

Meeting of the Governing Committee
Texas FAIR Plan Association
Teleconference/Web Conference
February 21, 2022
Tremont House
2300 Ships Mechanic Row
Galveston, TX 77550
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.

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

1. Call to Order – Reminder of the Anti-Trust Statement
A. Welcoming Remarks – *Mark Solomon* 5 minutes
B. Reminder of Anti-Trust Statement – *Mark Solomon or Counsel*
C. Meeting Format Information – *Anna Stafford*
2. Approve the Minutes from Prior Governing Committee Meetings 5 minutes
– *Mark Solomon* – **Action/Vote Likely***
3. TFPA Operational Highlights – *John Polak* 5 minutes
4. Financial 30 minutes
A. Report of the Secretary/Treasurer – *David Nardecchia* – **Action/Vote Likely***
 1. Income Statement
 2. Management Discussion and Analysis
- B. Financial Statement Review by Staff – *Stuart Harbour*
 1. Income Statement and Expense Statement
 2. Balance Sheet
 3. Cash & Short-Term Investments
 4. Cash Flow Statement
 5. Historical Data
5. Actuarial – *Jim Murphy* 15 minutes
 - A. Reserve Adequacy
 - B. Policy Count/Exposures
 - C. Appointment of Actuary and Qualification Documentation – **Action/Vote Likely***
 - D. Rate Filing Update
6. Internal Audit Status & Update – *Bruce Zaret – Weaver* 20 minutes

7. Underwriting Operational Review Update – <i>Jessica Crass</i>	<i>10 minutes</i>
8. Claims	<i>15 minutes</i>
A. Claims Operations – Overview – <i>Dave Williams</i>	
B. Litigation Summary – <i>David Durden</i>	
9. TFPA Operations	<i>20 minutes</i>
A. IT System Enhancements – <i>Camron Malik</i>	
B. Communications Update – <i>Jennifer Armstrong</i>	
10. Closed Session (Governing Committee Only)	<i>30 minutes</i>
A. Personnel Issues	
B. Legal Advice	
11. Matters Deliberated in Closed Session That May Require Action, if any, of the Governing Committee – Action/Vote Likely*	<i>5 minutes</i>
12. Future Meetings – <i>John Polak</i>	<i>5 minutes</i>
• May 16, 2022 – Hyatt Regency Austin/Webinar	
• August 2022 – TBD	
13. Committees – <i>Mark Solomon</i>	<i>5 minutes</i>
14. Adjourn	
Estimated Total Length of Meeting	2 hours 50 minutes

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)**

900 North Shoreline Blvd.
Corpus Christi, TX 78401



December 6, 2021

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 | AmTrust |
| 5. Frank Baumann | Public Member |
| 6. Georgia Neblett | Public Member |
| 7. Tim McCarthy | Texas Farm Bureau |
| 8. Marilyn Hamilton | Public Member |
| 9. Edward James Sherlock | Agent Member |
| 10. Corise Morrison | USAA |
| 11. Marianne Baker | Ex-Officio Non-Voting Member, TDI |

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

- | | |
|---|-------------------------|
| 1. John Polak, General Manager | TFPA |
| 2. Stuart Harbour, Interim 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. Camron Malik, Chief Information Officer | TFPA |
| 8. JD Lester, VP Human Resources | TFPA |
| 9. Jim Murphy, Chief Actuary | TFPA |
| 10. Amy Koehl, Senior Project Administrator | TFPA |
| 11. Kristina Donley, Senior Instructional Designer | TFPA |
| 12. Mike Perkins, Association Counsel | Perkins Law Group, PLLC |

The Following Guests were Present:

- | | |
|----------------------------|--|
| 1. James Conroy | Aon |
| 2. Cory Anger | Guy Carpenter |
| 3. Tad Delk | Guy Carpenter |
| 4. Xiuyu Li | TWIA |
| 5. Chandra Franklin Womack | TWIA First Tier Coastal Representative |
| 6. Tim Garrett | TWIA Non-Seacoast Territory Representative |
| 7. Tony Schrader | TWIA Non-Seacoast Territory Representative |
| 8. Ron Walenta | TWIA Non-Seacoast Territory Representative |
| 9. Allen Cashin | Willis Re |

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

- | | |
|-----------------------|----------------------|
| 1. Sally Bakko | 10. Laura Machado |
| 2. Lucien Bellsnyder | 11. Doug May |
| 3. Ryan Brannan | 12. Travis McDavid |
| 4. Cassandra Brown | 13. Jade Nguyen |
| 5. Bill Dubinsky | 14. Nelda Olivo |
| 6. Rachel Ernst | 15. Kenisha Schuster |
| 7. Adrianna Escamilla | 16. Terrilyn Tarlton |
| 8. Carlos Garcia | 17. Aaron Taylor |
| 9. W. Dennis Isaacs | 18. Joey Walker |

1. Call to Order: Chairman John Milette called the meeting to order at 3:00 p.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement. 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 August 2, 2021 meeting were reviewed. Ms. Mueller moved to approve the minutes. Ms. Neblett seconded the motion. The motion passed.
3. Election of Officers: Mr. Sherlock moved to elect Mark Solomon to TFPA Governing Committee Chair, Wendy Mueller to Vice Chair and David Nardecchia to Secretary/Treasurer. Ms. Neblett seconded the motion. The motion passed. Mr. Milette will continue as chair for the current meeting and Mr. Solomon will take over at the February meeting.
4. TFPA Operational Highlights: Mr. Polak reported the Association responded to claims received from Hurricane Nicholas while maintaining positive key performance metrics. Operating expenses remained below plan for Q3 2021. The Association exceeded turnaround time and quality standards on underwriting and claim service levels and remained well below plan on litigated claims in Q3 2021. The enterprise is slightly below goal to complete all strategic initiatives by the originally scheduled deadlines.
5. Financial:
 - A. Report of the Secretary/Treasurer: Ms. Mueller reviewed the Treasurer's Report. Ms. Neblett moved to accept the report. Mr. Solomon seconded the motion. The motion passed.
 - B. Financial Statement Review by Staff: Direct written premiums through September 2021 totaled \$59.9 million, a decrease of \$2.9 million or 4.6% from the \$62.8 million for the same period in the prior year due to continued declines in policy counts. Direct written premium was \$4.7 million higher than the budgeted \$55.2 million. Policies in force as of September 30, 2021 totaled 68,541 or 1,059 policies under the budget of 69,600. At year end, 2020 total policies in force numbered 73,713.

Direct premiums earned for the nine months ended September 30, 2021 were \$58.4 million or \$3.6 million (5.8%) lower than the same period in 2020 but were \$2.8 million higher than the budget of \$55.6 million.

TFPA successfully placed the 2021-2022 reinsurance program, incepting on July 1, 2021. The program provides coverage of \$360 million in excess of a \$30 million initial retention and includes a “second event” cover that reduces the net retention to \$10 million. Ceded earned premiums for the nine months ended September 30, 2021 totaled \$21.6 million which was slightly below budget by \$11,000. Ceded premium is written in July of each year and earned throughout the following twelve-month period.

Net premium earned through September 30, 2021 was \$36.8 million, which exceeded the budget of \$34.0 million by \$2.8 million.

Year to date direct losses and LAE totaled \$30.3 million which include estimated losses and LAE associated with Winter Storm Uri and Hurricane Nicholas. Incurred losses and LAE are above budget by \$9.9 million. The YTD direct loss and LAE ratio is 52.0% compared to the budgeted loss and LAE ratio of 36.7%.

September YTD operating expenses of \$7.9 million were under budget by \$632,000 or 7.4% and \$2.6 million or 25.0% below prior year levels. Notable expense items under budget include contractor and temporary help (\$278,000), survey and inspections (\$137,000), other professional services (\$99,000), software (\$94,000) and disaster recovery services (\$68,000).

Commission expense and premium taxes year to date were above budget by a combined \$428,000 or 6.2% due to higher than budgeted written premium.

YTD September 2021 gross investment income was \$2,000 which was \$12,000 below the budget of \$14,000. Investment yields remain at near zero levels as the Federal Reserve maintains a low short-term interest rate environment.

TFPA’s financial results year to date reflect a net loss of \$8.3 million compared to the budgeted loss of \$1.4 million due primarily to Winter Storm Uri and Hurricane Nicholas. As of September 30, 2021, the Association had a deficit of \$2.4 million or \$8.4 million below the December 31, 2020 surplus of \$6.0 million. Surplus was also reduced by \$197,000 year to date due to an increase in non-admitted assets related to prepayments for Guidewire license and premium tax.

6. Actuarial:

- A. Reserve Adequacy: TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of September 30, 2021.

Based on this review, the “indicated” ultimate cost of Hurricane Harvey is \$84.2 million, remaining almost the same as the indicated ultimate loss and expense estimate based on the review as of June 30, 2021. 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.

Hurricane Nicholas made landfall on September 26 in Matagorda County as a Category 1 hurricane. As of October 6, 2021, 602 Nicholas related claims were reported to the Association and the total incurred loss and expense was estimated and booked at \$5.5 million for Q3 financials.

As of September 30, 2021, TFPA carried \$21.6 million in total gross loss and loss adjustment expense reserves with \$4.9 million of the total gross losses and expense reserves ceded to insurance 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.

- B. Policy Count/Exposures: Policy counts are down year over year by 9%. There is some variance between counties.
- C. Annual Rate Review: TFPA actuarial staff has updated its analysis of TFPA indicated rate needs. The methodology used in this analysis is consistent with that used in previous rate analyses. The analysis incorporates the most current data for loss experience and operating expenses as of December 31, 2020. Modeled catastrophe exposures as of March 31, 2021 and the cost of the 2021 reinsurance program have also been incorporated.

The rate changes effective August 1, 2021 largely addressed overall rate adequacy for most forms, with some residual indications for the tenant’s form and some adverse development for Dwelling EC in the most recent year driving the current indications. Mr. Solomon moved that the TFPA 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 August 1, 2022. Ms. Mueller seconded the motion. The motion passed.

7. Internal Audit:

- A. Internal Audit Status & Update: Mr. Zaret reviewed the current internal audit activities. Active audits are under way for corporate governance, cash management, fraud risk assessment, risk assessment and internal audit plan update, premium taxes, actuarial and vendor management. Upcoming audits include information security, business continuity of operations and plan of operation.

- B. Internal Audit Risk Assessment: The risk assessment has been completed for the purpose of developing an internal audit plan. This risk assessment is not an enterprise-wide risk assessment, which may consider other risk characteristics.
- C. Fraud Risk Assessment: This item was sent under a separate cover to the committee members.

8. 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. This standard is being surpassed with over 99% of transactions processed within 10 days and with approximately 90% 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 and quality results are within established goals.

Underwriting operated under budget year to date, primarily driven by managing headcount, reduced inspections and lower call center expense.

A standard sample of agencies was selected for review in the third quarter of 2021 to verify compliance with the declination of coverage requirement and TFPA producer requirements and performance standards. Seventy five percent of agents have responded with follow up requests being sent to the remaining agents. Proof of declination was received for 86% of the policies selected. Staff is following up for outstanding proof of declinations. Signed applications were provided for 82% of the policies selected. Staff is following up with the agents who have not yet provided them. Signed eligibility statements were provided for 83% of the policies selected. Staff is following up with the agents who have not yet provided them. All agents audited have an active property and casualty insurance license and all agents have the required direct standard market appointments.

- B. Automatic Coverage Increases: On October 27, 2021, the TFPA Governing Committee made a request for staff to research the topic of automatically increasing the coverage limits of policies. TFPA has never had an automatic increase provision in the policy form or offered an endorsement. The TFPA statute and plan of operation does not address this issue. The TFPA Underwriting Manual states, "Automatic increases in the policy coverages as a result of inflation or additions and/or alterations to the dwelling will not apply. The insured will be responsible for selecting and maintaining an adequate amount of coverage." Amendments to the TFPA Underwriting Manual require the approval of TDI. Over the years, the TFPA Governing Committee has had some discussions about whether or not to make changes to the policy form or add an endorsement, but no action has been taken. From an operational perspective, TFPA has run the entire book of business through the Marshall & Swift/Boeckh (MSB) replacement cost recalculation and adjusted

coverages approximately every five years (this recalculation occurred due to changes in systems, upgrades to MSB versions, etc.).

Staff recommends that TFPA continue to have agents/insured responsible for selecting the appropriate coverages for their needs. Staff also recommends that TFPA change process and the manual to reflect that on a consistent basis (during the requalification process that happens every two years) TFPA will rerun the property through the MSB calculator and update coverage amounts as needed prior to a renewal offer being sent. This process will allow for regular adjustments individualized to the specific property (not just zip code) and avoid the systems implementation costs and regulatory approvals associated with policy or form changes. Ms. Mueller moved that TFPA staff is authorized and directed to make an underwriting manual amendment filing with TDI and require MSB or equivalent property value calculations at policy renewals that coincide with requalification for insurance eligibility. Ms. Neblett seconded the motion. The motion passed.

9. Claims:

- A. Claims Operations: Total cycle time from first notice of loss to payment is 12.1 days. In 2020, there were five complaints to the Texas Department of Insurance from 5,645 new claims. In 2021, there were 15 complaints from 8,609 new claims.
- B. Litigation Summary: The third quarter of 2021 saw seven new first party claims in suit and 38 closed. One third party claim in suit came in during the third quarter. The majority of the suits are being held by Buzbee Law/Manuel Solis.

10. TFPA Operations:

- A. IT Systems Enhancements: The TFPA implementation is in production support mode with the system development/production support releases continuing with their monthly cadence. Various defect fixes and features for the business have been delivered 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.
- B. Communications Update: The legislature met for three special sessions during the third quarter of 2021. Staff does not expect the governor to call any further special sessions in 2021. The governor's call did not include Association related issues for any of the three sessions and legislators did not consider legislation impacting the Association during this period. Rep. Mayes Middleton (Galveston County) filed similar versions of legislation to require TWIA, and indirectly TFPA, to locate its headquarters in a Tier One or Tier Two coastal county in each of the three special sessions. It was not referred to a committee nor did it receive any other consideration in any of the three sessions.

On September 7, Governor Abbot appointed Cassie Brown to be Commissioner of Insurance for a term running through February 1, 2023. TDI took the following action affecting FAIR Plan during the third quarter:

Agency Branch Locations: On July 12, the department published changes to agent and adjuster license requirements in House Bill 4030, enacted earlier this year. In addition to license requirements, the bill no longer requires companies to report and register each agency branch location with TDI, which impacts the Association's agent registration process. Association staff implemented systems changes to adapt to this change in TDI processes.

Most legislative and regulatory inquiries received during the third quarter were related to TWIA matters.

- C. Lease and Building Project: Ms. Lester reviewed the status of the building move project. The list of potential locations was narrowed down to four.
- D. Review/Approval of 2022 Budget: Mr. Harbour reviewed the 2022 budget. Ms. Mueller asked if, due to this year's losses, when will the committee consider an assessment. That item will be discussed at the next meeting. Ms. Neblett moved to accept the budget. Mr. Sherlock seconded the motion. The motion passed.
- E. TWIA Reinsurance Broker RFP: Mr. Polak updated the committee on the outcome of the TWIA Actuarial and Underwriting Committee meeting that took place earlier in the day. The proposal received didn't incorporate costs for TFPA so the committee can decide if they would like to use a different broker from TWIA. Unless the Governing Committee acts, TWIA staff will engage the same broker used for TWIA; which is consistent with past practice.

11. Closed Session: There was no closed session.

12. 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.

13. Future Meetings: Mr. Polak stated that the Texas Department of Insurance Commissioner suggested holding more board meetings on the coast. The committee will be notified if the locations for the next two meetings change.

The next meetings are scheduled to take place on the following dates in the following locations:

- February 21, 2022 – Hyatt Regency – Austin, TX
- May 16, 2022 – Hyatt Regency – Austin, TX

14. Committees: There was nothing to report.

15. Adjourn: There being no further business the meeting adjourned at 4:24 pm.

Prepared by: Amy Koehl
Senior Project Administrator

Approved by: John Milette
TFPA Chairman

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

5700 South Mopac Expressway
Building A
Austin, TX 78749



October 27, 2021

The Following Governing Committee Members were Present, Representing:

- | | |
|------------------------------|-----------------------------------|
| 1. John Milette (Chair) | Travelers |
| 2. Mark Solomon (Vice Chair) | Agent Member |
| 3. Frank Baumann | Public Member |
| 4. Georgia Neblett | Public Member |
| 5. Tim McCarthy | Texas Farm Bureau |
| 6. Marilyn Hamilton | Public Member |
| 7. Edward James Sherlock | Agent Member |
| 8. Marianne Baker | Ex-Officio Non-Voting Member, TDI |

Absent: Debbie King, Corise Morrison, Wendy Mueller

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

- | | |
|---|-------------------------|
| 1. John Polak, General Manager | TFPA |
| 2. Stuart Harbour, Interim 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. Camron Malik, Chief Information Officer | TFPA |
| 8. JD Lester, VP Human Resources | TFPA |
| 9. Jim Murphy, Chief Actuary | TFPA |
| 10. Amy Koehl, Senior Project Administrator | TFPA |
| 11. Kristina Donley, Senior Instructional Designer | TFPA |
| 12. Clarisse Lilley, Senior Manager Accounting | TFPA |
| 13. Allen Fulkerson, Senior Manager Accounting | TFPA |
| 14. Mike Perkins, Association Counsel | Perkins Law Group, PLLC |

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

- | | |
|----------------------|--------------------|
| 1. Elizabeth Choate | 7. Aaron Taylor |
| 2. Anna Stafford | 8. Laura Machado |
| 3. Ebony Cormier | 9. Brian Ryder |
| 4. Andy MacLaurin | 10. Sandra Foreman |
| 5. Kenisha Schuster | 11. Lou Cusano |
| 6. David Muckerheide | |

1. Call to Order: Chairman John Milette called the meeting to order at 10:02 a.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Kristina Donley provided housekeeping information to the attendees.
2. Review of 2022 TFPA Budget: Mr. Harbour started the meeting by going over some key assumptions from the budget.
 - Rate changes: The 10% rate increase approved in 2020 is included at a blended rate of 9.58% for August 2021-July 2022. The increase is offset by the continued decline in policy count.
 - The number of policies in force is projected to decrease from a projected 66,792 policies at December 31, 2021 to 60,391 at year end 2022, a decrease of 6,401 policies (a 9.6% decrease).
 - Average limit per policy increases by 1.4%
 - Employee merit increases: 2.5%
 - Operating expenses: based on detailed departmental budgets.
 - Commissions: Budgeted at \$7.9 million using average rate of 10.45% for new and renewal policies.
 - Premium taxes, licenses and other fees: 1.86%
 - \$30 million line of credit implemented in late August 2021 is in effect for two-year contracted duration. (Fee decrease from 50 BPS in 2020 to 30 BPS in 2021/2022)

Mr. Harbour reviewed the budget information with the committee members. He asked if there were any questions. Mr. McCarthy asked with inflation increases, has staff gauged that against what CoreLogic is projecting? Mr. Murphy said the average limit per policy increases of 1.4% is conservative. Staff is seeing indications that construction costs are going up rapidly. Mr. McCarthy asked if the insured dwellings are revalued. Mr. Murphy asked Ms. Larzalere for an answer. Ms. Larzalere said she would get back to the committee. Mr. Polak asked if we have an inflation guard on policies. Ms. Larzalere said the Association does not. It is up to policy holders and agents to review their coverages, that is in their policy information. Every few years, staff reviews the entire book of business to make sure it is valued properly.

Mr. Baumann asked what the total headcount for TFPA/TWIA is. Mr. Harbour said it is 213 as of September 30. The budgeted amount is 224. Ms. Neblett said Mr. Harbour did a great job and commended his presentations, thoroughness and transparency.

Mr. Milette said he would like to see some sort of inflation guard on policies. He asked about the applicable laws and regulations. He asked for this item to be added to the December meeting agenda.

3. Adjourn: There being no further business, the meeting adjourned at 11:17 am.

Prepared by: Amy Koehl
Senior Project Administrator

Approved by: John Milette
TFPA Chairman

3. TFPA Operational Highlights

2021 TFPA Enterprise Scorecard

Reporting YTD as of December 31, 2021



	YTD	Trend	Goal	Δ	Performance
Operating Expense Ratio	13.4%		15.2%	-1.8%	
Net Gain from Operations	-\$3.9 M		-\$1.0 M	-\$2.9 M	
Enterprise Projects	86%		90%	-4%	
Policy Administration	99%		90%	9%	
Claims Handling	91%		90%	1%	
Litigated Claims	0.05%		1.00%	-0.95%	
Complaints	22		28	-6	

Reference Data

Policies In-Force	66,512
Exposures In-Force	\$11.5 billion
Written Premiums YTD	\$75.6 million
Claims Received YTD	9,471
Losses Incurred YTD ¹	\$26.2 million

¹ Excludes IBNR

Key Quarterly Activities

- Remain below plan for Q4 2021 operating expenses.
- Slightly below goal to complete all strategic initiatives by the originally scheduled deadlines.
- Exceeded turnaround time and quality standards on Underwriting and Claim service levels.
- Remain below plan on litigated claims and complaints in Q4 2021.

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 twelve months ended December 31,
(000's omitted)

	2021	2020
Direct Premiums Written	<u>\$ 75,648</u>	<u>\$ 79,477</u>
Premiums Earned:		
Direct Premiums Earned	\$ 77,566	\$ 82,159
Ceded Reinsurance Premiums	<u>(28,151)</u>	<u>(29,067)</u>
Net Premiums Earned	<u>49,414</u>	<u>53,092</u>
Deductions:		
Direct Losses and LAE Incurred	34,070	36,620
Direct Losses and LAE Incurred - Harvey	-	-
Ceded Losses and LAE Incurred - Harvey	-	-
Operating Expenses	10,378	13,244
Commission Expense	7,886	8,373
Ceding commissions / brokerage	(619)	(696)
Premium / Maintenance Tax	<u>1,404</u>	<u>1,478</u>
Total Deductions	<u>53,119</u>	<u>59,018</u>
Net Underwriting Gain or (Loss)	<u>(3,705)</u>	<u>(5,926)</u>
Other Income or (Expense):		
Investment Income	3	123
Investment Expenses (Line of Credit Commitment Fee)	(172)	(151)
Interest Expense on Line of Credit Advance	-	-
Sales Tax Refund and Other Income (Expense)	-	-
Member Assessment Income	-	-
Charge off's /Write off	(359)	(140)
Billing Fees	<u>350</u>	<u>162</u>
Total Other Income or (Expense)	<u>(179)</u>	<u>(7)</u>
Net Income (Loss)	<u>\$ (3,884)</u>	<u>\$ (5,933)</u>
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	6,006	12,133
Net Income (Loss)	(3,884)	(5,933)
Change in Provision for Reinsurance	(84)	(238)
Change in nonadmitted assets	67	43
Other	-	-
Ending Surplus (Deficit)	<u>\$ 2,105</u>	<u>\$ 6,006</u>

Texas FAIR Plan Association
Management's Discussion and Analysis of Financial Results for the
Year Ended December 31, 2021

Direct Written Premium:

- Direct written premiums for the year ended December 31, 2021 totaled \$75.6 million, a decrease of \$3.8 million or 4.8% from the \$79.5 million for the prior year due to continued declines in policy counts. Direct Written Premium was \$7.2 million higher than the budgeted \$68.4 million.
- Policies in force as of December 31, 2021 totaled 66,512 or 1,888 policies under the budget of 68,400. At year end 2020 total policies were 73,713.

Direct Premiums Earned:

- Direct premiums earned in 2021 were \$77.6 million or \$4.6 million (5.6%) lower than the same period in 2020 but were \$4.6 million higher than the budget of \$73.0 million.

Reinsurance Costs:

- TFPA successfully placed the 2021-2022 reinsurance program, incepting on July 1, 2021. The program provides coverage of \$360 million in excess of a \$30 million initial retention and includes a "second event" cover that reduces the net retention to \$10 million.
- Ceded earned premiums for the twelve months ended December 31, 2021 totaled \$28.2 million which was less than budgeted by \$638,000. Ceded premium is written in July of each year and earned throughout the following twelve-month period.

Net Premiums Earned

- Net premium earned through December 31, 2021 was \$49.4 million which exceeded the budget of \$44.2 million by \$5.2 million.

Loss and Loss Adjustment Expense Incurred:

- Year-to-date Direct losses and LAE totaled \$34.1 million which include estimated losses and LAE associated with winter storm Uri and Hurricane Nicholas.
- Incurred losses and LAE are above budget by \$8.1 million.
- The 2021 direct loss & LAE ratio was 43.9% compared to the budgeted loss & LAE ratio of 35.6%.

Operating Expenses:

- Operating expenses for the year of \$10.4 million were under budget by \$719,000 or 6.5% and \$2.9 million or 21.6% below prior year levels.
- Notable expense items under budget include Contractor & Temporary Help (\$396,000), Surveys & Inspections (\$160,000), Software (\$115,000) and Other Professional Services (\$107,000).

Commissions and Premium Taxes:

- Commission expense and premium taxes for 2021 were above budget by a combined \$694,000 or 8.1% due to higher than budgeted written premium.

Other Income (Expense):

- Gross investment income for 2021 was \$3,000 which was \$16,000 below the budget of \$19,000. Investment yields remain at near zero levels as the Federal Reserve maintains a low short-term interest rate environment.

Net Loss:

- TFPA's financial results for 2021 reflect a net loss of \$3.9 million compared to the budgeted loss of \$1.0 million due primarily to Winter Storm Uri and Hurricane Nicholas.

Surplus/(Deficit):

- As of December 31, 2021, the Association had an ending surplus of \$2.1 million, or \$3.9 million less than the December 31, 2020 surplus of \$6.0 million.

4B. Financial Statement Review by Staff

4B1. Income Statement &
Expense Statement

4B2. Balance Sheet

4B3. Cash & Short-Term
Investments

4B4. Cash Flow Statement

4B5. Historical Data

TEXAS FAIR PLAN ASSOCIATION				
Statutory Income Statement (000's omitted)				
for the twelve months ended December 31,				
	Actuals - 2021	Budget - 2021	Variance - 2021	Actuals - 2020
7 Premiums Written:				
Direct	\$ 75,648	\$ 68,437	\$ 7,211	\$ 79,477
Ceded	(27,374)	(28,789)	1,416	(28,929)
Net	48,275	39,648	8,627	50,548
12 Premiums Earned:				
Direct	\$ 77,566	\$ 72,995	\$ 4,571	\$ 82,159
Ceded	(28,151)	(28,789)	638	(29,067)
Net	49,414	44,206	5,209	53,092
17 Deductions:				
Direct Losses and LAE Incurred	34,070	25,983	8,087	36,620
Direct Losses and LAE Incurred - Harvey	-	-	-	-
Ceded Losses and LAE Incurred - Harvey	-	-	-	-
Operating Expenses	10,378	11,097	(719)	13,244
Commission Expense	7,886	7,323	563	8,373
Ceding commissions / brokerage	(619)	(689)	71	(696)
Premium / Maintenance Tax	1,404	1,273	131	1,478
Total Deductions	53,119	44,986	8,133	59,018
27 Net Underwriting Gain or (Loss)	(3,705)	(780)	(2,925)	(5,926)
29 Other Income or (Expense):				
Investment Income	3	19	(16)	123
Investment Expenses (Line of Credit Commitment Fee)	(172)	(120)	(52)	(151)
Interest Expense on Line of Credit Advance	-	-	-	-
Sales Tax Refund and Other Income (Expense)	-	-	-	-
Member Assessment Income	-	-	-	-
Charge offs /Write offs	(359)	(309)	(50)	(140)
Billing Fees	350	182	168	162
Total Other Income or (Expense)	(179)	(228)	49	(7)
39 Net Income (Loss)	\$ (3,884)	\$ (1,008)	\$ (2,875)	\$ (5,933)
41 Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	6,006	6,006	-	12,133
Net Income (Loss)	(3,884)	(1,008)	(2,875)	(5,933)
Change in Provision for Reinsurance	(84)	-	(84)	(238)
Change in nonadmitted assets	67	(257)	324	43
Other	-	-	-	-
Ending Surplus (Deficit)	\$ 2,105	\$ 4,740	\$ (2,636)	\$ 6,006
49 Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	43.9%	35.6%	8.3%	44.6%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	43.9%	35.6%	8.3%	44.6%
UW Expense Ratio:				
Acquisition	12.3%	12.6%	(0.3%)	12.4%
Non Acquisition	13.4%	15.2%	(1.8%)	16.1%
UW Expense Ratio	25.7%	27.8%	(2.1%)	28.5%
Combined Ratio	69.6%	63.4%	6.2%	73.1%
Net:				
Loss & LAE Ratio:				
Non Hurricane	68.9%	58.8%	10.2%	69.0%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	68.9%	58.8%	10.2%	69.0%
UW Expense Ratio:				
Acquisition	18.0%	19.1%	(1.1%)	17.6%
Non Acquisition	21.0%	25.1%	(4.1%)	24.9%
UW Expense Ratio	39.0%	44.2%	(5.2%)	42.6%
Combined Ratio	108.0%	103.0%	4.9%	111.5%

TEXAS FAIR PLAN ASSOCIATION				
Statutory Expense Report (000's omitted)				
for the twelve months ended December 31,				
Description	Actuals - 2021	Budget - 2021	Variance - 2021	Actuals - 2020
Personnel Expenses				
Salaries & Wages - Permanent	\$ 5,474	\$ 5,058	\$ 416	\$ 6,044
Contractor & Temporary Help	2,066	1,409	657	2,173
Payroll Taxes	398	386	12	433
Employee Benefits	2,026	1,752	274	2,367
Recruiting, Training & Other	21	108	(87)	49
Subtotal	9,984	8,714	1,271	11,065
Professional & Consulting Services				
Legal	118	139	(20)	118
Accounting & Auditing	128	76	52	64
Information Technology	59	230	(171)	1,992
Actuarial Services	23	20	3	26
Surveys & Inspections	386	546	(160)	484
Disaster Recovery Services	108	143	(35)	136
Other Services (1)	1,471	1,285	186	1,156
Subtotal	2,294	2,438	(145)	3,976
Hardware/Software Purchases & Licensing	1,286	1,375	(88)	1,304
Rental & Maintenance - Office/Equipment	671	703	(32)	679
Travel Expenses	12	70	(57)	10
Postage, Telephone and Express	453	517	(64)	349
Capital Management Expenses	172	200	(28)	151
Other Operating Expenses	436	604	(169)	478
Total Operating Expenses	\$ 15,308	\$ 14,621	\$ 688	\$ 18,011
Capitalization of Fixed Assets	0	0	0	0
Allocation To ULAE	(4,758)	(3,324)	(1,434)	(4,616)
Allocation To Investing & Other Expense	(172)	(200)	28	(151)
Net Operating Expense - UW Operations	\$ 10,378	\$ 11,097	\$ (719)	\$ 13,244

(1) Other Services

	Amount	Department/s
Clear Point Claims LLC	331	Underwriting
EagleView Technologies Inc	271	Underwriting
Xactware Solutions Inc	237	Claims
Insurance Services Office Inc	211	Claims & Underwriting
LYNX Services LLC	111	Claims
Marshall & Swift/Boeckh	77	Underwriting
LexisNexis Risk Solutions Inc.	30	Underwriting & Legal/Compliance
ADP Inc	26	Human Resources
GLOBO Language Solutions LLC	23	Claims & Underwriting
Cornerstone OnDemand Inc	21	Human Resources
* Other Vendors less than \$20K	132	Various Departments
Total Other Services	1,471	

1	TEXAS FAIR PLAN ASSOCIATION			1
2	Statutory Balance Sheet (000's omitted)			2
3				3
4				4
5		December-21	December-20	5
6	Admitted Assets			6
7	Cash and short term investments	\$ 49,114	\$ 57,717	7
8	Premiums receivable	6,269	6,631	8
9	Assessment receivable	-	-	
10	Amounts recoverable from reinsurers	1,716	1,506	10
11	Other assets	0	0	11
12	Total admitted assets	\$ 57,098	\$ 65,855	12
13				13
14	Liabilities, Surplus and other funds			14
15	Liabilities:			15
16	Loss and Loss adjustment expenses	\$ 12,932	\$ 15,458	16
17	Underwriting expenses payable	1,864	1,929	17
18	Unearned premiums, net of ceded unearned premiums	23,662	24,801	18
19	Ceded reinsurance premiums payable	12,859	14,104	19
20	Principal outstanding on line of credit advance	-	-	20
21	Interest payable on line of credit advance	-	-	21
22	Provision for reinsurance	417	333	22
23	Other payables	3,260	3,224	23
24	Total liabilities	54,994	59,849	24
25				25
26	Surplus and others funds			26
27	Unassigned Surplus (Deficit)	2,105	6,006	27
28	Total liabilities, surplus and other funds	\$ 57,098	\$ 65,855	28
29				29

TEXAS FAIR PLAN ASSOCIATION
Cash and Short Term Investments (\$ in 000's)
December 31, 2021

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 12/31/2021:											
Bank of America	\$ 7,838	\$ -	\$ 7,838				16%	Superior	13.5%	\$174	No
Citibank	208	9,220	9,428	6,046	0	0.01%	19%	Superior	13.6%	\$150	No
JPMorgan Chase	16,496	-	16,496				34%	Superior	16.6%	\$260	No
JP Morgan U.S. Treasury Plus Money Market Fund (1)	-	15,351	15,351	16,194	0	0.01%	31%	N/A	N/A	N/A	N/A
Total of all financial institutions	\$ 24,543	\$ 24,571	\$ 49,114	\$ 22,240	\$ 0	0.01%	100%				
Balances as of 9/30/2021:											
Bank of America	\$ 9,309	\$ -	\$ 9,309				18%	Superior	13.4%	\$171	No
Citibank	208	5,220	5,428	5,220	0	0.01%	11%	Superior	13.6%	\$149	No
JPMorgan Chase	18,543	-	18,543				36%	Superior	16.5%	\$252	No
JP Morgan U.S. Treasury Plus Money Market Fund (1)	-	17,851	17,851	16,221	0	0.01%	35%	N/A	N/A	N/A	N/A
Total of all financial institutions	\$ 28,061	\$ 23,071	\$ 51,132	\$ 21,440	\$ 0	0.01%	100%				
(1) The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury.											
(2) Balances in non-interest bearing accounts have increased to reduce bank charges as rates for earnings credits have generally exceeded yields on short-term investments.											
Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of September 30, 2021. 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 twelve months ended December 31,	3
4		4
5	Actuals - 2021 Budget - 2021 Variance - 2021	5
6		6
7	Cash flows from operating activities:	7
8	Premiums collected, net of reinsurance \$ 47,559 \$ 35,921 \$ 11,638	8
9	Losses and loss adjustment expense paid (36,805) (32,866) (3,939)	9
10	Underwriting expenses paid (19,210) (17,037) (2,173)	10
11	Member assessment - - -	11
12	Other 33 (127) 160	12
13	Net cash provided by operating activities (8,424) (14,109) 5,686	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 (179) (101) (78)	19
20	Net cash provided by investing activities (179) (101) (78)	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 (8,603) (14,210) 5,607	26
27	Cash and short-term investments, Beginning 57,717 57,717 -	27
28	Cash and short-term investments, Ending \$ 49,114 \$ 43,507 \$ 5,607	28
29		29

TEXAS FAIR PLAN ASSOCIATION
HISTORICAL DATA
2003 - 2021
(\$ with 000's omitted)

YEAR	GROSS					NET					SURPLUS OR (DEFICIT) END OF PERIOD
	LIABILITY IN 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	5.0%	73,924	86,187	40,905	34,601	17,019	(10,715)		(17,449)
2011	15,979,040	96,710		83,066	78,009	47,063	53,009	15,897	(21,843)		(33,860)
2012	17,966,799	108,637	14.6%	102,383	28,453	56,880	28,453	20,346	8,081		(25,722)
2013	20,594,317	124,222	16.7% (a)	122,683	39,438	75,343	39,438	22,610	13,295		(13,422)
2014	21,944,280	131,376		133,206	45,070	89,405	45,070	24,058	20,277		5,978
2015	22,154,205	132,734		132,879	68,593	90,952	68,593	24,675	(2,316)		4,977
2016	19,883,769	121,413	8.0% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5.0% (c)	112,316	128,666	76,837	84,864	29,739	(37,766)		(54,941)
2018	15,223,344	95,637	8.1% (d)	95,882	26,733	69,239	26,733	29,527	12,979	54,941	15,088
2019	12,299,224	80,923		85,327	38,241	59,625	38,241	25,310	(3,926)		12,133
2020	12,618,291	73,713	9.6% (e)	79,477	36,620	53,092	36,620	22,398	(5,926)		6,006
2021	11,471,201	66,512	9.5% (f)	75,648	34,070	49,414	34,070	19,050	(3,705)		2,105
TOTAL				\$ 1,720,589	\$ 1,096,084	\$ 1,162,392	\$ 792,283	\$ 424,998	\$ (54,889)	\$ 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.

(e) Effective August 1, 2020

(f) Effective August 1, 2021

*2021 data through 12/31/2021

5. Actuarial

5A. Reserve Adequacy



TEXAS FAIR PLAN
ASSOCIATION

Xiuyu Li, ACAS, MAAA
Senior Actuary

MEMORANDUM

DATE: January 19, 2022

TO: James C. Murphy, FCAS, MAAA
Chief Actuary | Vice President, Enterprise Analytics

FROM: Xiuyu Li, ACAS, MAAA
Senior Actuary | Manager, Actuarial Analysis

RE: Reserve Adequacy

TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of December 31, 2021.

Based on this review, the “indicated” ultimate cost of Hurricane Harvey is \$84.2 million, remaining almost the same as the indicated ultimate loss and expense estimate based on the review as of September 30, 2021. 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.

Hurricane Nicholas made landfall on September 26 in Matagorda county as a Category 1 hurricane. As of January 11, 2022, 736 Nicholas related claims were reported to the Association and the total incurred loss and expense was estimated and booked at \$3.7 million for Q4 financials.

As of December 31, 2021, TFPA carried \$77.6 million in total gross loss and loss adjustment expense reserves with \$4.3 million of the total gross losses and expenses reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

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 Counts/Exposures

Texas FAIR Plan Association
Liability Report
As of 12/31/21
All Forms Combined



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage
Harris	47,183	42,051	(5,132)	(10.88%)	7,274,304,755	6,463,992,767	(810,311,987)	(11.14%)	56,654,005	53,338,533	(3,315,472)	(5.85%)
Fort bend	5,076	4,493	(583)	(11.49%)	927,697,166	818,349,372	(109,347,794)	(11.79%)	6,089,673	5,666,286	(423,387)	(6.95%)
Galveston	4,438	4,241	(197)	(4.44%)	1,123,317,363	1,091,230,215	(32,087,147)	(2.86%)	1,947,708	1,981,096	33,388	1.71%
Dallas	2,472	2,156	(316)	(12.78%)	426,233,783	374,402,773	(51,831,010)	(12.16%)	2,753,786	2,537,888	(215,898)	(7.84%)
Brazoria	1,809	1,797	(12)	(0.66%)	459,681,611	453,841,904	(5,839,707)	(1.27%)	881,308	933,729	52,421	5.95%
Tarrant	1,851	1,582	(269)	(14.53%)	313,256,184	267,065,648	(46,190,536)	(14.75%)	2,226,682	2,001,499	(225,183)	(10.11%)
Nueces	1,315	1,215	(100)	(7.60%)	254,869,900	244,886,604	(9,983,296)	(3.92%)	722,658	728,419	5,761	0.80%
El paso	1,155	1,154	(1)	(0.09%)	261,094,315	265,257,810	4,163,495	1.59%	796,635	862,696	66,061	8.29%
Jefferson	1,100	1,058	(42)	(3.82%)	251,006,010	244,920,692	(6,085,318)	(2.42%)	510,685	529,056	18,371	3.60%
Montgomery	822	776	(46)	(5.60%)	145,433,785	139,454,115	(5,979,670)	(4.11%)	798,394	819,463	21,069	2.64%
Bexar	672	575	(97)	(14.43%)	115,240,742	101,234,292	(14,006,450)	(12.15%)	643,231	598,961	(44,270)	(6.88%)
Cameron	443	427	(16)	(3.61%)	74,173,100	75,622,690	1,449,590	1.95%	170,317	181,970	11,653	6.84%
Calhoun	403	382	(21)	(5.21%)	95,432,875	92,453,285	(2,979,590)	(3.12%)	197,240	203,414	6,174	3.13%
Orange	390	368	(22)	(5.64%)	64,761,443	60,976,008	(3,785,435)	(5.85%)	588,735	608,672	19,937	3.39%
Travis	305	261	(44)	(14.43%)	58,524,158	46,905,598	(11,618,560)	(19.85%)	247,499	210,855	(36,644)	(14.81%)
Chambers	241	254	13	5.39%	66,745,548	70,369,110	3,623,562	5.43%	141,686	160,510	18,825	13.29%
Matagorda	236	247	11	4.66%	52,189,680	53,613,165	1,423,485	2.73%	142,122	152,126	10,004	7.04%
Hidalgo	242	203	(39)	(16.12%)	26,581,201	23,145,861	(3,435,340)	(12.92%)	226,819	211,660	(15,160)	(6.68%)
Liberty	218	207	(11)	(5.05%)	23,906,460	24,083,156	176,696	0.74%	277,542	289,157	11,614	4.18%
Aransas	192	174	(18)	(9.38%)	43,244,860	37,631,610	(5,613,250)	(12.98%)	91,949	86,505	(5,444)	(5.92%)
Collin	187	160	(27)	(14.44%)	38,518,250	32,087,840	(6,430,410)	(16.69%)	221,749	181,812	(39,938)	(18.01%)
San patricio	152	163	11	7.24%	35,633,477	36,276,306	642,830	1.80%	76,656	88,333	11,677	15.23%
Denton	129	112	(17)	(13.18%)	28,719,378	28,524,436	(194,942)	(0.68%)	162,574	173,913	11,339	6.97%
Brazos	119	98	(21)	(17.65%)	16,329,100	16,186,350	(142,750)	(0.87%)	80,473	83,855	3,382	4.20%
Waller	106	110	4	3.77%	16,026,380	17,087,880	1,061,500	6.62%	115,232	132,627	17,395	15.10%
Top 25 Counties	71,256	64,264	(6,992)	(9.81%)	12,192,921,523	11,079,599,489	(1,113,322,034)	(9.13%)	76,765,359	72,763,034	(4,002,325)	(5.21%)
All Other Counties	2,457	2,248	(209)	(8.51%)	425,369,592	391,601,650	(33,767,942)	(7.94%)	2,976,582	2,885,078	(91,504)	(3.07%)
Tier 1	10,433	10,067	(366)	(3.51%)	2,480,910,833	2,425,603,902	(55,306,931)	(2.23%)	4,945,119	5,107,850	162,731	3.29%
Tier 2	53,435	47,642	(5,793)	(10.84%)	8,366,890,965	7,440,475,941	(926,415,024)	(11.07%)	64,322,884	60,619,587	(3,703,297)	(5.76%)
All Other Counties	9,845	8,803	(1,042)	(10.58%)	1,770,489,317	1,605,121,296	(165,368,021)	(9.34%)	10,473,937	9,920,675	(553,262)	(5.28%)
Statewide Total	73,713	66,512	(7,201)	(9.77%)	12,618,291,115	11,471,201,139	(1,147,089,976)	(9.09%)	79,741,940	75,648,112	(4,093,829)	(5.13%)

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 12/31/21
HO-A Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage
Harris	16,050	14,233	(1,817)	(11.32%)	3,930,767,090	3,491,990,852	(438,776,237)	(11.16%)	31,874,203	30,007,770	(1,866,434)	(5.86%)
Fort bend	1,277	1,154	(123)	(9.63%)	357,018,680	321,977,603	(35,041,077)	(9.81%)	2,537,555	2,446,862	(90,693)	(3.57%)
Galveston	3,140	3,015	(125)	(3.98%)	1,017,254,128	988,986,662	(28,267,465)	(2.78%)	1,568,062	1,616,831	48,769	3.11%
Dallas	1,148	983	(165)	(14.37%)	290,894,040	251,285,880	(39,608,160)	(13.62%)	1,998,003	1,812,372	(185,631)	(9.29%)
Brazoria	1,351	1,342	(9)	(0.67%)	407,219,740	401,334,360	(5,885,380)	(1.45%)	723,095	775,964	52,869	7.31%
Tarrant	984	837	(147)	(14.94%)	225,013,100	189,061,238	(35,951,862)	(15.98%)	1,613,945	1,447,255	(166,690)	(10.33%)
Nueces	720	694	(26)	(3.61%)	205,972,980	199,828,470	(6,144,510)	(2.98%)	541,498	565,399	23,901	4.41%
El paso	960	972	12	1.25%	240,408,030	245,560,760	5,152,730	2.14%	709,298	777,058	67,760	9.55%
Jefferson	826	792	(34)	(4.12%)	227,929,680	221,865,382	(6,064,298)	(2.66%)	422,001	438,334	16,334	3.87%
Montgomery	441	435	(6)	(1.36%)	106,171,750	104,363,480	(1,808,270)	(1.70%)	580,379	614,477	34,098	5.88%
Bexar	419	362	(57)	(13.60%)	95,111,530	85,216,580	(9,894,950)	(10.40%)	509,155	486,195	(22,960)	(4.51%)
Cameron	257	247	(10)	(3.89%)	58,463,960	59,156,920	692,960	1.19%	114,544	123,684	9,139	7.98%
Calhoun	333	314	(19)	(5.71%)	89,974,680	86,928,690	(3,045,990)	(3.39%)	176,667	182,095	5,429	3.07%
Orange	240	225	(15)	(6.25%)	52,768,418	49,234,308	(3,534,110)	(6.70%)	477,139	486,372	9,233	1.94%
Travis	168	140	(28)	(16.67%)	45,186,110	36,295,090	(8,891,020)	(19.68%)	178,622	150,609	(28,012)	(15.68%)
Chambers	198	204	6	3.03%	61,995,460	65,024,220	3,028,760	4.89%	118,891	131,904	13,013	10.95%
Matagorda	208	206	(2)	(0.96%)	50,103,330	50,328,890	225,560	0.45%	125,755	130,703	4,948	3.93%
Hidalgo	80	71	(9)	(11.25%)	10,114,901	9,909,961	(204,940)	(2.03%)	94,776	96,223	1,447	1.53%
Liberty	113	110	(3)	(2.65%)	16,159,990	16,601,498	441,508	2.73%	190,515	196,605	6,090	3.20%
Aransas	159	141	(18)	(11.32%)	40,610,440	35,071,790	(5,538,650)	(13.64%)	79,330	74,816	(4,513)	(5.69%)
Collin	53	42	(11)	(20.75%)	18,010,900	13,974,120	(4,036,780)	(22.41%)	109,061	86,160	(22,902)	(21.00%)
San patricio	120	127	7	5.83%	32,955,627	33,342,306	386,680	1.17%	64,070	71,887	7,816	12.20%
Denton	73	67	(6)	(8.22%)	22,114,400	23,159,336	1,044,936	4.73%	125,014	140,347	15,333	12.27%
Brazos	43	40	(3)	(6.98%)	10,585,480	11,546,330	960,850	9.08%	51,099	58,289	7,190	14.07%
Waller	55	64	9	16.36%	11,166,100	12,900,700	1,734,600	15.53%	78,456	97,430	18,974	24.18%
Top 25 Counties	29,416	26,817	(2,599)	(8.84%)	7,623,970,543	7,004,945,428	(619,025,115)	(8.12%)	45,061,132	43,015,641	(2,045,491)	(4.54%)
All Other Counties	1,449	1,336	(113)	(7.80%)	337,015,740	313,830,560	(23,185,180)	(6.88%)	2,268,063	2,226,907	(41,156)	(1.81%)
Tier 1	7,391	7,162	(229)	(3.10%)	2,215,314,334	2,164,595,611	(50,718,723)	(2.29%)	3,984,750	4,162,974	178,224	4.47%
Tier 2	17,936	15,974	(1,962)	(10.94%)	4,404,889,639	3,928,983,623	(475,906,016)	(10.80%)	35,542,842	33,628,216	(1,914,626)	(5.39%)
All Other Counties	5,538	5,017	(521)	(9.41%)	1,340,782,310	1,225,196,754	(115,585,556)	(8.62%)	7,801,603	7,451,357	(350,246)	(4.49%)
Statewide Total	30,865	28,153	(2,712)	(8.79%)	7,960,986,283	7,318,775,988	(642,210,295)	(8.07%)	47,329,195	45,242,548	(2,086,648)	(4.41%)

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 12/31/21
TDP-1 Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage
Harris	27,341	24,371	(2,970)	(10.86%)	3,148,139,265	2,794,209,795	(353,929,470)	(11.24%)	23,568,606	22,138,498	(1,430,109)	(6.07%)
Fort bend	3,621	3,172	(449)	(12.40%)	561,948,606	488,049,409	(73,899,197)	(13.15%)	3,505,525	3,171,808	(333,716)	(9.52%)
Galveston	685	662	(23)	(3.36%)	75,294,275	73,287,913	(2,006,362)	(2.66%)	262,483	251,967	(10,517)	(4.01%)
Dallas	1,162	1,049	(113)	(9.72%)	127,700,423	117,497,173	(10,203,250)	(7.99%)	717,601	692,244	(25,358)	(3.53%)
Brazoria	378	386	8	2.12%	49,130,431	49,608,344	477,913	0.97%	144,780	145,047	267	0.18%
Tarrant	809	702	(107)	(13.23%)	86,177,164	76,649,610	(9,527,554)	(11.06%)	601,191	546,835	(54,356)	(9.04%)
Nueces	349	301	(48)	(13.75%)	32,032,960	27,394,614	(4,638,346)	(14.48%)	112,664	92,761	(19,903)	(17.67%)
El paso	187	177	(10)	(5.35%)	20,349,685	19,259,050	(1,090,635)	(5.36%)	86,206	83,379	(2,826)	(3.28%)
Jefferson	236	231	(5)	(2.12%)	21,539,610	21,306,910	(232,700)	(1.08%)	83,556	84,096	540	0.65%
Montgomery	326	291	(35)	(10.74%)	36,585,555	32,517,235	(4,068,320)	(11.12%)	203,031	190,709	(12,322)	(6.07%)
Bexar	206	161	(45)	(21.84%)	17,888,812	13,859,512	(4,029,300)	(22.52%)	119,113	97,344	(21,769)	(18.28%)
Cameron	87	74	(13)	(14.94%)	8,020,260	6,885,210	(1,135,050)	(14.15%)	29,879	25,103	(4,776)	(15.98%)
Calhoun	59	56	(3)	(5.08%)	4,973,395	4,984,595	11,200	0.23%	18,409	18,898	489	2.65%
Orange	137	132	(5)	(3.65%)	11,639,025	11,447,700	(191,325)	(1.64%)	108,901	119,766	10,865	9.98%
Travis	76	64	(12)	(15.79%)	9,960,528	7,653,948	(2,306,580)	(23.16%)	51,803	43,842	(7,960)	(15.37%)
Chambers	38	43	5	13.16%	4,632,248	5,167,050	534,802	11.55%	21,922	27,545	5,623	25.65%
Matagorda	26	40	14	53.85%	2,043,150	3,271,075	1,227,925	60.10%	16,138	21,220	5,083	31.49%
Hidalgo	159	127	(32)	(20.13%)	16,376,300	13,043,900	(3,332,400)	(20.35%)	131,323	114,258	(17,065)	(12.99%)
Liberty	102	96	(6)	(5.88%)	7,668,470	7,469,658	(198,812)	(2.59%)	86,526	92,318	5,792	6.69%
Aransas	14	16	2	14.29%	1,275,300	1,390,900	115,600	9.06%	6,618	7,083	465	7.03%
Collin	106	92	(14)	(13.21%)	19,309,750	16,751,600	(2,558,150)	(13.25%)	107,915	89,065	(18,850)	(17.47%)
San patricio	30	31	1	3.33%	2,569,850	2,785,800	215,950	8.40%	12,123	15,527	3,404	28.08%
Denton	53	43	(10)	(18.87%)	6,514,978	5,305,100	(1,209,878)	(18.57%)	37,521	33,280	(4,241)	(11.30%)
Brazos	33	29	(4)	(12.12%)	3,029,700	2,713,900	(315,800)	(10.42%)	18,757	16,273	(2,484)	(13.24%)
Waller	50	44	(6)	(12.00%)	4,842,280	4,058,180	(784,100)	(16.19%)	36,650	34,569	(2,081)	(5.68%)
Top 25 Counties	36,270	32,390	(3,880)	(10.70%)	4,279,642,020	3,806,568,181	(473,073,839)	(11.05%)	30,089,239	28,153,436	(1,935,803)	(6.43%)
All Other Counties	904	815	(89)	(9.85%)	83,414,052	73,415,570	(9,998,482)	(11.99%)	682,484	634,416	(48,068)	(7.04%)
Tier 1	1,926	1,866	(60)	(3.12%)	203,275,579	197,944,811	(5,330,768)	(2.62%)	720,799	699,732	(21,067)	(2.92%)
Tier 2	31,500	28,029	(3,471)	(11.02%)	3,757,015,046	3,324,735,838	(432,279,208)	(11.51%)	27,515,922	25,746,149	(1,769,773)	(6.43%)
All Other Counties	3,748	3,310	(438)	(11.69%)	402,765,447	357,303,102	(45,462,345)	(11.29%)	2,535,003	2,341,971	(193,031)	(7.61%)
Statewide Total	37,174	33,205	(3,969)	(10.68%)	4,363,056,072	3,879,983,751	(483,072,321)	(11.07%)	30,771,723	28,787,852	(1,983,871)	(6.45%)

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 12/31/21
HO-CONB Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage
Harris	2,460	2,221	(239)	(9.72%)	165,572,040	151,446,840	(14,125,200)	(8.53%)	998,363	984,002	(14,361)	(1.44%)
Fort bend	89	84	(5)	(5.62%)	6,243,480	6,012,960	(230,520)	(3.69%)	32,104	33,596	1,492	4.65%
Galveston	256	231	(25)	(9.77%)	19,292,880	18,817,680	(475,200)	(2.46%)	68,504	64,507	(3,997)	(5.83%)
Dallas	116	87	(29)	(25.00%)	6,272,520	4,476,720	(1,795,800)	(28.63%)	31,245	27,400	(3,846)	(12.31%)
Brazoria	15	12	(3)	(20.00%)	1,074,000	889,200	(184,800)	(17.21%)	4,155	3,646	(509)	(12.24%)
Tarrant	5	6	1	20.00%	497,520	408,000	(89,520)	(17.99%)	2,746	1,949	(797)	(29.03%)
Nueces	221	200	(21)	(9.50%)	16,020,960	17,019,120	998,160	6.23%	64,798	67,269	2,471	3.81%
El paso	3	3	0	0.00%	28,800	342,000	313,200	1087.50%	315	1,920	1,605	509.44%
Jefferson	10	11	1	10.00%	500,400	656,400	156,000	31.18%	1,441	2,450	1,009	70.00%
Montgomery	21	15	(6)	(28.57%)	1,582,080	1,253,280	(328,800)	(20.78%)	8,920	7,599	(1,320)	(14.80%)
Bexar	28	32	4	14.29%	1,710,000	1,820,400	110,400	6.46%	11,341	12,975	1,634	14.41%
Cameron	95	102	7	7.37%	7,520,880	9,448,560	1,927,680	25.63%	25,278	32,678	7,400	29.27%
Calhoun	5	5	0	0.00%	372,000	372,000	(0)	(0.00%)	1,611	1,667	56	3.48%
Orange	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Travis	37	36	(1)	(2.70%)	2,813,520	2,293,560	(519,960)	(18.48%)	13,963	12,964	(999)	(7.16%)
Chambers	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Matagorda	1	0	(1)	(100.00%)	30,000	0	(30,000)	(100.00%)	130	0	(130)	(100.00%)
Hidalgo	1	2	1	100.00%	60,000	132,000	72,000	120.00%	374	839	465	124.33%
Liberty	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Aransas	16	13	(3)	(18.75%)	1,244,760	1,012,560	(232,200)	(18.65%)	5,488	3,730	(1,757)	(32.02%)
Collin	20	22	2	10.00%	1,023,600	1,248,120	224,520	21.93%	3,744	5,947	2,203	58.84%
San patricio	1	1	0	0.00%	78,000	78,000	0	0.00%	309	319	10	3.24%
Denton	1	1	0	0.00%	36,000	36,000	0	0.00%	138	149	11	7.97%
Brazos	35	21	(14)	(40.00%)	2,521,920	1,803,120	(718,800)	(28.50%)	9,643	8,568	(1,075)	(11.15%)
Waller	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Top 25 Counties	3,436	3,105	(331)	(9.63%)	234,495,360	219,566,520	(14,928,840)	(6.37%)	1,284,608	1,274,172	(10,436)	(0.81%)
All Other Counties	27	25	(2)	(7.41%)	2,145,240	2,008,440	(136,800)	(6.38%)	10,126	10,331	205	2.03%
Tier 1	620	575	(45)	(7.26%)	46,133,880	48,293,520	2,159,640	4.68%	171,317	176,266	4,948	2.89%
Tier 2	2,551	2,307	(244)	(9.56%)	171,977,520	157,591,800	(14,385,720)	(8.36%)	1,031,337	1,018,537	(12,800)	(1.24%)
All Other Counties	292	248	(44)	(15.07%)	18,529,200	15,689,640	(2,839,560)	(15.32%)	92,080	89,701	(2,379)	(2.58%)
Statewide Total	3,463	3,130	(333)	(9.62%)	236,640,600	221,574,960	(15,065,640)	(6.37%)	1,294,734	1,284,503	(10,231)	(0.79%)

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 12/31/21
HO-BT Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage	12/31/20	12/31/21	Actual	Percentage
Harris	1,332	1,226	(106)	(7.96%)	29,826,360	26,345,280	(3,481,080)	(11.67%)	212,832	208,264	(4,568)	(2.15%)
Fort bend	89	83	(6)	(6.74%)	2,486,400	2,309,400	(177,000)	(7.12%)	14,489	14,019	(470)	(3.24%)
Galveston	357	333	(24)	(6.72%)	11,476,080	10,137,960	(1,338,120)	(11.66%)	48,659	47,792	(867)	(1.78%)
Dallas	46	37	(9)	(19.57%)	1,366,800	1,143,000	(223,800)	(16.37%)	6,936	5,873	(1,063)	(15.33%)
Brazoria	65	57	(8)	(12.31%)	2,257,440	2,010,000	(247,440)	(10.96%)	9,278	9,071	(207)	(2.23%)
Tarrant	53	37	(16)	(30.19%)	1,568,400	946,800	(621,600)	(39.63%)	8,799	5,460	(3,339)	(37.95%)
Nueces	25	20	(5)	(20.00%)	843,000	644,400	(198,600)	(23.56%)	3,698	2,990	(708)	(19.14%)
El paso	5	2	(3)	(60.00%)	307,800	96,000	(211,800)	(68.81%)	817	339	(478)	(58.49%)
Jefferson	28	24	(4)	(14.29%)	1,036,320	1,092,000	55,680	5.37%	3,688	4,176	488	13.23%
Montgomery	34	35	1	2.94%	1,094,400	1,320,120	225,720	20.62%	6,064	6,678	613	10.11%
Bexar	19	20	1	5.26%	530,400	337,800	(192,600)	(36.31%)	3,622	2,447	(1,175)	(32.44%)
Cameron	4	4	0	0.00%	168,000	132,000	(36,000)	(21.43%)	615	505	(110)	(17.92%)
Calhoun	6	7	1	16.67%	112,800	168,000	55,200	48.94%	553	754	201	36.23%
Orange	13	11	(2)	(15.38%)	354,000	294,000	(60,000)	(16.95%)	2,695	2,534	(162)	(5.99%)
Travis	24	21	(3)	(12.50%)	564,000	663,000	99,000	17.55%	3,111	3,440	329	10.56%
Chambers	5	7	2	40.00%	117,840	177,840	60,000	50.92%	873	1,061	189	21.61%
Matagorda	1	1	0	0.00%	13,200	13,200	0	0.00%	100	203	103	103.00%
Hidalgo	2	3	1	50.00%	30,000	60,000	30,000	100.00%	347	340	(7)	(2.02%)
Liberty	3	1	(2)	(66.67%)	78,000	12,000	(66,000)	(84.62%)	502	234	(268)	(53.48%)
Aransas	3	4	1	33.33%	114,360	156,360	42,000	36.73%	514	875	361	70.26%
Collin	8	4	(4)	(50.00%)	174,000	114,000	(60,000)	(34.48%)	1,029	640	(389)	(37.80%)
San patricio	1	4	3	300.00%	30,000	70,200	40,200	134.00%	154	600	446	289.61%
Denton	2	1	(1)	(50.00%)	54,000	24,000	(30,000)	(55.56%)	(99)	137	236	(238.80%)
Brazos	8	8	0	0.00%	192,000	123,000	(69,000)	(35.94%)	975	726	(249)	(25.54%)
Waller	1	2	1	100.00%	18,000	129,000	111,000	616.67%	126	628	502	398.41%
Top 25 Counties	2,134	1,952	(182)	(8.53%)	54,813,600	48,519,360	(6,294,240)	(11.48%)	330,379	319,785	(10,594)	(3.21%)
All Other Counties	77	72	(5)	(6.49%)	2,794,560	2,347,080	(447,480)	(16.01%)	15,909	13,424	(2,485)	(15.62%)
Tier 1	496	464	(32)	(6.45%)	16,187,040	14,769,960	(1,417,080)	(8.75%)	68,253	68,879	625	0.92%
Tier 2	1,448	1,332	(116)	(8.01%)	33,008,760	29,164,680	(3,844,080)	(11.65%)	232,784	226,685	(6,098)	(2.62%)
All Other Counties	267	228	(39)	(14.61%)	8,412,360	6,931,800	(1,480,560)	(17.60%)	45,251	37,645	(7,606)	(16.81%)
Statewide Total	2,211	2,024	(187)	(8.46%)	57,608,160	50,866,440	(6,741,720)	(11.70%)	346,288	333,209	(13,079)	(3.78%)

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

5C. Appointment of Actuary and Qualification Documentation

MEMORANDUM

REVIEW DATE: January 19, 2022

TO: John Polak, General Manager

FROM: Jim Murphy, Chief Actuary | Vice President, Enterprise Analytics

RE: Appointed Actuary Qualification Documentation

Xiuyu Li was first appointed as the Appointed Actuary for the Texas FAIR Plan Association in December 2017. She joined TFPA in February 2013 and has 17 years of experience in the P/C insurance industry across multiple lines of business, including homeowners, commercial property, commercial automobile, and workers' compensation coverages. Xiuyu leads a variety of actuarial engagements for TFPA, primarily focused on reserving, rate making, risk transfer and analysis. Prior to joining TFPA, she worked as a predictive modeler at Travelers focused on general linear modeling applied in advanced rate making.

Xiuyu updates her knowledge through continuing education through a combination of industry conferences, on-line courses, TFPA conferences, seminars and self-study. Relevant areas include pricing, reserving, cat modeling/model validation, reinsurance, impacts of statutory changes on TFPA rates/reserves/funding, and professionalism related to preparing Statements of Actuarial Opinion. She plans to obtain, for calendar year 2022, sufficient continuing education credits to meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States as promulgated by the American Academy of Actuaries. A detailed log of her continuing education is available upon request.

Education and Certifications required in annual statement instructions

- Xiuyu received a Master's Degree in Statistics/Actuarial Science in 2004 from the University of Texas.
- Xiuyu is an Associate of the Casualty Actuarial Society (ACAS) and her basic education includes credit for Exam 6 – Regulation and Financial Reporting (United States) and Exam 7 – Estimation of Policy Liabilities, Insurance Company Valuation, and Enterprise Risk Management; She has been a Member of the American Academy of Actuaries (MAAA) since 2015, thus meeting the requirements for basic education, Accepted Actuarial Designation, and membership in a professional actuarial organization described in the Annual Statement Instructions.
- Xiuyu is an active CAS College Liaison



Mrs. Li's experience, basic education, continuing education, and professional society membership described on this page illustrate that she meets the requirements for a qualified actuary as set forth in the NAIC Annual Statement Instructions.

I recommend that Xiuyu continue as the appointed actuary for TFPA.

JM

5D. Rate Filing Update

There is no exhibit for this topic

6. Internal Audit Status & Update

MEMORANDUM

TO: The Governing Committee - Texas FAIR Plan Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: February 21, 2022

SUBJECT: Status of Internal Audit Activities

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

➤ **Current Activities:**

Activity Description	Status
Premium Taxes	Report in Management review
Actuarial	Report in final Weaver review
Vendor Management	Fieldwork complete – report in progress
Information Security	4th Quarter
Business Continuity of Operations	4th Quarter

➤ **Upcoming Audits:**

Activity Description	Timing
Information Security	4th Quarter
Business Continuity of Operations	4th Quarter
Plan of Operation	1 st /2 nd Quarter 2022

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

Texas FAIR Plan Association
Internal Audit Plan – Lookback (2020 - 2021) and Prospective (2022-2024)

Process Area	Last Report Date	2021 Inherent Risk Rating	2020	2021	2022	2023	2024
Information Security	May 2018	High		x		x	
Claims Processing	Nov 2020	High	x		x		x
Reinsurance	Nov 2020	High	x		x		x
Database and Application Administration	Oct 2020	High	x			x	
Communications	Mar 2021	High		x		x	
Actuarial (Pricing and Reserving)	Sept 2021	High		x		x	
Legal & Compliance	Mar 2021	Moderate	x			x	
Underwriting	Jun 2020	Moderate	x			x	
Plan of Operation	N/A	Moderate			x		
Business Continuity of Operations	Feb 2020	Moderate			x		
Governance	May 2021	Moderate		x			x
Financial Close and Reporting ⁽¹⁾	Dec 2020	Moderate	x				x
Disaster Recovery	Feb 2020	Moderate	x	x			x
Accounts Payable and Expense Processing ⁽¹⁾	Oct 2019	Moderate				x	
Application Development	Sept 2019	Moderate			x		
Information Technology Services	N/A	Moderate			x		
Vendor Management	Nov 2021	Moderate		x			x
Accounts Receivable ⁽¹⁾	May 2020	Moderate				x	
Payroll	Jun 2019	Moderate			x		
Facilities and Services	Oct 2020	Low	x			x	
Cash Management	Aug 2021	Low		x			x
Premium Taxes	Jul 2021	Low		x			x

7. Underwriting Operational Review Update

MEMORANDUM

DATE: February 2, 2022
TO: John Polak, General Manager
FROM: Jessica Crass, Acting Vice President, Underwriting
RE: Update on Underwriting Operational Highlights

Fourth Quarter 2021 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 99% of transactions processed within 10 days and with approximately 90% 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 and quality results are within our established goals.
- d. Underwriting operated under budget year to date, primarily driven by managing headcount, reduced inspections, and lower call center expense.

II. TFPA Agent Audit Results:

- a. A standard sample of agencies were selected for review in the fourth quarter of 2021 to verify compliance with the declination of coverage requirement and TFPA Producer Requirements and Performance Standards. Seventy percent of agents have responded but only nine agents have provided documents. The statistics below are results of the analysis of documents that have been provided to date. Ten percent of agencies requested to postpone their audits to 2023 due to documentation loss from the 2021 winter storm. Another portion of the agencies requested additional time to comply due to the holidays. Staff continues to work with the agents who require accommodation.
 - i. Proof of declination was received for seventy-eight percent of the policies selected. Staff is following up for outstanding proof of declinations.
 - ii. Signed applications were provided for seventy-two percent of the policies selected. Staff is following up with the agents who have not yet provided signed applications.



- iii. Signed eligibility requirement statements were provided for seventy-one percent of the policies selected. Staff is following up with the agents who have not yet provided signed applications.
- b. All agents selected have an active property & casualty insurance license and have the required direct standard market appointments.

8. Claims

8A. Claims Operations – Overview

TFPA Claims Operations 2021

TFPA Claims - 2021 Results (through Q4)					
Key Cycle Times (In days)	Industry Average, TX	TFPA	TFPA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	6.0	3.8	<3	0.8	27%
Inspect Property to Receipt by TFPA	3.9	2.4	<8	-5.6	-70%
Total Cycle Time FNOL to Payment	N/A	12.2	<12	0.2	1%
TDI Complaint Ratio					
2020	0.09% - 5 complaints from 5,645 new claims				
2021	0.17% - 16 complaints from 9,471 new claims				

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

Year	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Actual Volume	378	266	323	313	3,717	1,488	517	513	484	418	330	829	360	302	200
Actuarial Projected	354	262	258	369	220	219	727	724	331	329	470	610	353	211	210
Staffing Plan	286	286	286	342	342	342	342	342	342	342	342	342	342	342	342
Open Inventory	1,128	1,098	1,126	1,091	3,084	1,519	1,246	1,244	1,134	1,072	934	1,318	1,009	893	768

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
2017	282	-	119	-	271	-	960	-	20,253	-	22,286	-
2018	283	0.4%	128	7.6%	184	-32.1%	1,007	4.9%	2,933	-85.5%	4,935	-77.9%
2019	232	-18.0%	84	-34.4%	156	-15.2%	727	-27.8%	4,944	68.6%	6,500	31.7%
2020	114	-50.9%	90	7.1%	110	-29.5%	623	-14.3%	3,597	-27.2%	4,960	-23.7%
2021	130	14.0%	58	-35.6%	76	-30.9%	604	-3.0%	2,867	-20.3%	8,778	77.0%

Incurred Amounts by Peril

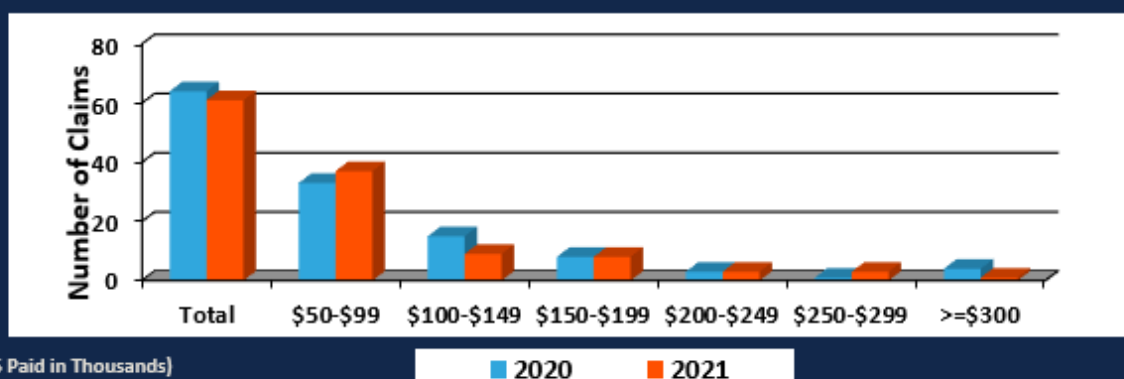
Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2017	\$11,533,193	-	\$1,023,968	-	\$628,257	-	\$906,433	-	\$50,684,166	-	\$65,420,144	-
2018	\$9,524,538	-17.4%	\$286,282	-72.0%	\$512,246	-18.5%	\$967,647	6.8%	\$8,871,991	-82.5%	\$21,058,407	-67.8%
2019	\$9,749,964	2.4%	\$567,045	98.1%	\$395,911	-22.7%	\$9,749,964	907.6%	\$20,659,161	132.9%	\$32,515,888	54.4%
2020	\$5,813,971	-40.4%	\$650,149	14.7%	\$201,930	-49.0%	\$5,813,971	-40.4%	\$14,917,448	-27.8%	\$24,886,084	-23.5%
2021	\$8,161,802	40.4%	\$56,506	-91.3%	\$99,213	-50.9%	\$8,161,802	40.4%	\$9,137,309	-38.7%	\$22,247,884	-10.6%

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
2017	\$40,898	-	\$8,605	-	\$2,318	-	\$944	-	\$2,503	-	\$2,935	-
2018	\$33,656	-17.7%	\$2,237	-74.0%	\$2,784	20.1%	\$961	1.8%	\$3,025	20.9%	\$4,267	45.4%
2019	\$42,026	24.9%	\$6,751	201.8%	\$2,538	-8.8%	\$13,411	1295.7%	\$4,179	38.1%	\$5,002	17.2%
2020	\$51,000	21.4%	\$7,224	7.0%	\$1,836	-27.7%	\$9,332	-30.4%	\$4,147	-0.8%	\$5,017	0.3%
2021	\$62,783	23.1%	\$974	-86.5%	\$1,305	-28.9%	\$13,513	44.8%	\$3,187	-23.2%	\$2,535	-49.5%

*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
2020 (complete year)	55	31	11	7	3	1	2
Liability	9	2	4	1	0	0	2
2021 (complete year)	61	37	9	8	3	3	1
Liability	0	0	0	0	0	0	0
Variance	-3	4	-6	0	0	2	-3

2021 Hurricane Nicholas

TFPA Nicholas	As of 12/31/21
Claims	735
Open	75
Closed	660
% Closed	89.80%
Paid Indemnity	\$2,357,598
Paid Expenses	\$469,846

8B. Litigation Summary



TFPA Litigation Tracking Activity

Litigation Quarter Summary Fourth Quarter 2021

4th Quarter 2021	Summary of TFPA Claims in Suit						
		New		Settled		Closed	
		1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
	October	3	0	0	0	24	0
	November	0	0	0	0	11	1
	December	1	1	0	0	12	0
		4	1	0	0	47	1

4th Quarter 2021	Summary of TFPA Claims with LORs						
		New		Settled		Closed	
		1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
	October	7	4	0	0	7	0
	November	4	1	0	0	5	1
	December	13	1	0	0	3	0
		24	6	0	0	15	1



TEXAS FAIR PLAN
ASSOCIATION

TFPA Claims Litigation December 2021

Dec-21	TFPA Claims in Suit						
		Beginning Inventory	New	Closed	Ending Inventory		
					1st Party	3rd Party	TOTAL
	Wind/Hail	97	1	(12)	86	0	86
	Other Perils	9	0	0	9	0	9
	Bodily Injury	3	1	0	0	4	4
	Property Damage	0	0	0	0	0	0
	TOTAL	109	2	(12)	95	4	99

Dec-21	TFPA Claims with LORs							
		Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory		
						1st Party	3rd Party	TOTAL
	Wind/Hail	55	7	(3)	(1)	58	0	58
	Other Perils	14	6	0	0	20	0	20
	Bodily Injury	1	1	0	(1)	0	1	1
	Property Damage	0	0	0	0	0	0	0
	TOTAL	70	14	(3)	(2)	78	1	79

Dec-21	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	95	4	78	1	178	0	0	0	0	0	178



TEXAS FAIR PLAN
ASSOCIATION

Dec-21	TFPA Active Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	Total
	Manuel Solis, P.C.	52
	Buzbee Law Firm/Manuel Solis	39
	Dick Law Firm	29
	Daly & Black	8
	Lane Law Firm	6
	Zar Law Firm	5
	Chad T. Wilson Law Firm	4
	Baker Law	3
	Arguello Law Firm	2
	Buzbee Law Firm	2
	Moss Legal Group	2
	Cristobal Galindo Law	2
	Brasher Law	2
	Furlow Law	2
	Remaining 20 firms	20
	TOTAL	178



TEXAS FAIR PLAN
ASSOCIATION

Dec-21	TFPA Active Claims with Suits/LORs: County of Loss Location			
	County	1st Party	3rd Party	Total
	Bexar	2	0	2
	Brazoria	3	0	3
	Chambers	1	0	1
	Dallas	1	0	1
	El Paso	2	0	2
	Ft. Bend	5	0	5
	Galveston	2	1	3
	Harris	147	2	149
	Hidalgo	2	0	2
	Jasper	1	0	1
	Johnson	0	1	1
	Llano	1	0	1
	Maverick	1	0	1
	Montgomery	1	0	1
	Nueces	0	1	1
	Orange	2	0	2
	Tarrant	1	0	1
	Waller	1	0	1
	TOTAL	173	5	178

9. TFPA Operations

9A. IT Systems Enhancements



MEMORANDUM

DATE: February 21, 2022
TO: John Polak, General Manager
FROM: Camron Malik, CIO / VP IT
RE: TFPA Information Technology status

The Virtual Desktop Infrastructure (VDI) project successfully completed in December. This effort was to move the organization to a remote, virtual computing environment that is independent of our Data Center. It has proven to be flexible and reliable and will have a beneficial effect on the budget.

The TFPA implementation continues in Production Support mode with the Systems Development/Production Support releases following their monthly cadence. 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: February 2, 2022
TO: TFPA Governing Committee
FROM: Jennifer Armstrong, Vice President, Communications & Legislative Affairs
RE: Communications & Legislative Affairs Operational Highlights

Legislative & Regulatory Affairs

- a) Meeting with New Insurance Commissioner: Association staff met virtually with the new Insurance Commissioner Cassie Brown on November 2. Topics discussed at the meeting were primarily related to TWIA operations.
- a) Reinsurance Rule: On November 9, TDI adopted new regulations for credit for reinsurance, effective January 1. The changes eliminate collateral and physical presence requirements for certain insurers and regulate aspects of reserve financing. The regulations implement House Bill 1689, passed in the 87th legislative session, which is expected to increase the number of companies eligible to offer reinsurance to TFPA.
- b) Most legislative and regulatory inquiries received during the fourth quarter, October 1 through December 31, 2021, were related to TWIA matters.

12. Future Meetings

May 16, 2022 – Hyatt Regency

Austin/Webinar

August 2022 – TBA