



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

May 18, 2026

Hyatt Regency Hotel
208 Barton Springs Road
Austin, TX 78704
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 – *Ryan Bridges/Counsel*
 - B. Meeting Format Information – *Kristina Donley*

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

3. TFPA Operational Dashboard – *David Durden* *10 minutes*

4. Financial *40 minutes*
 - A. Report of the Secretary/Treasurer – *Georgia Neblett – **Action/Vote Likely****
 1. Income Statement
 2. Management Discussion and Analysis
 - B. Financial Statement Review – *Stuart Harbour*
 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 – *Stuart Harbour – **Action/Vote Likely****
 - D. Financial Audit by Calhoun, Thomson + Matza – *Clark Thomson*
 1. Audit Wrap Up Report
 2. Statutory Report – **Action/Vote Likely***
 3. Internal Control Letter

5. Actuarial – *Jim Murphy* *30 minutes*
 - A. Policy Count/Exposures
 - B. Reserve Adequacy
 - C. Rate Filing Update
 - D. 2026 Funding; Reinsurance – *Gallagher Re – **Action/Vote Likely****

6. Internal Audit Status & Update – *Dan Graves – Weaver* *10 minutes*

7. Underwriting – *Michael Ledwik* *20 minutes*
 - A. Underwriting Operations
 - B. Agent Audit Process

8. Claims *15 minutes*
 - A. Claims Operations – *Dave Williams*
 - B. Claims Litigation – *Jessica Crass*

9. TFPA Operations *30 minutes*
 - A. IT Operations Update – *Michael Eleftheriades*
 - B. Communications and Legislative Affairs Update – *David Durden*
 - C. Coastal Preparedness Expo – *David Durden*

10. Closed Session (**Governing Committee Only**) *15 minutes*
 - A. Personnel Issues
 - B. Legal Advice

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

12. Future Meetings – *David Durden* *5 minutes*
 - August 3, 2026 – Tremont House – Galveston, TX
 - November 9, 2026 – Omni Hotel – Corpus Christi, TX
 - February 22, 2027 – Moody Gardens Hotel – Galveston, TX

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

14. Adjourn

1. Anti-Trust Statement



TEXAS FAIR PLAN
ASSOCIATION

Anti-Trust Statement

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

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

2. Approve the Minutes

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



Moody Gardens Hotel
7 Hope Blvd.
Galveston, TX

February 23, 2026

The Following Governing Committee Members were Present, Representing:

- | | |
|--|-----------------------------------|
| 1. Ryan Bridges (Vice Chair) | Public Member |
| 2. E. Jay Sherlock (Secretary/Treasurer) | Agent Member |
| 3. Pamela Hurley | Public Member |
| 4. Frank Baumann | Public Member |
| 5. Georgia Neblett | Public Member |
| 6. John Miletti | Travelers |
| 7. Mark Solomon | Agent Member |
| 8. Kacey Diede | State Farm |
| 9. Marianne Baker | Ex-Officio Non-Voting Member, TDI |

Absent: Craig Daughtery Texas Farm Bureau

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

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

The Following Attendees Were Present:

- | | |
|---------------------|----------------------|
| 1. Allen Cashin | Gallagher Re |
| 2. Morgan Huhndorff | Gallagher Re |
| 3. Jade Nguyen | Gallagher Re |
| 4. Alicia Robinson | Gallagher Re |
| 5. Joey Walker | Gallagher Re |
| 6. William Dubinsky | Gallagher Securities |
| 7. Beaman Floyd | TCAIS |
| 8. Nash Noel | TDI |
| 9. Dan Graves | Weaver |

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

- | | |
|---------------------|----------------------|
| 1. Jeff Berg | 15. Jordan He |
| 2. Katelyn Boehm | 16. Jarrett Hill |
| 3. Kevin Bui | 17. Shelina Jamani |
| 4. Josh Carson | 18. Spencer Johnson |
| 5. Angie Cervantes | 19. Taylor Kerr |
| 6. Louis Cusano | 20. Dan Paschal |
| 7. Sarah Edstrom | 21. Kayla Peridot |
| 8. Nicole Elliott | 22. Cindy Pham |
| 9. Angela Fang | 23. Liana Pineda |
| 10. Claudia Flores | 24. Elisabeth Ret |
| 11. Allen Fulkerson | 25. Kenisha Schuster |
| 12. David Garrelick | 26. Anna Stafford |
| 13. Jesus Guerrero | 27. Aaron Taylor |
| 14. Rubi Harman | 28. Rachel Wang |

1. Call to Order: Vice Chair Ryan Bridges called the meeting to order at 3:00 p.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the statement by counsel. Kristina Donley provided meeting logistics information to the attendees.
2. Approval of the Minutes from Prior Governing Committee Meeting: Ms. Neblett moved to approve the minutes from the November 3, 2025 meeting. Mr. Solomon seconded the motion. The motion passed unanimously.
3. Introduction of New Committee Members: Mr. Bridges introduced the new TFPA Governing Committee members: Kacey Diede and Craig Daughtery.
4. Election of Officers: Former chair Wendy Mueller has retired from the committee as of last November. Mr. Solomon moved to elect Mr. Bridges as committee chair. Ms. Neblett seconded the motion. The motion passed unanimously. Ms. Neblett moved to nominate E. Jay Sherlock as vice chair. Mr. Baumann seconded the motion. The motion passed with Mr. Sherlock abstaining. Mr. Sherlock nominated Ms. Neblett to serve as secretary/treasurer. Mr. Baumann seconded the motion. The motion passed unanimously. The new officers will assume their roles at the next quarterly meeting.
5. TFPA Operational Dashboard: Mr. Durden reviewed the operational dashboard. Staff headcount is currently 358, consisting of 244 permanent employees and 114 contractors.

6. Financial:

- A. Report of the Secretary/Treasurer: Mr. Sherlock reviewed the Treasurer's Report. Ms. Neblett moved to accept the report. Ms. Hurley seconded the motion. The motion passed unanimously.
- B. Financial Statement Review by Staff: Direct written premiums for the year ending December 31, 2025 were \$300.1 million. Direct earned premiums were \$279.4 million. Policies in force were 127,835.

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

Year to date direct losses and LAE totaled \$82.0 million.

Year to date operating expense totaled \$17.7 million. Net operating expenses shown on the statutory income statement exclude claims related expenses, which are recorded in losses and loss adjustment expense. Notable expense items under budget include personnel expenses (\$1,144,000). Expenses over budget include professional and consulting services (\$486,000).

The Association ended 2025 with a surplus of \$65.4 million as year to date net income of \$127.3 million more than offset the opening deficit of \$60.1 million. Net income included recognition of a \$60.1 million member assessment approved by the Texas Commissioner of Insurance in September 2025.

7. Actuarial:

- a. Policy Count/Exposures: Year over year growth is up 12% for policies in force. New policy issuance is down 52% year over year. Retention rate is steady at 71%. Growth is lead by tier 1 counties.
- b. Reserve Adequacy: TFPA staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of December 31, 2025. As of December 31, 2025, TFPA carried \$39.4 million in total gross loss and loss adjustment expense reserves with \$13.0 million of the total gross loss and expense reserves ceded to reinsurance companies rated A- or better by A.M.

Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

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

In the opinion of the chief 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.

- c. Deductible Filing Update: The Texas FAIR Plan Association Governing Committee directed staff at its November 3, 2025 meeting to file changes to TFPA deductible options, eliminating the 1% wind/hail deductible and allowing the selection of different percentages for wind/hail and all other peril deductibles. Changes were filed with the Texas Department of Insurance and approved on February 3, 2026. TFPA actuarial, underwriting and IT staff are currently working to finalize an implementation plan for these changes.

Mr. Miletti asked what the rollout of communications to agents would look like. Mr. Murphy said as the renewal dates approach, communications will go out to agents and policyholders to let them know there are more options.

- d. Annual Rate Review: Mr. Murphy reviewed the 2025 rate adequacy analysis. Mr. Solomon moved to accept the staff recommendation of a 3% rate increase, effective September 1, 2026 and capping the indications at 25%. Mr. Sherlock seconded the motion. The motion passed unanimously.
- e. 2026 Funding: Reinsurance: Allen Cashin, Alica Robinson and Jade Nguyen reviewed the reinsurance presentation. The reinsurance renewal will be as of June 1 for this year. Mr. Cashin stated that the reinsurance market is a much different market than what they have experienced in the last few years. Rates are down for this year. Mr. Solomon moved to purchase up to \$800 million probable maximum loss with \$100 million in retention. The second event will drop down to \$20 million. The reinsurance premium will not exceed \$95 million. Mr. Sherlock seconded the motion. The motion passed with Pamela Hurley voting no.

- 8. Internal Audit Status Update: Mr. Graves reported on the current internal audit activities, which include claims processing, executive management, IT services and cash management.

Mr. Graves reviewed the proposed internal audit plan. Mr. Solomon moved to approve the audit plan. Ms. Neblett seconded the motion. The motion passed unanimously.

9. Underwriting Operational Review Update: Twenty agencies were selected to be audited to assess compliance with statutory requirements and TFPA producer requirements and performance standards. The results specifically focus on the compliance of signed applications, signed eligibility statements and declination provisions. Two agencies were found to be compliant and 18 agencies were found to be non-compliant. Fifteen agencies had findings that were addressed through corrective actions and/or training. Three agencies had findings that remain unresolved and have outstanding action items.
10. Claims:
 - A. Claims Operations: First notice of loss to TFPA receipt (daily) was 4.5 days. The total cycle time of first notice of loss to payment (daily) was 8.7 days and 8.3 days for a catastrophe event. Historical claim volume for 2025 is 6,005. Mr. Solomon asked what caused the fire losses. Mr. Williams said it was mostly electrical fires.
 - B. Litigation Summary: For the fourth quarter of 2025, three new first party suits were received. Five first party suits were settled and 13 third party suit were closed. For TFPA claims with letters of representation, 71 new first party and eight third party matters were received for the quarter. Eleven first party claims were settled and 35 first party and three third party claims were closed.
11. TFPA Operations:
 - A. IT Systems Enhancements: Staff has continued regularly scheduled monthly maintenance releases of fixes and new functionality for the insurance applications and portals in Guidewire. These include changes that support the Texas 89th legislative session.

The Association is contractually mandated to maintain version currency with Guidewire cloud framework releases. In Q1, staff will test the latest Guidewire framework release version for compatibility. The current target is March 2026 to deploy the Guidewire applications using this latest version.

The Association has identified artificial intelligence as a technology for review in our strategic plans. The Association started this review in 2025 by formulating a comprehensive approach to AI adoption before any utilization of artificial intelligence technology. This work included a new updated IT Security Policy that covers general AI use policies. Identifying risk management, providing due diligence toward vendor selection has been addressed. The vendor and contract management team is also required to review vendor contracts for use of Association data in any tool offering artificial intelligence functionality. Moving forward, the plans include setting up an artificial intelligence committee identifying and reviewing both platforms and tools as part of the technology roadmap. Additional efforts include targeting general education for Association team members.

Replacement of on premise authentication software will replace the current

software, used for validation of registration and logins to the external portals which is utilized by agents and policyholders with a comprehensive cloud based solution.

- B. Communications and Legislative Affairs Update: Association staff held meetings with TDI and other state agencies primarily to discuss issues related to the implementation of TWIA legislation. No legislative or stakeholder inquiries or complaints related to FAIR Plan were received in Q4 2025.

FAIR Plan continues to receive interest and applications for property owners' association coverage under House Bill 998, enacted in 2023. To date, two applicants selected coverage with other insurers and TWIA staff determined that a third applicant was ineligible for coverage based on the information submitted.

12. Closed Session: There was no closed session.
13. 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.
14. Future Meetings:
- May 18, 2026 – Hyatt Regency – Austin
 - August 3, 2026 – Tremont House – Galveston
15. Committees: There was nothing to report.
16. Adjourn: There being no further business the meeting adjourned at 4:59 p.m.

Prepared by: Amy Koehl
Senior Project Administrator

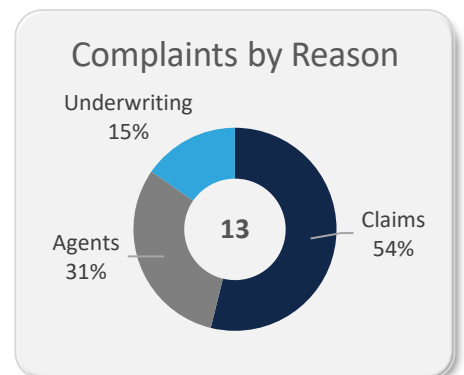
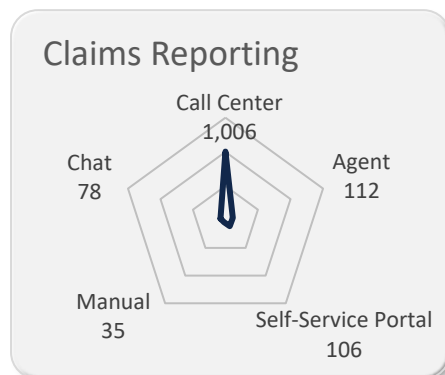
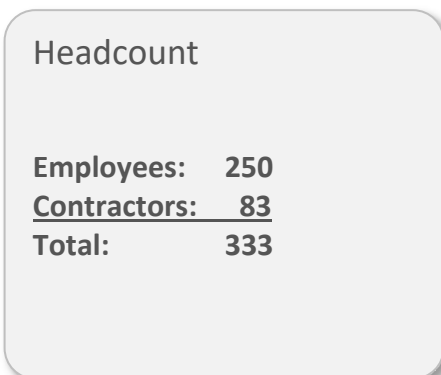
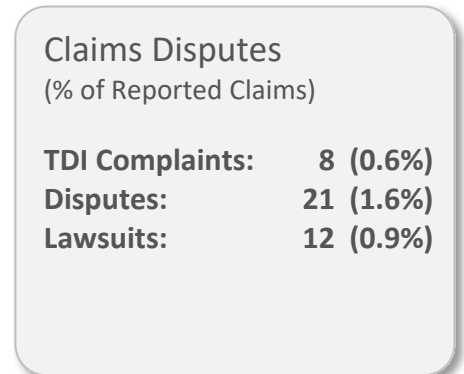
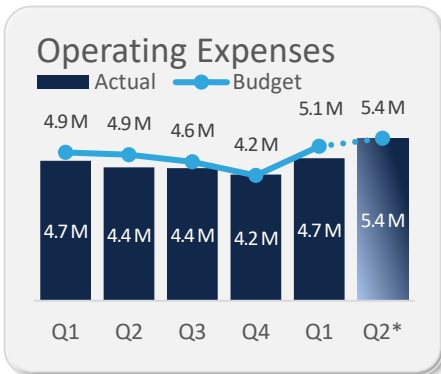
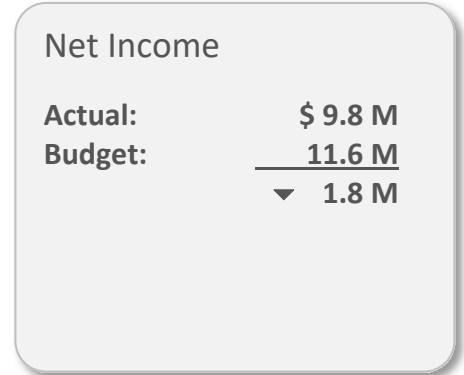
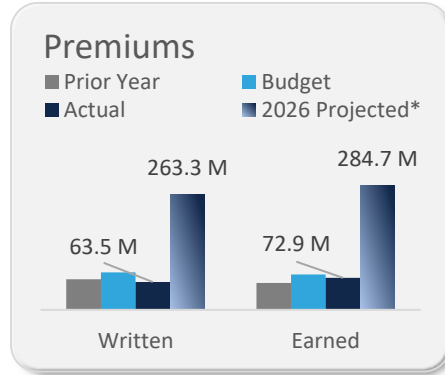
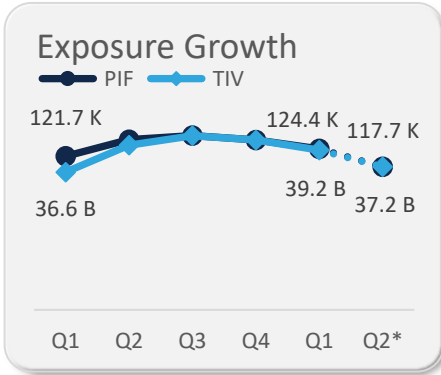
Approved by: Ryan Bridges
TFPA Vice Chair

3. TFPA Operational Dashboard



Operational Dashboard

Reporting as of March 31, 2026



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



Enterprise Projects

Status Update as of March 31, 2026



Enterprise Projects	Initiative Type	2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
● 89th Legislative Implementation Program (LIP89)	Mandatory		■	■	■				
● PortalGuard to OKTA - Project Enhance	Discretionary								
● Claims Electronic Indemnity Payment	Planned				■	■	■		
● Centralized Info Ph2 - Scalable MS 365	Discretionary				■	■	■	■	
● Learning Management System (LMS) Migration	Planned				■	■	■		
● Slab Claims Evaluation Program	Discretionary				■	■	■		
	Planned				■	■	■		
	Mandatory		■	■	■	■			

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

Statutory Income Statement – Treasurer’s Report

(In 000s)



	For the three months ended March 31,			
	Actuals - 2026	Actuals - 2025		
1			1	
2			2	
3			3	
4	Premiums Written:		4	
5	Direct	\$ 63,503	\$ 69,568	5
6	Ceded	0	(13)	6
7	Net	<u>63,503</u>	<u>69,555</u>	7
8				8
9	Premiums Earned:			9
10	Direct	\$ 72,936	\$ 61,141	10
11	Ceded	(29,325)	(22,714)	11
12	Net	<u>43,611</u>	<u>38,427</u>	12
13				13
14	Deductions:			14
15	Direct Losses and LAE Incurred	24,080	21,090	15
16	Direct Losses and LAE Incurred - Beryl	0	500	16
17	Direct Losses and LAE Incurred - Harvey	0	0	17
18	Ceded Losses and LAE Incurred - Beryl	0	(473)	18
19	Ceded Losses and LAE Incurred - Harvey	0	0	19
20	Operating Expenses	4,743	4,659	20
21	Commission Expense	6,641	7,732	21
22	Ceding commissions / brokerage	0	0	22
23	Premium / Maintenance Tax	0	1,212	23
24	Total Deductions	<u>35,465</u>	<u>34,721</u>	24
25				25
26	Net Underwriting Gain or (Loss)	<u>8,146</u>	<u>3,706</u>	26
27				27
28	Other Income or (Expense):			28
29	Gross Investment Income	1,727	553	29
30	Line of Credit Fees	(23)	(23)	30
31	Interest Expense on Line of Credit Advance	0	0	31
32	Member Assessment Income	0	0	32
33	Premium Charge offs/Write offs	(312)	(364)	33
34	Billing Fees	299	296	34
35	Miscellaneous Income (Expense)	0	0	35
36	Total Other Income or (Expense)	<u>1,691</u>	<u>463</u>	36
37				37
38	Net Income (Loss)	<u>\$ 9,837</u>	<u>\$ 4,169</u>	38
39				39
40	Surplus (Deficit) Account:			40
41	Beginning Surplus (Deficit)	\$ 65,372	\$ (60,144)	41
42	Net Income (Loss)	9,837	4,169	42
43	Change in Provision for Reinsurance	0	0	43
44	Change in nonadmitted assets	485	(1,361)	44
45	Other	0	0	45
46	Ending Surplus (Deficit)	<u>\$ 75,694</u>	<u>\$ (57,336)</u>	46

4A2. Management Discussion and Analysis

Texas FAIR Plan Association
Management’s Discussion and Analysis of Financial Results
For the Three Months Ended March 31, 2026

Written and Earned Premiums

Actual vs Budget	Mar-2026 YTD Actual	Mar-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 63.5 M	\$ 85.2 M	(\$ 21.7 M)	(25.5%)
Direct Earned Premiums	\$ 72.9 M	\$ 80.6 M	(\$ 7.7 M)	(9.5%)
Policies In-Force	124,445	132,653	(8,208)	(6.2%)

Current Yr vs Prior Yr Actuals	Mar-2026 YTD Actual	Mar-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 63.5 M	\$ 69.6 M	(\$ 6.1 M)	(8.7%)
Direct Earned Premiums	\$ 72.9 M	\$ 61.1 M	\$ 11.8 M	19.3%
Policies In-Force	124,445	121,658	2,787	2.3%

Reinsurance Costs

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

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

Loss and Loss Adjustment Expense Incurred

Actual vs Budget	Mar-2026 YTD Actual	Mar-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	\$ 19.4 M	\$ 20.6 M	(\$ 1.2 M)	(6.0%)
Direct LAE Incurred	\$ 4.7 M	\$ 3.2 M	\$ 1.5 M	46.3%
Total Direct Losses & LAE	\$ 24.1 M	\$ 23.8 M	\$ 0.3 M	1.1%
Loss & LAE Ratio	33.0%	29.5%		3.5%

Current Yr vs Prior Yr Actuals	Mar-2026 YTD Actual	Mar-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	\$ 19.4 M	\$ 15.4 M	\$ 4.0 M	26.2%
Direct LAE Incurred	\$ 4.7 M	\$ 6.2 M	(\$ 1.5 M)	(24.6%)
Total Direct Losses & LAE	\$ 24.1 M	\$ 21.6 M	\$ 2.5 M	11.5%
Loss & LAE Ratio	33.0%	35.3%		(2.3%)

Operating Expenses

Actual vs Budget	Mar-2026 YTD Actual	Mar-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 4.7 M	\$ 5.1 M	(\$ 0.4 M)	(7.7%)
Operating Expense Ratio	6.5%	6.4%		0.1%

Current Yr vs Prior Yr Actuals	Mar-2026 YTD Actual	Mar-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 4.7 M	\$ 4.7 M	\$ 0.1 M	1.8%
Operating Expense Ratio	6.5%	7.6%		(1.1%)

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

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

Commission Expense and Premium Taxes

Actual vs Budget	Mar-2026 YTD Actual	Mar-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 6.6 M	\$ 9.8 M	(\$ 3.2 M)	(32.2%)
Premium Taxes	\$ 0.0 M	\$ 0.0 M	\$ 0.0 M	0.0%

Current Yr vs Prior Yr Actuals	Mar-2026 YTD Actual	Mar-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 6.6 M	\$ 7.7 M	(\$ 1.1 M)	(14.1%)
Premium Taxes	\$ 0.0 M	\$ 1.2 M	(\$ 1.2 M)	(100.0%)

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

Other Income (Expense)

Actual vs Budget	Mar-2026 YTD Actual	Mar-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 1.7 M	\$ 1.1 M	\$ 0.6 M	51.2%

Current Yr vs Prior Yr Actuals	Mar-2026 YTD Actual	Mar-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 1.7 M	\$ 0.6 M	\$ 1.2 M	212.5%

Net Income (Loss)

Actual vs Budget	Mar-2026 YTD Actual	Mar-2026 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	\$ 9.8 M	\$ 11.6 M	(\$ 1.8 M)	(15.5%)

Current Yr vs Prior Yr Actuals	Mar-2026 YTD Actual	Mar-2025 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	\$ 9.8 M	\$ 4.2 M	\$ 5.7 M	136.0%

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

Surplus (Deficit)

Current Period vs. Prior Year End Actual	Mar-2026 YTD Actual	Dec-25 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	\$ 75.7 M	\$ 65.4 M	\$ 10.3 M	15.8%

- The Association beginning surplus of \$65.4 million increased to \$75.7 million due to the year-to-date net income of \$9.8 million and a decrease in non-admitted assets of \$0.5 million.

4B. Financial Statement Review



TEXAS FAIR PLAN
ASSOCIATION

Financial Statements and Schedules

March 2026

Statutory Income Statement (In 000s)



	For the three months ended March 31,				
	Actuals - 2026	Budget - 2026	Variance - 2026	Actuals - 2025	
1					1
2					2
3					3
4	Premiums Written:				4
5	\$ 63,503	\$ 85,239	\$ (21,736)	\$ 69,568	5
6	0	0	0	(13)	6
7	63,503	85,239	(21,736)	69,555	7
8					8
9	Premiums Earned:				9
10	\$ 72,936	\$ 80,619	\$ (7,683)	\$ 61,141	10
11	(29,325)	(31,401)	2,076	(22,714)	11
12	43,611	49,218	(5,607)	38,427	12
13					13
14	Deductions:				14
15	\$ 24,080	\$ 23,823	\$ 257	\$ 21,090	15
17	0	0	0	500	17
16	0	0	0	0	16
19	0	0	0	(473)	19
18	0	0	0	0	18
20	4,743	5,138	(394)	4,659	20
21	6,641	9,802	(3,161)	7,732	21
22	0	0	0	0	22
23	0	0	0	1,212	23
24	35,465	38,763	(3,298)	34,721	24
25					25
26	8,146	10,456	(2,310)	3,706	26
27					27
28	Other Income or (Expense):				28
29	\$ 1,727	\$ 1,142	\$ 585	\$ 553	29
30	(23)	(25)	3	(23)	30
31	0	0	0	0	31
32	0	0	0	0	32
33	(312)	(213)	(99)	(364)	33
34	299	281	17	296	34
35	0	0	0	0	35
36	1,691	1,185	506	463	36
37					37
38	\$ 9,837	\$ 11,641	\$ (1,804)	\$ 4,169	38
39					39

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



	For the three months ended March 31,				
	Actuals - 2026	Budget - 2026	Variance - 2026	Actuals - 2025	
1					1
2					2
3					3
4	Surplus (Deficit) Account:				4
5	65,372	65,372	0	(60,144)	5
6	9,837	11,641	(1,804)	4,169	6
7	0	0	0	0	7
8	485	(1,516)	2,001	(1,361)	8
9	0	0	0	0	9
10	\$ 75,694	\$ 75,496	\$ 198	\$ (57,336)	10
11					11
12	Key Operating Ratios:				12
13	Direct:				13
14	Loss & LAE Ratio:				14
15	33.0%	29.5%	3.5%	34.5%	15
16	0.0%	0.0%	0.0%	0.0%	16
17	0.0%	0.0%	0.0%	0.8%	17
18	33.0%	29.5%	3.5%	35.3%	18
19	UW Expense Ratio:				19
20	10.5%	11.5%	(1.0%)	12.9%	20
21	6.5%	6.4%	0.1%	7.6%	21
22	17.0%	17.9%	(0.9%)	20.5%	22
23					23
24	50.0%	47.4%	2.6%	55.8%	24
25					25
26	Net:				26
27	Loss & LAE Ratio:				27
28	55.2%	48.4%	6.8%	54.9%	28
29	0.0%	0.0%	0.0%	0.0%	29
30	0.0%	0.0%	0.0%	0.1%	30
31	55.2%	48.4%	6.8%	55.0%	31
32	UW Expense Ratio:				32
33	13.2%	14.3%	(1.2%)	16.5%	33
34	10.9%	10.4%	0.4%	12.1%	34
35	24.0%	24.8%	(0.7%)	28.7%	35
36					36
37	79.3%	73.2%	6.1%	83.6%	37
38					38
39	Note: Beginning budgeted deficit adjusted to actual for comparative purposes.				39

Statutory Expense Statement (In 000s)



	For the three months ended March 31,			
	Actuals - 2026	Budget - 2026	Variance - 2026	Actuals - 2025
Description				
Personnel Expenses				
Salaries & Wages - Permanent	\$ 2,249	\$ 2,275	\$ (26)	\$ 1,995
Contractor & Temporary Help	974	1,540	(566)	1,886
Payroll Taxes	179	173	6	158
Employee Benefits	630	677	(46)	524
Recruiting, Training & Other	17	50	(33)	2
Subtotal	4,048	4,714	(666)	4,565
Professional & Consulting Services				
Legal	31	28	3	31
Accounting & Auditing	38	45	(7)	66
Information Technology	348	338	10	445
Actuarial Services	24	24	0	22
Surveys & Inspections	213	249	(35)	429
Disaster Recovery Services	2	3	(1)	2
Other Services ⁽¹⁾	618	630	(12)	560
Subtotal	1,274	1,316	(42)	1,554
Hardware/Software Purchases & Licensing	832	842	(10)	646
Rental & Maintenance - Office/Equipment	132	134	(2)	132
Travel Expenses	24	68	(44)	28
Postage, Telephone and Express	189	152	37	176
Capital Management Expenses	23	25	(3)	23
Other Operating Expenses	214	216	(2)	166
Total Operating Expenses	\$ 6,736	\$ 7,468	\$ (732)	\$ 7,289
Capitalization of Fixed Assets	0	0	0	0
Allocation To ULAE	(1,970)	(2,305)	335	(2,607)
Allocation To Investing & Other Expense	(23)	(25)	3	(23)
Net Operating Expense - UW Operations	\$ 4,743	\$ 5,138	\$ (394)	\$ 4,659

⁽¹⁾ Summary Details for Other Services:

VENDOR	Amount	Department
Marshall & Swift/Boeckh	117	Underwriting
Genesys Cloud Services, Inc.-	107	Underwriting
Clear Point Claims LLC	101	Underwriting
Nearmap US, Inc	77	Claims
Insurance Services Office, Inc.	53	Underwriting
*Other Outside Services below \$50K	163	Various Departments

Total Other Services	618
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Statutory Balance Sheet (In 000s)



	<u>Mar-2026</u>	<u>Dec-2025</u>		
1			1	
2	Admitted Assets		2	
3	Cash and short term investments:	238,195	219,456	3
4	Premiums receivable & other	25,777	26,784	4
5	Assessment receivable	48	48	5
6	Amounts recoverable from reinsurers	470	1,110	6
7	Other Assets	586	572	7
8	Total admitted assets	<u>\$ 265,077</u>	<u>\$ 247,970</u>	8
9			9	
10	Liabilities, Surplus and other funds		10	
11	Liabilities:		11	
12	Loss and Loss adjustment expenses	35,247	27,017	12
13	Underwriting expenses payable	4,879	4,030	13
14	Unearned premiums, net of ceded unearned premiums	119,930	100,039	14
15	Ceded reinsurance premiums payable	18,379	41,070	15
16	Principal outstanding on line of credit advance	0	0	16
17	Interest payable on line of credit advance	0	0	17
18	Provision for reinsurance	120	120	18
19	Other payables	10,827	10,323	19
20	Total liabilities	<u>189,383</u>	<u>182,599</u>	20
21			21	
22	Surplus and others funds		22	
23	Unassigned surplus (deficit)	75,694	65,372	23
24	Total liabilities, surplus and other funds	<u>\$ 265,077</u>	<u>\$ 247,970</u>	24

Statement of Cash Flows

(In 000s)



	For the three months ended March 31,			
	Actuals - 2026	Budget - 2026	Variance - 2026	
1				1
2				2
3				3
4	Cash flows from operating activities:			4
5	\$ 45,279	\$ 38,218	\$ 7,061	5
6	(15,210)	(14,951)	(259)	6
7	(12,379)	(15,325)	2,945	7
8	(640)	68	(709)	8
9	<u>17,049</u>	<u>8,010</u>	<u>9,039</u>	9
10	Cash flows from non-operating activities:			10
11	<u>0</u>	<u>0</u>	<u>0</u>	11
12	<u>0</u>	<u>0</u>	<u>0</u>	12
13	Cash flows from investing activities:			13
14	0	0	0	14
15	1,713	1,142	571	15
16	<u>1,713</u>	<u>1,142</u>	<u>571</u>	16
17	Cash flows from financing activities:			17
18	0	0	0	18
19	0	0	0	19
20	(23)	(25)	3	20
21	<u>(23)</u>	<u>(25)</u>	<u>3</u>	21
22				22
23	18,739	9,127	9,612	23
24	219,456	219,456	0	24
25	<u>\$ 238,195</u>	<u>\$ 228,583</u>	<u>\$ 9,612</u>	25
26				26
27	\$ 1,508			27
28	\$ 1			28
29	Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.			29

Cash and Short-Term Investments (In 000s)



Unrestricted Cash and Short Term Investments (\$ in 000s) March 31, 2026

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Annual Average Yield	Total Deposit % of TFPA's Portfolio	N.A. Bank Credit Rating Superior or Strong	N.A. Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital? > .2% of N.A. Reg Capital	
							< 40%		> 10%	> \$25B		
Balances as of 03/31/2026:												
Bank of America	\$ 12,550	0	\$ 12,550	0	0	0.0%	5%	Superior	12.5%	\$191	No	
JPMorgan Chase	0	\$ 25,895	25,895	\$ 35,453	\$ 123	1.4%	11%	Superior	15.3%	\$295	No	
JP Morgan U.S. Treasury Plus Money Market Fund ⁽¹⁾	0	71,674	71,674	54,411	479	3.5%	30%	N/A	N/A	N/A	N/A	
JP Morgan Goldman Sachs ⁽¹⁾	0	51,518	51,518	51,368	449	3.5%	22%	N/A	N/A	N/A	N/A	
Fidelity Treasury ⁽¹⁾	0	76,558	76,558	76,332	676	3.5%	32%	N/A	N/A	N/A	N/A	
Total of all financial institutions	\$ 12,550	\$ 225,645	\$ 238,195	\$ 217,563	\$ 1,727	3.2%	100%					
Balances as of 12/31/2025:												
Bank of America	\$ 13,750	0	\$ 13,750	0	0	0.0%	6%	Superior	13.0%	\$197	No	
JPMorgan Chase	0	\$ 27,547	27,547	\$ 29,920	\$ 110	2.0%	13%	Superior	15.7%	\$291	No	
JP Morgan U.S. Treasury Plus Money Market Fund ⁽¹⁾	0	51,214	51,214	48,012	465	4.5%	23%	N/A	N/A	N/A	N/A	
JP Morgan Goldman Sachs ⁽¹⁾	0	51,063	51,063	44,946	432	4.6%	23%	N/A	N/A	N/A	N/A	
Fidelity Treasury ⁽¹⁾	0	75,883	75,883	55,982	541	4.6%	35%	N/A	N/A	N/A	N/A	
Total of all financial institutions	\$ 13,750	\$ 205,706	\$ 219,456	\$ 178,860	\$ 1,549	3.5%	100%					
⁽¹⁾ The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury.												
Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of December 31, 2025. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.												

Historical Data (\$ In 000s)



2003 - 2026 (\$ with 000s omitted)											
YEAR	GROSS					NET					SURPLUS OR (DEFICIT) END OF PERIOD
	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	MEMBER ASSESSMENTS	
2003	\$ 18,272,542	100,223		\$ 82,004	\$ 19,580	\$ 31,287	\$ 19,580	\$ 26,618	\$ (14,911)		\$ (15,948)
2004	22,904,408	134,350		100,666	37,184	85,238	37,184	28,470	19,584		(1,821)
2005	14,165,560	88,512		60,969	31,262	77,389	31,262	18,588	27,539		31,563
2006	13,321,087	81,129		59,873	22,545	45,867	22,545	17,304	6,017		40,063
2007	15,556,965	91,847	3.9%	73,058	24,578	52,955	24,578	19,362	9,015		52,081
2008	14,060,852	84,438		64,488	239,886	48,364	82,774	18,797	(53,208)		209
2009	11,706,721	72,989	10.7%	60,255	32,961	28,136	6,659	18,811	2,666		(9,753)
2010	14,246,999	85,984	5.0%	73,924	86,187	40,905	34,601	17,019	(10,715)		(17,449)
2011	15,979,040	96,710		83,066	78,009	47,063	53,009	15,897	(21,843)		(33,860)
2012	17,966,799	108,637	14.6%	102,383	28,453	56,880	28,453	20,346	8,081		(25,722)
2013	20,594,317	124,222	16.7% (a)	122,683	39,438	75,343	39,438	22,610	13,295		(13,422)
2014	21,944,280	131,376		133,206	45,070	89,405	45,070	24,058	20,277		5,978
2015	22,154,205	132,734		132,879	68,593	90,952	68,593	24,675	(2,316)		4,977
2016	19,883,769	121,413	8.0% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5.0% (c)	112,316	128,666	76,837	84,864	29,739	(37,766)		(54,941)
2018	15,223,344	95,637	8.1% (d)	95,882	26,733	69,239	26,733	29,527	12,979	\$ 54,941	15,088
2019	12,299,224	80,923		85,327	38,241	59,625	38,241	25,310	(3,926)		12,133
2020	12,618,291	73,713	9.6% (e)	79,477	36,620	53,092	36,620	22,398	(5,926)		6,006
2021	11,471,201	66,512	9.2% (f)	75,648	34,070	49,414	34,070	19,050	(3,705)		2,105
2022	11,301,744	61,452	7.3% (g)	76,881	27,146	45,620	27,146	19,033	(559)		1,451
2023	16,275,783	72,626	9.8% (h)	113,460	47,339	53,316	49,839	23,917	(20,439)		(17,655)
2024	32,930,398	113,860	9.9% (i)	237,277	183,906	99,261	120,364	41,652	(62,764)	17,655	(60,144)
2025	40,419,648	127,835	14.1% (j)	300,094	81,972	174,503	68,723	42,520	63,260	60,144	65,372
2026	39,200,774	124,445		63,503	24,080	43,611	24,080	11,385	8,146		75,694
TOTAL				\$ 2,511,804	\$ 1,460,528	\$ 1,578,704	\$ 1,082,435	\$ 563,505	\$ (67,244)	\$ 132,740	

(a) Effective July 1, 2013
 (b) Effective April 1, 2016
 (c) Effective June 1, 2017
 (d) Effective October 1, 2018 and November 1, 2018 for new business and renewal business, respectively.
 (e) Effective August 1, 2020
 (f) Effective August 1, 2021
 (g) Effective August 1, 2022
 (h) Effective August 1, 2023
 (i) Effective August 1, 2024
 (j) Effective August 1, 2025
 *2026 data through 03/31/2026

4C. Investment Review Plan

Memorandum

DATE: April 21, 2026
 TO: David Durden, General Manager
 FROM: Stuart Harbour, Chief Financial Officer
 RE: FAIR Plan Investment 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 exceed \$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.

Below you will find an evaluation of our financial institutions based on certain of the criteria listed above.

Evaluation of Counterparty Relationships as of 12/31/2025						
	Moody's	S&P				
Financial Institution	N.A. Bank Credit Rating	N.A. Bank Credit Rating (as of 12/31/25)	N.A. Tier 1 Capital Ratio (as of 12/31/25)	N.A. Regulatory Capital (as of 12/31/25)	Holding Company Level Market Capitalization (\$ in Billions as of 12/31/25)	
JPMorgan Chase, N.A.	P-1	A-1	Superior	15.3%	\$295	\$877
Bank of America, N.A.	P-1	A-1	Superior	12.5%	\$191	\$402



Memorandum

Currently, we are not recommending any changes to the Texas FAIR Plan Association investment plan. Throughout 2025, the Association invested available funds in US Treasury Money Market Mutual funds to take advantage of the higher interest rates.

We will be seeking a resolution at the May 19, 2026 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:

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 me know if you have any questions or would like to discuss any of these items.

Stuart

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. 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 = $(\text{Total Equity} - \text{Revaluation Reserves}) / \text{Risk Based Assets}$

- 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
- p. Shares of certain registered bond exchange-traded funds

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.

4E. Financial Audit by
Calhoun, Thomson + Matza
4D1. Audit Wrap Up Report



Audit Wrap Up



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.

May 6, 2026

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, 2025, 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, 2025, 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

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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, 2025. 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 May 6, 2026.
- 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 2025.

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 2025.

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.

<i>Requirement</i>	<i>Discussion Points</i>
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, 2025 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.

4D2. Statutory Report

Texas FAIR Plan Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2025 and 2024



Texas FAIR Plan Association

**Statutory Financial Statements
and Supplemental Information**
Years Ended December 31, 2025 and 2024

Texas FAIR Plan Association

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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, 2025 and 2024, and have issued our report thereon dated May 6, 2026. 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 partner, who is a certified public accountant, has 32 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 2025, 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 partner has served in that capacity with respect to the Association since 2023, 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.

Cohn, Therman & Matza, LLP

May 6, 2026

Independent Auditors' Report

Governing Committee
Texas FAIR Plan Association
Austin, Texas

Opinion

We have audited the statutory basis financial statements of Texas FAIR Plan Association (the "Association"), which comprise the statutory basis statements of admitted assets, liabilities, and surplus and other funds as of December 31, 2025 and 2024, and the related statutory basis 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 basis financial statements.

In our opinion, the accompanying statutory basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus and other funds of the Association as of December 31, 2025 and 2024, and the results of its operations, changes in its surplus and other funds, and its cash flows for the years then ended, in accordance with the statutory accounting practices prescribed or permitted by the Texas Department of Insurance as described in the Summary of Significant Accounting Policies – "Basis of Accounting".

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to the Summary of Significant Accounting Policies – "Basis of Accounting" of the statutory basis financial statements, which describes the basis of accounting. As described in the Summary of Significant Accounting Policies – "Basis of Accounting" to the statutory basis financial statements, the statutory basis financial statements are prepared by the Association on the basis of 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. As a result, the statutory basis financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Emphasis of Matters - Other

As of December 31, 2025, the Association had approximately \$40 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, 2025, ultimate loss projections for Hurricane Beryl is estimated to be \$122 million by the Association's appointed actuary.

Responsibilities of Management for the Statutory Financial Statements

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

In preparing the statutory basis financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the statutory basis financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory basis financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory basis financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory basis financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory basis financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory basis financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter - Supplementary Information

Our audits of the statutory basis financial statements were conducted for the purpose of forming an opinion on those statutory basis financial statements taken as a whole. The accompanying supplemental summary investment schedule, investment risk interrogatories, and the reinsurance interrogatories as of and for the year ended December 31, 2025, are presented for purposes of additional analysis and are not a required part of the basic statutory basis financial statements but is supplementary information required by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and Texas state law.

The accompanying supplementary information is the responsibility of the Association's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory basis financial statements. Such information has been subjected to the auditing procedures applied in our audits of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic statutory basis financial statements taken as a whole.

Other Matter - Restriction on Use

This report is intended solely for the information and use of the Governing Committee and management of the 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.

Cohn, Therman & Matza, LLP

May 6, 2026

Texas FAIR Plan Association

Statutory Statements of Admitted Assets, Liabilities, Surplus and Other Funds (In Thousands)

<i>December 31,</i>	2025	2024
Admitted Assets		
Cash and cash equivalents	\$ 219,456	\$ 62,175
Investment income due and accrued	552	102
Uncollected premiums and agents' balances in the course of collection	5,463	5,099
Deferred premiums, agents' balances and installments booked but deferred	21,321	20,320
Amounts recoverable from reinsurers	1,110	12,325
Member assessment receivable	48	14,259
Accounts receivable	20	20
Total admitted assets	\$ 247,970	\$ 114,300
Liabilities, Surplus and Other Funds		
Liabilities		
Loss and loss adjustment expenses	\$ 27,017	\$ 26,363
Underwriting expenses payable	4,030	7,523
Unearned premiums, net of ceded unearned premiums	100,038	82,805
Ceded reinsurance premiums payable, net of ceding commissions	40,472	49,431
Provision for reinsurance	120	48
Other liabilities	10,921	8,274
Total liabilities	182,598	174,444
Commitments and contingencies (Notes 6, 7 and 8)		
Surplus and other funds		
Unassigned surplus (deficit)	65,372	(60,144)
Total liabilities and surplus and other funds	\$ 247,970	\$ 114,300

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

Texas FAIR Plan Association

Statutory Statements of Income (In Thousands)

<i>Years ended December 31,</i>	2025	2024
Underwriting income:		
Premiums earned	\$ 279,388	\$ 169,127
Premiums ceded	(104,885)	(69,866)
Net premiums earned	174,503	99,261
Deductions:		
Losses and loss expenses incurred	68,723	120,364
Other underwriting expenses incurred	42,520	41,661
Total underwriting deductions	111,243	162,025
Net underwriting income (loss)	63,260	(62,764)
Investment income:		
Net investment income	3,978	1,986
Other income:		
Member assessment income	60,144	17,655
Other (expense) income	(121)	243
Total other income	60,023	17,898
Net income (loss)	\$ 127,261	\$ (42,880)

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/(Deficit)
Balance, January 1, 2024	\$ (17,655)
Net loss	(42,880)
Change in nonadmitted assets	439
Change in provision for reinsurance	(48)
Balance, December 31, 2024	(60,144)
Net income	127,261
Change in nonadmitted assets	(1,673)
Change in provision for reinsurance	(72)
Balance, December 31, 2025	\$ 65,372

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

Texas FAIR Plan Association

Statutory Statements of Cash Flows (In Thousands)

<i>Years ended December 31,</i>	2025	2024
Cash from operations:		
Premiums collected, net of reinsurance	\$ 182,669	\$ 161,695
Net investment income	3,527	2,023
Miscellaneous income	74,234	3,638
Benefit and loss related payments	(56,854)	(122,880)
Commissions, expenses paid and aggregate write-ins for deductions	(46,158)	(35,879)
Net cash from operations	157,418	8,597
Cash from financing and miscellaneous sources:		
Other cash (applied) provided	(137)	691
Net cash from financing and miscellaneous sources	(137)	691
Net change in cash and cash equivalents	157,281	9,288
Cash and cash equivalents, beginning of year	62,175	52,887
Cash and cash equivalents, end of year	\$ 219,456	\$ 62,175

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

Texas FAIR Plan Association

Summary of Significant Accounting Policies (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 income (loss) and policyholders' surplus (deficit) between the amounts reported in the accompanying financial statements (Texas basis) and NAIC statutory accounting practices ("SAP") follow:

<i>Years ended December 31,</i>	2025	2024
Net income (loss), Texas basis	\$ 127,261	\$ (42,880)
Effect of Texas prescribed practices	-	-
Effect of Texas permitted practices	-	-
Net income (loss), NAIC SAP basis	\$ 127,261	\$ (42,880)

<i>December 31,</i>	2025	2024
Statutory surplus (deficit), Texas basis	\$ 65,372	\$ (60,144)
Effect of Texas prescribed practices	-	-
Effect of Texas permitted practices	-	-
Policyholders' surplus (deficit), NAIC SAP basis	\$ 65,372	\$ (60,144)

Texas FAIR Plan Association

Summary of Significant Accounting Policies (In Thousands)

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) 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.

Cash and Cash Equivalents

Cash consists of demand deposits at financial institutions. Cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

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.

Texas FAIR Plan Association

Summary of Significant Accounting Policies (In Thousands)

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.

Premium and Maintenance Tax

On June 22, 2025, the Texas legislature passed House Bill 2517 ("HB 2517"). HB 2517 amends the Insurance Code to exempt TFPA from the property and casualty insurance premium tax and the fire and allied lines of insurance maintenance tax. These exemptions do not affect tax liability accruing before the 2023 calendar year. H.B. 2517 is effective as of September 1, 2025.

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.

Texas FAIR Plan Association

Summary of Significant Accounting Policies (In Thousands)

Fair Value Measurements

Statements of Statutory Accounting Principles (“SSAP”) No. 100, 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. 100 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.

Texas FAIR Plan Association

Notes to Statutory Financial Statements (In Thousands)

1. Electronic Data Processing Equipment and Software

Electronic data processing equipment and software consists of the following:

<i>December 31,</i>	2025		2024	
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, 2025 and 2024.

2. Reinsurance

During 2025 and 2024, 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, 2025, excess of loss reinsurance agreements provide the Association with three layers of coverage and one underlying layer. The first layer provides \$120,000 in excess of \$60,000 of each and every loss occurrence. 100% of the first layer is provided through traditional reinsurance. The second layer provides \$320,000 in excess of \$180,000 of each and every loss occurrence. 62.5% (\$200,000) of the second layer is provided through a catastrophe bond and 37.5% (\$120,000) is provided through traditional reinsurance. The third layer provides \$300,000 in excess of \$500,000 of each and every loss occurrence. 100% of the third layer is provided through traditional reinsurance. The underlying layer provides \$40,000 in excess of \$20,000 after the application of an annual aggregate retention of \$40,000, and is provided 100% by traditional reinsurance. The first, second, and third layers' limit of coverage will be reduced by loss payments and shall be reinstated, pro-rata, for up to one full limit as detailed above. The reinstatement provision for the third layer provides for the replenishment of the catastrophe bond coverage, which does not have a reinstatement feature. 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 May 31, 2026.

During 2025, the Association has Reinstatement Premium Protection reinsurance coverage with a limit of \$26,928 to provide recoveries of reinstatement premium in conjunction with the first two layers of reinsurance coverage.

Texas FAIR Plan Association

Notes to Statutory Financial Statements (In Thousands)

Effective July 1, 2024, 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 \$210,000 in excess of \$40,000 of each and every loss occurrence. The second layer provides 100% participation of \$308,000 in excess of \$250,000 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, 2025.

During 2024, the Association has Reinstatement Premium Protection reinsurance coverage with a limit of \$29,621 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.

Texas FAIR Plan Association

Notes to Statutory Financial Statements (In Thousands)

The Association has unsecured reinsurance recoverables which exceed 3% of the Association's surplus with the following reinsurers as of December 31, 2025 and 2024:

Name of reinsurer	2025	2024
Allianz Risk Transfer (Bermuda) Ltd.	\$ -	\$ 177
Arch Reinsurance Ltd.	-	1,045
Ascot Bermuda Ltd.	-	261
Aspen Bermuda Ltd.	-	570
Berkley Insurance Company	-	100
Chubb Tempest Reinsurance Ltd.	-	954
DaVinci Reinsurance	-	1,365
Everest Reinsurance Company	2,128	2,410
Fidelis Insurance Bermuda Limited	-	1,434
Hamilton Re, Ltd.	-	378
Hannover Re	-	574
Hannover Rück SE	-	2
Hiscox Insurance Company Ltd	4,603	705
Lloyd's Syndicate No. 1856 IQUW	-	551
Lloyd's Underwriter Syndicate No. 0033 HIS	-	578
Lloyd's Underwriter Syndicate No. 1301 IGO	-	156
Lloyd's Underwriter Syndicate No. 1910 ARE	2,546	3,508
Lloyd's Underwriter Syndicate No. 1955 BAR	-	205
Lloyd's Underwriter Syndicate No. 2001 AML	-	443
Lloyd's Underwriter Syndicate No. 2007 NVA	-	81
Lloyd's Underwriter Syndicate No. 2791 MAP	-	306
Lloyd's Underwriter Syndicate No. 4020 ARK	-	803
Lloyd's Underwriter Syndicate No. 4444 CMA	-	203
Munich Reinsurance America, Inc.	-	143
Navigators Insurance Company	-	290
Odyssey Reinsurance Company	-	166
Partner Reinsurance Company Ltd.	-	563
Renaissance Reinsurance Ltd.	-	1,365
SCOR Reinsurance Company	-	655
Swiss Reinsurance America Corporation	-	248
The Cincinnati Insurance Company	-	579
Transatlantic Reinsurance Company	-	26

Texas FAIR Plan Association

Notes to Statutory Financial Statements (In Thousands)

The effect of reinsurance on premiums written and earned for the years ended December 31, 2025 and 2024 is as follows:

	2025		2024	
	Written	Earned	Written	Earned
Direct	\$ 300,094	\$ 279,388	\$ 237,277	\$ 169,127
Ceded	(108,357)	(104,885)	(92,509)	(69,866)
Net	\$ 191,737	\$ 174,503	\$ 144,768	\$ 99,261

The maximum amount of return reinsurance ceding commission due in the event of cancellation as of December 31, 2025 and 2024 is as follows:

<i>December 31,</i>	2025		2024	
Ceded unearned premium reserves	\$	48,874	\$	45,402
Less: ceded commission equity		(3,491)		(3,867)
Net ceded premium reserves	\$	45,383	\$	41,535
Direct unearned premium reserves	\$	148,913	\$	128,207

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 \$4,141 and \$4,532 as of December 31, 2025 and 2024, respectively.

Texas FAIR Plan Association

Notes to Statutory Financial Statements (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:

<i>Years ended December 31,</i>	2025	2024
Beginning balance	\$ 26,363	\$ 16,914
Less: reinsurance recoverable	-	309
Beginning net balance	26,363	16,605
Incurred related to:		
Current loss year	73,109	123,356
Prior loss years	(4,386)	(2,992)
Losses and loss adjustment expense incurred	68,723	120,364
Paid related to:		
Current loss year	52,724	100,706
Prior loss years	15,345	9,900
Paid losses and loss adjustment expense	68,069	110,606
Ending net balance	27,017	26,363
Plus: reinsurance recoverable	-	-
Ending balance	\$ 27,017	\$ 26,363

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 \$68,723, are lower by \$4,386 due to favorable development of prior year. 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, 2025 and 2024 make a reasonable provision for the Association’s claims liabilities.

Texas FAIR Plan Association

Notes to Statutory Financial Statements (In Thousands)

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 2025 and 2024 the Association incurred expenses from TWIA under its contract in the amounts of approximately \$26,036 and \$22,973, respectively. As of December 31, 2025 and 2024, the Association incurred expenses for which it has not reimbursed TWIA in the amount of \$4,214 and \$2,603, 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 obtained a \$30,000 line of credit with one of its primary financial institutions effective June 30, 2025. The facility replaced the previous \$30,000 line of credit and terminates on June 30, 2027. There were no draws against the line of credit in 2025 or 2024. The Association pays the lender a 0.3% commitment fee against the unused portion of the line of credit. Interest expense was \$0 for the years ended December 31, 2025 and 2024. 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.

Texas FAIR Plan Association

Notes to Statutory Financial Statements (In Thousands)

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, 2025 and 2024, the Association has accrued a liability for fire assessment of \$193 and \$118, 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. Surcharges receivable of \$0 and \$53 have been fully non-admitted as of December 31, 2025 and 2024, respectively. Policy surcharges collected were \$229 and \$45 for the years ended December 31, 2025 and 2024, 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, 2025 and 2024 premiums written in Harris County, Texas represented 58% and 60% of total premiums, respectively.

9. Nonadmitted Assets

Nonadmitted assets consisted of the following:

<i>December 31,</i>	2025	2024
Uncollected premiums and agents' balances in the course of collection	\$ 284	\$ 325
Due from agents	259	176
Surcharge receivable	-	53
Prepaid assets	1,790	106
Total nonadmitted assets	\$ 2,333	\$ 660

Texas FAIR Plan Association

Notes to Statutory Financial Statements (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, 2025:

	Aggregate Fair Value	Net Asset Value	Admitted Assets	Level 1	Level 2	Level 3
Cash	\$ 41,297	\$ -	\$ 41,297	\$ 41,297	\$ -	\$ -
Cash equivalents*	-	178,159	178,159	-	-	-
	\$ 41,297	\$ 178,159	\$ 219,456	\$ 41,297	\$ -	\$ -

Fair Value Measurements at December 31, 2024:

	Aggregate Fair Value	Net Asset Value	Admitted Assets	Level 1	Level 2	Level 3
Cash	\$ 29,524	\$ -	\$ 29,524	\$ 29,524	\$ -	\$ -
Cash equivalents*	-	32,651	32,651	-	-	-
	\$ 29,524	\$ 32,651	\$ 62,175	\$ 29,524	\$ -	\$ -

* In accordance with SSAP 100, 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.

Texas FAIR Plan Association

Notes to Statutory Financial Statements (In Thousands)

13. Reconciliation with Annual Statement

There were no differences between the 2025 and 2024 annual statements as filed with the Texas Department of Insurance and the 2025 and 2024 audited statutory financial statements.

14. Subsequent Events

The Association has evaluated subsequent events occurring after December 31, 2025, the date of the most recent statutory statements of admitted assets, liabilities, surplus and other funds, through May 6, 2026, 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, 2025 (In Thousands)

Investment categories	Gross Investment Holdings *		Admitted Assets as Reported in the Annual Statement **	
	Amount	%	Amount	%
Insurer credit obligations (Schedule D, Part 1):				
U.S. government obligations	\$ -	-	\$ -	-
Other government obligations	-	-	-	-
Non-U.S. sovereign jurisdiction securities	-	-	-	-
Municipal bonds – general obligations (direct & contingent)	-	-	-	-
Municipal bonds – special revenue	-	-	-	-
Project finance bonds issued by operating entities	-	-	-	-
Corporate bonds	-	-	-	-
Mandatory convertible bonds	-	-	-	-
Single entity backed obligations	-	-	-	-
SVO-identified bond exchange traded funds – fair value	-	-	-	-
SVO-identified bond exchange traded funds – systematic value	-	-	-	-
Bonds issued by funds representing operating entities	-	-	-	-
Bank loans – issued	-	-	-	-
Bank loans – acquired	-	-	-	-
Mortgage loans that qualify as SVO-identified credit tenant loans	-	-	-	-
Certificates of deposit	-	-	-	-
Other issuer credit obligations	-	-	-	-
Total issuer credit obligations	-	-	-	-
Asset-backed securities (Schedule D, Part 1, Section 2):				
Financial asset-backed securities – self-liquidating	-	-	-	-
Financial asset-backed securities – not self-liquidating	-	-	-	-
Non-financial asset-backed securities	-	-	-	-
Total asset-backed securities	-	-	-	-
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	-	-	-	-
Exchange traded funds	-	-	-	-
Total common stocks	-	-	-	-

See accompanying independent auditors' report on supplemental information.

Texas FAIR Plan Association

Summary Investment Schedule December 31, 2025 (In Thousands)

Investment categories	Gross Investment Holdings *		Admitted Assets as Reported in the Annual Statement **	
	Amount	%	Amount	%
Mortgage loans (Schedule B):	-	-	-	-
Farm mortgages	-	-	-	-
Residential mortgages	-	-	-	-
Commercial mortgages	-	-	-	-
Mezzanine real estate loans	-	-	-	-
Total valuation allowance	-	-	-	-
Total mortgage loans	-	-	-	-
Real Estate (Schedule A):	-	-	-	-
Properties occupied by company	-	-	-	-
Properties held for production of income	-	-	-	-
Properties held for sale	-	-	-	-
Total real estate	-	-	-	-
Cash, cash equivalents and short-term investments:	-	-	-	-
Cash (Schedule E, Part 1)	41,297	18.82	41,297	18.82
Cash equivalents (Schedule E, Part 2)	178,159	81.18	178,159	81.18
Short-term investments (Schedule DA)	-	-	-	-
Total cash, cash equivalents and short-term investments	219,456	100.00	219,456	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	\$ 219,456	100.00	\$ 219,456	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, 2025.

See accompanying independent auditors' report on supplemental information.

Texas FAIR Plan Association

Supplemental Investment Risk Interrogatories December 31, 2025 (In Thousands)

- 1) Reporting entity's total admitted assets as reported in the accompanying financial statements. \$ 247,970

Questions 2 through 23 are not applicable.

See accompanying independent auditors' report on supplemental information.

Texas FAIR Plan Association

Reinsurance Interrogatories

December 31, 2025

(In Thousands)

- 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
- 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 cancellation provision under which cancellation 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.

Texas FAIR Plan Association

Reinsurance Interrogatories

December 31, 2025

(In Thousands)

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 37 of SSAP No. 62, 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.

4D3. Internal Control Letter

May 6, 2026

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, 2025, 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

The engagement partner, Clark Thomson, has served in that capacity with respect to the Association since 2023.

5. Actuarial
5A. Policy Count/Exposures

Executive Summary

- Continued decline in PIF & TIV since Q3 2025
- Growth projected to be negative through 2026
- **New Policy Issuances:** Down 53% year-over-year
- **Retention Rate:** Steady at 70%
- Growth is concentrated in Tier 1 counties

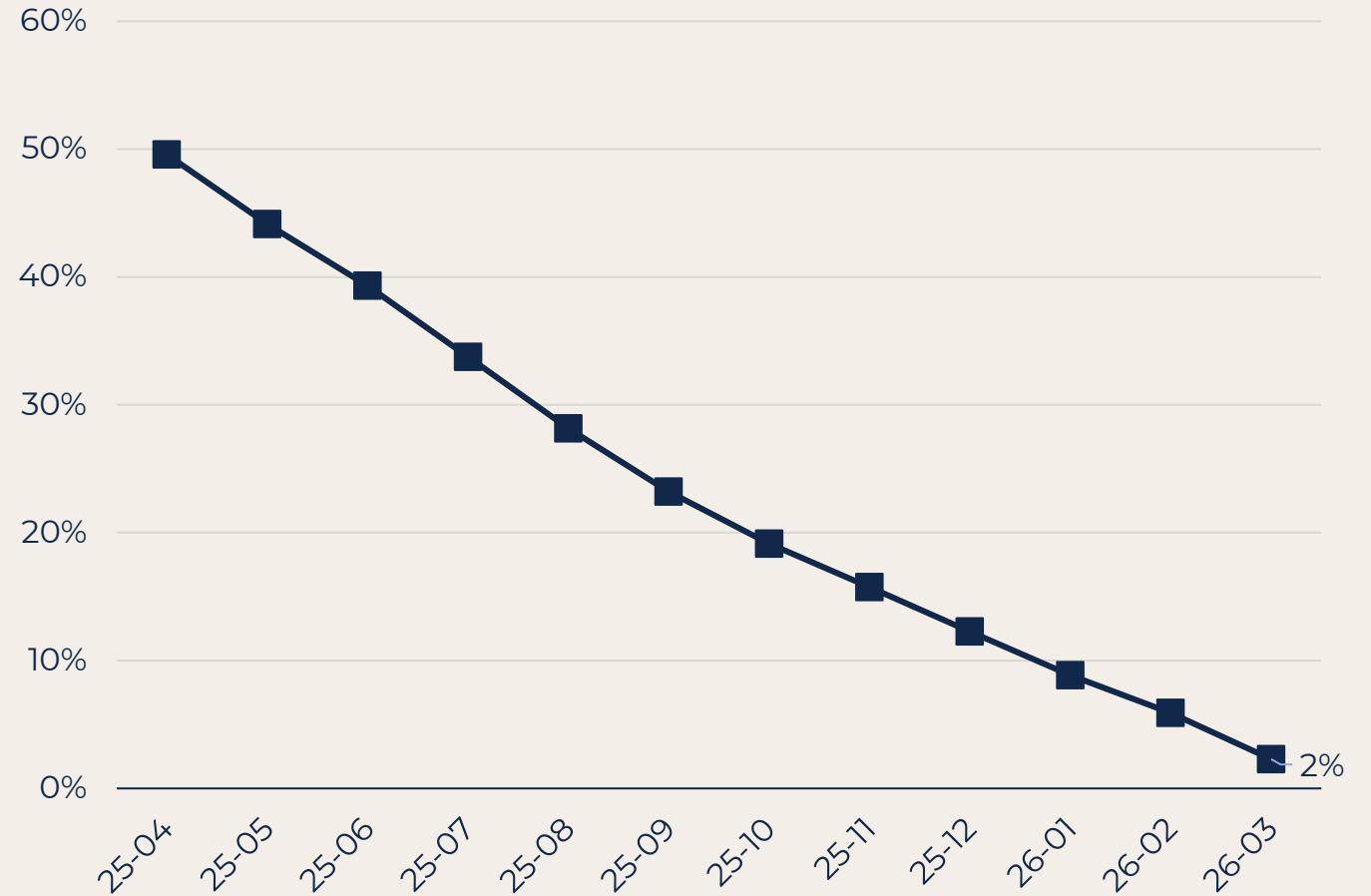
TFPA		
	03/31/2026	YOY Growth
Policies In-Force	124,445	+2%
Total Insured Value	39.2B	+7%
YTD Written Premium	64M	-9%

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

YOY Summary

- Decelerated growth in PIF (2% YoY)
- Moderation in PIF continues

Year Over Year Growth - PIF



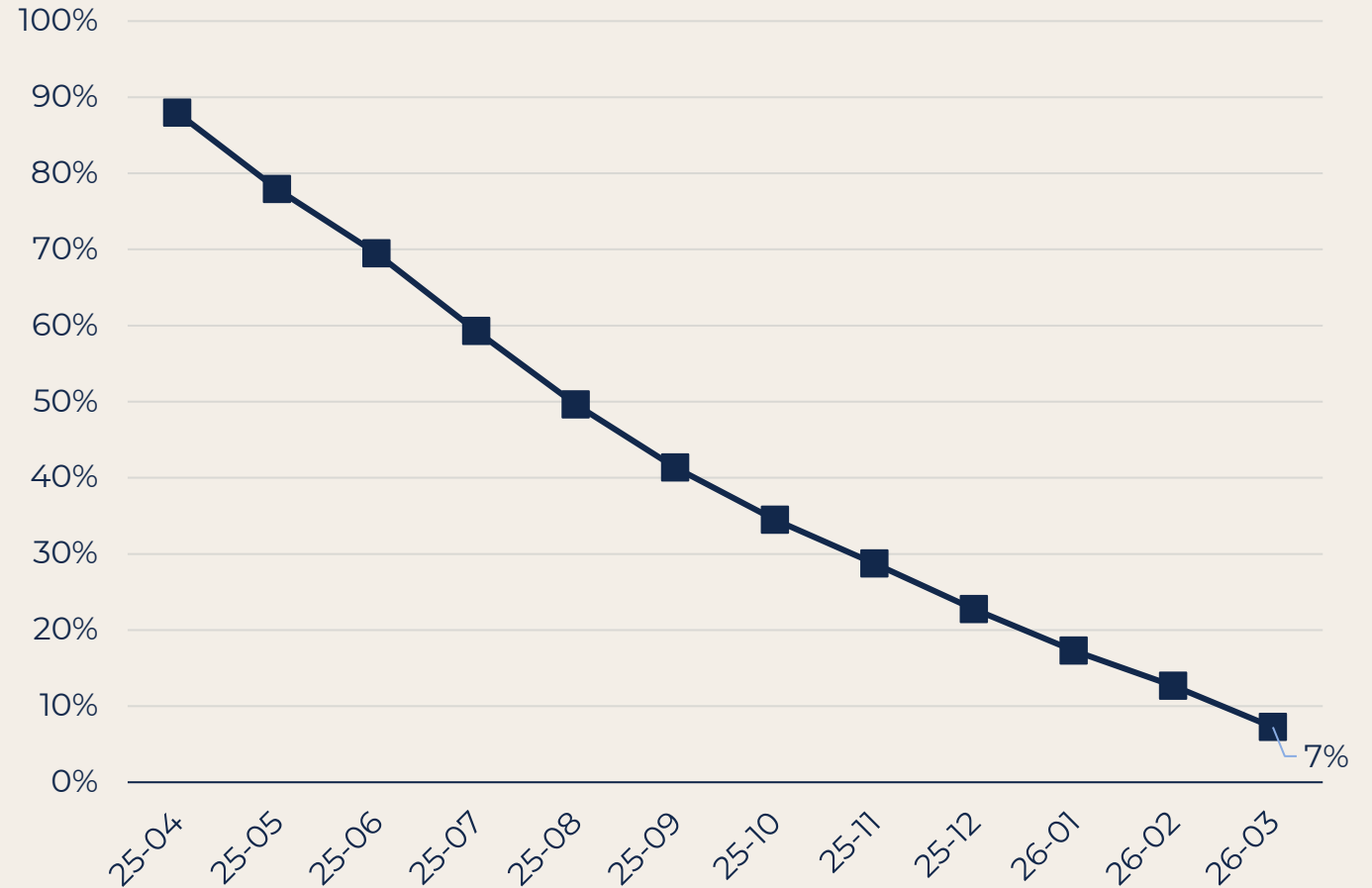
Year/Month	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09	2025-10	2025-11	2025-12	2026-01	2026-02	2026-03
PIF	123,842	125,897	127,957	129,583	129,705	129,526	129,180	128,494	127,835	126,869	125,969	124,445



YOY Summary

- Decelerated growth in TIV (7% YoY)
- Decrease in exposure in-force since October

Year Over Year Growth - TIV

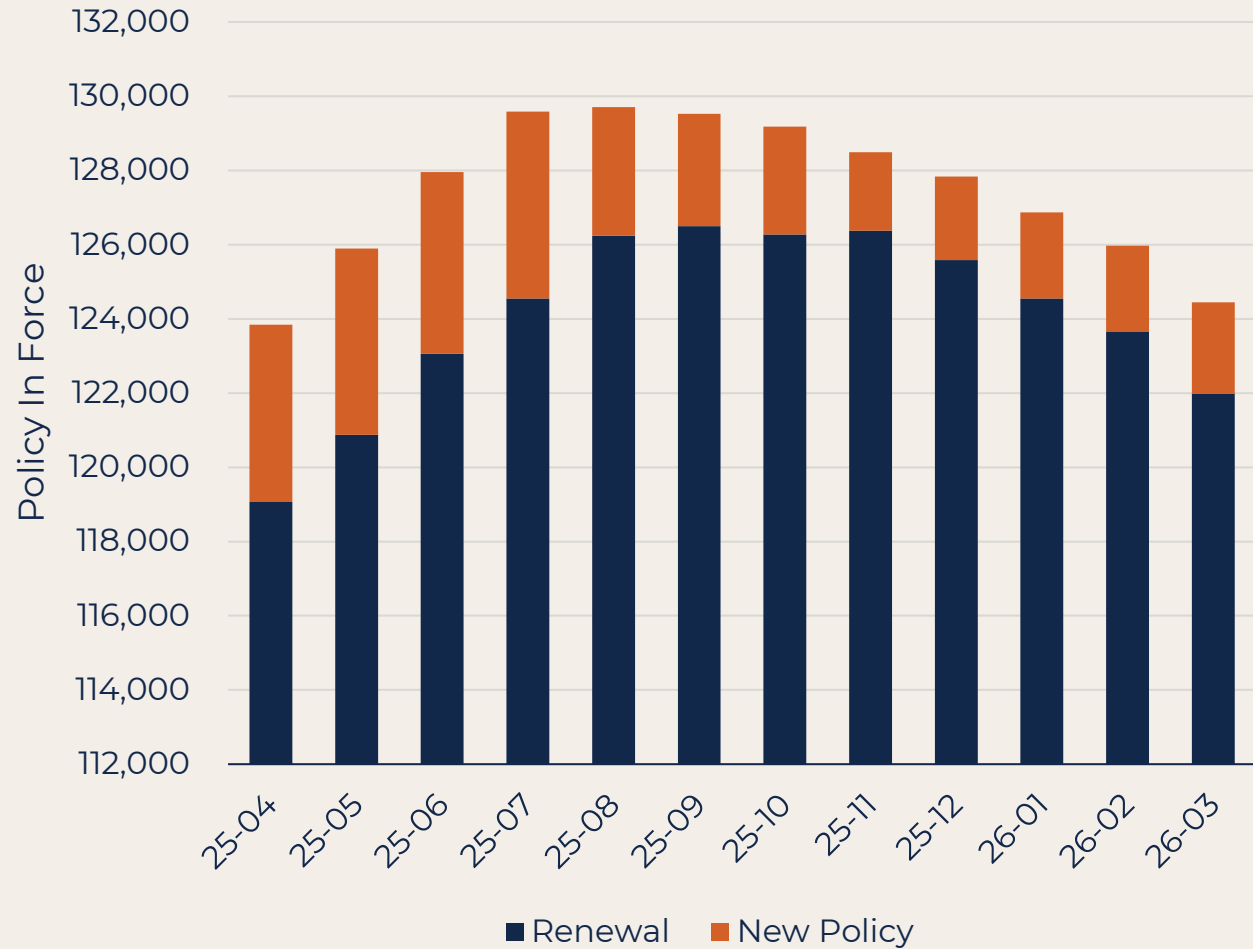


Year/Month	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09	2025-10	2025-11	2025-12	2026-01	2026-02	2026-03
TIV (000,000s)	37,668	38,707	39,791	40,670	40,885	40,924	40,909	40,688	40,420	40,055	39,745	39,201



New Business versus Renewal

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

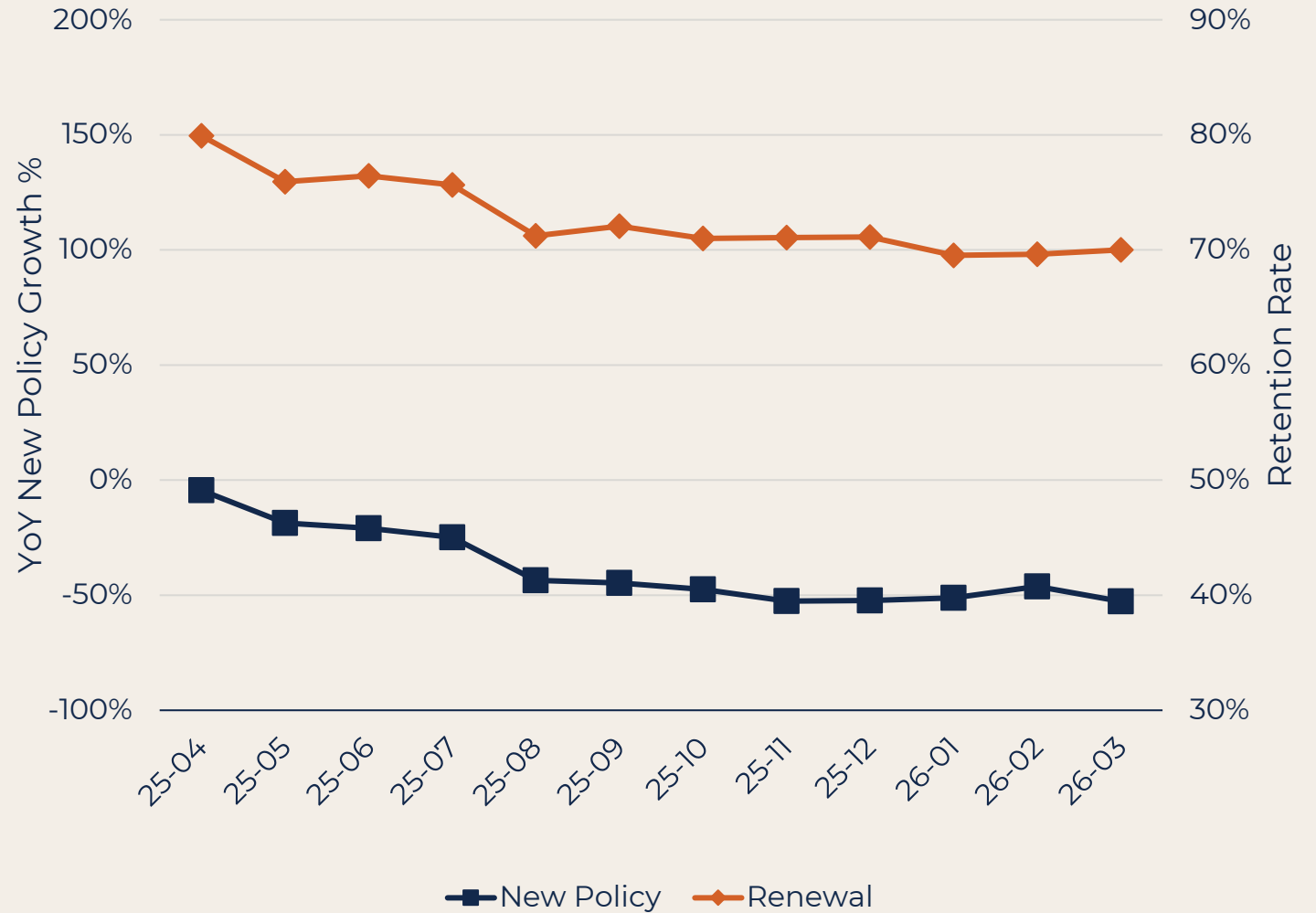


Year/Month	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09	2025-10	2025-11	2025-12	2026-01	2026-02	2026-03
New Policy	4,776	5,018	4,897	5,033	3,468	3,028	2,906	2,115	2,251	2,322	2,308	2,454
Renewal	119,066	120,879	123,060	124,550	126,237	126,498	126,274	126,379	125,584	124,547	123,661	121,991



New Business versus Renewal

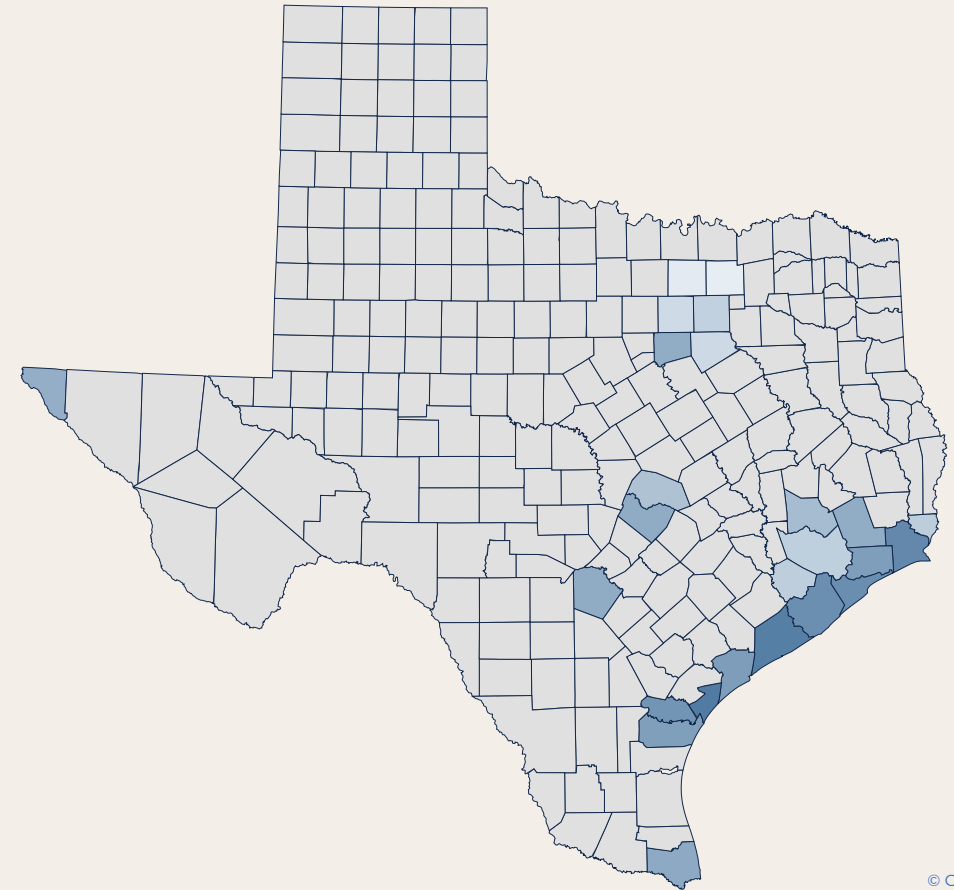
- New policy issuance is down 53% YoY
- Retention rate of 70%



TIV Growth by County

- **Statewide growth of 7%**
 - **Tier 1: 29%**
 - **Tier 2: 0%**
 - **All other: 4%**

Top 10 County	TIV (in millions)	YoY Growth %
Harris	16,307	-0.05%
Galveston	3,722	29.99%
Fort Bend	3,128	0.16%
Brazoria	2,460	29.50%
Jefferson	1,673	32.57%
El Paso	1,613	15.26%
Dallas	1,521	-1.40%
Tarrant	1,193	-5.60%
Montgomery	816	8.69%
Nueces	706	22.18%



YoY TIV Growth
-14% 39%

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5B. Reserve Adequacy



MEMORANDUM

DATE: May 6, 2026

TO: David Durden
General Manager

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

RE: TFPA Reserve Adequacy as of March 31, 2026

TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of March 31, 2026.

As of March 31, 2026, TFPA carried \$46.2 million in total gross loss and loss adjustment expense reserves with \$11.5 million of the total gross loss and expense reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

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

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

The complete actuarial analysis is available on request.

JM

5C. Rate Filing Update

MEMORANDUM

DATE: May 6, 2026
TO: David Durden, General Manager
FROM: Jim Murphy, Chief Actuary
RE: TFPA 2025 Rate Filing Update

The Texas FAIR Plan Association Governing Committee voted at its February 23, 2026 meeting to file for the full actuarial indications for all policy forms, limited to no more than a 25% change in any territory. The filing was made the same day with a proposed effective date of August 1, 2026.

The filing is currently pending approval by the Texas Department of Insurance, which exercised its right to extend the review period from 60 days to 90 days. As a result, TFPA has amended the proposed effective date of the change to September 1, 2026. Additionally, TFPA has made minor revisions to the filing in response to objections raised by TDI in their review. A summary of the initial indications and currently filed changes by form follows:

Product	Initial	Filed
Homeowners	-2.4%	-2.6%
Tenants	-25.0%	-25.0%
Condo	-8.9%	-7.5%
Dwelling (Fire)	3.5%	3.5%
Dwelling (EC)	21.5%	21.6%

Similar information by territory is shown on the following page.

JM



Homeowners	In-force Premium	Initial	Filed
Central North - Greater Dallas / Ft. Worth	25,848,420	-4.5%	-4.5%
Central North - Remainder	3,843,670	-1.2%	-1.2%
Central South	24,553,210	-4.1%	-4.1%
North/Northwest	2,240,253	-2.1%	-2.1%
Seacoast - Tier 1	17,302,795	-21.6%	-21.6%
Seacoast - Tier 2	144,063,486	0.3%	0.3%
Overall Statewide	217,851,834	-2.4%	-2.6%

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

Condos	In-force Premium	Initial	Filed
Central North - Greater Dallas / Ft. Worth	115,194	-18.5%	-13.7%
Central North - Remainder	3,479	-25.0%	-19.6%
Central South	126,634	-10.5%	-5.7%
North/Northwest	2,805	-25.0%	-21.0%
Seacoast - Tier 1	311,986	-20.3%	-17.0%
Seacoast - Tier 2	1,765,854	-6.3%	-5.5%
Overall Statewide	2,325,952	-8.9%	-7.5%

Dwelling (Fire)	Initial	Filed
Overall Statewide	3.5%	3.5%

Dwelling (EC)	In-force Premium	Initial	Filed
Central North - Greater Dallas / Ft. Worth	4,523,691	25.0%	25.0%
Central North - Remainder	366,466	25.0%	25.0%
Central South	2,007,899	25.0%	25.0%
North/Northwest	189,366	25.0%	25.0%
Seacoast - Tier 1	227,107	-22.0%	-22.0%
Seacoast - Tier 2	52,115,434	21.3%	21.3%
Overall Statewide	59,429,963	21.5%	21.6%

5D. 2026 Funding; Reinsurance



MEMORANDUM

DATE: May 6, 2026
TO: David Durden, General Manager
FROM: Jim Murphy, Chief Actuary
RE: TFPA Funding for the 2026 Hurricane Season

TFPA staff is working with Gallagher Re, the Association's reinsurance broker, to secure reinsurance coverage for the 2026 hurricane season as directed by the Governing Committee at its February 23, 2026 meeting, subject to the approved budget of \$95 million.

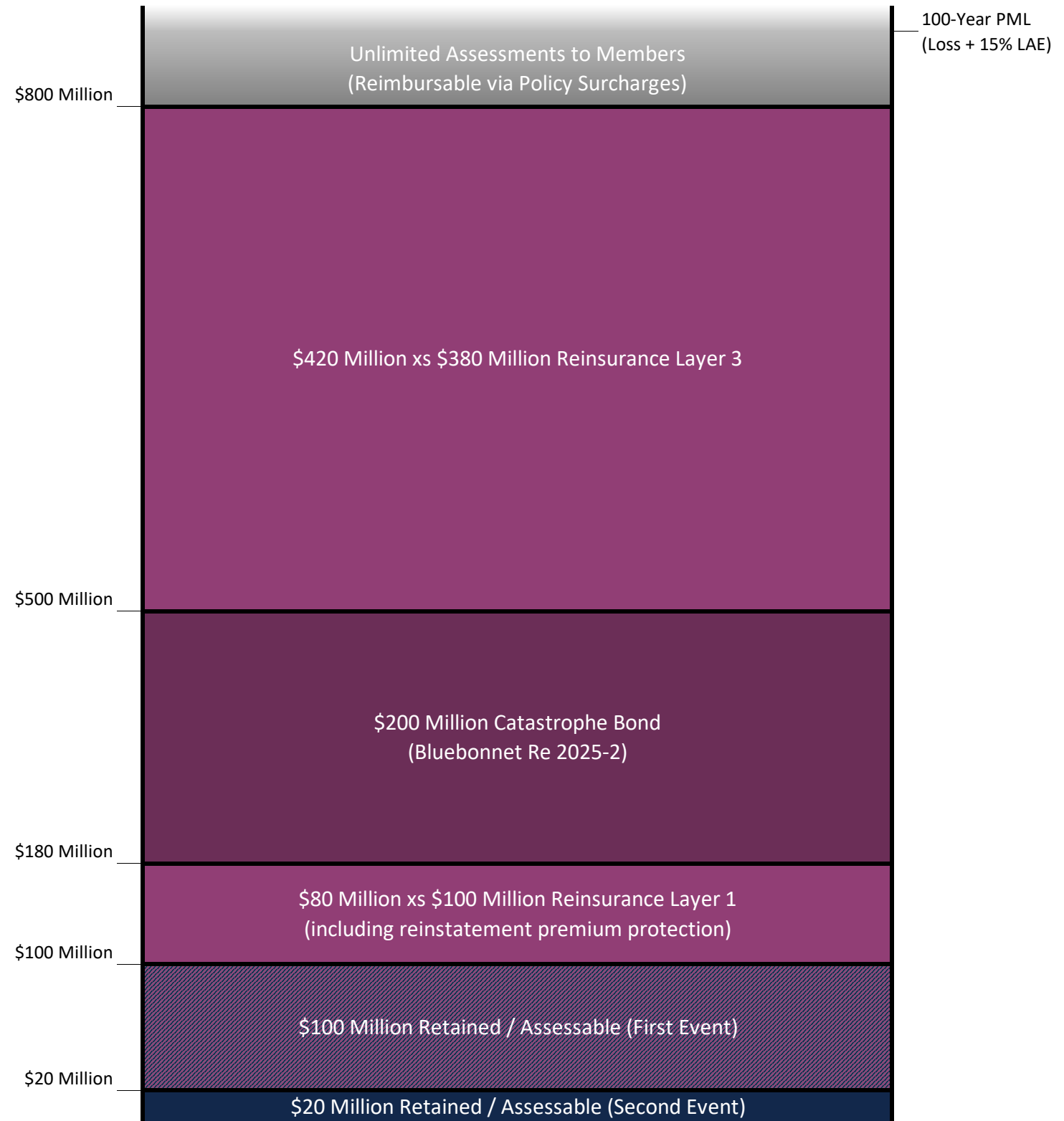
The 2026 reinsurance program will be effective from June 1, 2026 to May 31, 2027 and will provide protection up to \$800 million as follows:

- \$80 million xs \$100 million (including reinstatement premium protection)
- \$200 million xs \$180 million, provided by catastrophe bonds issued in 2025
- \$420 million xs \$380 million in traditional reinsurance
- \$80 million of second event coverage, reducing the Association's retention from \$100 million to \$20 million for a second event

Representatives from Gallagher will be present at the Governing Committee meeting to provide an update on the placement progress.

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

JM



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

6. Internal Audit Status & Update

Texas FAIR Plan Association
Internal Audit Plan
MEMORANDUM

TO: The Governing Committee – Texas FAIR Plan Association
FROM: Dan Graves, Weaver - Internal Audit
DATE: May 18, 2026
SUBJECT: Status of Internal Audit Activities

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

➤ **Upcoming Audits and Activities:**

Activity Description	Status
Funding Sources and Reinsurance	Q2 2026
Accounts Payable	Q2 2026
Underwriting and Policy Services	Q3 2026
Cash Management – Limited Annual Procedures	Q3 2026
Risk Assessment Update	Q4 2026
Follow-Up Procedures	Q3 2026

➤ **Summary of Open Findings:**

Weaver will perform validation procedures to evaluate whether corrective actions taken by management sufficiently remediate the following open findings:

Actuarial 2023

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

Texas FAIR Plan Association Internal Audit Plan

Process Area	Last Report Date	2024 Inherent Risk Rating	2024	2025	2026	2027	2028
Funding Sources and Reinsurance	Nov. 2023	High			x		
Information Security	Apr. 2022	High		✓			x
Emergency Planning	May 2024	High				x	
Customer Experience	N/A	High	✓				
Underwriting and Policy Services	Nov. 2023	High			x		
Claims Processing	Dec. 2022	High		✓		x	
Actuarial (Pricing and Reserving)	Sept. 2023	High					
Legislative and External Affairs	Mar. 2024	High	✓				
Information Technology Services	Apr. 2022	High		✓		x	
Database and Application Administration	Apr. 2024	High	✓				x
Application Development	Apr. 2024	High	✓				
Human Resources Administration and Talent Retention	Dec. 2022	Moderate		✓			
Strategic Communications	Mar. 2021	Moderate					
Executive Management, Management Planning and Reporting	May 2021	Moderate		✓			
Legal & Compliance	Mar. 2024	Moderate	✓				x
Financial Close and Reporting	May 2024	Moderate	✓				
Accounts Payable and Expense Processing	Aug. 2023	Moderate			x		
Cash Management	Aug. 2021	Moderate	✓	✓	L	L	L
Cash Forecasting	N/A	Moderate					
Payroll	Dec. 2022	Low					
Accounts Receivable	Oct. 2023	Low					
Facilities and Services	May 2023	Low					

L - limited annual procedures

7. Underwriting

7A. Underwriting Operations

MEMORANDUM

DATE: April 28, 2026

TO: David Durden, General Manager

FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

First Quarter 2026 Results

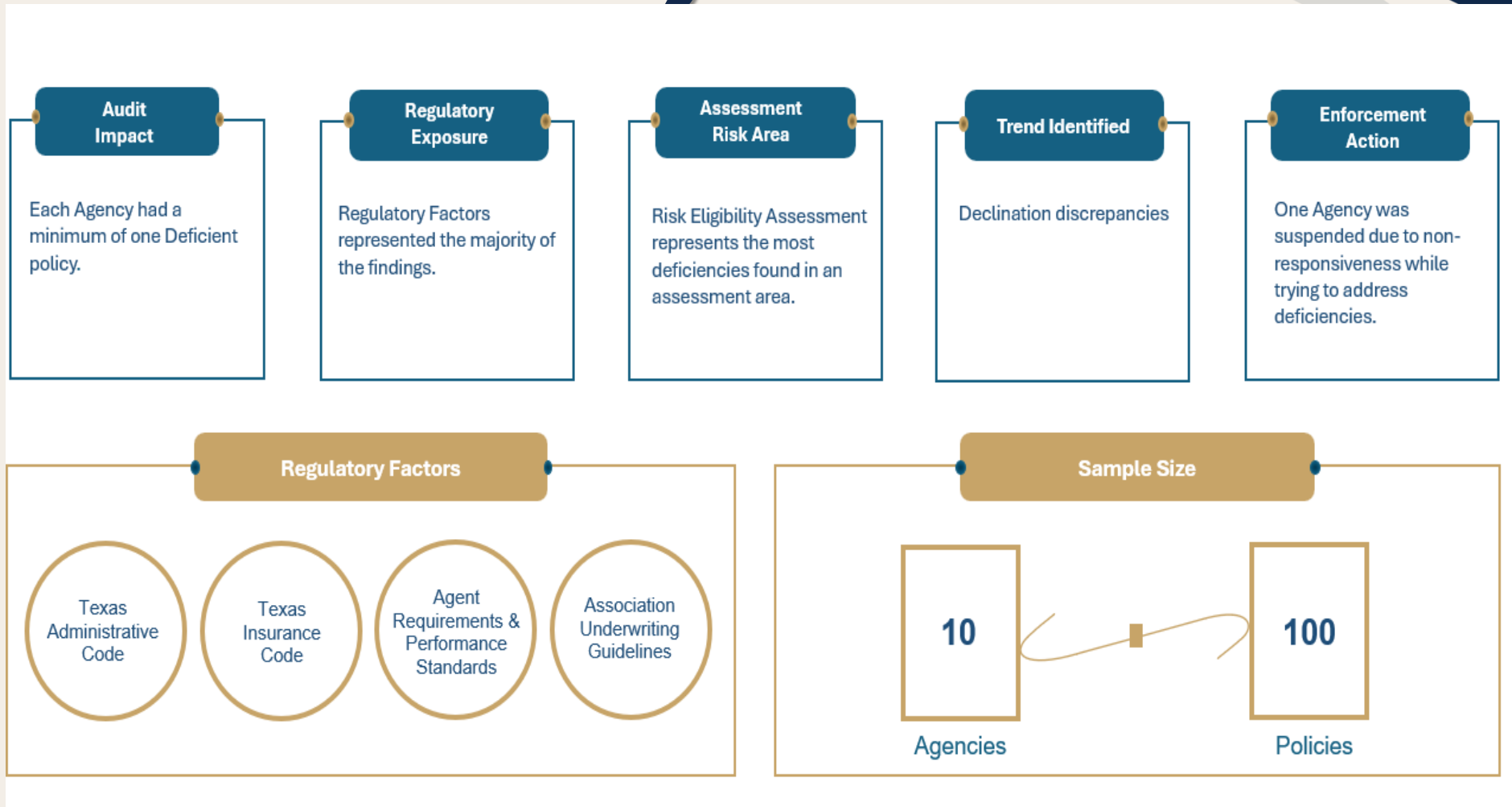
TFPA Underwriting Metrics	Monthly Summary			Q1 2026	2026	YTD	
	Jan-26	Feb-26	Mar-26			2026	▲
% of New Business/Renewal policies issued in 10 Days	99.98%	99.98%	99.98%	99.98%	99.98%	90%	9.98
New Business Policies Issued	2,466	2,472	2,639	7,577	7,577		
Renewal Policies Issued	7,369	7,155	9,639	24,163	24,163		
Internal Underwriting Quality Control	98.60%	98.50%	99.30%	98.80%	98.80%	95%	3.8
Number of Calls	10,766	10,356	11,753	32,875	32,875		
Phone Service Level (calls answered in 20 seconds)	93.00%	91.00%	84.00%	89.33%	89.33%	80%	9.33

7B. Agent Audit Process

Agent Audit



Executive Summary



Assessment Areas

Agency Operations

The Agency Operations Assessment evaluates the Agency's licensing and operational compliance, including license status, advertising, and application completeness.

Risk Eligibility

The Risk Eligibility Assessment ensures risks are accurately evaluated and submitted in accordance with eligibility criteria and declination requirements.

Risk Accuracy

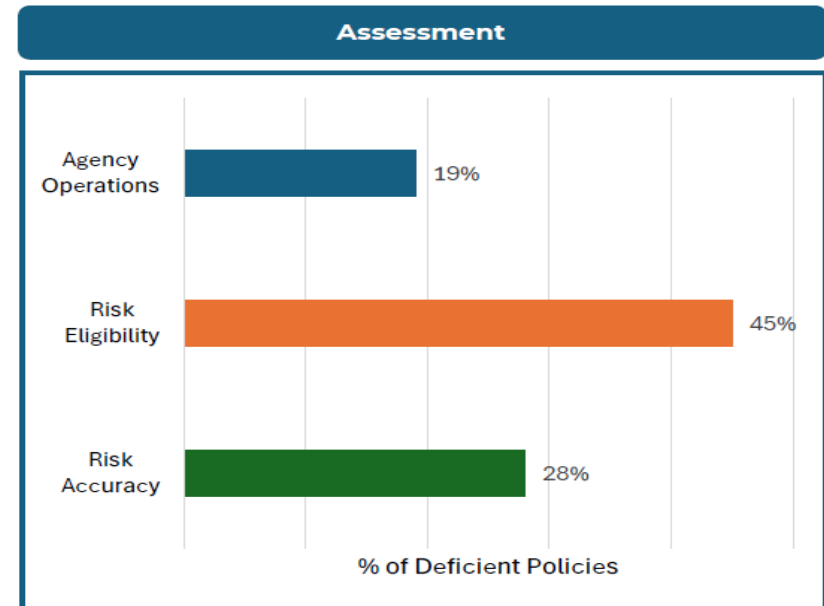
The Risk Accuracy Assessment determines whether submitted exposures meet insurability standards, underwriting guidelines, and regulatory requirements, including whether documentation supports accurate classification.

Assessment Overview

A total of 10 policies were sampled from each Agency, resulting in 100 policies reviewed. The identified deficiencies are organized into two charts: deficiencies at the Agency level and deficiencies by Assessment area.

Total Agencies Sampled : 10
Total Policies Sampled : 100

Agency	Tier Distribution	Policies In-Force	Agency Operations	Risk Eligibility	Risk Accuracy
Agency 11	Tier 1	68	1	-	2
Agency 12	Tier 1	26	2	9	2
Agency 13	Non-Tier 1	40	-	5	3
Agency 14	Non-Tier 1	66	3	9	2
Agency 15	Non-Tier 1	49	-	1	-
Agency 16	Non-Tier 1	47	-	-	2
Agency 17	Non-Tier 1	49	-	10	6
Agency 18	Non-Tier 1	53	1	1	7
Agency 19	Non-Tier 1	72	3	7	2
Agency 20	Non-Tier 1	58	9	3	2



Future Enhancements



**NEW AGENCY AUDIT
SUMMARY REPORT**



**MODIFIED APPROACH TO
AGENCY AND POLICY
SAMPLING SIZE**



**INCORPORATING AGENT
TRAINING**

8. Claims

8A. Claims Operations

TFPA Claims Operations 2026

TFPA Claims - 2026 Q1 Results (year-to-date)					
Key Cycle Times (In days)	Industry Average, TX	TFPA	TFPA Plan	Variance to Plan	% Variance to Plan
Avg. Days - FNOL to TFPA Receipt - Daily	8.8	3.9	<7	-3.1	-44%
Avg. Days - FNOL to TFPA Receipt - Cat	8.8	2.9	<14	-11.1	-79%
Avg. Days - FNOL to ACV Payment - Daily	N/A	7.8	<12	-4.2	-35%
Avg. Days - FNOL to ACV Payment - CAT	N/A	4.0	<21	-17.0	-81%
TDI Complaint Ratio					
2025	0.38% - 23 complaints from 6,005 new claims				
2026	0.60% - 8 complaints from 1,337 new claims				

Year	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Actual Volume	433	383	747	539	567	709	513	488	467	467	342	350	406	388	543
Actuarial Projected	1,095	290	1,138	699	2,346	891	342	580	475	472	361	511	724	249	1,130
Staffing Plan	546	546	546	546	546	546	546	546	546	546	546	546	682	682	682
Open Inventory	3,126	2,899	2,934	2,793	2,895	2,966	2,838	2,719	2,564	2,564	2,534	2,341	1,842	1,438	1,503

Historical TFPA Claim Volume	
Year	Claims
2005	5,581
2006	3,067
2007	4,039
2008	27,777
2009	3,640
2010	3,200
2011	4,200
2012	5,886
2013	5,974
2014	5,498
2015	9,387
2016	11,509
2017	24,096
2018	5,720
2019	6,950
2020	2,931
2021	9,471
2022	3,322
2023	4,694
2024	16,933
2025	6,005
2026	1,337

TFPA - Claim Severity by Accident Year and Peril

Reported Claims by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ
2022	98	-	71	-	62	-	718	-	1,933	-	3,184	-
2023	84	-14.3%	65	-8.5%	54	-12.9%	576	-19.8%	3,593	85.9%	4,679	47.0%
2024	135	60.7%	91	40.0%	68	25.9%	779	35.2%	16,173	350.1%	17,659	277.4%
2025	158	17.0%	64	-29.7%	70	2.9%	972	24.8%	3,702	-77.1%	5,391	-69.5%
2026	53	-	9	-	15	-	242	-	367	-	785	-

Paid Amounts by Peril

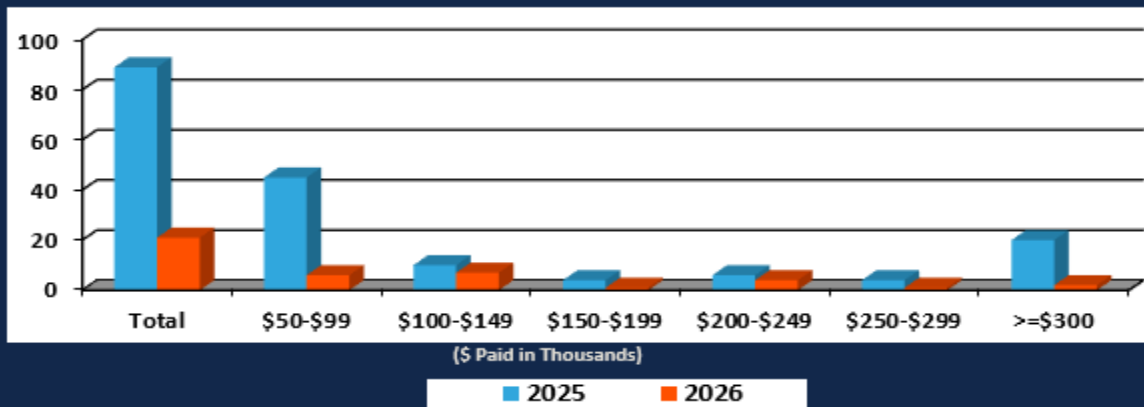
Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2022	\$ 7,043,987	-	\$ 782,401	-	\$ 188,149	-	\$ 695,647	-	\$ 10,602,091	-	\$ 19,744,666	-
2023	\$ 7,308,045	3.7%	\$ 814,209	4.1%	\$ 44,576	-76.3%	\$ 648,871	-6.7%	\$ 28,134,742	165.4%	\$ 37,569,887	90.3%
2024	\$ 11,806,050	61.5%	\$ 298,978	-63.3%	\$ 152,486	242.1%	\$ 988,182	52.3%	\$ 135,789,346	382.6%	\$ 150,823,794	301.4%
2025	\$ 17,312,693	46.6%	\$ 101,586	-66.0%	\$ 257,303	68.7%	\$ 916,531	-7.3%	\$ 31,229,026	-77.0%	\$ 50,590,263	-66.5%
2026	\$ 3,434,881	-	\$ 11,841	-	\$ 13,135	-	\$ 168,594	-	\$ 1,152,405	-	\$ 4,869,324	-

Paid Claim Severity by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ
2022	\$ 71,877	-	\$ 11,020	-	\$ 3,035	-	\$ 969	-	\$ 5,485	-	\$ 6,201	-
2023	\$ 87,001	21.0%	\$ 12,526	13.7%	\$ 825	-72.8%	\$ 1,127	16.3%	\$ 7,830	42.8%	\$ 8,029	29.5%
2024	\$ 87,452	0.5%	\$ 3,285	-73.8%	\$ 2,242	171.6%	\$ 1,269	12.6%	\$ 8,396	7.2%	\$ 8,541	6.4%
2025	\$ 109,574	25.3%	\$ 1,587	-51.7%	\$ 3,676	63.9%	\$ 943	-25.7%	\$ 8,436	0.5%	\$ 9,384	9.9%
2026	\$ 64,809	-	\$ 1,316	-	\$ 876	-	\$ 697	-	\$ 3,140	-	\$ 6,203	-

*Paid amounts exclude loss adjustment expenses and IBNR reserves

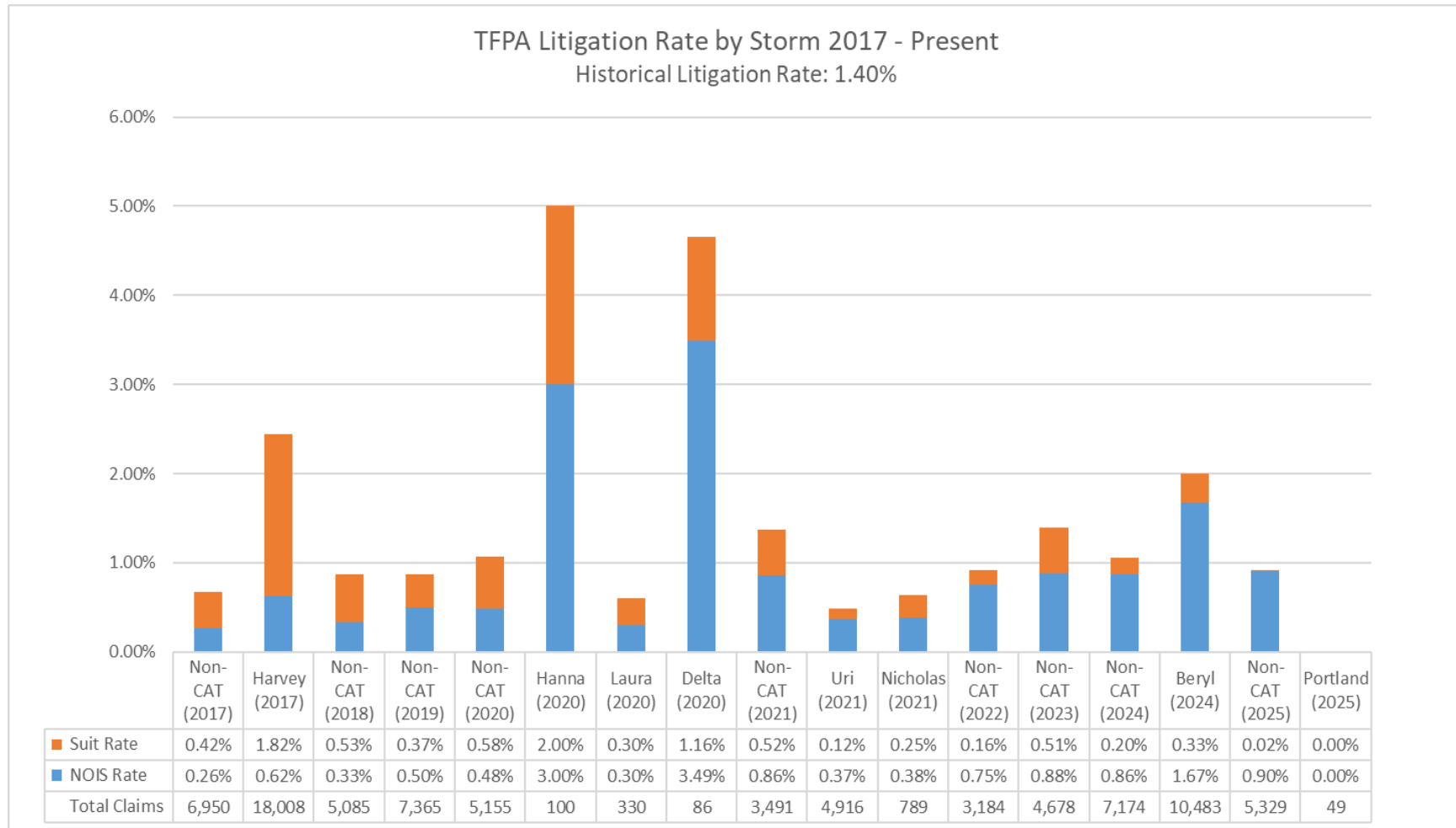
TFPA - Large Loss Based On Paid Indemnity



Date	Total	\$50-\$99	\$100-\$149	\$150-\$199	\$200-\$249	\$250-\$299	>=\$300
2025 (complete year)	89	45	10	4	6	4	20
Liability	0	0	0	0	0	0	0
2026 (year-to-date)	21	6	7	1	4	1	2
Liability	0	0	0	0	0	0	0
Variance	-68	-39	-3	-3	-2	-3	-18

8B. Claims Litigation

TFPA Litigation Summary



*NOIS: Notice of Intent to Sue

TFPA Litigation Tracking Activity

Litigation Quarter Summary First Quarter 2026

1st Quarter 2026	Summary of TFPA Claims in Suit						
		New		Settled		Closed	
		1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
January	3	2	8	0	0	0	
February	3	1	2	0	1	2	
March	1	2	5	0	10	1	
	7	5	15	0	11	3	

1st Quarter 2026	Summary of TFPA Claims with LORs						
		New		Settled		Closed	
		1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
January	28	1	8	0	3	2	
February	25	3	1	0	15	2	
March	17	1	2	0	34	0	
	70	5	11	0	52	4	



TFPA Claims Litigation March 2026

Mar-26	TFPA Claims in Suit							
	Beginning Inventory	New		Closed		Ending Inventory		
		1st Party	3rd Party	1st party	3rd Party	1st Party	3rd Party	Total
	61	1	2	10	1	42	11	53
Breakdown								
Normal	1	2	2	1				
Beryl 2024	0	0	5	0				
Houston 051624	0	0	2	0				
Harvey 2017	0	0	1	0				

Mar-26	TFPA Claims with LOR									
	Beginning Inventory	New		Closed		Converted to Suit		Ending Inventory		
		1st Party	3rd Party	1st party	3rd Party	1st party	3rd Party	1st Party	3rd Party	Total
	265	17	1	34	0	1	0	237	11	248
Breakdown										
Normal	15	1	19	2	1	0				
Beryl 2024	2	0	14	0	0	0				
Houston 012423	0	0	1	0	0	0				

Mar-26	TFPA Active Claims with Suits/LORs: Breakdown by CAT Event					
	Event	Total claims	Total Suits	Active Suits	Total LORs	Active LORS
	Harvey 082517	18,008	320	2	170	0
	Valentines Freeze	4,917	8	0	58	0
	Houston 051624	1,702	6	2	17	5
	Beryl 2024	10,495	36	16	238	132

9. TFPA Operations

9A. IT Operations Update



MEMORANDUM

DATE: May 1, 2026

TO: David Durden, General Manager

FROM: Michael Eleftheriades, CIO / VP IT

RE: TFPA Information Technology Status

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

Guidewire Application Version Upgrade

- The Association is contractually mandated to maintain version currency with Guidewire cloud framework releases.
- In Q2 the Association team will test the latest Guidewire framework release version for compatibility. The current target for the “Palisade” (P) release is July 2026 to deploy our Guidewire applications using this latest version.

Artificial Intelligence (AI)

- The Association has identified Artificial Intelligence as a technology for review in our Strategic Plans. The plans include setting up an AI Committee identifying and reviewing both AI Platforms and AI enhanced tools as part of the technology roadmap. Additional efforts include targeting general education for Association team members.

Artificial Intelligence (AI) Proof of Concept Project

- The Association’s first evaluation of any AI technology was the Microsoft Office 365 add-on tool called Microsoft Copilot. This tool is a conversational, AI-powered assistant that helps boost productivity and streamline workflows by offering contextual assistance, automating routine tasks, and analyzing data. The basic license offering for Copilot 365 has now been made available to all the Association’s users.
- The Association is currently working on selecting an experienced vendor to review the foundation and ensure the needed configuration for the premium license of Microsoft Copilot 365. Due to the additional capabilities that are offered by the premium license IT wants to make sure monitoring and permissions are in place to protect the interests and information of the Association.



Replacement of our current on-premise Authentication Software

This project will replace the current on-premises authentication software, used for validation of registration and logins to the external portals (used by Agents and Policyholders), with a comprehensive cloud-based customer identity solution. This project is in the execution phase.

General Status:

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

9B. Communications and Legislative Affairs Update

MEMORANDUM

DATE: April 29, 2025
TO: David Durden, General Manager
FROM: Anna Stafford, Senior Manager, Legislative & External Affairs
RE: Legislative & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) Legislative Implementation Program:

- i. **Property Owners Association Coverage:** FAIR Plan has received no applications for property owners' association (POA) coverage under **House Bill 998, enacted in 2023**, since our last quarterly update. To date, no POAs have been enrolled for coverage.
- ii. **Appraisals:** On April 27, the Texas Department of Insurance published proposed rules to implement **Senate Bill 458, enacted last year**. The law requires personal automobile and residential property insurance policies in Texas (including FAIR Plan policies) to include an appraisal provision. An appraisal process is already available for FAIR Plan claims, but Association staff are reviewing the proposed rules to determine whether they will require changes to our existing processes. TDI will hold a public hearing on the proposed rules on June 2 and will accept written comments on the proposed rules through June 8.
- iii. **Declinations, Cancellations, and Non-Renewals:** TDI's rule implementing statistical reporting requirements for declinations, cancellations, and non-renewals of residential policies under **House Bill 2067, enacted last year**, went into effect on April 1. TDI reported that it will soon propose similar rules for commercial policies. Association staff has implemented and is testing updates to our data systems to facilitate the residential reporting requirements. The first quarterly statistical report under the new rule will be due in June.

b) Texas Legislature Interim Activity

- i. **Interim Charges:** The presiding officers of both chambers of the Texas Legislature recently issued interim charges to committees for issues to investigate before the 90th Legislative Session begins next year. Committees can be expected to hold hearings on these issues over the next several months. Charges relevant to the Association are:
 1. House Insurance Committee: "Study cost drivers impacting property and casualty insurance premiums for consumers and their impact on home affordability in Texas. Study rate trends, underwriting practices, and market availability, with particular attention to coastal and catastrophe-exposed regions. Examine strategies used in

other states, including those intended to reduce losses, improve property resilience and promote loss mitigation. Examine the need to employ additional strategies or make statutory changes to encourage greater market participation and promote competition. Make recommendations that reduce the cost of insurance and maintain sufficient consumer protection standards and market stability.”

2. Senate Business & Commerce Committee: “Evaluate the rising cost of property and casualty insurance in Texas. Consider the stability and competitiveness of the Texas insurance market, insurer participation, and coverage availability to meet consumer demand. Make recommendations to increase affordability, improve reporting to strengthen consumer protections, and support timely regulatory and legislative responses.”

ii. **Senate Committee Membership Changes**: Lt. Governor Dan Patrick announced changes to the membership of committees in the Texas Senate. In the Senate Business & Commerce Committee, which oversees insurance legislation, three senators who have resigned or did not run for reelection have been replaced.

- No longer on the Committee: Former Sen. Brandon Creighton (Chambers County), Sen. Mayes Middleton (Galveston County), and Sen. Robert Nichols (Jefferson County).
- Added to the Committee: Sen. Brent Hagenbuch (Denton County), Sen. Adam Hinojosa (Nueces County), Sen. Kevin Sparks (Midland County).

c) **Texas Department of Insurance Activity**:

i. **Outreach Initiatives**: The Texas Department of Insurance has launched two initiatives related to its outreach to stakeholders and the public:

- Speak Up, Texas: TDI has launched an online portal for individuals to submit ideas to improve homeowners’ or auto insurance in Texas. The Insurance Commissioner will also host local events to gather public input on insurance issues. The first two events were held in Nacogdoches (April 10) and San Antonio (April 17).
- Quarterly “TDI Connect” Virtual Meetings: The Insurance Commissioner and deputy commissioners will host quarterly online virtual meetings with stakeholders, modeled on annual “Meet the Regulator” in-person meetings held at TDI’s offices in Austin. The first virtual meeting was held on April 15 and included updates on the status of current TDI regulatory initiatives.

d) **Stakeholder Inquiries**: Association staff received no legislative or key stakeholder inquiries related to FAIR Plan in Q1 2026.

9C. Coastal Preparedness Expo



TWIA's Coastal Preparedness Expo

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

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

Event overview:

- **Date:** Saturday, July 18
- **Time:** 10:00 a.m. to 4:00 p.m.
- **Location:** Galveston County (venue to be announced soon)

Planning Progress Highlights:

- **Program & Content:** The program will revolve around a rotation of short presentations on the main stage with breakout sessions for different constituent audiences: Agents, the Slab Claim Evaluation Program, and the Texas Water Development Board. Core themes, talking points, and a document outlining the Expo's purpose and value proposition have been drafted and are being used to guide content development and partner outreach.
- **Agent Engagement:** A draft agent bulletin is in internal review seeking agent input on Continuing Education (CE) course content and policyholder education topics to ensure the agenda is practical and relevant. Staff will also seek feedback from the TWIA Agent Advisory Group.
- **Partners & Participants:** Invitations have been sent to external partners, including state and local agencies and community organizations that play a role in storm response and recovery. Confirmed participants:
 - National Weather Service – Houston/Galveston Office
 - Texas Department of Insurance: Ombudsman & Windstorm Inspections Office
 - Texas Water Development Board
 - Galveston County Emergency Management
 - Texas Sea Grant

12. Future Meetings

August 3, 2026 – Tremont House
Galveston, TX

November 9, 2026 – Omni Hotel
Corpus Christi, TX

February 22, 2027 – Moody Gardens Hotel
Galveston, TX