Meeting of the Governing Committee
Texas FAIR Plan Association
Teleconference/Web Conference Meeting**
May 17, 2021
Webinar
3:00 p.m.

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

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

1. Call to Order: *5 minutes*
   A. Reminder of Anti-Trust Statement – *John Miletti/Counsel*
   B. Meeting Format Information – *Kristina Donley*

2. Welcoming Remarks – *John Miletti*

3. Consideration and Action to:
   Approve the Minutes from Prior Governing Committee Meetings
   – *John Miletti** *5 minutes*

4. TFPA Operational Highlights – *John Polak* *5 minutes*

5. Financial *20 minutes*
   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
   C. Investment Plan Review – *Jerry Fadden**
   D. Financial Audit by Calhoun, Thomson + Matza – *Clark Thomson*
      1. Audit Wrap Up Report
      2. Statutory Report*
      3. Internal Control Letter

6. Actuarial *15 minutes*
   A. Reserve Adequacy
   B. Rate Filing Update
   C. Policy Count/Exposures
   D. 2021 Funding* – *Guy Carpenter and Company LLC and Jerry Fadden*

7. Internal Audit – *Bruce Zaret – Weaver* *5 minutes*
   A. Internal Audit Status & Update

8. Underwriting – *Denise Larzalere* *5 minutes*
   A. Operational Review Update

9. Claims *15 minutes*
   A. Claims Operations - Overview – *Dave Williams*
   B. Claims Litigation – *David Durden*

10. TFPA Operations *20 minutes*
    A. IT Systems Enhancements – *Camron Malik*
    B. Ethics Policy – *David Durden**
    C. Communications Update – *Jennifer Armstrong*

11. Closed Session **(Governing Committee Only)** *30 minutes*
    A. Personnel Issues
    B. Legal Advice

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

13. Future Meetings – *John Miletti* *5 minutes*
    - August 2, 2021 – Webinar
    - December 6, 2021 – Webinar

14. Committees – *John Miletti* *5 minutes*

15. Adjourn

Estimated Total Length of Meeting 2 hours 15 minutes

** 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

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.

3. Approve the Minutes

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

March 22, 2021

The Following Governing Committee Members were Present, Representing:

1.	John Miletti (Chair)	Travelers
2.	Mark Solomon (Vice Chair)	Assurnet
3.	Wendy Mueller (Secretary/Treasurer)	State Farm
4.	Debbie King	Republic
5.	Frank Baumann	Public Member
6.	Georgia Neblett	Public Member
7.	Tim McCarthy	Texas Farm Bureau
8.	Marilyn Hamilton	Public Member
9.	Edward J. (E. Jay) Sherlock	J.S. Edwards and Sherlock Insurance Agency
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.	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.	Camron Malik, Chief Information Officer	TFPA
8.	JD Lester, VP Human Resources	TFPA
9.	Jim Murphy, Assistant VP Analytics and Special Projects	TFPA
10.	Amy Koehl, Executive Assistant	TFPA
11.	Kristina Donley, Senior Instructional Designer	TFPA
12.	Mike Perkins, Association Counsel	Perkins Law Group, PLLC

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

1. Angie Cervantes
2. Cari Christman
3. Ebony Cormier
4. Tad Delk
5. Matt Diamond
6. Al Fulkerson
7. Stuart Harbour

8. Xiuyu Li
9. Laura Machado
10. David Muckerheide
11. Brett Nabors
12. Anna Stafford
13. Aaron Taylor
14. Bruce Zaret

1. Call to Order: Chairman John Miletti called the meeting to order at 3:03 p.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Kristina Donley provided housekeeping information to the attendees. Mr. Perkins conducted a roll call of attendees.

2. Approval of the Minutes from Prior Governing Committee Meeting: The minutes from the December 7, 2020 meeting in Austin were reviewed. Ms. Mueller moved to approve the minutes. Ms. Neblett seconded the motion. The motion passed.

3. TFPA Operational Highlights: Mr. Polak reported the Association remains below plan for Q4 2020 operating expenses. Underwriting and claim service levels exceeded turnaround time and quality standards. The Association remains well below plan on litigated claims and complaints in Q4 2020.

4. Financial:
   A. Report of the Secretary/Treasurer: Ms. Mueller reviewed the Treasurer's Report. Ms. Neblett moved to approve the report. Mr. McCarthy seconded the motion. The motion passed.
   B. Financial Statement Review by Staff: Direct written premiums for the year ended December 31, 2020 totaled $79.5 million, a decrease of $5.9 million or 6.9% from the $85.3 million for the same period in the prior year due to continued declines in policy count. Direct written premium was $5.9 million higher than the budgeted $73.6 million. Policies in force totaled 73,713 or 4,113 policies above the budget of 69,600. At year end, 2019 policies in force totaled 80,923.

      Direct premiums earned in 2020 were $82.2 million or $8.3 million (9.1%) lower than the same period in 2019 but $4.4 million higher than the budget of $77.8 million.

      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 $28.9 million which was 0.7% lower than the 2020 budget of $29.1 million. Total ceded earned premiums for the twelve months ended December 31, 2020 totaled $29.1 million which was slightly below budget by $77,000. Ceded premium is written in July of each year and earned through the following twelve-month period.

Net premium earned from January through December 2020 totaled $53.1 million, which exceeded the budget of $48.6 million by $4.5 million.

Year-to-date direct losses and LAE totaled $36.6 million and include estimated reserves as calculated by the Association's internal actuary as of December 31, 2020. Ultimate losses and LAE attributable to Hurricane Laura were estimated at $4.0 million and $760,000 for Hurricanes Hanna and Delta combined. Incurred losses and LAE are above budget by $9.0 million due primarily to higher than anticipated losses from spring storm activity, Hurricane Laura and an explosion at a manufacturing facility in Houston on January 24, 2020. The YTD loss and LAE ratio is 44.6% compared to the budgeted loss and LAE ratio of 35.6%.

Total 2020 operating expense of $13.2 million was under budget by $1.1 million. Costs incurred year-to-date for IT consultants were over budget by $497,000 but were more than offset by savings in IT employee and contractor expense and hardware and software expenses, which were under budget by a combined $961,000. Other notable expense items under budget were underwriting personnel ($216,000), recruiting and training ($126,000), postage and telephone ($126,000) and surveys and inspections ($100,000).

Commission expense and premium taxes year-to-date were above budget by $531,000 or 5.7% due to higher than budgeted written premium.

Year-to-date gross investment income was $123,000, which is $402,000 below the budget of $525,000. This shortfall was due to Federal Reserve interest rate cuts in response to the economic threats associated with the Coronavirus outbreak.

TFPA's financial results for the twelve months ended December 31, 2020 reflect a net loss of $5.9 million compared to the budgeted loss of $1.9 million.

The ending surplus as of December 31, 2020 was $6.0 million, or $6.1 million below the surplus at December 31, 2019 of $12.1 million. Surplus was reduced by $238,000 in 2020 due to an increase in the provision for reinsurance which was slightly offset by a decline in non-admitted assets of $43,000 related to prepaid assets and receivables.

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 December 31, 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 January 27, 2021, the ultimate loss and expense estimate for Hanna is around $0.5 million. Hurricane Laura made landfall on Cameron, Louisiana on August 26, 2020 as a

Category 4 hurricane. As of January 27, 2021, 322 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. As of January 26, 2021, 74 Delta related claims were reported to the Association and loss & expense estimate related to Hurricane Delta is around $0.3 million.

Based on this review, the "indicated" ultimate costs of Hurricane Harvey is $84.5 million, close to the indicated ultimate loss and expense estimate based on the review as of September 30, 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 December 31, 2020, TFPA carried $23.0 million in total gross loss and loss adjustment expense reserves with $7.6 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.

B. Policy Count/Exposures: Policy counts are down year over year in most counties.
C. Appointment of Actuary and Qualification Documentation: Each year, the TFPA Governing Committee is asked to reappoint the senior actuary. Xiuyu Li's qualification information was provided in the meeting materials. Ms. Morrison moved to approve Ms. Li as the senior actuary. Ms. Mueller seconded the motion. The motion passed.

6. Internal Audit:
   A. Internal Audit Status & Update: Mr. Zaret reported the current audit activities, including claims process, reinsurance, database and application administration, financial close and reporting, legal and compliance, communications and disaster recovery. Upcoming audits include governance and cash management.
   B. IT Audit – Database and Application Administration Security Issues: This item will be covered in closed session.
   C. IT Security Audit – This item will be covered in closed session.

7. Underwriting:
   A. Operational Review Update: Underwriting continues to have consistent turnaround time on all policy transactions. The department goal is to issue 90% of new business submissions, endorsements, renewals and cancellations within 10 days. That standard is being surpassed with over 96% of all transactions processed within 10

days and with approximately 87% of new business via straight through processing. Quality assurance goals 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 teleworking. Payment leniency (telephone payments) have increased, as well as general training questions from agents. Increased utilization of the external call center and modifying some scheduling is helping to ensure acceptable service levels. Staff continues to perform service observation (listening to phone calls and scoring them) as well as calibrating expectations within the entire Association.

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

Twenty agents (200 properties/policies) were selected for review in the fourth quarter of 2020 to verify compliance with the declination of coverage requirement and TFPA producer requirements and performance standards. Eighteen agents have responded with follow up requests being sent to the two agents who have not responded yet. Proof of declination was received for eighty four percent of the policies selected. Staff is following up for outstanding proof of declinations. Signed applications and eligibility statements were provided for approximately eighty two percent of the policies selected. Staff is following up with the agents who have not yet provided signed applications. All 20 agents have an active property and casualty insurance license, and all 20 agents have the required direct standard market appointments.

8. Claims:
    A. Claims Operations: Mr. Williams reported claim volume was 20% lower than expected. There have been only five TDI complaints due to improved customer relationships. There are lower disputed claims as well. Large losses are down 13%.
    B. Claims Litigation: Mr. Durden reported that 17 new first party suits were received in the fourth quarter of 2020. No suits were settled and 23 first party suits and one third party suit were closed in the same quarter. As for TFPA claims with letters of representation, 25 first party suits and 1 third party suit were received in Q4 2020. Twenty-five first party suits and one third party suit were closed during the same period. Currently, the Buzbee Law/Manuel Solis firm has the majority of suits/LORs.

9. TFPA Operations:
    A. IT Systems Enhancements: The TFPA implementation is in production support mode. 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.

Staff has kicked off the technology portion of the New Normal program, which will accommodate a flexible workforce capable of working seamlessly on-site or remotely. The New Normal program comprises four major work threads. These are people, change management, space management and technology and infrastructure. All work threads have started and are progressing well.

B. Communications Update: In preparation for the 87th legislative session, engagement with legislative offices greatly increased in Q4 2020. Outreach primarily focused on issues pertaining to TWIA. Staff continues to expect the legislature's focus to be on issues related to the pandemic during session and the legislature's ability to meet during session will also be limited based on this same issue.

Staff continues to provide recurring operational email updates to the TFPA Governing Committee, TDI, legislative staff and coastal elected officials and stakeholders.

10. Closed Session: The meeting went into closed session at 3:56. It returned to open session at 4:08.

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

12. Future Meetings: The next meetings will take place on the following dates:
    - May 17, 2021 – Webinar
    - August 2, 2021 – Webinar
    - December 6, 2021 – Webinar

13. Committees: There was nothing to report.

14. Adjourn: There being no further business the meeting adjourned at 4:10 pm.

______________________________ ___________________________

Prepared by: Amy Koehl
Executive Assistant

Approved by: John Miletti
TFPA Chairman

4. TFPA Operational Highlights

2021 TFPA Enterprise Scorecard

Reporting YTD as of March 31, 2021

TEXAS FAIR PLAN ASSOCIATION

	YTD	Trend	Goal	Δ	Performance
Operating Expense Ratio	13.5%		15.3%	-1.8%	
Net Gain from Operations	-$6.0 M		$0.5 M	-$6.5 M	
Enterprise Projects	91%		90%	1%	
Policy Administration	99%		90%	9%	
Claims Handling	94%		90%	4%	
Litigated Claims	0.00%		1.00%	-1.00%	
Complaints	7		4	3	

Reference Data

Policies In-Force	72,713
Exposures In-Force	$12.4 billion
Written Premiums YTD	$18.6 million
Claims Received YTD	5,518
Losses Incurred YTD[1]	$12.0 million

[1] Excludes IBNR

Key Quarterly Activities

- Remain below plan for Q1 2021 operating expenses.
- On track to complete Association objectives for all strategic initiatives in 2021.
- Exceeded turnaround time and quality standards on Underwriting and Claim service levels.
- Remain well below plan on litigated claims in Q1 2021.

5. Financial

5A. Report of the Secretary/Treasurer

5A1. Income Statement

TEXAS FAIR PLAN ASSOCIATION
Statutory Income Statement - Treasurer's Report
for the three months ended March 31,
(000's omitted)

	2021	2020
Direct Premiums Written	$ 18,608	$ 19,300
Premiums Earned:		
Direct Premiums Earned	$ 19,469	$ 21,003
Ceded Reinsurance Premiums	(7,232)	(7,301)
Net Premiums Earned	12,237	13,702
Deductions:		
Direct Losses and LAE Incurred	13,241	9,760
Direct Losses and LAE Incurred - Harvey	-	-
Ceded Losses and LAE Incurred - Harvey	-	-
Operating Expenses	2,625	3,725
Commission Expense	1,934	2,023
Ceding commissions / brokerage	-	-
Premium / Maintenance Tax	349	366
Total Deductions	18,148	15,875
Net Underwriting Gain or (Loss)	(5,912)	(2,173)
Other Income or (Expense):		
Investment Income	1	99
Investment Expenses (Line of Credit Commitment Fee)	(50)	(32)
Interest Expense on Line of Credit Advance	-	-
Sales Tax Refund and Other Income (Expense)	-	-
Member Assessment Income	-	-
Charge off's /Write off	(95)	(14)
Billing Fees	19	119
Total Other Income or (Expense)	(125)	172
Net Income (Loss)	$ (6,037)	$ (2,002)
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	6,006	12,133
Net Income (Loss)	(6,037)	(2,002)
Change in Provision for Reinsurance	70	70
Change in nonadmitted assets	(675)	(662)
Other	-	-
Ending Surplus (Deficit)	$ (636)	$ 9,539

5A2. Management Discussion and Analysis

Texas FAIR Plan Association
Management's Discussion and Analysis of Financial Results for the Three Months Ended March 31, 2021

Direct Written Premium:

- Direct written premiums through March 2021 totaled $18.6 million, a decrease of $692,000 or 3.6% from the $19.3 million for the same period in the prior year due to continued declines in policy count. Direct Written Premium was $1.3 million higher than the budgeted $17.3 million.
- Policies in force at March 31, 2021 totaled 72,355 or 155 policies over the budget of 72,200. At year end 2020 total policies were 73,713.

Direct Premiums Earned:

- Direct premiums earned for the three months ended March 31, 2021 were $19.5 million or $1.5 million (7.3%) lower than the same period in 2020 but were $582,000 higher than the budget of $18.9 million.

Reinsurance Costs:

- TFPA successfully placed the 2020-2021 reinsurance program, incepting on July 1, 2020. The program provides coverage of $385 million in excess of a $40 million initial retention and includes a "second event" cover that reduces the net retention to $10 million.
- Total ceded earned premiums through March 31, 2021 totaled $7.2 million which was slightly above budget by $35,000. Ceded premium is written in July of each year and earned throughout the following twelve-month period.

Net Premiums Earned

- Net premium earned through March 31, 2021 was $12.2 million which exceeded the budget of $11.7 million by $547,000.

Loss and Loss Adjustment Expense Incurred:

- Year-to-date Direct losses and LAE totaled $13.2 million and include estimated ultimate losses and LAE of approximately $8.0 million for winter storm Uri.
- Incurred losses and LAE are above budget by $7.2 million.
- The YTD direct loss & LAE ratio is 68.0% compared to the budgeted loss & LAE ratio of 32.0%.

Operating Expenses:

- March YTD operating expenses of $2.6 million were under budget by $263,000 or 9.1% and $1.1 million below prior year levels.
- Notable expense items under budget include IT Consulting ($55,000), Surveys & Inspections ($49,000) Other Professional Services ($54,000), and Hardware/Software ($28,000).

Commissions and Premium Taxes:

- Commission expense and premium taxes year-to-date were above budget by a combined $111,000 or 5.1% due to higher than budgeted written premium.

Other Income (Expense):

- YTD March 2021 gross investment income was $1,260 which was $3,820 below the budget of $5,080. 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 year-to-date reflect a net loss of $6.0 million compared to the budgeted income of $501,000 due primarily to Winter Storm Uri.

Surplus/Deficit

- As of March 31, 2021, the Association had a deficit of $636,000, or $6.6 million below the surplus at December 31, 2020 of $6.0 million.
- Surplus was also reduced by $675,000 year-to-date due to an increase in non-admitted assets related to prepayments for Guidewire and Eagleview licenses and premium tax.

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5B. Financial Statement Review by Staff

5B1. Income Statement & Expense Statement

TEXAS FAIR PLAN ASSOCIATION
Statutory Income Statement (000's omitted)
for the three months ended March 31,

	Actuals - 2021	Budget - 2021	Variance - 2021	Actuals - 2020
Premiums Written:				
Direct	$ 18,608	$ 17,292	$ 1,316	$ 19,300
Ceded	-	-	-	-
Net	18,608	17,292	1,316	19,300
Premiums Earned:				
Direct	$ 19,469	$ 18,887	$ 582	$ 21,003
Ceded	(7,232)	(7,197)	(35)	(7,301)
Net	12,237	11,690	547	13,702
Deductions:				
Direct Losses and LAE Incurred	13,241	6,044	7,197	9,760
Direct Losses and LAE Incurred - Harvey	-	-	-	-
Ceded Losses and LAE Incurred - Harvey	-	-	-	-
Operating Expenses	2,625	2,887	(263)	3,725
Commission Expense	1,934	1,850	84	2,023
Ceding commissions / brokerage	-	-	-	-
Premium / Maintenance Tax	349	322	28	366
Total Deductions	18,148	11,103	7,045	15,875
Net Underwriting Gain or (Loss)	(5,912)	587	(6,498)	(2,173)
Other Income or (Expense):				
Investment Income	1	5	(4)	99
Investment Expenses (Line of Credit Commitment Fee)	(50)	(30)	(20)	(32)
Interest Expense on Line of Credit Advance	-	-	-	-
Sales Tax Refund and Other Income (Expense)	-	-	-	-
Member Assessment Income	-	-	-	-
Charge offs /Write offs	(95)	(78)	(17)	(14)
Billing Fees	19	17	2	119
Total Other Income or (Expense)	(125)	(86)	(39)	172
Net Income (Loss)	$ (6,037)	$ 501	$ (6,537)	$ (2,002)
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	6,006	6,006	-	12,133
Net Income (Loss)	(6,037)	501	(6,537)	(2,002)
Change in Provision for Reinsurance	70	-	70	70
Change in nonadmitted assets	(675)	(670)	(6)	(662)
Other	-	-	-	-
Ending Surplus (Deficit)	$ (636)	$ 5,837	$ (6,473)	$ 9,539
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	68.0%	32.0%	36.0%	46.5%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	68.0%	32.0%	36.0%	46.5%
UW Expense Ratio:				
Acquisition	12.3%	12.6%	(0.3%)	12.4%
Non Acquisition	13.5%	15.3%	(1.8%)	17.7%
UW Expense Ratio	25.8%	27.8%	(2.1%)	30.1%
Combined Ratio	93.8%	59.8%	33.9%	76.6%
Net:				
Loss & LAE Ratio:				
Non Hurricane	108.2%	51.7%	56.5%	71.2%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Loss & LAE Ratio	108.2%	51.7%	56.5%	71.2%
UW Expense Ratio:				
Acquisition	18.3%	18.7%	(0.4%)	17.4%
Non Acquisition	21.4%	24.7%	(3.3%)	27.2%
UW Expense Ratio	39.7%	43.4%	(3.6%)	44.6%
Combined Ratio	147.9%	95.1%	52.9%	115.8%

TEXAS FAIR PLAN ASSOCIATION
Statutory Expense Report (000's omitted)
for the three months ended March 31,

Description	Actuals - 2021	Budget - 2021	Variance - 2021	Actuals - 2020
Personnel Expenses				
Salaries & Wages - Permanent	$ 1,329	$ 1,230	$ 99	$ 1,597
Contractor & Temporary Help	840	306	534	511
Payroll Taxes	108	106	2	132
Employee Benefits	472	433	39	607
Recruiting, Training & Other	7	24	(17)	13
Subtotal	2,756	2,099	657	2,860
Professional & Consulting Services				
Legal	32	44	(12)	26
Accounting & Auditing	22	25	(3)	31
Information Technology	(47)	36	(84)	553
Actuarial Services	20	10	10	19
Surveys & Inspections	84	133	(49)	117
Disaster Recovery Services	52	67	(15)	20
Other Services (1)	361	333	28	338
Subtotal	523	648	(124)	1,105
Hardware/Software Purchases & Licensing	437	469	(32)	541
Rental & Maintenance - Office/Equipment	181	178	3	170
Travel Expenses	0	3	(3)	9
Postage, Telephone and Express	96	117	(21)	62
Capital Management Expenses	50	50	(0)	32
Other Operating Expenses	107	136	(29)	112
Total Operating Expenses	**$ 4,151**	**$ 3,700**	**$ 451**	**$ 4,890**
Capitalization of Fixed Assets	-	-	-	-
Allocation To ULAE	(1,476)	(763)	(714)	(1,133)
Allocation To Investing & Other Expense	(50)	(50)	0	(32)
Net Operating Expense - UW Operations	**$ 2,625**	**$ 2,887**	**$ (263)**	**$ 3,725**

(1) Other Services	**Amount**	**Department**
Marshall & Swift/Boeckh	76,989	Underwriting
Clear Point Claims LLC	75,755	Underwriting
LYNX Services LLC	51,770	Claims
EagleView Technologies Inc	46,934	Claims
Xactware Solutions Inc	36,025	Claims
Insurance Services Office Inc	26,627	Claims
* Other Vendors by Department	46,711	Various departments
Total Other Services	**360,811**	

5B2. Balance Sheet

TEXAS FAIR PLAN ASSOCIATION

Statutory Balance Sheet (000's omitted)

	March-21	December-20
Admitted Assets		
Cash and short term investments	$ 51,408	$ 57,717
Premiums receivable	6,849	6,631
Assessment receivable	-	-
Amounts recoverable from reinsurers	2,207	1,506
Other assets	0	0
Total admitted assets	**$ 60,465**	**$ 65,855**
Liabilities, Surplus and other funds		
Liabilities:		
Loss and Loss adjustment expenses	$ 16,234	$ 15,458
Underwriting expenses payable	2,049	1,929
Unearned premiums, net of ceded unearned premiums	31,172	24,801
Ceded reinsurance premiums payable	7,158	14,104
Principal outstanding on line of credit advance	-	-
Interest payable on line of credit advance	-	-
Provision for reinsurance	263	333
Other payables	4,226	3,224
Total liabilities	**61,101**	**59,849**
Surplus and others funds		
Unassigned Surplus (Deficit)	(636)	6,006
Total liabilities, surplus and other funds	**$ 60,465**	**$ 65,855**

5B3. Cash & Short-Term Investments

TEXAS FAIR PLAN ASSOCIATION
Cash and Short Term Investments ($ in 000's)
March 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 3/31/2021:											
Bank of America	$ 8,674	$ -	$ 8,674	$ -	$ -	0.00%	17%	Superior	13.5%	$200	No
Citibank	209	5,220	5,428	7,842	0	0.01%	11%	Superior	14.0%	$145	No
JPMorgan Chase	19,956	-	19,956	-	-		39%	Superior	15.7%	$234	No
JP Morgan U.S. Treasury Plus Money Market Fund (1)	-	17,350	17,350	17,350	1	0.02%	34%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 28,838**	**$ 22,570**	**$ 51,408**	**$ 25,192**	**$ 1**	**0.02%**	**100%**				
Balances as of 12/31/2020:											
Bank of America	$ 11,869	$ -	$ 11,869	$ -	$ -	0.00%	21%	Superior	12.3%	$192	No
Citibank	209	9,219	9,428	9,267	0	0.01%	16%	Superior	12.9%	$137	No
JPMorgan Chase	19,071	-	19,071	-	-		33%	Superior	13.4%	$205	No
JP Morgan U.S. Treasury Plus Money Market Fund (1)	-	17,349	17,349	15,105	1	0.02%	30%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 31,149**	**$ 26,569**	**$ 57,717**	**$ 24,372**	**$ 1**	**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 December 31, 2020. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

5B4. Cash Flow Statement

TEXAS FAIR PLAN ASSOCIATION
Statement of Cash Flows (000's omitted)
for the three months ended March 31,

	Actuals - 2021	Budget - 2021	Variance - 2021
Cash flows from operating activities:			
Premiums collected, net of reinsurance	$ 12,100	$ 8,261	$ 3,838
Losses and loss adjustment expense paid	(13,166)	(12,023)	(1,143)
Underwriting expenses paid	(5,117)	(4,984)	(133)
Member assessment	-	-	-
Other	(77)	(61)	(16)
Net cash provided by operating activities	(6,260)	(8,807)	2,547
Cash flows from nonoperating activities:			
Other	-	-	-
Net cash provided by nonoperating activities	-	-	-
Cash flows from investing activities:			
Net investment income	(49)	(25)	(24)
Net cash provided by investing activities	(49)	(25)	(24)
Cash flows from financing activities:			
Borrowed funds	-	-	-
Borrowed funds repaid	-	-	-
Net cash provided by financing activities	-	-	-
Net increase (decrease) in cash and short-term investments	(6,309)	(8,832)	2,523
Cash and short-term investments, Beginning	57,717	57,717	-
Cash and short-term investments, Ending	$ 51,408	$ 48,885	$ 2,523

5B5. Historical Data

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

	GROSS					NET					
YEAR	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	MEMBER ASSESSMENTS	SURPLUS OR (DEFICIT) END OF PERIOD
2003	$ 18,272,542	100,223		$ 82,004	$ 19,580	$ 31,287	$ 19,580	$ 26,618	$ (14,911)		$ (15,948)
2004	22,904,408	134,350		100,666	37,184	85,238	37,184	28,470	19,584		(1,821)
2005	14,165,560	88,512		60,969	31,262	77,389	31,262	18,588	27,539		31,563
2006	13,321,087	81,129		59,873	22,545	45,867	22,545	17,304	6,017		40,063
2007	15,556,965	91,847	3.9%	73,058	24,578	52,955	24,578	19,362	9,015		52,081
2008	14,060,852	84,438		64,488	239,886	48,364	82,774	18,797	(53,208)		209
2009	11,706,721	72,989	10.7%	60,255	32,961	28,136	6,659	18,811	2,666		(9,753)
2010	14,246,999	85,984	5.0%	73,924	86,187	40,905	34,601	17,019	(10,715)		(17,449)
2011	15,979,040	96,710		83,066	78,009	47,063	53,009	15,897	(21,843)		(33,860)
2012	17,966,799	108,637	14.6%	102,383	28,453	56,880	28,453	20,346	8,081		(25,722)
2013	20,594,317	124,222	16.7% (a)	122,683	39,438	75,343	39,438	22,610	13,295		(13,422)
2014	21,944,280	131,376		133,206	45,070	89,405	45,070	24,058	20,277		5,978
2015	22,154,205	132,734		132,879	68,593	90,952	68,593	24,675	(2,316)		4,977
2016	19,883,769	121,413	8.0% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5.0% (c)	112,316	128,666	76,837	84,864	29,739	(37,766)		(54,941)
2018	15,223,344	95,637	8.1% (d)	95,882	26,733	69,239	26,733	29,527	12,979	54,941	15,088
2019	12,299,224	80,923		85,327	38,241	59,625	38,241	25,310	(3,926)		12,133
2020	12,618,291	73,713	9.6% (e)	79,477	36,620	53,092	36,620	22,398	(5,926)		6,006
2021	12,384,907	72,355		18,608	13,241	12,237	13,241	4,908	(5,912)		(636)
TOTAL				**$ 1,663,549**	**$ 1,075,255**	**$ 1,125,215**	**$ 771,454**	**$ 410,856**	**$ (57,095)**	**$ 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
*2021 data through 3/31/2021

5C. Investment Plan Review

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: April 28, 2021

TO: John Polak, General Manager

FROM: Jerry Fadden, Chief Financial Officer

RE: **TFPA Investment Plan Review**

Annually, the TFPA Governing Committee reviews the adequacy and implementation of the association's investment plan as reflected in the Statement of Investment Objectives and Guidelines.

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

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

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

On the next page, you will find an evaluation of financial institutions based on certain of the criteria listed above.

At this time, we are not recommending any changes to the investment plan. However, we will be seeking a resolution at the May 17, 2021 Governing Committee meeting regarding Governing Committee review of the adequacy of the current investment plan, copy attached, and Governing Committee review of the implementation of the plan. Suggested wording of such resolution is as follows:

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The Governing Committee of the Texas Fair Plan Association acknowledges its review of the adequacy and implementation of the investment plan of the Association and accepts staff's recommendation to make no changes to the investment plan at this time.

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

Evaluation of Counterparty Relationships as of 12/31/2020

Financial Institution	N.A. Bank Credit Rating (as of 12/31/20)	N.A. Tier 1 Capital Ratio (as of 12/31/20)	N.A. Regulatory Capital (as of 12/31/20)	Holding Level Market Capitalization ($ in Billions as of 12/31/20)
JPMorgan Chase, N.A.	Superior	15.7%	$234	$387
Bank of America, N.A.	Superior	13.5%	$200	$262
Citibank, N.A.	Superior	14.0%	$145	$128

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TEXAS FAIR PLAN ASSOCIATION

Investment Plan

I. Overview

The purpose of this statement is to provide clear objectives and guidelines for investing the assets of the Texas FAIR Plan Association ("TFPA").

The Texas FAIR Plan Association was created by the Texas Legislature when it enacted Article 21.49A (the "Act") sec. 3(a), as amended, of the Texas Insurance Code (re-codified as Texas Insurance Code Chapter 2211). The purpose of the Act is to ensure that residential property insurance coverage is available to Texas residents.

II. Investment Objectives

The investment objectives enable TFPA to manage funds with the primary focus of asset preservation and liquidity, as well as securing maximum total return through the application of the investment policy set forth below. This policy must comply with all restrictions on investments in accordance with the Texas Insurance Code, the Plan of Operation of the Association and any other applicable requirements. While maximizing yield is important, the Association will consider the safety of the principal and liquidity the foremost objective.

III. Permissible Asset Types

TFPA may invest funds in excess of minimum capital and surplus in accordance with Texas Insurance Code Subchapter B, Chapter 424, and Subchapters C and D, Chapter 425. Under current law and in accordance with the minimum capital and surplus definition referenced in Section 822.054, $5 million will be set aside to support this requirement. Furthermore, in order to preserve TFPA's funds for immediate need in the case of a catastrophe, all funds will be restricted to liquid investments that are free of risk of loss of principal. (See Appendix A for complete detail of these items).

1. Checking, savings accounts, and Money Market Demand Accounts in Financial Institutions that meet the counterparty requirements outlined below in section IV of this document.

2. US Treasury Notes not to exceed 12 months, unless otherwise approved by the governing committee.

3. Money Market Fund Accounts with a maximum duration of 1 year or less, unless otherwise approved by the governing committee. Account must invest exclusively in US bonds backed by the full faith and credit of the US government.

4. Other investments approved by the governing committee.

IV. Diversification and Evaluation of counterparty relationships:

The Association must evaluate bank financial performance, bank ranking and credit ratings from Moody or Standard & Poor's on a quarterly basis in order to assess the investment risk. All financial institutions ratings must meet "AAA", "AA", or "A" ratings defined as "strong or superior" in credit ratings.

The Association must also evaluate the bank's capital strength through Tier 1 Capital Ratios. The Association's criterion is that the Tier 1 Capital Ratio must be above 10% for the Association to invest with such institution.

The Association should evaluate the total capital of all banks on a quarterly basis. National Association (N.A.) Regulatory Capital must be in excess of $25B.

Total investment in any one financial institution should not exceed .2% of the National Association's regulatory capital. Total investments in any one financial institution should not exceed 40% of TFPA's total portfolio.

The Association should perform the above evaluation on a quarterly and/or annual basis as information is available. To the extent certain information is not available quarterly at the N.A. level; the Association should review the Tier 1 Capital Ratio and Market Capitalization at the bank holding company level.

V. Monitoring, Evaluation and Compliance

TFPA's management will review the investment plan on an annual basis and make recommendations, if necessary, to the governing committee at that time. ·It is the responsibility of TFPA management to report to the governing committee all cash and investment balances, interest rates and diversification ratios on a quarterly basis.

Appendix A to Statement of Investment Objectives and Guidelines

I. Definitions related to the guidelines

a. Tier 1 Capital Ratio also known as Capital Adequacy is the amount of capital a bank or other financial institution has to hold as required by its financial regulator. These requirements are put into place to ensure that institutions do not take on excess leverage and become insolvent.

A firm must have a Tier 1 capital ratio of 6% or greater, and not pay any dividends or distributions that would affect its capital, to be classified as well capitalized according to the Federal Deposit Insurance Corporation (FDIC).

Formula = (Total Equity – Revaluation Reserves) / Risk Based Assets

b. Market Capitalization is the total value of the issued shares of a publicly traded company; it is equal to the share price times the shares outstanding. This allows the investment community to determine a company's size, as opposed to sales or total asset figures.

Formula = stock price X total number of shares outstanding

II. Permissible Assets:

TFPA may invest funds in excess of minimum capital and surplus in accordance with Texas Insurance Code Subchapter B, Chapter 424. The following are the investments as described by Chapter 424 of the Texas Insurance Code for reference.

a. Government Obligations
b. Stock of National or State Bank
c. Deposits in Certain Financial Institutions
d. Certain Obligations of Partnership or Corporation
e. Mutual Funds
f. Real Property
g. Obligations secured by real property
h. Transportation equipment
i. Investment in Foreign Jurisdiction
j. Certain loans
k. Obligations of Local Governmental Entities
l. The University of Texas
m. Bonds issued, assumed or guaranteed in international market
n. Insurer Engaged in Business in Foreign Country
o. Other Specifically Authorized Investments

Appendix A to Statement of Investment Objectives and Guidelines (Continued)

Although the Plan of Operation allows TFPA to follow Texas Insurance Code Chapter 424, management and the governing committee recognize that TFPA is subject to the same risks as Texas Windstorm Insurance Association ("TWIA"). Therefore, TFPA will follow the more stringent policies adhered to by TWIA. The following are the permissible assets for TFPA based on the TWIA Plan of Operation:

a. Interest bearing time deposits or certificates of deposit in any bank or banks doing business in the State of Texas and/or:

b. In treasury notes of the government of the United States of America; and/or

c. Money market funds which invest exclusively in the bonds or the evidence of indebtedness of the United States of America or any of its agencies when such obligations are guaranteed as to principal and interest by the United States of America; except however:

    i. such money market funds may make loans to or purchases of the described bonds and other evidence of indebtedness from a solvent bank or securities broker, registered under the Securities Act of 1934, under an agreement (commonly called a "repurchase agreement") which provides for the purchase by the money market fund of the type of securities described and which agreement matures in 90 days or less and provides for the repurchase by such entity of the same or similar securities purchased by the money market fund, provided that the total market value of such securities shall equal or exceed the amount of such loan or repurchase when it is made; and

    ii. such loan collateral or securities purchased from any one bank or securities broker may not exceed the greater of 5.0% of assets of the money market fund or 5.0% of the amount of capital, surplus, or individual profits of such bank or securities broker; and/or

d. In such other investments as may be proposed by the governing committee and approved by the Commissioner. The governing committee shall determine what portion of such funds shall be retained in a checking account or accounts and what portion of such reserve shall be invested in the investments listed in this subparagraph, as well as which specific investments, if any, shall be made.

5D. Financial Audit by Calhoun, Thomson + Matza

5D1. Audit Wrap Up Report

Texas FAIR Plan Association

December 31, 2020

Audit Wrap Up

Calhoun, Thomson+Matza, LLP
Certified Public Accountants

This presentation was prepared as part of our audit, has consequential limitations, is restricted to those charged with governance and, if appropriate, management, and is not intended and should not be used by anyone other than those specified parties.

Calhoun, Thomson + Matza LLP
Certified Public Accountants

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April 23, 2021

Governing Committee
Texas FAIR Plan Association
Austin, Texas

Ladies and Gentlemen:

Professional standards require us to communicate with you regarding matters related to the statutory financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On July 10, 2020, we presented an overview of our plan for the audit of the statutory financial statements of Texas FAIR Plan Association (the “Association”) as of and for the year ended December 31, 2020, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Association’s accounting practices and policies, management’s judgments and estimates, statutory financial statement disclosures, and other required matters.

We are pleased to be of service to the Association and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

Calhoun, Thomson & Matza, LLP

Discussion Outline

Status of Our Audit

Audit of Statutory Financial Statements

We have completed our audit of the statutory financial statements of Texas FAIR Plan Association as of and for the year ended December 31, 2020. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the statutory financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable – not absolute – assurance about whether the statutory financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our engagement letter.
- We issued an unmodified opinion on the statutory financial statements on April 23, 2021.
- Our responsibility for other information in documents containing the Association's audited statutory financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Association and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the statutory financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- All records and information requested by Calhoun, Thomson + Matza, LLP were freely available for our inspection.
- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Association personnel throughout the course of our work.

Results of Our Audit

Accounting Practices, Policies, Estimates, and Statutory Financial Statement Disclosures

The following summarizes the more significant required communications related to our audit concerning the Association's accounting practices, policies, estimates, and statutory financial statement disclosures:

The Association's significant accounting practices and policies are those included in the Summary of Significant Accounting Policies in the statutory financial statements. These accounting practices and policies are appropriate, comply with accounting practices prescribed or permitted by the Texas Department of Insurance, and industry practice, were consistently applied, and are adequately described within the Summary of Significant Accounting Policies.

- There were no changes in significant accounting policies and practices during 2020.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Association's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the Summary of Significant Accounting Policies.

Significant accounting estimates include:
Loss and Loss Adjustment Expense Reserves

Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2020.

Corrected and Uncorrected Misstatements

There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.

There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

Internal Control Over Financial Reporting

In planning and performing our audit of the statutory financial statements, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statutory financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Association's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's statutory financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the statutory financial statements, we noted no material weaknesses.

Required Communications

Matters Required To Be Reported to Those Charged with Governance

Various professional guidance requires independent auditors to communicate with those charged with governance certain matters in relation to an audit. Following is a summary of those required items along with specific discussion points as they pertain to the Association.

Requirement	*Discussion Points*
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our audit engagement letter.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Association's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Auditor's judgment about the quality of the Association's accounting policies, estimates and statutory financial statement disclosures	In accordance with applicable auditing standards, a discussion was held regarding the quality of financial reporting, which included the Association's significant accounting practices, estimates and statutory financial statement disclosures.
Critical accounting policies and practices	Refer to the Accounting Practices, Policies, Estimates, and Statutory Financial Statement Disclosures section on page 2 for all critical accounting policies and practices used by the Association.
Adoption of a change in accounting principle	There were no situations involving the adoption of or a change in accounting principles where the application of alternative statutory accounting principles, including alternative methods of applying an accounting principle, would have a material effect on the Association's statutory financial statements.
Material, corrected misstatements brought to the attention of management by the auditor	There were no corrected misstatements brought to the attention of management by the auditor.
Unrecorded misstatements, other than those the auditor believes to be trivial	There were no unrecorded misstatements brought to the attention of management by the auditor.

Required Communications

Disagreements with management	There were no disagreements with management on statutory financial accounting and/or reporting matters and auditing procedures that, if not satisfactorily resolved, would cause a modification of our auditors' reports.
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Significant findings and issues arising during the audit in connection with the Association's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the statutory financial statements from achieving fair presentation.
Other matters significant to the oversight of the Association's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the Association's financial reporting process that have not been previously communicated.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of statutory accounting principles.
Major issues discussed with management prior to retention	Prior to our being retained as auditor for the current fiscal year, there were no major accounting or other issues of concern discussed with management.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Other issues arising from the audit the auditor considers significant and relevant to those charged with governance	There were no other issues arising from the audit that we consider significant and relevant to those charged with governance.
Material alternative accounting treatments discussed with management	There was no discussion with management concerning alternative accounting treatments.
Representations requested from management	Please refer to the management representation letter.

Independence Communication

Our engagement letter to you dated July 10, 2020 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Association with respect to independence as agreed to by the Association. Please refer to that letter for further information.

5D2. Statutory Report

Texas FAIR Plan Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2020 and 2019

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

Texas FAIR Plan Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2020 and 2019

Texas FAIR Plan Association

Contents

Calhoun, Thomson + Matza LLP
Certified Public Accountants

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Accountants' Letter of Qualifications

Governing Committee
Texas FAIR Plan Association
Austin, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory financial statements of Texas FAIR Plan Association (the "Association") for the years ended December 31, 2020 and 2019, and have issued our report thereon dated April 23, 2021. In connection therewith, we advise you as follows:

a. We are independent certified public accountants with respect to the Association and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Texas State Board of Public Accountancy.

b. The engagement director, who is a certified public accountant, has 16 years of experience in public accounting and is experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and most of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

c. We understand that the Association intends to file its audited statutory financial statements and our report thereon with the Texas Department of Insurance and that the Insurance Commissioner of that state will be relying on that information in monitoring and regulating the statutory financial condition of the Association.

   While we understand that an objective of issuing a report on the statutory financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Association and Insurance Commissioner should understand that the objective of an audit of statutory financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus and other funds, results of operations and cash flows in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements resulting from fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by the Insurance Commissioner.

It is the responsibility of the management of the Association to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain an internal control structure that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance.

The Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory financial position of insurers and should not rely solely upon the independent auditor's report.

d. We will retain the workpapers prepared in the conduct of our audit until the Texas Department of Insurance has filed a Report of Examination covering 2020, but not longer than seven years. After notification to the Association, we will make the workpapers available for review by the Texas Department of Insurance at the offices of the insurer, at our offices, at the Insurance Department or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Texas Department of Insurance, photocopies of pertinent audit working papers may be made (under the control of the accountant) and such copies may be retained by the Texas Department of Insurance.

e. The engagement director has served in that capacity with respect to the Association since 2018, is licensed by the Texas State Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

f. To the best of our knowledge and belief, we are in compliance with the requirements of section 7 of the NAIC's Model Rule (Regulation) Requiring Annual Audited Financial Reports regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the Texas Department of Insurance and is not intended to be and should not be used by anyone other than these specified parties.

Calhoun, Thomson & Matza, LLP

April 23, 2021

Calhoun, Thomson + Matza LLP
Certified Public Accountants

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Independent Auditors' Report

Governing Committee
Texas FAIR Plan Association
Austin, Texas

We have audited the accompanying statutory statements of admitted assets, liabilities, surplus and other funds of Texas FAIR Plan Association (the "Association") as of December 31, 2020 and 2019 and the related statutory statements of income and changes in surplus and other funds, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with accounting practices prescribed or permitted by the Texas Department of Insurance; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statutory financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these statutory financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

As described more fully in the Summary of Significant Accounting Policies, these statutory financial statements were prepared in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Opinion

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, surplus and other funds of Texas FAIR Plan Association as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in the Summary of Significant Accounting Policies – "Basis of Accounting".

Emphasis of Matters

As of December 31, 2020, the Association had approximately $12.6 billion of insurance exposure in the State of Texas. The Association has authority to assess certain property and casualty insurers underwriting business in the State of Texas under Texas Insurance Code Chapter 2211. If a major claim event occurs in the future, it could have a severe impact on the financial condition of the Association.

As of December 31, 2020, ultimate loss projections for Hurricane Harvey are estimated to be $85 million by the Association's appointed actuary.

Supplemental Information

Our audits of the statutory financial statements were conducted for the purpose of forming an opinion on those statements as a whole. The accompanying supplementary information is presented to comply with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and Texas state law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Restriction on Use

This report is intended solely for the information and use by the Governing Committee and the management of Texas FAIR Plan Association and for filing with the Texas Department of Insurance and is not intended to be and should not be used by anyone other than these specified parties.

Calhoun, Thomson & Matza, LLP

April 23, 2021

Texas FAIR Plan Association

Statutory Statements of Admitted Assets, Liabilities, Surplus and Other Funds

(In Thousands)

December 31,		**2020**		2019
Admitted Assets				
Cash and cash equivalents	**$**	**57,717**	$	66,137
Investment income due and accrued		**1**		27
Uncollected premiums and agents' balances in the course of collection		**1,501**		1,552
Deferred premiums, agents' balances and installments booked but deferred		**5,130**		5,273
Amounts recoverable from reinsurers		**1,506**		1,149
Total admitted assets	**$**	**65,855**	$	74,138
Liabilities, Surplus and Other Funds				
Liabilities				
Loss and loss adjustment expenses	**$**	**15,458**	$	14,962
Underwriting expenses payable		**1,929**		2,142
Unearned premiums, net of ceded unearned premiums		**24,801**		27,345
Ceded reinsurance premiums payable, net of ceding commissions		**14,104**		14,276
Provision for reinsurance		**333**		95
Other liabilities		**3,224**		3,185
Total liabilities		**59,949**		62,005
Commitments and contingencies (Notes 6, 7 and 8)				
Surplus and other funds				
Unassigned surplus		**6,006**		12,133
Total liabilities and surplus and other funds	**$**	**65,855**	$	74,138

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Texas FAIR Plan Association

Statutory Statements of Income
(In Thousands)

Years ended December 31,		**2020**		2019
Underwriting income:				
Premiums earned	**$**	**82,159**	$	90,423
Premiums ceded		**(29,067)**		(30,798)
Net premiums earned		**53,092**		59,625
Deductions:				
Losses and loss expenses incurred		**36,620**		38,241
Other underwriting expenses incurred		**22,398**		25,310
Total underwriting deductions		**59,018**		63,551
Net underwriting loss		**(5,926)**		(3,926)
Investment income:				
Net investment (loss) income		**(28)**		737
Other income:				
Other income		**21**		270
Total other income		**21**		270
Net loss	**$**	**(5,933)**	$	(2,919)

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Texas FAIR Plan Association

Statutory Statements of Changes in Surplus and Other Funds

(In Thousands)

		Unassigned Surplus
Balance, January 1, 2019	$	15,089
Net loss		(2,919)
Change in nonadmitted assets		12
Change in provision for reinsurance		(49)
Balance, December 31, 2019		12,133
Net loss		(5,933)
Change in nonadmitted assets		44
Change in provision for reinsurance		(238)
Balance, December 31, 2020	$	6,006

See accompanying summary of significant accounting policies and notes to statutory financial statements.

Texas FAIR Plan Association

Statutory Statements of Cash Flows

(In Thousands)

Years ended December 31,		**2020**		2019
Cash from operations:				
Premiums collected, net of reinsurance	**$**	**50,544**	$	57,668
Net investment income		**13**		792
Miscellaneous income		**21**		270
Benefit and loss related payments		**(26,899)**		(30,793)
Commissions, expenses paid and aggregate write-ins for deductions		**(32,119)**		(34,502)
Net cash from operations		**(8,440)**		(6,565)
Cash from financing and miscellaneous sources:				
Other cash provided		**20**		20
Net cash from financing and miscellaneous sources		**20**		20
Net change in cash and cash equivalents		**(8,420)**		(6,545)
Cash and cash equivalents, beginning of year		**66,137**		72,682
Cash and cash equivalents, end of year	**$**	**57,717**	$	66,137

See accompanying summary of significant accounting policies and notes to statutory financial statements.

(In Thousands)

Nature of Business
Texas FAIR Plan Association (the "Association") was created by the Texas Legislature and activated by the Commissioner of Insurance pursuant to Chapter 2211 of the Texas Insurance Code (the "Act"). The purpose of the Act is to provide a method of delivering residential property insurance to qualified citizens of Texas in areas determined by the Commissioner of Insurance of the Texas Department of Insurance to be underserved areas. The membership of the Association includes every property insurer authorized to write residential property insurance in the State of Texas, except companies that are excluded by law. The Act provides that members will share in the Association's losses on a calendar year basis to the extent of their percentage of participation during the calendar year involved, as determined under the provisions of the Act and the Association's Plan of Operation.

Basis of Accounting
The accompanying financial statements have been prepared on a statutory basis in accordance with accounting practices prescribed or permitted by the Texas Department of Insurance. Prescribed statutory accounting practices include state laws, regulations and general administrative rules applicable to all insurance companies domiciled in the State of Texas and the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual. Permitted statutory practices include practices not prescribed but allowed by the Texas Department of Insurance.

Reconciliations of net loss and policyholders' surplus between the amounts reported in the accompanying financial statements (Texas basis) and NAIC statutory accounting practices ("SAP") follow:

Years ended December 31,		**2020**		2019
Net loss, Texas basis	**$**	**(5,933)**	$	(2,919)
Effect of Texas prescribed practices		**-**		-
Effect of Texas permitted practices		**-**		-
Net loss, NAIC SAP basis	**$**	**(5,933)**	$	(2,919)

December 31,		**2020**		2019
Statutory surplus, Texas basis	**$**	**6,006**	$	12,133
Effect of Texas prescribed practices		**-**		-
Effect of Texas permitted practices		**-**		-
Policyholders' surplus, NAIC SAP basis	**$**	**6,006**	$	12,133

Significant differences between statutory accounting practices and accounting principles generally accepted in the United States of America ("GAAP"), as they relate to the Association include the following:

(a) Certain assets designated as "non-admitted assets" are charged directly against unassigned surplus, rather than capitalized and charged to income as used under GAAP. These include certain prepaid expenses and premium receivables.

(b) The statements of cash flows represent cash balances and cash equivalents with initial maturities of one year or less rather than cash and cash equivalents with initial maturities of three months or less.

(c) Unearned premiums and loss and loss adjustment expense reserves are presented net of related reinsurance rather than on a gross basis as required under GAAP.

Use of Significant Estimates
The preparation of financial statements in accordance with statutory accounting practices prescribed or permitted by the Texas Department of Insurance requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Electronic Data Processing Equipment and Software
Electronic data processing equipment and operating system software are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of its estimated useful life or three years. Costs incurred for non-operating system software are capitalized and depreciated over the lesser of its useful life or five years and are non-admitted assets.

Income Taxes
As of June 18, 2005, the Association is a tax exempt organization whose gross income is excludable under Internal Revenue Code (IRC) Section 115 and is no longer required to file tax returns.

Premiums
All policies issued by the Association have a maximum term of one year from date of issuance. Premiums earned are taken into income over the periods covered by the policies whereas the related acquisition costs are expensed when incurred. Premiums are generally recognized as revenue on a pro-rata basis over the policy term once the policy is effective. Unearned premiums, net of deductions for reinsurance, are computed on a pro-rata basis over the term of the policies.

Those premiums received for policies issued but not effective as of year-end are included in other liabilities within the Association's statutory statements of admitted assets, liabilities, surplus and other funds.

Those premiums received for policies which are not effective and not issued as of year-end are included in other liabilities within the Association’s statutory statements of admitted assets, liabilities, surplus and other funds.

Loss and Loss Adjustment Expenses
Insurance losses and related adjustment expenses are charged to operations as incurred. The reserves for unpaid losses and loss adjustment expenses are determined based upon case-basis evaluations and actuarial projections, and include a provision for incurred but not reported losses. The actuarial projections of ultimate losses on reported claims are based on the Association's experience and expected development assumptions from industry data. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the actual cost of settling all remaining claims may be more or less than the reserve for unpaid losses and loss adjustment expenses. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in current earnings.

Salvage and subrogation recoverables are not recognized until received.

Reinsurance
In the normal course of business, the Association seeks to reduce losses that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured policies. The Association evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize exposure to significant gains or losses from reinsurer insolvencies.

Fair Value Measurements
Statements of Statutory Accounting Principles ("SSAP") No. 100R, Fair Value, requires disclosures of the aggregate fair value of all financial instruments, summarized by type of financial instrument, for which it is practicable to estimate fair value. SSAP No. 100R excludes obligations for pension benefits, substantively extinguished debt, insurance contracts, lease contracts, warranty obligations and rights, investments accounted for under the equity method and equity instruments issued by the entity. Accordingly, the aggregate fair value amounts presented herein do not necessarily represent the underlying value of the Association; similarly, care should be exercised in deriving conclusions about the Association's business or financial condition based on the fair value information presented herein.

The following methods and assumptions were used by the Association to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash: The carrying values approximate fair value.

Cash equivalents: Valued at the Net Asset Value ("NAV") of units held by the Association at year end.

The Association is required to categorize its assets and liabilities that are measured at fair value into the three-level fair value hierarchy. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

- Level 1 – Fair values are based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access as of the measurement date.

- Level 2 – Fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that can otherwise be corroborated by observable market data.

- Level 3 – Fair values are based on inputs that are considered unobservable where there is little, if any, market activity for the asset or liability as of the measurement date. In this circumstance, the Association has to rely on values derived by independent brokers or internally-developed assumptions. Unobservable inputs are developed based on the best information available to the Association which may include the Association's own data.

(In Thousands)

1. Electronic Data Processing Equipment and Software

Electronic data processing equipment and software consists of the following:

December 31,		**2020**		2019
Electronic data processing equipment and software	**$**	**68**	$	68
Less: accumulated depreciation		**(68)**		(68)
		-		-
Less: non-admitted electronic data processing equipment and software		**-**		-
	$	**-**	$	-

Depreciation expense was $0 for the years ended December 31, 2020 and 2019.

2. Reinsurance

During 2020 and 2019, the Association entered into a reinsurance agreement. The agreement limits the amount of losses that can arise from claims under a general reinsurance contract known as a property catastrophe excess of loss reinsurance program ("excess of loss").

Excess of Loss. Effective July 1, 2020, the excess of loss reinsurance agreement provides the Association with two layers of coverage and one underlying layer. The first layer provides 100% participation of $140,000 in excess of $40,000 of each and every loss occurrence. The second layer provides 100% participation of $245,000 in excess of $180,000 of each and every loss occurrence. The first and second layers' limit of coverage will be reduced by loss payments and shall be reinstated for up to one full limit as detailed above. The $30,000 excess $10,000 layer is an underlying layer that does not respond until the second event. The agreement covers losses incurred on all in-force, new and renewal policies. Any additional liability would be funded by member assessments in the event that available funds are not sufficient to meet the obligations of the Association. This agreement expires on June 30, 2021.

During 2020, the Association has Reinstatement Premium Protection reinsurance coverage with a limit of $25,200 to provide recoveries of reinstatement premium in conjunction with the first two layers of reinsurance coverage.

Effective July 1, 2019, the excess of loss reinsurance agreement provided the Association with two layers of coverage and one underlying layer. The first layer provided 100% participation of $170,000 in excess of $40,000 of each and every loss occurrence. The second layer provided 100% participation of $280,000 in excess of $210,000 of each and every loss occurrence. The first and second layers' limit of coverage will be reduced by loss payments and shall be reinstated for up to one full limit as detailed above. The $30,000 excess $10,000 layer was an underlying layer that would not respond until the second event. The agreement covered losses incurred on all in-force, new and renewal policies. Any additional liability would be funded by member assessments in the event that available funds are not sufficient to meet the obligations of the Association. This agreement expired on June 30, 2020.

During 2019, the Association had Reinstatement Premium Protection reinsurance coverage with a limit of $25,700 to provide recoveries of reinstatement premium in conjunction with the first two layers of reinsurance coverage.

Ceded reinsurance is treated as the risk and liability of the assuming companies; however, the reinsurance contract does not relieve the Association from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Association. The Association evaluates the financial conditions of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

(In Thousands)

The Association has unsecured reinsurance recoverables which exceed 3% of the Association's surplus with the following reinsurers as of December 31, 2020 and 2019:

Name of reinsurer		2020		2019
Aspen Bermuda Ltd.	**$**	**205**	$	-
DaVinci Reinsurance		**253**		397
Endurance Specialty Ins Ltd.		**440**		681
Hannover Rück SE		**195**		-
Everest Reinsurance Company		**676**		1,010
Lloyd's Underwriter Syndicate No. 0033 HIS		**280**		429
Lloyd's Underwriter Syndicate No. 1458 RNR		**182**		-
Lloyd's Underwriter Syndicate No. 1910 ARE		**512**		780
Lloyd's Underwriter Syndicate No. 2001 AML		**553**		856
Partner Reinsurance Company Ltd.		**396**		610
Renaissance Reinsurance Ltd.		**380**		597
Transatlantic Reinsurance Company		**321**		495
Allianz Risk Transfer Ltd.		**462**		-
SCOR Global P&C S.E. – Lirma S7300		**245**		-
Validus Reinsurance, Ltd.		**452**		687
Total	**$**	**5,552**	$	6,542

The effect of reinsurance on premiums written and earned for the years ended December 31, 2020 and 2019 is as follows:

	2020				2019			
		Written		**Earned**		Written		Earned
Direct	**$**	**79,477**	**$**	**82,159**	$	85,327	$	90,423
Ceded		**(28,929)**		**(29,067)**		(29,205)		(30,798)
Net	**$**	**50,548**	**$**	**53,092**	$	56,122	$	59,625

The maximum amount of return reinsurance ceding commission due in the event of cancellation as of December 31, 2020 and 2019 is as follows:

December 31,		**2020**		2019
Ceded unearned premium reserves	**$**	**14,465**	$	14,602
Less: ceded commission equity		**(434)**		(438)
Net ceded premium reserves	**$**	**14,031**	$	14,164
Direct unearned premium reserves	**$**	**39,266**	$	41,947

The amount of return commission that would have been due to the reinsurers if they or the Association had canceled the Association's excess of loss reinsurance agreement would have been approximately $1,446 and $1,460 as of December 31, 2020 and 2019, respectively.

(In Thousands)

3. Loss and Loss Adjustment Expenses

The following table provides a reconciliation of the beginning and ending reserve balances, net of reinsurance recoverables, for losses and loss adjustment expenses:

Years ended December 31,		**2020**		2019
Beginning balance	**$**	**27,424**	$	34,209
Reinsurance recoverable		**12,462**		17,464
Beginning net balance		**14,962**		16,745
Incurred related to:				
Current loss year		**36,367**		43,804
Prior loss years		**253**		(5,563)
Losses and loss adjustment expense incurred		**36,620**		38,241
Paid related to:				
Current loss year		**25,892**		33,791
Prior loss years		**10,232**		6,233
Paid losses and loss adjustment expense		**36,124**		40,024
Ending net balance		**15,458**		14,962
Reinsurance recoverable		**7,562**		12,462
Ending balance	**$**	**23,020**	$	27,424

Current year changes in estimates of the costs of prior year losses and loss adjustment expenses ("LAE") affect the current year statutory statements of income. Increases in those estimates increase current year expense and are referred to as unfavorable development or prior year reserve shortages. Decreases in those estimates decrease current year expense and are referred to as favorable development or prior year reserve redundancies. Current year losses and LAE reflected on the statutory statements of income of $36,620 are higher by $253 due to unfavorable development of prior year estimates. Increases or decreases of this nature occur as the result of claim settlements and receipt and evaluation of additional information regarding unpaid claims. Recent development trends are also taken into account in evaluating the overall adequacy of reserves. Due to the inherently uncertain process involving loss and LAE reserve estimates, the final resolution of the ultimate liability may be different from that anticipated at the reporting date. The appointed actuary for the Association has opined that the loss and LAE reserves as of December 31, 2020 and 2019 make a reasonable provision for the Association's claims liabilities.

4. Governance

Pursuant to the Association's Plan of Operation, its Governing Committee consists of eleven members. The members are appointed by the Commissioner of the Texas Department of Insurance as follows: five members who represent the interest of insurers, four public members and two members who are licensed agents.

5. Service Contract with Texas Windstorm Insurance Association

The Association entered into a service contract with Texas Windstorm Insurance Association ("TWIA") in which the Association is to reimburse TWIA for all expenditures, professional fees, consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by TWIA on behalf of the Association. During 2020 and 2019 the Association incurred expenses from TWIA under its contract in the amounts of approximately $14,314 and $14,133, respectively. As of December 31, 2020 and 2019, the Association incurred expenses for which it has not reimbursed TWIA in the amount of $1,132 and $1,076, respectively, and are included in other liabilities in the statutory statements of admitted assets, liabilities, surplus and other funds. This arrangement is subject to a written agreement which requires that balances be settled within 30 days.

6. Borrowed Money – Line of Credit

The Association has a $40,000 line of credit with one of its primary financial institutions effective August 31, 2020. The line of credit terminates on August 29, 2021. There were no draws against the line of credit in 2020 or 2019. The Association pays the lender a 0.5% commitment fee against the unused portion of the line of credit. Interest in the amount of $0 were paid for the years ended December 31, 2020 and 2019. Interest expense was $0 for the years ended December 31, 2020 and 2019. The line of credit agreement contains various covenants. The Association is in compliance with all line of credit covenants.

7. Contingencies

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

The Association is subject to a fire assessment by the State of Texas. The assessment is based on premium and recorded at the time premiums are written. The Association is not subject to loss-based assessments. As of December 31, 2020 and 2019, the Association has accrued a liability for fire assessment of $49 and $57, respectively, and is included in underwriting expenses payable in the statutory statements of admitted assets, liabilities, surplus and other funds. The amounts recorded represent management's best estimates based on assessment rate information received from the State of Texas. The assessment is recouped by imposing a surcharge on policies written.

(In Thousands)

The assets included in the surcharge receivable have been fully non-admitted as of December 31, 2020 and 2019. Policy surcharges collected were $103 and $128 for the years ended December 31, 2020 and 2019, respectively.

8. Concentration of Credit Risk

The Association maintains deposits of cash in excess of federally insured limits with certain financial institutions. The Association has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents. The Association underwrites policies for residences located exclusively in the State of Texas.

The Association continues to experience significant premiums written in Harris County, Texas. As of December 31, 2020 and 2019 premiums written in Harris County, Texas represented 71% and 72% of total premiums, respectively.

9. Nonadmitted Assets

Nonadmitted assets consisted of the following:

December 31,		**2020**		2019
Uncollected premiums and agents' balances in the course of collection	**$**	**199**	$	95
Due from agents		**63**		125
Surcharge receivable		**75**		130
Prepaid expenses		**45**		76
Total nonadmitted assets	**$**	**382**	$	426

(In Thousands)

10. Fair Value Measurements

The following table reflects the fair values and admitted assets and liabilities that are financial instruments. The fair values are also categorized into the three-level fair value hierarchy. Cash and cash equivalents are the only financial instruments held by the Association. The investment strategy for the Association is to hold highly liquid cash and cash equivalents for funding catastrophe events. The Association does not believe that the assets stated at NAV have any significant restrictions to liquidate or to be sold for less than NAV.

Fair Value Measurements at December 31, 2020 Using:

	Aggregate Fair Value	Net Asset Value	Admitted Assets	Level 1	Level 2	Level 3
Cash	**$ 40,368**	**$ -**	**$ 40,368**	**$ 40,368**	**$ -**	**$ -**
Cash equivalents*	**-**	**17,349**	**17,349**	**-**	**-**	**-**
	$ 40,368	**$ 17,349**	**$ 57,717**	**$ 40,368**	**$ -**	**$ -**

Fair Value Measurements at December 31, 2019 Using:

	Aggregate Fair Value	Net Asset Value	Admitted Assets	Level 1	Level 2	Level 3
Cash	$ 44,389	$ -	$ 44,389	$ 44,389	$ -	$ -
Cash equivalents*	-	21,748	21,748	-	-	-
	$ 44,389	$ 21,748	$ 66,137	$ 44,389	$ -	$ -

* In accordance with SSAP 100R, certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation to the line items presented in the statutory statements of admitted assets, liabilities, surplus and other funds.

11. Surplus

The Act does not provide for a minimum surplus requirement. However, members may be assessed to the extent that the Association's Governing Committee determines that available funds are not sufficient to meet the obligations of the Association.

12. Distributions

The Act provides that the profits of the Association shall be used to mitigate losses, including the purchase of reinsurance and the offset of future assessments, and may not be distributed to insurers.

13. Reconciliation with Annual Statement

There were no differences between the 2020 annual statement and 2019 annual statement as filed with the Texas Department of Insurance and the 2020 and 2019 audited statutory financial statements.

14. Subsequent Events

The Association has evaluated subsequent events occurring after December 31, 2020, the date of the most recent statutory statements of admitted assets, liabilities, surplus and other funds, through April 23, 2021, the date the statutory financial statements were issued. The Association does not believe any subsequent events have occurred that would require further disclosure or adjustment to the statutory financial statements.

Texas FAIR Plan Association

Summary Investment Schedule
December 31, 2020
(In Thousands)

Investment categories	Gross Investment Holdings * Amount	%	Admitted Assets as Reported in the Annual Statement ** Amount	%
Long- Term Bonds (Schedule D, Part 1):				
U.S. Governments	$ -	-	$ -	-
All other governments	-	-	-	-
U.S. states, territories and possessions, etc. guaranteed	-	-	-	-
U.S. political subdivisions of states, territories, and possessions, guaranteed	-	-	-	-
U.S. special revenue and special assessment obligations, etc. non-guaranteed	-	-	-	-
Industrial and miscellaneous	-	-	-	-
Hybrid securities	-	-	-	-
Parent, subsidiaries and affiliates	-	-	-	-
SVO identified funds	-	-	-	-
Unaffiliated bank loans	-	-	-	-
Total long-term bonds	-	-	-	-
Preferred stocks (Schedule D, Part 2, Section 1):				
Industrial and miscellaneous (Unaffiliated)	-	-	-	-
Parent, subsidiaries and affiliates	-	-	-	-
Total preferred stocks	-	-	-	-
Common stocks (Schedule D, Part 2, Section 2):				
Industrial and miscellaneous Publicly traded (Unaffiliated)	-	-	-	-
Industrial and miscellaneous Other (Unaffiliated)	-	-	-	-
Parent, subsidiaries and affiliates Publicly traded	-	-	-	-
Parent, subsidiaries and affiliates Other	-	-	-	-
Mutual funds	-	-	-	-
Unit investments trusts	-	-	-	-
Closed-end funds	-	-	-	-
Total common stocks	-	-	-	-
Mortgage loans (Schedule B):				
Farm mortgages	-	-	-	-
Residential mortgages	-	-	-	-
Commercial mortgages	-	-	-	-
Mezzanine real estate loans	-	-	-	-
Total mortgage loans	-	-	-	-
Real Estate (Schedule A):				
Properties occupied by company	-	-	-	-
Properties held for production of income	-	-	-	-
Properties held for sale	-	-	-	-
Total real estate	-	-	-	-

See accompanying independent auditors' report on supplemental information.

Texas FAIR Plan Association

Summary Investment Schedule
December 31, 2020
(In Thousands)

Investment categories	Gross Investment Holdings * Amount	%	Admitted Assets as Reported in the Annual Statement ** Amount	%
Cash, cash equivalents and short-term investments:				
Cash (Schedule E, Part 1)	40,368	69.94	40,368	69.94
Cash equivalents (Schedule E, Part 2)	17,349	30.06	17,349	30.06
Short-term investments (Schedule DA)	-	-	-	-
Total cash, cash equivalents and short-term investments	57,717	100.00	57,717	100.00
Contract loans	-	-	-	-
Derivatives (Schedule DB)	-	-	-	-
Other invested assets (Schedule BA)	-	-	-	-
Receivables for securities	-	-	-	-
Securities Lending (Schedule DL, Part 1)	-	-	-	-
Other invested assets (Page 2, Line 11)	-	-	-	-
Total invested assets	$ 57,717	100.00	$ 57,717	100.00

**Gross investment holdings as valued in compliance with the NAIC Accounting Procedures Manual.*
*** The Association has no securities lending reinvested collateral at December 31, 2020.*

See accompanying independent auditors' report on supplemental information.

Texas FAIR Plan Association

Supplemental Investment Risk Interrogatories

December 31, 2020
(In Thousands)

1)	Reporting entity's total admitted assets as reported in the accompanying financial statements.	$	65,855

Questions 2 through 23 are not applicable.

See accompanying independent auditors' report on supplemental information.

7.1	Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?	YES[ ]	NO [X]
7.2	If yes, indicate the number of reinsurance contracts containing such provisions.		N/A [X]
7.3	If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?	YES[ ]	NO [X]

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year–end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

(a) A contract term longer than two years and the contract is noncancelable by the reporting entity during the contract term;

(b) A limited or conditional cancelation provision under which cancelation triggers an obligation by the reporting entity; or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

(c) Aggregate stop loss reinsurance coverage;

(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

(e) A provision permitting reporting of losses, or payment of losses, less frequently than a quarterly basis (unless there is no activity during the period); or

(f) Payment schedule, according retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES[ ] NO [X]

See accompanying independent auditors' report on supplemental information.

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliate represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract? YES[ ] NO [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

N/A

9.4 Except for transactions meeting the requirements of paragraph 36 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or

(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES [ ] NO [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP. N/A

See accompanying independent auditors' report on supplemental information.

5D3. Internal Control Letter

ctm Calhoun, Thomson + Matza LLP
Certified Public Accountants

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Fax: 512.439.8401
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April 23, 2021

Governing Committee
Texas FAIR Plan Association
Austin, Texas

In planning and performing our audit of the financial statements of Texas FAIR Plan Association, (the "Association") as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the governing committee, and for filing with the Texas Department of Insurance, and is not intended to be and should not be used by anyone other than these specified parties.

Calhoun, Thomson & Matza, LLP

6. Actuarial
6A. Reserve Adequacy

Xiuyu Li, ACAS, MAAA
Senior Actuary

MEMORANDUM

REVIEW DATE: April 22, 2021

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 March 31, 2021.

Based on this review, the "indicated" ultimate costs of Hurricane Harvey is $84.5 million, remaining the same as the indicated ultimate loss and expense estimate based on the review as of December 31, 2020. Due to uncertainties surrounding the adequacy of case reserves and the outcomes of disputed claims, the "selected" ultimate gross loss & expense estimate has been maintained at $85 million.

As of March 31, 2021, TFPA carried $22.9 million in total gross loss and loss adjustment expense reserves with $6.6 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

6B. Rate Filing Update

There is no exhibit for this topic

6C. Policy Count/Exposures

Texas FAIR Plan Association
Liability Report
As of 3/31/21
All Forms Combined

County	Policies In-Force 03/31/20	Policies In-Force 03/31/21	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 03/31/20	Exposure In-Force 03/31/21	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 03/31/20	YTD Written Premium 03/31/21	Premium Growth Actual	Premium Growth Percentage
Harris	50,611	46,163	(4,448)	(8.79%)	7,772,686,368	7,107,084,243	(665,602,126)	(8.56%)	13,693,517	13,053,061	(640,456)	(4.68%)
Galveston	4,467	4,411	(56)	(1.25%)	1,105,375,423	1,117,652,647	12,277,223	1.11%	408,564	427,768	19,205	4.70%
Brazoria	1,842	1,837	(5)	(0.27%)	456,212,831	462,328,201	6,115,370	1.34%	184,487	200,199	15,713	8.52%
Fort Bend	5,336	5,008	(328)	(6.15%)	983,491,982	909,237,051	(74,254,931)	(7.55%)	1,557,617	1,511,175	(46,442)	(2.98%)
Dallas	2,712	2,402	(310)	(11.43%)	466,535,669	415,749,603	(50,786,066)	(10.89%)	695,300	642,230	(53,070)	(7.63%)
Tarrant	2,059	1,807	(252)	(12.24%)	344,690,211	306,068,640	(38,621,571)	(11.20%)	578,438	557,994	(20,444)	(3.53%)
El Paso	1,087	1,168	81	7.45%	243,445,959	262,768,740	19,322,781	7.94%	210,001	227,413	17,413	8.29%
Jefferson	1,197	1,087	(110)	(9.19%)	271,404,860	247,209,160	(24,195,700)	(8.91%)	108,791	108,700	(91)	(0.08%)
Nueces	1,368	1,275	(93)	(6.80%)	264,783,961	248,996,380	(15,787,581)	(5.96%)	179,221	171,869	(7,353)	(4.10%)
Montgomery	834	802	(32)	(3.84%)	142,254,004	141,243,795	(1,010,209)	(0.71%)	191,946	193,575	1,628	0.85%
Bexar	742	656	(86)	(11.59%)	118,591,206	112,178,762	(6,412,444)	(5.41%)	160,662	153,193	(7,468)	(4.65%)
Calhoun	395	393	(2)	(0.51%)	93,021,205	92,545,835	(475,370)	(0.51%)	44,984	44,978	(5)	(0.01%)
Cameron	454	445	(9)	(1.98%)	77,428,430	76,629,790	(798,640)	(1.03%)	41,382	48,237	6,855	16.56%
Orange	395	370	(25)	(6.33%)	62,383,805	61,497,778	(886,027)	(1.42%)	125,483	108,499	(16,984)	(13.54%)
Matagorda	225	237	12	5.33%	49,034,320	52,410,500	3,376,180	6.89%	27,130	28,620	1,490	5.49%
Chambers	248	246	(2)	(0.81%)	66,691,010	69,202,640	2,511,630	3.77%	30,083	36,931	6,848	22.77%
Travis	299	304	5	1.67%	56,521,768	57,660,628	1,138,860	2.01%	47,705	51,881	4,176	8.75%
Aransas	188	184	(4)	(2.13%)	44,695,060	41,072,190	(3,622,870)	(8.11%)	21,550	20,053	(1,497)	(6.95%)
San Patricio	169	153	(16)	(9.47%)	39,429,433	35,161,736	(4,267,697)	(10.82%)	15,354	19,981	4,626	30.13%
Liberty	199	214	15	7.54%	24,103,470	23,710,970	(392,500)	(1.63%)	55,710	61,196	5,486	9.85%
Hidalgo	276	237	(39)	(14.13%)	30,651,025	26,107,171	(4,543,854)	(14.82%)	54,230	53,506	(723)	(1.33%)
Denton	151	130	(21)	(13.91%)	32,286,768	29,137,868	(3,148,900)	(9.75%)	38,456	43,994	5,538	14.40%
Johnson	94	93	(1)	(1.06%)	16,409,650	16,048,940	(360,710)	(2.20%)	31,144	40,326	9,182	29.48%
Polk	71	73	2	2.82%	11,286,100	12,797,010	1,510,910	13.39%	12,492	13,455	963	7.71%
Collin	215	183	(32)	(14.88%)	46,392,750	37,345,340	(9,047,410)	(19.50%)	88,998	82,124	(6,874)	(7.72%)
Top 25 Counties	75,634	69,878	(5,756)	(7.61%)	12,819,807,269	11,961,845,618	(857,961,651)	(6.69%)	18,603,245	17,900,961	(702,284)	(3.78%)
All Other Counties	2,584	2,477	(107)	(4.14%)	437,970,013	423,061,517	(14,908,496)	(3.40%)	699,166	706,966	7,801	1.12%
Tier 1	10,667	10,373	(294)	(2.76%)	2,495,131,743	2,467,559,329	(27,572,414)	(1.11%)	1,074,401	1,119,009	44,608	4.15%
Tier 2	57,110	52,308	(4,802)	(8.41%)	8,916,022,760	8,175,878,893	(740,143,867)	(8.30%)	15,582,682	14,884,825	(697,857)	(4.48%)
All Other Counties	10,441	9,674	(767)	(7.35%)	1,846,622,778	1,741,468,913	(105,153,865)	(5.69%)	2,645,328	2,604,093	(41,234)	(1.56%)
Statewide Total	78,218	72,355	(5,863)	(7.50%)	13,257,777,282	12,384,907,135	(872,870,147)	(6.58%)	19,302,411	18,607,927	(694,484)	(3.60%)

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 3/31/21
HO-A Policies

County	Policies In-Force 03/31/20	Policies In-Force 03/31/21	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 03/31/20	Exposure In-Force 03/31/21	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 03/31/20	YTD Written Premium 03/31/21	Premium Growth Actual	Premium Growth Percentage
Harris	17,746	15,678	(2,068)	(11.65%)	4,283,324,378	3,836,234,198	(447,090,181)	(10.44%)	7,576,682	7,202,598	(374,084)	(4.94%)
Galveston	3,111	3,124	13	0.42%	995,068,551	1,012,334,348	17,265,796	1.74%	317,971	340,711	22,740	7.15%
Brazoria	1,366	1,364	(2)	(0.15%)	400,710,570	409,457,280	8,746,710	2.18%	150,939	166,241	15,301	10.14%
Fort Bend	1,361	1,262	(99)	(7.27%)	385,850,250	349,251,190	(36,599,060)	(9.49%)	679,392	665,291	(14,101)	(2.08%)
Dallas	1,293	1,112	(181)	(14.00%)	325,752,030	282,867,150	(42,884,880)	(13.16%)	490,171	441,566	(48,606)	(9.92%)
Tarrant	1,109	963	(146)	(13.17%)	249,987,721	219,591,490	(30,396,231)	(12.16%)	425,819	414,233	(11,585)	(2.72%)
El Paso	907	976	69	7.61%	224,154,570	242,683,370	18,528,800	8.27%	182,702	203,027	20,325	11.12%
Jefferson	910	817	(93)	(10.22%)	248,036,180	224,510,930	(23,525,250)	(9.48%)	90,827	93,699	2,872	3.16%
Nueces	732	705	(27)	(3.69%)	212,553,050	201,992,180	(10,560,870)	(4.97%)	131,145	129,471	(1,674)	(1.28%)
Montgomery	433	433	0	0.00%	101,107,759	103,518,060	2,410,301	2.38%	137,236	147,599	10,363	7.55%
Bexar	442	408	(34)	(7.69%)	95,501,140	93,014,150	(2,486,990)	(2.60%)	131,242	129,424	(1,818)	(1.38%)
Calhoun	331	323	(8)	(2.42%)	88,177,010	87,109,640	(1,067,370)	(1.21%)	41,120	41,094	(26)	(0.06%)
Cameron	275	256	(19)	(6.91%)	62,147,870	60,355,280	(1,792,590)	(2.88%)	30,171	32,370	2,199	7.29%
Orange	236	228	(8)	(3.39%)	49,856,240	50,276,178	419,938	0.84%	97,876	85,245	(12,631)	(12.91%)
Matagorda	196	208	12	6.12%	46,614,370	50,161,550	3,547,180	7.61%	22,408	24,761	2,353	10.50%
Chambers	197	202	5	2.54%	61,340,720	64,065,800	2,725,080	4.44%	22,878	28,619	5,741	25.09%
Travis	168	164	(4)	(2.38%)	44,256,920	44,232,240	(24,680)	(0.06%)	35,475	36,620	1,145	3.23%
Aransas	152	151	(1)	(0.66%)	42,054,360	38,528,870	(3,525,490)	(8.38%)	19,635	18,334	(1,301)	(6.63%)
San Patricio	130	118	(12)	(9.23%)	36,408,833	32,089,886	(4,318,947)	(11.86%)	14,830	16,768	1,937	13.06%
Liberty	107	114	7	6.54%	16,616,700	16,495,800	(120,900)	(0.73%)	29,175	35,627	6,452	22.12%
Hidalgo	81	78	(3)	(3.70%)	10,849,925	9,942,271	(907,654)	(8.37%)	22,312	23,707	1,395	6.25%
Denton	89	71	(18)	(20.22%)	25,375,590	21,938,890	(3,436,700)	(13.54%)	26,722	31,264	4,542	17.00%
Johnson	61	60	(1)	(1.64%)	13,687,890	13,525,820	(162,070)	(1.18%)	25,713	36,378	10,665	41.48%
Polk	53	51	(2)	(3.77%)	10,096,000	10,692,210	596,210	5.91%	11,987	10,532	(1,455)	(12.14%)
Collin	72	51	(21)	(29.17%)	24,219,740	17,394,990	(6,824,750)	(28.18%)	33,343	29,129	(4,214)	(12.64%)
Top 25 Counties	31,558	28,917	(2,641)	(8.37%)	8,053,748,368	7,492,263,771	(561,484,597)	(6.97%)	10,747,770	10,384,306	(363,464)	(3.38%)
All Other Counties	1,472	1,434	(38)	(2.58%)	343,905,199	332,238,870	(11,666,329)	(3.39%)	526,727	549,211	22,484	4.27%
Tier 1	7,488	7,348	(140)	(1.87%)	2,218,251,624	2,203,186,614	(15,065,010)	(0.68%)	851,906	902,371	50,464	5.92%
Tier 2	19,682	17,533	(2,149)	(10.92%)	4,779,019,703	4,299,519,787	(479,499,916)	(10.03%)	8,471,891	8,086,379	(385,512)	(4.55%)
All Other Counties	5,860	5,470	(390)	(6.66%)	1,400,382,239	1,321,796,240	(78,585,999)	(5.61%)	1,950,700	1,944,767	(5,932)	(0.30%)
Statewide Total	33,030	30,351	(2,679)	(8.11%)	8,397,653,567	7,824,502,641	(573,150,926)	(6.83%)	11,274,497	10,933,517	(340,980)	(3.02%)

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 3/31/21
TDP-1 Policies

	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
County	03/31/20	03/31/21	Actual	Percentage	03/31/20	03/31/21	Actual	Percentage	03/31/20	03/31/21	Actual	Percentage
Harris	28,792	26,737	(2,055)	(7.14%)	3,282,466,054	3,076,939,885	(205,526,169)	(6.26%)	5,833,843	5,564,079	(269,764)	(4.62%)
Galveston	723	692	(31)	(4.29%)	78,715,250	75,554,819	(3,160,431)	(4.02%)	61,539	61,818	279	0.45%
Brazoria	399	389	(10)	(2.51%)	52,296,821	49,455,481	(2,841,340)	(5.43%)	30,860	30,472	(387)	(1.25%)
Fort Bend	3,789	3,566	(223)	(5.89%)	589,249,652	551,131,181	(38,118,471)	(6.47%)	868,247	833,757	(34,490)	(3.97%)
Dallas	1,236	1,138	(98)	(7.93%)	132,732,719	125,563,053	(7,169,666)	(5.40%)	196,932	191,911	(5,021)	(2.55%)
Tarrant	893	787	(106)	(11.87%)	92,852,090	84,430,430	(8,421,660)	(9.07%)	151,338	141,786	(9,553)	(6.31%)
El Paso	174	186	12	6.90%	18,981,789	19,837,570	855,781	4.51%	26,568	23,425	(3,143)	(11.83%)
Jefferson	251	233	(18)	(7.17%)	21,907,560	21,162,110	(745,450)	(3.40%)	17,590	13,991	(3,599)	(20.46%)
Nueces	360	336	(24)	(6.67%)	34,275,071	30,456,920	(3,818,151)	(11.14%)	30,189	25,618	(4,571)	(15.14%)
Montgomery	337	318	(19)	(5.64%)	38,311,965	35,240,055	(3,071,910)	(8.02%)	48,615	40,949	(7,666)	(15.77%)
Bexar	238	195	(43)	(18.07%)	20,464,466	16,768,212	(3,696,254)	(18.06%)	28,431	21,755	(6,676)	(23.48%)
Calhoun	53	58	5	9.43%	4,365,395	4,927,395	562,000	12.87%	3,081	2,976	(105)	(3.41%)
Cameron	101	85	(16)	(15.84%)	9,332,160	7,831,910	(1,500,250)	(16.08%)	7,266	8,162	896	12.33%
Orange	141	128	(13)	(9.22%)	11,977,125	10,873,600	(1,103,525)	(9.21%)	26,922	22,319	(4,602)	(17.09%)
Matagorda	27	28	1	3.70%	2,376,750	2,235,750	(141,000)	(5.93%)	4,592	3,859	(733)	(15.96%)
Chambers	45	41	(4)	(8.89%)	5,232,450	5,067,000	(165,450)	(3.16%)	6,886	8,371	1,485	21.57%
Travis	67	78	11	16.42%	8,808,128	9,991,828	1,183,700	13.44%	9,499	11,340	1,841	19.38%
Aransas	15	15	0	0.00%	1,334,500	1,340,200	5,700	0.43%	734	838	104	14.17%
San Patricio	35	33	(2)	(5.71%)	2,864,600	2,963,850	99,250	3.46%	61	2,730	2,669	4380.55%
Liberty	91	97	6	6.59%	7,432,770	7,137,170	(295,600)	(3.98%)	26,536	25,570	(966)	(3.64%)
Hidalgo	191	154	(37)	(19.37%)	19,675,100	15,978,900	(3,696,200)	(18.79%)	31,804	29,245	(2,559)	(8.05%)
Denton	59	56	(3)	(5.08%)	6,839,178	7,108,978	269,800	3.94%	11,937	12,580	643	5.39%
Johnson	32	31	(1)	(3.13%)	2,691,760	2,410,680	(281,080)	(10.44%)	5,431	3,948	(1,483)	(27.31%)
Polk	17	21	4	23.53%	1,178,100	2,068,800	890,700	75.60%	505	2,923	2,418	478.50%
Collin	113	106	(7)	(6.19%)	20,640,850	18,811,550	(1,829,300)	(8.86%)	54,646	52,097	(2,549)	(4.66%)
Top 25 Counties	38,179	35,508	(2,671)	(7.00%)	4,467,002,303	4,185,287,327	(281,714,976)	(6.31%)	7,484,050	7,136,519	(347,531)	(4.64%)
All Other Counties	930	905	(25)	(2.69%)	84,540,654	83,727,527	(813,127)	(0.96%)	164,086	149,978	(14,108)	(8.60%)
Tier 1	2,033	1,934	(99)	(4.87%)	214,579,657	202,746,835	(11,832,822)	(5.51%)	165,945	160,074	(5,871)	(3.54%)
Tier 2	33,136	30,814	(2,322)	(7.01%)	3,920,660,601	3,672,616,266	(248,044,335)	(6.33%)	6,816,434	6,497,854	(318,580)	(4.67%)
All Other Counties	3,940	3,665	(275)	(6.98%)	416,302,699	393,651,753	(22,650,946)	(5.44%)	665,757	628,568	(37,189)	(5.59%)
Statewide Total	39,109	36,413	(2,696)	(6.89%)	4,551,542,957	4,269,014,854	(282,528,103)	(6.21%)	7,648,136	7,286,497	(361,640)	(4.73%)

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 3/31/21
HO-CONB Policies

County	Policies In-Force 03/31/20	Policies In-Force 03/31/21	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 03/31/20	Exposure In-Force 03/31/21	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 03/31/20	YTD Written Premium 03/31/21	Premium Growth Actual	Premium Growth Percentage
Harris	2,540	2,446	(94)	(3.70%)	173,252,016	164,490,000	(8,762,016)	(5.06%)	232,941	235,732	2,792	1.20%
Galveston	269	250	(19)	(7.06%)	19,704,542	18,672,960	(1,031,582)	(5.24%)	16,867	13,685	(3,181)	(18.86%)
Brazoria	14	15	1	7.14%	1,194,000	1,074,000	(120,000)	(10.05%)	700	720	20	2.86%
Fort Bend	89	88	(1)	(1.12%)	6,386,280	6,273,480	(112,800)	(1.77%)	6,244	8,019	1,775	28.43%
Dallas	125	112	(13)	(10.40%)	6,573,720	6,111,600	(462,120)	(7.03%)	6,411	7,881	1,470	22.92%
Tarrant	6	9	3	50.00%	468,000	737,520	269,520	57.59%	0	1,136	1,136	N/A
El Paso	3	3	0	0.00%	28,800	136,800	108,000	375.00%	115	723	608	528.47%
Jefferson	11	10	(1)	(9.09%)	666,000	500,400	(165,600)	(24.86%)	(66)	145	211	(319.70%)
Nueces	244	211	(33)	(13.52%)	16,974,240	15,744,480	(1,229,760)	(7.24%)	16,553	15,553	(1,000)	(6.04%)
Montgomery	21	19	(2)	(9.52%)	1,525,080	1,499,280	(25,800)	(1.69%)	4,044	3,559	(485)	(11.98%)
Bexar	34	31	(3)	(8.82%)	2,114,400	1,782,000	(332,400)	(15.72%)	444	1,082	638	143.69%
Calhoun	3	5	2	66.67%	276,000	372,000	96,000	34.78%	683	708	25	3.66%
Cameron	72	99	27	37.50%	5,578,800	8,310,600	2,731,800	48.97%	3,775	7,505	3,730	98.82%
Orange	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%)
Chambers	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Travis	34	38	4	11.76%	2,736,120	2,872,560	136,440	4.99%	2,167	3,212	1,045	48.20%
Aransas	17	14	(3)	(17.65%)	1,174,200	1,028,760	(145,440)	(12.39%)	1,181	604	(577)	(48.90%)
San Patricio	2	1	(1)	(50.00%)	114,000	78,000	(36,000)	(31.58%)	309	319	10	3.24%
Liberty	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Hidalgo	2	2	0	0.00%	96,000	132,000	36,000	37.50%	0	333	333	N/A
Denton	1	1	0	0.00%	36,000	36,000	0	0.00%	138	149	11	7.97%
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	994,800	(297,360)	(23.01%)	709	798	89	12.55%
Top 25 Counties	3,508	3,374	(134)	(3.82%)	240,220,358	230,847,240	(9,373,118)	(3.90%)	293,344	301,863	8,519	2.90%
All Other Counties	69	62	(7)	(10.14%)	5,865,360	4,615,560	(1,249,800)	(21.31%)	4,208	5,336	1,128	26.81%
Tier 1	633	605	(28)	(4.42%)	45,711,782	45,781,200	69,418	0.15%	39,736	39,239	(496)	(1.25%)
Tier 2	2,632	2,537	(95)	(3.61%)	179,836,296	170,997,480	(8,838,816)	(4.91%)	239,185	244,084	4,900	2.05%
All Other Counties	312	294	(18)	(5.77%)	20,537,640	18,684,120	(1,853,520)	(9.02%)	18,632	23,875	5,243	28.14%
Statewide Total	3,577	3,436	(141)	(3.94%)	246,085,718	235,462,800	(10,622,918)	(4.32%)	297,552	307,199	9,647	3.24%

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 3/31/21
HO-BT Policies

County	Policies In-Force 03/31/20	Policies In-Force 03/31/21	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 03/31/20	Exposure In-Force 03/31/21	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 03/31/20	YTD Written Premium 03/31/21	Premium Growth Actual	Premium Growth Percentage
Harris	1,533	1,302	(231)	(15.07%)	33,643,920	29,420,160	(4,223,760)	(12.55%)	50,051	50,652	600	1.20%
Galveston	364	345	(19)	(5.22%)	11,887,080	11,090,520	(796,560)	(6.70%)	12,187	11,554	(633)	(5.19%)
Brazoria	63	69	6	9.52%	2,011,440	2,341,440	330,000	16.41%	1,988	2,766	778	39.16%
Fort Bend	97	92	(5)	(5.15%)	2,005,800	2,581,200	575,400	28.69%	3,735	4,109	374	10.02%
Dallas	58	40	(18)	(31.03%)	1,477,200	1,207,800	(269,400)	(18.24%)	1,786	873	(913)	(51.13%)
Tarrant	51	48	(3)	(5.88%)	1,382,400	1,309,200	(73,200)	(5.30%)	1,281	839	(442)	(34.48%)
El Paso	3	3	0	0.00%	280,800	111,000	(169,800)	(60.47%)	617	239	(378)	(61.24%)
Jefferson	25	27	2	8.00%	795,120	1,035,720	240,600	30.26%	441	866	425	96.37%
Nueces	32	23	(9)	(28.13%)	981,600	802,800	(178,800)	(18.22%)	1,335	1,227	(108)	(8.10%)
Montgomery	43	32	(11)	(25.58%)	1,309,200	986,400	(322,800)	(24.66%)	2,051	1,467	(584)	(28.47%)
Bexar	28	22	(6)	(21.43%)	511,200	614,400	103,200	20.19%	545	932	387	71.03%
Calhoun	8	7	(1)	(12.50%)	202,800	136,800	(66,000)	(32.54%)	99	200	101	101.78%
Cameron	6	5	(1)	(16.67%)	369,600	132,000	(237,600)	(64.29%)	170	200	30	17.65%
Orange	18	14	(4)	(22.22%)	550,440	348,000	(202,440)	(36.78%)	686	935	249	36.32%
Matagorda	1	1	0	0.00%	13,200	13,200	0	0.00%	0	0	0	N/A
Chambers	6	3	(3)	(50.00%)	117,840	69,840	(48,000)	(40.73%)	319	(59)	(378)	(118.50%)
Travis	30	24	(6)	(20.00%)	720,600	564,000	(156,600)	(21.73%)	564	710	146	25.84%
Aransas	4	4	0	0.00%	132,000	174,360	42,360	32.09%	0	278	278	N/A
San Patricio	2	1	(1)	(50.00%)	42,000	30,000	(12,000)	(28.57%)	154	164	10	6.49%
Liberty	1	3	2	200.00%	54,000	78,000	24,000	44.44%	0	0	0	N/A
Hidalgo	2	3	1	50.00%	30,000	54,000	24,000	80.00%	114	222	108	94.74%
Denton	2	2	0	0.00%	36,000	54,000	18,000	50.00%	(342)	0	342	(100.00%)
Johnson	1	2	1	100.00%	30,000	112,440	82,440	274.80%	0	0	0	N/A
Polk	1	1	0	0.00%	12,000	36,000	24,000	200.00%	0	0	0	N/A
Collin	10	6	(4)	(40.00%)	240,000	144,000	(96,000)	(40.00%)	300	99	(201)	(67.00%)
Top 25 Counties	2,389	2,079	(310)	(12.98%)	58,836,240	53,447,280	(5,388,960)	(9.16%)	78,081	78,273	192	0.25%
All Other Counties	113	76	(37)	(32.74%)	3,658,800	2,479,560	(1,179,240)	(32.23%)	4,145	2,442	(1,703)	(41.08%)
Tier 1	513	486	(27)	(5.26%)	16,588,680	15,844,680	(744,000)	(4.48%)	16,814	17,324	510	3.04%
Tier 2	1,660	1,424	(236)	(14.22%)	36,506,160	32,745,360	(3,760,800)	(10.30%)	55,172	56,508	1,336	2.42%
All Other Counties	329	245	(84)	(25.53%)	9,400,200	7,336,800	(2,063,400)	(21.95%)	10,239	6,883	(3,357)	(32.78%)
Statewide Total	2,502	2,155	(347)	(13.87%)	62,495,040	55,926,840	(6,568,200)	(10.51%)	82,226	80,715	(1,511)	(1.84%)

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

6D. 2021 Funding

There is no exhibit for this topic

7. Internal Audit

7A. Internal Audit Status & Update

MEMORANDUM

TO: The Governing Committee - Texas FAIR Plan Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: May 17, 2021

SUBJECT: Status of Internal Audit Activities

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

- **Current Activities:**

Activity Description	Status
Legal and Compliance	Report in review by management
Communications	Report in review by management
Disaster Recovery	Report in review by management
Governance	Completed fieldwork – report in progress
Cash Management	Fieldwork in progress

- **Upcoming Audits:**

Activity Description	Timing
Information Security	2nd Quarter
Premium Taxes	2nd Quarter
Fraud Risk Assessment	2nd / 3rd Quarter
Plan of Operation	3rd Quarter
Actuarial	3rd / 4th Quarter

- **ELT meetings:**
  - Attended Executive Leadership Team and Operations meetings.

Texas FAIR Plan Association
Internal Audit Plan – Lookback (2018-2020) and Prospective (2021-2023)

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		x
Business Continuity of Operations	Moderate		x		x		
Disaster Recovery	Moderate			x	x		
Governance	Moderate				x		
Financial Close and Reporting	Moderate			x			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		
Premium Taxes	Low				x		
Accounts Receivable	Low		x			x	
Payroll	Low		x			x	

8. Underwriting

8A. Operational Review Update

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: April 28, 2021

TO: John Polak, General Manager

FROM: Denise Larzalere, Vice President Underwriting

RE: Update on Underwriting Operational Highlights

First 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 96% of 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. Call volumes are starting to return to pre-pandemic patterns.
d. Underwriting operated under budget in the first quarter, primarily driven by managing headcount and personnel costs, reduced inspections, and lower call center expense.

II. TFPA Agent Audit Results:

a. A standard sample of agencies were selected for review in the first 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.
   i. Proof of declination was received for eighty-six percent of the policies selected. Staff is following up for outstanding proof of declinations.
   ii. Signed applications and eligibility statements were provided for seventy-three percent of the policies selected. Staff is following up with the agents who have not yet provided signed applications.
b. All agents audited have an active property & casualty insurance license, and all agents have the required direct standard market appointments.

9. Claims
9A. Claims Operations

TFPA Claims Operations 2021

TFPA Claims - 2021 Results (through Q1)					
Key Cycle Times (In days)	**Industry Average, TX**	**TFPA**	**TFPA Plan**	**Variance to Plan**	**% Variance to Plan**
FNOL to Inspect Property	5.6	3.5	<3	0.5	17%
Inspect Property to Receipt by TFPA	3.5	2.2	<8	-5.8	-73%
Total Cycle Time FNOL to Payment	N/A	14.4	<12	2.4	15%
TDI Complaint Ratio					
2020	0.09% - 5 complaints from 5,645 new claims				
2021	0.13% - 7 complaints from 5,518 new claims				

Year	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Actual Volume	523	382	400	392	658	576	647	521	579	378	266	323	313	3717	1,488
Actuarial Projected	400	296	292	737	727	281	277	273	269	354	262	258	369	220	219
Median Staffing	286	286	286	286	286	286	286	286	286	286	286	286	342	342	342
Open Inventory	617	592	558	529	491	712	691	1,332	1,237	1,128	1,098	1,126	1,091	3,084	1,519

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	-	20,250	-	22,283	-
2018	211	-25.2%	113	-5.0%	184	-32.1%	1,007	4.9%	2,932	-85.5%	4,776	-78.6%
2019	232	10.0%	78	-31.0%	156	-15.2%	727	-27.8%	4,923	67.9%	6,470	35.5%
2020	111	-52.2%	87	11.5%	108	-30.8%	618	-15.0%	3,379	-31.4%	4,716	-27.1%
2021	64	-42.3%	19	-78.2%	21	-80.6%	3,446	457.6%	444	-86.9%	5,246	11.2%

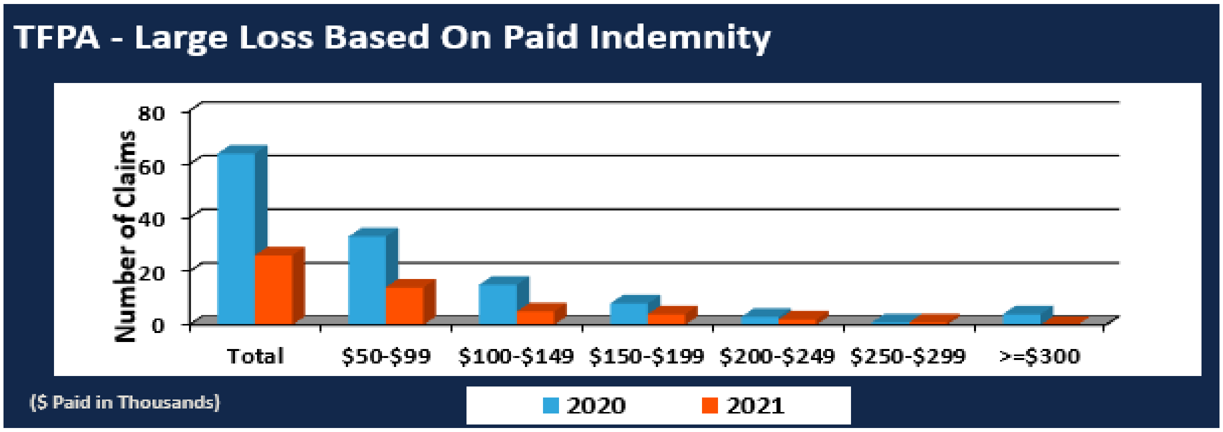
Incurred Amounts by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2017	$11,533,193	-	$1,023,968	-	$628,257	-	$906,433	-	$50,686,166	-	$65,420,144	-
2018	$9,524,538	-17.4%	$414,039	-59.6%	$512,246	-18.5%	$967,647	6.8%	$8,936,717	-82.4%	$20,931,302	-68.0%
2019	$9,748,151	2.3%	$567,045	37.0%	$392,556	-23.4%	$551,611	-43.0%	$20,571,383	130.2%	$32,368,634	54.6%
2020	$5,650,454	-42.0%	$458,296	-19.2%	$201,930	-48.6%	$470,759	-14.7%	$13,176,133	-35.9%	$22,656,890	-30.0%
2021	$3,641,787	-35.5%	$9,183	-98.0%	$10,169	-95.0%	$2,946,929	526.0%	$568,486	-95.7%	$7,748,467	-65.8%

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	-	$2,936	-
2018	$45,140	10.4%	$3,664	-57.4%	$2,784	20.1%	$961	1.8%	$3,048	21.8%	$4,383	49.3%
2019	$42,018	-6.9%	$7,270	98.4%	$2,516	-9.6%	$759	-21.0%	$4,179	37.1%	$5,003	14.2%
2020	$50,905	21.2%	$5,268	-27.5%	$1,870	-25.7%	$762	0.4%	$3,899	-6.7%	$4,804	-4.0%
2021	$56,903	11.8%	$483	-90.8%	$484	-74.1%	$855	12.3%	$1,280	-67.2%	$1,477	-69.3%

*Case incurred amounts exclude loss adjustment expenses and IBNR reserves



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 (year to date)	26	14	5	4	2	1	0
Liability	0	0	0	0	0	0	0
Variance	-38	-19	-10	-4	-1	0	-4

Hurricane Harvey

TFPA Harvey	As of 1/7/21	As of 3/31/21	Change	% Change
Claims	17,998	18,001	3	0.02%
Open	233	194	-39	-16.7%
Closed	17,765	17,807	42	0.2%
% Closed	98.70%	98.90%	0	0.2%
Paid Indemnity	$35,475,767	$35,840,485	$364,718	1.0%
Paid Expense	$22,997,931	$23,428,794	$430,863	1.9%
Active Appraisals	6	5	-1	-16.7%

2020 Hurricane Season

TFPA 2020 Hurricane Season (As of 3/31/21)	
Hanna (7/25)	
Claims	88
Paid Indemnity	$366,003
Laura (8/26)	
Claims	309
Paid Indemnity	$2,408,105
Beta (9/20)	
Claims	134
Paid Indemnity	$275,554
Delta (10/9)	
Claims	77
Paid Indemnity	$134,703
All Storms	
Claims	608
Paid Indemnity	$3,183,365

February 2021 Winter Storm

2021 february Winter Storm Report	TFPA
	Cat Code 01-21
New Claims	4,509
Closed Claims	4,165
Open Inventory	344
% Closed	92.4%
Closed With Payment	689
% Closed With Payment	15.3%
Closed Without Payment	3,476
% Closed Without Payment	77.1%
Open With Payment	57
% Open With Payment	1.3%
Open Without Payment	287
% Open Without Payment	6.4%
Paid Indemnity	$ 4,107,360
Paid Expense	$ 385,205
Outstanding Indemnity	$ 1,647,923
Outstanding Expense	$ 62,981
Total Incurred	$ 6,203,469
Average Paid	$ 5,506
Avg # Days - FNOL to Inspect	4.1
Avg # Days - Inspect to TWIA	2.0
Avg # Days - TWIA to Payment	15.9
Avg # Days - FNOL to Payment	18.1
TDI Claims Complaints	6
# TDI Complaints as a % of All Claims	0.133%

(1) Data current as of: 04/04/2021

(2) Data from daily claims system extracts

(3) Does not include IBNR

(4) Dates of Loss included: 02/14 - 02/19/2021

9B. Claims Litigation

TFPA Litigation Tracking Activity

Litigation Quarter Summary

First Quarter 2021

Summary of TFPA Claims in Suit (1st Quarter 2021)

	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
Jan	2	0	0	0	12	0
Feb	2	0	0	0	1	0
Mar	3	0	0	0	27	0
	7	**0**	**0**	**0**	**40**	**0**

Summary of TFPA Claims with LORs (1st Quarter 2021)

	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
Jan	9	0	0	0	5	0
Feb	6	0	0	0	1	0
Mar	12	1	0	0	8	1
	27	**1**	**0**	**0**	**14**	**1**

TEXAS FAIR PLAN ASSOCIATION

TFPA Claims Litigation
March 2021

TFPA Claims in Suit

Mar-21

	Beginning Inventory	New	Closed	Ending Inventory 1st Party	Ending Inventory 3rd Party	Ending Inventory TOTAL
Wind/Hail	233	3	(27)	209	0	209
Other Perils	10	0	0	10	0	10
Bodily Injury	0	0	0	0	0	0
Property Damage	0	0	0	0	0	0
TOTAL	243	3	(27)	219	0	219

TFPA Claims with LORs

Mar-21

	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory 1st Party	Ending Inventory 3rd Party	Ending Inventory TOTAL
Wind/Hail	70	2	(4)	(3)	65	0	65
Other Perils	9	10	(4)	0	15	0	15
Bodily Injury	2	1	(1)	0	0	2	2
Property Damage	0	0	0	0	0	0	0
TOTAL	81	13	(9)	(3)	80	2	82

TFPA Claims with Suits/LORs: Detail of Ending Inventory

Mar-21

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	219	0	80	2	301	0	0	0	0	0	301

TEXAS FAIR PLAN ASSOCIATION

Mar-21	TFPA Active Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	**Total**
	Buzbee Law/Manuel Solis	118
	Manuel Solis, P.C.	67
	Dick Law Firm	33
	Daly & Black	18
	Lane Law Firm	8
	Buzbee Law Firm	7
	Arnold & Itkin LLP	5
	Chad T. Wilson Law Firm	5
	Daly & Black/Arnold & Itkin	3
	Potts Law Firm	3
	Cristobal M. Galindo, P.C.	3
	Lindsay, Lindsay & Parsons	2
	Fitts Law Firm, PLLC	2
	Scott Law Offices	2
	Remaining 20 firms	25
	TOTAL	301

TEXAS FAIR PLAN ASSOCIATION

TFPA Active Claims with Suits/LORs: County of Loss Location

Mar-21

County	1st Party	3rd Party	Total
Baytown	1	0	1
Chambers	1	1	2
Dallas	1	0	1
El Paso	2	0	2
Ft. Bend	17	0	17
Galveston	3	1	4
Harris	260	0	260
Hidalgo	1	0	1
Jasper	1	0	1
Jefferson	2	0	2
Llano	1	0	1
Maverick	1	0	1
Montgomery	3	0	3
Orange	3	0	3
Waller	1	0	1
Webb	1	0	1
TOTAL	299	2	301

10. TFPA Operations
10A. IT Systems Enhancements

MEMORANDUM

DATE: April 28, 2021

TO: John Polak, General Manager

FROM: Camron Malik, CIO / VP IT

RE: TFPA Information Technology status

The New Normal program, which will accommodate a flexible workforce capable of working seamlessly on-site or remotely, is on schedule. The New Normal program comprises 4 major work threads, consisting of People, Change Management, Space management and Technology and Infrastructure. All work threads are progressing well.

The TFPA implementation continues in Production Support mode with releases occurring on their monthly cadence, delivering functionality 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.

10B. Ethics Policy

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: May 10, 2021

TO: John Polak,
General Manager

FROM: David Durden,
Vice President, Legal and Compliance

RE: Ethics Policy Revisions

As part of our normal cycle for the review of policies we have reviewed and revised the Associations' Ethics Policy. The current Ethics Policy was initially adopted in 2011 and revised in 2016. The Ethics Policy was developed in compliance with Section 2210.107 of the Insurance Code which requires the TWIA Board of Directors establish a code of conduct.

The revised document includes editorial changes such as updating the mission and values statements, changing the references to 'TFPA/TWIA' and 'Associations' to the "Association" and adding examples to selected sections.

Other notable changes include

1. **Section 3.3.2 Ongoing Responsibility** requires <u>annual</u> update or confirmation of relationship disclosures. Also, the list of relationships requiring disclosure in **Appendix B** is expanded to require disclosure if an individual subject to the policy, or an immediate family member, is an Association policyholder.

2. **Section 3.4 Review of Relationship Disclosures** streamlines the review process for disclosures by removing the Conflict of Interest Committee and providing that the VP of Legal and Compliance may consult with members of the Executive Leadership Team when warranted.

3. **Section 3.6.4 Gifts** under ***Additional Exceptions*** streamlines the process for review of an exception sought by the General Manager by requiring the request to be evaluated by the VP of Legal and Compliance. The policy currently requires review by the CFO, Compliance Manager and Director of HR in addition to Legal.

The Ethics Policy governs the Texas FAIR Plan Association and the Texas Windstorm Insurance Association therefore we are requesting the Governing Committee to approve the revisions to the Ethics Policy. Attached are a marked version of the Ethics Policy which shows the revisions and an unmarked version of the Policy. The proposed effective date for the revised policy is June 1, 2021.

TWIA TEXAS WINDSTORM INSURANCE ASSOCIATION

TFPA TEXAS FAIR PLAN ASSOCIATION

Ethics Policy

Version 3.0

Approval Authority: TWIA Board of Directors
and TFPA Governing Committee
Responsible Executive: Vice President of Legal & Compliance
Responsible Office: Vice President of Legal & Compliance
Originally Issued: 9/28/2011
Effective Date: 6/1/2021
Next Review Date: Q2 2023

Our Mission

provide essential wind and hail property insurance to coastal Texans when no one else will.

Our Vision

To be respected and trusted by our stakeholders

Our Values

Service & Respect

We are committed to serving as a reliable, credible, and respectful provider

Efficiency & Stability

We are financially stable and can be counted on to fulfill our obligations

Integrity & Accountability

We are an ethical organization that is accountable to those we serve

Our Goals

Customer Service
Enhance the policyholder experience by providing consistent quality service.

Operational Efficiency
Continuously improve operations to proactively manage costs and be a financial steward of policyholders' premiums.

People
Promote a culture that values people and attracts those who want to work here, stay here, grow here, and perform at their best.

Stakeholder Engagement
Communicate clearly and honestly to help stakeholders make informed decisions.

Technology
Maximize the use of technology to provide efficient and effective insurance services, improve operational efficiency and enhance customer experience.

Table of Contents

History

Date	Version	Author	Comment
9/28/11	1.0	David Weber	Initial Version Authored and Published
1/13/16	2.0	Jessica Crass	Revised Draft
1/26/16	2.0	ELT	ELT Review
1/29/16	2.0	Jessica Crass	Revisions based on ELT Review
2/2/16	2.0	ELT	ELT Review
2/2/16	2.0	Jessica Crass	Revisions based on ELT Review
2/22/16 & 2/23/16	2.0	Governing Committee & Board	Reviewed and approved
6/1/16	2.0	Compliance	Publication
11/11/16	2.0	Compliance	Update to Gift Disclosure Form to account for gifts of monetary value (to parallel approved policy language)
4/15/2021	3.0	Compliance	Revised Draft
4/30/2021	3.0	ELT	ELT Review
	3.0	BOD & GC	

Introduction

1.1 Background

The Texas Windstorm Insurance Association (TWIA) and Texas FAIR Plan Association (TFPA) (the "Association") are insurance organizations providing essential property insurance products and services to eligible Texas properties when no one else will. In accomplishing this mission, we share a vision to be respected and trusted by our stakeholders. As stewards of the public trust, we adhere to our core values of integrity and accountability, holding ourselves to a high standard of ethics as outlined in this Ethics Policy (the "Policy").

1.2 Applicability

This Policy applies to all individuals serving on the TWIA Board of Directors, the TFPA Governing Committee (together, "board members") all Association employees and contractors. Collectively, this group shall be known as "individuals subject to this Policy."

1.3 Noncompliance

All individuals subject to this Policy who fail to comply with this Policy will be subject to disciplinary action, up to and including termination of employment or contract. In addition, depending on the nature of the policy violation, an employee may be subject to civil and/or criminal penalties. Board member violations of this Policy will be reported to the Commissioner of Insurance.

Ethical Conduct

2.1 Policy Statement

All individuals subject to this Policy are expected to act with integrity and exercise good judgment at all times. This includes conducting personal and financial affairs in an ethical manner so as to avoid actual or perceived conflict between personal interests and the interests of the Association. All persons subject to this policy are expected to communicate professionally when carrying out Association business. The Association is subject to the Public Information Act, under which any member of the public may request records from the Association. This may include but is not limited to, emails, instant messages, handwritten notes, and electronic documents.

It is the policy of the Association that no person subject to this Policy shall permit their private interests to conflict with the proper execution of any of their Association duties and responsibilities; nor shall they use their position, or any knowledge gained therein, in such a manner as to give the appearance of such conflict. Conflicts of interest exist when the actions or activities of an individual subject to this Policy could result in improper personal gain or advantage to the individual or a family member, adverse effect upon the Association's interests, or improper gain or advantage to a third party.

2.1.1 Applying the Ethics Policy

While this Policy discusses many important issues, it cannot describe all possible scenarios or contain every Association standard. The Association expects you to demonstrate ethical conduct in following both the explicit standards and the general principles of this Policy.

Read the Policy carefully and understand how it applies to you. Situations involving business ethics can be complex. When determining whether a course of action is ethical, you should consider the following questions:

- Is it legal?
- Does it comply with the Association's Ethics Policy and other Association policies?
- Is it consistent with the Association's Mission, Vision, Values and Goals?
- How will it affect others, such as the Association, policyholders, coworkers, and the citizens of Texas?
- How will it look to others?
- Would you be comfortable defending this decision to your manager; conversely, would you, as a manager, agree with your employee defending this decision to you?
- Would you be comfortable defending the decision in a public forum, such as in front of a judge, the media, or a legislator?
- Is it the right thing to do?

Ask, Then Act

If you are uncertain about whether an action or decision is ethical, always ***ask before acting***. The Association offers several ways to seek advice regarding ethical issues, including discussing the issue with your supervisor, a Compliance representative, a Human Resources representative, by sending an email to Compliance@twia.org or opening a KACE ticket for Legal / Compliance .

2.2 Standards of Ethical Conduct

Individuals subject to this Policy are expected to act fairly, impartially, and in the Association's best interest in carrying out their job duties. In order to uphold the Association's high standards of ethics, individuals subject to this Policy must avoid certain behaviors. Prohibiting these behaviors helps the Association avoid both actual conflicts of interest and perceived improprieties.

Individuals subject to this Policy shall not:

1. accept or solicit any gift, favor, or service that the person knows is intended to or could, by reasonable standards influence the person in the performance or nonperformance of their job duties
2. accept other employment or engage in any activity that the person might reasonably expect would require or induce the person to disclose confidential information the person gained through their responsibilities or position within the Association;
3. accept other employment or compensation that could reasonably be expected to impair the person's independent judgment in the performance of their job;
4. make personal investments that could reasonably be expected to create a substantial conflict between the person's private interest and the interest of the Association;
5. intentionally or knowingly solicit, accept, or agree to accept any benefit, financial or otherwise, for exercising the person's authority or performing the person's job duties in favor of another; or,
6. own personally or by or through a family member any interest in a business that provides services for compensation to either Association, unless that ownership is limited to common stock available to any member of the public for purchase or the ownership is disclosed, and any deviation of this Policy is waived pursuant to the "Deviation from this Policy" section.

Conflicts of Interest

3.1 Background

All persons subject to this Policy must avoid situations that involve, or appear to involve, a conflict of interest. A conflict of interest exists when a person's relationships or interests outside of the Association affect or could reasonably be expected to affect that person's business decisions, job performance, or the Association's interests.

3.2 Prohibited Relationships

As detailed in Texas Insurance Code, Section 2210.013, the Association has strict prohibitions against employing persons who are related to each other. Individuals subject to this Policy may not appoint, employ, or contract with any person who is related to themselves or any other board member or employee in connection with the operation or business of either Association. See **Appendix D** for more details.

3.3 Required Relationship Disclosures

One way we demonstrate our integrity is by maintaining an awareness of Association representatives' relationships with other stakeholders. We can then ensure that we uphold appropriate levels of accountability, impartiality, and fairness. To that end, individuals subject to this Policy must annually disclose the relationships described below by completing the Required Relationship Disclosure Form (**Appendix B**) and submitting the form to the Compliance Department. Examples of **potentia**l conflicts of interest could include:

- Having a relative who works for one of our vendors.
- Having a relative or previous employer who is an insurance agent who writes TWIA/TFPA policies.
- Having a financial interest in a company that is a vendor of the Association.
- Having a previous employer who is one of our vendors.

3.3.1 At the Time of Appointment or Onboarding

At the time an individual subject to this Policy is employed, appointed as a board member, or engaged by the Association, they must disclose the following:

1. any previous, current, or future business or personal relationship between themself and any third party which has, had, or may have a financial interest in the operations of the Association;

2. any business relationship or transaction the Association has, had, or may have with a third party if the employee, board member, contractor or a family member:

    a. has, had, or may have a direct or indirect interest; and/or

    b. derived or may derive a benefit;

3. any business relationship or proposed transaction with any business that employs a family member, if the relationship or transaction may give rise to an actual or perceived conflict of interest; or

4. if an individual subject to this Policy, or an immediate family member is a TWIA or TFPA policyholder.

3.3.2 Ongoing Responsibility

Since relationships form and change over time, any individual subject to this Policy is required to disclose the existence of any of the relationships described in the section above as soon as the individual becomes aware of the relationship. At minimum, all individuals subject to this Policy must complete the Required Relationship Disclosure Form (**Appendix B**) and submit the form to the Compliance Department annually.

3.4 Review of Relationship Disclosures

The Compliance Department will review all required disclosures provided under this Policy, assess any actual or potential conflict of interest and the magnitude of any risk to the Association and determine what conditions and restrictions, if any, should be imposed by the Association to manage, reduce, or eliminate the conflict of interest. The existence and disclosure of a relationship does not mean further action will be required by the Association.

The Compliance Department may, in its discretion, escalate disclosures that warrant further review to the Vice President of Legal and Compliance who may consult with other members of the Executive Leadership Team, including the General Manager. The Compliance Department and appropriate members of the Executive Leadership Team shall evaluate the conflict to determine an appropriate course of action.

Such actions may include but are not limited to: determining that no further action is required seeking an exception; requiring that the conflict be eliminated; or reassigning or terminating individuals if the conflict cannot be otherwise resolved. Any decision by the Compliance Department and members of the Executive Leadership Team regarding a disclosure of a conflict of interest will be documented and maintained as a permanent record by the Compliance Department.

3.5 Outside Employment

No individual subject to this Policy shall engage in outside employment or business ventures that interfere or conflict with their duties and/or obligations to the Association.

3.6 Gifts

3.6.1 Background

The Association strives to operate transparently and to engage third parties using unbiased, independent decision making. Any form of bribe, kickback, or other benefit offering an unfair advantage is unacceptable. Some third parties may try to use gifts, services, entertainment, favors, mementos, awards, food, or other items of value ("gifts") to encourage employees and board members to engage in or continue business with the third party. In order to foster a culture of accountability and fairness as it relates to third parties, this Policy limits the value and number of gifts that individuals subject to this Policy may accept and requires the individuals to disclose offers and acceptances of gifts.

3.6.2 Acceptable Gifts and Prohibited Gifts

Individuals subject to this Policy may accept non-cash items of $50 or less in value, not to exceed $250 per third party vendor, per calendar year, per recipient. Any offer of any benefit exceeding $50 shall be rejected.

Individuals subject to this Policy shall not accept, in any amount, a gift in the form of cash, check, loan, gift card, or negotiable instrument.

For Example:

A vendor sends you a $10 gift certificate. Although the value is under $50, the gift is a cash equivalent and must be declined and returned to the vendor. The declination must be reported to the Compliance Department.

A policyholder sends you a $30 box of cookies. The value is under $50 and the gift is not a cash equivalent so it may be accepted. The acceptance must be reported to the Compliance Department.

The Compliance Department can assist with drafting a letter or email explaining the Association policy on gifts.

3.6.3 Disclosing Gifts

An individual subject to this Policy must disclose the following to the Compliance Department using the Gift Disclosure Form (**Appendix C**):

1. the acceptance of any gift with value of $50 or less; and
2. the rejection of a gift that exceeds $50 or that the individual is otherwise prohibited from accepting.

These disclosures must be made within 30 days of the action described in this section. Disclosures may be submitted electronically to the Compliance Department who maintain a record of all disclosure forms.

3.6.4 Exceptions

An individual subject to this Policy may accept gifts in the following scenarios:

Business Courtesies. Individuals subject to this Policy may accept items of business courtesy, i.e., items with little intrinsic value which are intended solely for presentation or advertisement, such as pens, plaques, certificates, trophies, greeting cards, and small promotional items commonly distributed to the general public. These items are exempted from the reporting requirement in this section, so long as they are:

- of nominal value;
- offered to all who are similarly situated (e.g., all conference attendees or all employees on a team)
- not tied to any expectations for reciprocal gifts or favors of any kind;
- offered infrequently; and
- not always offered to or by the same person or organization.

Individuals subject to this Policy do not need to disclose acceptance of gifts that fall under the above exception.

Conferences and Other Business Events. Notwithstanding the dollar amount threshold described above, individuals subject to this Policy may accept the waiver or reduction of fees associated with attendance at a conference, seminar, training, or other business event, including any meals and expenses that would otherwise be included in the registration fee itself and available to all event attendees, if: (1) attendance is of reasonable business benefit to the Association; (2) the individual's manager provides written preapproval to attend the event; and (3) acceptance of the waiver and attendance at the event is otherwise in accordance with this Ethics Policy, the Training Policy, and the Travel and Travel Expense Reimbursement Policy.

Independent Relationships. Individuals subject to this Policy may accept a benefit from a person with whom they have a relationship independent of their employment status, such as a friend or relative, if the benefit is given on account of that independent relationship rather than any employment status with the Association. These instances do not need to be reported to the Compliance Department.

Additional Exceptions. There may be additional circumstances in which acceptance of a gift from a third party is of reasonable business benefit to the Association and does not involve undue risk of fraud, partiality, or improper advantage. Any such circumstance must be evaluated and approved in writing in advance by the General Manager. If the General Manager seeks approval of such a benefit, the request will be evaluated by the Vice President of Legal and Compliance. Any decision regarding an exception to this section will be documented and maintained as a permanent record by the Compliance Department. Exceptions approved for the General Manager will be reported to the TWIA Board of Directors and/or the TFPA Governing Committee, as applicable, within 30 days of approval.

3.6.5 Application to Family Members

Any offers or provision of gifts to an immediate family member of an individual subject to this Policy will be construed as offering or providing an item directly to the individual covered by this Policy. The covered individual must report any offer to provide a gift to an immediate family member in the same manner as if the individual had received the offer themself.

3.7 Self-Dealing

An individual subject to this Policy may not enter into the following business dealings:

1. Representing the Association in any activity requiring his or her judgment or discretion that affects a person or entity with which they have a material family, financial, or other relationship;
2. Representing another company or person in a transaction with the Association; or,
3. Using Association property, corporate time, or confidential information for personal gain. For example, an employee who is using Association resources or time to operate a side business.

3.8 Reporting Improper Activity

3.8.1 Required Reporting

All individuals subject to this Policy who reasonably suspect that a fraudulent insurance act has been or is about to be committed by an employee, board member, vendor, insured or third party must, within 30 days of discovering the conduct, report the conduct and identity of the person engaging in the conduct to the Texas Department of Insurance and may report the conduct and the identity of the person engaging in the conduct to other relevant authorized governmental agencies.

3.8.2 Reporting Resources

For any questions on fraud reporting, please contact the Compliance Department, refer to the Association Fraud Reporting Procedures available on the Employee Reference Drive, and refer to the Association Suspected Insurance Fraud Referral Form and accompanying Comprehensive Fraud Reporting guidelines.

In addition, if any individual subject to this Policy at any time believes that they, or any other Association officer, employee, contractor, or board member, might be engaged in improper activities, the individual must immediately report the activities to the Compliance Department, their manager, the Vice President of Human Resources and Administration or the General Manager. Improper activities include but are not limited to: removing or copying business records without express approval; possible criminal activity; improper use of Association equipment or other resources; or any violations of Association policies.

Anyone who does not want to report the activities to the Compliance Department, their manager, the Vice President of Human Resources and Administration, or the General Manager may instead anonymously disclose any improper activities described by this Policy through the Association's Whistleblower Resources (see **Appendix E**).

Compliance with Other Laws and Regulations

Every individual subject to this Policy is required to comply with all applicable laws and regulations when conducting any Association business. Any questions about the legality of an existing or anticipated course of action shall be brought to the Vice President of Legal and Compliance or the Compliance Department. This section does not attempt to address all conduct that may constitute a violation of law, but in no event shall any individual subject to this Policy:

1. Steal, embezzle, or misapply funds or assets of the Association, or their customers or vendors;
2. Obtain unauthorized access to policyholder records or confidential information;
3. Improperly disclose policyholder records or confidential information;
4. Make false reports to government officials or regulatory agencies;
5. Assist criminals to avoid detection, capture, or punishment, knowing that a criminal offense has been committed;
6. Engage or abet in any criminal activity, including insurance fraud;
7. Gain unauthorized access to the Association's information or computer systems;
8. Fraudulently request, obtain, disclose, or cause to be disclosed any customer information to a third party for any purpose not permitted by law or Association policy;
9. Use threats or physical force against another person; or
10. Engage in any form of harassment or unfair discrimination.

Annual Statement of Compliance

All individuals subject to this Policy shall review the Ethics Policy and electronically acknowledge their responsibility to abide by its terms upon onboarding and annually thereafter. Individuals unable to acknowledge the Policy electronically must email the Annual Certification (**Appendix A**) to the Compliance Department. All individuals subject to this Policy shall also complete the Required Relationship Disclosure Form (**Appendix B**) and submit the form to the Compliance Department annually.

Deviation from this Policy

The requirements of this Policy may only be waived by a majority vote by the TWIA Board of Directors, the TFPA Governing Committee, or either Associations' Executive Committee. This action should be documented with the applicable reason or basis for deviation from this Policy and placed within the minutes for that meeting. This Policy may only be amended in accordance with the procedures outlined in the Association's Policy Management Protocol.

Appendix A

Annual Certification

Authority. The Ethics Policy has been approved by the General Manager, Texas Windstorm Insurance Association Board of Directors, and Texas FAIR Plan Association Governing Committee.

Summary. The Policy requires board members, employees and contractors to act with integrity and good judgment, avoid conflicts of interest, and adhere to both the explicit standards and general principles of the Policy. The Policy also requires the disclosure of certain relationships and the offer or acceptance of certain gifts. These standards and disclosures are in line with our core values of accountability and integrity and allow us to execute our vision to be respected and trusted by our stakeholders.

Reporting Misconduct. If any individual subject to this Policy believes at any time that someone might be engaged in prohibited activities described in the Policy, the employee or board member must immediately report the activities to the Compliance Department or authorized governmental agency as appropriate under fraud reporting requirements. Alternatively, a person can report the activities through the Association's Whistleblower Resources (see **Appendix E**).

Certification

I have read the Association Ethics Policy and agree to abide by its terms. By my signature below, I certify that I know of no circumstance or conduct, whether involving me or any other board member, employee, or contractor that violates the Ethics Policy or that is required by the Ethics Policy to be reported. I certify that I have disclosed all business and personal relationships requiring such disclosure by this Ethics Policy.

Signature	Printed Name
Date	Department

Appendix B

Annual Relationship Disclosure

The Association Ethics Policy requires the disclosure of certain relationships. This disclosure is required at the time of onboarding and annually thereafter. This disclosure should be updated when you become aware of any relationship requiring disclosure. At minimum, all individuals subject to this Policy must complete this form and submit the form to the Compliance Department annually.

Please read the list below and confirm whether you have relationships to disclose:

1. any previous, current, or future business or personal relationship between you or any member of your family and any third party who has, had, or may have a financial interest in the operations of the Association;
2. any business relationship or proposed transaction the Association has, had, or may have with a third party in which or from which you or a family member:
   a. has, had, or may have a direct or indirect interest; and/or
   b. derived or may derive a benefit; and
3. any business relationship or proposed transaction with any business where a family member is employed, if the relationship or transaction may give rise to an actual or perceived conflict of interest.
4. if you, or an immediate family member is a TWIA or TFPA policyholder

If you have no relationships to disclose, please sign below:

By my signature below, I state that I have received and read the Ethics Policy. My signature below confirms my acknowledgement of the Policy and its relationship disclosure requirements, and it constitutes my certification that I am not aware of any conflict or potential conflict covered by the Policy that is not disclosed on this form or its attachments.

Signature	Printed Name
Date	Department

TEXAS FAIR PLAN ASSOCIATION

TEXAS WINDSTORM INSURANCE ASSOCIATION

Appendix B

Annual Relationship Disclosure

If you have relationships to disclose, please provide the information below:

Entity or Individual Name	Nature of Relationship (Personal, Business, Previous Employer, Policy Number)

If you have additional information to disclose, please attach a separate sheet of paper to this document with that information.

By my signature below, I state that I have received and read the Ethics Policy. My signature below confirms my acknowledgement of the Policy and its relationship disclosure requirements, and it constitutes my certification that I am not aware of any additional conflict or potential conflict covered by the Policy that is not disclosed on this form or its attachments.

Signature   Printed Name

Date   Department

Appendix B

Annual Relationship Disclosure

If you have previously made a relationship disclosure and have no changes to make, please read and sign below:

By my signature below, I state that I have received and read the Ethics Policy. My signature below confirms my acknowledgement of the Policy and its relationship disclosure requirements, and it constitutes my certification that I have reviewed my previous relationship disclosures and I have no other conflicts or potential conflicts covered by the Policy.

Signature	Printed Name
Date	Department

TEXAS FAIR PLAN ASSOCIATION

TEXAS WINDSTORM INSURANCE ASSOCIATION

Appendix C

Gift Disclosure Form

Return completed forms to the Compliance Department in person or via Compliance@twia.org.

Association Employee Name: ______________________________

Date: ______________________________

Accepting Gifts of $50 or Less

Gift (services, entertainment, favors, mementos, awards, food, or other items of value) of $50 or less in value, not to exceed $250 per vendor per calendar year per recipient, may be accepted and must be disclosed. Note that gifts of $50 or less in value that are rejected do not need to be disclosed.

Date: ______________________________

Gift Description: ______________________________

Approximate Value: ______________________________

Name of Individual(s) Providing Gift: ______________________________

Entity Associated with Individual(s): ______________________________

Rejecting and Disclosing Gifts Exceeding $50 or of Monetary Value

Gifts of more than $50 must be rejected; additionally, the following must be rejected and disclosed: any gifts presented to you that are more than $50 in value, and any gift of any value in the form of cash, checks, loans, gift cards or negotiable instruments.

Date: ______________________________

Gift Description: ______________________________

Approximate Value: ______________________________

Name of Individual(s) Offering Gift: ______________________________

Entity Associated with Individual(s): ______________________________

Appendix D

Prohibited Relationships

As described in the Ethics Policy, the Association generally cannot employ relatives. Board members and employees must not appoint, employ, or contract with any person who is related to themselves or any other board member or employee in connection with the operation or business of either Association, if the person is to be directly or indirectly compensated from funds of either Association, and if the relationship is within the degree described by Section 573.002, Government Code.

While the prohibited relationships are described in further detail below, generally, the Association cannot appoint, employ, or contract with the following relatives of individuals subject to this policy: parents, grandparents, aunts, great aunts, uncles, great uncles, first or second cousins, nieces, nephews, grand nieces, or grand nephews. This applies to relatives by blood, adoption, and marriage.

The degrees of relationship described by Section 573.002 are those within the third degree by consanguinity or within the second degree by affinity.

Two individuals are related to each other by **consanguinity** if:

1. one is a descendant of the other; or
2. they share a common ancestor.

An adopted child is considered to be a child of the adoptive parent for this purpose.

Two individuals are related to each other by **affinity** if:

1. they are married to each other; or
2. the spouse of one of the individuals is related by consanguinity to the other individual.

The ending of a marriage by divorce or the death of a spouse ends relationships by affinity created by that marriage unless a child of that marriage is living, in which case the marriage is considered to continue as long as a child of that marriage lives.

Consanguinity and Affinity Relationship Chart[2]

Officer or Employee					
Consanguinity (Includes individuals related by blood to the Officer or Employee)			Affinity (Includes the Officer's or Employee's Spouse and individuals related to the Spouse)		
First Degree	Second Degree	Third Degree	First Degree	Second Degree	Third Degree
Father or Mother	Grandparents	Great Grandparents	Spouse	Grandparents	Great Grandparents
Son or Daughter (& Spouse)	Grandchildren (& Spouse)	Great Grandchildren (& Spouse)	Father or Mother	Grandchildren	Great Grandchildren
	Uncle or Aunt (& Spouse)	Great Uncle or Aunt (& Spouse)	Son or Daughter	Uncle or Aunt	Great Uncle or Aunt
	First Cousin (& Spouse)	Children of Great Uncle or Aunt (& Spouse)		First Cousin	Children of Great Uncle or Aunt
	Nephew or Niece (& Spouse)	Second Cousin (& Spouse)		Nephew or Niece	Second Cousin
	Brother or Sister (& Spouse)	Children of First Cousin (& Spouse)		Brother or Sister	Children of First Cousin
		Grand Nephew or Niece (& Spouse)			Grand Nephew or Niece

[2] Source – Texas State, Finance and Support Services Division, Human Resources.

A board member or employee is the starting point from which all degrees of relationship are calculated.

Under the Degrees of Consanguinity, where Spouse is indicated, the relationship of the spouse is in the same degree as that of the person related by consanguinity, but the spouse is related only by affinity.

Although the same statutory language does not exist for TFPA under Chapter 2211, these standards will be applied in any TFPA operations or procedures.

Any employee who violates these requirements is subject to termination by TWIA or TFPA. In addition, a person who violates these requirements may be subject to any applicable civil or criminal penalty if the violation also constitutes a violation of any statute or rule. Any board member or governing committee member who violates these requirements will be reported to the Commissioner of Insurance and may be subject to removal by the Commissioner of Insurance pursuant to Chapters 2210 and 2211, Texas Insurance Code as applicable.

TEXAS FAIR PLAN ASSOCIATION

TEXAS WINDSTORM INSURANCE ASSOCIATION

Appendix E

Whistleblower Resources

All board members and employees, including interns and part time, temporary and contract employees can anonymously report ethics and compliance related concerns.

First and foremost, the Association encourages you to speak to your manager when you encounter a problem or circumstance that requires intervention in order to reach a resolution. However, if an incident or situation arises that you feel you cannot report to your supervisor, Compliance Department, or Human Resources Department, an external system is provided to give an alternative reporting source.

Please note that the information provided by you may be the basis of an internal and/or external investigation and your anonymity will be protected to the extent possible by law. Reports are submitted by our service provider, Lighthouse Services, to the Association's designee for investigation according to our company policies. While your identity may become known during the course of the investigation because of the information you have provided, the Association will not tolerate retaliation against good faith reporters.

Lighthouse Services' toll-free number and other methods of reporting are available 24 hours a day, 7 days a week for use by employees and staff.

- **Telephone:** English: (877) 472-2110
  Spanish: (800) 216-1288
- **Website:** Lighthouse Homepage: www.lighthouse-services.com/TWIA
  (Click "Submit Incident Report")
- **E-mail:** reports@lighthouse-services.com (must include company name with report)
- **Fax:** (215) 689-3885 (must include company name with report)

TEXAS WINDSTORM INSURANCE ASSOCIATION

TEXAS FAIR PLAN ASSOCIATION

Ethics Policy

Version ~~2~~3.0

Approval Authority: TWIA Board of Directors
and TFPA Governing Committee
Responsible Executive: Vice President of Legal & Compliance
Responsible Office: Vice President of Legal & Compliance
Originally Issued: 9/28/2011
Effective Date: 6/1/2021
~~6/1/2016~~ Next Review
Date: Q2 ~~2017~~2023

TEXAS FAIR PLAN ASSOCIATION

TEXAS WINDSTORM INSURANCE ASSOCIATION

Our Mission

~~To P~~provid~~eing~~ essential wind and hail property insurance to coastal Texans~~products and services for~~ ~~to~~ ~~eligible Texas properties~~ when no one else will.

Our Vision

To be respected and trusted by our stakeholders

Our Values

Service & Respect

We are committed to serving as a reliable, credible, and respectful provider ~~Provide quality service to our policyholders and respect the interests of a broad spectrum of stakeholders~~

~~Stability &~~ Efficiency & Stability

We are financially stable and can be counted on to fulfill our obligations ~~Be good stewards of the public trust by ensuring financial stability and operating efficiently~~

~~Accountability &~~ Integrity & Accountability

We are an ethical organization that is accountable to those we serve ~~Be accountable for performance and operate with integrity by holding ourselves to a high standard of ethics~~

Our Goals

~~1. Secure sufficient funding to pay claims and other financial obligations~~
~~2. Drive operational efficiency throughout the enterprise~~
~~3. Build a collaborative culture of continuous improvement, service, and accountability~~
~~4. Operate transparently through open consistent communication with stakeholders~~
~~5. Maintain a workforce with the right talent to meet organizational needs Attract, develop, and retain talented people~~

Customer Service
Enhance the policyholder experience by providing consistent quality service.

Operational Efficiency
Continuously improve operations to proactively manage costs and be a financial steward of policyholders' premiums.

People

Promote a culture that values people and attracts those who want to work here, stay here, grow here, and perform at their best.

Stakeholder Engagement
Communicate clearly and honestly to help stakeholders make informed decisions.

Technology
Maximize the use of technology to provide efficient and effective insurance services, improve operational efficiency and enhance customer experience.

Table of Contents

History

Date	Version	Author	Comment
9/28/11	1.0	David Weber	Initial Version Authored and Published
1/13/16	2.0	Jessica Crass	Revised Draft
1/26/16	2.0	ELT	ELT Review
1/29/16	2.0	Jessica Crass	Revisions based on ELT Review
2/2/16	2.0	ELT	ELT Review
2/2/16	2.0	Jessica Crass	Revisions based on ELT Review
2/22/16 & 2/23/16	2.0	Governing Committee & Board	Reviewed and approved
6/1/16	2.0	Compliance	Publication
11/11/16	2.0	Compliance	Update to Gift Disclosure Form to account for gifts of monetary value (to parallel approved policy language)
4/15/2021	3.0	Compliance	Revised Draft
4/30/2021	3.0	ELT	ELT Review
	3.0	BOD & GC	

Introduction

1.1 Background

The Texas Windstorm Insurance Association (TWIA) and Texas FAIR Plan Association (TFPA) (the "~~Associations~~Association") are insurance organizations providing essential property insurance products and services ~~for~~ to eligible Texas properties when no one else will. In accomplishing this mission, we share a vision to be respected and trusted by our stakeholders. As stewards of the public trust, we adhere to our core values of ~~accountability and~~ integrity and accountability, holding ourselves to a high standard of ethics as outlined in this Ethics Policy (the "Policy").

1.2 Applicability

This Policy applies to all ~~members~~ individuals serving on the TWIA Board of Directors, ~~or~~ the TFPA Governing Committee (together, "board members") ~~and~~ all Association employees and contractors. Collectively, this group shall be known as "individuals subject to this Policy~~" or "Association staff~~."

1.3 Noncompliance

All individuals subject to this Policy~~Association employees~~ who fail to comply with this Policy will be subject to disciplinary action~~e~~, up to and including termination of employment, or contract~~, or board or position~~. In addition, depending on the nature of the policy violation, an employee may be subject to civil and/or criminal penalties. Board member violations of this Policy will be reported to the Commissioner of Insurance.

Ethical Conduct

2.1 Policy Statement

All individuals subject to this Policy ~~Association staff~~ are expected to ~~shall~~ act with integrity and exercise good judgment at all times. This includes conducting personal and financial affairs in an ethical manner so as to avoid actual or perceived conflict between personal interests and the interests of the ~~Associations~~Association. ~~;, see the Association's Social Media Policy~~

All persons subject to this policy are expected to communicate professionally when carrying out Association business. The Association is subject to the Public Information Act, under which any member of the public may request records from the Association. This may include but is not limited to, emails, instant messages, handwritten notes, and electronic documents.- ~~All persons subject to this policy are expected to communicate professionally when carrying out Association business.~~

It is the policy of the ~~Associations~~Association that no person subject to this Policy ~~board member nor employee of the Associations~~ Association shall permit their private interests to conflict with the proper execution of any of their Association duties and responsibilities; nor shall they use their position, or any knowledge gained therein, in such a manner as to give the appearance of such conflict. Conflicts of interest ~~may~~? exist when the actions or activities of an individual subject to this Policy could result in improper personal gain or advantage to the individual or a family member, adverse effect upon the ~~Associations~~Association’s~~’~~ interests, or improper gain or advantage to a third party.

2.1.1 Applying the Ethics Policy

While this Policy discusses many important issues, it cannot describe all possible scenarios or contain every Association standard. ~~TWIA and TFPA~~The Association expects you to demonstrate ethical conduct in following both the explicit standards and the general principles of this Policy.

Read the Policy carefully and understand how it applies to you. Situations involving business ethics can be complex. When determining whether a course of action is ethical, you should consider the following questions:

- Is it legal?
- Does it comply with the ~~Associations~~Association’s~~’~~ Ethics Policy and other Association policies?
- Is it consistent with the Association’s M~~m~~ission, V~~v~~ision, V~~v~~alues and G~~g~~oals?
- How will it affect others, such as the Association, policyholders, coworkers~~employees~~, and the citizens of Texas?
- How will it look to others?
- Would you be comfortable defending this decision to your manager; conversely, would you, as a manager, agree with your employee defending this decision to you?
- Would you be comfortable defending the decision in a public forum, such as in front of a judge, the media, or a legislator?
- Is it the right thing to do?

Ask, Then Act

If you are uncertain about whether an action or decision is ethical, always ***ask before acting***. The ~~Associations~~Association offers several ways to seek advice regarding ethical issues, including discussing the issue with your supervisor, a Compliance representative, ~~or~~ a Human Resources representative, ~~;~~ ~~or~~ by sending an email to Compliance@twia.org or opening a KACE ticket for Legal / Compliance .

2.2 Standards of Ethical Conduct

~~You~~ Individuals subject to this Policy are expected to act fairly, impartially, and in the

~~Associations~~Association's best interest in carrying out their ~~your~~ job duties. In order to uphold the ~~Associations~~Association's high standards of ethics, individuals subject to~~covered by~~ this Policy must avoid certain behaviors. Prohibiting these behaviors helps the ~~Associations~~Association avoid both actual conflicts of interest and perceived improprieties.

Individuals subject to this Policy shall not:

1. accept or solicit any gift, favor, or service that the person knows is intended to or could, by reasonable~~ness~~ standards~~, tend to~~ influence the person in the performance or nonperformance of their~~his or her~~ job duties ~~and/or that the person knows or should know is being offered to influence the person's actions;~~
2. accept other employment or engage in any activity that the person might reasonably expect would require or induce the person to disclose confidential information the person gained through their~~his or her~~ responsibilities or position within the Association;
3. accept other employment or compensation that could reasonably be expected to impair the person's independent judgment in the performance of their~~his or her~~ job;
4. make personal investments that could reasonably be expected to create a substantial conflict between the person's private interest and the interest of the ~~Associations~~Association;
5. intentionally or knowingly solicit, accept, or agree to accept any benefit, financial or otherwise, for exercising the person's authority or performing the person's job duties in favor of another; or,
6. own personally or by or through a family member any interest in a business that provides services for compensation to either Association, unless that ownership is limited to common stock available to any member of the public for purchase or the ownership is disclosed, and any deviation of this Policy is waived pursuant to the "Deviation from this Policy" section.

Conflicts of Interest

3.1 Background

~~Employees and board members~~All persons subject to this Policy must avoid situations that involve, or appear to involve, a conflict of interest. A conflict of interest exists when a person's relationships or interests outside of the Association affect or could reasonably be expected to affect that person's business decisions, job performance, or the Association's interests.

3.2 Prohibited Relationships

As detailed in Texas Insurance Code, ~~Chapter~~Section 2210.013, t~~T~~he ~~Associations~~Association ha~~ve~~s strict prohibitions against employing persons who are related to each other. ~~Employees and Board members and employees~~Individuals subject to this Policy ~~must~~ may not appoint, employ, or contract with any person who is related to themselves or any other board member or employee in connection with the operation or business of either Association. See **Appendix D** for more details.

3.3 Required Relationship Disclosures

One way we demonstrate our integrity is by maintaining an awareness of Association ~~staff's~~ representative~~'s~~s' relationships with other stakeholders. We can then ensure that we uphold appropriate levels of accountability, impartiality, and fairness. To that end, individuals subject to this Policy must annually disclose the relationships described below by completing the Required Relationship Disclosure Form (**Appendix B**) and submitting the form to the Compliance Department. Examples of **potential** conflicts of interest could include:

- Having a relative who works for one of our vendors.
- Having a relative or previous employer who is an insurance agent who writes TWIA/TFPA policies.
- Having a financial interest in a company that is a vendor of the Association.
- Having a previous employer who is one of our vendors.

3.3.1 At the Time of Appointment or Onboarding

At the time an individual subject to this Policy is employed, appointed as a board member, ~~or employed~~or engaged by the ~~Associations~~Association, they~~he or she~~ must disclose the following ~~relationships~~:

1. any previous, current, or future business or personal relationship between themself ~~employee or board member~~ and any third party which has, had, or may have a financial interest in the operations of the ~~Associations~~Association;

2. any business relationship or ~~proposed~~ transaction the Association has, had, or may have with a third party ~~in which~~if ~~or from which~~ the employee, ~~or~~ board member, contractor or a family member ~~thereof~~:

   a. has, had, or may have a direct or indirect interest; and/or

   b. derived or may derive a benefit;~~and~~

   ~~b.~~

~~3.~~ any business relationship or proposed transaction with any business ~~where~~ that employs a family member ~~is employed~~, if the relationship or transaction may give rise to an actual or perceived conflict of interest; or~~.~~

3.

4. ~~i~~If ~~t~~an individual subject to this Policy~~hey~~, or an immediate family member ~~are~~is a TWIA or TFPA policyholder.

~~Examples of **potentia**l conflicts of interest could include:~~

- ~~Having a friend or relative who works for one of our vendors.~~
- ~~Having a friend, relative , or previous employer who is an insurance agent who writes TWIA/TFPA policies.~~
- ~~Having a financial interest in a company that is a vendor of the Associations do business with.~~
- ~~Having a A previous employer who is being one of our vendors.~~

~~4.~~

3.3.2 Ongoing Responsibility

Since relationships form and change over time, any individual subject to this Policy is required to disclose the existence of any of the relationships described in the section above as soon as the individual becomes aware of the relationship. At minimum, all individuals subject to this Policy must complete the Required Relationship Disclosure Form (**Appendix B**) and submit the form to the Compliance Department annually.

3.4 Review of Relationship Disclosures

The Compliance Department will review all required disclosures provided under this Policy, assess any actual or potential conflict of interest and the magnitude of any risk to the Association~~,~~ and determine what conditions and restrictions, if any, should be imposed by the Association to manage, reduce, or eliminate the conflict of interest. The existence and disclosure of a relationship ~~described above~~ does not mean further action will be required by the ~~Associations~~Association.

The Compliance Department may, in its discretion, escalate disclosures that warrant further review to the ~~Conflict of Interest Committee disclosures~~Vice President of Legal and Compliance who may consult with other members of the Executive Leadership Team, including the General Manager ~~which warrant further review. The Conflict of Interest Committee will consist of the General Manager, the Vice President of Legal and Compliance, the Chief Financial Officer, the Compliance Manager, and the Director of Human Resources~~. The ~~Committee~~ Compliance Department and ~~applicable~~appropriate members of the Executive Leadership ~~shall~~Team shall evaluate the conflict to determine an appropriate course of action.

Such actions may include~~,~~ but are not limited to: determining that no further action is required~~; or~~ seeking an exception ~~or deviation as outlined in this Policy~~; requiring that the conflict be eliminated; or reassigning or terminating individuals if the conflict cannot be otherwise resolved. Any decision by ~~the Committee~~ the Compliance Department and members of the Executive Leadership Team regarding a disclosure of a conflict of interest will be documented and maintained as a permanent record by the Compliance Department.

3.5 Outside Employment

No individual subject to this Policy shall engage in outside employment or business ventures that interfere~~s~~ or conflict~~s~~ with their~~his or her~~ duties and/or obligations to the ~~Associations~~Association.

3.6 Gifts

3.6.1 Background

The ~~Associations~~Association strives to operate transparently and to engage third parties using unbiased, independent decision making. Any form of bribe, kickback, or other benefit offering an unfair advantage is unacceptable. Some third parties may try to use gifts, services, entertainment, favors, mementos, awards, food, or other items of value ("gifts") to encourage employees and board members to engage in or continue business with the third party. In order to foster a culture of accountability and fairness as it relates to third parties, this Policy limits the value and

~~amount~~number of gifts that individuals subject to this Policy may accept~~,~~ and requires the individuals to disclose ~~certain~~ offers and acceptances of gifts.

3.6.2 Acceptable Gifts and Prohibited Gifts

Individuals subject to this Policy may accept non-cash items of $50 or less in value, not to exceed $250 per third party vendor, per calendar year, per recipient. Any offer of any benefit exceeding $50 shall be rejected.

Individuals subject to this Policy shall not accept, in any amount, a gift in the form of cash, check, loan, gift card, or negotiable instrument.

For Example:

A vendor sends you a $10 gift certificate. Although the value is under $50, the gift ~~has~~is a cash equivalent ~~monetary value~~ and must be declined and returned to the vendor. The declination must be reported to the Compliance Department.

A policyholder sends you a $30 box of cookies. The value is under $50 and the gift ~~does~~is not a cash equivalent ~~not have monetary value~~ so it may be accepted. The acceptance must be reported to the Compliance Department.

The Compliance Department can assist with drafting a letter or email explaining the Association~~our~~ policy on gifts.

3.6.3 Disclosing Gifts

An individual subject to this Policy must disclose the following to the Compliance Department using the Gift Disclosure Form (**Appendix C**):

1. the acceptance of any gift with ~~of retail, resale, or monetary~~ value of $50 or less; and
2. the rejection of a gift ~~physically presented to the individual~~ that exceeds $50 or that the individual is otherwise prohibited from accepting.

These disclosures must be made within 30 days of the action described in this section. Disclosures may be submitted electronically~~via physical or electronic delivery~~ t~~.~~o t~~T~~he Compliance Department who maintain ~~maintains~~ a record of all disclosure forms.

3.6.4 Exceptions

An individual subject to this Policy may accept gifts in the following scenarios:

Business Courtesies. Individuals subject to this Policy may accept items of business courtesy, i.e., items with little intrinsic value which are intended solely for presentation or advertisement, such as pens, plaques, certificates, trophies, greeting cards, and small promotional items commonly distributed to the general public. These items are exempted from the reporting requirement in this section, so long as they are:

- of nominal value;
- offered to all who are similarly situated (e.g., all conference attendees or all employees on a team)~~;~~
- not tied to any expectations for reciprocal gifts or favors of any kind;
- offered infrequently; and
- not always offered to or by the same person or organization. ~~1~~
- Individuals subject to this Policy do not need to disclose acceptance of gifts that fall under the above exception.

Conferences and Other Business Events. Notwithstanding the dollar amount threshold described above, individuals subject to this Policy may accept the waiver or reduction of fees associated with

~~[1] Parameters for acceptable business courtesies are based on those outlined by the Association of Corporate Counsel. See http://www.ethicsxchange.com/topic/84053-business-courtesies.~~

attendance at a conference, seminar, training, or other business event, including any meals and expenses that would otherwise be included in the registration fee itself and available to all event attendees, if: (1) attendance is of reasonable business benefit to the ~~Associations~~Association; (2) the individual's manager provides written preapproval to attend the event; and (3) acceptance of the waiver and attendance at the event is otherwise in accordance with this Ethics Policy, the Training Policy, and the Travel and Travel Expense Reimbursement Policy.

Independent Relationships. Individuals subject to this Policy may accept a benefit from a person with whom they have a relationship independent of their employment status, such as a friend or relative, if the benefit is given on account of that independent relationship rather than any employment status with the ~~Associations~~Association. These instances do not need to be reported to the Compliance Department.

Additional Exceptions. There may be additional circumstances in which acceptance of a gift from a third party is of reasonable business benefit to the ~~Associations~~Association and does not involve undue risk of fraud, partiality, or improper advantage. Any such circumstance must be evaluated and approved in writing in advance by the General Manager. If the General Manager seeks approval of such a benefit, the request will be evaluated by the Vice President of Legal and Compliance~~, the Chief Financial Officer, the Compliance Manager, and the Director of Human Resources~~. Any decision regarding an exception to this ~~S~~section will be documented and maintained as a permanent record by the Compliance Department. Exceptions approved for the General Manager will be reported to the TWIA Board of Directors and/or the TFPA Governing Committee, as applicable, within 30 days of approval.

3.6.5 Application to Family Members

Any offers or provision of gifts to an immediate family member of an individual subject to this Policy will be construed as offering or providing an item directly to the individual covered by this Policy. The covered individual must report any offer to provide a gift to an immediate family member in the same manner as if the individual had received the offer themself ~~him or herself~~.

3.7 Self-Dealing

An individual subject to this Policy may not enter into the following business dealings:

1. Representing ~~TWIA/TFPA~~the Association in any activity requiring his or her judgment or discretion that affects a person or entity with which they~~he or she~~ haves a material family, financial, or other relationship;
~~1.~~
2. Representing another company or person in a transaction with ~~TWIA/TFPA~~the Association; or,

3. Using ~~TWIA/TFPA~~Association property, corporate time, or confidential information for personal gain ~~or other thing of value~~. For example, an employee who is using Association resources or time to operate a side business.

3.8 Reporting Improper Activity

3.8.1 Required Reporting

All ~~I~~individuals subject to this Policy who reasonably suspect that a fraudulent insurance act has been or is about to be committed by an employee, board member, vendor, ~~or~~ insured or third party ~~or employee of the association~~ must, within 30 days of discovering the conduct, report the conduct and identity of the person

engaging in the conduct to the Texas Department of Insurance and may report the conduct and the identity of the person engaging in the conduct to other relevant ~~another~~ authorized governmental agenc~~y~~ies.

3.8.2 Reporting Resources

For any questions on fraud reporting, please contact the Compliance Department, refer to the ~~Associations~~Association' Fraud Reporting Procedures available on the Employee Reference Drive, and refer to the ~~Associations~~Association' Suspected Insurance Fraud Referral Form and accompanying Comprehensive Fraud Reporting guidelines.

In addition, if any individual subject to this Policy at any time believes that they~~he or she~~, or any other Association officer, employee, contractor, or board member, ~~employee, or contractor,~~ might be engaged in improper activities, the individual must immediately report the activities to the Compliance Department, their manager, the Vice President of Human Resources and Administration or the General Manager. Improper activities include but are not limited to: removing or copying business records without express approval; possible criminal activity; improper use of Association equipment or other resources; or any violations of ~~the Associations~~Association' policies~~, including the Ethics, Confidentiality, and Harassment policies~~.

Anyone who does not want to report the activities to the Compliance Department, their~~his or her~~ manager~~, the Compliance Department~~, the Vice President of~~Director of~~ Human Resources and Administration, or the General Manager may instead anonymously disclose any improper activities described by this Policy through the ~~TWIA/TFPA~~Association's Whistleblower ~~Program r~~Resources (see **Appendix E**).

TEXAS FAIR PLAN ASSOCIATION

TEXAS WINDSTORM INSURANCE ASSOCIATION

Compliance with Other Laws and Regulations

Every individual subject to this Policy is required to comply with all applicable laws and regulations when~~in~~ conducting any Association business. Any questions about the legality of an existing or anticipated course of action shall be brought to the Vice President of ~~for~~ Legal and Compliance or the Compliance Department. This s~~S~~ection does not attempt to address all conduct that may constitute a violation of law, but in no event shall any individual subject to this Policy:~~board member or employee:~~

1. Steal, embezzle, or misapply funds or assets of the ~~Associations~~Association, or their customers or vendors;
2. Obtain unauthorized access to policyholder records or confidential information;
3. Improperly disclose policyholder records or confidential information;
4. Make false reports to government officials or regulatory agencies;
5. Assist criminals to avoid detection, capture, or punishment, knowing that a criminal offense has been committed;
6. Engage or abet in any criminal activity, including insurance fraud;
7. Gain unauthorized access to ~~TWIA/TFPA's~~the Association's information or computer systems;
8. Fraudulently request, obtain, disclose, or cause to be disclosed any customer information to a third party for any purpose not permitted by law or Association policy;
9. Use threats or physical force against another person; or
10. Engage in any ~~sexual~~ form of harassment or unfair discrimination.

~~10.~~

Annual Statement of Compliance

All individuals subject to this Policy shall review ~~and~~the Ethics Policy and electronically acknowledge their responsibility to ~~At least annually, an individual subject to this Policy shall certify, either via the Annual Certification included as **Appendix A**, or by its equivalent electronic means as prescribed by the Associations, that he or she has read the Ethics Policy and agrees to~~ abide by its terms upon onboarding and annually thereafter. Individuals unable to acknowledge the Policy electronically must email the Annual Certification (**Appendix A**) to the Compliance Department. All individuals subject to this Policy shall also complete the Required Relationship Disclosure Form (**Appendix B**) and submit the form to the Compliance Department annually.

~~subject to this Policy must deliver their certifications to the Compliance Department or provide complete disclosure to the Compliance Department of the reasons why they are unable to complete the certification.~~

Deviation from this Policy

The requirements of this Policy may only be waived by a majority vote by the TWIA Board of Directors, the TFPA Governing Committee, or either Associations' Executive Committee. This action should be documented with the applicable reason or basis for deviation from this Policy and placed within the minutes for that meeting. This Policy may only be amended in accordance with the procedures outlined in the ~~Associations~~Association's Policy Management Protocol.

Appendix A

Annual Certification

Authority. The Ethics Policy has been approved by the General Manager, Texas Windstorm Insurance Association Board of Directors, and Texas FAIR Plan Association Governing Committee.

Summary. The Policy requires board members, ~~and~~ employees and contractors to act with integrity and good judgment, avoid conflicts of interest, and adhere to both the explicit standards and general principles of the Policy. The Policy also requires the~~board members and employees to~~ disclosure of certain relationships and the offer or acceptance of certain gifts. These standards and disclosures are in line with our core values of accountability and integrity~~,~~ and allow us to execute our vision to be respected and trusted by our stakeholders.

Reporting Misconduct. If any individual subject to this Policy ~~employee or board member~~ believes at any time that someone might be engaged in prohibited activities described in the Policy, the employee or board member must immediately report the activities to the Compliance Department or authorized governmental agency as appropriate under fraud reporting requirements. Alternatively, a person can report the activities through the ~~Associations~~Association's~~'~~ Whistleblower ~~Program r~~Resources (see **Appendix E**).

Certification

I have read the ~~Associations~~Association~~'~~ Ethics Policy and agree to abide by its terms. By my signature below, I certify that I know of no circumstance or conduct, whether involving me or any other board member, ~~or~~ employee, or contractor that violates the Ethics Policy or that is required by the Ethics Policy to be reported. I certify that I have disclosed all business and personal relationships requiring such disclosure by this Ethics Policy.

Signature	Printed Name
Date	Department

TEXAS FAIR PLAN ASSOCIATION

TEXAS WINDSTORM INSURANCE ASSOCIATION

Appendix B

Annual~~Required~~ Relationship Disclosure ~~Form~~

The ~~Associations~~Association' Ethics Policy requires the disclosure of certain relationships.~~ with third parties.~~ This disclosure is required at the time of onboarding and annually thereafter. This disclosure ~~can~~should be updated ~~at any time and it you begin your employment, and it is your continuing responsibility to update this disclosure form during your employment if~~ when you become aware of any relationship requiring disclosure. At minimum, all individuals subject to this Policy must complete this form and submit the form to the Compliance Department annually.

Please read the list below and confirm whether you have relationships to disclose~~ the following~~:

1. any previous, current, or future business or personal relationship between you or any member of your family and any third party who has, had, or may have a financial interest in the operations of the ~~Associations~~Association;
2. any business relationship or proposed transaction the Association has, had, or may have with a third party in which or from which you or a family member:
   a. has, had, or may have a direct or indirect interest; and/or
   b. derived or may derive a benefit; and
3. any business relationship or proposed transaction with any business where a family member is employed, if the relationship or transaction may give rise to an actual or perceived conflict of interest.
4. if you, or an immediate family member is a TWIA or TFPA policyholder

If you have no relationships to disclose, please sign below:

By my signature below, I state that I have received and read the Ethics Policy. My signature below confirms my acknowledgement of the Policy and its relationship disclosure requirements, and it constitutes my certification that I am not aware of any conflict or potential conflict covered by the Policy that is not disclosed on this form or its attachments.

Signature   Printed Name

Date   Department

TEXAS FAIR PLAN ASSOCIATION

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Appendix B

Annual Relationship Disclosure

If you ~~do~~ have relationships to disclose, please provide the information below:

~~3.~~

~~Entity or Individual Name~~ ~~Nature of Relationship (Business, Personal, Previous Employer)~~

Entity or Individual Name	Nature of Relationship (Personal, Business, Previous Employer, Policy Number)

If you have additional information to disclose, please attach a separate sheet of paper to this document with that information. ~~Let's just create a supplemental form and have them use that.~~

Appendix B

By my signature below, I state that I have received and read the Ethics Policy. My signature below confirms my acknowledgement of the Policy and its relationship disclosure requirements, and it constitutes my certification that I am not aware of any additional conflicts or potential conflicts covered by the Policy that is not disclosed on this form or its attachments.

~~By my signature below, I state that I have received and read the Ethics Policy. My signature below confirms my acknowledgement of the Policy and its relationship disclosure requirements, and it constitutes my certification that I am not aware of any conflict or potential conflict covered by the Policy that is not disclosed on this form or its attachments.~~

Signature Printed Name

Date Department

Annual Relationship Disclosure

If you have previously made a relationship disclosure and have no changes to make, please read and sign below:

By my signature below, I state that I have received and read the Ethics Policy. My signature below confirms my acknowledgement of the Policy and its relationship disclosure requirements, and it constitutes my certification that I have reviewed my previous relationship disclosures and I have no other ~~additional~~ conflicts or potential conflicts covered by the Policy.

Signature Printed Name

Date Department

Appendix B

Appendix C

Gift Disclosure Form

Return completed forms to the Compliance Department in person or via Compliance@twia.org.

~~TWIA/TFPA~~Association **Employee Name:** ______

Date: ______

Accepting Gifts of $50 or Less

Gift (services, entertainment, favors, mementos, awards, food, or other items of value) of $50 or less in value, not to exceed $250 per vendor per calendar year per recipient, may be accepted and must be disclosed. Note that gifts of $50 or less in value that are rejected do not need to be disclosed.

Date: ______

Gift Description: ______

Approximate Value: ______

Name of Individual(s) Providing Gift: ______

Entity Associated w~~W~~ith Individual(s): ______

Rejecting and Disclosing Gifts Exceeding $50 or of Monetary Value

Gifts of more than $50 must be rejected; additionally, the following must be rejected and disclosed: any gifts ~~physically~~ presented to you that are more than $50 in value, and any gift of any value in the form of cash, checks, loans, gift cards or negotiable instruments.

Date: ______

Gift Description: ______

Approximate Value: ______

Name of Individual(s) Offering Gift: ______

Entity Associated w~~W~~ith Individual(s): ______

Appendix D

Prohibited Relationships

As described in the Ethics Policy, the ~~Associations~~Association generally cannot employ relatives. Board members and employees must not appoint, employ, or contract with any person who is related to themselves or any other board member or employee in connection with the operation or business of either ~~Associations~~Association, if the person is to be directly or indirectly compensated from funds of either Association, and if the relationship is within the degree described by Section 573.002, Government Code.

While the prohibited relationships are described in further detail below, generally, the ~~Associations~~Association cannot appoint, employ, or contract with the following relatives of individuals subject to this policy: parents, grandparents, aunts, great aunts, uncles, great uncles, first or second cousins, nieces, nephews, grand nieces, or grand nephews. This applies to relatives by blood, adoption, and marriage.

The degrees of relationship described by Section 573.002 are those within the third degree by consanguinity or within the second degree by affinity.

Two individuals are related to each other by **consanguinity** if:

1. one is a descendant of the other; or
2. they share a common ancestor.

An adopted child is considered to be a child of the adoptive parent for this purpose.

Two individuals are related to each other by **affinity** if:

1. they are married to each other; or
2. the spouse of one of the individuals is related by consanguinity to the other individual.

The ending of a marriage by divorce or the death of a spouse ends relationships by affinity created by that marriage unless a child of that marriage is living, in which case the marriage is considered to continue as long as a child of that marriage lives.

Consanguinity and Affinity Relationship Chart[2]

Officer or Employee					
Consanguinity (Includes individuals related by blood to the Officer or Employee)			Affinity (Includes the Officer's or Employee's Spouse and individuals related to the Spouse)		
First Degree	Second Degree	Third Degree	First Degree	Second Degree	Third Degree
Father or Mother	Grandparents	Great Grandparents	Spouse	Grandparents	Great Grandparents
Son or Daughter (& Spouse)	Grandchildren (& Spouse)	Great Grandchildren (& Spouse)	Father or Mother	Grandchildren	Great Grandchildren
	Uncle or Aunt (& Spouse)	Great Uncle or Aunt (& Spouse)	Son or Daughter	Uncle or Aunt	Great Uncle or Aunt
	First Cousin (& Spouse)	Children of Great Uncle or Aunt (& Spouse)		First Cousin	Children of Great Uncle or Aunt
	Nephew or Niece (& Spouse)	Second Cousin (& Spouse)		Nephew or Niece	Second Cousin
	Brother or Sister (& Spouse)	Children of First Cousin (& Spouse)		Brother or Sister	Children of First Cousin
		Grand Nephew or Niece (& Spouse)			Grand Nephew or Niece

[2] Source – Texas State, Finance and Support Services Division, Human Resources.

A board member or employee is the starting point from which all degrees of relationship are calculated.

Under the Degrees of Consanguinity, where Spouse is indicated, the relationship of the spouse is in the same degree as that of the person related by consanguinity, but the spouse is related only by affinity.

Although the same statutory language does not exist for TFPA under Chapter 2211, these standards will be applied in any TFPA operations or procedures.

Any ~~board member or~~ employee who violates these requirements is subject to termination by TWIA or TFPA. In addition, a person who violates these requirements may be subject to any applicable civil or criminal penalty if the violation also constitutes a violation of any statute or rule. Any ~~director or governing~~ board member or governing committee member who violates these requirements will be reported to the Commissioner of Insurance and may be subject to removal by the Commissioner of Insurance pursuant to Chapters 2210 and 2211, Texas Insurance Code as applicable.

TEXAS FAIR PLAN ASSOCIATION

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Appendix E

Whistleblower ~~Program~~Resources

All board members and employees, including interns and part time, temporary and contract employees can anonymously report ethics- and compliance -related concerns.

First and foremost, the ~~Associations~~Association encourages you to speak to your manager when you encounter a problem or circumstance that requires intervention in order to reach a resolution. However, if an incident or situation arises that you feel you cannot report to your supervisor, Compliance Department, or Human Resources Department, an external system is provided to give an alternative reporting source.

Please note that the information provided by you may be the basis of an internal and/or external investigation~~ into the issue you are reporting~~ and your anonymity will be protected to the extent possible by law. Reports are submitted by our service provider, Lighthouse Services, to the ~~Associations~~Association's designee for investigation according to our company policies. While your identity may become known during the course of the investigation because of the information you have provided, the ~~Associations~~Association will not tolerate~~have a strict policy prohibiting~~ retaliation against good faith reporters.

Lighthouse Services' toll-free number and other methods of reporting are available 24 hours a day, 7 days a week for use by employees and staff.

- **Telephone:** English: (877) 472-2110
  Spanish: (800) 216-1288
- **Website:** Lighthouse Homepage: www.lighthouse-services.com/TWIA
  (Click "Submit Incident Report")
- **E-mail:** reports@lighthouse-services.com (must include company name with report)
- **Fax:** (215) 689-3885 (must include company name with report)

10C. Communications Update

MEMORANDUM

DATE: April 28, 2021

TO: TFPA Governing Committee

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

RE: Communications & Legislative Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) The 87th Session of the Texas Legislature opened on January 12. Due to the ongoing COVID-19 pandemic and the February winter storm, the Legislature and its committees met less frequently than usual in January and February. Following the winter storm, the Legislature returned to a more normal schedule and electrical grid reliability became a major focus for lawmakers in addition to the expected issues related to the pandemic.

b) March 12 was the deadline for legislators to file bills in the current legislative session. There were two bills filed of interest to TFPA.

   i. House Bill 429 filed by Rep. Ken King, who represents a portion of the Texas Panhandle, proposes requiring TWIA to offer tornado and wildfire insurance statewide to those unable to obtain it in the private market. The bill had a hearing in the House Insurance Committee on April 13. Rep. King acknowledged the bill is unlikely to pass but provides the opportunity for an important discussion on what he sees as unfair treatment of the panhandle compared to the coast, which he believes receives subsidized insurance through TWIA. Members of the insurance industry testified against the bill. Among reasons cited for their opposition was a lack of clarity as to how this coverage would interact with already-existing TFPA coverage.

   ii. House Bill 3694 by Rep. Greg Bonnen (Galveston County) and Senate Bill 1448 by Sen. Larry Taylor (Galveston County) began as identical bills to extend the deadlines for submission of reports of interim studies by the Windstorm Insurance Legislative Funding and Funding Structure Oversight Board (to November 2022) and the Windstorm Insurance Legislative Oversight Board (to January 2023). This includes studying a merger of TWIA and TFPA. Sen. Taylor has amended his bill to move responsibility for the completion of the two studies to the Windstorm Insurance Legislative Oversight Board, and this version appears more likely to be enacted at this time.

c) Most legislative and regulatory inquiries received during the first quarter, January 1 through March 31, 2021, were related to TWIA matters.

d) We continue to provide recurring operational email updates to the Governing Committee, TDI, legislative staff, and coastal elected officials and stakeholders.

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II. Winter Storm Uri Response

a) Winter Storm Uri impacted almost the entire state in February and caused the Association to lose power and experience system outages for several days. In response, CLA provided email and website updates on the status of Association operations for our key stakeholders almost daily.

b) As TFPA's policies differ from traditional homeowners policies and do not provide coverage for certain types of water damage and damage attributable to freezing temperatures and snow, CLA sent an agent bulletin the week following the storm to remind them about TFPA's coverages and give them post-storm recovery information and resources to provide to their clients impacted by the storm.

13. Future Meetings

August 2, 2021 – Webinar

December 6, 2021 – Webinar