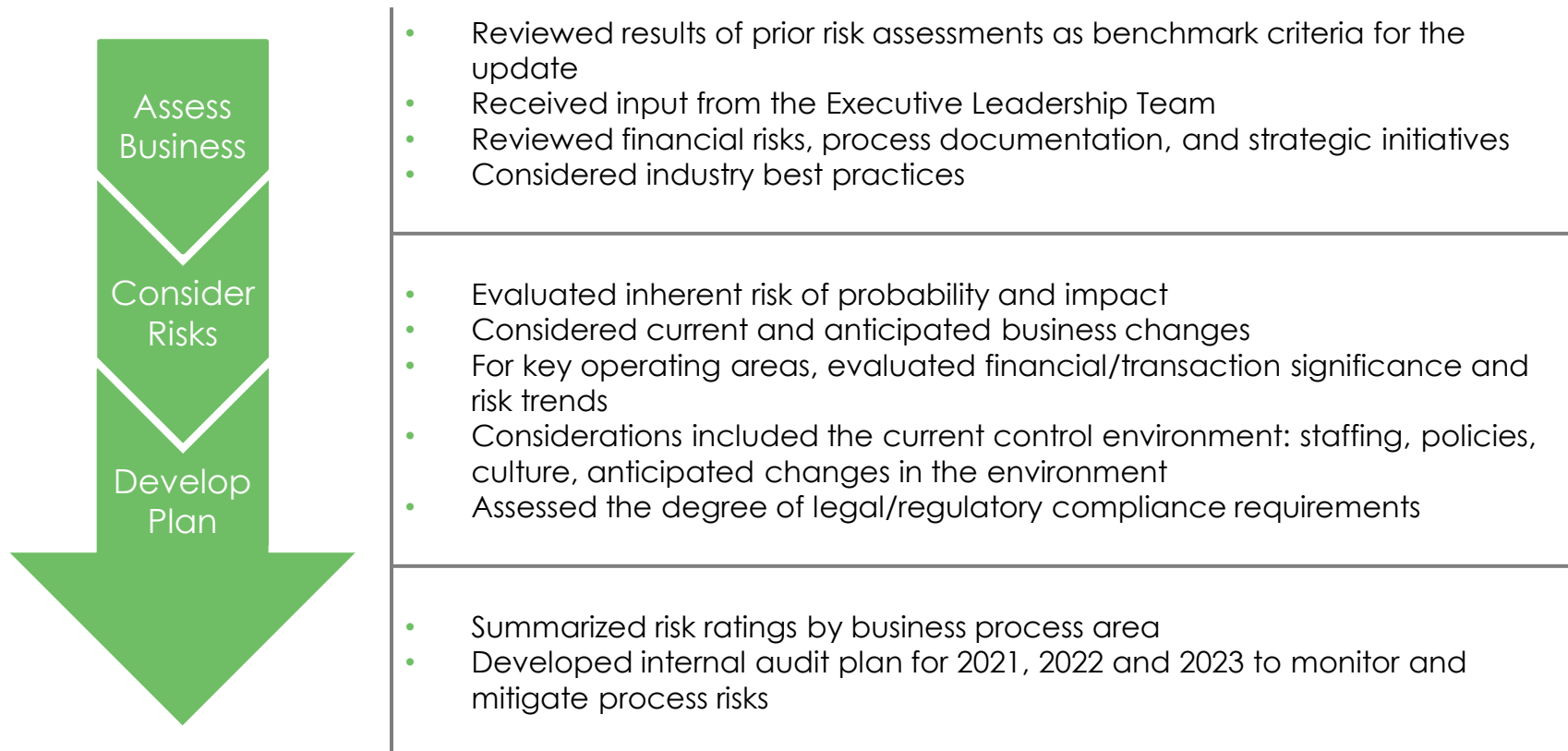
Texas FAIR Plan Association Risk Assessment and Internal Audit Plan Update

December 7, 2020



- ✓ **Purpose:** The accompanying risk assessment has been completed for the purpose of developing an internal audit plan. This risk assessment, therefore, is not an enterprise wide risk assessment, which may consider other risk characteristics.
- ✓ Risk Assessments:
 - Are required by professional internal audit standards
 - Allows internal audit to focus its resources on the areas of greatest risk
 - Results in a comprehensive internal audit plan that identifies the specific areas of internal audit focus over a period of time
 - The frequency of internal audits performed is based on the risk assessed, risk trends and other qualitative factors

Risk Assessment Update Process



Risk Culture Observations

Weaver observed the following organizational culture characteristics while developing the Risk Assessment and Audit Plan:

- ✓ Tone-at-the-top fosters strong control-focused culture
- ✓ Management thoughtfully discussed the risk assessments with Weaver for each business process area
- ✓ Policyholder communications – the Association is proactive in outreach to Texas communities about coverage and protecting property from loss
- ✓ Prior audits indicate internal controls are effective:
 - 2020 audits include: Underwriting, Depopulation, Reinsurance, Claims, Facilities and Services, Financial Close and Reporting, and Database and Application Administration processes
 - Financial statements are audited annually by a third-party

Risk Assessment Definitions

Risks were evaluated based on inherent versus residual risk

Inherent Risk: The natural risk (exposure) in the significant activities of the organization ***without consideration of internal controls*** or other actions that mitigate risk.

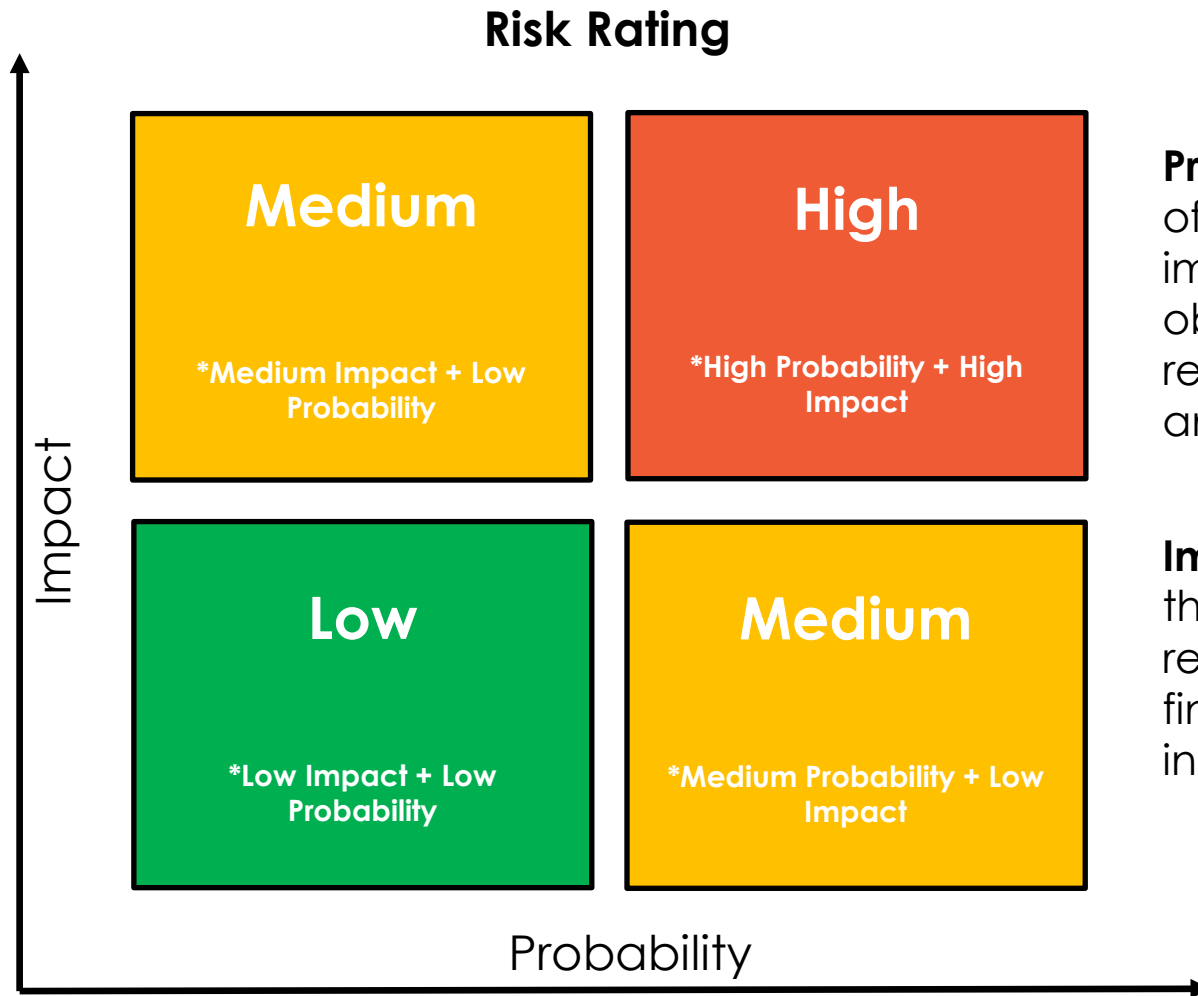


Vs.



*The Inherent Risk Assessment was used in developing the proposed areas of the internal audit plan. The plan is subject to review and approval by the Governing Committee.

Risk Rating (Probability & Impact)



Probability – The likelihood of an event occurring that impacts achieving the objectives over financial reporting, compliance and/or operations.

Impact – The consequence the event has on operations, reputation, compliance, financial reporting and information technology.

*High risk areas are more likely to be included in the 3 year audit plan.

Risk Assessment Results

2020 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend ¹	Risk Trend ¹
		2016	2019	2020		
Information Security	<ul style="list-style-type: none"> • Mobile Security / Bring Your Own Device • Logical Access (Database, OS, Application) • Physical Access • Cybersecurity 	High	High	High	Increasing	Risk is trending higher due to the velocity and evolution of cyber threats.
Claims Processing	<ul style="list-style-type: none"> • First Notice of Loss Process • Triage/Assign Claim • Investigate Claim • Evaluate Claim • Resolve Claim • Recover Damages • Compliance (Legislative & TDI Regulations) • Litigation/Disputed Claims • Quality Assurance • Vendor Management 	High	High	High	Stable	Claims must be responded to and processed in accordance TDI regulatory guidelines and are subject to TFPA policy manual guidelines. There is a heavy dependency on system application for claims processing and settlement. There is also a dependency on third-party adjusters in the event of a named storm or hurricane, whereby these resources may not be available should more than one whether even occur in the Gulf or Atlantic seaboard. Overall risk remains high with a stable trend.
Reinsurance	<ul style="list-style-type: none"> • Execution of Agreements • Billing and Recoverables • Risk Transfer • Reinsurer Management (credit risk monitoring) 	Moderate	High	High	Increasing	Risk trending higher due to hardening market and decline in reinsurance capacity for catastrophic risks.

¹ Risk trend includes both internal and external factors.

Risk Assessment Results – cont.

2020 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend ¹	Risk Trend ¹
		2016	2019	2020		
Database and Application Administration	<ul style="list-style-type: none"> • Database Administration • Application Management • Systems Administration • Report Administration • Software Licensing and Usage 	High	High	High	Stable	Risk is stable due to the reliability of data reporting tools for business operations and strategic planning.
Communications	<ul style="list-style-type: none"> • Legislative Affairs • Agent Communications • Branding (Reputation Management) • Internal Communications and Coordination • Organizational Change Management • Digital Media • Media Relations • Community Outreach • Website Updates • Implementation of Legislative Changes 	Moderate	High	High	Stable	Communication requirements are demanding, though processes are stable and adequately meet demands of stakeholders. The department is well staffed and its functions and responsibilities are well defined.
Actuarial (Pricing and Reserving)	<ul style="list-style-type: none"> • Rate Adequacy • Case Reserving • Data Capture and Accuracy • IBNR Estimation • Premium Rate Changes • Reporting and Analytics 	Moderate	Moderate	High	Stable	Overall risk trend is stable. Reserves have heavy reliance on data accuracy and assumptions used in determining final estimates. Also, there are pricing challenges and complexities in deriving assumptions used in the reserve estimation processes.

¹ Risk trend includes both internal and external factors.

Risk Assessment Results – cont.

2020 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend ¹	Risk Trend ¹
		2016	2019	2020		
Legal & Compliance	<ul style="list-style-type: none"> • Complaint Process (Administrative Code) • Contracts Management Process • Disclosures / Ethics Process • Fraud Reporting Process • Records Retention Process • Public Information / Open Records • E-discovery • HB 3 (Organization-wide) • Policy Management • Filings (TDI, non-financial statement) • Sanctions Checking Process- FCPA/OFAC Compliance • Vendor Management Process 	High	Moderate	Moderate	Stable	Risk is stable due to meeting legal and compliance demands is not over burdensome and the department is adequately staffed.
Underwriting	<ul style="list-style-type: none"> • Application & Quoting Process • Policy Issuance Process (includes Billing) • Agent Registration • Policy Eligibility Determination Process • Fraud Reporting Process • Inspection Process • Agency mergers • Risk Evaluation and Pricing Process • QA/Audit Process • Policyholder/Agent Complaint Process • Appeal Process • Dongle 	High	Moderate	Moderate	Stable	Overall policy counts are trending lower along with written premium, though not significantly. A system upgrade recently occurred, migrating from the CGI application to Policy Center. The risk trend in underwriting and quoting processes are stable.

¹ Risk trend includes both internal and external factors.

Risk Assessment Results – cont.

2020 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend ¹	Risk Trend ¹
		2016	2019	2020		
Executive Management, Management Planning and Reporting	<ul style="list-style-type: none"> • Plan of Operation • Operational Planning and Reporting • Internal Financial Reporting • Board Reporting • Strategic Planning and Execution • CAT (Operations) and Business Continuity Planning • Disaster Recovery Planning (IT) • Pandemic 	Moderate	Moderate	Moderate	Increasing	Higher risk trend due to impending changes to TWIA's Plan of Operation, difficulty retaining top talent due to strong job market and planning for succession for the existing strong management team.
Financial Close and Reporting	<ul style="list-style-type: none"> • Period End Closing Process • Expense Allocation • Statutory Financial Statement Preparation • GASB Compliance • TDI / Statutory Data Calls • General Ledger Recording and Maintenance • Account Reconciliations • Fixed Assets • Escheatment/Unclaimed Property • Debt Arrangements 	Moderate	Moderate	Moderate	Stable	Though changes have occurred with accounting staff, key accounting management personnel remain in place and stable. There have been no significant changes in accounting standards. The department is adequately staffed to perform required controls.
Accounts Payable and Expense Processing	<ul style="list-style-type: none"> • Vendor Management • Accounts Payable Processing (Invoice Routing and Approval) • Check Disbursements • Expense Coding • Employee Expense Reimbursement via ACH Processing • Credit Card Processing 	Moderate	Moderate	Moderate	Stable	Vendor management software has been implemented to centralize controls over contract monitoring. No other significant changes to processes or systems. Also, no other internal and/or external factors currently exist that impact the risk trend.

¹ Risk trend includes both internal and external factors.

Risk Assessment Results – cont.

2020 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend ¹	Risk Trend ¹
		2016	2019	2020		
Application Development	<ul style="list-style-type: none"> • System Development Life Cycle • Project Management Office / Life Cycle 	Moderate	Moderate	Moderate	Stable	Updated management software is used to make revisions to systems and applications over core business functions. Risk trend is stable.
Information Technology Services	<ul style="list-style-type: none"> • Network Security/Operations (including Monitoring, Tools) • Help Desk • Change Management • Website Maintenance • Hardware Management • IT Vendor Management 	Moderate	Moderate	Moderate	Stable	Risk remains stable given the information technology environment, including age of existing software and hardware.
Facilities and Services	<ul style="list-style-type: none"> • Building Access & Physical Security • Mail and Routing • Facilities Maintenance • Events/Training Management • Premises Insurance (COVID) 	Low	Low	Moderate	Stable	The Association is proactive in updating policies to address internal and external risk factors, including new CDC guideline that address pandemic related exposures. Risk trend has stabilized while the overall risk level is increased due to potential exposure to illness, as is the case with most office environments.

¹ Risk trend includes both internal and external factors.

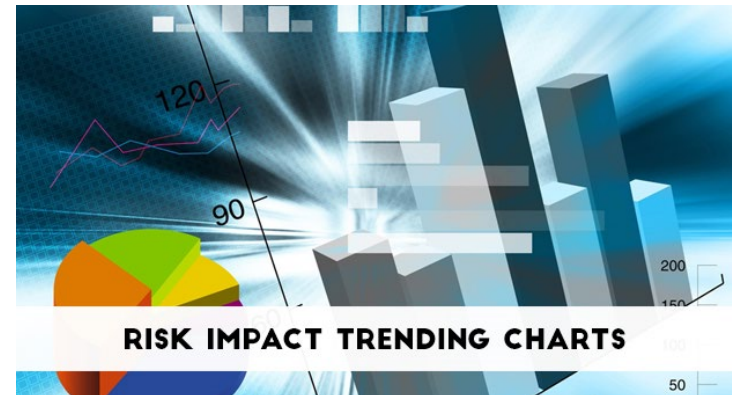
Risk Assessment Results – cont.

2020 Risk Assessment Summary						
Risk Area	Process Activities	Inherent Risk Rating			Current Risk Trend ¹	Risk Trend ¹
		2016	2019	2020		
Human Resources Administration	<ul style="list-style-type: none"> • Recruiting/Selection • Benefits Management • Compensation Management • Onboard/Offboarding • Termination Process • Complaints, Grievances, and Disputes (Employment) • Privacy and Employee Compliance 	Low	Low	Moderate	Increasing	Currently, there is a high demand for experienced talent coupled with low supply of qualified candidates. This has created a very competitive retention landscape. This environment creates more challenges in employee retention coupled with increased compensation cost.
Cash Management	<ul style="list-style-type: none"> • Banking General • Lockbox • Credit Cards • Wire Transfers • Void Stop Payments • Positive Pay • Cash Forecasting • Bank Account Reconciliation • Cash and Cash Equivalent Investments Management 	Low	Low	Moderate	Stable	New bank and collection processes further strengthen existing internal controls. Balances can change significantly due to weather related events. The current risk environment is stable.
Taxes	<ul style="list-style-type: none"> • Premium Taxes • Tax Preparation and Compliance 	Low	Low	Low	Stable	No changes in system applications, processes, regulations or personnel. The overall risk environment remains stable.
Accounts Receivable	<ul style="list-style-type: none"> • Billing • Collections and Deposits • Customer Account Maintenance • Past Due A/R, Non-admitted and write-offs • Agent Commissions • Refunds • System Reconciliation 	Low	Low	Low	Stable	Receivable balances are trending down, which is reflected in the written premium trend. No other internal and/or external factors currently exist that impact the risk trend.

¹ Risk trend includes both internal and external factors.

Audit Plan 2021-2023

- The proposed **audit plan has been** developed using results of the Risk Assessment and considered:
 - Audit frequency was determined based on:
 - Risk trend
 - Results of past audits
 - Changes in the control environment
 - New software applications
 - Other qualitative factors



Proposed Three Year Audit Plan

Process Area	2020 Risk Rating	2018	2019	2020	2021	2022	2023
Information Security	High	x			x		
Claims Processing	High		x	x		x	
Reinsurance	High			x		x	
Database and Application Administration	High			x			x
Communications	High	x		x		x	
Actuarial (Pricing and Reserving)	High	x			x		
Legal & Compliance	High	x		x			x
Underwriting	Moderate	x		x			x
Plan Of Operation	Moderate				x		
Business Continuity of Operations	Moderate		x			x	
Disaster Recovery	Moderate			x			
Governance	Moderate				x		
Financial Close and Reporting	Moderate			x			
Accounts Payable and Expense Processing	Moderate		x				x
Application Development	Moderate	x				x	
Information Technology Services	Moderate					x	
Vendor Management	Moderate		x		x		
Facilities and Services	Moderate			x			x
Cash Management	Moderate	x			x		
Fraud Risk Assessment	Low				x		x
Taxes	Low				x		
Accounts Receivable	Low		x				x
Payroll	Low		x				x

Discussion



7. Underwriting

7A. Operational Review Update

MEMORANDUM

DATE: November 24, 2020
TO: John Polak, General Manager
FROM: Denise Larzalere, Vice President Underwriting
RE: Update on Underwriting Operational Highlights

Third Quarter 2020 Highlights

I Service Results:

- a. Underwriting continues to have consistent turnaround time on all policy transactions. Our goal is to issue 90% of new business submissions, endorsements, renewals, and cancellations within 10 days; we are surpassing this standard with over 96% of all transactions processed within 10 days and with approximately 87% of new business via straight through processing.
- b. Quality Assurance scores on the underwriting decisions continue to meet or exceed established goals.
- c. Customer Service telephone response time is within our established goals. We continue to experience increased call volume since transitioning to teleworking. Payment leniency (telephone payments) have increased, as well as general training questions from agents. We have increased utilization of the external call center and modified some scheduling to ensure acceptable service levels. We continue to perform service observation (listening to phone calls and scoring them) as well as calibrating expectations within the entire Association.
- d. Underwriting operated under budget in the third quarter, driven by lower head count and fewer inspections.

II. TFPA Agent Audit Results:

- a. 10 agents (100 properties/policies) were selected for review in the third quarter of 2020 to verify compliance with the declination of coverage requirement and TFPA Producer Requirements and Performance Standards. 9 agents have responded, with follow-up requests being sent to the 1 agent who has not responded yet.
 - i. Proof of declination was received for forty-four percent of the policies selected from the 9 agents who have provided documentation. Staff is following up for outstanding proof of declinations.
 - ii. Signed applications and eligibility statements were provided for approximately seventy-eight percent of the policies selected from the 9 agents who have provided



documentation. Staff is following up with the agents who have not yet provided signed applications.

- b. All 10 agents have an active property & casualty insurance license, and all 10 agents have the required direct standard market appointments.

III. Additional items to note:

- a. We have decommissioned the CGI I/O policy administration system effective September 30, 2020, with a cost savings of approximately \$110,500 per month.
- b. All active policies and claims previously administered in CGI have been migrated to the new Guidewire Policy Center and Claims Center
- c. During the last meeting a question was asked about any impacts that the current pandemic has had on our book of business. We reviewed indicators such as retention, new business growth and lapse ratio and found that the lines were flat. Other than the normal seasonal fluctuations, there were no noticeable changes.

8. Claims

8A. Claims Operations

TFPA Claims Operations 2020

TFPA Claims - 2020 Results (through Q3)					
Key Cycle Times (In days)	Industry Average, TX	TFPA	TFPA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	5.3	2.8	<3	-0.2	-7%
Inspect Property to Receipt by TFPA	3.4	2.4	<8	-5.6	-70%
Total Cycle Time FNOL to Payment	N/A	8.8	<12	-3.2	-20%
TDI Complaint Ratio					
2019	0.19% - 13 complaints from 6,950 new claims				
2020	0.09% - 4 complaints from 4,678 new claims				

Year	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Actual Volume	523	382	400	392	658	576	647	521	579
Actuarial Projected	400	296	292	737	727	281	277	273	269
Median Staffing	286	286	286	286	286	286	286	286	286
Open Inventory	617	592	558	529	491	712	691	1,332	1,237

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
2016	332	-	108	-	333	-	1,010	-	8,774	-	10,989	-
2017	282	-15.1%	119	10.2%	271	-18.6%	959	-5.0%	20,245	130.7%	22,276	102.7%
2018	211	-25.2%	112	-5.9%	184	-32.1%	1,007	5.0%	2,927	-85.5%	4,769	-78.6%
2019	232	10.0%	74	-33.9%	155	-15.8%	726	-27.9%	4,856	65.9%	6,390	34.0%
2020	76	-67.2%	65	-12.2%	82	-47.1%	487	-32.9%	2,403	-50.5%	3,440	-46.2%

Incurred Amounts by Peril

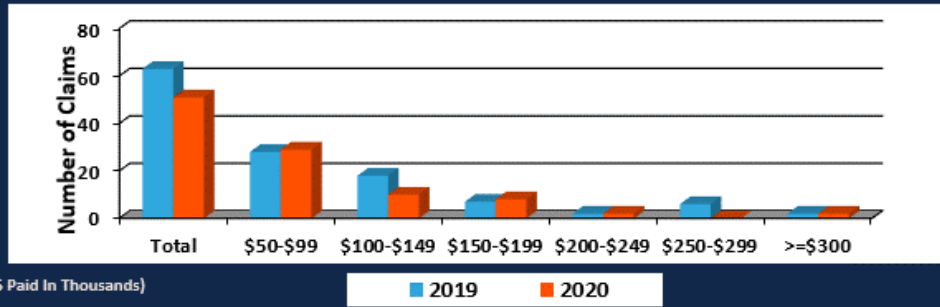
Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2016	\$12,596,494	-	\$1,200,709	-	\$994,015	-	\$963,568	-	\$42,530,623	-	\$59,739,816	-
2017	\$11,533,193	-8.4%	\$1,023,968	-14.7%	\$628,257	-36.8%	\$906,433	-5.9%	\$50,684,166	19.2%	\$65,417,257	9.5%
2018	\$9,524,538	-17.4%	\$289,039	-71.8%	\$512,246	-18.5%	\$967,647	6.8%	\$8,913,029	-82.4%	\$20,782,614	-68.2%
2019	\$9,707,723	1.9%	\$555,045	92.0%	\$392,556	-23.4%	\$551,611	-43.0%	\$20,158,513	126.2%	\$31,901,021	53.5%
2020	\$3,934,544	-59.5%	\$85,418	-84.6%	\$100,973	-74.3%	\$374,100	-32.2%	\$9,215,798	-54.3%	\$16,224,819	-49.1%

Incurred 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
2016	\$37,941	-	\$11,118	-	\$2,985	-	\$954	-	\$4,847	-	\$5,436	-
2017	\$40,898	7.8%	\$8,605	-22.6%	\$2,318	-22.3%	\$945	-0.9%	\$2,504	-48.4%	\$2,937	-46.0%
2018	\$45,140	10.4%	\$2,581	-70.0%	\$2,784	20.1%	\$961	1.7%	\$3,045	21.6%	\$4,358	48.4%
2019	\$41,844	-7.3%	\$7,501	190.6%	\$2,533	-9.0%	\$760	-20.9%	\$4,151	36.3%	\$4,992	14.6%
2020	\$51,770	23.7%	\$1,314	-82.5%	\$1,231	-51.4%	\$768	1.1%	\$3,835	-7.6%	\$4,717	-5.5%

*Case incurred 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
2019 (complete year)	63	28	18	7	2	6	2
Liability	0	0	0	0	0	0	0
2020 (YTD)	46	27	9	7	2	0	1
Liability	5	2	1	1	0	0	1
Variance	-12	1	-8	1	0	-6	0

Hurricane Harvey

TFPA Harvey	As of 6/30/20	As of 10/30/20	Change	% Change
Claims	17,644	17,994	350	2.0%
Open	290	246	-44	-15.2%
Closed	17,374	17,748	374	2.2%
% Closed	98.4%	98.6%	0	0.2%
Paid Indemnity	\$34,825,838	\$ 35,084,044	\$258,206	0.7%
Paid Expense	\$21,639,186	\$ 22,666,970	\$1,027,784	4.7%
Active Appraisals	19	14	-\$5	-26.3%

TFPA 2020 Hurricane Season	As of 10/30/20
Hanna (7/25)	
Claims	86
Paid Indemnity	\$297,713
Laura (8/26)	
Claims	295
Paid Indemnity	\$2,062,683
Beta (9/20)	
Claims	125
Paid Indemnity	\$226,728
Delta (10/9)	
Claims	59
Paid Indemnity	\$83,174
All Storms	
Claims	565
Paid Indemnity	\$2,670,298

8B. Claims Litigation



TFPA Litigation Tracking Activity

Litigation Quarter Summary Third Quarter 2020

3rd Quarter 2020	Summary of TFPA Claims in Suit					
	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
	July	2	0	0	4	2
	Aug	2	0	0	8	0
Sept	2	1	0	0	5	2
	6	1	0	0	17	4

3rd Quarter 2020	Summary of TFPA Claims with LORs					
	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
	July	16	1	0	7	1
	Aug	13	0	0	9	1
Sept	9	0	0	0	9	0
	38	1	0	0	25	2



TEXAS FAIR PLAN
ASSOCIATION

TFPA Claims Litigation September 2020

Sep-20	TFPA Claims in Suit						
		Beginning Inventory	New	Closed	Ending Inventory		
					1st Party	3rd Party	TOTAL
	Wind/Hail	252	2	(4)	250	0	250
	Other Perils	9	0	(1)	8	0	8
	Bodily Injury	2	1	(2)	0	1	1
	Property Damage	0	0	0	0	0	0
	TOTAL	263	3	(7)	258	1	259

Sep-20	TFPA Claims with LORs							
		Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory		
						1st Party	3rd Party	TOTAL
	Wind/Hail	70	8	(7)	0	71	0	71
	Other Perils	21	1	(2)	0	20	0	20
	Bodily Injury	0	0	0	0	0	0	0
	Property Damage	0	0	0	0	0	0	0
	TOTAL	91	9	(9)	0	91	0	91



TEXAS FAIR PLAN
ASSOCIATION

Sep-20	TFPA Claims with Suits/LORs: Detail of Ending Inventory											
	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
		Suits		LORs			Suits		LORs			
		1st	3rd	1st	3rd	Total	1st	3rd	1st	3rd	Total	
	TOTAL	258	1	91	0	350	0	0	0	0	0	350

Sep-20	TFPA Active Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	Total
	Buzbee Law/Manuel Solis	142
	Manuel Solis, P.C.	68
	Dick Law Firm	38
	Daly & Black	29
	Arnold & Itkin LLP	9
	Buzbee Law Firm	9
	Lane Law Firm	7
	Chad T. Wilson Law Firm	5
	Daly & Black/Arnold & Itkin	4
	Potts Law Firm	3
	Cristobal M. Galindo P.C.	3
	Fitts Law Firm	3
	Lindsay, Lindsay & Parsons	2
	Scott Law Offices	2
	Remaining 24 firms	26
	TOTAL	350



TEXAS FAIR PLAN
ASSOCIATION

Sep-20	TFPA Active Claims with Suits/LORs: County of Loss Location			
	County	1st Party	3rd Party	Total
	Brazoria	0	1	1
	Chambers	1	0	1
	Dallas	1	0	1
	Denton	1	0	1
	El Paso	1	0	1
	Ft. Bend	13	0	13
	Galveston	3	0	3
	Harris	319	0	319
	Hidalgo	1	0	1
	Jefferson	3	0	3
	Montgomery	2	0	2
	Orange	2	0	2
	Tarrant	1	0	1
	Webb	1	0	1
	TOTAL	349	1	350

9. TFPA Operations

9A. IT System Enhancements



TEXAS WINDSTORM
INSURANCE ASSOCIATION



TEXAS FAIR PLAN
ASSOCIATION

MEMORANDUM

DATE: December 7, 2020

TO: John Polak, General Manager

FROM: Camron Malik, CIO / VP IT

RE: TFPA Information Technology status

The TFPA implementation is in Production Support mode. All policies and data were migrated off the legacy CGI platform and the project to decommission the CGI system was successfully completed on September 30th, 2020. This resulted in a \$330,000 savings in 2020 as we completed the effort 3 months ahead of the contract expiration with CGI.

The Systems Development/Production Support releases continue with their monthly cadence, delivering various defect fixes and features for the business with quality and timeliness. The Infrastructure and Operations team continues to support remote work with excellent quality. All technology support and projects are on-track.

9B. Communications Update

MEMORANDUM

DATE: November 18, 2020

TO: TFPA Governing Committee

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

RE: Communications & Legislative Affairs Operational Highlights

Legislative & Regulatory Affairs

- Engagement with legislative offices increased in Q3 2020. While offices continue to be primarily focused on issues pertaining to the COVID-19 pandemic and related economic conditions, they have begun to increase the range of topics on which they are prepared to communicate as the 87th Legislative Session approaches. Going into the last quarter of 2020, we plan to meet virtually with several legislative offices.
- Based on discussions with multiple legislative offices, we can confirm that the Legislative Oversight Board tasked with studying a merger between TWIA and TFPA in the interim between legislative sessions will defer their work due to the COVID-19 crisis.
- Based on legislation filed so far and our discussions with legislative offices, it appears likely that the Legislature may consider proposals for some kind of statewide risk sharing in regard to residual windstorm insurance. Proposals in this area include a merger of TWIA and TFPA. It is too early to predict what proposals, if any, will gain enough support to be enacted. While rates and funding remain key issues for coastal legislators, legislative bandwidth used on other priorities may preclude progress on TWIA-related legislation.
- Rep. Dade Phelan, whose district includes Orange and Jefferson counties, is likely to be elected Speaker of the House for the upcoming session. We met with Rep. Phelan's staff in early November to brief them on our progress on claims arising from Hurricanes Laura and Delta. Also, of note, former Insurance Commissioner Julia Rathgeber is expected to serve as Speaker Phelan's chief of staff.
- July 1 through September 30, 2020, most legislative and regulatory inquiries received during the third quarter were related to TWIA matters. We received only one FAIR Plan inquiry.
- We continue to provide recurring operational email updates to the Governing Committee, TDI, legislative staff, and coastal elected officials and stakeholders.

9C. Review/Approval of the 2021 Budget



**Texas FAIR Plan Association
Proposed 2021 Annual Budget**

The proposed annual budget for 2021 for the Texas FAIR Plan Association (the “2021 Budget”) is provided below for consideration by the Governing Committee. **Table 1** presents the 2021 Budget, the 2020 Forecast and the 2020 Budget with comparisons. **Table 2** presents a reconciliation of beginning and ending surplus and key ratios for the relevant periods.

Table 1
TEXAS FAIR PLAN ASSOCIATION
Statutory Income Statement (000's omitted)

	A	B	C	D	E
	For the twelve months ended December 31,			B2021 vs	B2021 vs
	Forecast - 2020	Budget - 2020	Budget - 2021	B2020	F2020
1 Premiums Written:					
2 Direct	\$ 77,899	\$ 73,554	\$ 68,437	\$ (5,117)	\$ (9,462)
3 Ceded	(28,789)	(29,144)	(28,789)	355	(0)
4 Net	49,110	44,410	39,648	(4,762)	(9,462)
5 Premiums Earned:					
6 Direct	\$ 81,682	\$ 77,754	\$ 72,995	\$ (4,759)	\$ (8,687)
7 Ceded	(28,997)	(29,144)	(28,789)	355	208
8 Net	52,685	48,610	44,206	(4,404)	(8,479)
9 Deductions:					
10 Losses and LAE Incurred	36,191	27,657	25,983	(1,674)	(10,208)
11 Operating Expenses	13,050	14,348	11,097	(3,251)	(1,953)
12 Commission Expense	8,227	7,870	7,323	(547)	(905)
13 Ceding commissions / brokerage	(689)	(707)	(689)	18	(0)
14 Premium / Maintenance Tax	1,485	1,449	1,273	(176)	(213)
15 Total Deductions	58,264	50,617	44,986	(5,631)	(13,278)
16 Net Underwriting Gain or (Loss)	(5,580)	(2,007)	(780)	1,226	4,799
17 Other Income or (Expense):					
18 Investment Income	125	525	19	(506)	(106)
19 Investment Expenses (LOC Fees)	(123)	(120)	(120)	0	3
20 Sales Tax Refund and Other Income (Expense)	0	0	0	0	0
21 Member Assessment Income	0	0	0	0	0
22 Charge off's /Write off	(133)	(514)	(309)	205	(176)
23 Billing Fees	171	221	182	(39)	11
24 Total Other Income or (Expense)	39	112	(228)	(340)	(267)
25 Net Income (Loss)	\$ (5,540)	\$ (1,895)	\$ (1,008)	\$ 886	\$ 4,532

Table 2
Surplus and Key Operating Ratios
(\$ in 000's)

	A	B	C	D	E
	For the twelve months ended December 31,			B2021 vs	B2021 vs
	Forecast - 2020	Budget - 2020	Budget - 2021	B2020	F2020
1 Surplus (Deficit) Account:					
2 Beginning Surplus (Deficit)	12,133	12,133	5,838	(6,295)	(6,295)
3 Net Income (Loss)	(5,540)	(1,895)	(1,008)	886	4,532
4 Change in Provision for Reinsurance	(505)	0	0	0	505
5 Change in nonadmitted assets	(250)	0	(257)	(257)	(8)
6 Ending Surplus (Deficit)	\$ 5,838	\$ 10,238	\$ 4,573	\$ (5,666)	\$ (1,266)
7 Key Operating Ratios:					
8 Direct:					
9 Loss & LAE Ratio	44.3%	35.6%	35.6%	0.0%	-8.7%
10 UW Expense Ratio:					
11 Acquisition	12.5%	12.7%	12.6%	-0.1%	0.1%
12 Non Acquisition	16.0%	16.7%	15.2%	-1.5%	-0.8%
13 UW Expense Ratio	28.4%	29.4%	27.8%	-1.6%	-0.7%
14 Direct Combined Ratio	72.8%	64.9%	63.4%	-1.6%	-9.4%
15 Net Combined Ratio	111.1%	101.9%	106.8%	4.9%	-4.3%

Texas FAIR Plan Association Proposed 2021 Annual Budget

Overview

The 2021 Budget for the Texas FAIR Plan Association (“TFPA” or “FAIR Plan”) reflects an assumption of continuing decreases in written and earned premium due to declining policy counts offset by a decrease in operating expenses.

- Based on recent trends in policy counts and average limits per policy, and no 2021 rate change, the 2021 budget projects a decrease in direct written premiums to **\$68.4 million**, representing a \$9.5 million reduction (12.2%) from the forecasted 2020 Direct Written Premium of \$77.9 million. The 2020 Forecast and 2021 Budget does include the impact of the 2021 rate increase effective on August 1, 2020.
- Direct Earned Premium declines to **\$73.0 million** in 2021 compared with projected Earned Premium of \$81.7 million in 2020, a decline of \$8.7 million (10.6%). Net Earned Premium is budgeted to decline to **\$44.2 million** in 2021, down \$8.5 million from the \$52.7 million forecasted Net Earned Premium in 2020. Net Earned Premium equals Direct Earned Premium less Ceded Earned Premium (premium associated with reinsurance)
- Reinsurance is scheduled to be placed effective July 1, 2021, at a cost assumed to be equal to the amount spent in 2020 or **\$28.8 million**
 - Actual reinsurance costs will depend upon the net retention, limit purchased and market conditions. The budgeted reinsurance costs should be considered a placeholder until updated model output is available, the Governing Committee approves the reinsurance program and market conditions have become apparent in June 2021
- Losses and Loss adjustment expenses are budgeted at more typical levels producing an anticipated loss and LAE ratio of **35.6%**. The 2021 Budget assumes a “normal” spring storm season and no adverse development on year end 2020 loss reserves.
 - The Budget includes loss and loss adjustment expense (LAE) assumptions for non-hurricane losses, including fire, theft, etc. No provision is made for potential hurricane losses in the 2021 Budget.
- Total Operating Expenses (before allocations to Unallocated Loss Adjustment Expense (“ULAE”) and Investment Expense) are budgeted to decrease \$3.3 million, or 18.3% from a forecast of \$17.9 million in 2020 to **\$14.6 million** in the 2021 Budget.
 - Operating expenses are budgeted to decline as the upgrade to the FAIR Plan Guidewire system is complete and resources are diverted from FAIR Plan to work on the TWIA Project Elevate.
- Commission expense to agents is expected to decline from the forecasted \$8.2 million in 2020 to **\$7.3 million** in the 2021 Budget, driven by continued declines in policy counts.
- Premium and maintenance taxes reflect a budgeted decline from \$1.5 million forecasted in 2020 to **\$1.3 million** in 2021
- The budget results in a net loss of **\$1.0 million** compared to a \$5.5 million loss forecasted for 2020.
- Based on a 2021 budgeted net loss of \$1.0 million, surplus is projected to decrease to **\$4.57 million** at December 31, 2021 from the \$5.84 million projected surplus at December 31, 2020.

Key Assumptions

The 2021 Budget relies on the following key assumptions:

- Rate changes: no rate increases are budgeted for 2021.
- Total policies in force: decline by **7.3%**. Average limit per policy: decline by 8.2%
- Direct written premium: decreases by **12.2%**
- Reinsurance costs: assumed to be equal to the amount spent in 2020 or \$28.8 million
- Hurricane losses: no hurricanes losses in 2021 and no development on 2020 losses.
- Non-hurricane loss & loss adjustment expense ratio: **35.6%**.
- Commission rate: **10.7%**
- Premium taxes, licenses and other fees: **1.86%**
- Investment yields: **0.05%**
- \$40 million line of credit: renewed with same commitment fees as 2020.

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The following sections provide a more detailed analysis of key elements of the 2021 Budget.

Policy Count

- The 2021 Budget assumes a **7.3%** decline in policies in force (PIF), with policy count declining from a projected 73,753 at December 31, 2020 to **68,363** at year end 2021, a decline of 5,390 policies. This compares to the 15.4% or 14,715 PIF decline in 2019 and the projected 8.9% or 7,170 decline in 2020. **Table 3** below provides 5 years of policy counts by class of business.

Table 3
Historical Policy Counts by Class of Business

A		B	C	D	E	F	
		Policies in Force at December 31,					
					2020	2021	
1	Class of Business	2017	2018	2019	Projected	Budget	1
2	Homeowners - HO3	50,159	41,555	34,253	31,308	29,653	2
3	Dwelling - DP2	52,453	46,475	40,379	36,900	33,723	3
4	Condominium - HO6	4,206	4,059	3,670	3,368	3,171	4
5	Tenant - HO4	4,171	3,549	2,621	2,177	1,816	5
6	Total	110,989	95,638	80,923	73,753	68,363	6
7	% Change	-8.6%	-13.8%	-15.4%	-8.9%	-7.3%	7

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Operating Expenses

- Total Operating Expenses (before allocations to Unallocated Loss Adjustment Expense (“ULAE”) and Investment Expense) are budgeted to decrease \$3.3 million, or 18.3% from a forecast of \$17.9 million in 2020 to **\$14.6 million** in the 2021 Budget.
- **Table 4** below shows the Total Operating Expenses and allocations to Loss Adjustment Expenses and Investment Expense to derive Net Underwriting Expenses.

Table 4
Total Operating Expenses/Net Underwriting Expenses
(000's)

TFPA		Budget 2021	Forecast 2020	B2021 vs F2020	
1	Total Operating Expenses	14,621	17,903	(3,282)	1
2	ULAE Allocation	(3,324)	(4,703)	1,380	2
3	Investment Exp Allocation	(200)	(149)	(51)	3
4	Net Underwriting Expenses	11,097	13,050	(1,953)	4

- The decrease in ULAE in the 2021 TFPA Budget versus the 2020 forecast is attributable to a \$942,000 decrease in salaries/wages and contractor expense in the Claims Department and a \$360,000 reduction in claim related IT consultants following the implementation of the Guidewire system at FAIR Plan.
 - Net Underwriting Expenses are budgeted to decline \$1.95 million, from \$13.1 million forecasted in 2020 to **\$11.1 million** in the 2021 budget. This is driven by a \$1.5 million reduction in IT Professional Services expense, \$440,000 in IT personnel expense and reductions in other personnel related expenses as some employees are redeployed to work on TWIA Elevate. Additional detail regarding these items is provided below.
- **Table 5** below provides a comparison of Net Underwriting Expenses by major category.

Table 5
Net Underwriting Expenses by Category
(000's)

A		B	C	D	
Description		Budget 2021	Forecast 2020	B2021 vs. F2020	
1	Personnel Costs	6,302	7,152	(850)	1
2	Professional Services	1,872	3,270	(1,398)	2
3	HW/SW & Licensing	1,362	1,271	91	3
4	Rental & Maintenance	568	545	22	4
5	Travel Expenses	61	37	24	5
6	Postage, Tele & Express	399	324	75	6
7	Other Operating Expense	533	450	83	7
8	Net Underwriting Expenses	11,097	13,050	(1,953)	8

- Personnel Costs are budgeted to decrease by \$850,000 to **\$6.3 million** in 2021 compared to the forecast of \$7.2 million in 2020. See **Table 6** below.

- Salary and Wages for permanent employees is budgeted to decrease by \$308,000 to **\$3.9 million** in 2021 from \$4.2 million in 2020. This was largely driven by changes in the allocation from TFPA to TWIA in several departments due to Elevate and the implementation of TWIA legislative initiatives required by January 1, 2021.
- The decrease in Salary and Wages is accompanied by a reduction in Contractor and Temporary Help expense of \$280,000 which declines from a forecasted \$872,000 in 2020 to \$592,000 in 2021..

Table 6
Personnel Expenses
(in 000's)

A		B	C	D	
		Budget	Forecast	B2021 vs	
		2021	2020	F2020	
1	Salaries & Wages - Permanent	3,899	4,207	(308)	1
2	Contractor & Temporary Help	592	872	(280)	2
3	Payroll Taxes	309	333	(23)	3
4	Employee Benefits	1,402	1,679	(278)	4
5	Recruiting, Training & Other	100	61	39	5
6	Total Personnel Costs	6,302	7,152	(850)	6

- The overall allocation of Salary and Wages to TFPA decreased from a 2020 actual/forecast of 29.6% to **26.2%** in the 2021 budget. The change in allocation accounted for \$488,000 of the \$308,000 decrease in TFPA salaries and was offset by \$180,000 in increases including the TFPA portion of merit increases. **Table 7** below shows the impact of the 3.4% change in salary allocations away from TFPA towards TWIA.

Table 7
Impact of Changes in Salaries and Salary Allocations
(000's)

	A	B	C	D	E	
	Combined TWIA and TFPA	TWIA	TFPA	% TWIA	% TFPA	
1	2021 Budget	14,876	10,977	3,899	73.8%	26.2%
2	2020 Forecast	14,189	9,982	4,207	70.4%	29.6%
3	Increase/(Decrease)	686	995	(308)	3.4%	-3.4%
	Impact of Change in Allocations ¹	488	(488)			
	Impact of Change in Salaries ²	506	180			
		995	(308)			

(1) 2020 Budget combined salaries X change in allocations

(2) Change in salaries X new allocations

- Professional Services costs are budgeted to decrease by \$1.40 million from \$3.27 million forecasted for 2020 to **\$1.87 million** in 2021. Details of Professional & Consulting Services are provided in **Table 8**.

- Professional Services includes outside legal fees, underwriting surveys and inspections, outside auditors, disaster recovery vendors, IT consultants and other fees for outside services.
- Consulting services for IT decreased \$1.5 million as consulting contracts are now utilized primarily by TWIA for Project Elevate.

Table 8
Professional & Consulting Services, Net
2021 Budget vs. 2020 Forecast Comparisons
(000's)

		Professional & Consulting Services			
		Budget	Forecast	B2021 vs	
		2021	2020	F2020	
1	Professional & Consulting Services				1
2	Legal	112	93	19	2
3	Accounting & Auditing	76	72	4	3
4	Information Technology	116	1,634	(1,518)	4
5	Actuarial Services	20	26	(6)	5
6	Ombudsman Program	0	0	0	6
7	Surveys & Inspections	546	517	29	7
8	Disaster Recovery Services	143	148	(5)	8
9	Other Services	859	780	79	9
10	Professional Services, Net	1,872	3,270	(1,398)	10

Other Income and Expense

- Other income consists primarily of earnings from investments and billing fees from policy operations. Other expense items include investment expenses such as bank charges and commitment fees related to our line of credit and charge offs of uncollectible accounts.
- Investment income is budgeted to remain low in 2021 due to the record low interest rate environment associated with the Federal Reserves efforts to stimulate the economy strained by the pandemic.
- Charge-offs, are budgeted at \$309,000 which is below historical levels, but higher than the 2020 forecast.
- Budgeted billing fees are anticipated to increase slightly from a forecast of \$171,000 to \$182,000 in 2021. This assumes that normalized billing operations resume in mid 2021 for approved convenience fees.

12. Future Meetings

February 22, 2021 – Webinar

May 17, 2021 – Webinar

August 2021 – TBD