Meeting of the Governing Committee
Texas FAIR Plan Association
Teleconference/Web Conference
May 22, 2023
Marriott Austin South
4415 South I-35 Frontage Road
Austin, TX 78744
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 – *Mark Solomon/Counsel*
   B. Meeting Format Information – *Kristina Donley*

2. Welcoming Remarks – *Mark Solomon*

3. Consideration and Action to:
   Approve the Minutes from Prior Governing Committee Meetings
   – *Mark Solomon* – ***Action/Vote Likely**** *5 minutes*

4. TFPA Operational Highlights – *David Durden* *15 minutes*

5. Financial *20 minutes*
   A. Report of the Secretary/Treasurer – *David Nardecchia* – ***Action/Vote Likely****
      1. Income Statement
      2. Management Discussion and Analysis
   B. Financial Statement Review by Staff – *Stuart Harbour*
      1. Income Statement and Expense Statement
      2. Balance Sheet
      3. Cash & Short-Term Investments
      4. Cash Flow Statement
      5. Historical Data
   C. Investment Plan Review – *Stuart Harbour* – ***Action/Vote Likely****
   D. 2023 Renewal of Line of Credit – *Stuart Harbour* – ***Action/Vote Likely****
   E. Financial Audit by Calhoun, Thomson + Matza – *Clark Thomson*
      1. Audit Wrap Up Report
      2. Statutory Report – ***Action/Vote Likely****
      3. Internal Control Letter

6. Actuarial – *Jim Murphy* *30 minutes*
   A. Policy Count/Exposures
   B. Reserve Adequacy
   C. Rate Filing Update
   D. 2023 Funding; Reinsurance – *Gallagher Re* – ***Action/Vote Likely****

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

8. Underwriting Operational Update – *Michael Ledwik* *5 minutes*

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

10. TFPA Operations *20 minutes*
    A. IT Systems Enhancements – *Camron Malik*
    B. Legislative Affairs Update – *David Durden*

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

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

13. Future Meetings – *Mark Solomon* *5 minutes*
    - August 7, 2023 – Tremont House – Galveston, TX
    - December 11, 2023 – Omni Hotel – Corpus Christi, TX

14. Committees – *Mark Solomon* *5 minutes*

15. Adjourn

Estimated Total Length of Meeting 2 hours 30 minutes

1. Anti-Trust Statement

TEXAS FAIR PLAN ASSOCIATION

Anti-Trust Statement

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

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

3. Approve the Minutes

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

Moody Gardens Hotel
7 Hope Blvd.
Galveston, TX

February 13, 2023

The Following Governing Committee Members were Present, Representing:

1. Mark Solomon (Chair)	Agent Member
2. Wendy Mueller (Vice Chair)	State Farm
3. David Nardecchia (Secretary/Treasurer)	Public Member
4. Debbie King	AmTrust
5. Frank Baumann	Public Member
6. Georgia Neblett	Public Member
7. Tim McCarthy	Texas Farm Bureau
8. Danny Pringle	USAA
9. Marianne Baker	Ex-Officio Non-Voting Member, TDI
Absent: John Miletti	Travelers
E. Jay Sherlock	Public Member

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. Camron Malik, Chief Information Officer	TFPA
6. JD Lester, VP Human Resources	TFPA
7. Jim Murphy, Chief Actuary	TFPA
8. Michal Ledwik, Acting VP Underwriting	TFPA
9. Amy Koehl, Senior Project Administrator	TFPA
10. Kristina Donley, Senior Instructional Designer	TFPA
11. Mike Perkins, Association Counsel	Perkins Law Group, PLLC

The Following Guests Were Present:

1. Jessica Davidson	TFPA
2. Bruce Zaret	Weaver

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

1. Allen Cashin
2. Angie Cervantes
3. Ebony Cormier
4. Matt Diamond
5. Angela Fang

9. Andy MacLaurin
10. David Muckerheide
11. Brian Ryder
12. Kenisha Schuster
13. Anna Stafford

6. Allen Fulkerson
7. Brian Leventhal
8. Clarisse Lilley
14. Aaron Taylor
15. Joey Walker

1. Call to Order: Chairman Mark Solomon 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 housekeeping information to the attendees.

2. Approval of the Minutes from Prior Governing Committee Meeting: Ms. Neblett moved to approve the minutes from the December 12, 2022 meeting. Ms. Mueller seconded the motion. The motion passed.

3. TFPA Operational Highlights: Mr. Durden reported the Association remains below plan on operating expenses in Q4 2022. Underwriting and claim service levels exceeded turnaround time and quality standards and the Association remains well below plan on litigated claims and complaints in Q4 2022.

   JD Lester has assumed leadership of the strategic communications and enterprise product management functions. Jessica Crass has moved to Vice President of Legal and Compliance and Michael Ledwik has assumed the role of Acting Vice President of Underwriting. The next quarterly meeting will feature an updated scorecard.

4. Financial:
   A. Report of the Secretary/Treasurer: Mr. Nardecchia reviewed the Treasurer's Report. Mr. Nardecchia moved to accept the report. The motion passed.
   B. Financial Statement Review by Staff: Direct written premiums for the year ended December 31, 2022 were $76.9 million, an increase of $1.2 million or 1.6% from the same period in the prior year. Direct written premium was $4.1 million higher than the budgeted $72.8 million. Policies in force on December 31, 2022 totaled 61,452 or 1,061 policies above the budget of 60,391. At year end, 2021 policies in force totaled 66,512.

      Direct premiums earned through December 2022 were $75.4 million or $2.1 million (2.8%) lower than the same period in 2021 and $427,000 higher than the budget of $75.0 million.

      The TFPA 2022-2023 reinsurance program was placed through the broker Arthur J. Gallagher and incepted on July 1, 2022. The new program provides coverage of $335 million in excess of a $30 million initial retention and includes a "second event" cover that reduces the net retention to $10 million. Reinstatement premium protection was also purchased with the program.

      Ceded earned premiums through December 31, 2022 totaled $29.8 million, which was above budget by $1.8 million. Ceded premium is generally written in July of each year and earned throughout the following twelve-month period. Ceded premium written for 2022-2023 was higher than budget by $4.8 million and will reduce net earned premium versus budget as a portion of this ceded amount is earned over the subsequent year.

Net premium earned for the twelve months ended December 31, 2022 was $45.6 million, which was below budget by $1.4 million.

Year to date direct losses and LAE totaled $27.2 million, which was above budget by $567,000. The December YTD loss and LAE ratio of 36.1% was above the budgeted rate of 35.5%.

Year to date operating expense of $11.8 million was under budget by $318,000. Notable expense items under budget include salaries and wages ($298,000), employee benefits ($138,000) and rental and maintenance ($126,000).

Commission expenses and premium taxes year to date were above budget by a combined $523,000 or 5.8% as written premium exceeded the budgeted amount.

December 2022 year to date gross investment income totaled $307,000, which was above the budgeted amount. Investment yields have improved rapidly in recent months as the Federal Reserve raises interest rates to combat the current high levels of inflation.

TFPA's financial results for the twelve months ended December 31, 2022 reflect a net loss of $160,000 versus a budgeted loss of $122,000.

The ending surplus as of December 31, 2022 was $1.45 million, a decrease of $504,000 from the December 31, 2021 surplus of $1.96 million. The decrease in surplus was due primarily to the net loss of $160,000 and an increase in the provision for reinsurance of $371,000.

5. Actuarial:
   A. Reserve Adequacy: TFPA actuarial staff has completed a review of the Texas FAIR Plan Association loss and loss adjustment expense reserves as of December 31, 2022.

   Based on this review, the indicated ultimate cost of Hurricane Harvey is $83.9 million, remaining very close to the previous quarterly review. Due to uncertainties surrounding the adequacy of case reserves and the outcomes of disputed claims, the selected ultimate gross loss and expense estimate has been maintained at $85 million.

   As of December 31, 2022, TFPA carried $15.9 million in total gross loss and loss adjustment expense reserves with $3.2 million of the total gross losses 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.

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.

B. Policy Count/Exposures: Policy counts continue to decline but not at the rate of previous years. Year over year, they are down 7%.

C. Appointment of Actuary and Qualification Documentation: Each year, the TFPA needs to approve an appointed actuary. Mr. Murphy served in this role previously and recommends he be appointed again. Ms. Neblett moved to appoint James Murphy as the appointed actuary for the Texas FAIR Plan Association. Mr. Nardecchia seconded the motion. The motion passed.

D. Rate Filing Update: Mr. Murphy reported the Texas FAIR Plan Association Governing Committee voted at its December 12, 2022 meeting to file for the full actuarial indications for all policy forms, limited to no more than a 10% change in any territory, to be effective August 1, 2023. The filing was made December 22, 2022.

The Texas Department of Insurance is in the process of reviewing the filing and TFPA actuarial staff has answered several questions from the department regarding the filing. By statute, TDI has 60 days to approve or disapprove the filed rates, with an option to extend this period to 90 days at their discretion.

6. Internal Audit:

A. Internal Audit Status Update: Mr. Zaret reported the current internal audit activities include reinsurance, continuity of operation – business operations, HR and payroll, claims and accounts receivable. Upcoming audits include facilities, plan of operation, accounts payable and expense processing and communications.

7. Underwriting:

A. Service Results: Mr. Ledwik reported that underwriting continues to have consistent turnaround time on all policy transactions. The goal is to issue 90% of new business submissions, endorsements, renewals and cancellations within 10 days. This standard is being surpassed with over 99% of transactions processed within 10 days and with approximately 90% of new business via straight through processing.

Quality assurance scores on underwriting decisions continue to meet or exceed established goals. Customer service telephone response time and quality results are within our established goals. Underwriting operated underbudget during the fourth quarter, primarily driven by managing headcount.

B. Agent Audits: A standard sample of agencies were selected for review in the fourth quarter of 2022 to verify compliance with the declination of coverage requirement and TFPA producer requirements and performance standards. Seventy percent of selected agents have now responded. Proof of declination was received for 85% of the policies selected. Signed applications were provided for 85% of the policies selected. Signed eligibility requirement statements were provided for 85% of the policies selected. All agents selected have an active property and casualty insurance license and have the required direct standard market appointments. Staff is following up for outstanding proof of declinations, outstanding signed applications and outstanding signed eligibility statements.

C. Adjustment of Limits of Liability: At the Q4 2021 TFPA Governing Committee meeting, a request was made to have staff make a process change with a corresponding filing to TDI to require MSB or equivalent property value calculations at policy renewals that coincide with the property's requalification for insurance eligibility.

   Staff researched the system work, documentation updates, filing updates, training efforts and stakeholder communications necessary to affect this change. Staff has determined the optimal course of action will be to apply an automatic factor to each requalifying policy at renewal utilizing values currently provided by the Boeckh Index. These factors will be applied by the policy application system and reflected in the renewal offer sent to policyholders.

8. Claims:
   A. Claims Operations: First notice of loss to property inspection averaged 2.8 days. The total cycle time from first notice of loss to payment was 7.5 days and 5.8 days in a CAT situation. Historical claim volume for 2022 was 3,322.
   B. Litigation Summary: Twelve first party and two third party suits were received in the fourth quarter of 2022. Nine first party suits were closed in the fourth quarter. The majority of the suits are held by the Dick Law Firm and Manuel Solis, P.C.

9. TFPA Operations:
   A. IT Systems Enhancements: After the approval by the board and completing due diligence, the cloud agreement was signed with Guidewire. Staff is currently reviewing proposals by the system integrators who will help with the migration to the cloud and expect to sign an agreement in quarter 1. Additionally, staff has started early planning discussions with Guidewire regarding the overall process of migrating to the cloud.

      TFPA systems continue in production support mode with all systems stable. The monthly cadence of releases will continue as will work on features for the business departments.

      The infrastructure and operations team continues to support remote work with excellent quality. All technological efforts are on-track.
   B. Legislative Affairs Update: The 88th Regular Legislative Session began on January 10 and will run through May 27. The senate committees have been appointed but house committees have not. The Association's legislative and external affairs staff is

tracking bills that may impact operations and will continue to include the bill tracker in monthly email updates.

Staff met with Rep. Dennis Paul (Harris County) to discuss his bill (House Bill 998) that would allow the commissioner to designate areas within ten miles of TWIA's coverage area where property owners' associations would be eligible for TFPA coverage.

10. <u>Closed Session</u>: There was no closed session.

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

12. <u>Future Meetings:</u> The next meetings are scheduled to take place on the following dates in the following locations:
    - May 22, 2023 – Marriott South – Austin
    - August 7, 2023 – Tremont House – Galveston
    - December 2023 – TBD

13. <u>Committees:</u> There was nothing to report.

14. <u>Adjourn</u>: There being no further business the meeting adjourned at 3:45 pm.

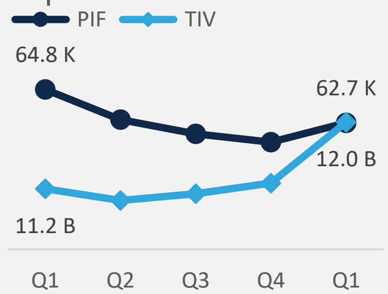
_____________________________	__________________________
Prepared by: Amy Koehl	Approved by: Mark Solomon
Senior Project Administrator	TFPA Chairman

4. TFPA Operational Highlights

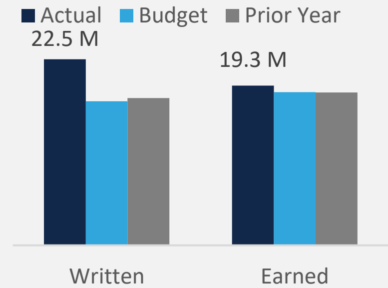
Operational Dashboard

Reporting as of March 31, 2023

Exposure Growth



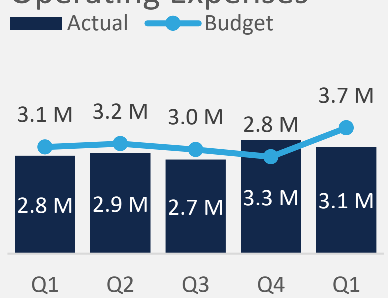
Premiums



Net Income

Actual:	**$ -11.4 M**
Budget:	**$ -0.6 M**
	▼ $ 10.8 M

Operating Expenses



Claims Activity

Reported Claims	**1,558**
Incurred Loss & LAE	**$17.0 M**
Loss Ratio:	**87.6%**

Claims Disputes

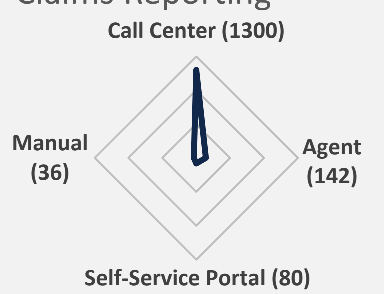
(% of Reported Claims)

TDI Complaints:	**1 (0.1%)**
Disputes:	**4 (0.3%)**
Lawsuits:	**4 (0.3%)**

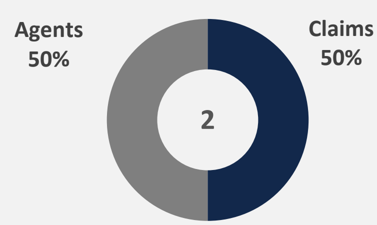
Headcount

Employees:	**222**
Contractors:	**22**
Total:	**244**

Claims Reporting



Complaints by Reason



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

Enterprise Projects

Status Update as of March 31, 2023

		2022				2023				2024			
Enterprise Projects	**Initiative Type**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Financial Planning & Reporting Software	Discretionary Planned												
Chase Digital Bill Pay - TWIA	Required												
Chase Digital Bill Pay - TFPA	Required												
Agent Commission Study	High Priority												
Association Surcharge for GW9	Mandatory												
Facilitated Strategic Planning	Discretionary Planned												
TWIA Leadership Development Program	Discretionary Planned												
TFPA Automatic Adjustment to Limits	High Priority												
Crisis Communication Plan	Discretionary Planned												
Transforming Customer Experience (CX)	Discretionary Planned												
TWIA Website Redesign	Discretionary Planned												
HIVE Program - Program Set Up	Discretionary Unplanned												
Conversational AI - Chatbot for Claims	Discretionary Planned												
Guidewire Cloud Migration (PC9)	Discretionary Planned												

Enterprise Projects

Reporting Definitions

Initiative Types

Mandatory - Driven by Legislature, Regulations, Rules, or Governor or Commissioner Order
Required - Required for continuity of operations or contractual commitments
High Priority - Recommended or required by Board of Directors, Security, or Audit stakeholders
Discretionary Planned - Elective efforts with a degree of advanced planning, e.g., strategic plan
Discretionary Unplanned - Elective efforts without advanced planning

Project Status / Health

Indicator	Definition	Characteristics	Recommended Action
● On Track	A green indicator represents a healthy status (scope, budget, and schedule)	Expenses are within planned budget Project is on schedule Project is appropriately resourced Quality is meeting expectations Stakeholders are satisfied	Monitor data to ensure project is on track
● At Risk	An amber indicator indicates the project is moving, but with risks that may become issues; Management should mitigate, resolve or control them to avoid project failure	Considerable overspending of more than 5% A delay in schedule Lack of resources	Monitor and control them to avoid falling into the red zone If budgetary, conduct cost analysis to remediate or implement project change control process If resource issues, consider prioritization
● Needs Action	A red indicator represents problems that exist and need to be analyzed, requiring evaluation and action to enable project success	Overspending by more than 10% Delay in schedule Quality issues Resource shortage Unsatisfied stakeholders	Management should analyze and find the reasons for the red status; take action to find a resolution

Project health report represents scope and schedule

Sources referenced: PMO Study Circle/Project Management Institute (PMI)

5. Financial
5A. Report of the Secretary/Treasurer
5A1. Income Statement

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

	2023	2022
Direct Premiums Written	$ 22,544	$ 17,848
Premiums Earned:		
Direct Premiums Earned	$ 19,347	$ 18,523
Ceded Reinsurance Premiums	(8,063)	(6,843)
Net Premiums Earned	11,284	11,680
Deductions:		
Direct Losses and LAE Incurred	16,955	6,674
Direct Losses and LAE Incurred - Harvey	-	-
Ceded Losses and LAE Incurred - Harvey	-	-
Operating Expenses	3,098	2,841
Commission Expense	2,445	1,857
Ceding commissions / brokerage	-	-
Premium / Maintenance Tax	414	334
Total Deductions	22,912	11,706
Net Underwriting Gain or (Loss)	(11,628)	(26)
Other Income or (Expense):		
Investment Income	221	2
Investment Expenses (Line of Credit Commitment Fee)	(23)	(23)
Charge off's /Write off	(83)	(71)
Billing Fees	124	118
Total Other Income or (Expense)	241	26
Net Income (Loss)	$ (11,387)	$ (1)
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	1,183	1,955
Net Income (Loss)	(11,387)	(1)
Change in Provision for Reinsurance	500	21
Change in nonadmitted assets	(643)	(702)
Other	-	-
Ending Surplus (Deficit)	$ (10,347)	$ 1,274

5A2. Management Discussion and Analysis

Texas FAIR Plan Association
Management's Discussion and Analysis of Financial Results for the Three Months Ended March 31, 2023

Direct Written Premium:

- Direct written premiums for the three months ended March 31, 2023 were $22.5 million, an increase of $4.7 million or 26.3% from the $17.8 million for the same period in the prior year. Direct Written Premium was $5.1 million higher than the budgeted $17.5 million. The growth in premium and policies for the first quarter can be partially attributed to policyholders that migrated to FAIR Plan from insolvent insurer UPC and to a reduction in coverage offered by carriers operating in the private market.
- Policies in force totaled 62,671 or 3,900 policies above the budget of 58,771. At year end 2022 policies in force totaled 61,452.

Direct Premiums Earned:

- Direct premiums earned through March 2023 were $19.3 million or $824,000 (4.4%) higher than the same period in 2022, and $784,000 higher than the budget of $18.6 million.

Reinsurance Costs:

- The TFPA 2022-2023 reinsurance program was placed through our broker Arthur J. Gallagher and incepted on July 1, 2022. The program provides coverage of $335 million in excess of a $30 million initial retention and includes a "second event" cover that reduces the net retention to $10 million. Reinstatement premium protection was also purchased with the program. Ceded premiums are earned on a pro-rata basis over the term of the reinsurance coverage.

Net Premiums Earned

- Net premium earned year-to-date was $11.3 million which was slightly higher than the budgeted amount of $10.7 million.

Loss and Loss Adjustment Expense Incurred:

- Year-to-date Direct losses and LAE totaled $17.0 million which was over budget by $11.4 million. The higher than anticipated losses and LAE were due primarily to the damage caused by the tornados and storms that struck the Houston area in late January.
- The March loss & LAE ratio of 87.6% was above the budgeted rate of 29.8%.

Operating Expenses:

- March year-to-date operating expense of $3.1 million was under budget by $554,000.
- Notable expense items under budget include Contractor & Temporary Help ($192,000), Recruiting ($51,000), Information Technology Consulting fees ($166,000), and Software ($118,000).

Commissions and Premium Taxes:

- Commission expense and premium taxes year-to-date were above budget by a combined $707,000 or 32.8% due to higher than budgeted written premium.

Other Income (Expense):

- March YTD 2023 gross investment income was $221,000 which was above the budgeted amount of $46,000. The higher interest rates continue to produce better than budgeted investment income.

Net Loss:

- TFPA's financial results for the quarter ended March 2023 reflect a net loss of $11.4 million compared to the budgeted loss of $583,000.

Deficit:

- The ending deficit as of March 31, 2023 was $10.3 million, or $11.5 million below the surplus at December 31, 2022 of $1.2 million.
- Surplus was also reduced by $643,000 in March 2023 due to an increase in non-admitted assets related to prepayments.

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5B. Financial Statement Review by Staff

5B1. Income Statement & Expense Statement

5B2. Balance Sheet

5B3. Cash & Short-Term Investments

5B4. Cash Flow Statement

5B5. Historical Data

1 **TEXAS FAIR PLAN ASSOCIATION** 1

2 **Statutory Income Statement (000's omitted)** 2

3 **for the three months ended March 31,** 3

4						4
5		**Actuals - 2023**	**Budget - 2023**	**Variance - 2023**	**Actuals - 2022**	5
6						6
7	**Premiums Written:**					7
8	Direct	$ 22,544	$ 17,459	$ 5,085	$ 17,848	8
9	Ceded	-	-	-	-	9
10	Net	22,544	17,459	5,085	17,848	10
11						11
12	**Premiums Earned:**					12
13	Direct	$ 19,347	$ 18,563	$ 784	$ 18,523	13
14	Ceded	(8,063)	(7,843)	(220)	(6,843)	14
15	Net	11,284	10,720	564	11,680	15
16						16
17	**Deductions:**					17
18	Direct Losses and LAE Incurred	16,955	5,532	11,424	6,674	18
19	Direct Losses and LAE Incurred - Harvey	-	-	-	-	19
20	Ceded Losses and LAE Incurred - Harvey	-	-	-	-	20
21	Operating Expenses	3,098	3,652	(554)	2,841	21
22	Commission Expense	2,445	1,828	617	1,857	22
23	Ceding commissions / brokerage	-	-	-	-	23
24	Premium / Maintenance Tax	414	324	90	334	24
25	Total Deductions	22,912	11,336	11,576	11,706	25
26						26
27	**Net Underwriting Gain or (Loss)**	(11,628)	(616)	(11,012)	(26)	27
28						28
29	**Other Income or (Expense):**					29
30	Investment Income	221	46	176	2	30
31	Investment Expenses (Line of Credit Commitment Fee)	(23)	(23)	-	(23)	31
35	Charge offs /Write offs	(83)	(78)	(5)	(71)	35
36	Billing Fees	124	88	36	118	36
37	Total Other Income or (Expense)	241	33	208	26	37
38						38
39	**Net Income (Loss)**	$ (11,387)	$ (583)	$ (10,804)	$ (1)	39
40						40
41	**Surplus (Deficit) Account:**					41
42	Beginning Surplus (Deficit)	1,183	1,183	-	1,955	42
43	Net Income (Loss)	(11,387)	(583)	(10,804)	(1)	43
44	Change in Provision for Reinsurance	500	-	500	21	44
45	Change in nonadmitted assets	(643)	(736)	93	(702)	45
46	Other	-	-	-	-	46
47	Ending Surplus (Deficit)	$ (10,347)	$ (136)	$ (10,211)	$ 1,274	47
48						48
49	**Key Operating Ratios:**					49
50	Direct:					50
51	Loss & LAE Ratio:					51
52	Non Hurricane	87.6%	29.8%	57.8%	36.0%	52
53	Hurricane Harvey	0.0%	0.0%	0.0%	0.0%	53
54	Loss & LAE Ratio	87.6%	29.8%	57.8%	36.0%	54
55	UW Expense Ratio:					55
56	Acquisition	12.7%	12.3%	0.4%	12.3%	56
57	Non Acquisition	16.0%	19.7%	(3.7%)	15.3%	57
58	UW Expense Ratio	28.7%	32.0%	(3.3%)	27.6%	58
59						59
60	Combined Ratio	116.3%	61.8%	54.5%	63.6%	60
61						61

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

Description	Actuals - 2023	Budget - 2023	Variance - 2023	Actuals - 2022
Personnel Expenses				
Salaries & Wages - Permanent	$ 1,773	$ 1,777	$ (4)	$ 1,421
Contractor & Temporary Help	294	328	(34)	316
Payroll Taxes	147	147	(1)	108
Employee Benefits	563	538	25	552
Recruiting, Training & Other	7	56	(49)	1
Subtotal	2,784	2,847	(63)	2,397
Professional & Consulting Services				
Legal	25	40	(14)	27
Accounting & Auditing	37	35	2	38
Information Technology	25	195	(170)	42
Actuarial Services	24	24	-	-
Surveys & Inspections	131	100	31	83
Disaster Recovery Services	4	-	4	9
Other Services (1)	332	348	(16)	324
Subtotal	579	742	(163)	523
Hardware/Software Purchases & Licensing	369	546	(178)	471
Rental & Maintenance - Office/Equipment	136	145	(8)	173
Travel Expenses	40	39	1	18
Postage, Telephone and Express	89	113	(24)	90
Capital Management Expenses	23	23	-	23
Other Operating Expenses	97	163	(65)	113
Total Operating Expenses	**$ 4,118**	**$ 4,617**	**$ (500)**	**$ 3,808**
Capitalization of Fixed Assets	0	0	0	0
Allocation To ULAE	(997)	(943)	(54)	(944)
Allocation To Investing & Other Expense	(23)	(23)	-	(23)
Net Operating Expense - UW Operations	**$ 3,098**	**$ 3,652**	**$ (554)**	**$ 2,841**

(1) Summary Details for Other Services:

VENDOR	Amount	Department
Clear Point Claims LLC	92	UNDERWRITING - TFPA
Marshall & Swift/Boeckh	64	UNDERWRITING - TFPA
Insurance Services Office Inc	27	CLAIMS
Insurance Services Office Inc	21	UNDERWRITING - TFPA
Xactware Solutions Inc	30	CLAIMS
EagleView Technologies Inc	23	CLAIMS
* Other Vendors less than $20K	74	VARIOUS DEPARTMENTS
Total Other Services	**332**	

1	**TEXAS FAIR PLAN ASSOCIATION**			1
2	**Statutory Balance Sheet (000's omitted)**			2
3				3
4				4
5		**March-23**	**December-22**	5
6	**Admitted Assets**			6
7	Cash and short term investments	$ 44,670	$ 50,619	7
8	Premiums receivable	7,843	6,661	8
10	Amounts recoverable from reinsurers	132	303	10
11	Other assets	72	58	11
12	**Total admitted assets**	**$ 52,717**	**$ 57,641**	12
13				13
14	**Liabilities, Surplus and other funds**			14
15	**Liabilities:**			15
16	Loss and Loss adjustment expenses	$ 15,142	$ 12,858	16
17	Underwriting expenses payable	2,365	2,351	17
18	Unearned premiums, net of ceded unearned premiums	33,932	22,672	18
19	Ceded reinsurance premiums payable	6,482	14,325	19
22	Provision for reinsurance	500	1,000	22
23	Other payables	4,644	3,252	23
24	**Total liabilities**	**63,065**	**56,458**	24
25				25
26	**Surplus and others funds**			26
27	Unassigned Surplus (Deficit)	(10,347)	1,183	27
28	**Total liabilities, surplus and other funds**	**$ 52,717**	**$ 57,641**	28
29				29

TEXAS FAIR PLAN ASSOCIATION
Cash and Short Term Investments ($ in 000's)
March 31, 2023

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Annual Average Yield	Total Deposit % of TFPA's Portfolio	N.A. Bank Credit Rating	N.A. Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital?
							< 40%	**Superior or Strong**	**> 10%**	**> $25B**	**> .2% of N.A. Reg Capital**
Balances as of 3/31/2023:											
Bank of America	$ 4,437	$ -	$ 4,437				10%	Superior	13.5%	$181	No
Citibank	208	9,303	9,511	9,289	40	1.72%	21%	Superior	14.1%	$152	No
JPMorgan Chase	11,997	-	11,997				27%	Superior	16.9%	$270	No
JP Morgan U.S. Treasury Plus Money Market Fund (1)	-	10,725	10,725	14,081	150	4.27%	24%	N/A	N/A	N/A	N/A
JP Morgan Goldman Sachs (1)	-	8,000	8,000	2,756	31	4.46%	18%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 16,643**	**$ 28,028**	**$ 44,670**	**$ 26,126**	**$ 221**	**3.39%**	**100%**				
Balances as of 12/31/2022:											
Bank of America	$ 7,291	$ -	$ 7,291				14%	Superior	13.5%	$185	No
Citibank	208	9,263	9,471	9,249	41	1.76%	19%	Superior	14.3%	$150	No
JPMorgan Chase	16,300	-	16,300				32%	Superior	16.4%	$264	No
JP Morgan U.S. Treasury Plus Money Market Fund (1)	-	17,557	17,557	19,719	164	3.33%	35%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 23,799**	**$ 26,820**	**$ 50,619**	**$ 28,969**	**$ 205**	**2.83%**	**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, 2022. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

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

	Actuals - 2023	Budget - 2023	Variance - 2023
Cash flows from operating activities:			
Premiums collected, net of reinsurance	$ 14,592	$ 7,947	$ 6,645
Losses and loss adjustment expense paid	(14,501)	(6,865)	(7,636)
Underwriting expenses paid	(6,256)	(5,795)	(462)
Member assessment	-	-	-
Other	32	10	22
Net cash provided by operating activities	(6,134)	(4,702)	(1,431)
Cash flows from nonoperating activities:			
Other	-	-	-
Net cash provided by nonoperating activities	-	-	-
Cash flows from investing activities:			
Net investment income	185	23	162
Net cash provided by investing activities	185	23	162
Cash flows from financing activities:			
Borrowed funds	-	-	-
Borrowed funds repaid	-	-	-
Net cash provided by financing activities	-	-	-
Net increase (decrease) in cash and short-term investments	(5,949)	(4,679)	(1,269)
Cash and short-term investments, Beginning	50,619	50,619	-
Cash and short-term investments, Ending	$ 44,670	$ 45,940	$ (1,269)

TEXAS FAIR PLAN ASSOCIATION
HISTORICAL DATA
2003 - 2023
($ with 000's omitted)

	GROSS					NET					
YEAR	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	MEMBER ASSESSMENTS	SURPLUS OR (DEFICIT) END OF PERIOD
2003	$ 18,272,542	100,223		$ 82,004	$ 19,580	$ 31,287	$ 19,580	$ 26,618	$ (14,911)		$ (15,948)
2004	22,904,408	134,350		100,666	37,184	85,238	37,184	28,470	19,584		(1,821)
2005	14,165,560	88,512		60,969	31,262	77,389	31,262	18,588	27,539		31,563
2006	13,321,087	81,129		59,873	22,545	45,867	22,545	17,304	6,017		40,063
2007	15,556,965	91,847	3.9%	73,058	24,578	52,955	24,578	19,362	9,015		52,081
2008	14,060,852	84,438		64,488	239,886	48,364	82,774	18,797	(53,208)		209
2009	11,706,721	72,989	10.7%	60,255	32,961	28,136	6,659	18,811	2,666		(9,753)
2010	14,246,999	85,984	5.0%	73,924	86,187	40,905	34,601	17,019	(10,715)		(17,449)
2011	15,979,040	96,710		83,066	78,009	47,063	53,009	15,897	(21,843)		(33,860)
2012	17,966,799	108,637	14.6%	102,383	28,453	56,880	28,453	20,346	8,081		(25,722)
2013	20,594,317	124,222	16.7% (a)	122,683	39,438	75,343	39,438	22,610	13,295		(13,422)
2014	21,944,280	131,376		133,206	45,070	89,405	45,070	24,058	20,277		5,978
2015	22,154,205	132,734		132,879	68,593	90,952	68,593	24,675	(2,316)		4,977
2016	19,883,769	121,413	8.0% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5.0% (c)	112,316	128,666	76,837	84,864	29,739	(37,766)		(54,941)
2018	15,223,344	95,637	8.1% (d)	95,882	26,733	69,239	26,733	29,527	12,979	54,941	15,088
2019	12,299,224	80,923		85,327	38,241	59,625	38,241	25,310	(3,926)		12,133
2020	12,618,291	73,713	9.6% (e)	79,477	36,620	53,092	36,620	22,398	(5,926)		6,006
2021	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	12,040,374	62,671		22,544	16,955	11,284	16,955	5,957	(11,628)		(10,347)
TOTAL				**$ 1,820,015**	**$ 1,140,185**	**$ 1,219,297**	**$ 836,384**	**$ 449,988**	**$ (67,075)**	**$ 54,941**	

(a) Effective July 1, 2013
(b) Effective April 1, 2016
(c) Effective June 1, 2017
(d) Effective October 1, 2018 and November 1, 2018 for new business and renewal business, respectively.
(e) Effective August 1, 2020
(f) Effective August 1, 2021
(g) Effective August 1, 2022
*2023 data through 3/31/2023

5C. Investment Review Plan

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: April 26, 2023

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: **TFPA Investment Plan Review**

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

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

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

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

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

Currently, we are not recommending any changes to the investment plan. However, we will be seeking a resolution at the May 22, 2023 Governing Committee meeting regarding Governing Committee review of the adequacy of the current investment plan, copy attached, and Governing Committee review of the implementation of the plan. Suggested wording of such resolution is as follows:

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TEXAS FAIR PLAN ASSOCIATION

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 this matter.

Evaluation of Counterparty Relationships as of 12/31/2022						
	Moody's	**S&P**			($ in Billions)	($ in Billions)
Financial Institution	**N.A. Bank Credit Rating**		**N.A. Bank Credit Rating (as of 12/31/22)**	**N.A. Tier 1 Capital Ratio (as of 12/31/22)**	**N.A. Regulatory Capital (as of 12/31/22)**	**Holding Company Level Market Capitalization**
JPMorgan Chase, N.A.	P-1	A-1	Superior	16.9%	$270	$393
Bank of America, N.A.	P-1	A-1	Superior	13.1%	$181	$266
Citibank, N.A.	P-1	A-1	Superior	15.1%	$152	$88

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TEXAS FAIR PLAN ASSOCIATION

Investment Plan

I. Overview

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

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

II. Investment Objectives

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

III. Permissible Asset Types

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

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

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

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

4. Other investments approved by the governing committee.

IV. Diversification and Evaluation of counterparty relationships:

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

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

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

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

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

V. Monitoring, Evaluation and Compliance

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

Appendix A to Statement of Investment Objectives and Guidelines

I. Definitions related to the guidelines

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

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

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

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

Formula = stock price X total number of shares outstanding

II. Permissible Assets:

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

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

5D. 2023 Renewal of Line of Credit

MEMORANDUM

DATE: April 26, 2023

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: **TFPA Line of Credit**

As we approach completion of the 2022 – 2023 reinsurance program, it is time to renew the TFPA line of credit which was used successfully after Hurricane Harvey and expires at the end of this June.

Staff proposes to maintain the credit line at $30 million to coincide with the retention of our reinsurance agreements. The purpose for maintaining the line of credit is to ensure cash is readily available to pay claims pending collection of reinsurance and/or a member assessment below the reinsurance retention, if needed. The line of credit would serve as a liquidity bridge to our permanent funding.

The proposed pricing for the 2022 - 2023 line of credit commitment fee is 30 basis points per annum on the unused portion of the revolving credit line which is consistent with the pricing achieved for the prior line of credit which was a two-year agreement. Therefore, the commitment fee would remain at $90,000 per year ($7,500 per month). There is no up-front fee to establish this line of credit with JPMorgan/Chase.

In order to obtain and retain this favorable pricing on the commitment fee, it is also recommended that TFPA obtain a two-year contract term as used in this past agreement.

I have attached additional exhibits for this item as follows:

1. A copy of the Term sheet for the proposed renewed line of credit
2. Line of credit proposed resolutions for consideration of adoption by the Governing Committee.

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

Stuart

PO Box 99080, Austin, TX 78709-9080 | 1-800-979-6440 | texasfairplan.org

May 2, 2023

Mr. Stuart Harbour
Chief Financial Officer
Texas FAIR Plan Association
4801 Southwest Parkway
Building 1, Suite 200
Austin, TX 78735

Dear Stuart,

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

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

Summary of Indicative Terms and Conditions

BORROWER:	Texas FAIR Plan Association
LENDER:	JPMorgan Chase Bank, N.A.
FACILITY:	$30,000,000 Revolving Line of Credit
PURPOSE:	To ensure adequate liquidity to pay claims in the event of a natural disaster from windstorm or hailstorm.
MATURITY DATE:	June 30, 2025
COLLATERAL:	Security interest in the proceeds of the assessment and reinsurance payments and insurance premiums.
REPAYMENT:	Interest only until maturity; interest would be payable monthly. Principal and all accrued and unpaid interest would be due in full at maturity.
RATE, FEES AND EXPENSES:	As set forth in attached Addendum I.

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

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

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

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

EVENTS OF DEFAULT: Usual and customary for transactions of this type.

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

I appreciate your providing JPMorgan Chase Bank with the opportunity to discuss your credit needs. I look forward to hearing your comments on the above and arriving at a final structure that is beneficial for both Texas FAIR Plan Association and JPMorgan Chase Bank. If you have any questions about the Term Sheet, please call me at 214-965-3359.

Sincerely,

Beth Dotson
Executive Director

CHASE

ADDENDUM I
PRICING, FEES AND EXPENSES

UPFRONT FEE: None

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

VARIABLE INTEREST RATE: The Facility would accrue interest at a variable rate per annum equal to Adjusted Term SOFR* plus the Applicable Margin.

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

Applicable Margin on Drawn Loan (over Adjusted Term SOFR)	Commitment Fee
120bp	30bps

*The Facility is callable at par on the first Business Day of each month (each a "Term SOFR Contract Renewal Date").

[1]"Adjusted Term SOFR" means an interest rate per annum equal to the sum of (a) the one (1) month Term SOFR[2] rate in effect and (b) the SOFR Adjustment[3].

[2]"Term SOFR" means the forward-looking SOFR rate administered by the relevant governmental body (or other administrator selected by the Bank) and published by a commercially available source providing such quotations as may be selected by the Bank relating to quotations for one (1) month, using a 2-day lookback period.

At any time Term SOFR is less than 0.00%, Term SOFR shall be deemed to be 0.00% for purposes of calculating the variable interest rate.

[3]"SOFR Adjustment" means 0.10% per annum.

Note: Drawn Loan rate is Adjusted Term SOFR, plus the Applicable Margin. The current one-month Term SOFR indicative rate as of May 2, 2023 is 5.04594%.

SECRETARY'S CERTIFICATE

I, the undersigned, do hereby certify that I am the duly elected and acting Secretary of TEXAS FAIR PLAN ASSOCIATION (the "Association"), a non-profit association established pursuant to Chapter 2211 of the Texas Insurance Code to develop and administer a program to provide residential property insurance in designated underserved areas in Texas (the "Authorizing Statute"); that, at a meeting of the Board of Directors of the Association held in Austin, Texas on May 22, 2023, the following resolutions were duly adopted; that said resolutions have been recorded in the minute books of the Association kept by me, are in accord with and pursuant to the Authorizing Statute and the Plan of Operation of the Association, have not been amended, modified, superseded or revoked, and are now in full force and effect, to-wit:

> RESOLVED: That in order to provide Texas FAIR Plan Association (the "Association") with liquidity to facilitate payment by the Association of claims to its policyholders, the Association may further renew and extend until June 30, 2025 the maturity of its existing revolving line of credit with JPMorgan Chase Bank, N.A. (the "Lender"), in the principal amount of $30,000,000 (the "Credit Facility"), in accordance with and pursuant to the terms of the May 2, 2023 Term Sheet from the Lender in the form attached as Exhibit A hereto (the "Term Sheet");
>
> RESOLVED, FURTHER: That in order to evidence such renewal and extension of the Credit Facility, the Association is hereby authorized to enter into and execute and deliver to the Lender (a) a Fourth Amendment of Second Amended and Restated Loan Agreement (the "Fourth Amendment"), whereby the existing loan agreement for the Credit Facility is further amended in a manner consistent with the terms set forth in the Term Sheet and (b) the related renewal and replacement Promissory Note in the original principal amount of $30,000,000 contemplated under the terms of the Fourth Amendment (the "Replacement Note");
>
> RESOLVED, FURTHER: That the General Manager of the Association be, and is, authorized and directed for and on behalf, and as the act and deed, of the Association to negotiate the specific terms of, and to execute and deliver to Lender, the Fourth Amendment, the Replacement Note and such other instruments as Lender may reasonably require in its discretion in connection with the above-described renewal and extension of the Credit Facility and to take such other action in the consummation and/or administration of the renewal and extension of the Credit Facility herein contemplated as the officer acting shall deem to be necessary or desirable, and any and all acts heretofore taken by the above-described officer to such end are hereby expressly ratified and confirmed as the acts and deeds of the Association;

RESOLVED, FURTHER: That the General Manager of the Association be, and is, authorized and directed for and on behalf, and as the act and deed, of the Association and without further authorization of the Board of Directors of the Association, to negotiate and agree to on terms acceptable to the General Manager any and all further renewals, extensions, modifications and/or amendments, but not any additional increases, to the Credit Facility, and to execute and deliver to the Lender such documents as the Lender shall require to evidence any such renewal, extension, modification or amendment, but not any additional increase, and to take such other action in the consummation of the transactions therein contemplated as the officer acting shall deem to be necessary or desirable; and

RESOLVED, FURTHER: That any and all documents, agreements, certificates, opinions, letters, financing statements, consents, schedules and other instruments and writings executed and delivered on behalf of the Association in connection with the foregoing resolutions by the above-named representative of the Association shall be deemed to be the act of the Association and shall be in all respects binding against the Association.

The following named individuals are duly elected and qualified officers of the Association and hold the offices set forth opposite their names, and the signatures set opposite their names are their genuine signatures:

Name	Title	Signature
David Durden	General Manager	______________________
David Nardecchia	Secretary	______________________

I further certify that the Plan of Operation of the Association previously furnished to the Lender by the Association in connection with the origination of the Credit Facility has not been amended or modified and remains in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name by order of the Board of Directors thereof effective as of May 22, 2023.

____

David Nardecchia, Secretary of Texas
FAIR Plan Association

I do hereby certify that I am the duly elected and acting Duly Appointed General Manager of Texas FAIR Plan Association and that David Nardecchia is the duly elected and acting Secretary of Texas FAIR Plan Association.

____

David Durden, General
Manager of Texas FAIR Plan Association

ATTACHMENTS:

EXHIBIT A –Form of May 2, 2023 Term Sheet

EXHIBIT A

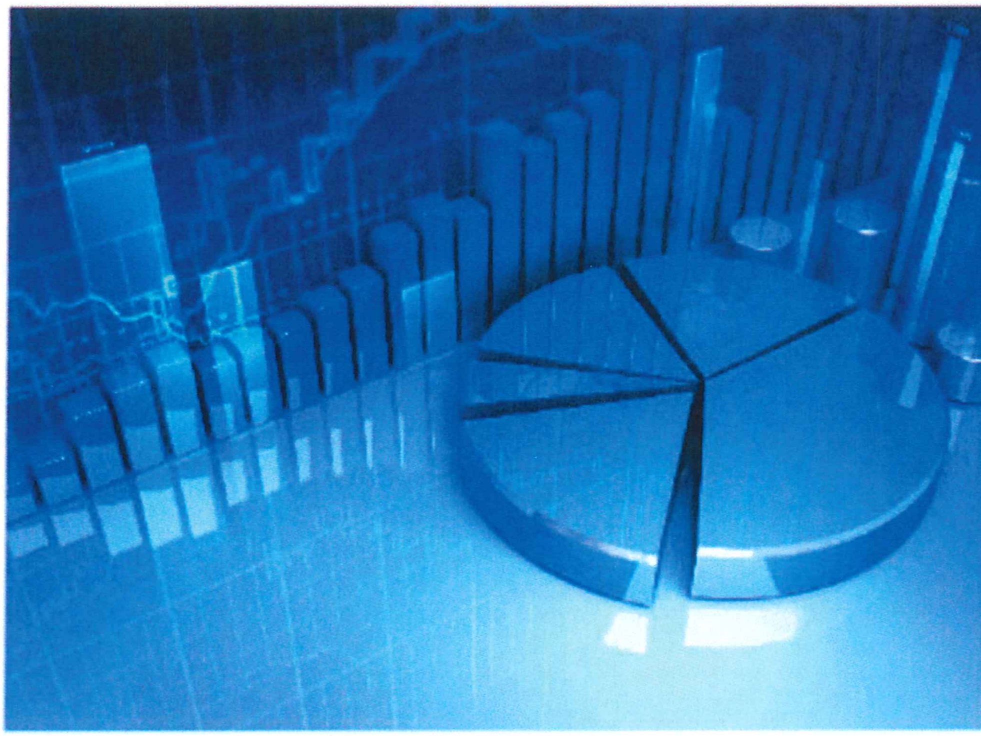
(See attached May 2, 2023 Term Sheet from Lender)

5E. Financial Audit by Calhoun, Thomson + Matza

5E1. Audit Wrap Up Report

Texas FAIR Plan Association

December 31, 2022



Audit Wrap Up

Calhoun, Thomson+Matza, LLP
Certified Public Accountants

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

Calhoun, Thomson + Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

April 27, 2023

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 11, 2022, 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, 2022, 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

	Page
Status of Our Audit	1
Results of Our Audit	2
Internal Control Over Financial Reporting	3
Required Communications	4-5
Independence Communication	6

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, 2022. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the statutory financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the statutory financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our engagement letter.
- We issued an unmodified opinion on the statutory financial statements on April 27, 2023.
- 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 2022.

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 2022.

Corrected and Uncorrected Misstatements

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

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

Internal Control Over Financial Reporting

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

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

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

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

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

Required Communications

Matters Required To Be Reported to Those Charged with Governance

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

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

Required Communications

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

Independence Communication

Our engagement letter to you dated July 11, 2022 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.

5E2. Statutory Report

Texas FAIR Plan Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2022 and 2021

Calhoun, Thomson+Matza, LLP
Certified Public Accountants

Texas FAIR Plan Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2022 and 2021

Contents

Accountants' letter of qualifications	3-4
Independent auditors' report	5-7
Statutory financial statements	
Statutory statements of admitted assets, liabilities, surplus and other funds	8
Statutory statements of income	9
Statutory statements of changes in surplus and other funds	10
Statutory statements of cash flows	11
Summary of significant accounting policies	12-15
Notes to statutory financial statements	16-24
Supplemental information	
Summary investment schedule	25-26
Supplemental investment risk interrogatories	27
Reinsurance interrogatories	28-29

ctm Calhoun, Thomson+Matza LLP
Certified Public Accountants

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Accountants' Letter of Qualifications

Governing Committee
Texas FAIR Plan Association
Austin, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory financial statements of Texas FAIR Plan Association (the "Association") for the years ended December 31, 2022 and 2021, and have issued our report thereon dated April 27, 2023. In connection therewith, we advise you as follows:

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

b. The engagement director, who is a certified public accountant, has 18 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 2022, but not longer than seven years. After notification to the Association, we will make the workpapers available for review by the Texas Department of Insurance at the offices of the insurer, at our offices, at the Insurance Department or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Texas Department of Insurance, photocopies of pertinent audit working papers may be made (under the control of the accountant) and such copies may be retained by the Texas Department of Insurance.

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

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

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

Calhoun, Thomson & Matza, LLP

April 27, 2023

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

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, 2022 and 2021, 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, 2022 and 2021, 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, 2022, the Association had approximately $11 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, 2022, ultimate loss projections for Hurricane Harvey are estimated to be $85 million by the Association's appointed actuary.

Responsibilities of Management for the 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 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, 2022, 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.

Calhoun, Thomson & Matza, LLP

April 27, 2023

Texas FAIR Plan Association

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

December 31,		**2022**		2021
Admitted Assets				
Cash and cash equivalents	$	**50,619**	$	49,114
Investment income due and accrued		**58**		-
Uncollected premiums and agents' balances in the course of collection		**1,437**		1,354
Deferred premiums, agents' balances and installments booked but deferred		**5,224**		4,915
Amounts recoverable from reinsurers		**303**		1,715
Total admitted assets	$	**57,641**	$	57,098
Liabilities, Surplus and Other Funds				
Liabilities				
Loss and loss adjustment expenses	$	**12,858**	$	12,932
Underwriting expenses payable		**2,351**		1,854
Unearned premiums, net of ceded unearned premiums		**22,672**		23,662
Ceded reinsurance premiums payable, net of ceding commissions		**14,325**		12,859
Provision for reinsurance		**1,000**		484
Other liabilities		**3,252**		3,352
Total liabilities		**56,458**		55,143
Commitments and contingencies (Notes 6, 7 and 8)				
Surplus and other funds				
Unassigned surplus		**1,183**		1,955
Total liabilities and surplus and other funds	$	**57,641**	$	57,098

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

Statutory Statements of Income
(In Thousands)

Years ended December 31,		**2022**		2021
Underwriting income:				
Premiums earned	$	**75,432**	$	77,565
Premiums ceded		**(29,812)**		(28,151)
Net premiums earned		**45,620**		49,414
Deductions:				
Losses and loss expenses incurred		**27,229**		34,070
Other underwriting expenses incurred		**19,073**		19,142
Total underwriting deductions		**46,302**		53,212
Net underwriting loss		**(682)**		(3,798)
Investment income:				
Net investment income (loss)		**216**		(161)
Other income:				
Other income (loss)		**183**		(7)
Total other income (loss)		**183**		(7)
Net loss	$	**(283)**	$	(3,966)

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

Texas FAIR Plan Association

Statutory Statements of Changes in Surplus and Other Funds
(In Thousands)

		Unassigned Surplus
Balance, January 1, 2021	$	6,006
Net loss		(3,966)
Change in nonadmitted assets		66
Change in provision for reinsurance		(151)
Balance, December 31, 2021		1,955
Net loss		(283)
Change in nonadmitted assets		27
Change in provision for reinsurance		(516)
Balance, December 31, 2022	$	1,183

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

Texas FAIR Plan Association

Statutory Statements of Cash Flows
(In Thousands)

Years ended December 31,		**2022**		2021
Cash from operations:				
Premiums collected, net of reinsurance	$	**45,427**	$	47,611
Net investment income (loss)		**157**		(179)
Miscellaneous income (loss)		**183**		(7)
Benefit and loss related payments		**(18,108)**		(27,056)
Commissions, expenses paid and aggregate write-ins for deductions		**(26,255)**		(28,977)
Net cash from operations		**1,404**		(8,608)
Cash from financing and miscellaneous sources:				
Other cash provided		**101**		5
Net cash from financing and miscellaneous sources		**101**		5
Net change in cash and cash equivalents		**1,505**		(8,603)
Cash and cash equivalents, beginning of year		**49,114**		57,717
Cash and cash equivalents, end of year	$	**50,619**	$	49,114

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

(In Thousands)

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

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

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

Years ended December 31,		**2022**		2021
Net loss, Texas basis	$	**(283)**	$	(3,966)
Effect of Texas prescribed practices		-		-
Effect of Texas permitted practices		-		-
Net loss, NAIC SAP basis	$	**(283)**	$	(3,966)

December 31,		**2022**		2021
Statutory surplus, Texas basis	$	**1,183**	$	1,955
Effect of Texas prescribed practices		-		-
Effect of Texas permitted practices		-		-
Policyholders' surplus, NAIC SAP basis	$	**1,183**	$	1,955

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

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

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

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

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

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

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

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

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

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

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

Salvage and subrogation recoverables are not recognized until received.

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

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

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

Cash: The carrying values approximate fair value.

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

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

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

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

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

(In Thousands)

1. Electronic Data Processing Equipment and Software

Electronic data processing equipment and software consists of the following:

December 31,		**2022**		2021
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, 2022 and 2021.

2. **Reinsurance**

During 2022 and 2021, 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, 2022, 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 $120,000 in excess of $30,000 of each and every loss occurrence. The second layer provides 100% participation of $215,000 in excess of $150,000 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 $20,000 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, 2023.

During 2022, the Association has Reinstatement Premium Protection reinsurance coverage with a limit of $28,000 to provide recoveries of reinstatement premium in conjunction with the first two layers of reinsurance coverage.

Effective July 1, 2021, the excess of loss reinsurance agreement provided the Association with two layers of coverage and one underlying layer. The first layer provided 100% participation of $130,000 in excess of $30,000 of each and every loss occurrence. The second layer provided 100% participation of $230,000 in excess of $160,000 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 $20,000 excess $10,000 layer was an underlying layer that would not respond until the second event. The agreement covered losses incurred on all in-force, new and renewal policies. Any additional liability would be funded by member assessments in the event that available funds are not sufficient to meet the obligations of the Association. This agreement expired on June 30, 2022.

During 2021, the Association had Reinstatement Premium Protection reinsurance coverage with a limit of $24,100 to provide recoveries of reinstatement premium in conjunction with the first two layers of reinsurance coverage.

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

(In Thousands)

The Association has unsecured reinsurance recoverables which exceed 3% of the Association's surplus with the following reinsurers as of December 31, 2022 and 2021:

Name of reinsurer		2022		2021
Arch Reinsurance Ltd.	$	72	$	-
Aspen Bermuda Ltd.		128		152
Chubb Tempest Reinsurance Ltd.		331		60
DaVinci Reinsurance		157		167
Endurance Specialty Ins Ltd.		167		301
Everest Reinsurance Company		418		532
Fidelis Insurance Bermuda Limited		183		-
Hannover Rück SE		102		118
IQW Syndicate		60		-
Leadenhall Capital Partners		61		-
Lloyd's Underwriter Syndicate No. 0033 HIS		135		194
Lloyd's Underwriter Syndicate No. 1183 TAL		71		85
Lloyd's Underwriter Syndicate No. 1458 RNR		67		137
Lloyd's Underwriter Syndicate No. 1910 ARE		312		411
Lloyd's Underwriter Syndicate No. 2001 AML		241		429
Lloyd's Underwriter Syndicate No. 2010 MMX		38		-
Lloyd's Underwriter Syndicate No. 2623 AFB		56		76
Lloyd's Underwriter Syndicate No. 2791 MAP		47		-
Lloyd's Underwriter Syndicate No. 4020 ARK		76		121
Markel Bermuda Limited		61		115
Munich Reinsurance America, Inc.		57		-
Odyssey Reinsurance Company		60		66
Partner Reinsurance Company Ltd.		171		270
Renaissance Reinsurance Ltd.		187		251
SCOR Reinsurance Company		67		-
The Cincinnati Insurance Company		99		119
Transatlantic Reinsurance Company		149		227
Validus Reinsurance, Ltd.		262		339
XL Bermuda Ltd.		96		101
Total	$	3,931	$	4,271

The effect of reinsurance on premiums written and earned for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Written	Earned	Written	Earned
Direct	$ 76,881	$ 75,432	$ 75,648	$ 77,565
Ceded	(32,250)	(29,812)	(27,374)	(28,151)
Net	$ 44,631	$ 45,620	$ 48,274	$ 49,414

(In Thousands)

The maximum amount of return reinsurance ceding commission due in the event of cancellation as of December 31, 2022 and 2021 is as follows:

December 31,		**2022**		2021
Ceded unearned premium reserves	$	**16,125**	$	13,686
Less: ceded commission equity		**(1,120)**		(411)
Net ceded premium reserves	$	**15,005**	$	13,275
Direct unearned premium reserves	$	**38,797**	$	37,348

The amount of return commission that would have been due to the reinsurers if they or the Association had canceled the Association's excess of loss reinsurance agreement would have been approximately $1,870 and $1,369 as of December 31, 2022 and 2021, respectively.

(In Thousands)

3. Loss and Loss Adjustment Expenses

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

Years ended December 31,		**2022**		2021
Beginning balance	$	**17,229**	$	23,020
Less: reinsurance recoverable		**4,297**		7,562
Beginning net balance		**12,932**		15,458
Incurred related to:				
Current loss year		**27,878**		36,432
Prior loss years		**(649)**		(2,362)
Losses and loss adjustment expense incurred		**27,229**		34,070
Paid related to:				
Current loss year		**19,618**		28,029
Prior loss years		**7,685**		8,567
Paid losses and loss adjustment expense		**27,303**		36,596
Ending net balance		**12,858**		12,932
Plus: reinsurance recoverable		**3,044**		4,297
Ending balance	$	**15,902**	$	17,229

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 $27,229 are lower by $649 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, 2022 and 2021 make a reasonable provision for the Association's claims liabilities.

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

5. **Service Contract with Texas Windstorm Insurance Association**
The Association entered into a service contract with Texas Windstorm Insurance Association ("TWIA") in which the Association is to reimburse TWIA for all expenditures, professional fees, consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by TWIA on behalf of the Association. During 2022 and 2021 the Association incurred expenses from TWIA under its contract in the amounts of approximately $13,186. As of December 31, 2022 and 2021, the Association incurred expenses for which it has not reimbursed TWIA in the amount of $1,215 and $1,159, respectively, and are included in other liabilities in the statutory statements of admitted assets, liabilities, surplus and other funds. This arrangement is subject to a written agreement which requires that balances be settled within 30 days.

6. **Borrowed Money – Line of Credit**
The Association has a $30,000 line of credit with one of its primary financial institutions effective August 28, 2021. The facility replaced the previous $40,000 line of credit and terminates on June 30, 2023. There were no draws against the line of credit in 2022 or 2021. The Association pays the lender a 0.5% commitment fee against the unused portion of the line of credit. Interest in the amount of $0 were paid for the years ended December 31, 2022 and 2021. Interest expense was $0 for the years ended December 31, 2022 and 2021. The line of credit agreement contains various covenants. The Association is in compliance with all line of credit covenants.

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

The Association is subject to a fire assessment by the State of Texas. The assessment is based on premium and recorded at the time premiums are written. The Association is not subject to loss-based assessments. As of December 31, 2022 and 2021, the Association has accrued a liability for fire assessment of $43 and $46, respectively, and is included in underwriting expenses payable in the statutory statements of admitted assets, liabilities, surplus and other funds. The amounts recorded represent management's best estimates based on assessment rate information received from the State of Texas. The assessment is recouped by imposing a surcharge on policies written.

(In Thousands)

Surcharges receivable of $11 and $29 have been fully non-admitted as of December 31, 2022 and 2021, respectively. Policy surcharges collected were $62 and $94 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 premiums written in Harris County, Texas represented 70% and 71% of total premiums, respectively.

9. Nonadmitted Assets

Nonadmitted assets consisted of the following:

December 31,		**2022**		2021
Uncollected premiums and agents' balances in the course of collection	$	**120**	$	93
Due from agents		**102**		94
Surcharge receivable		**11**		29
Prepaid expenses		**56**		100
Total nonadmitted assets	$	**289**	$	316

(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, 2022:

	Aggregate Fair Value	Net Asset Value	Admitted Assets	Level 1	Level 2	Level 3
Cash	$ 33,062	$ -	$ 33,062	$ 33,062	$ -	$ -
Cash equivalents*	-	17,557	17,557	-	-	-
	$ 33,062	$ 17,557	$ 50,619	$ 33,062	$ -	$ -

Fair Value Measurements at December 31, 2021:

	Aggregate Fair Value	Net Asset Value	Admitted Assets	Level 1	Level 2	Level 3
Cash	$ 33,763	$ -	$ 33,763	$ 33,763	$ -	$ -
Cash equivalents*	-	15,351	15,351	-	-	-
	$ 33,763	$ 15,351	$ 49,114	$ 33,763	$ -	$ -

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

11. Surplus

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

12. Distributions

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

13. Reconciliation with Annual Statement

There were no differences between the 2022 and 2021 annual statements as filed with the Texas Department of Insurance and the 2022 and 2021 audited statutory financial statements.

14. Subsequent Events

The Association has evaluated subsequent events occurring after December 31, 2022, the date of the most recent statutory statements of admitted assets, liabilities, surplus and other funds, through April 27, 2023, 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, 2022
(In Thousands)

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

See accompanying independent auditors' report on supplemental information.

Texas FAIR Plan Association

Summary Investment Schedule
December 31, 2022
(In Thousands)

Investment categories	Gross Investment Holdings * Amount	%	Admitted Assets as Reported in the Annual Statement ** Amount	%
Cash, cash equivalents and short-term investments:				
Cash (Schedule E, Part 1)	33,062	65,31%	33,062	65,31%
Cash equivalents (Schedule E, Part 2)	17,557	34.69%	17,557	34.69%
Short-term investments (Schedule DA)	-	-	-	-
Total cash, cash equivalents and short-term investments	50,619	100.00	50,619	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	$ 50,619	100.00	$ 50,619	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, 2022.*

See accompanying independent auditors' report on supplemental information.

Texas FAIR Plan Association

Supplemental Investment Risk Interrogatories
December 31, 2022
(In Thousands)

1)	Reporting entity's total admitted assets as reported in the accompanying financial statements.	$	57,641

Questions 2 through 23 are not applicable.

See accompanying independent auditors' report on supplemental information.

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

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

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

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

(c) Aggregate stop loss reinsurance coverage;

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

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

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

See accompanying independent auditors' report on supplemental information.

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

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

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

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

N/A

9.4 Except for transactions meeting the requirements of paragraph 37 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

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

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

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

See accompanying independent auditors' report on supplemental information.

5E3. Internal Control Letter

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

April 27, 2023

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, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

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

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

Calhoun, Thomson & Matza, LLP

6. Actuarial
6A. Policy Count/Exposures

Texas FAIR Plan Association
Liability Report
As of 3/31/23
All Forms Combined

County	Policies In-Force 03/31/22	Policies In-Force 03/31/23	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 03/31/22	Exposure In-Force 03/31/23	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 03/31/22	YTD Written Premium 03/31/23	Premium Growth Actual	Premium Growth Percentage
Harris	40,899	38,745	(2,154)	(5.27%)	6,298,005,054	6,564,365,113	266,360,059	4.23%	12,521,496	15,815,824	3,294,328	26.31%
Galveston	4,165	4,305	140	3.36%	1,080,685,813	1,268,221,204	187,535,391	17.35%	436,067	648,018	211,951	48.61%
Fort bend	4,308	4,308	0	0.00%	784,407,177	858,760,188	74,353,011	9.48%	1,326,950	1,881,238	554,288	41.77%
Dallas	2,030	1,821	(209)	(10.30%)	354,871,908	327,652,763	(27,219,145)	(7.67%)	558,489	611,992	53,503	9.58%
Brazoria	1,758	1,872	114	6.48%	450,619,264	544,113,796	93,494,532	20.75%	196,269	297,752	101,483	51.71%
Tarrant	1,564	1,389	(175)	(11.19%)	261,933,018	242,699,788	(19,233,230)	(7.34%)	499,057	518,671	19,614	3.93%
El paso	1,176	1,340	164	13.95%	275,475,930	343,717,075	68,241,145	24.77%	261,456	317,437	55,982	21.41%
Jefferson	1,072	1,312	240	22.39%	253,533,832	342,792,487	89,258,655	35.21%	133,135	205,517	72,382	54.37%
Nueces	1,182	1,102	(80)	(6.77%)	240,910,584	240,742,500	(168,084)	(0.07%)	168,489	187,589	19,100	11.34%
Montgomery	736	699	(37)	(5.03%)	129,473,451	131,394,550	1,921,099	1.48%	162,127	205,893	43,766	27.00%
Bexar	564	514	(50)	(8.87%)	100,711,912	95,782,122	(4,929,790)	(4.89%)	152,257	164,690	12,433	8.17%
Cameron	427	429	2	0.47%	75,073,010	86,649,900	11,576,890	15.42%	50,621	65,203	14,581	28.80%
Calhoun	377	381	4	1.06%	92,829,075	97,164,055	4,334,980	4.67%	46,128	55,579	9,451	20.49%
Orange	369	371	2	0.54%	61,524,878	64,105,938	2,581,060	4.20%	127,054	158,988	31,933	25.13%
Chambers	252	282	30	11.90%	72,497,130	95,531,970	23,034,840	31.77%	39,966	53,417	13,451	33.66%
Matagorda	251	264	13	5.18%	54,387,725	65,354,415	10,966,690	20.16%	34,038	50,545	16,507	48.50%
Liberty	205	207	2	0.98%	23,593,566	26,533,642	2,940,076	12.46%	64,847	76,428	11,581	17.86%
Travis	244	210	(34)	(13.93%)	43,846,868	39,470,630	(4,376,238)	(9.98%)	36,312	53,471	17,159	47.25%
Aransas	167	173	6	3.59%	35,859,050	39,151,780	3,292,730	9.18%	18,316	23,643	5,327	29.09%
Hidalgo	189	161	(28)	(14.81%)	22,391,821	19,596,566	(2,795,256)	(12.48%)	48,320	53,274	4,954	10.25%
San patricio	163	160	(3)	(1.84%)	36,964,756	40,227,536	3,262,780	8.83%	23,005	25,587	2,582	11.22%
Collin	155	152	(3)	(1.94%)	30,759,950	34,075,660	3,315,710	10.78%	84,914	105,093	20,179	23.76%
Waller	113	142	29	25.66%	17,228,990	21,124,760	3,895,770	22.61%	42,451	59,206	16,754	39.47%
Denton	104	115	11	10.58%	27,221,076	36,007,606	8,786,530	32.28%	36,562	79,035	42,473	116.17%
Brazos	91	70	(21)	(23.08%)	15,199,750	10,740,410	(4,459,340)	(29.34%)	19,081	8,400	(10,680)	(55.97%)
Top 25 Counties	62,561	60,524	(2,037)	(3.26%)	10,840,005,588	11,635,976,455	795,970,866	7.34%	17,087,408	21,722,490	4,635,082	27.13%
All Other Counties	2,217	2,147	(70)	(3.16%)	392,961,902	404,397,545	11,435,643	2.91%	760,434	821,946	61,512	8.09%
Tier 1	9,929	10,396	467	4.70%	2,418,976,269	2,846,717,064	427,740,794	17.68%	1,163,123	1,637,763	474,640	40.81%
Tier 2	46,286	44,112	(2,174)	(4.70%)	7,240,462,772	7,583,229,787	342,767,015	4.73%	14,207,886	18,107,894	3,900,007	27.45%
All Other Counties	8,563	8,163	(400)	(4.67%)	1,573,528,449	1,610,427,149	36,898,700	2.34%	2,476,833	2,798,779	321,946	13.00%
Statewide Total	64,778	62,671	(2,107)	(3.25%)	11,232,967,490	12,040,373,999	807,406,509	7.19%	17,847,842	22,544,436	4,696,594	26.31%

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

Texas FAIR Plan Association
Liability Report
As of 3/31/23
HO-A Policies

	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
County	03/31/22	03/31/23	Actual	Percentage	03/31/22	03/31/23	Actual	Percentage	03/31/22	03/31/23	Actual	Percentage
Harris	13,806	13,438	(368)	(2.67%)	3,399,597,903	3,659,032,245	259,434,342	7.63%	6,882,350	9,027,521	2,145,171	31.17%
Galveston	2,973	3,149	176	5.92%	979,371,134	1,154,378,202	175,007,068	17.87%	353,448	524,667	171,219	48.44%
Fort bend	1,089	1,098	9	0.83%	305,138,716	345,350,556	40,211,840	13.18%	552,153	784,616	232,464	42.10%
Dallas	928	798	(130)	(14.01%)	238,537,420	213,370,600	(25,166,820)	(10.55%)	397,718	415,575	17,857	4.49%
Brazoria	1,316	1,423	107	8.13%	398,702,880	485,302,000	86,599,120	21.72%	162,675	259,503	96,828	59.52%
Tarrant	816	728	(88)	(10.78%)	183,486,978	172,220,308	(11,266,670)	(6.14%)	354,973	381,335	26,361	7.43%
El paso	991	1,150	159	16.04%	255,004,630	321,720,000	66,715,370	26.16%	230,055	287,588	57,534	25.01%
Jefferson	803	979	176	21.92%	229,519,322	311,127,832	81,608,510	35.56%	116,225	181,199	64,974	55.90%
Nueces	692	650	(42)	(6.07%)	198,079,360	197,962,750	(116,610)	(0.06%)	132,548	151,417	18,869	14.24%
Montgomery	410	394	(16)	(3.90%)	95,971,280	99,431,160	3,459,880	3.61%	124,300	154,657	30,357	24.42%
Bexar	356	312	(44)	(12.36%)	84,869,100	79,730,430	(5,138,670)	(6.05%)	131,293	132,745	1,451	1.11%
Cameron	249	268	19	7.63%	58,283,300	70,450,890	12,167,590	20.88%	33,573	48,436	14,862	44.27%
Calhoun	309	314	5	1.62%	87,239,480	91,444,420	4,204,940	4.82%	42,326	52,765	10,438	24.66%
Orange	223	232	9	4.04%	49,476,428	52,298,288	2,821,860	5.70%	97,293	130,413	33,120	34.04%
Chambers	208	236	28	13.46%	67,636,590	90,236,970	22,600,380	33.41%	35,703	48,589	12,886	36.09%
Matagorda	207	228	21	10.14%	50,922,350	62,374,840	11,452,490	22.49%	28,978	44,698	15,720	54.25%
Liberty	113	121	8	7.08%	16,697,608	19,703,134	3,005,526	18.00%	46,759	44,670	(2,089)	(4.47%)
Travis	129	106	(23)	(17.83%)	33,508,960	30,788,590	(2,720,370)	(8.12%)	25,350	39,025	13,675	53.95%
Aransas	136	143	7	5.15%	33,443,790	36,189,440	2,745,650	8.21%	16,805	22,263	5,459	32.48%
Hidalgo	66	52	(14)	(21.21%)	9,866,521	7,638,866	(2,227,656)	(22.58%)	27,387	25,429	(1,959)	(7.15%)
San patricio	127	128	1	0.79%	34,134,756	37,423,936	3,289,180	9.64%	21,378	25,340	3,962	18.53%
Collin	41	46	5	12.20%	13,887,230	18,010,960	4,123,730	29.69%	33,128	48,133	15,005	45.29%
Waller	68	89	21	30.88%	13,104,710	16,490,960	3,386,250	25.84%	36,397	47,153	10,756	29.55%
Denton	63	74	11	17.46%	22,316,876	30,719,406	8,402,530	37.65%	27,861	70,235	42,373	152.09%
Brazos	35	25	(10)	(28.57%)	10,471,380	7,792,160	(2,679,220)	(25.59%)	8,885	3,682	(5,202)	(58.55%)
Top 25 Counties	26,154	26,181	27	0.10%	6,869,268,702	7,611,188,944	741,920,241	10.80%	9,919,563	12,951,654	3,032,091	30.57%
All Other Counties	1,318	1,264	(54)	(4.10%)	314,264,770	321,418,760	7,153,990	2.28%	585,530	646,762	61,232	10.46%
Tier 1	7,104	7,602	498	7.01%	2,160,699,042	2,561,045,401	400,346,358	18.53%	958,311	1,381,779	423,468	44.19%
Tier 2	15,477	15,113	(364)	(2.35%)	3,820,793,826	4,121,601,399	300,807,573	7.87%	7,698,225	10,108,252	2,410,027	31.31%
All Other Counties	4,891	4,730	(161)	(3.29%)	1,202,040,604	1,249,960,904	47,920,300	3.99%	1,848,557	2,108,385	259,828	14.06%
Statewide Total	27,472	27,445	(27)	(0.10%)	7,183,533,472	7,932,607,703	749,074,231	10.43%	10,505,093	13,598,416	3,093,323	29.45%

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

Texas FAIR Plan Association
Liability Report
As of 3/31/23
TDP-1 Policies

County	Policies In-Force 03/31/22	Policies In-Force 03/31/23	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 03/31/22	Exposure In-Force 03/31/23	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 03/31/22	YTD Written Premium 03/31/23	Premium Growth Actual	Premium Growth Percentage
Harris	23,694	22,504	(1,190)	(5.02%)	2,727,460,671	2,749,102,588	21,641,917	0.79%	5,368,081	6,521,250	1,153,168	21.48%
Galveston	639	674	35	5.48%	72,635,519	86,930,842	14,295,323	19.68%	56,917	98,153	41,236	72.45%
Fort bend	3,062	3,062	0	0.00%	471,605,141	505,574,832	33,969,691	7.20%	765,002	1,083,424	318,422	41.62%
Dallas	979	924	(55)	(5.62%)	110,794,448	109,583,443	(1,211,005)	(1.09%)	152,114	184,216	32,102	21.10%
Brazoria	381	399	18	4.72%	49,276,744	56,713,956	7,437,212	15.09%	31,136	35,966	4,830	15.51%
Tarrant	706	636	(70)	(9.92%)	77,151,240	69,723,480	(7,427,760)	(9.63%)	141,884	136,515	(5,368)	(3.78%)
El paso	181	184	3	1.66%	20,117,300	21,538,075	1,420,775	7.06%	30,617	28,502	(2,115)	(6.91%)
Jefferson	238	294	56	23.53%	22,374,110	29,675,775	7,301,665	32.63%	16,091	23,164	7,073	43.96%
Nueces	285	254	(31)	(10.88%)	26,027,504	25,067,030	(960,474)	(3.69%)	22,808	24,201	1,393	6.11%
Montgomery	282	269	(13)	(4.61%)	31,207,171	30,059,110	(1,148,061)	(3.68%)	34,458	48,781	14,322	41.56%
Bexar	159	153	(6)	(3.77%)	13,726,612	14,040,612	314,000	2.29%	19,140	28,372	9,232	48.24%
Cameron	75	68	(7)	(9.33%)	6,886,110	6,990,450	104,340	1.52%	7,653	9,384	1,731	22.61%
Calhoun	55	53	(2)	(3.64%)	4,905,595	4,873,395	(32,200)	(0.66%)	2,494	1,845	(649)	(26.00%)
Orange	136	130	(6)	(4.41%)	11,766,450	11,510,050	(256,400)	(2.18%)	28,938	27,924	(1,014)	(3.51%)
Chambers	38	39	1	2.63%	4,712,700	5,079,000	366,300	7.77%	4,397	4,650	252	5.74%
Matagorda	43	35	(8)	(18.60%)	3,452,175	2,966,375	(485,800)	(14.07%)	5,060	5,847	787	15.55%
Liberty	91	83	(8)	(8.79%)	6,883,958	6,740,508	(143,450)	(2.08%)	18,088	31,758	13,670	75.57%
Travis	62	48	(14)	(22.58%)	7,447,348	5,714,680	(1,732,668)	(23.27%)	6,834	9,896	3,062	44.80%
Aransas	15	18	3	20.00%	1,367,300	2,042,060	674,760	49.35%	960	960	0	0.03%
Hidalgo	116	99	(17)	(14.66%)	12,159,300	11,447,700	(711,600)	(5.85%)	19,387	26,325	6,938	35.78%
San patricio	31	32	1	3.23%	2,681,800	2,803,600	121,800	4.54%	1,297	247	(1,050)	(80.99%)
Collin	87	85	(2)	(2.30%)	15,498,600	15,228,300	(270,300)	(1.74%)	50,694	55,977	5,283	10.42%
Waller	43	46	3	6.98%	3,995,280	4,269,480	274,200	6.86%	6,054	11,018	4,964	81.99%
Denton	40	36	(4)	(10.00%)	4,880,200	4,910,200	30,000	0.61%	8,701	8,070	(630)	(7.25%)
Brazos	30	18	(12)	(40.00%)	2,976,250	1,760,850	(1,215,400)	(40.84%)	8,442	4,308	(4,134)	(48.97%)
Top 25 Counties	31,468	30,143	(1,325)	(4.21%)	3,711,989,526	3,784,346,391	72,356,865	1.95%	6,807,248	8,410,753	1,603,505	23.56%
All Other Counties	804	806	2	0.25%	74,345,692	78,683,985	4,338,293	5.84%	168,662	168,447	(214)	(0.13%)
Tier 1	1,828	1,896	68	3.72%	196,401,507	225,605,783	29,204,276	14.87%	151,114	206,285	55,171	36.51%
Tier 2	27,227	26,020	(1,207)	(4.43%)	3,240,268,346	3,296,491,708	56,223,362	1.74%	6,225,871	7,716,496	1,490,625	23.94%
All Other Counties	3,217	3,033	(184)	(5.72%)	349,665,365	340,932,885	(8,732,480)	(2.50%)	598,925	656,420	57,495	9.60%
Statewide Total	32,272	30,949	(1,323)	(4.10%)	3,786,335,218	3,863,030,376	76,695,158	2.03%	6,975,910	8,579,201	1,603,290	22.98%

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

Texas FAIR Plan Association
Liability Report
As of 3/31/23
HO-CONB Policies

	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
County	03/31/22	03/31/23	Actual	Percentage	03/31/22	03/31/23	Actual	Percentage	03/31/22	03/31/23	Actual	Percentage
Harris	2,122	1,865	(257)	(12.11%)	145,447,560	137,336,160	(8,111,400)	(5.58%)	222,036	222,799	763	0.34%
Galveston	226	202	(24)	(10.62%)	18,707,760	18,730,200	22,440	0.12%	14,359	15,083	724	5.04%
Fort bend	77	71	(6)	(7.79%)	5,621,520	5,798,880	177,360	3.16%	6,537	9,405	2,868	43.88%
Dallas	88	74	(14)	(15.91%)	4,448,040	4,132,920	(315,120)	(7.08%)	7,770	11,304	3,534	45.48%
Brazoria	11	9	(2)	(18.18%)	805,200	708,000	(97,200)	(12.07%)	494	610	116	23.48%
Tarrant	6	1	(5)	(83.33%)	408,000	90,000	(318,000)	(77.94%)	1,406	546	(860)	(61.17%)
El paso	3	2	(1)	(33.33%)	342,000	243,600	(98,400)	(28.77%)	784	845	61	7.78%
Jefferson	10	8	(2)	(20.00%)	644,400	622,920	(21,480)	(3.33%)	309	413	104	33.66%
Nueces	182	177	(5)	(2.75%)	15,909,720	16,934,640	1,024,920	6.44%	11,319	11,071	(248)	(2.19%)
Montgomery	13	12	(1)	(7.69%)	1,103,280	907,680	(195,600)	(17.73%)	2,601	1,615	(986)	(37.91%)
Bexar	32	32	0	0.00%	1,826,400	1,668,120	(158,280)	(8.67%)	1,282	2,652	1,370	106.86%
Cameron	100	90	(10)	(10.00%)	9,195,600	9,047,760	(147,840)	(1.61%)	7,557	6,722	(835)	(11.06%)
Calhoun	5	6	1	20.00%	372,000	534,240	162,240	43.61%	658	270	(388)	(58.97%)
Orange	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Chambers	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Matagorda	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Liberty	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Travis	36	31	(5)	(13.89%)	2,425,560	2,285,520	(140,040)	(5.77%)	3,959	3,578	(381)	(9.62%)
Aransas	13	10	(3)	(23.08%)	951,600	835,920	(115,680)	(12.16%)	551	420	(131)	(23.84%)
Hidalgo	4	7	3	75.00%	300,000	456,000	156,000	52.00%	1,298	1,383	85	6.52%
San patricio	1	0	(1)	(100.00%)	78,000	0	(78,000)	(100.00%)	330	0	(330)	(100.00%)
Collin	22	13	(9)	(40.91%)	1,248,120	632,400	(615,720)	(49.33%)	892	949	57	6.39%
Waller	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Denton	0	2	2	N/A	0	300,000	300,000	N/A	0	570	570	N/A
Brazos	19	11	(8)	(42.11%)	1,659,120	938,400	(720,720)	(43.44%)	1,754	410	(1,344)	(76.62%)
Top 25 Counties	2,970	2,623	(347)	(11.68%)	211,493,880	202,203,360	(9,290,520)	(4.39%)	285,897	290,645	4,748	1.66%
All Other Counties	24	18	(6)	(25.00%)	2,017,560	1,651,560	(366,000)	(18.14%)	3,299	4,021	722	21.89%
Tier 1	548	502	(46)	(8.39%)	46,664,280	47,413,680	749,400	1.61%	35,577	34,588	(989)	(2.78%)
Tier 2	2,203	1,943	(260)	(11.80%)	151,369,080	143,591,040	(7,778,040)	(5.14%)	229,872	233,587	3,716	1.62%
All Other Counties	243	196	(47)	(19.34%)	15,478,080	12,850,200	(2,627,880)	(16.98%)	23,747	26,490	2,743	11.55%
Statewide Total	2,994	2,641	(353)	(11.79%)	213,511,440	203,854,920	(9,656,520)	(4.52%)	289,196	294,666	5,470	1.89%

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

Texas FAIR Plan Association
Liability Report
As of 3/31/23
HO-BT Policies

County	Policies In-Force 03/31/22	Policies In-Force 03/31/23	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 03/31/22	Exposure In-Force 03/31/23	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 03/31/22	YTD Written Premium 03/31/23	Premium Growth Actual	Premium Growth Percentage
Harris	1,277	938	(339)	(26.55%)	25,498,920	18,894,120	(6,604,800)	(25.90%)	49,028	44,254	(4,774)	(9.74%)
Galveston	327	280	(47)	(14.37%)	9,971,400	8,181,960	(1,789,440)	(17.95%)	11,343	10,115	(1,228)	(10.82%)
Fort bend	80	77	(3)	(3.75%)	2,041,800	2,035,920	(5,880)	(0.29%)	3,258	3,792	534	16.39%
Dallas	35	25	(10)	(28.57%)	1,092,000	565,800	(526,200)	(48.19%)	887	897	10	1.13%
Brazoria	50	41	(9)	(18.00%)	1,834,440	1,389,840	(444,600)	(24.24%)	1,964	1,673	(291)	(14.82%)
Tarrant	36	24	(12)	(33.33%)	886,800	666,000	(220,800)	(24.90%)	794	275	(519)	(65.37%)
El paso	1	4	3	300.00%	12,000	215,400	203,400	1695.00%	0	502	502	N/A
Jefferson	21	31	10	47.62%	996,000	1,365,960	369,960	37.14%	510	741	231	45.29%
Nueces	23	21	(2)	(8.70%)	894,000	778,080	(115,920)	(12.97%)	1,814	899	(915)	(50.44%)
Montgomery	31	24	(7)	(22.58%)	1,191,720	996,600	(195,120)	(16.37%)	767	840	73	9.52%
Bexar	17	17	0	0.00%	289,800	342,960	53,160	18.34%	542	921	379	70.01%
Cameron	3	3	0	0.00%	708,000	160,800	(547,200)	(77.29%)	1,838	662	(1,176)	(63.98%)
Calhoun	8	8	0	0.00%	312,000	312,000	0	0.00%	650	699	49	7.54%
Orange	10	9	(1)	(10.00%)	282,000	297,600	15,600	5.53%	823	651	(172)	(20.90%)
Chambers	6	7	1	16.67%	147,840	216,000	68,160	46.10%	(134)	179	313	(233.36%)
Matagorda	1	1	0	0.00%	13,200	13,200	0	0.00%	0	0	0	N/A
Liberty	1	3	2	200.00%	12,000	90,000	78,000	650.00%	0	0	0	N/A
Travis	17	25	8	47.06%	465,000	681,840	216,840	46.63%	169	972	803	476.00%
Aransas	3	2	(1)	(33.33%)	96,360	84,360	(12,000)	(12.45%)	0	0	0	N/A
Hidalgo	3	3	0	0.00%	66,000	54,000	(12,000)	(18.18%)	247	137	(110)	(44.53%)
San patricio	4	0	(4)	(100.00%)	70,200	0	(70,200)	(100.00%)	0	0	0	N/A
Collin	5	8	3	60.00%	126,000	204,000	78,000	61.90%	200	34	(166)	(83.00%)
Waller	2	7	5	250.00%	129,000	364,320	235,320	182.42%	0	1,035	1,035	N/A
Denton	1	3	2	200.00%	24,000	78,000	54,000	225.00%	0	160	160	N/A
Brazos	7	16	9	128.57%	93,000	249,000	156,000	167.74%	0	0	0	N/A
Top 25 Counties	1,969	1,577	(392)	(19.91%)	47,253,480	38,237,760	(9,015,720)	(19.08%)	74,700	69,439	(5,261)	(7.04%)
All Other Counties	71	59	(12)	(16.90%)	2,333,880	2,643,240	309,360	13.26%	2,943	2,715	(228)	(7.75%)
Tier 1	449	396	(53)	(11.80%)	15,211,440	12,652,200	(2,559,240)	(16.82%)	18,121	15,111	(3,010)	(16.61%)
Tier 2	1,379	1,036	(343)	(24.87%)	28,031,520	21,545,640	(6,485,880)	(23.14%)	53,919	49,558	(4,361)	(8.09%)
All Other Counties	212	204	(8)	(3.77%)	6,344,400	6,683,160	338,760	5.34%	5,604	7,485	1,881	33.56%
Statewide Total	2,040	1,636	(404)	(19.80%)	49,587,360	40,881,000	(8,706,360)	(17.56%)	77,643	72,154	(5,489)	(7.07%)

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

6B. Reserve Adequacy

TEXAS FAIR PLAN
ASSOCIATION

MEMORANDUM

DATE: May 4, 2023

TO: David Durden
General Manager

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

RE: TFPA Reserve Adequacy as of March 31, 2023

TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of March 31, 2023.

Based on this review, the indicated ultimate cost of Hurricane Harvey is $83.9 million, remaining very close to the previous quarterly review. Due to uncertainties surrounding the adequacy of case reserves and the outcomes of disputed claims, the selected ultimate gross loss & expense estimate has been maintained at $85 million.

As of March 31, 2023, TFPA carried $18.0 million in total gross loss and loss adjustment expense reserves with $3.2 million of the total gross losses and expenses reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

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

The complete actuarial analysis is available on request.

JM

6C. Rate Filing Update

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: May 4, 2023

TO: David Durden
General Manager

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

RE: TFPA Rate Filing Update

The Texas FAIR Plan Association Governing Committee voted at its December 12, 2022 meeting to file for the full actuarial indications for all policy forms, limited to no more than a 10% change in any territory, to be effective August 1, 2023. The filing was made December 22, 2022.

The Texas Department of Insurance approved the filing as submitted on March 22, 2023. Implementation of the approved rates is currently underway and on schedule for an August 1, 2023 effective date for all new and renewal policies.

A summary of indications and approved changes by form follows:

Product	Indicated	**Approved**
Homeowners	18.2%	**10.0%**
Tenants	28.0%	**9.8%**
Condo	29.9%	**10.0%**
Dwelling (Fire)	14.2%	**10.0%**
Dwelling (EC)	21.1%	**9.5%**

JM

6D. 2023 Funding; Reinsurance

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: May 4, 2023

TO: David Durden
General Manager

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

RE: TFPA Funding for 2023 Hurricane Season

TFPA staff is working with Gallagher Re, the Association's reinsurance broker, to begin preparations for the July 1 renewal of the TFPA reinsurance program for the 2023 hurricane season.

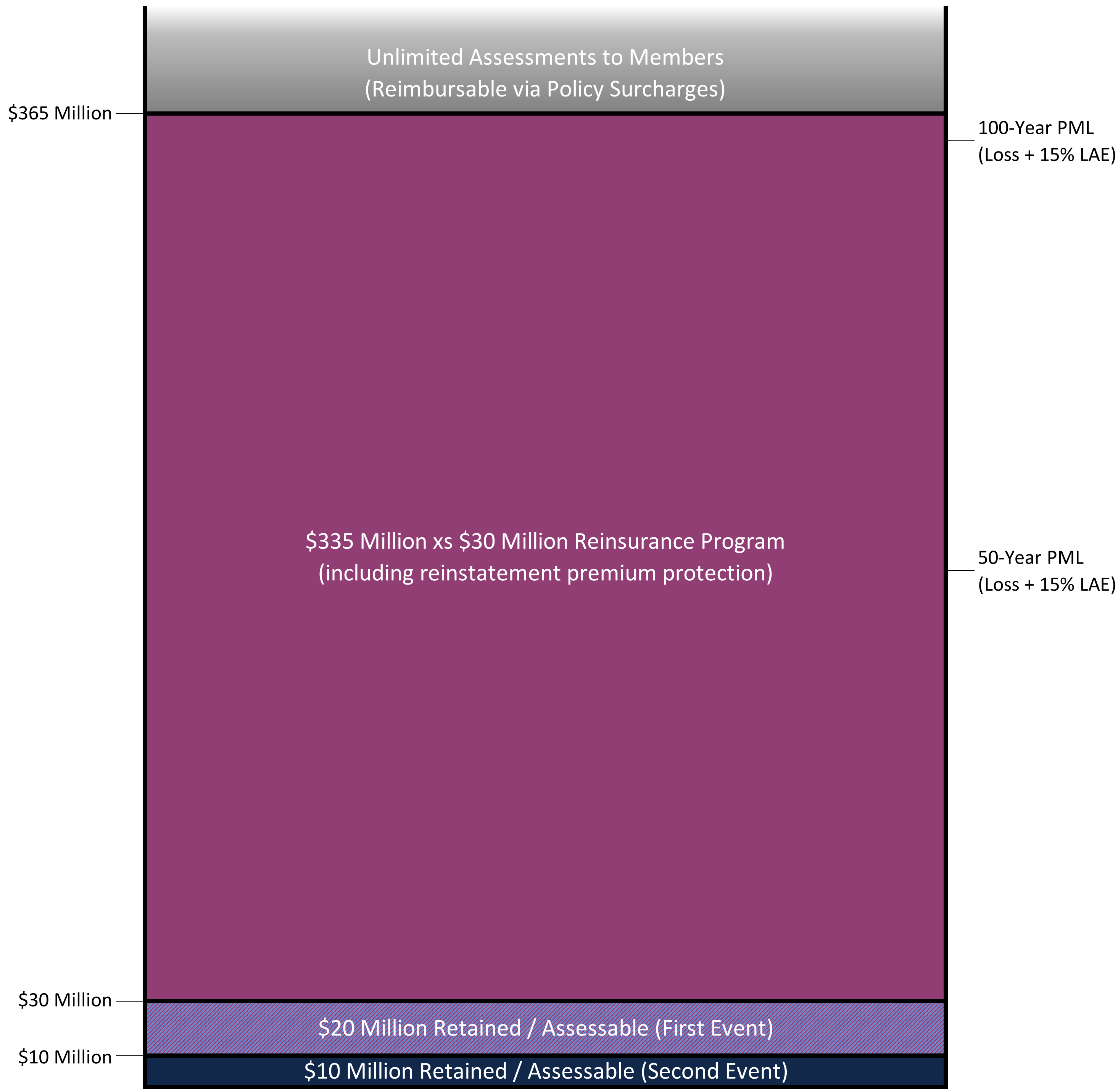
Detailed exposure data has been provided to Gallagher Re for input into the AIR and RMS catastrophe models and they will provide modeling results and an update on general reinsurance market conditions at the May 22 TFPA Governing Committee Meeting.

Staff would look for a motion from the Governing Committee directing the purchase of reinsurance for the 2023 hurricane season at that May meeting.

An illustration of the expiring 2022 reinsurance program is attached for reference.

JM

Texas FAIR Plan Association
2022 Funding
Reinsurance Effective 7/1/22 - 6/30/23



Program includes Reinstatement Premium Protection for 100% of reinsured coverage
Probable Maximum Loss estimates based on TFPA exposures as of 3/31/22,
using average of AIR and RMS near-term per occurrence estimates and include a 15% provision for LAE

Texas FAIR Plan Association

Governing Committee Meeting

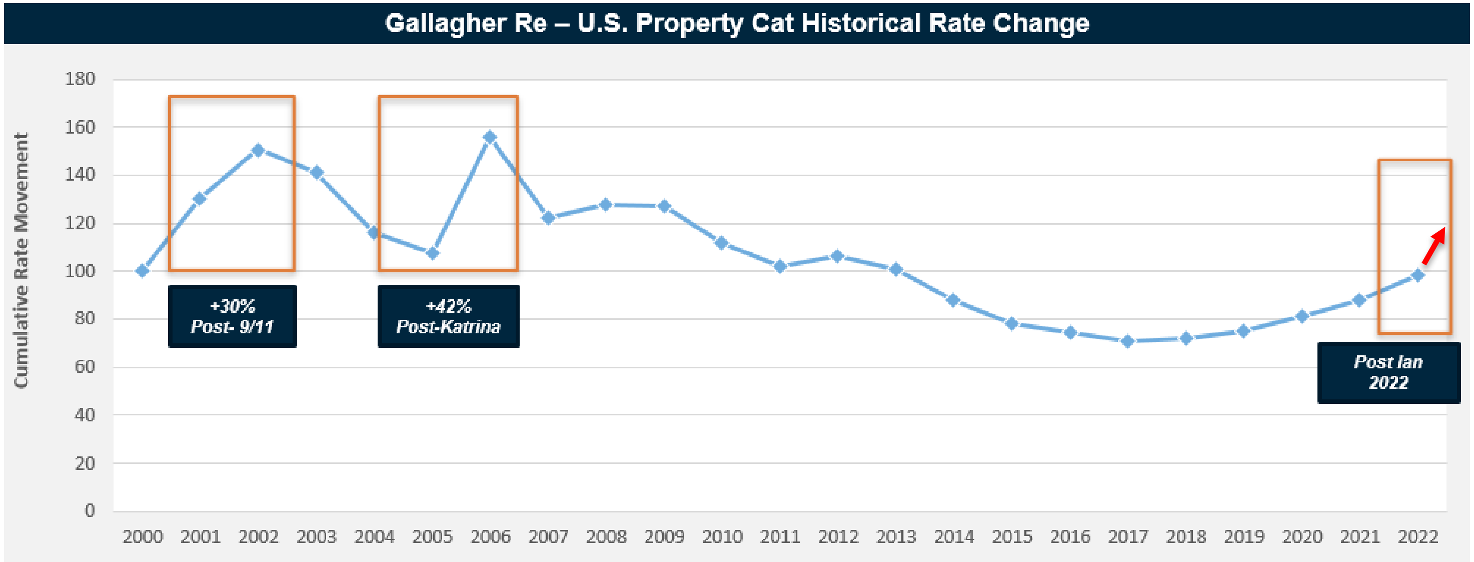
May 22, 2023

Gallagher Re

Reinsurance Market Conditions

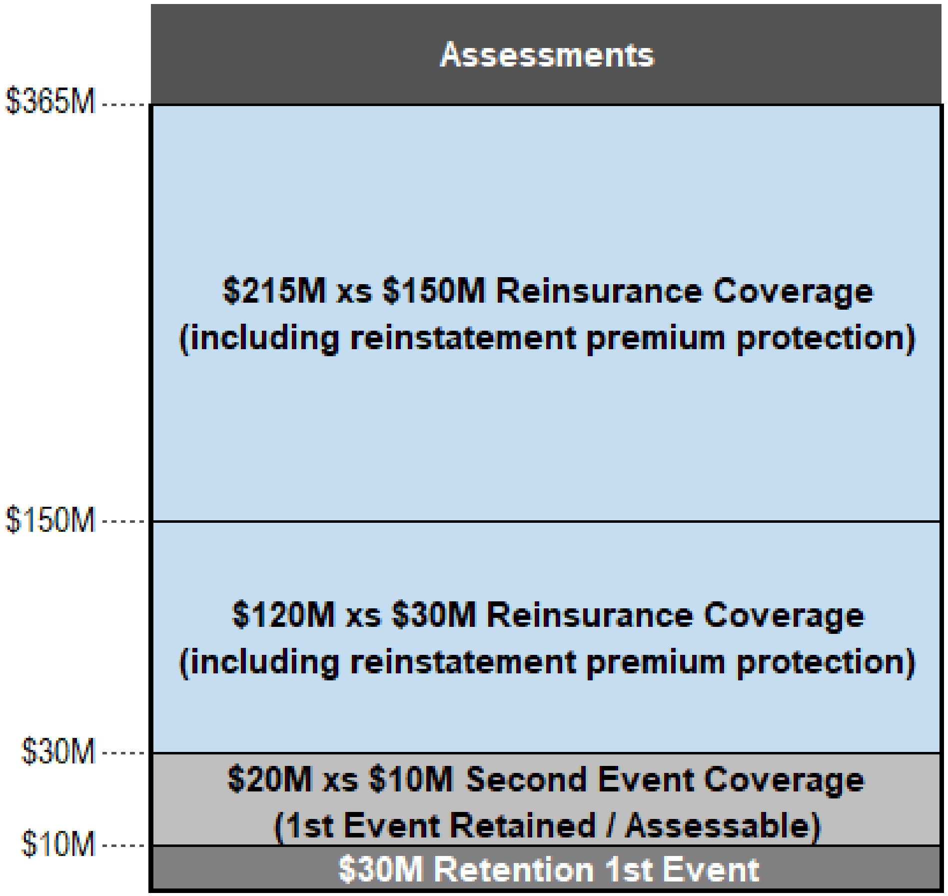
Developments since July 1, 2022

- Hurricane Ian 3rd largest hurricane on record (trended)
- Supply vs. Demand: Limited "new capital" entering property cat while demand for reinsurance limits is increasing at a rapid pace
- Inflation easing but remains "elevated for some time"
- Alternative asset classes competing with reinsurance
  - 2 yr risk free increased from 1% to 4% since January 2022



Gallagher Re

2022 Reinsurance Structure



1-100 Year by Model*

---- $390M RMS NT
---- $387M RMS LT

---- $362M Selection

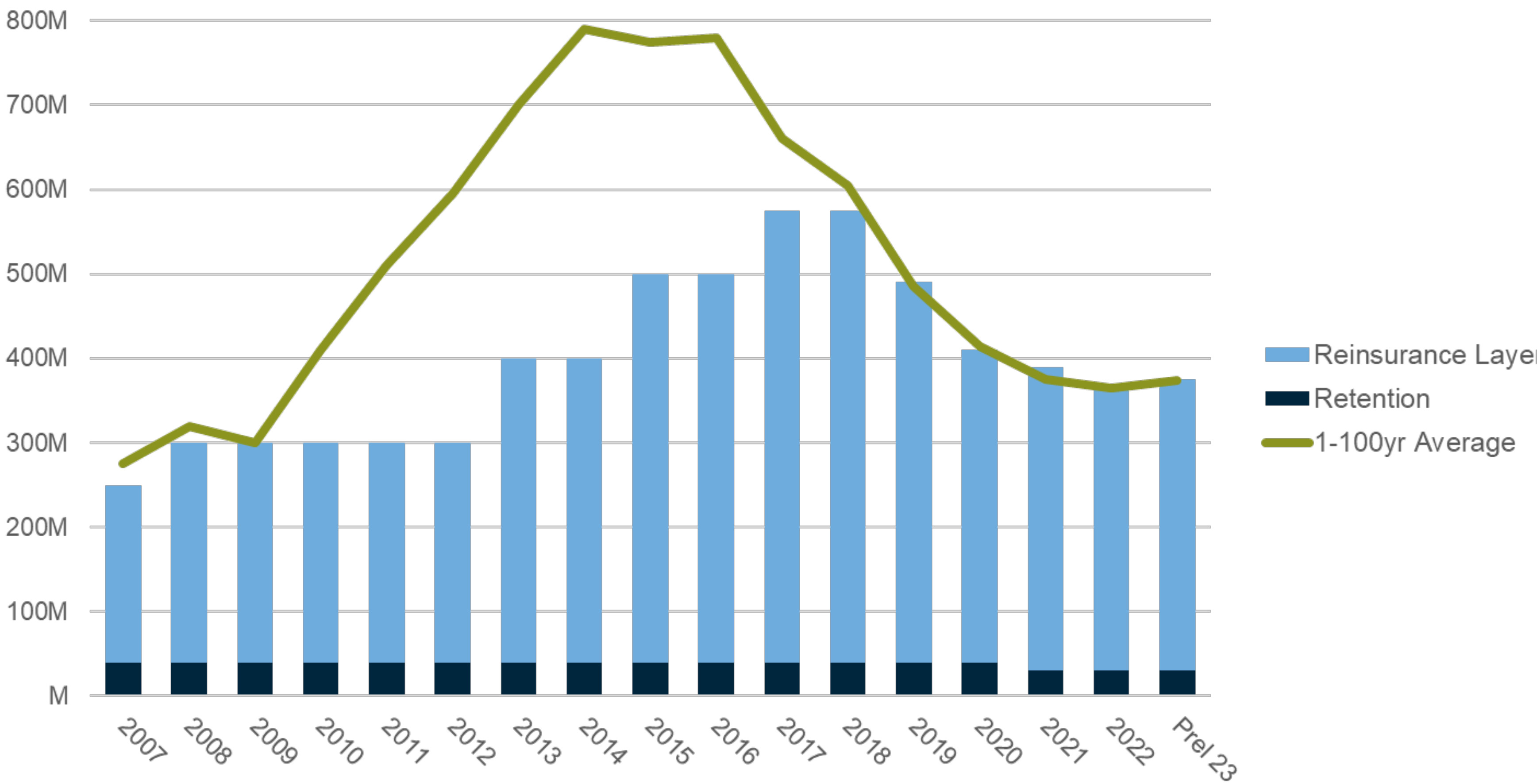
---- $335M Verisk (AIR) NT
---- $313M Verisk (AIR) LT

2022TY reinsurance spend = 31.7M

- 2021 modeling results sourced from May 2021 Board packet. All perils OEP results, RMSv18.1 & AIR TSv8, both w/ Demand Surge and excluding Storm Surge. Loss amounts factored to include 15% for Loss Adjustment Expense

Gallagher Re

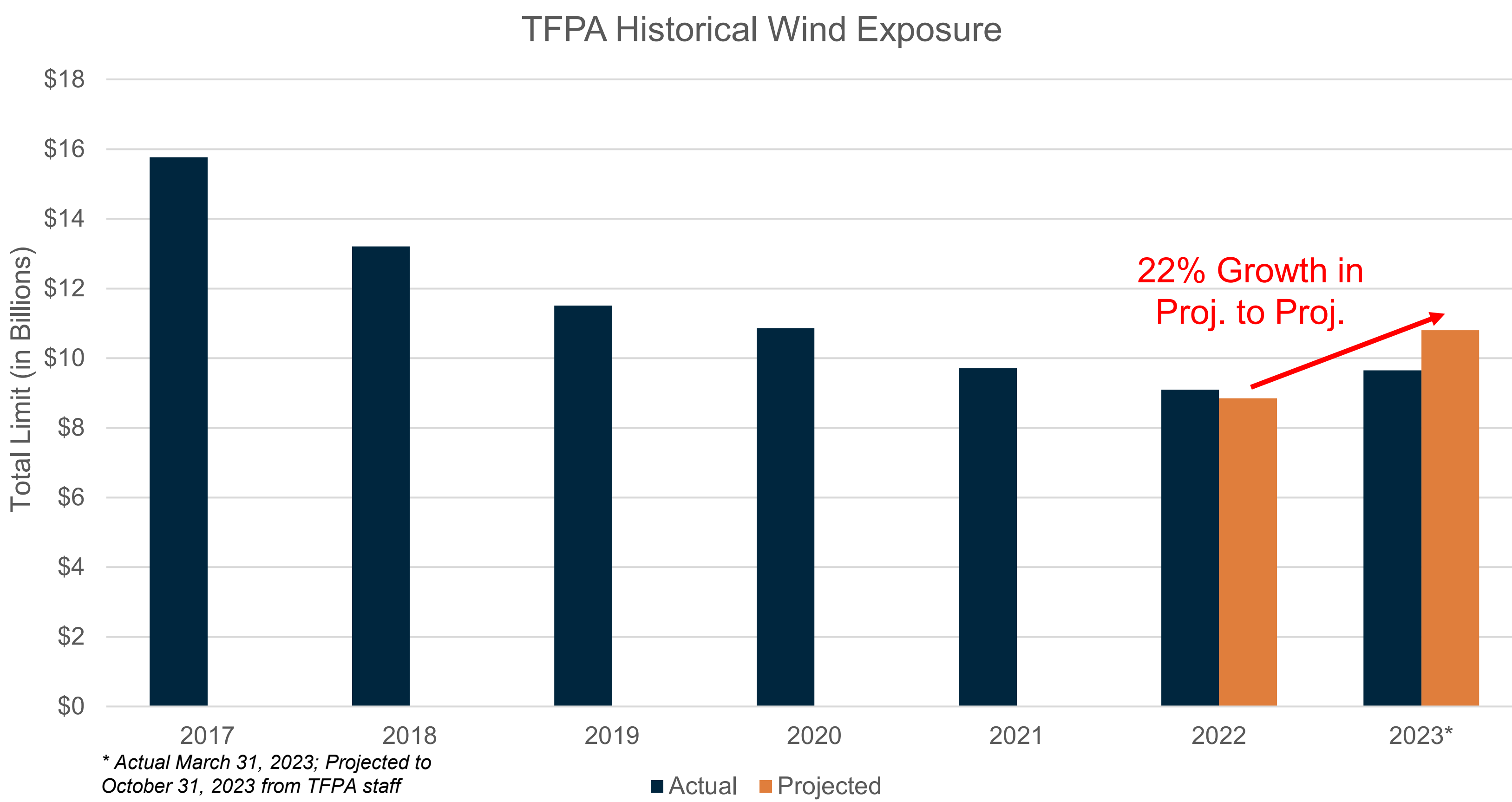
Funding Structure & 1-100 Year Modeled Loss



- TFPA retention has been $30M - $40M since 2007
- Most recently, targeted 1-100 yr modeled loss reinsurance protection, per occurrence

Gallagher Re

Historical Exposure



- Actual TIV as of October 2022: $9.1B
- Actual TIV as of March 31, 2023: $9.65B
- Projected October 2023 TIV is $10.8B, an increase of 22% from October 2022 (projected)

Catastrophe Modeling Results inclusive of 15% LAE Load

Data as of March 31, 2023

Exposure

Total Portfolio	2022	2023	Change
Total Value	$9,265,872	$9,649,260	4.1%
Total Limit	$9,265,644	$9,649,008	4.1%
Risk Count	54,117	51,536	(4.8%)

Catastrophe Gross Modeled Losses Summary (OEP with 15% LAE factor applied)

Verisk Views	Return Period	2022 TSv9	2023 TSv9	2023 TSv10	YOY Change: Exposure Change	YOY Change: Model Updates	YOY Change: Total Change
Long-Term	250 Yr	$581,519	$613,526	$613,526	5.5%	0.0%	5.5%
	100 Yr	**$291,974**	**$300,657**	**$315,320**	**3.0%**	**4.9%**	**8.0%**
Near-Term	250 Yr	$649,473	$670,361	$670,361	3.2%	(0.0%)	3.2%
	100 Yr	**$316,261**	**$329,718**	**$331,575**	**4.3%**	**0.6%**	**4.8%**

RMS Views	Return Period	2022 RLv21 (2021 Rates)	2023 RLv22 (2021 Rates)	2023 RLv22 (2023 Rates)	YOY Change: Exposure Change	YOY Change: Model Updates	YOY Change: Total Change
Long-Term	250 Yr	$653,807	$677,369	$686,363	3.6%	1.3%	5.0%
	100 Yr	**$381,906**	**$394,441**	**$402,295**	**3.3%**	**2.0%**	**5.3%**
Near-Term	250 Yr	$657,538	$681,254	$707,802	3.6%	3.9%	7.6%
	100 Yr	**$384,977**	**$397,605**	**$418,415**	**3.3%**	**5.2%**	**8.7%**

50/50 Average	Return Period	2022 RLv21 (2021 Rates)	2023 RLv22 (2021 Rates)	2023 RLv22 (2023 Rates)	YOY Change: Exposure Change	YOY Change: Model Updates	YOY Change: Total Change
Long-Term	250 Yr	$617,663	$645,447	$649,944	4.5%	0.7%	5.2%
	100 Yr	**$336,940**	**$347,549**	**$358,808**	**3.1%**	**3.2%**	**6.5%**
Near-Term	250 Yr	$653,506	$675,808	$689,082	3.4%	2.0%	5.4%
	100 Yr	**$350,619**	**$363,662**	**$374,995**	**3.7%**	**3.1%**	**7.0%**

Commentary

Long-Term (LT) vs. Near-Term (NT) view

- LT is based on historical average of hurricane landfalls in both models
- NT methodology are different in Verisk and RMS.
  - Verisk is based on years in which sea surface temperature was above historical mean, therefore provides a measure of expected risk for periods in which Atlantic is warmer than average.
  - RMS utilizes historical average as baseline but includes a 5-yr forecast based on their understanding of activities during periods of heightened or diminished hurricane frequency.
- For TFPA, LT is 9% lower than NT in Verisk and 1% lower than NT in RLv22 (based on 2021 event rates).

YOY change based on same model version

- Risk count decreased by approximately 5% while total value and limit increased by 4%.
- Modeled loss increases are in the range 3-4%, consistent with the change in exposure value/limits.

Model Updates

Update from **Verisk TSv9 to TSv10** has an impact on severe storm peril only with average increase of 57%. This large increase is tempered when combined with hurricane modeled losses, the key-driver peril:

- No impact at return periods above 100yr; at 100yr, increase is about 5% under LT and less than 1% under NT.
- TSv9 was used last year but TFPA may want to consider going with TSv10 for this year placement.

RMS model change shown here reflect hurricane event rates only (2021 vs. 2023 rates)

- Full model update (i.e.,changes to hazard, vulnerability, demand surge) is not available until summer 2023.
- Average of .9% increase to LT view (2% at 100yr) and 3.6% increase to hurricane NT view (5% at 100yr).
- In general event rate changes are different across categories/events, but there's a net reduction of about 2% to TX for LT view and net increase of about 3% to TX for NT view.

Verisk Touchstone v9 & v10; RMS RiskLink v22 (with 2021 & 2023 hurricane event rates)
Hurricane loss results include demand surge, with and exclude storm surge
Severe Convective Storm include demand surge where applicable
Data as of March 31, 2023, and March 31, 2022
Loss Results in $000's

Gallagher Re

Historical 1-100 Methodology for Selecting Reinsurance Limit

	Catastrophe Modeled 1-100 +15% LAE					
TFPA Program	**RMS NT**	**RMS LT**	**Verisk NT**	**Verisk LT**	**TFPA Selection***	**Total Insured Policy Limit**
2020 Program	$460M	**$465M**	**$380M**	$351M	$422M	$11,440M
2021 Program	$421M	**$425M**	**$357M**	$326M	$391M	$10,422M
2022 Program	**$390M**	$387M	**$335M**	$313M	$362M	$9,274M
2023 Program	**$398M**	**$394M**	**$331M**	**$315M**	**$365M**	**$9,649M**

* Historically, TFPA Board has selected the average of the highest RMS & highest Verisk (f.k.a. AIR) (avg NT & LT)

Data evaluated as of March 31st

All figures include 15% LAE assumption

All perils, occurrence (OEP) with demand surge, excluding storm surge

2020: RMS v18.1 and Verisk T/6 modeled by prior broker

2021: RMS v18.1 and Verisk T/7.3 modeled by prior broker

2022: RMSv21 and Verisk T/9 - based on preliminary results at time of board meeting

2023: RMSv21 (2021 hurricane rates) and Verisk T/10

2023 Reinsurance Considerations

2022 Reinsurance Program	Deposit Premium	Rate on 2022 Earned Premium
Inclusive RPP & Drop-Down	$ 31,370,375	41.59%

Option #	2023 Reinsurance Structure Considerations	2023 / 2024 Est. Gross Cost Range	Rate on Projected 2023 Earned Premium (at midpoint range)	Midpoint Change from 2022 Deposit	
1	***Expiring Approach 1-100 yr*** $335M xs $30M w/ RPP & 2nd Event Retention $10M	$41M - $47M	50.63%	$12.6M	40%
2	***No 2nd Event Drop down in 2023*** $335M xs $30M & RPP	$39.3M - $41.7M	46.61%	$9.1M	29%
3	***No RPP / Pay Reinst. Premium in 2023*** $335M xs $30M & Drop-Down to $10M	$36.5M - $41.7M	44.99%	$7.7M	24%
4	***Raise Retention with No RPP in 2023*** $325M xs $40M & Drop-Down to $10M	$35.2M - $39.5M	42.98%	$6M	19%

Additional structure options can be evaluated as requested.

- Above projected reinsurance pricing for 2023 / 2024 contemplates a projected TIV of $10.8B at October 2023 per TFPA projections
  - 22% increase in exposure from October 2022 to October 2023 ($10.8B vs $8.85B)

Disclaimer

Gallagher Re Disclaimer

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7. Internal Audit Status & Update

MEMORANDUM

TO: The Governing Committee - Texas FAIR Plan Association

FROM: Bruce Zaret, Weaver - Internal Audit

DATE: May 22, 2023

SUBJECT: Status of Internal Audit Activities

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

- **Current Activities:**

Activity Description	Status
Reinsurance	Report Issued
Continuity of Operations Plan – Business Operations	Power Point Presented to Board
HR and Payroll	Report Issued
Claims Audit	Report Issued
Facilities	Fieldwork complete – in review and reporting phase
Accounts Receivable	Fieldwork in progress
Accounts Payable and Expense Processing	Planning phase

- **Upcoming Audits and Activities:**

Activity Description	Timing
Plan of Operation	3rd Quarter (moved back from Q2)
Communications	3rd Quarter
Model Audit Rule	3rd Quarter
Underwriting	3rd/4th Quarter
Reinsurance Funding	3rd/4th Quarter
Actuarial	3rd/4th Quarter

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

Texas FAIR Plan Association
Internal Audit Plan – Lookback (2021 - 2022) and Prospective (2023-2025)

Process Area	Last Report Date	2022 Inherent Risk Rating	2021	2022	2023	2024	2025
Reinsurance and Funding	Nov. 2020	High		x		x	
Information Security	Apr. 2022	High		x		x	
Emergency Planning/COOP	Nov. 2022	High		x			x
Customer Experience	N/A	High				x	
Underwriting	June 2020	High			x		x
Claims Processing	Dec. 2022	High		x		x	
Strategic Communications	Mar. 2021	High	x		x		x
Actuarial (Pricing and Reserving)	Sept. 2021	High	x		x		x
Governance	May 2021	High	x			x	
Database and Application Administration	Oct. 2020	Moderate			x		
Legal & Compliance	Mar. 2021	Moderate	x		x		
Plan of Operation	N/A	Moderate			x		
Financial Close and Reporting	Dec. 2020	Moderate				x	
Accounts Payable and Expense Processing	Oct. 2019	Moderate			x		
Application Development	N/A	Moderate			x		x
Information Technology Services	Apr. 2022	Moderate		x			x
Vendor Management	Nov. 2021	Moderate	x			x	
Accounts Receivable	May 2020	Moderate			x		
Facilities and Services	Oct. 2020	Moderate				x	
Cash Management	Aug. 2021	Low	x			x	
Premium Taxes	July. 2021	Low	x				x

Note 1: The audit frequency has been modified to every 48 months due to the area's risk level and the fact the Model Audit Rule includes procedures that address this area annually.

8. Underwriting Operational Update

MEMORANDUM

DATE: May 2, 2023

TO: David Durden, General Manager

FROM: Michael Ledwik, Acting Vice President, Underwriting

RE: Update on Underwriting Operational Results

Fourth Quarter 2023 Results

TFPA Underwriting Metrics	Monthly Summary			Quarterly Summary			YTD		
	Jan-23	Feb-23	Mar-23	Q1 2023	Q2 2023	Q3 2023	2023	2023 Goal	▲
Transaction Issuance	99.63%	99.41%	99.71%	99.58%			99.58%	90%	9.58
Internal Underwriting QA	99.50%	98%	98.33%	98.61%			98.61%	95%	3.61
Average Speed to Answer	78%	72%	80%	76%			75%	80%	-4%

I. Overview:

- 99.58% of the transactions were issued within 10 Days
  a. 85% of the transactions were straight through processed and issued by the system within 1 day
  b. Transactions referred by the system to Underwriting are due to more complex risk requiring additional information from agencies
- 76% of calls were answer under 20 seconds
  a. On January 6th, 2023 there was a data connectivity issue with our Waco Data Center
  b. On February 16th-17th 2023 there was a two-day internal outage with our phone provider

II. Agency Compliance Audits:

A standard sample of agencies were selected for review in the first quarter of 2023 to verify compliance with the declination of coverage requirement and TFPA Producer Requirements and Performance Standards. The statistics below reflect analysis of documents provided to date.

a. Seventy percent (70%) of agents have responded:
   i. Proof of declination was received for fifty-six percent (56%) of the policies selected.
   ii. Signed applications were provided for fifty-four percent (54%) of the policies selected.

   iii. Signed eligibility requirement statements were provided for fifty-five percent (55%) of the policies selected.
   iv. Contributing the percentages above, 6 agents have not responded and 2 agents that could not provide the requested documents cited book of business transfers.

b. All agents selected have an active property & casualty insurance license and have the required direct standard market appointments.
c. Staff is following up for outstanding proof of declinations, outstanding signed applications, and outstanding signed eligibility statements for the agents who have not fully responded.
d. Follow-up audits continue to be conducted on agents who have been previously audited when that audit was deemed non-compliant.

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: May 2, 2023

TO: David Durden, General Manager

FROM: Michael Ledwik, Acting Vice President, Underwriting

RE: Update on Adjustment of Limits of Liability

At the Q4 2021 TFPA Governing Committee meeting, a request was made to have staff make a process change with a corresponding filing to TDI to require MSB or equivalent property value calculations at policy renewals that coincide with the property's requalification for insurance eligibility.

To effectively and efficiently implement this change, the Governing Committee approved staff's recommendation to apply an automatic factor (Boeckh Index) to each renewal replacement and amount of insurance values.

Actions completed to date:

- Revisions completed to the TFPA Rating Manual and Underwriting Guidelines Manual to reflect this change and filed with TDI.
- Business requirements completed and delivered to IT for system development. ETA is Q3 of 2023
- Communication Plan and Policy Package Notice to be developed.

Staff's recommendation is that this change be implemented with renewals effective 1/1/2024.

9. Claims

9A. Claims Operations

TFPA Claims Operations 2023

TFPA Claims - 2023 Results (through Q1)					
Key Cycle Times (In days)	**Industry Average, TX**	**TFPA**	**TFPA Plan**	**Variance to Plan**	**% Variance to Plan**
FNOL to Inspect Property	5.9	3.2	<3	0.2	7%
Inspect Property to Receipt by TFPA	4.2	1.7	<8	-6.3	-79%
Total Cycle Time FNOL to Payment - Daily	N/A	8.9	<12	-3.1	-19%
Total Cycle Time FNOL to Payment - Cat	N/A	8.7	<12	-3.3	-21%
TDI Complaint Ratio					
2022	0.18% - 6 complaints from 3,322 new claims				
2023	0.06% - 1 complaint from 1,558 new claims				

Year	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Actual Volume	253	210	321	302	314	260	236	354	270	220	253	329	712	367	479
Actuarial Projected	338	203	203	667	667	306	302	434	565	658	194	194	304	185	185
Staffing Plan	315	315	315	315	315	315	315	315	315	315	315	315	288	288	288
Open Inventory	773	768	793	780	790	734	682	691	595	614	634	679	1,012	883	982

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	**1,558**

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
2019	232	-	84	-	156	-	727	-	4,948	-	6,504	-
2020	114	-50.9%	95	13.1%	111	-28.8%	627	-13.8%	3,618	-26.9%	4,991	-23.3%
2021	132	15.8%	68	-28.4%	79	-28.8%	4,045	545.1%	3,199	-11.6%	9,172	83.8%
2022	96	-27.3%	65	-4.4%	60	-24.1%	710	-82.4%	1,840	-42.5%	3,064	-66.6%
2023	18	-81.3%	8	-87.7%	12	-80.0%	120	-83.1%	1,152	-37.4%	1,376	-55.1%

Incurred Amounts by Peril

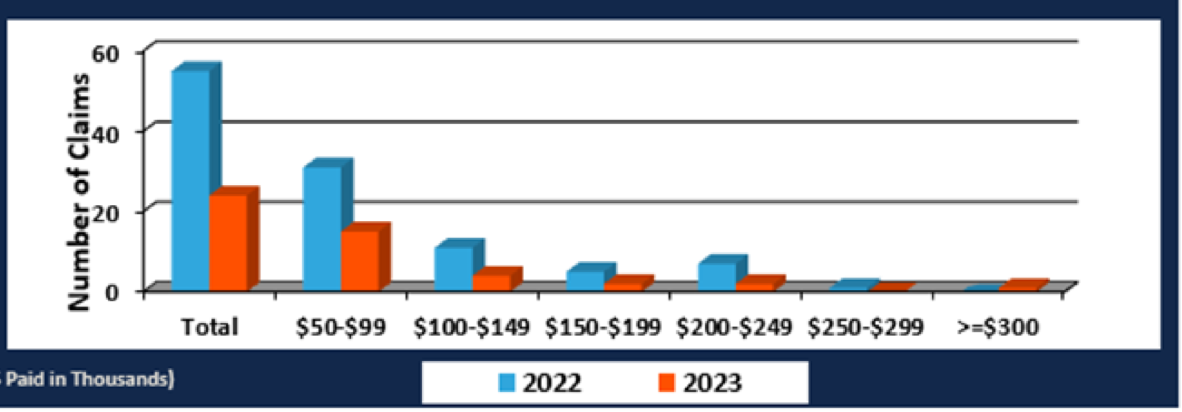
Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2018	$9,749,964	-	$584,045	-	$398,281	-	$551,611	-	$20,730,908	-	$32,607,005	-
2019	$5,814,901	-40.4%	$775,149	32.7%	$206,387	-48.2%	$477,463	-13.4%	$15,355,635	-25.9%	$25,522,767	-21.7%
2020	$8,558,731	47.2%	$115,290	-85.1%	$132,140	-36.0%	$3,671,805	669.0%	$11,782,693	-23.3%	$25,519,358	0.0%
2021	$6,756,450	-21.1%	$123,120	6.8%	$155,182	17.4%	$676,115	-81.6%	$9,435,676	-19.9%	$17,525,874	-31.3%
2022	$650,406	-90.4%	$28,303	-77.0%	$834	-99.5%	$152,998	-77.4%	$8,839,903	-6.3%	$9,806,538	-44.0%

Incurred Claim Severity by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ
2018	$42,026	-	$6,953	-	$2,553	-	$759	-	$4,190	-	$5,013	-
2019	$51,008	21.4%	$8,159	17.4%	$1,859	-27.2%	$762	0.4%	$4,244	1.3%	$5,114	2.0%
2020	$64,839	27.1%	$1,695	-79.2%	$1,673	-10.0%	$908	19.2%	$3,683	-13.2%	$2,782	-45.6%
2021	$70,380	8.5%	$1,894	11.7%	$2,586	54.6%	$952	4.9%	$5,128	39.2%	$5,720	105.6%
2022	$36,134	-48.7%	$3,538	86.8%	$70	-97.3%	$1,275	33.9%	$7,674	49.6%	$7,127	24.6%

*Case incurred amounts exclude loss adjustment expenses and IBNR reserves

TFPA - Large Loss Based On Paid Indemnity

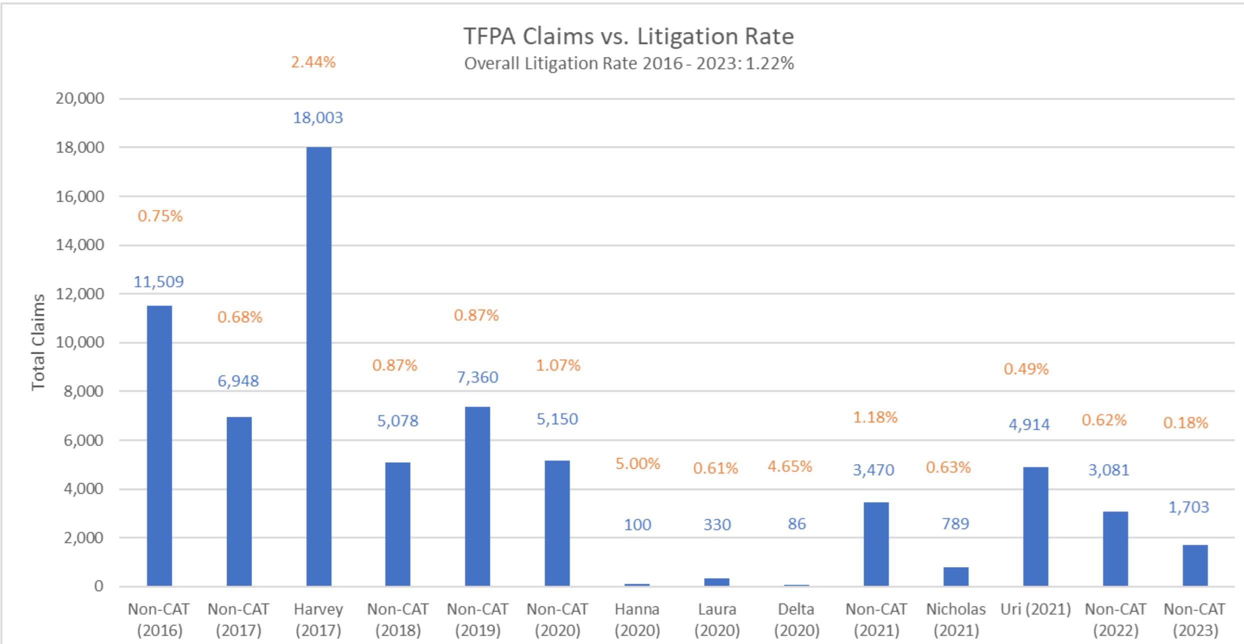


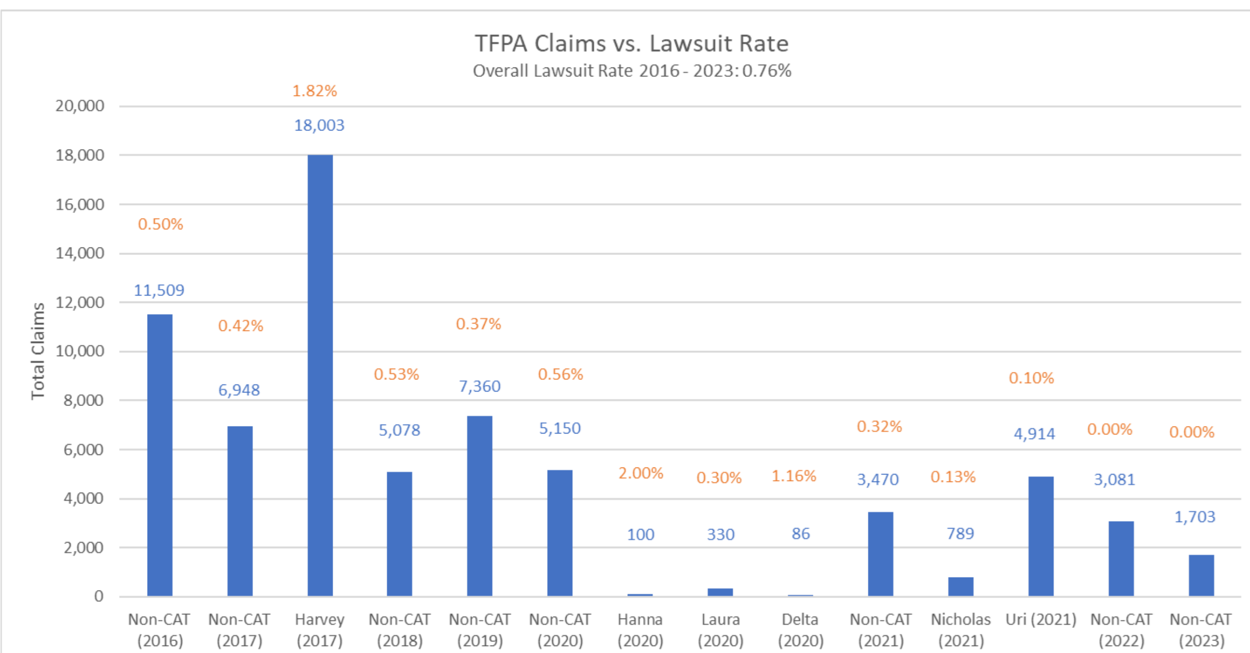
Date	Total	$50-$99	$100-$149	$150-$199	$200-$249	$250-$299	>=$300
2022 (complete year)	55	31	11	5	7	1	0
Liability	0	0	0	0	0	0	0
2023 (year-to-date)	24	15	4	2	2	0	1
Liability	0	0	0	0	0	0	0
Variance	-31	-16	-7	-3	-5	-1	1

9B. Claims Litigation

TEXAS FAIR PLAN ASSOCIATION

TFPA Litigation Tracking Activity





TEXAS FAIR PLAN ASSOCIATION

Litigation Quarter Summary

First Quarter 2023

1st Quarter 2023

Summary of TFPA Claims in Suit

	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
January	1	0	0	0	7	1
February	2	0	0	0	1	0
March	1	0	0	0	9	1
	4	**0**	**0**	**0**	**17**	**2**

1st Quarter 2023

Summary of TFPA Claims with LORs

	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
January	9	3	0	0	2	3
February	9	1	0	0	3	0
March	4	0	0	0	13	0
	22	**4**	**0**	**0**	**18**	**3**

TFPA Claims Litigation
March 2023

Mar-23

TFPA Claims in Suit	Beginning Inventory	New	Closed	Ending Inventory		
				1st Party	3rd Party	TOTAL
Wind/Hail	36	1	(7)	30	0	30
Other Perils	9	0	(2)	7	0	7
Bodily Injury	6	0	(1)	0	5	5
Property Damage	0	0	0	0	0	0
TOTAL	51	1	(10)	37	5	42

Mar-23

TFPA Claims with LORs	Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory		
					1st Party	3rd Party	TOTAL
Wind/Hail	55	2	(10)	(1)	46	0	46
Other Perils	21	2	(3)	0	20	0	20
Bodily Injury	4	0	0	0	0	4	4
Property Damage	0	0	0	0	0	0	0
TOTAL	80	4	(13)	(1)	66	4	70

Mar-23

TFPA Claims with Suits/LORs: Detail of Ending Inventory

Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
	Suits		LORs			Suits		LORs			
	1st	3rd	1st	3rd	Total	1st	3rd	1st	3rd	Total	
TOTAL	37	5	66	4	112	0	0	0	0	0	112

TEXAS FAIR PLAN ASSOCIATION

Mar-23	TFPA Active Claims with Suits/LORs: Breakdown by Plaintiff Firm	
	Firm	**Total**
	Dick Law Firm	40
	Manuel Solis, P.C.	18
	Chad T. Wilson Law Firm	7
	Baker Law	6
	Palker Law Firm	5
	Zar Law Firm	3
	Arguello Law Firm	3
	Daly & Black, PC	3
	Law Offices of Willie McAllen	2
	Omar Ochoa Law Firm	2
	Brasher Law Firm	1
	Galindo Law	1
	Lane Law Firm	1
	Ivey Law Firm, P.C.	1
	Remaining 19 firms	19
	TOTAL	112

TEXAS FAIR PLAN ASSOCIATION

Mar-23

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

County	1st Party	3rd Party	Total
Atascosa	1	0	1
Brazoria	1	0	1
Dallas	2	0	2
El Paso	2	0	2
Ft. Bend	8	0	8
Galveston	1	3	4
Harris	82	4	86
Hidalgo	3	0	3
Johnson	0	1	1
Maverick	1	0	1
Nueces	0	1	1
Orange	1	0	1
San Jacinto	1	0	1
TOTAL	103	9	112

10. TFPA Operations

10A. IT Systems Enhancements

TEXAS WINDSTORM INSURANCE ASSOCIATION

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: May 3, 2023

TO: David Durden, General Manager

FROM: Camron Malik, CIO / VP IT

RE: TFPA Information Technology status

After the board's approval of the cloud program we negotiated the contract with Guidewire for their portion of the cloud effort and also awarded the system integration contract to Zensar. We are currently finalizing the Statement of Work with Zensar and expect to have it signed by the middle of June. This work is planned to start in January 2024.

Overall TFPA systems continue in production support mode with a monthly cadence of releases and the Infrastructure and Operations team continues to support remote work with excellent quality. All technology related efforts are on-track.

10B. Legislative Affairs Update

MEMORANDUM

DATE: May 3, 2023

TO: David Durden, General Manager

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

RE: Legislative & External Affairs Operational Highlights

Legislative & Regulatory Affairs

a) 88th Legislative Session: The legislative session continues through May 29.

The following bills that would directly impact TFPA have made significant progress through the legislative process. Both of these proposals are authored by Rep. Dennis Paul (Harris County) in the House and Sen. Mayes Middleton (Galveston County) in the Senate.

- House Bill 998 and Senate Bill 741, relating to the provision of property owners' association insurance by the FAIR Plan Association in certain areas.
- House Bill 3333 and Senate Bill 1393, relating to eligibility for coverage under the FAIR Plan Association in certain areas.

There are several deadlines for action on bills in the House throughout the month of May. A calendar from the Texas Legislative Reference Library listing end-of-session action deadlines is attached. The Association's Legislative and External Affairs staff has continued tracking bills that may impact our operations in anticipation of our program to implement legislative changes passed in the 88th session.

b) Legislative Meetings: Association staff held more than 25 meetings with legislative offices during Q1 2023. Most of these meetings have been related to TWIA issues, but we have also met with the offices of the authors of the TFPA bills listed above and discussed those proposals.

c) Stakeholder Inquiries: From January 1 through March 31, 2023, we received and responded to one standing legislative inquiry on TFPA litigation.

d) Operational Updates: We continue to provide regular email updates to the Governing Committee, the Texas Department of Insurance (TDI), legislative staff, and coastal elected officials and stakeholders about Association operational activities.

88th Legislature, Regular Session
Deadlines for Action Under House and Senate Rules

MAY 2023

This deadlines calendar is intended to be a practical summary guide to the end-of-session deadlines. It is not intended as an interpretation of the rules of the House or Senate.

A red box indicates the last day for a chamber to take certain actions.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
118th day **7**	**119th day** **8** Last day for House committees to report HBs/HJRs **(See Note 1)**	**120th day** **9** By 10 p.m.—last House daily calendar with HBs/HJRs must be distributed (36-hour layout) **(See Note 2)**	**121st day** **10** By 9 a.m.—last House local and consent calendar with **consent** HBs must be distributed (48-hour layout) **(See Note 2)**	**122nd day** **11** Last day for House to consider 2nd reading HBs/HJRs on daily or supplemental calendar	**123rd day** **12** Last day for House to consider **consent** HBs on local and consent calendar on 2nd and 3rd reading and **ALL** 3rd reading HBs/HJRs on supplemental calendar	**124th day** **13**
125th day **14**	**126th day** **15**	**127th day** **16**	**128th day** **17** By 9 a.m.—last House local and consent calendar with **local** HBs must be distributed (48-hour layout) **(See Note 2)**	**129th day** **18**	**130th day** **19** Last day for House to consider **local** HBs on local and consent calendar on 2nd and 3rd reading *First day Senate can consider bills and resolutions on the first day they are posted on the Notice of Intent Calendar*	**131st day** **20** Last day for House committees to report SBs/SJRs **(See Note 1)**
132nd day **21** By 10 p.m.—last House daily calendar with SBs/SJRs must be distributed (36-hour layout) **(See Note 2)**	**133rd day** **22** By 9 a.m.—last House local and consent calendar with SBs must be distributed (48-hour layout) **(See Note 2)**	**134th day** **23** Last day for House to consider 2nd reading SBs/SJRs on daily or supplemental calendar	**135th day** **24** Last day for House to consider **local and consent** SBs on 2nd & 3rd reading and **ALL** 3rd reading SBs/SJRs on supplemental calendar *Last day for Senate to consider **ALL** bills & JRs on 2nd or 3rd reading* **(See Note 3)**	**136th day** **25** ***Before*** midnight—Senate amendments must be distributed in the House (24-hour layout)	**137th day** **26** ***Before*** midnight—***House*** copies of conference committee report (CCR) on the general appropriations bill must be distributed (48-hour layout) Last day for House to act on Senate amendments ***Before*** *midnight—**Senate** copies of CCRs on tax, general appropriations, and reapportionment bills must be distributed (48-hour layout)* **(See Note 4)**	**138th day** **27** ***Before*** midnight—***House*** copies of CCRs on JRs and bills other than the general appropriations bill must be distributed (24-hour layout) ***Before*** *midnight—**Senate** copies of CCRs on JRs and bills other than tax, general appropriations, and reapportionment bills must be distributed (24-hour layout)*
139th day **28** Last day for House to adopt CCRs or discharge House conferees and concur in Senate amendments *Last day for Senate to concur in House amendments or adopt CCRs*	**140th day** **29** Corrections only in House and Senate Last day of session (Sine die)					

In reviewing this calendar, all members should consider, in addition to the stated deadline, the time needed for the preparation of any ancillary documents related to the bill, any printing time, and any applicable layout rule.

Note 1: The House rules do not contain an express deadline for committees to report measures, but, technically, this is the last day for a House committee to report a measure in order for the measure to have any chance of being placed on a House calendar. ***However***, this deadline ***does not*** take into consideration the time required to: (1) prepare the bill analysis; (2) obtain an updated fiscal note or impact statement; (3) prepare any other paperwork required for a committee report; or (4) prepare the committee report for distribution to the members of the House as required by the rules. ***Realistically***, it normally takes a full day ***or more*** for a measure to reach the Calendars Committee after the measure has been reported from committee.

Note 2: The House rules do not have an express deadline for distributing calendars on the 120th, 121st, 128th, 132nd, and 133rd days. This calendar presumes that the House will convene at 9 a.m. for a local and consent calendar and at 10 a.m. for a daily or supplemental calendar.

Note 3: The Senate deadline for passing all bills and joint resolutions ***does not*** take into consideration the House deadline for passing Senate bills and joint resolutions. ***Realistically***, to be eligible for consideration by the House under its end-of-session deadlines, Senate bills and joint resolutions must be passed by the Senate and received by the House ***before*** the 130th day.

Note 4: Both Senate and House rules require a 48-hour layout for a resolution suspending limitations on a conference committee considering the general appropriations bill, if such a resolution is necessary. Neither rule has an express deadline for considering that resolution, which should occur before consideration of the general appropriations bill.

13. Future Meetings
August 7, 2023 –Tremont House – Galveston, TX
December 11, 2023 – Omni Hotel – Corpus Christi, TX