

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

February 23, 2026

Moody Gardens Hotel

7 Hope Blvd.

Galveston, TX

3:00 p.m.



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

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

1. Call to Order – Reminder of the Anti-Trust Statement
 - A. Welcoming Remarks – *Ryan Bridges* *5 minutes*
 - B. Reminder of Anti-Trust Statement – *Counsel*
 - C. Meeting Format Information – *Kristina Donley*

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

3. Introduction of New Committee Member – *Ryan Bridges* *5 minutes*

4. Election of Officers – *Ryan Bridges* – **Action/Vote Likely*** *5 minutes*

5. TFPA Operational Dashboard – *David Durden* *5 minutes*

6. Financial *30 minutes*
 - A. Report of the Secretary/Treasurer – *E. Jay Sherlock* – **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

7. Actuarial – *Jim Murphy* *30 minutes*
 A. Policy Count/Exposures
 B. Reserve Adequacy
 C. Deductible Filing Update
 D. Annual Rate Review – **Action/Vote Likely***
 E. 2026 Funding; Reinsurance – *Jim Murphy/Gallagher Re* – **Action/Vote Likely***
8. Internal Audit Status & Update – *Dan Graves – Weaver* *10 minutes*
9. Underwriting Operational Review Update – *Michael Ledwik* *10 minutes*
10. Claims *15 minutes*
 A. Claims Operations – Overview – *Dave Williams*
 B. Litigation Summary – *Jessica Crass*
11. TFPA Operations *20 minutes*
 A. IT System Enhancements – *Michael Eleftheriades*
 B. Communications and Legislative Affairs Update – *David Durden*
12. Closed Session (**Governing Committee Only**) *10 minutes*
 A. Personnel Issues
 B. Legal Advice
13. Matters Deliberated in Closed Session That May Require Action,
 if any, of the Governing Committee – **Action/Vote Likely*** *5 minutes*
14. Future Meetings – *David Durden* *5 minutes*
 • May 18, 2026 – Hyatt Regency – Austin
 • August 3, 2026 – Tremont House – Galveston
15. Committees – *Ryan Bridges* *5 minutes*
16. Adjourn

1. Call to Order



TEXAS FAIR PLAN
ASSOCIATION

Anti-Trust Statement

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

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

2. Approve the Minutes

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



Omni Hotel
900 North Shoreline Blvd.
Corpus Christi, TX

November 3, 2025

The Following Governing Committee Members were Present, Representing:

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

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

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

The Following Attendees Were Present:

- | | |
|----------------------|--------------|
| 1. Jim Conroy | Aon |
| 2. Dan Dick | Aon |
| 3. Allen Cashin | Gallagher Re |
| 4. Bill Dubinsky | Gallagher Re |
| 5. Morgan Huhndorff | Gallagher Re |
| 6. Alicia Robinson | Gallagher Re |
| 7. Joey Walker | Gallagher Re |
| 8. Brian O'Neill | Howden Re |
| 9. David Muckerheide | TDI |
| 10. Robert Simons | TDI |
| 11. Dan Graves | Weaver |

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

- | | |
|-------------------------|------------------------|
| 1. David Bolduc | 12. Jordan He |
| 2. Shirley Bowler | 13. Melissa Heggen |
| 3. Angie Cervantes | 14. Shelina Jamani |
| 4. Lou Cusano | 15. Spencer Johnson |
| 5. Kimberly Donovan | 16. Darrell McClanahan |
| 6. Nicole Elliott | 17. Marianne Moul |
| 7. Michelle Friesenhahn | 18. Dan Paschal |
| 8. Allen Fulkerson | 19. Elisabeth Ret |
| 9. Jesus Guerrero | 20. Kenisha Schuster |
| 10. David Harkin | 21. Anna Stafford |
| 11. Rubi Harman | 22. Aaron Taylor |

1. Call to Order: Chair Wendy Mueller called the meeting to order at 3:00 p.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the statement by counsel. Kristina Donley provided meeting participation information to the attendees.
2. Approval of the Minutes from Prior Governing Committee Meeting: Ms. Neblett moved to approve the minutes from the August 4, 2025 and the October 6, 2025 meetings. Mr. Bridges seconded the motion. The motion passed unanimously.
3. TFPA Operational Dashboard: Mr. Durden said growth is continuing but there has been revising of some past numbers down for the last few quarters. The Association is operating under budget. Claims activity reflects a relatively quiet season. Head count compared to last quarter has dropped significantly.
4. Financial:
 - A. Report of the Secretary/Treasurer: Mr. Sherlock reviewed the Treasurer's Report. Mr. Solomon moved to accept the report. Ms. Neblett seconded the motion. The motion passed unanimously.
 - B. Financial Statement Review by Staff: Direct written premiums for the nine months ending September 30, 2025 were \$240.2 million. Direct earned premiums earned through September 2025 were \$203.9 million.

The TFPA 2025-2026 reinsurance program incepted on July 1, 2025 and will expire on May 31, 2026 to accelerate the purchase process and coincide with the TWIA reinsurance program. Coverage for 2025-2026 consists of \$200 million of collateralized catastrophe bonds and \$540 million of traditional reinsurance. The program also includes a "second event" cover that reduces the net retention to \$20 million. Reinstatement premium protection was also purchased to cover 100% of the cost to reinstate the first \$120 million of reinsurance limit. Gross ceded premiums for the initial purchase totaled \$115.1 million reflecting an overall rate online of 15.6%

compared to 17.5% for the 2024-2025 program. Ceded premiums written in 2025 include \$352,000 for reinstatement premium associated with loss development from Hurricane Beryl. The net cost of reinsurance after ceding commission was \$107.3 million. The reinsurance premiums will be recognized over the 11-month coverage period.

Year-to-date direct losses and LAE totaled \$74.5 million. Year to date operating expenses were \$13.5 million.

Year-to-date commission expenses were \$26.2 million.

- C. Review and Approval of 2026 Budget: Mr. Harbour reviewed the 2026 budget. Ms. Neblett moved to approve the 2026 budget as presented. Mr. Bridges seconded the motion. The motion passed unanimously.
5. Actuarial:
- A. Policy Count/Exposures: Year over year, policies in force are up 23%. Total insured value is up 41% and year-to-date written premium is up 35%. Policies in force growth persists but at a decelerating rate over the last 12 months.
 - B. Reserve Adequacy: TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of September 30, 2025.

As of September 30, 2025, TFPA carried \$47.6 million in total gross loss and loss adjustment expense reserves with \$14.9 million of the total gross loss and expense reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

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

In the opinion of the chief actuary, the Association's net reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements.

- C. Rate and Deductible Review: Staff requested direction from the TFPA Governing Committee on two items. Should TFPA file to eliminate the 1% wind deductible, both the 1% wind and all other peril deductibles or allow them to remain available? Should TFPA allow the selection of different deductibles applicable to wind and all other perils? Mr. Miletti said staff have done some good research. TFPA is a market of last resort. Mr. Solomon said he didn't have an issue with a split deductible and would not be opposed to allowing optional deductibles at 3% or 4%. Mr. Sherlock said the Association does not need a 1% deductible on wind.

Mr. Solomon moved to allow for a split deductible in the plan, maintain a 1% all other peril, a minimum of 2% deductible on wind/hail and a higher deductible option for consumers. Mr. Baumann seconded the motion. The motion passed unanimously.

6. Internal Audit:

A. Internal Audit Status Update: Current internal audit activities include claims processing, executive management, cash management, information security and IT services. Upcoming audits include the risk assessment update.

7. Underwriting Operational Review Update: Mr. Ledwik reported that for the third quarter, 99.66% of transactions were issued within 10 days of receiving the application and payment. He reported that 87.28% of calls were answered in under 20 seconds.

Twenty agencies were selected to be audited to assess compliance with statutory requirements and TFPA producer requirements and performance standards. Two agencies were found to be fully compliant with no issues identified. Eight agencies had issues identified that were addressed through corrective actions and/or training. Ten agencies had issues identified that remain unresolved and have outstanding action items.

8. Claims:

A. Claims Operations: First notice of loss to TFPA receipt is 4.7 days, compared to the industry average of 9.6 days. The total cycle time of first notice of loss to payment daily is 8.8 days and 8.4 days for a catastrophe. The total claim volume for 2025 is 4,846.

B. Litigation Summary: For the third quarter of 2025, there were 12 new first party and five third party claims in suit received. Nine first party suits were settled and 12 first party and one third party suit was closed.

For the third quarter of 2025, 64 first party and four third party claims with letters of representation were received. Of those claims, 12 first party claims were settled and 33 first party and four third party claims were closed.

9. TFPA Operations:

A. IT Systems Enhancements: Go live deployment to the cloud was successfully completed over the weekend of April 25. Staff has resumed regularly scheduled monthly maintenance releases of fixes and new functionality for the insurance applications and portals.

The Association is contractually mandated to maintain version currency with Guidewire cloud framework releases. In Q3, the Association team tested the new Guidewire framework release version for compatibility. Staff have completed and deployed the Association's Guidewire applications on the required release of the Guidewire cloud software framework in September.

The Association has identified artificial intelligence as a technology for review in the strategic plan. The Association has started formulating a comprehensive approach to AI adoption before any utilization of artificial intelligence technology. This work includes a new, updated IT security policy that covers general AI use policies. Identifying AI general education, risk management, due diligence and vendor selection will be addressed. The vendor and contract management team has to review vendor contracts for use of Association data in any tool offering AI functionality. These are just a few of the considerations to resolve before allowing full access to any AI tool.

- B. Communications and Legislative Update: Association staff continues to implement bills enacted during this year's legislative session.

10. Closed Session: There was no closed session.
11. Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, If Any, of the Governing Committee: There was nothing to consider.
12. Committees: There was nothing to report.
13. Future Meetings: Mr. Durden recognized the service of Wendy Mueller as this is her last meeting due to retirement. Ms. Muller has served since 2014.

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

- February 23, 2026 – Moody Gardens Hotel – Galveston
- May 18, 2026 – Hyatt Regency – Austin
- August 6, 2026 – Tremont House – Galveston

14. Adjourn: There being no further business the meeting adjourned at 4:11 pm.

Prepared by: Amy Koehl
Senior Project Administrator

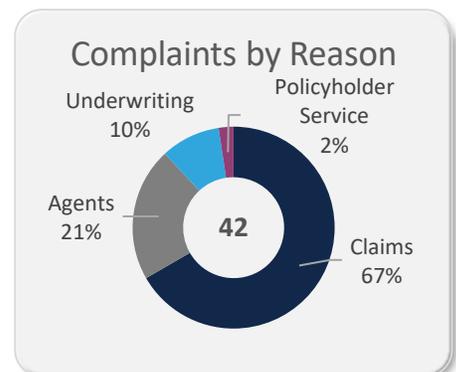
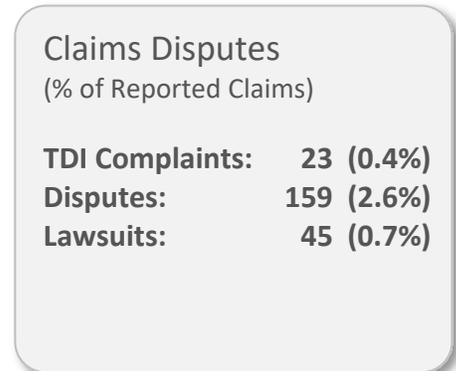
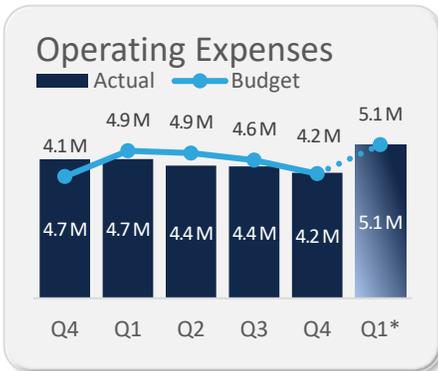
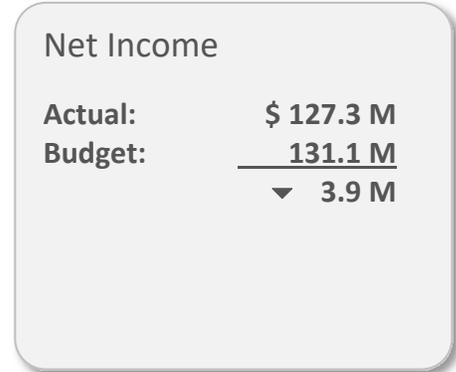
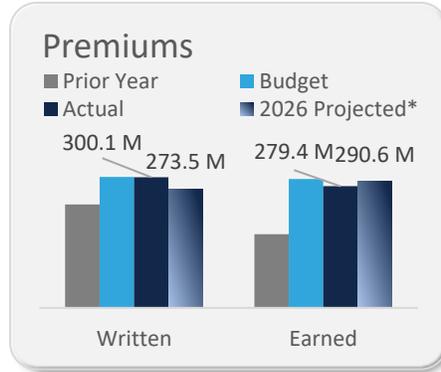
Approved by: David Durden
TFPA General Manager

5. TFPA Operational Dashboard



Operational Dashboard

Reporting as of December 31, 2025



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



Enterprise Projects

Status Update as of December 31, 2025



Enterprise Projects	Initiative Type	2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
● LIP88 - TFPA Property Owners Association Project	Mandatory	█	█	█	█				
● 89th Legislative Implementation Program (LIP89)	Mandatory		█	█	█	█	█		
● ACI Agent Guest Pay Project	Discretionary Planned			█	█	█			
● Claims Electronic Indemnity Payment - Vendor Selection	Discretionary Planned			█	█	█			
● ImageRight Upgrade Project	Discretionary Planned			█	█	█			
● PortalGuard to OKTA Project	Discretionary Planned			█	█		█		
● PerformYard Performance Management Project	Discretionary Planned			█	█				
● Slab Claims Evaluation Program	Discretionary Planned		█	█	█				

6. Financial
6A1. Income Statement
6A2. Management Discussion
and Analysis

Statutory Income Statement – Treasurer’s Report

(In 000s)



	For the twelve months ended December 31,			
	<u>Actuals - 2025</u>	<u>Actuals - 2024</u>		
1			1	
2			2	
3			3	
4	Premiums Written:		4	
5	Direct	\$ 300,094	\$ 237,277	5
6	Ceded	(108,357)	(92,508)	6
7	Net	<u>191,737</u>	<u>144,768</u>	7
8			8	
9	Premiums Earned:		9	
10	Direct	\$ 279,388	\$ 169,126	10
11	Ceded	(104,885)	(69,865)	11
12	Net	<u>174,503</u>	<u>99,261</u>	12
13			13	
14	Deductions:		14	
15	Direct Losses and LAE Incurred	67,972	75,906	15
16	Direct Losses and LAE Incurred - Harvey	0	0	16
17	Direct Losses and LAE Incurred - Beryl	14,000	108,000	17
18	Ceded Losses and LAE Incurred - Harvey	0	482	18
19	Ceded Losses and LAE Incurred - Beryl	(13,249)	(64,024)	19
20	Operating Expenses	17,713	18,202	20
21	Commission Expense	32,475	27,075	21
22	Ceding commissions / brokerage	(7,680)	(7,734)	22
23	Premium / Maintenance Tax	12	4,119	23
24	Total Deductions	<u>111,243</u>	<u>162,025</u>	24
25			25	
26	Net Underwriting Gain or (Loss)	<u>63,260</u>	<u>(62,764)</u>	26
27			27	
28	Other Income or (Expense):		28	
29	Gross Investment Income	4,070	2,078	29
30	Line of Credit Fees	(91)	(92)	30
31	Interest Expense on Line of Credit Advance	0	0	31
32	Member Assessment Income	60,144	17,655	32
33	Premium Charge offs/Write offs	(1,366)	(706)	33
34	Billing Fees	1,245	948	34
35	Miscellaneous Income (Expense)	0	0	35
36	Total Other Income or (Expense)	<u>64,001</u>	<u>19,884</u>	36
37			37	
38	Net Income (Loss)	<u>\$ 127,261</u>	<u>\$ (42,880)</u>	38
39			39	
40	Surplus (Deficit) Account:		40	
41	Beginning Surplus (Deficit)	\$ (60,144)	\$ (17,655)	41
42	Net Income (Loss)	127,261	(42,880)	42
43	Change in Provision for Reinsurance	0	(48)	43
44	Change in nonadmitted assets	(1,674)	439	44
45	Other	0	0	45
46	Ending Surplus (Deficit)	<u>\$ 65,444</u>	<u>\$ (60,144)</u>	46
47			47	

Texas FAIR Plan Association
Management’s Discussion and Analysis of Financial Results
For the Twelve Months Ended December 31, 2025

Written and Earned Premiums

Actual vs Budget	Dec-2025 YTD Actual	Dec-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 300.1 M	\$ 300.6 M	(\$ 0.5 M)	(0.2%)
Direct Earned Premiums	\$ 279.4 M	\$ 295.8 M	(\$ 16.5 M)	(5.6%)
Policies In-Force	127,835	134,504	(6,669)	(5.0%)

Current Yr vs Prior Yr Actuals	Dec-2025 YTD Actual	Dec-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 300.1 M	\$ 237.3 M	\$ 62.8 M	26.5%
Direct Earned Premiums	\$ 279.4 M	\$ 169.1 M	\$ 110.3 M	65.2%
Policies In-Force	127,835	113,860	13,975	12.3%

Reinsurance Costs

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

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

Loss and Loss Adjustment Expense Incurred

Actual vs Budget	Dec-2025 YTD Actual	Dec-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	\$ 62.0 M	\$ 61.1 M	\$ 0.9 M	1.5%
Direct LAE Incurred	\$ 20.0 M	\$ 16.0 M	\$ 4.0 M	24.6%
Total Direct Losses & LAE	\$ 82.0 M	\$ 77.1 M	\$ 4.9 M	6.3%
Loss & LAE Ratio	29.3%	26.1%		3.3%

Current Yr vs Prior Yr Actuals	Dec-2025 YTD Actual	Dec-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	\$ 62.0 M	\$ 155.6 M	(\$ 93.6 M)	(60.2%)
Direct LAE Incurred	\$ 20.0 M	\$ 28.3 M	(\$ 8.3 M)	(29.3%)
Total Direct Losses & LAE	\$ 82.0 M	\$ 183.9 M	(\$ 101.9 M)	(55.4%)
Loss & LAE Ratio	29.3%	108.7%		(79.4%)

Operating Expenses

Actual vs Budget	Dec-2025 YTD Actual	Dec-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 17.7 M	\$ 18.6 M	(\$ 0.9 M)	(4.7%)
Operating Expense Ratio	6.3%	6.3%		0.1%

Current Yr vs Prior Yr Actuals	Dec-2025 YTD Actual	Dec-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 17.7 M	\$ 18.2 M	(\$ 0.5 M)	(2.7%)
Operating Expense Ratio	6.3%	10.8%		(4.4%)

- Net operating expenses shown above and on the statutory income statement exclude claims related expenses which are recorded in losses and loss adjustment expense. Expenses were under budget as of December 31, 2025. Expenses under budget included Personnel Expenses (\$1,144,000) and Hardware & Software (\$289,000). Expense items over budget included Professional & Consulting Services \$486,000.

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

Commission Expense and Premium Taxes

Actual vs Budget	Dec-2025 YTD Actual	Dec-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 32.5 M	\$ 34.6 M	(\$ 2.1 M)	(6.1%)
Premium Taxes	\$ 0.0 M	\$ 5.5 M	(\$ 5.5 M)	(99.8%)

Current Yr vs Prior Yr Actuals	Dec-2025 YTD Actual	Dec-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 32.5 M	\$ 27.1 M	\$ 5.4 M	19.9%
Premium Taxes	\$ 0.0 M	\$ 4.1 M	(\$ 4.1 M)	(99.7%)

- Premium taxes recorded in 2025 have been reversed due to HB 2517 which exempts TFPA from premium and maintenance tax for calendar year 2025 and forward.

Other Income (Expense)

Actual vs Budget	Dec-2025 YTD Actual	Dec-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 4.1 M	\$ 4.4 M	(\$ 0.4 M)	(8.2%)

Current Yr vs Prior Yr Actuals	Dec-2025 YTD Actual	Dec-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 4.1 M	\$ 2.1 M	\$ 2.0 M	95.9%

Net Income (Loss)

Actual vs Budget	Dec-2025 YTD Actual	Dec-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	\$ 127.3 M	\$ 131.1 M	(\$ 3.9 M)	(3.0%)

Current Yr vs Prior Yr Actuals	Dec-2025 YTD Actual	Dec-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	\$ 127.3 M	(\$ 42.9 M)	\$ 170.1 M	396.8%

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

Surplus (Deficit)

Current Period vs. Prior Year End Actual	Dec-2025 YTD Actual	Dec-24 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	\$ 65.4 M	(\$ 60.1 M)	\$ 125.6 M	208.8%

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

6B. Financial Statement Review by Staff



TEXAS FAIR PLAN
ASSOCIATION

Financial Statements and Schedules

December 2025

Statutory Income Statement (In 000s)



	For the period Dec-2025 Year to Date				
	Actuals - 2025	Budget - 2025	Variance - 2025	Actuals - 2024	
1					1
2					2
3					3
4	Premiums Written:				4
5	\$ 300,094	\$ 300,587	\$ (493)	\$ 237,277	5
6	(108,357)	(130,000)	21,643	(92,508)	6
7	<u>191,737</u>	<u>170,587</u>	<u>21,150</u>	<u>144,768</u>	7
8					8
9	Premiums Earned:				9
10	\$ 279,388	\$ 295,848	\$ (16,460)	\$ 169,126	10
11	(104,885)	(110,410)	5,525	(69,865)	11
12	<u>174,503</u>	<u>185,438</u>	<u>(10,935)</u>	<u>99,261</u>	12
13					13
14	Deductions:				14
15	67,972	77,121	(9,148)	75,906	15
16	0	0	0	0	16
17	14,000	0	14,000	108,000	17
18	0	0	0	482	18
19	(13,249)	0	(13,249)	(64,024)	19
20	17,713	18,586	(873)	18,202	20
21	32,475	34,568	(2,093)	27,075	21
22	(7,680)	(9,360)	1,680	(7,734)	22
23	12	5,501	(5,489)	4,119	23
24	<u>111,243</u>	<u>126,415</u>	<u>(15,172)</u>	<u>162,025</u>	24
25					25
26	<u>63,260</u>	<u>59,023</u>	<u>4,238</u>	<u>(62,764)</u>	26
27					27
28	Other Income or (Expense):				28
29	4,070	4,435	(365)	2,078	29
30	(91)	(102)	11	(92)	30
31	0	0	0	0	31
32	60,144	67,536	(7,392)	17,655	32
33	(1,366)	(751)	(615)	(706)	33
34	1,245	992	253	948	34
35	0	0	0	0	35
36	<u>64,001</u>	<u>72,109</u>	<u>(8,108)</u>	<u>19,884</u>	36
37					37
38	<u>\$ 127,261</u>	<u>\$ 131,132</u>	<u>\$ (3,871)</u>	<u>\$ (42,880)</u>	38
39					39
40	Note: ⁽¹⁾ The balance reflects the impact of HB 2517 which exempted Texas FAIR Plan from Premium and Maintenance taxes.				40

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



	For the period Dec-2025 Year to Date				
	Actuals - 2025	Budget - 2025	Variance - 2025	Actuals - 2024	
1					1
2					2
3					3
4	Surplus (Deficit) Account:				4
5	Beginning Surplus (Deficit)	(60,144)	(60,144)	0	(17,655)
6	Net Income (Loss)	127,261	131,132	(3,871)	(42,880)
7	Change in Provision for Reinsurance	0	0	0	(48)
8	Change in nonadmitted assets	(1,674)	(9)	(1,665)	439
9	Other	0	0	0	0
10	Ending Surplus (Deficit)	<u>\$ 65,444</u>	<u>\$ 70,979</u>	<u>\$ (5,536)</u>	<u>\$ (60,144)</u>
11					11
12	Key Operating Ratios:				12
13	Direct:				13
14	Loss & LAE Ratio:				14
15	Non Hurricane	24.3%	26.1%	(1.7%)	44.9%
16	Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
17	Hurricane Beryl	5.0%	0.0%	5.0%	63.9%
18	Loss & LAE Ratio	<u>29.3%</u>	<u>26.1%</u>	<u>3.3%</u>	<u>108.7%</u>
19	UW Expense Ratio:				19
20	Acquisition	10.8%	13.3%	(2.5%)	13.1%
21	Non Acquisition	6.3%	6.3%	0.1%	10.8%
22	UW Expense Ratio	<u>17.2%</u>	<u>19.6%</u>	<u>(2.4%)</u>	<u>23.9%</u>
23					23
24	Combined Ratio	<u>46.5%</u>	<u>45.7%</u>	<u>0.8%</u>	<u>132.6%</u>
25					25
26	Net:				26
27	Loss & LAE Ratio:				27
28	Non Hurricane	39.0%	41.6%	(2.6%)	76.5%
29	Hurricane Harvey	0.0%	0.0%	0.0%	0.5%
30	Hurricane Beryl	0.4%	0.0%	0.4%	44.3%
31	Loss & LAE Ratio	<u>39.4%</u>	<u>41.6%</u>	<u>(2.2%)</u>	<u>121.3%</u>
32	UW Expense Ratio:				32
33	Acquisition	15.3%	17.0%	(1.7%)	17.2%
34	Non Acquisition	10.2%	10.0%	0.1%	18.3%
35	UW Expense Ratio	<u>25.5%</u>	<u>27.0%</u>	<u>(1.6%)</u>	<u>35.6%</u>
36					36
37	Combined Ratio	<u>64.9%</u>	<u>68.6%</u>	<u>(3.8%)</u>	<u>156.8%</u>
38					38
39	Note: Beginning budgeted surplus adjusted to actual for comparative purposes.				39

Statutory Expense Statement (In 000s)



	For the twelve months ended December 31,			
Description	Actuals - 2025	Budget - 2025	Variance - 2025	Actuals - 2024
Personnel Expenses				
Salaries & Wages - Permanent	\$ 8,348	\$ 8,730	\$ (382)	\$ 7,807
Contractor & Temporary Help	5,684	7,312	(1,627)	6,285
Payroll Taxes	603	624	(20)	555
Employee Benefits	2,356	2,637	(282)	2,224
Recruiting, Training & Other	90	255	(165)	154
Subtotal	17,082	19,558	(2,476)	17,025
Professional & Consulting Services				
Legal	144	122	21	164
Accounting & Auditing	132	144	(12)	127
Information Technology	1,266	1,554	(288)	2,465
Actuarial Services	20	22	(2)	18
Surveys & Inspections	1,523	1,157	366	1,920
Disaster Recovery Services	2	4	(2)	0
Other Services ⁽¹⁾	1,968	1,651	317	2,868
Subtotal	5,053	4,653	400	7,562
Hardware/Software Purchases & Licensing	2,505	2,523	(19)	1,790
Rental & Maintenance - Office/Equipment	554	486	67	539
Travel Expenses	121	181	(60)	100
Postage, Telephone and Express	805	604	201	655
Capital Management Expenses	91	102	(11)	92
Other Operating Expenses	815	821	(6)	610
Total Operating Expenses	\$ 27,027	\$ 28,929	\$ (1,903)	\$ 28,371
Capitalization of Fixed Assets	0	0	0	0
Allocation To ULAE	(9,222)	(10,241)	1,019	(10,078)
Allocation To Investing & Other Expense	(91)	(102)	11	(92)
Net Operating Expense - UW Operations	\$ 17,713	\$ 18,586	\$ (873)	\$ 18,202

⁽¹⁾ Summary Details for Other Services:

VENDOR	Amount	Department
Insurance Services Office, Inc.	556	Claims/Underwriting
Clear Point Claims LLC	548	Underwriting
Xactware Solutions Inc	185	Claims
Marshall & Swift/Boeckh	114	Underwriting
Nearmap US, Inc	79	Claims
LexisNexis Risk Solutions Inc.	71	Underwriting
LYNX Services LLC	62	Claims
Genesys Cloud Services, Inc.-	58	Underwriting
*Other Outside Services below \$50K	295	Various Departments

Total Other Services

1,968

Statutory Balance Sheet (In 000s)



	<u>Dec-2025</u>	<u>Dec-2024</u>		
1			1	
2	Admitted Assets		2	
3	Cash and short term investments:	219,456	62,176	3
4	Premiums receivable & other	26,784	25,419	4
5	Assessment receivable	48	14,259	5
6	Amounts recoverable from reinsurers	1,110	12,325	6
7	Other Assets	572	121	7
8	Total admitted assets	\$ 247,970	\$ 114,300	8
9			9	
10	Liabilities, Surplus and other funds		10	
11	Liabilities:		11	
12	Loss and Loss adjustment expenses	27,017	26,363	12
13	Underwriting expenses payable	4,030	7,522	13
14	Unearned premiums, net of ceded unearned premiums	100,039	82,805	14
15	Ceded reinsurance premiums payable	41,070	50,068	15
16	Principal outstanding on line of credit advance	0	0	16
17	Interest payable on line of credit advance	0	0	17
18	Provision for reinsurance	48	48	18
19	Other payables	10,323	7,638	19
20	Total liabilities	182,527	174,444	20
21			21	
22	Surplus and others funds		22	
23	Unassigned surplus (deficit)	65,444	(60,144)	23
24	Total liabilities, surplus and other funds	\$ 247,970	\$ 114,300	24
25			25	

Statement of Cash Flows

(In 000s)



	For the period Dec-2025 Year to Date				
	Actuals - 2025	Budget - 2025	Variance - 2025		
1				1	
2				2	
3				3	
4	Cash flows from operating activities:			4	
5	Premiums collected, net of reinsurance	\$ 182,915	\$ 198,800	\$ (15,885)	5
6	Losses and loss adjustment expense paid ⁽¹⁾⁽²⁾	(56,854)	(76,180)	19,326	6
7	Underwriting expenses paid	(46,189)	(47,009)	820	7
8	Other	(473)	240	(714)	8
9	Net cash provided by operating activities	79,398	75,851	3,547	9
10	Cash flows from non-operating activities:			10	
11	Other (Member Assessment)	74,355	67,536	6,819	11
12	Net cash provided by non-operating activities	74,355	67,536	6,819	12
13	Cash flows from investing activities:			13	
14	Sales and maturities of investments	0	0	0	14
15	Net investment income	3,618	4,435	(816)	15
16	Net cash provided by investing activities	3,618	4,435	(816)	16
17	Cash flows from financing activities:			17	
18	Borrowed funds	0	0	0	18
19	Borrowed funds repaid	0	0	0	19
20	Interest Expense/Fees - Line of Credit Advance	(91)	(102)	11	20
21	Net cash provided by financing activities	(91)	(102)	11	21
22					22
23	Net increase (decrease) in cash and short-term investments	157,280	147,720	9,560	23
24	Cash and short-term investments, Beginning	62,176	62,176	0	24
25	Cash and short-term investments, Ending	\$ 219,456	\$ 209,896	\$ 9,560	25
26					26
27	⁽¹⁾ Direct Beryl Loss/LAE Payments	\$ 14,166			27
28	⁽²⁾ Direct Harvey Loss/LAE Payments	38			28
29	Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.			29	

Cash and Short-Term Investments (In 000s)



Unrestricted Cash and Short Term Investments (\$ in 000s) December 31, 2025													
1	Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Annual Average Yield	Total Deposit % of TFPA's Portfolio	N.A. Bank Credit Rating Superior or Strong	N.A. Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital? > .2% of N.A. Reg Capital	1
2								< 40%		> 10%	> \$25B		2
3	Balances as of 12/31/2025:												3
4	Bank of America	\$ 13,750	0	\$ 13,750	0	0	0.0%	6%	Superior	13.0%	\$197	No	4
5	Citibank	0	0	0	0	0	0.0%	0%	Superior	14.2%	\$161	No	5
6	JPMorgan Chase	0	\$ 27,547	27,547	\$ 29,920	\$ 110	1.5%	13%	Superior	15.7%	\$291	No	6
7	Citibank IMMA	0	0	0	0	0	0.0%	0%	N/A	N/A	N/A	N/A	7
8	JP Morgan U.S. Treasury Plus Money Market Fund ⁽¹⁾	0	51,214	51,214	48,012	465	3.9%	23%	N/A	N/A	N/A	N/A	8
9	JP Morgan Goldman Sachs ⁽¹⁾	0	51,063	51,063	44,946	432	3.8%	23%	N/A	N/A	N/A	N/A	9
10	Fidelity Treasury ⁽¹⁾	0	75,883	75,883	55,982	541	3.9%	35%	N/A	N/A	N/A	N/A	10
11													11
12	Total of all financial institutions	\$ 13,750	\$ 205,706	\$ 219,456	\$ 178,860	\$ 1,549	3.5%	100%					12
13													13
14	Balances as of 09/30/2025:												14
15	Bank of America	\$ 22,938	0	\$ 22,938	0	0	0.0%	15%	Superior	13.4%	\$194	No	15
16	Citibank	0	0	0	0	0	0.0%	0%	Superior	14.2%	\$158	No	16
17	JPMorgan Chase	0	\$ 29,855	29,855	\$ 36,048	\$ 173	2.0%	19%	Superior	15.8%	\$278	No	17
18	Citibank IMMA	0	0	0	0	0	0.0%	0%	N/A	N/A	N/A	N/A	18
19	JP Morgan U.S. Treasury Plus Money Market Fund ⁽¹⁾	0	40,773	40,773	40,626	425	4.5%	26%	N/A	N/A	N/A	N/A	19
20	JP Morgan Goldman Sachs ⁽¹⁾	0	40,657	40,657	37,479	386	4.6%	26%	N/A	N/A	N/A	N/A	20
21	Fidelity Treasury ⁽¹⁾	0	20,503	20,503	20,428	214	4.6%	13%	N/A	N/A	N/A	N/A	21
22													22
23	Total of all financial institutions	\$ 22,938	\$ 131,787	\$ 154,726	\$ 134,581	\$ 1,199	3.6%	100%					23
24													24
25	⁽¹⁾ The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury.												25
26	Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of September 30, 2025. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.												26

Historical Data (\$ In 000s)



2003 - 2025 (\$ with 000s omitted)											
YEAR	GROSS					NET					SURPLUS OR (DEFICIT) END OF PERIOD
	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	MEMBER ASSESSMENTS	
2003	\$ 18,272,542	100,223		\$ 82,004	\$ 19,580	\$ 31,287	\$ 19,580	\$ 26,618	\$ (14,911)		\$ (15,948)
2004	22,904,408	134,350		100,666	37,184	85,238	37,184	28,470	19,584		(1,821)
2005	14,165,560	88,512		60,969	31,262	77,389	31,262	18,588	27,539		31,563
2006	13,321,087	81,129		59,873	22,545	45,867	22,545	17,304	6,017		40,063
2007	15,556,965	91,847	3.9%	73,058	24,578	52,955	24,578	19,362	9,015		52,081
2008	14,060,852	84,438		64,488	239,886	48,364	82,774	18,797	(53,208)		209
2009	11,706,721	72,989	10.7%	60,255	32,961	28,136	6,659	18,811	2,666		(9,753)
2010	14,246,999	85,984	5.0%	73,924	86,187	40,905	34,601	17,019	(10,715)		(17,449)
2011	15,979,040	96,710		83,066	78,009	47,063	53,009	15,897	(21,843)		(33,860)
2012	17,966,799	108,637	14.6%	102,383	28,453	56,880	28,453	20,346	8,081		(25,722)
2013	20,594,317	124,222	16.7% (a)	122,683	39,438	75,343	39,438	22,610	13,295		(13,422)
2014	21,944,280	131,376		133,206	45,070	89,405	45,070	24,058	20,277		5,978
2015	22,154,205	132,734		132,879	68,593	90,952	68,593	24,675	(2,316)		4,977
2016	19,883,769	121,413	8.0% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5.0% (c)	112,316	128,666	76,837	84,864	29,739	(37,766)		(54,941)
2018	15,223,344	95,637	8.1% (d)	95,882	26,733	69,239	26,733	29,527	12,979	\$ 54,941	15,088
2019	12,299,224	80,923		85,327	38,241	59,625	38,241	25,310	(3,926)		12,133
2020	12,618,291	73,713	9.6% (e)	79,477	36,620	53,092	36,620	22,398	(5,926)		6,006
2021	11,471,201	66,512	9.2% (f)	75,648	34,070	49,414	34,070	19,050	(3,705)		2,105
2022	11,301,744	61,452	7.3% (g)	76,881	27,146	45,620	27,146	19,033	(559)		1,451
2023	16,275,783	72,626	9.8% (h)	113,460	47,339	53,316	49,839	23,917	(20,439)		(17,655)
2024	32,930,398	113,860	9.9% (i)	237,277	183,906	99,261	120,364	41,652	(62,755)	17,655	(60,012)
2025	40,419,648	127,835	14.1% (j)	300,094	81,972	174,503	68,723	42,520	63,260		65,444
TOTAL				\$ 2,448,301	\$ 1,436,448	\$ 1,535,093	\$ 1,058,355	\$ 552,119	\$ (75,381)	\$ 72,596	

(a) Effective July 1, 2013
 (b) Effective April 1, 2016
 (c) Effective June 1, 2017
 (d) Effective October 1, 2018 and November 1, 2018 for new business and renewal business, respectively.
 (e) Effective August 1, 2020
 (f) Effective August 1, 2021
 (g) Effective August 1, 2022
 (h) Effective August 1, 2023
 (i) Effective August 1, 2024
 (j) Effective August 1, 2025
 *2025 data through 12/31/2025

7. Actuarial
7A. Policy Count/Exposures

Executive Summary

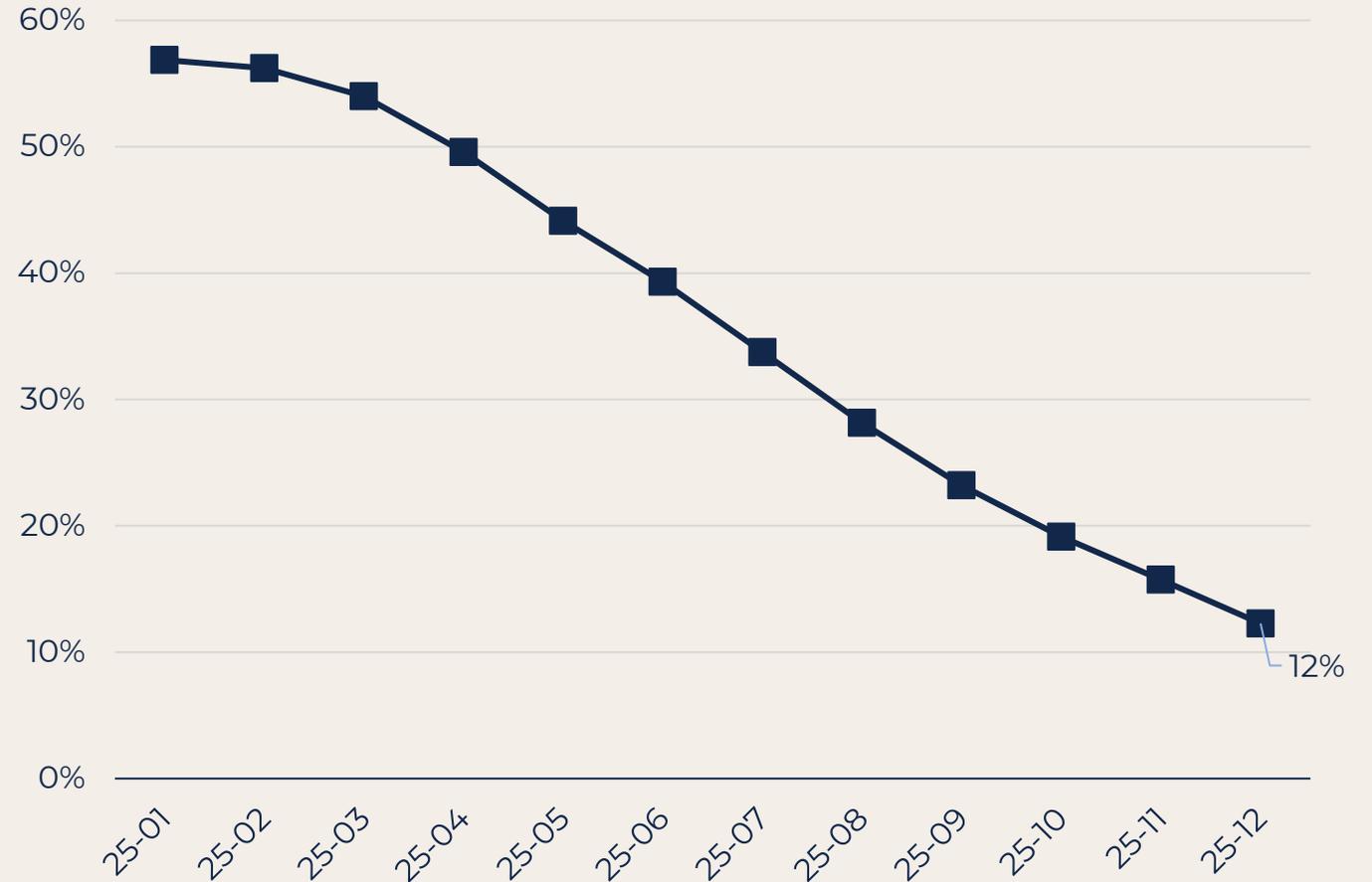
- Sustained moderation in PIF & TIV during Q4-25 as the cycle shifts downward
- **New Policy Issuances:** Down 52% year-over-year
- **Retention Rate:** Steady at 71%
- Growth is led by Tier 1 counties

TFPA		
	12/31/2025	YOY Growth
Policies In-Force	127,835	+12%
Total Insured Value	40.4B	+23%
YTD Written Premium	300M	+26%

YOY Summary

- **Low double-digit growth in PIF (12% YoY)**
- **Moderation in PIF since September as the cycle shifts downward**

Year Over Year Growth - PIF



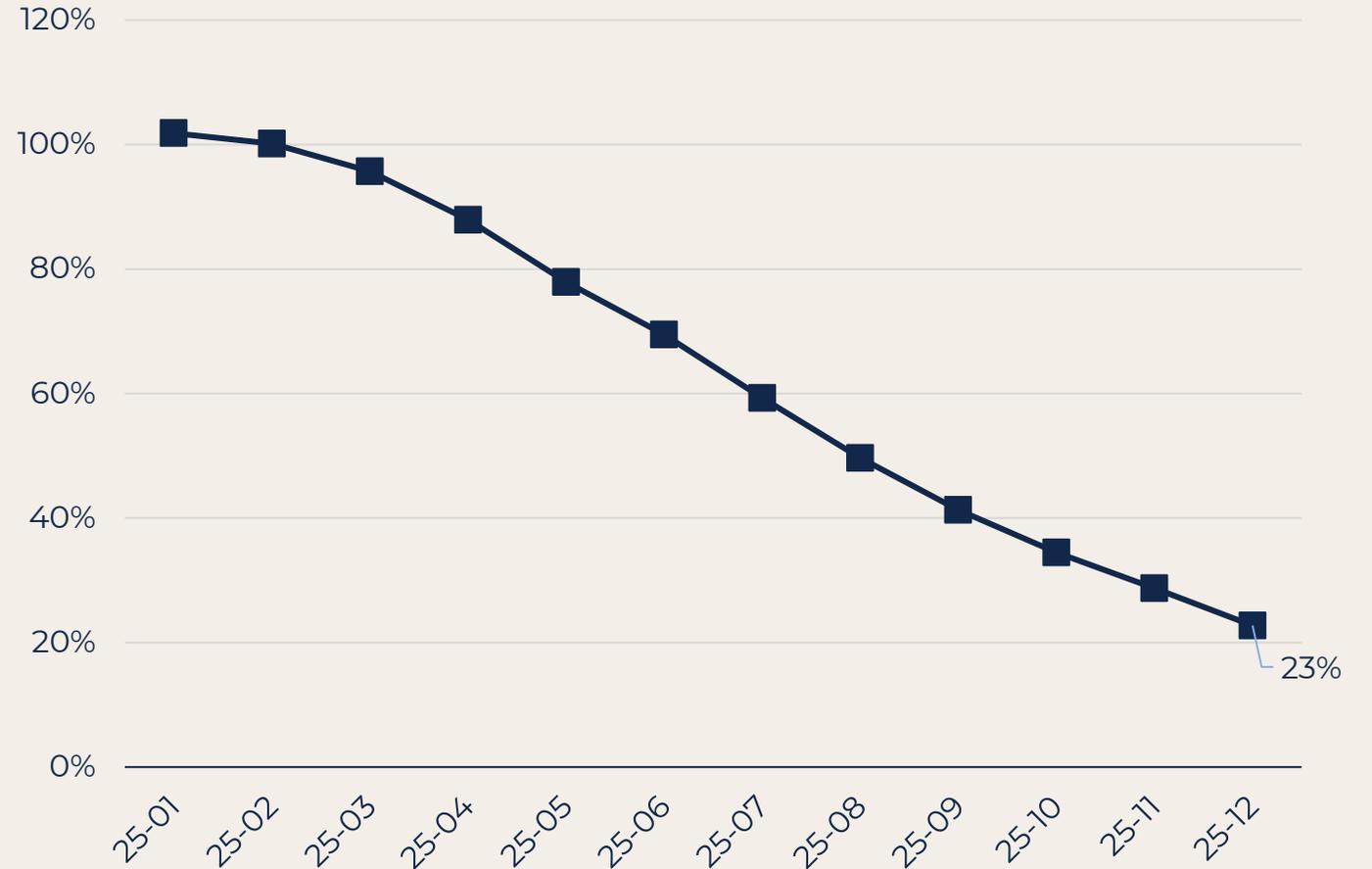
Year/Month	2025-01	2025-02	2025-03	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09	2025-10	2025-11	2025-12
PIF	116,556	118,937	121,658	123,842	125,897	127,957	129,583	129,705	129,526	129,180	128,494	127,835



YOY Summary

- Decelerated growth in TIV (23% YoY)
- Decrease in exposure in-force since October as the cycle shifts downward

Year Over Year Growth - TIV

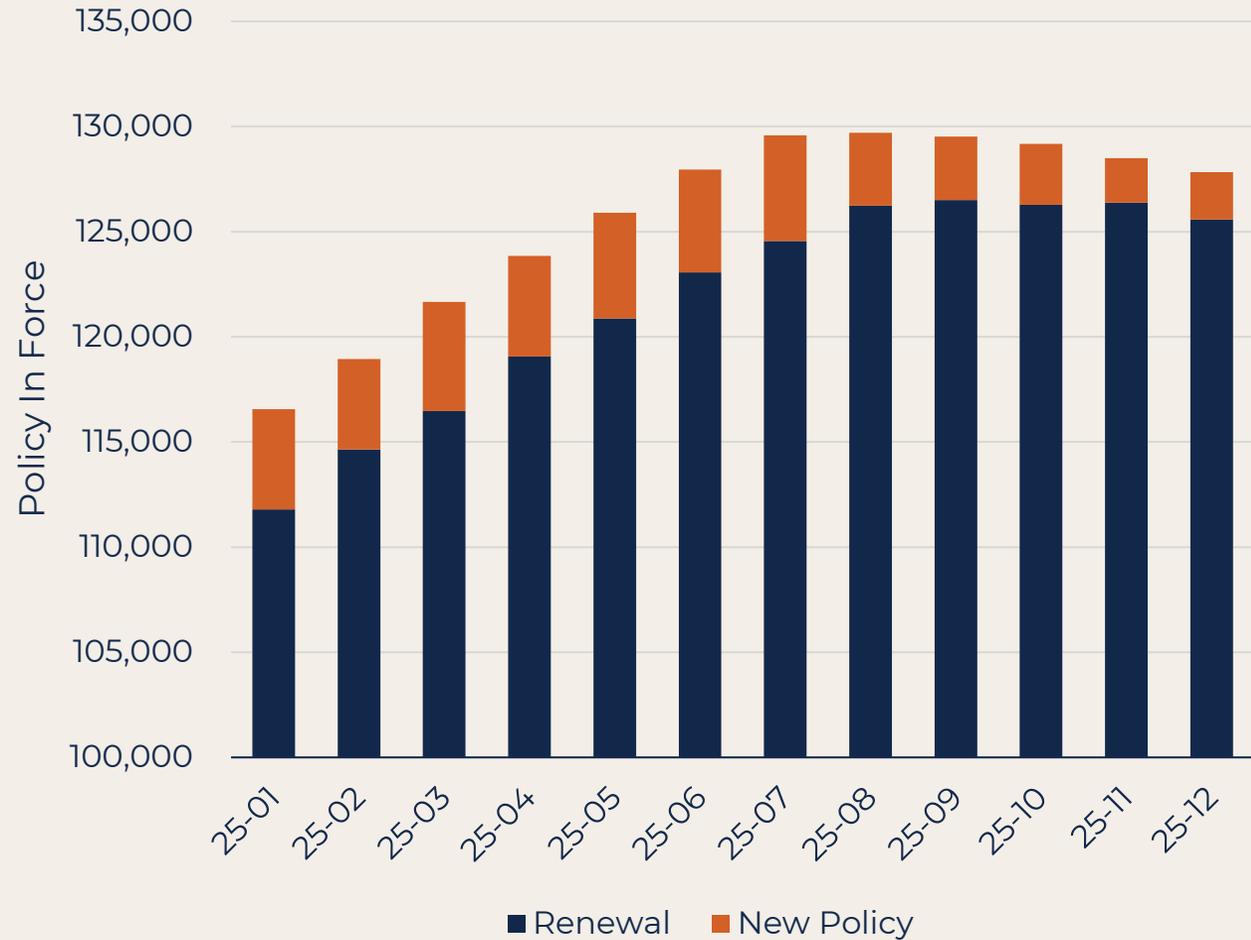


Year/Month	2025-01	2025-02	2025-03	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09	2025-10	2025-11	2025-12
TIV (000,000s)	34,152	35,272	36,555	37,668	38,707	39,791	40,670	40,885	40,924	40,909	40,688	40,420



New Business versus Renewal

- New policies account for less than 5% of total PIF each month

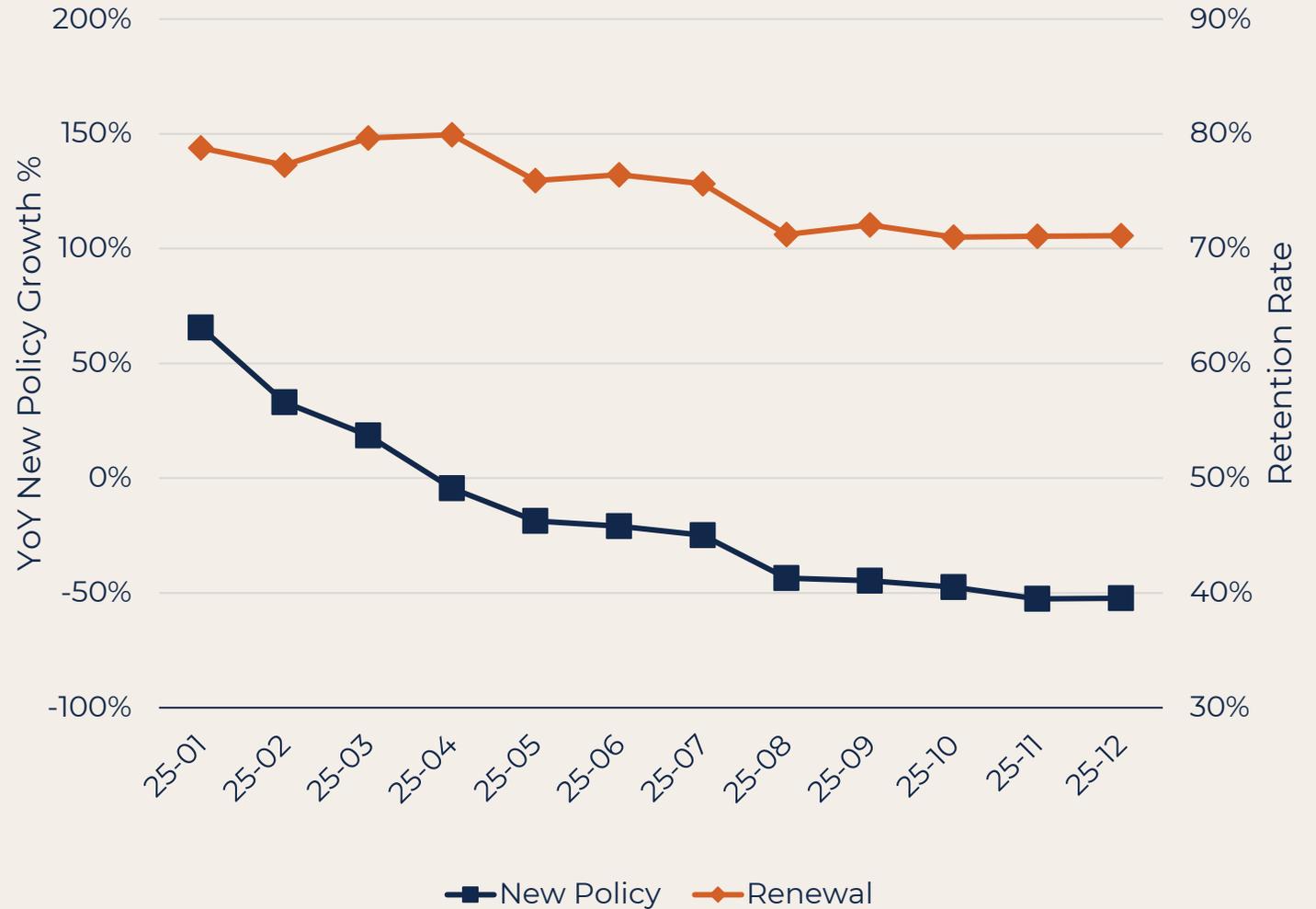


Year/Month	2025-01	2025-02	2025-03	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09	2025-10	2025-11	2025-12
New Policy	4,759	4,293	5,186	4,776	5,018	4,897	5,033	3,468	3,028	2,906	2,115	2,251
Renewal	111,797	114,644	116,472	119,066	120,879	123,060	124,550	126,237	126,498	126,274	126,379	125,584



New Business versus Renewal

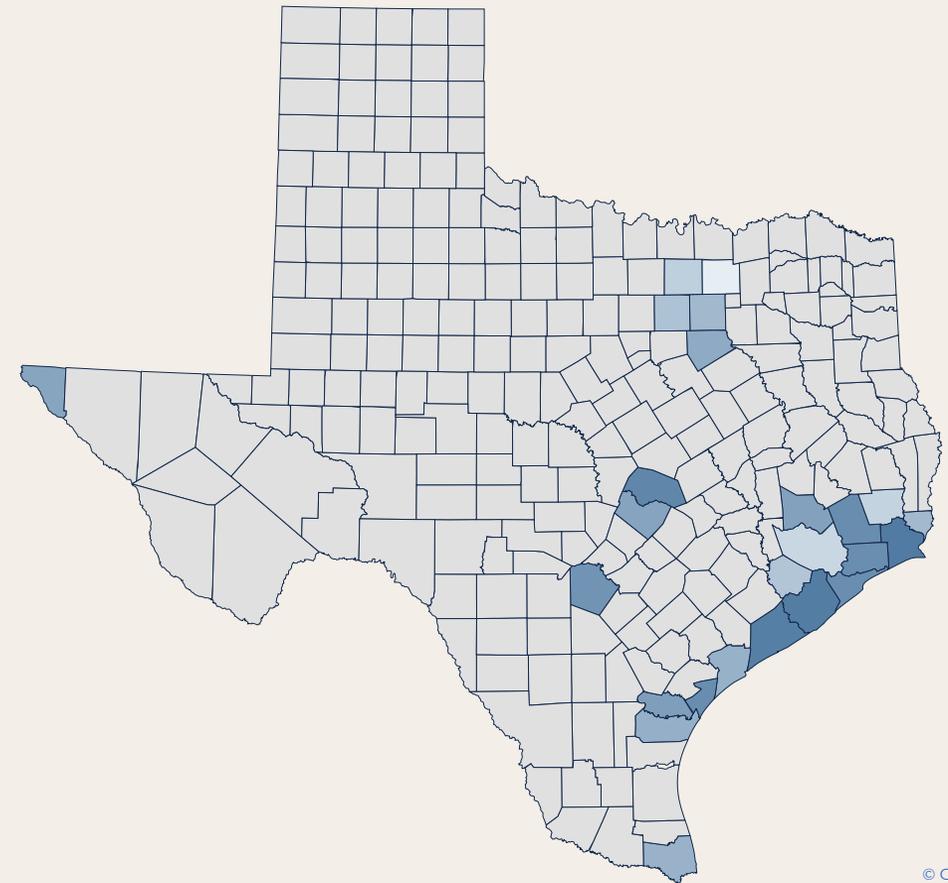
- **New policy issuance is down 52% YoY**
- **Retention rate of 71% as of December**



TIV Growth by County

- Statewide growth of 23%
 - Tier 1: 41%
 - Tier 2: 14%
 - All other: 27%

Top 15 County	TIV (in millions)	YoY Growth %
Harris	17,006	12.48%
Fort bend	3,315	19.13%
Galveston	3,626	40.40%
Dallas	1,672	24.24%
Brazoria	2,414	46.81%
Tarrant	1,334	20.30%
El paso	1,623	31.35%
Jefferson	1,621	47.56%
Montgomery	858	33.08%
Nueces	682	27.89%
Bexar	464	38.04%
Orange	392	23.84%
Denton	535	15.59%
Liberty	164	40.61%
Chambers	396	40.28%



YoY TIV Growth
4% 48%

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County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/24	12/31/25	Actual	Percentage	12/31/24	12/31/25	Actual	Percentage	12/31/24	12/31/25	Actual	Percentage
Harris	61,774	64,257	2,483	4.02%	15,119,506,683	17,005,728,397	1,886,221,713	12.48%	143,390,622	175,524,084	32,133,462	22.41%
Fort bend	8,556	9,539	983	11.49%	2,782,325,999	3,314,626,824	532,300,825	19.13%	21,428,346	27,357,507	5,929,161	27.67%
Galveston	6,722	8,406	1,684	25.05%	2,582,650,603	3,625,918,910	1,043,268,307	40.40%	4,786,524	6,361,743	1,575,219	32.91%
Dallas	4,250	5,033	783	18.42%	1,345,703,161	1,671,904,737	326,201,576	24.24%	10,474,692	13,921,843	3,447,151	32.91%
Brazoria	4,086	5,343	1,257	30.76%	1,644,441,586	2,414,204,596	769,763,010	46.81%	3,375,591	4,774,107	1,398,516	41.43%
Tarrant	3,443	4,102	659	19.14%	1,109,013,571	1,334,128,551	225,114,980	20.30%	8,912,486	11,683,734	2,771,248	31.09%
El paso	3,604	4,436	832	23.09%	1,235,556,479	1,622,935,938	387,379,459	31.35%	4,530,578	6,257,393	1,726,815	38.11%
Jefferson	3,213	4,270	1,057	32.90%	1,098,634,931	1,621,141,872	522,506,941	47.56%	2,483,602	3,442,337	958,734	38.60%
Montgomery	2,094	2,689	595	28.41%	644,843,629	858,168,457	213,324,828	33.08%	4,179,885	5,897,677	1,717,792	41.10%
Nueces	1,824	2,137	313	17.16%	533,478,061	682,254,123	148,776,062	27.89%	1,729,834	2,105,317	375,482	21.71%
Bexar	1,144	1,419	275	24.04%	336,354,182	464,290,966	127,936,784	38.04%	2,111,305	3,067,634	956,329	45.30%
Orange	1,101	1,309	208	18.89%	316,884,192	392,415,537	75,531,345	23.84%	3,328,685	4,375,655	1,046,970	31.45%
Denton	813	972	159	19.56%	462,533,163	534,656,455	72,123,292	15.59%	2,819,377	3,517,887	698,510	24.78%
Liberty	655	885	230	35.11%	116,956,213	164,447,560	47,491,347	40.61%	1,458,312	2,191,827	733,515	50.30%
Chambers	636	801	165	25.94%	282,488,706	396,267,496	113,778,790	40.28%	607,979	803,733	195,754	32.20%
Travis	578	728	150	25.95%	221,574,508	292,915,049	71,340,541	32.20%	1,043,291	1,497,748	454,457	43.56%
Cameron	639	751	112	17.53%	183,232,790	231,786,025	48,553,235	26.50%	454,282	550,887	96,605	21.27%
Collin	545	588	43	7.89%	288,205,896	299,836,196	11,630,300	4.04%	2,233,709	2,308,940	75,231	3.37%
Matagorda	473	607	134	28.33%	150,627,940	220,064,970	69,437,030	46.10%	429,126	605,110	175,983	41.01%
Calhoun	475	526	51	10.74%	138,496,730	175,909,650	37,412,920	27.01%	350,827	428,366	77,538	22.10%
San patricio	349	432	83	23.78%	121,363,270	163,012,900	41,649,630	34.32%	294,235	380,210	85,975	29.22%
Ellis	262	327	65	24.81%	120,669,530	156,187,312	35,517,782	29.43%	780,289	1,080,819	300,530	38.52%
Aransas	266	350	84	31.58%	79,082,370	111,320,269	32,237,899	40.76%	198,208	268,505	70,296	35.47%
Hardin	255	323	68	26.67%	52,171,844	59,470,353	7,298,509	13.99%	603,531	743,555	140,023	23.20%
Williamson	199	250	51	25.63%	88,670,770	126,936,000	38,265,230	43.15%	462,976	707,781	244,805	52.88%
Top 25 Counties	107,956	120,480	12,524	11.60%	31,055,466,808	37,940,529,142	6,885,062,334	22.17%	222,468,293	279,854,396	57,386,103	25.80%
All Other Counties	5,904	7,355	1,451	24.58%	1,874,930,838	2,479,118,464	604,187,627	32.22%	14,808,258	20,239,685	5,431,427	36.68%
Tier 1	18,864	23,844	4,980	26.40%	6,866,121,202	9,714,289,746	2,848,168,544	41.48%	14,857,896	19,914,674	5,056,778	34.03%
Tier 2	73,279	77,425	4,146	5.66%	18,598,754,240	21,193,709,667	2,594,955,427	13.95%	172,506,216	213,227,920	40,721,704	23.61%
All Other Counties	21,717	26,566	4,849	22.33%	7,465,522,204	9,511,648,193	2,046,125,990	27.41%	49,912,440	66,951,487	17,039,048	34.14%
Statewide Total	113,860	127,835	13,975	12.27%	32,930,397,646	40,419,647,607	7,489,249,961	22.74%	237,276,551	300,094,081	62,817,529	26.47%

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

Texas FAIR Plan Association
Liability Report
As of 12/31/25
HO-A Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/24	12/31/25	Actual	Percentage	12/31/24	12/31/25	Actual	Percentage	12/31/24	12/31/25	Actual	Percentage
Harris	27,722	29,065	1,343	4.84%	10,250,215,476	11,539,795,215	1,289,579,738	12.58%	97,642,724	118,378,788	20,736,064	21.24%
Fort bend	3,484	3,861	377	10.82%	1,725,226,112	2,013,068,522	287,842,410	16.68%	13,428,189	16,901,619	3,473,430	25.87%
Galveston	5,146	6,554	1,408	27.36%	2,384,920,292	3,369,087,542	984,167,250	41.27%	4,088,629	5,435,540	1,346,911	32.94%
Dallas	2,653	2,980	327	12.33%	1,108,617,060	1,327,798,620	219,181,560	19.77%	8,692,459	11,039,985	2,347,526	27.01%
Brazoria	3,301	4,426	1,125	34.08%	1,507,529,550	2,234,504,630	726,975,080	48.22%	2,960,211	4,191,400	1,231,189	41.59%
Tarrant	2,239	2,406	167	7.46%	932,680,549	1,053,111,030	120,430,481	12.91%	7,354,867	9,017,465	1,662,598	22.61%
El paso	3,224	3,938	714	22.15%	1,182,848,700	1,550,206,710	367,358,010	31.06%	4,221,171	5,804,058	1,582,887	37.50%
Jefferson	2,571	3,483	912	35.47%	1,025,665,125	1,523,543,350	497,878,225	48.54%	2,175,490	3,012,235	836,745	38.46%
Montgomery	1,407	1,828	421	29.92%	545,428,740	728,723,373	183,294,633	33.61%	3,447,031	4,880,788	1,433,758	41.59%
Nueces	1,245	1,467	222	17.83%	465,120,260	598,317,868	133,197,608	28.64%	1,470,336	1,777,871	307,536	20.92%
Bexar	809	1,017	208	25.71%	296,116,020	411,336,630	115,220,610	38.91%	1,812,325	2,636,430	824,105	45.47%
Orange	860	1,013	153	17.79%	288,811,968	355,907,595	67,095,627	23.23%	2,992,780	3,898,671	905,892	30.27%
Denton	684	793	109	15.94%	433,746,570	493,138,170	59,391,600	13.69%	2,603,486	3,220,337	616,851	23.69%
Liberty	427	576	149	34.89%	98,407,205	135,618,940	37,211,735	37.81%	1,179,195	1,732,102	552,907	46.89%
Chambers	573	729	156	27.23%	274,048,506	385,157,636	111,109,130	40.54%	568,351	747,314	178,964	31.49%
Travis	386	505	119	30.83%	195,562,700	258,041,997	62,479,297	31.95%	856,249	1,248,106	391,858	45.76%
Cameron	448	517	69	15.40%	160,673,530	202,859,090	42,185,560	26.26%	353,869	428,226	74,357	21.01%
Collin	386	384	(2)	(0.52%)	260,130,020	259,572,400	(557,620)	(0.21%)	1,970,840	1,986,731	15,892	0.81%
Matagorda	425	553	128	30.12%	145,679,390	212,896,520	67,217,130	46.14%	394,789	556,110	161,321	40.86%
Calhoun	407	462	55	13.51%	132,540,640	170,035,410	37,494,770	28.29%	323,040	400,897	77,857	24.10%
San patricio	304	381	77	25.33%	116,616,770	156,914,000	40,297,230	34.56%	267,874	343,988	76,114	28.41%
Ellis	218	271	53	24.31%	113,668,430	145,492,000	31,823,570	28.00%	724,346	997,335	272,989	37.69%
Aransas	223	302	79	35.43%	74,954,310	105,887,069	30,932,759	41.27%	177,815	237,729	59,914	33.69%
Hardin	171	212	41	23.98%	45,053,283	49,468,004	4,414,721	9.80%	510,533	596,040	85,507	16.75%
Williamson	143	191	48	33.57%	80,653,330	116,330,260	35,676,930	44.23%	406,994	622,730	215,736	53.01%
Top 25 Counties	59,456	67,914	8,458	14.23%	23,844,914,537	29,396,812,580	5,551,898,043	23.28%	160,623,589	200,092,496	39,468,907	24.57%
All Other Counties	4,256	5,349	1,093	25.68%	1,671,335,451	2,206,833,838	535,498,388	32.04%	12,767,761	17,258,903	4,491,141	35.18%
Tier 1	14,780	19,050	4,270	28.89%	6,334,480,913	9,026,597,075	2,692,116,162	42.50%	12,901,755	17,296,413	4,394,659	34.06%
Tier 2	33,227	35,368	2,141	6.44%	12,573,759,583	14,291,366,154	1,717,606,571	13.66%	117,563,084	143,794,868	26,231,783	22.31%
All Other Counties	15,705	18,845	3,140	19.99%	6,608,009,492	8,285,683,189	1,677,673,698	25.39%	42,926,512	56,260,117	13,333,606	31.06%
Statewide Total	63,712	73,263	9,551	14.99%	25,516,249,988	31,603,646,418	6,087,396,431	23.86%	173,391,351	217,351,398	43,960,048	25.35%

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

Texas FAIR Plan Association
Liability Report
As of 12/31/25
TDP-1 Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/24	12/31/25	Actual	Percentage	12/31/24	12/31/25	Actual	Percentage	12/31/24	12/31/25	Actual	Percentage
Harris	30,825	32,082	1,257	4.08%	4,671,194,967	5,258,041,342	586,846,375	12.56%	44,104,112	55,297,467	11,193,355	25.38%
Fort bend	4,900	5,516	616	12.57%	1,047,351,687	1,292,717,662	245,365,975	23.43%	7,932,506	10,389,853	2,457,347	30.98%
Galveston	1,036	1,220	184	17.76%	163,212,671	213,508,848	50,296,177	30.82%	551,455	743,021	191,567	34.74%
Dallas	1,475	1,921	446	30.24%	228,399,181	334,519,797	106,120,616	46.46%	1,718,107	2,809,326	1,091,219	63.51%
Brazoria	729	872	143	19.62%	134,619,796	177,657,326	43,037,530	31.97%	404,407	572,442	168,036	41.55%
Tarrant	1,178	1,653	475	40.32%	174,036,342	276,643,041	102,606,699	58.96%	1,535,512	2,629,577	1,094,065	71.25%
El paso	375	489	114	30.40%	52,345,379	72,201,228	19,855,849	37.93%	306,890	449,197	142,308	46.37%
Jefferson	554	697	143	25.81%	65,993,966	89,317,442	23,323,476	35.34%	279,818	398,367	118,549	42.37%
Montgomery	641	804	163	25.43%	95,510,809	125,341,804	29,830,995	31.23%	708,238	993,698	285,460	40.31%
Nueces	366	436	70	19.13%	48,486,161	61,519,295	13,033,134	26.88%	170,396	224,901	54,505	31.99%
Bexar	273	339	66	24.18%	36,468,482	49,585,816	13,117,334	35.97%	265,045	399,254	134,210	50.64%
Orange	232	289	57	24.57%	27,766,224	36,321,942	8,555,718	30.81%	332,788	475,302	142,513	42.82%
Denton	113	161	48	42.48%	27,472,593	39,862,285	12,389,692	45.10%	209,946	288,519	78,572	37.43%
Liberty	215	297	82	38.14%	18,243,008	28,577,700	10,334,692	56.65%	275,965	457,201	181,237	65.67%
Chambers	57	65	8	14.04%	8,220,600	10,692,260	2,471,660	30.07%	38,642	54,887	16,245	42.04%
Travis	118	139	21	17.80%	19,568,528	27,039,212	7,470,684	38.18%	145,445	192,621	47,176	32.44%
Cameron	88	111	23	26.14%	11,653,300	16,280,495	4,627,195	39.71%	55,258	71,351	16,093	29.12%
Collin	123	165	42	34.15%	25,268,836	37,573,636	12,304,800	48.70%	247,346	306,434	59,088	23.89%
Matagorda	47	52	5	10.64%	4,935,350	7,116,850	2,181,500	44.20%	34,220	48,717	14,497	42.36%
Calhoun	54	51	(3)	(5.56%)	5,151,850	4,824,000	(327,850)	(6.36%)	23,827	22,913	(913)	(3.83%)
San patricio	43	48	5	11.63%	4,592,900	5,807,300	1,214,400	26.44%	25,835	35,089	9,254	35.82%
Ellis	42	55	13	30.95%	6,917,100	10,635,312	3,718,212	53.75%	55,524	83,262	27,738	49.96%
Aransas	28	31	3	10.71%	2,791,260	3,776,000	984,740	35.28%	14,820	22,776	7,956	53.69%
Hardin	76	104	28	36.84%	6,931,241	9,749,149	2,817,908	40.66%	90,680	144,010	53,330	58.81%
Williamson	40	47	7	17.50%	7,106,400	9,502,700	2,396,300	33.72%	53,654	78,871	25,217	47.00%
Top 25 Counties	43,628	47,644	4,016	9.21%	6,894,238,631	8,198,812,442	1,304,573,811	18.92%	59,580,434	77,189,057	17,608,623	29.55%
All Other Counties	1,516	1,854	338	22.30%	195,528,507	262,279,026	66,750,519	34.14%	1,992,124	2,913,552	921,428	46.25%
Tier 1	3,044	3,625	581	19.09%	454,382,729	595,268,791	140,886,062	31.01%	1,624,248	2,221,843	597,595	36.79%
Tier 2	36,607	38,737	2,130	5.82%	5,815,306,897	6,683,362,353	868,055,456	14.93%	53,215,248	67,498,577	14,283,329	26.84%
All Other Counties	5,493	7,136	1,643	29.91%	820,077,512	1,182,460,324	362,382,812	44.19%	6,733,062	10,382,189	3,649,127	54.20%
Statewide Total	45,144	49,498	4,354	9.64%	7,089,767,138	8,461,091,468	1,371,324,330	19.34%	61,572,558	80,102,609	18,530,051	30.09%

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

Texas FAIR Plan Association
Liability Report
As of 12/31/25
HO-CONB Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/24	12/31/25	Actual	Percentage	12/31/24	12/31/25	Actual	Percentage	12/31/24	12/31/25	Actual	Percentage
Harris	2,236	2,343	107	4.79%	179,186,520	191,662,080	12,475,560	6.96%	1,461,336	1,695,653	234,317	16.03%
Fort bend	79	78	(1)	(1.27%)	7,075,200	6,573,840	(501,360)	(7.09%)	50,079	50,070	(9)	(0.02%)
Galveston	253	299	46	18.18%	25,495,560	31,509,600	6,014,040	23.59%	98,598	125,308	26,710	27.09%
Dallas	100	104	4	4.00%	7,666,440	8,836,320	1,169,880	15.26%	57,879	67,776	9,896	17.10%
Brazoria	9	10	1	11.11%	705,600	789,600	84,000	11.90%	3,330	3,768	438	13.15%
Tarrant	7	16	9	128.57%	1,458,480	3,017,280	1,558,800	106.88%	16,830	28,522	11,692	69.47%
El paso	2	3	1	50.00%	218,400	326,400	108,000	49.45%	1,935	2,800	866	44.74%
Jefferson	54	61	7	12.96%	5,416,800	6,800,400	1,383,600	25.54%	21,328	25,375	4,047	18.97%
Montgomery	24	22	(2)	(8.33%)	2,494,080	2,246,880	(247,200)	(9.91%)	17,248	16,136	(1,112)	(6.45%)
Nueces	191	211	20	10.47%	19,184,040	21,470,160	2,286,120	11.92%	85,500	97,844	12,344	14.44%
Bexar	40	41	1	2.50%	3,136,080	2,814,720	(321,360)	(10.25%)	30,257	28,367	(1,889)	(6.24%)
Orange	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Denton	6	8	2	33.33%	744,000	1,044,000	300,000	40.32%	3,540	6,576	3,036	85.76%
Liberty	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
Travis	46	61	15	32.61%	5,136,480	6,807,840	1,671,360	32.54%	35,932	52,000	16,068	44.72%
Cameron	97	116	19	19.59%	10,707,960	12,472,440	1,764,480	16.48%	44,196	50,411	6,215	14.06%
Collin	20	22	2	10.00%	2,237,040	2,078,160	(158,880)	(7.10%)	12,793	13,113	321	2.51%
Matagorda	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Calhoun	5	6	1	20.00%	468,240	762,240	294,000	62.79%	2,317	3,250	933	40.27%
San patricio	0	1	1	N/A	0	162,000	162,000	N/A	0	697	697	N/A
Ellis	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Aransas	10	12	2	20.00%	1,120,800	1,378,800	258,000	23.02%	4,316	6,408	2,092	48.47%
Hardin	0	0	0	N/A	0	0	0	N/A	0	589	589	N/A
Williamson	1	5	4	400.00%	263,040	905,040	642,000	244.07%	(131)	5,200	5,331	(4083.76%)
Top 25 Counties	3,180	3,419	239	7.52%	272,714,760	301,657,800	28,943,040	10.61%	1,947,283	2,279,862	332,579	17.08%
All Other Counties	54	63	9	16.67%	4,784,640	6,060,600	1,275,960	26.67%	30,465	44,002	13,537	44.43%
Tier 1	620	716	96	15.48%	63,247,800	75,345,240	12,097,440	19.13%	260,318	313,161	52,843	20.30%
Tier 2	2,325	2,433	108	4.65%	187,161,720	199,426,920	12,265,200	6.55%	1,517,864	1,755,507	237,643	15.66%
All Other Counties	289	333	44	15.22%	27,089,880	32,946,240	5,856,360	21.62%	199,567	255,196	55,629	27.87%
Statewide Total	3,234	3,482	248	7.67%	277,499,400	307,718,400	30,219,000	10.89%	1,977,749	2,323,864	346,115	17.50%

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

Texas FAIR Plan Association
Liability Report
As of 12/31/25
HO-BT Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	12/31/24	12/31/25	Actual	Percentage	12/31/24	12/31/25	Actual	Percentage	12/31/24	12/31/25	Actual	Percentage
Harris	991	767	(224)	(22.60%)	18,909,720	16,229,760	(2,679,960)	(14.17%)	182,449	152,176	(30,273)	(16.59%)
Fort bend	93	84	(9)	(9.68%)	2,673,000	2,266,800	(406,200)	(15.20%)	17,572	15,965	(1,607)	(9.14%)
Galveston	287	333	46	16.03%	9,022,080	11,812,920	2,790,840	30.93%	47,842	57,873	10,031	20.97%
Dallas	22	28	6	27.27%	1,020,480	750,000	(270,480)	(26.51%)	6,248	4,758	(1,490)	(23.85%)
Brazoria	47	35	(12)	(25.53%)	1,586,640	1,253,040	(333,600)	(21.03%)	7,644	6,497	(1,147)	(15.00%)
Tarrant	19	27	8	42.11%	838,200	1,357,200	519,000	61.92%	5,276	8,170	2,893	54.84%
El paso	3	6	3	100.00%	144,000	201,600	57,600	40.00%	583	1,338	755	129.43%
Jefferson	34	29	(5)	(14.71%)	1,559,040	1,480,680	(78,360)	(5.03%)	6,967	6,360	(607)	(8.71%)
Montgomery	22	35	13	59.09%	1,410,000	1,856,400	446,400	31.66%	7,369	7,055	(314)	(4.26%)
Nueces	22	23	1	4.55%	687,600	946,800	259,200	37.70%	3,603	4,701	1,098	30.47%
Bexar	22	22	0	0.00%	633,600	553,800	(79,800)	(12.59%)	3,679	3,582	(97)	(2.63%)
Orange	9	7	(2)	(22.22%)	306,000	186,000	(120,000)	(39.22%)	3,117	1,681	(1,435)	(46.05%)
Denton	10	10	0	0.00%	570,000	612,000	42,000	7.37%	2,405	2,455	50	2.10%
Liberty	13	12	(1)	(7.69%)	306,000	250,920	(55,080)	(18.00%)	3,153	2,524	(629)	(19.93%)
Chambers	6	7	1	16.67%	219,600	417,600	198,000	90.16%	986	1,532	546	55.38%
Travis	28	23	(5)	(17.86%)	1,306,800	1,026,000	(280,800)	(21.49%)	5,666	5,020	(645)	(11.39%)
Cameron	6	7	1	16.67%	198,000	174,000	(24,000)	(12.12%)	959	900	(59)	(6.18%)
Collin	16	17	1	6.25%	570,000	612,000	42,000	7.37%	2,731	2,661	(70)	(2.56%)
Matagorda	1	2	1	100.00%	13,200	51,600	38,400	290.91%	117	282	165	141.03%
Calhoun	9	7	(2)	(22.22%)	336,000	288,000	(48,000)	(14.29%)	1,643	1,305	(338)	(20.57%)
San patricio	2	2	0	0.00%	153,600	129,600	(24,000)	(15.63%)	526	435	(91)	(17.30%)
Ellis	2	1	(1)	(50.00%)	84,000	60,000	(24,000)	(28.57%)	419	222	(197)	(47.02%)
Aransas	5	5	0	0.00%	216,000	278,400	62,400	28.89%	1,257	1,591	334	26.62%
Hardin	8	7	(1)	(12.50%)	187,320	253,200	65,880	35.17%	2,319	2,917	598	25.80%
Williamson	15	7	(8)	(53.33%)	648,000	198,000	(450,000)	(69.44%)	2,458	980	(1,478)	(60.13%)
Top 25 Counties	1,692	1,503	(189)	(11.17%)	43,598,880	43,246,320	(352,560)	(0.81%)	316,986	292,981	(24,006)	(7.57%)
All Other Counties	78	89	11	14.10%	3,282,240	3,945,000	662,760	20.19%	17,908	23,229	5,321	29.71%
Tier 1	420	453	33	7.86%	14,009,760	17,078,640	3,068,880	21.91%	71,575	83,257	11,681	16.32%
Tier 2	1,120	887	(233)	(20.80%)	22,526,040	19,554,240	(2,971,800)	(13.19%)	210,020	178,968	(31,052)	(14.79%)
All Other Counties	230	252	22	9.57%	10,345,320	10,558,440	213,120	2.06%	53,299	53,985	686	1.29%
Statewide Total	1,770	1,592	(178)	(10.06%)	46,881,120	47,191,320	310,200	0.66%	334,894	316,210	(18,685)	(5.58%)

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

7B. Reserve Adequacy



MEMORANDUM

DATE: February 9, 2026

TO: David Durden
General Manager

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

RE: TFPA Reserve Adequacy as of December 31, 2025

TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of December 31, 2025.

As of December 31, 2025, TFPA carried \$39.4 million in total gross loss and loss adjustment expense reserves with \$13.0 million of the total gross loss and expense reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

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

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

The complete actuarial analysis is available on request.

JM

7C. Deductible Filing Update



MEMORANDUM

DATE: February 9, 2026
TO: David Durden, General Manager
FROM: Jim Murphy, Chief Actuary
RE: TFPA Deductible Filing Update

The Texas FAIR Plan Association Governing Committee directed staff at its November 3, 2025, meeting to file changes to TFPA deductible options, eliminating the 1% wind / hail deductible and allowing the selection of different percentages for wind / hail and all other peril deductibles. Changes were filed with the Texas Department of Insurance and approved on February 3, 2026.

TFPA actuarial, underwriting, and IT staff are currently working to finalize an implementation plan for these changes.

JM

7D. Annual Rate Review

TFPA Governing Committee

2025 Rate Indications
February 23, 2026

Contents

- Actuarial Principles
- Statutory Language
- Recent Legislative Changes
- Rate Adequacy Methodology
- Rate Adequacy Analysis
- Reconciliation of Changes in Rate Indications
- Historical Rate Indications vs Rate Changes

Actuarial Principles

Casualty Actuarial Society Statement of Principles

1. A rate is an estimate of the expected value of future costs
2. A rate provides for all costs associated with the transfer of risk
3. A rate provides for the costs associated with an individual risk transfer
4. A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer

Statutory Language

Section. 2211.056 FILING AND APPROVAL OF RATES

- (a) The association shall file with the commissioner for approval the proposed rates and supplemental rate information to be used in connection with the issuance of insurance policies or endorsements.
- (b) The association shall set rates in an amount sufficient to:
 - (1) carry all claims to maturity; and
 - (2) meet the expenses incurred in the writing and servicing of the business.
- (c) Not later than the 60th day after the date the association files the proposed rates, the commissioner shall enter an order approving or disapproving, wholly or partly, the proposed rates. The commissioner may, on notice to the association, extend the period for entering an order under this section an additional 30 days.



Recent Legislative Changes

House Bill 2517

Exempts TWIA and TFPA from premium and maintenance taxes

Rate Adequacy Methodology

TFPA employs the “Loss Ratio Method” to determine rate level indications

- This approach compares the estimated percentage of each premium dollar needed to cover future losses, loss adjustment expense and other fixed expenses for a prospective accident year to the amount of each premium dollar that is available to pay for such costs (referred to as the permissible loss ratio).
- This relationship is defined as:

$$\text{Indicated Rate Change Factor} = \frac{(\text{Loss \& LAE Ratio} + \text{Fixed Expense Ratio})}{(1 - \text{Variable Expense Ratio})}$$

Rate Adequacy Methodology (continued)

- **The Loss and LAE Ratio includes provisions for:**
 - Hurricane losses and loss adjustment expenses
 - Non-hurricane losses and loss adjustment expenses
- **The Fixed Expense Ratio includes:**
 - General operating expenses
 - Net cost of reinsurance
(total premiums less expected average annual recoveries)
- **The Variable Expense Ratio includes:**
 - Commissions, taxes, licenses and fees
 - Stabilization fund

2025 Rate Adequacy Analysis

Rate Element	HO-A			Tenants			Condo		
	2024 Review	2025 Review	2025 vs. 2024	2024 Review	2025 Review	2025 vs. 2024	2024 Review	2025 Review	2025 vs. 2024
Non-Wind Loss Provision	13.2%	10.0%	-3.2%	27.9%	23.4%	-4.5%	34.7%	34.2%	-0.5%
Wind Loss Provision									
Experience	47.6%	41.2%	-6.4%	8.5%	7.9%	-0.5%	11.5%	9.6%	-1.9%
Modeled	24.1%	22.2%	-1.9%	8.1%	8.0%	0.0%	12.6%	10.9%	-1.6%
Combined	35.8%	31.7%	-4.1%	8.4%	8.0%	-0.4%	11.8%	9.9%	-1.9%
Total Loss Provision	49.0%	41.7%	-7.3%	36.3%	31.3%	-5.0%	46.5%	44.2%	-2.4%
Fixed Expenses									
Operating	7.8%	5.8%	-2.0%	7.8%	5.8%	-2.0%	7.8%	5.8%	-2.0%
Reinsurance	23.2%	25.9%	2.7%	23.2%	13.5%	-9.7%	23.2%	18.5%	-4.7%
Total	31.0%	31.7%	0.7%	31.0%	19.3%	-11.7%	31.0%	24.3%	-6.7%
Total Loss Provision plus Fixed Expenses	80.0%	73.4%	-6.7%	67.3%	50.6%	-16.7%	77.6%	68.5%	-9.1%
Variable Expenses									
Commissions	11.0%	11.4%	0.4%	11.0%	11.4%	0.4%	11.0%	11.4%	0.4%
Taxes and Fees	1.8%	0.0%	-1.8%	1.8%	0.0%	-1.8%	1.8%	0.0%	-1.8%
Stabilization Fund	15.0%	13.4%	-1.6%	15.0%	13.4%	-1.6%	15.0%	13.4%	-1.6%
Total Variable Expenses	27.8%	24.8%	-3.0%	27.8%	24.8%	-3.0%	27.8%	24.8%	-3.0%
Permissible Loss Ratio	72.2%	75.2%	3.0%	72.2%	75.2%	3.0%	72.2%	75.2%	3.0%
Rate Indication	10.8%	-2.4%	-13.2%	-6.7%	-32.6%	-25.9%	7.4%	-8.9%	-16.3%

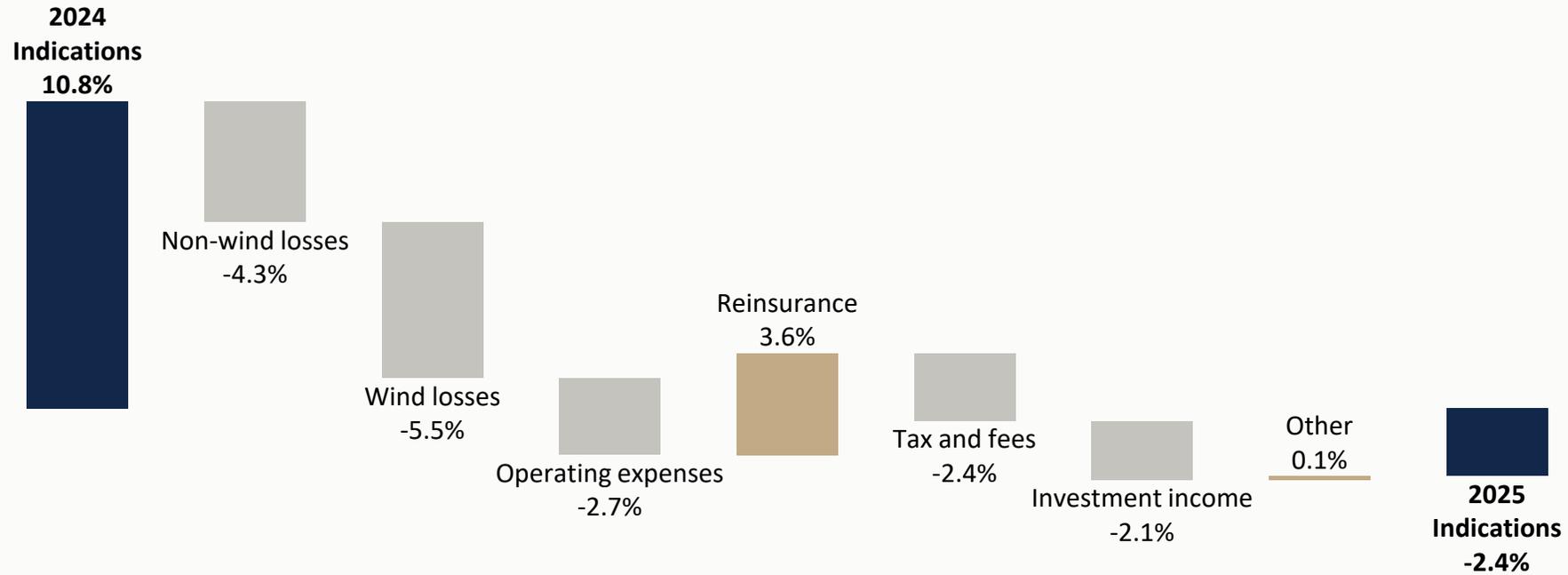
February 23, 2026

2025 Rate Adequacy Analysis (continued)

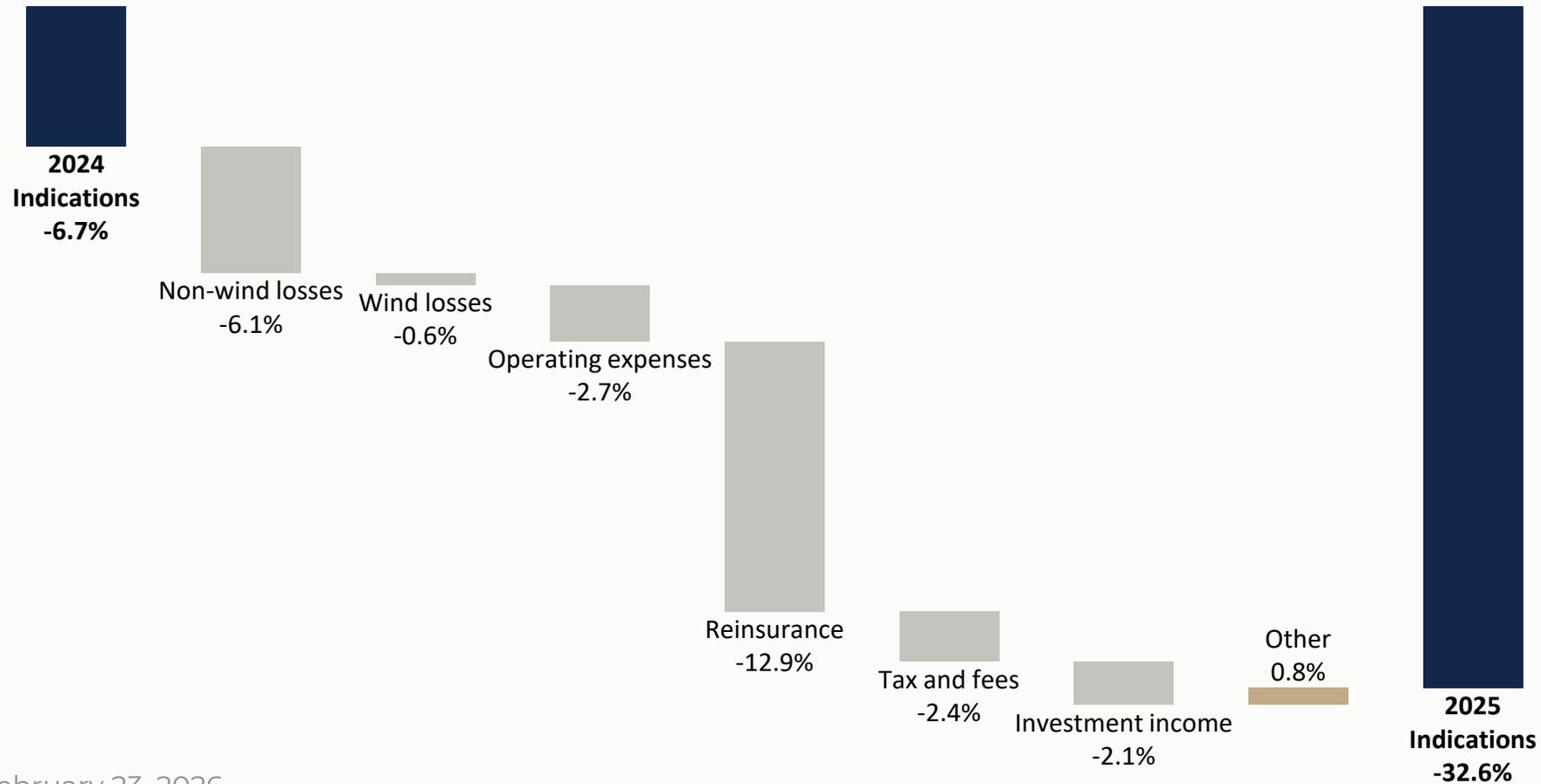
Rate Element	Dwelling (Fire)			Dwelling (EC)		
	2024 Review	2025 Review	2025 vs. 2024	2024 Review	2025 Review	2025 vs. 2024
Non-Wind Loss Provision				2.8%	2.2%	-0.6%
Wind Loss Provision						
Experience				89.7%	62.0%	-27.7%
Modeled				44.1%	35.8%	-8.3%
Combined				66.9%	48.9%	-18.0%
Total Loss Provision	49.6%	35.7%	-13.9%	69.7%	51.1%	-18.6%
Fixed Expenses						
Operating	7.8%	5.8%	-2.0%	7.8%	5.8%	-2.0%
Reinsurance	23.2%	36.3%	13.1%	23.2%	36.3%	13.1%
Total	31.0%	42.1%	11.1%	31.0%	42.1%	11.1%
Total Loss Provision plus Fixed Expenses	80.6%	77.8%	-2.8%	100.7%	93.2%	-7.5%
Variable Expenses						
Commissions	11.0%	11.4%	0.4%	11.0%	11.4%	0.4%
Taxes and Fees	1.8%	0.0%	-1.8%	1.8%	0.0%	-1.8%
Stabilization Fund	15.0%	13.4%	-1.6%	15.0%	13.4%	-1.6%
Total Variable Expenses	27.8%	24.8%	-3.0%	27.8%	24.8%	-3.0%
Permissible Loss Ratio	72.2%	75.2%	3.0%	72.2%	75.2%	3.0%
Rate Indication	11.7%	3.5%	-8.2%	39.5%	23.9%	-15.5%

February 23, 2026

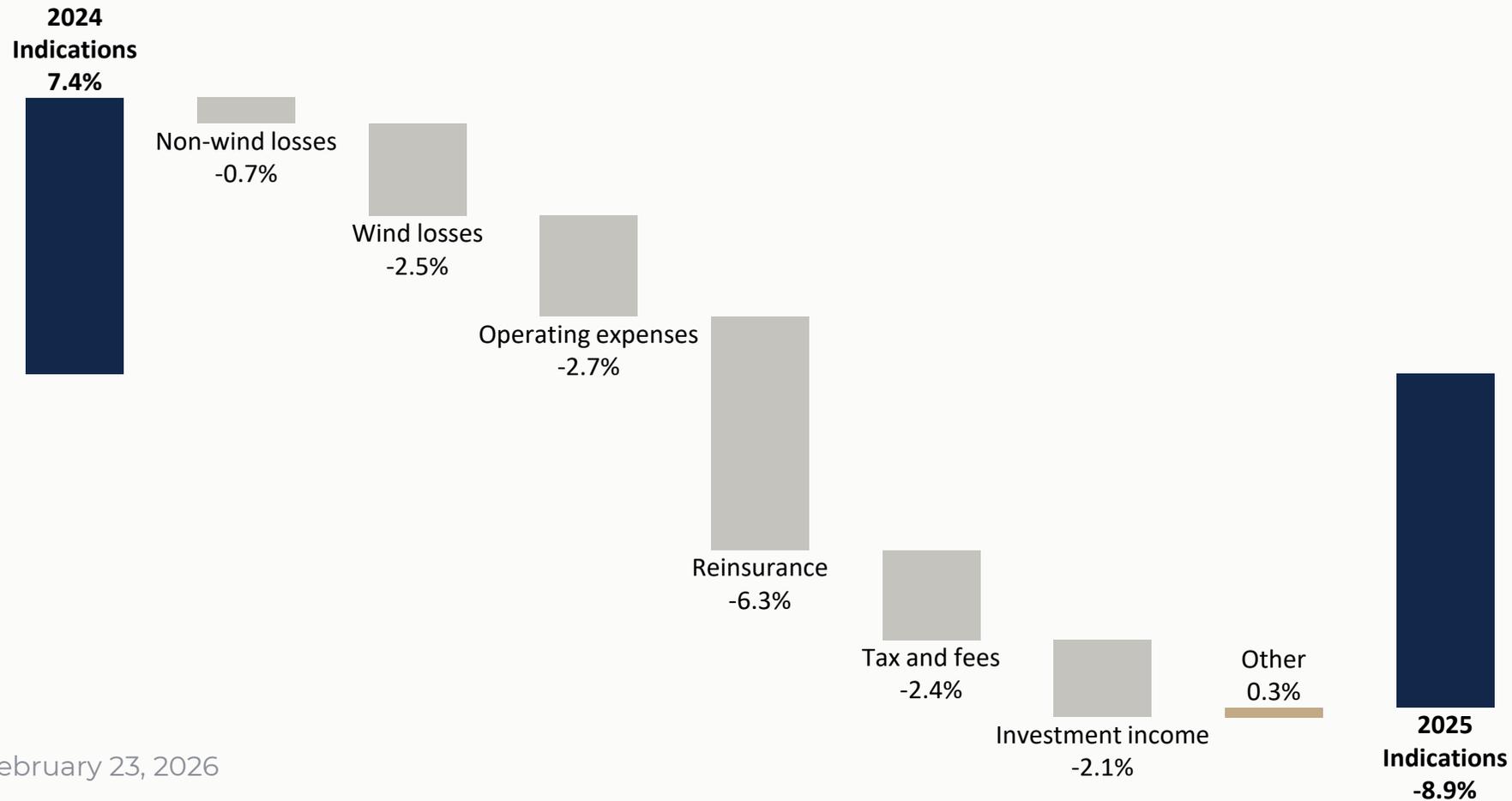
Reconciliation of Change in Rate Indications HO-A



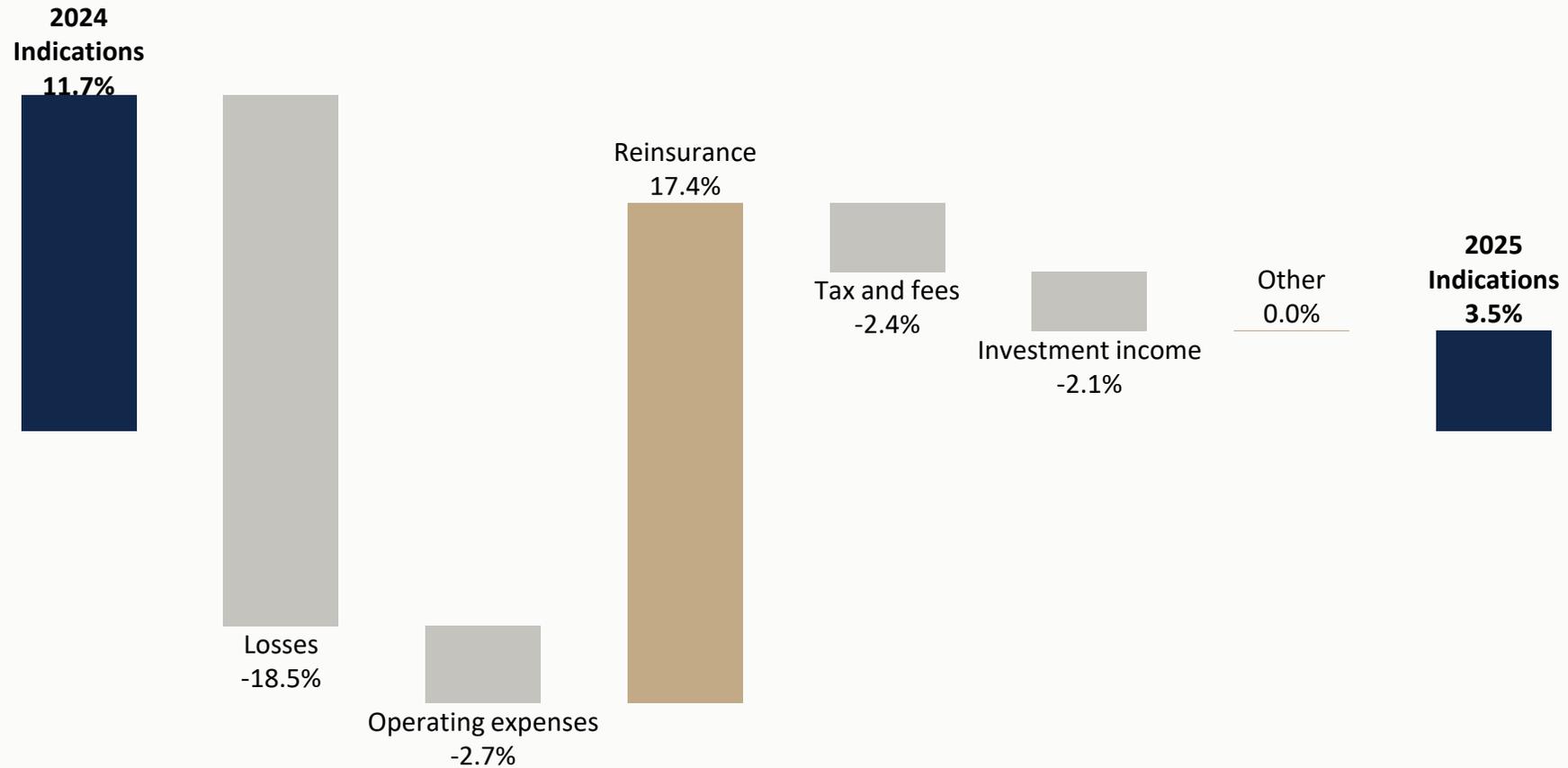
Reconciliation of Change in Rate Indications Tenants



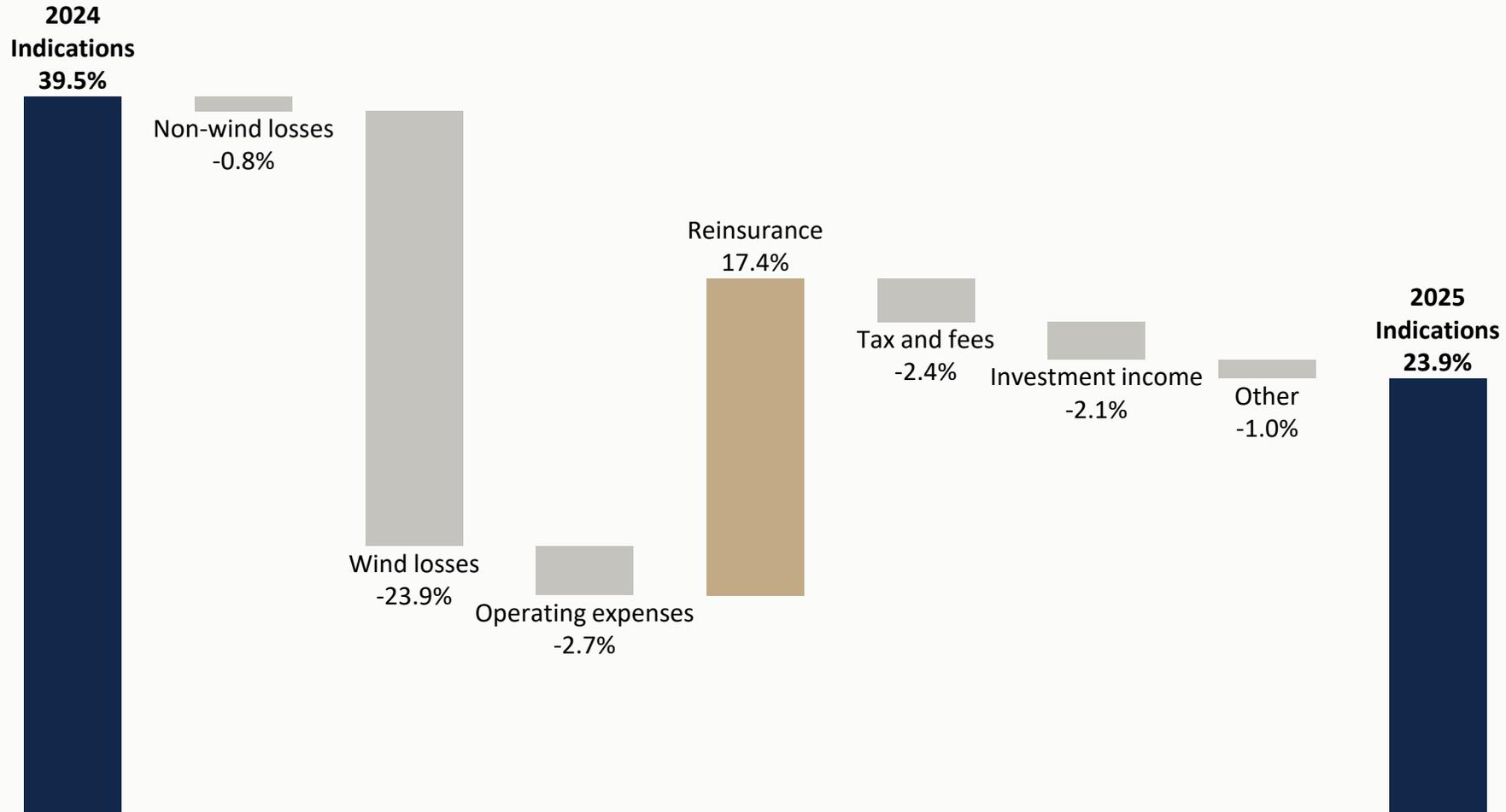
Reconciliation of Change in Rate Indications Condo



Reconciliation of Change in Rate Indications Dwelling (Fire)

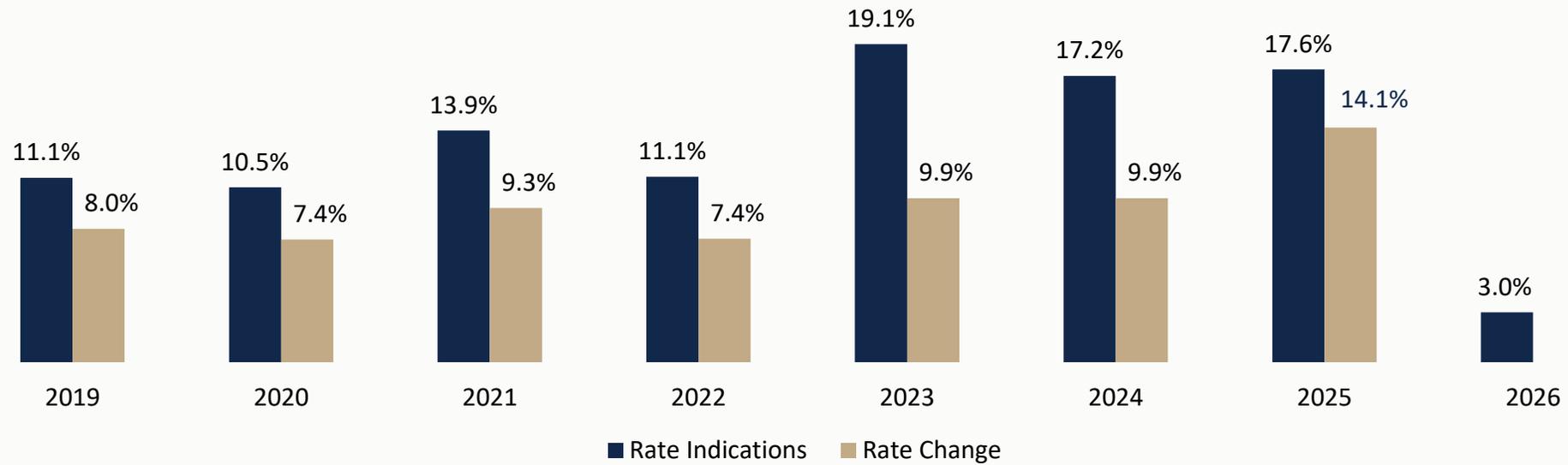


Reconciliation of Change in Rate Indications Dwelling (EC)



February 23, 2026

Rate Indications vs. Rate Changes



Capped and Uncapped Indications by Territory

Homeowners	Uncapped	25%
Central North - Greater DFW	-4.5%	-4.5%
Central North - Remainder	-1.2%	-1.2%
Central South	-4.1%	-4.1%
North/Northwest	-2.1%	-2.1%
Seacoast - Tier 1	-21.6%	-21.6%
Seacoast - Tier 2	0.3%	0.3%
Overall Statewide	-2.4%	-2.4%

Tenants	Uncapped	25%
Central North - Greater DFW	-40.4%	-25.0%
Central North - Remainder	-42.6%	-25.0%
Central South	-43.0%	-25.0%
North/Northwest	-43.6%	-25.0%
Seacoast - Tier 1	-46.1%	-25.0%
Seacoast - Tier 2	-25.8%	-25.0%
Overall Statewide	-32.6%	-25.0%

Condo	Uncapped	25%
Central North - Greater DFW	-18.5%	-18.5%
Central North - Remainder	-25.4%	-25.0%
Central South	-10.5%	-10.5%
North/Northwest	-26.8%	-25.0%
Seacoast - Tier 1	-20.3%	-20.3%
Seacoast - Tier 2	-6.3%	-6.3%
Overall Statewide	-8.9%	-8.9%

Capped and Uncapped Indications by Territory

Dwelling (Fire)	Uncapped	25%	Dwelling (EC)	Uncapped	25%
Central North - Greater DFW	3.5%	3.5%	Central North - Greater DFW	56.2%	25.0%
Central North - Remainder	3.5%	3.5%	Central North - Remainder	54.3%	25.0%
Central South	3.5%	3.5%	Central South	41.2%	25.0%
North/Northwest	3.5%	3.5%	North/Northwest	26.1%	25.0%
Seacoast - Tier 1	3.5%	3.5%	Seacoast - Tier 1	-22.0%	-22.0%
Seacoast - Tier 2	3.5%	3.5%	Seacoast - Tier 2	21.3%	21.3%
Overall Statewide	3.5%	3.5%	Overall Statewide	23.9%	21.5%



Questions

7E. 2026 Funding; Reinsurance



MEMORANDUM

DATE: February 9, 2026
TO: David Durden, General Manager
FROM: Jim Murphy, Chief Actuary
RE: TFPA Funding for the 2026 Hurricane Season

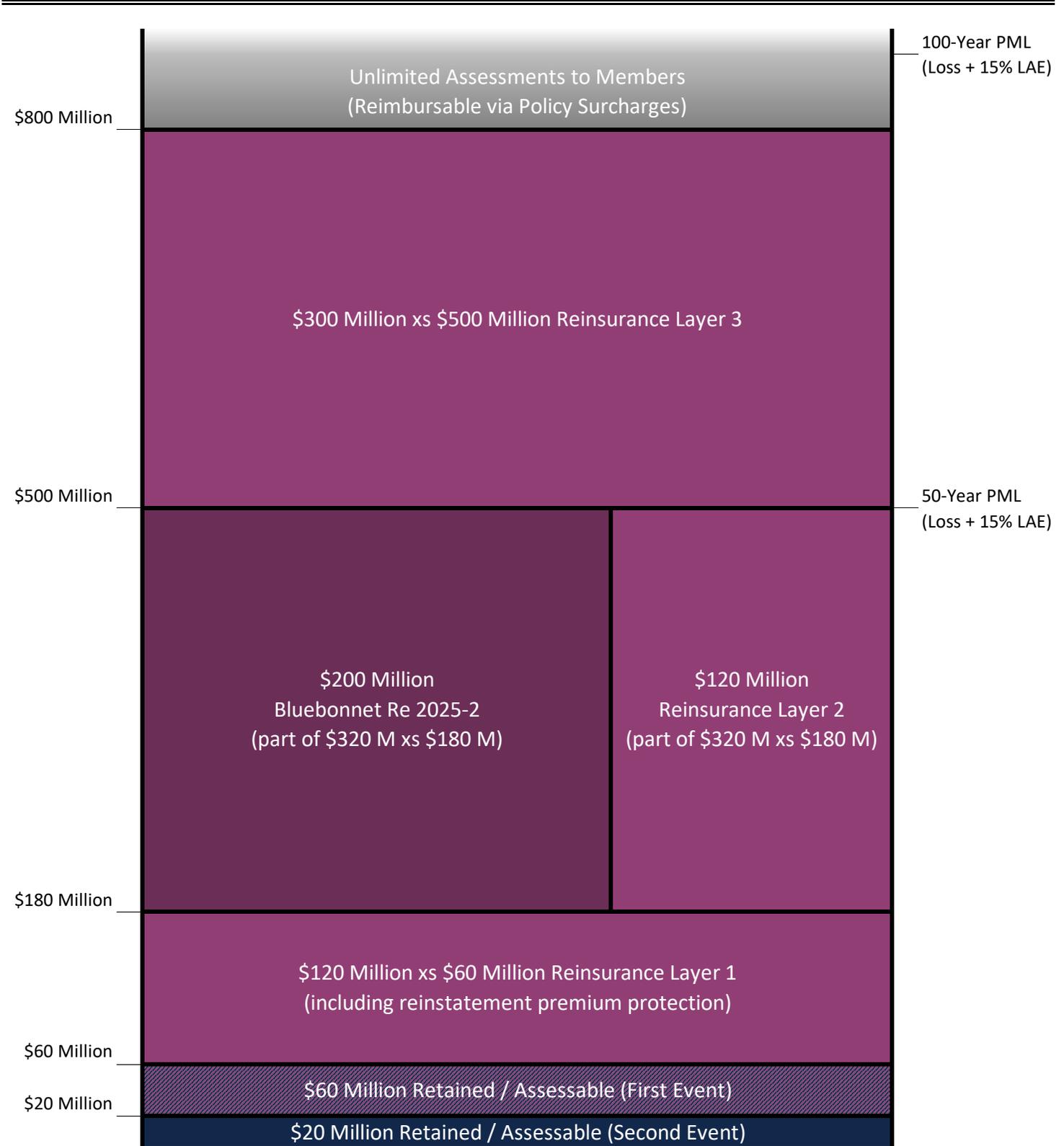
TFPA staff is working with Gallagher Re, the Association's reinsurance broker, to begin preparations for the June 1 renewal of the TFPA reinsurance program for the 2026 hurricane season.

Detailed exposure data has been provided to Gallagher Re for input into catastrophe models and they will be providing modeling results and an update on reinsurance market conditions at the February 23 TFPA Governing Committee meeting.

Staff would look for a motion from the Governing Committee directing purchase of reinsurance for the 2026 hurricane season at that February meeting. This timeline more readily allows the TFPA reinsurance to be fully placed prior to hurricane season, both to take better advantage of reinsurance capacity and to avoid potential coverage issues with active storms early in the hurricane season.

An illustration of the expiring 2025 reinsurance program is attached for reference.

JM



Probable Maximum Loss estimates based on TFPA exposures as of 11/30/24, using average of RMS and Verisk near-term per occurrence estimates and including a 15% provision for LAE



Texas FAIR Plan Association

Governing Committee Meeting
February 23rd, 2026

January 1 Market Conditions at a Glance

Reinsurance supply outpaced demand, with reinsurance capital +8% in 2025



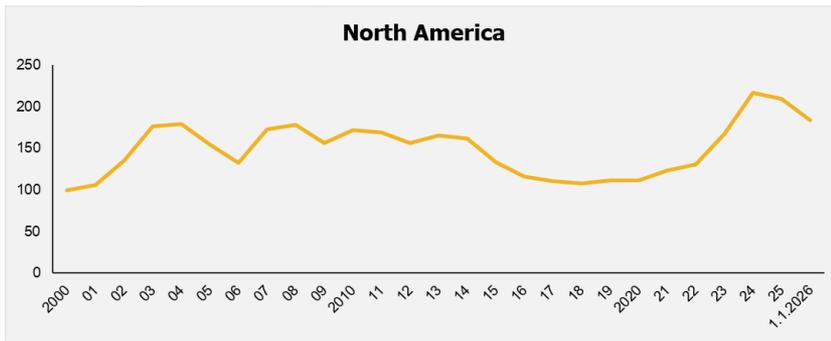
Nearly all buyers improved terms and conditions at 1/1/26, with CA wildfire impacted programs as the biggest outlier. Plentiful reinsurance capacity following above average results in 2025

~18% ROE

Comfortably above RI's cost of capital

USA property pricing **reduced 15%**

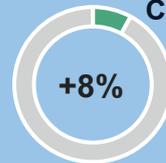
at January 1 on a risk-adjusted basis, still 70% above 2018 levels



Record High

\$838B

REINSURANCE CAPITAL



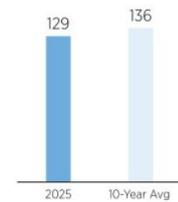
Traditional Capital



Alternative Capital

Natural Catastrophe Losses

Insured Loss



-5%
Lower Than
10-Year Avg

2025 Reinsurance Structure

1-100 Year by Model w/ LAE*

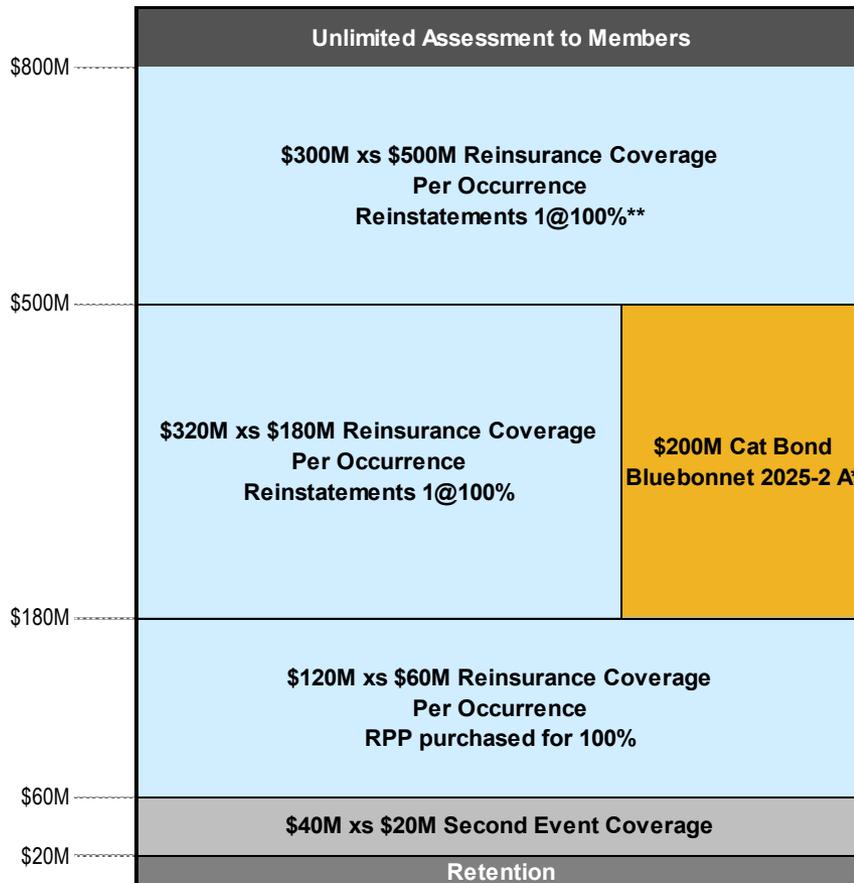
---- \$930M RMS NT

---- \$891M RMS LT

---- \$846M Verisk (AIR) NT

---- **\$800M Selection & Verisk (AIR) LT**

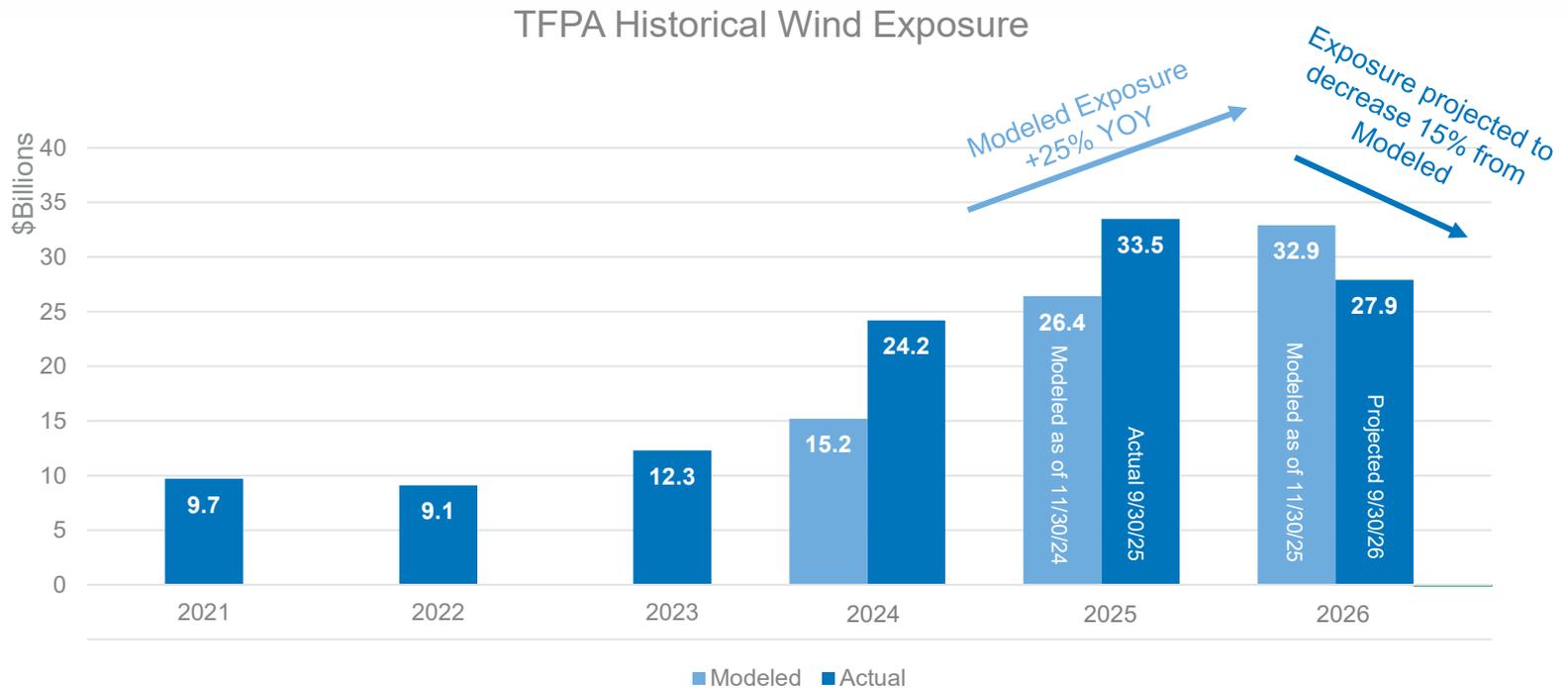
- 2025 modeling results sourced from February 2025 Board packet. All perils OEP results, RMSv23 & AIR TSv12, both w/ Demand Surge and excluding Storm Surge. Loss amounts factored to include 15% for Loss Adjustment Expense



*The Cat Bond does not have a reinstatement

**Layer 3 will "drop down" in the event that the bond is exhausted; however, second event coverage has been purchased for this layer

Historical Exposure



- Actual wind TIL increased nearly 275% from 2023 to 2025 reaching \$33.5B in September 2025
- Modeled exposure for 2026 placement is \$32.9B with a projected decrease to \$27.9B by 9/30/2026

*Figures above depict wind exposure only; does not include x-wind exposure
All figures above provided by Staff*

Catastrophe Modeling Summary

Data Vintage	11/30/2025	11/30/2024	YOY Change
Total Limit	\$32,933,921	\$26,427,537	25%
Risk Count	104,046	91,699	13%

Model	2026 Placement 11/30/2025	2025 Placement 11/30/2024	YOY Change			
	Verisk	TSv13	TSv12	Exposure Change	Model Change	Total Change
Long-Term View	100 Yr PML - No LAE	\$800,892	\$695,527	20%	(4%)	15%
	100 Yr PML - 15% LAE	\$921,026	\$799,856	20%	(4%)	15%
Near-Term View	100 Yr PML - No LAE	\$891,003	\$735,683	22%	(0%)	21%
	100 Yr PML - 15% LAE	\$1,024,653	\$846,035	22%	(0%)	21%
	RMS	RMSv25	RLv23	Exposure Change	Model Change	Total Change
Long-Term View	100 Yr PML - No LAE	\$900,072	\$775,392	20%	(4%)	16%
	100 Yr PML - 15% LAE	\$1,035,083	\$891,701	20%	(4%)	16%
Near-Term View	100 Yr PML - No LAE	\$960,141	\$809,165	20%	(1%)	19%
	100 Yr PML - 15% LAE	\$1,104,162	\$930,540	20%	(1%)	19%
	50/50 Average	TSv13 / RMSv25	TSv12 / RLv23	Exposure Change	Model Change	Total Change
Long-Term View	100 Yr PML - No LAE	\$850,482	\$735,460	20%	(4%)	16%
	100 Yr PML - 15% LAE	\$978,054	\$845,778	20%	(4%)	16%
Near-Term View	100 Yr PML - No LAE	\$925,572	\$772,424	21%	(1%)	20%
	100 Yr PML - 15% LAE	\$1,064,408	\$888,288	21%	(1%)	20%

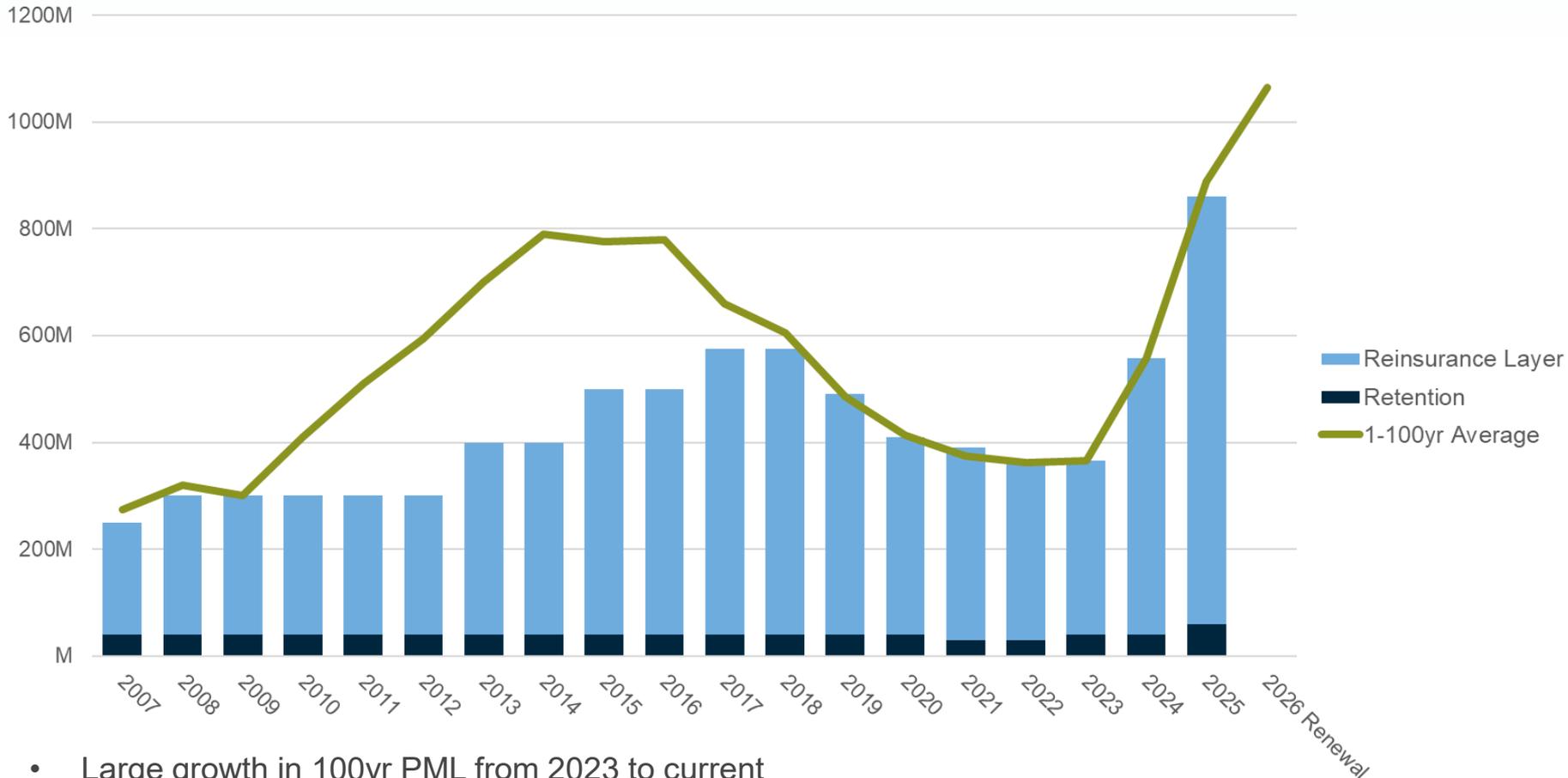
TSv13 updates increased severe storm losses with minimal impact on the combined HU+ST 100-year OEP

RMSv25 incorporates a new high-definition severe storm model, sharply increasing severe storm losses with minimal impact on the combined HU+ST 100-year OEP

The overall loss movement aligns with the underlying exposure increase, considering the model change impact.

Latest Model Vintage, 50/50 Verisk/RMS, 15% LAE Load

Funding Structure & 1-100 Year Modeled Loss



- Large growth in 100yr PML from 2023 to current
- Since 2018, TFPA has targeted the ≈1-100 yr modeled loss as total funding structure, per occurrence
 - In 2025, TFPA purchased up to \$800M on 100yr PML of \$888M

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	
2024 Program	\$620M	\$594M	\$496M	\$448M	\$558M	\$15,180M	
2025 Program	\$930M	\$891M	\$846M	\$800M	\$800M	\$26,427M	
2026 Program - Base Data	\$1,104M	\$1,035M	\$1,024M	\$921M	\$1,064M	\$32,933M	
% change YOY - Base Data	19%	16%	21%	15%	20%	25%	

* **Bolded font** denotes historical model methodology used by Committee, subject to change for 2026

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

2020 - 2024 data evaluated as of March 31st

2025 and 2026 data evaluated as of November 30th of prior year

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

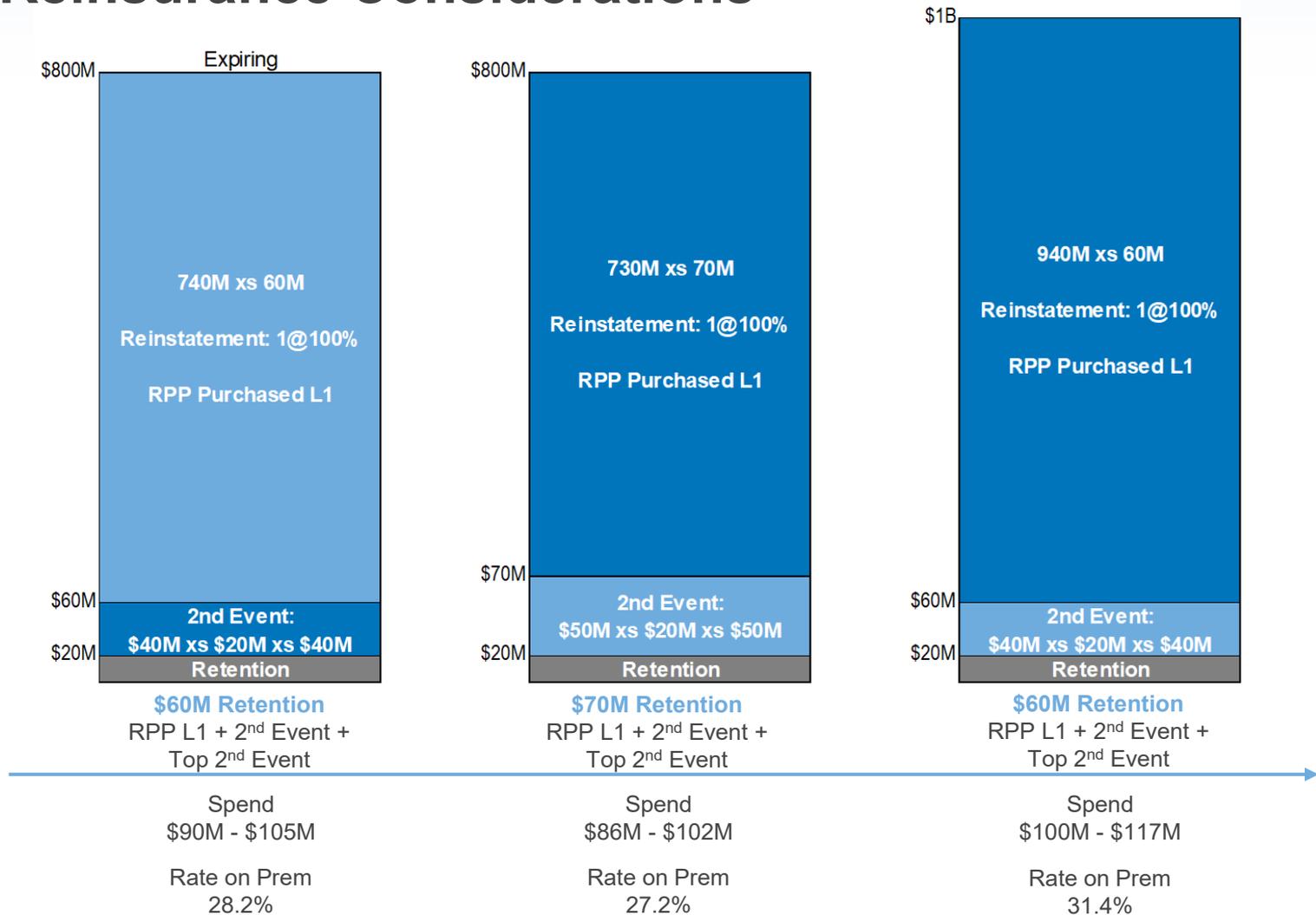
2023: RMSv21 (2021 hurricane rates) and Verisk T/10

2024: RMSv23 and Verisk T/10

2025: RMSv23 and Verisk T/12

2026: RMSv25 and Verisk T/13

2026 Reinsurance Considerations



2026 Reinsurance Considerations

2025 Reinsurance Program	Deposit Premium*	Rate on CY 2025 Proj Earned Premium \$295.8M
Cat Program	\$ 91,663,333	31%
Top Layer Second Event	\$ 7,347,500	2%
RPP layer 1 only	\$ 9,363,600	3.2%
2nd Event drop-down (\$40M xs \$20M)	\$ 6,000,000	2.0%
	\$ 114,374,433	38.7%

Option #	2026 Reinsurance Structure Considerations	Est. Gross Cost Range	Rate on Proj. CY26 Earned Premium \$345.5M (at midpoint range)	Midpoint Change from 2025 Deposit	
1	\$800M PML- 2025 Structure \$60M Retention w/ RPP layer 1 & 2nd Event Retention \$20M	Total \$90M - \$105M RPP: \$6M - \$9M 2nd Event: \$5M - \$6M Top Layer 2nd Event: \$6M - \$7.4M	28.2%	(\$16.9M)	-15%
2	\$800M PML w/ \$70M Retention RPP layer 1 & 2nd Event Retention \$20M	Total \$86M - \$102M RPP: \$5M - \$8M 2nd Event: \$6M - \$8M Top Layer 2nd Event: \$6M - \$7.4M	27.2%	(\$20.5M)	-18%
3	\$1B PML w/ \$60M Retention RPP layer 1 & 2nd Event Retention \$20M	Total \$100M - \$117M RPP: \$6M - \$9M 2nd Event: \$5M - \$6M Top Layer 2nd Event: \$6M - \$7M	31.4%	(\$5.9M)	-5%

Projected 2026 EP from TFPA budget

All options included LAE

Additional structure options can be evaluated as requested

*2025 Cat Program Deposit Premium includes Cat Bond and associated expenses

Appendix

Appendix - Modeling Commentary

TFPA Modeling Commentary

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

- LT is based on historical average of hurricane landfalls in both Verisk & RMS 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, the combined 100-yr OEP is about 10% lower in LT than NT Verisk TSv13 and 6% lower in RMSv25.

Model Updates

Differences between TSv13 and TSv12 are mainly due to higher severe storm losses in the updated model, which have minimal effect on the HU+ST 100-yr OEP but materially increase the gross AAL.

RMSv25 updated hurricane rates and other minor changes slightly lowered the HU+ST 100-yr OEP versus RMSv23, while the new HD SCS model sharply increased severe storm losses, raising the combined HU+ST gross AAL.

It's the way we do it.

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8. Internal Audit Status & Update

MEMORANDUM

TO: The Governing Committee – Texas FAIR Plan Association
FROM: Dan Graves, Weaver - Internal Audit
DATE: February 23, 2026
SUBJECT: Status of Internal Audit Activities

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

➤ **Current Activities:**

Activity Description	Status
Follow-Up Quarterly Discussion	Complete
Claims Processing	Complete
Executive Management	Complete
IT Services	Complete
Cash Management – Limited Annual Procedures	Complete
Risk Assessment Update	Complete

➤ **Upcoming Audits and Activities:**

Activity Description	Timing
Follow-Up Quarterly Discussion	Q1 2026

➤ **Summary of Open Findings:**

Cash Management 2021

- Development and approval of a documented Wire Transfer Policy

Legal and Compliance 2024

- Documenting the review and updates of Association policy manuals

Texas FAIR Plan Association Proposed Internal Audit Plan

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

L - limited annual procedures

Texas FAIR Plan Association Proposed Internal Audit Plan

Audit	Summary Procedures	Audit Focus
2026 Planned Internal Audits		
Funding Sources and Reinsurance - Funding Change and Controls	The internal audit will include an evaluation of risks and internal controls related to TFPA's recent change in funding, including governance over strategy decisions, documentation of Board approvals, compliance with applicable statutes and policies, accuracy and completeness of financial modeling and assumptions, and alignment of reporting to management and the Board.	Internal Audit
Underwriting & Policy Services - Inspection Program – Agent Audit/Advisory	The advisory engagement will include a review of risks and internal controls related to the inspection program, including agent eligibility and onboarding, inspection scheduling and documentation, quality assurance reviews, exception handling, and training and communication effectiveness; recommendations will be provided to strengthen control design and efficiency.	Advisory
Accounts Payable - NACHA Compliance	The internal audit will include an evaluation of risks and internal controls related to NACHA compliance for ACH payments, including authorization procedures, file creation and transmission controls, access and segregation of duties, data validation, fraud prevention measures, and monitoring and exception handling in accordance with policy requirements.	Internal Audit
2026 Planned Annual Requirements		
Update Risk Assessment	Perform required annual update of risk assessment to reflect any changes.	Risk Assessment
Project Management	Procedures include tracking overall internal audit progress, coordinating audit activities, continuous reporting to management, preparation of Audit Committee materials, and in-person presentation during scheduled meetings.	Project Management
Quarterly Follow-Ups Touchpoints	Conduct quarterly meetings to discuss TFPA's efforts in remediating prior years open findings, and perform follow-up procedures on requested items.	Project Management
Cash Management Annual Procedures - Fraud Deep Dive and AI	The internal audit will include an evaluation of risks and internal controls related to cash payment processes, focusing on fraud risk, segregation of duties, authorization controls, reconciliations, exception monitoring, anomaly detection analytics, and recovery efforts for identified issues.	Internal Audit

9. Underwriting Operational Review Update

MEMORANDUM

DATE: February 2, 2025
 TO: David Durden, General Manager
 FROM: Michael Ledwik, Vice President, Underwriting
 RE: Update on Underwriting Operational Results

Fourth Quarter 2025 Results

TFPA Underwriting Metrics	Monthly Summary								YTD			
	Oct-25	Nov-25	Dec-25		Q1 2025	Q2 2025	Q3 2025	Q42025		2025	2025 Goal	▲
% of New Business/Renewal policies issued in 10 Days	99.92%	99.99%	99.98%		99.85%	99.75%	99.66%	99.96%		99.81%	90%	9.81
New Business Policies Issued	3,143	2,274	2,418		15,449	15,769	12,305	7,835		51,358		
Renewal Policies Issued	7,751	6,528	6,933		19,159	27,488	26,274	21,212		94,133		
Internal Underwriting Quality Control	99.06%	99.77%	98.23%		98.62%	98.53%	99.28%	99.02%		98.86%	95%	3.86
Number of Calls	12,960	9,818	10,679		41,058	43,752	39,835	33,457		158,102		
Phone Service Level (calls answered in 20 seconds)	92.00%	91.00%	93.00%		89.19%	81.61%	87.28%	92.00%		87.52%	80%	7.52

Agency Compliance Audits: 20 Agencies were selected to be audited to assess compliance with Statutory requirements and TFPA Producer Requirements and Performance Standards. Results shown specifically focusing on compliance of:

- Signed Applications
- Signed Eligibility Statements
- Declination Provisions

Audit Results:

- 2 Agencies were found to be compliant.
- 18 Agencies were found to be non-compliant.
 - 15 Agencies had findings that were addressed through corrective actions and/or training.
 - 3 Agencies had findings that remain unresolved and have outstanding action items.

10. Claims

10A. Claims Operations – Overview

TFPA Claims Operations 2025

TFPA Claims - 2025 Q4 Results (complete year)					
Key Cycle Times (In days)	Industry Average, TX	TFPA	TFPA Plan	Variance to Plan	% Variance to Plan
Avg. Days - FNOL to TFPA Receipt - Daily	9.5	4.5	<7	-2.5	-36%
Avg. Days - FNOL to TFPA Receipt - Cat	9.5	4.2	<14	-9.8	-70%
Avg. Days - FNOL to ACV Payment - Daily	N/A	8.7	<12	-3.3	-28%
Avg. Days - FNOL to ACV Payment - CAT	N/A	8.3	<21	-12.7	-60%
TDI Complaint Ratio					
2024	0.06% - 11 complaints from 16,933 new claims				
2025	0.38% - 23 complaints from 6,005 new claims				

Year	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Actual Volume	485	374	370	433	383	747	539	567	709	513	488	467	467	342	350
Actuarial Projected	360	215	215	1,095	290	1,138	699	2,346	891	342	580	475	472	361	511
Staffing Plan	340	340	340	546	546	546	546	546	546	546	546	546	546	546	546
Open Inventory	3,532	3,387	3,166	3,126	2,899	2,934	2,793	2,895	2,966	2,838	2,719	2,564	2,564	2,534	2,341

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

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
2021	133	-	72	-	81	-	4,047	-	3,209	-	9,194	-
2022	98	-26.3%	71	-1.4%	62	-23.5%	718	-82.3%	1,933	-39.8%	3,184	-65.4%
2023	84	-14.3%	65	-8.5%	54	-12.9%	576	-19.8%	3,590	85.7%	4,674	46.8%
2024	135	60.7%	86	32.3%	67	24.1%	779	35.2%	16,148	349.8%	17,626	277.1%
2025	157	-	57	-	68	-	953	-	3,252	-	4,890	-

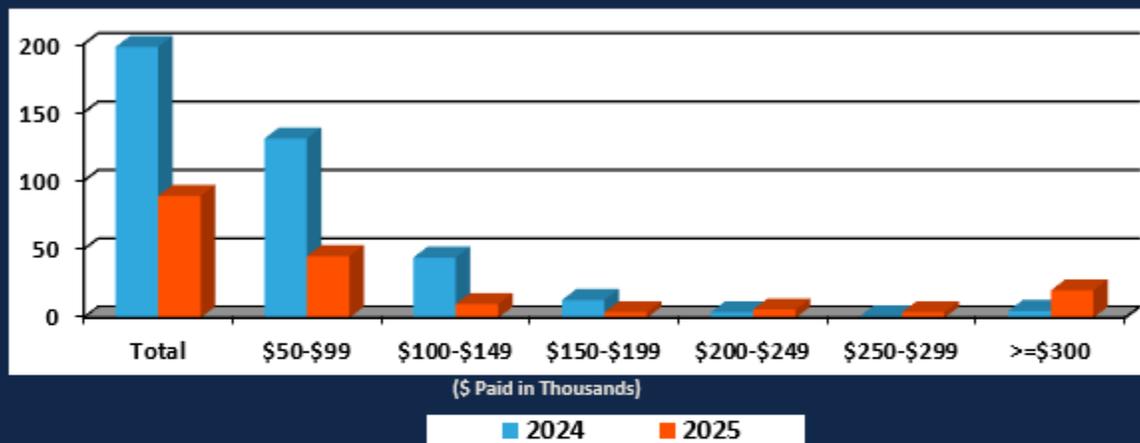
Paid Amounts by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2021	\$ 8,556,343	-	\$ 474,242	-	\$ 132,881	-	\$ 3,730,729	-	\$ 12,056,501	-	\$ 26,264,306	-
2022	\$ 7,043,987	-17.7%	\$ 782,401	65.0%	\$ 188,149	41.6%	\$ 695,647	-81.4%	\$ 10,602,091	-12.1%	\$ 19,709,666	-25.0%
2023	\$ 7,308,045	3.7%	\$ 814,209	4.1%	\$ 44,576	-76.3%	\$ 648,871	-6.7%	\$ 28,038,297	164.5%	\$ 37,533,610	90.4%
2024	\$ 11,730,373	60.5%	\$ 197,627	-75.7%	\$ 152,486	242.1%	\$ 985,897	51.9%	\$ 133,226,963	375.2%	\$ 149,476,278	298.2%
2025	\$ 14,877,049	-	\$ 76,164	-	\$ 236,939	-	\$ 868,043	-	\$ 20,816,720	-	\$ 37,194,683	-

Paid Claim Severity by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ
2021	\$ 64,333	-	\$ 6,587	-	\$ 1,641	-	\$ 922	-	\$ 3,757	-	\$ 2,857	-
2022	\$ 71,877	11.7%	\$ 11,020	67.3%	\$ 3,035	85.0%	\$ 969	5.1%	\$ 5,485	46.0%	\$ 6,190	116.7%
2023	\$ 87,001	21.0%	\$ 12,526	13.7%	\$ 825	-72.8%	\$ 1,127	16.3%	\$ 7,810	42.4%	\$ 8,030	29.7%
2024	\$ 86,892	-0.1%	\$ 2,298	-81.7%	\$ 2,276	175.7%	\$ 1,266	12.3%	\$ 8,250	5.6%	\$ 8,480	5.6%
2025	\$ 94,758	-	\$ 1,336	-	\$ 3,484	-	\$ 911	-	\$ 6,401	-	\$ 7,606	-

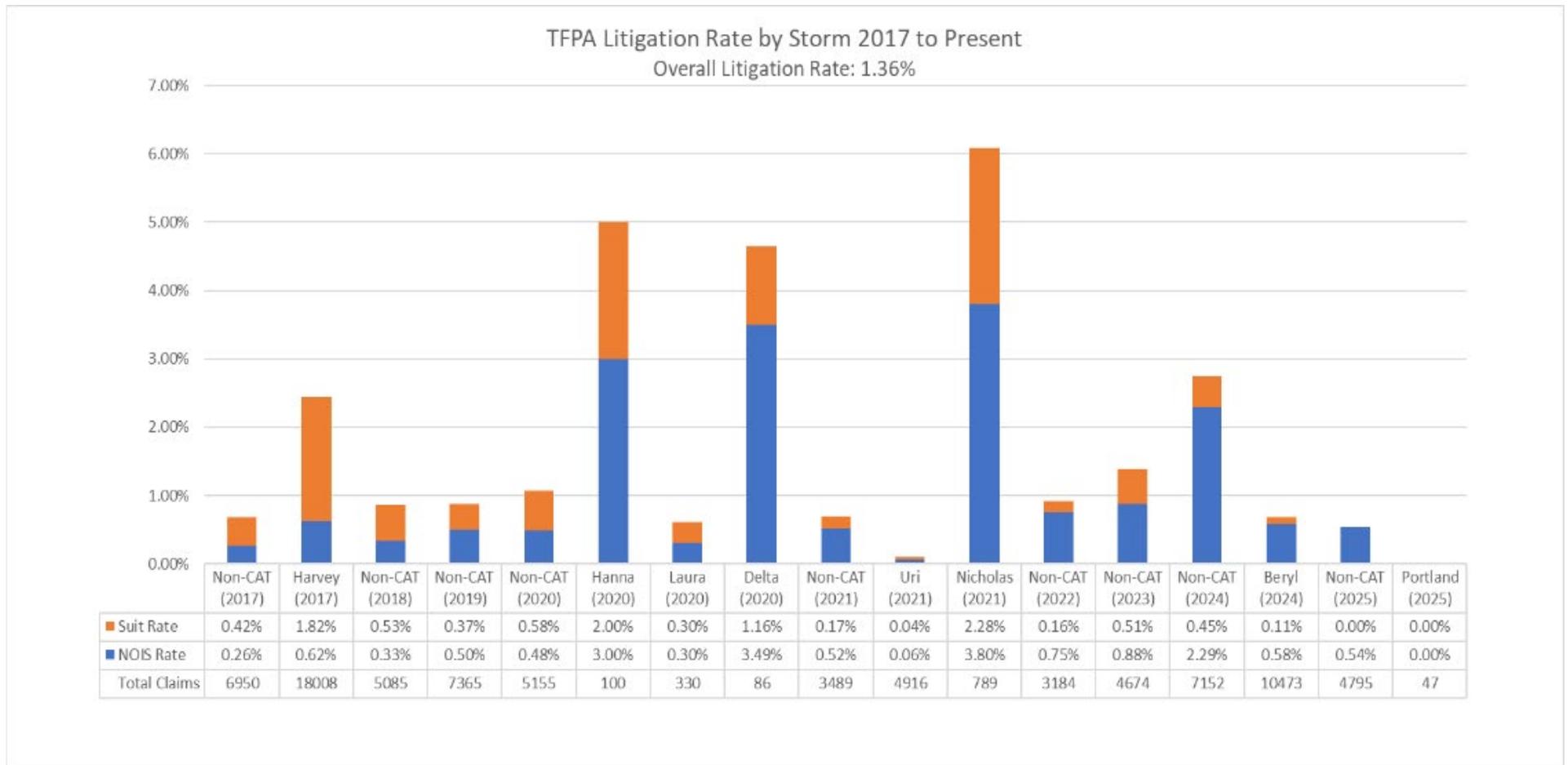
TFPA - Large Loss Based On Paid Indemnity



Date	Total	\$50-\$99	\$100-\$149	\$150-\$199	\$200-\$249	\$250-\$299	>=\$300
2024 (complete year)	198	131	44	13	4	1	5
Liability	0	0	0	0	0	0	0
2025 (year-to-date)	89	45	10	4	6	4	20
Liability	0	0	0	0	0	0	0
Variance	-109	-86	-34	-9	2	3	15

10B. Litigation Summary

TFPA Litigation Tracking Activity



*Notice of Intent to Sue

TFPA Litigation Tracking Activity

Litigation Quarterly Summary Fourth Quarter 2025

4th Quarter 2025	Summary of TFPA Claims in Suit					
	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
October	1	0	1	0	4	0
November	1	0	2	0	5	0
December	1	0	2	0	4	0
	3	0	5	0	13	0

4th Quarter 2025	Summary of TFPA Claims with LORs					
	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
October	27	2	6	0	1	0
November	21	3	4	1	16	1
December	23	3	1	0	18	2
	71	8	11	1	35	3



TFPA Claims Litigation December 2025

Dec-25	TFPA Claims in Suit							
	Beginning Inventory	New		Closed		Ending Inventory		
		1st Party	3rd Party	1st party	3rd Party	1st Party	3rd Party	Total
	58	1	0	4	0	46	9	55
Breakdown								
Normal	0	0	1	0				
Houston 012423	0	0	1	0				
Beryl 2024	1	0	2	0				

Dec-25	TFPA Claims with LOR									
	Beginning Inventory	New		Closed		Converted to Suit		Ending Inventory		
		1st Party	3rd Party	1st party	3rd Party	1st party	3rd Party	1st Party	3rd Party	Total
	262	24	2	18	2	1	0	255	12	267
Breakdown										
Normal	16	2	8	2	0	0				
Beryl 2024	8	0	10	0	1	0				

Dec-25	TFPA Active Claims with Suits/LORs: Breakdown by CAT Event					
	Event	Total claims	Total Suits	Active Suits	Total LORs	Active LORS
	Harvey 082517	18,008	320	2	170	0
	Valentines Freeze	4,917	8	0	58	0
	Houston 051624	1,699	6	3	17	7
	Beryl 2024	10,485	33	20	233	142

11. TFPA Operations

11A. IT System Enhancements



MEMORANDUM

DATE: February 2, 2026

TO: David Durden, General Manager

FROM: Michael Eleftheriades, CIO / VP IT

RE: TFPA Information Technology Status

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

Guidewire Insurance Suite Applications in Production

- We have continued regular scheduled monthly maintenance releases of fixes and new functionality for the Insurance applications and portals. These include changes that support the Texas 89th Legislation session.

Guidewire Application Version Upgrade

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

Artificial Intelligence (AI)

- The Association has identified Artificial Intelligence as a technology for review in our Strategic Plans. The Association had started this review in 2025 by formulating a comprehensive approach to AI adoption before any utilization of Artificial Intelligence technology. This work included a new updated IT Security Policy that covers general AI use policies. Identifying risk management, providing due diligence toward vendor selection has been addressed. The Vendor and Contract Management Team is also required to review vendor contracts for use of Association data in any tool offering AI



functionality. Moving forward the plans include setting up an AI Committee identifying and reviewing both AI Platforms and AI enhanced tools as part of the technology roadmap. Additional efforts include targeting general education for Association team members.

Artificial Intelligence (AI) Proof of Concept Project

- The Association’s first evaluation of any AI technology was the Microsoft Office 365 add-on tool called Microsoft Copilot. This tool is a conversational, AI-powered assistant that helps boost productivity and streamline workflows by offering contextual assistance, automating routine tasks, and analyzing data. The feedback from this review was favorable and positive. The results determined we should cautiously move forward with some requisite steps before allowing further access to the Association.
- The Association is currently working on selecting an experienced vendor to review the foundation and ensure the needed configuration for Microsoft Copilot is in place to protect the interests and information of the Association.

Replacement of on-premise Authentication Software

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

Phishing email statistics of reported, investigated, and feedback provided occurrences (since inception – July 2017).

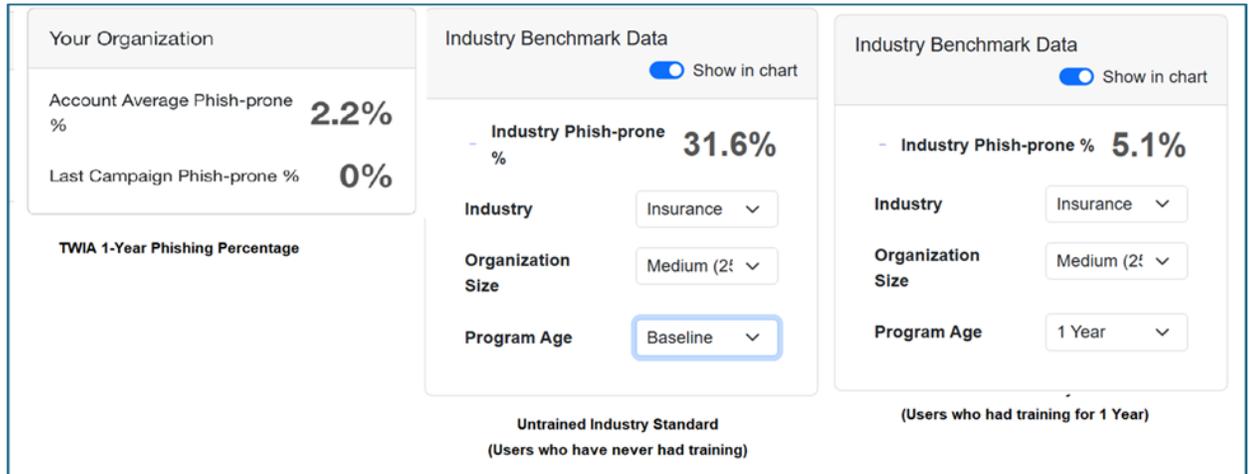
Total Reported	Simulated Emails (TWIA initiated internal emails)	Non-Simulated Emails (Not TWIA Initiated – outside emails)
14,795	10,089	4,706



TEXAS WINDSTORM
INSURANCE ASSOCIATION



TEXAS FAIR PLAN
ASSOCIATION



General Status:

Systems are functioning well with monthly releases with business-critical items selected and curated by the respective departments.

11B. Communications and Legislative Affairs Update

MEMORANDUM

DATE: February 4, 2025
TO: David Durden, General Manager
FROM: Anna Stafford, Senior Manager, Legislative & External Affairs
RE: Legislative & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) Legislative Implementation Program:

- i. **88th Legislative Session:** FAIR Plan continues to receive interest and applications for property owners' association coverage under House Bill 998, enacted in 2023. To date, two applicants selected coverage with other insurers, and TWIA staff determined that a third applicant was ineligible for coverage based on the information submitted.
- ii. **89th Legislative Session:** Association staff continue to implement bills enacted during this year's legislative session. *An exhibit detailing the status of implementation for relevant bills is attached.*

b) **Legislative Meetings:** Association staff held meetings with TDI and other state agencies primarily to discuss issues related to the implementation of TWIA legislation.

c) TDI Activity:

- i. **New Commissioner:** Insurance Commissioner Cassie Brown announced her retirement, effective February 2. Governor Abbott has appointed Amanda Crawford as the Commissioner of Insurance for a term to expire on February 1, 2027. Crawford had been serving as the executive director of the Department of Information Resources and the state's Chief Information Officer, and previously served in the Texas Attorney General's office.
- ii. **House Bill 2067 Rule:** On January 15, TDI issued a final rule to implement reporting requirements for House Bill 2067. The bill, which applies to TWIA and FAIR Plan, requires insurers to give written explanations when denying, cancelling, or not renewing residential insurance policies and to report statistical information on these actions to the Department.

d) **Stakeholder Inquiries:** Association staff received no legislative or stakeholder inquiries or complaints related to FAIR Plan in Q4 2025.



Legislative Implementation Plan Status Report

89th Legislative Session

As of February 4, 2026

Senate Bill 458 – Appraisals Process [Updated since last report]

Requires automobile and residential property policies, including FAIR Plan policies, to use an appraisal process. While there is an appraisal process available for FAIR Plan claims, it may be modified due to rules developed by TDI to implement this law. TWIA is exempt from this bill.

Regulatory Requirements IN PROCESS	<ul style="list-style-type: none"> • TDI has distributed an informal working draft of a rule to implement this bill. The public comment period for the draft rule ran through October 6, 2025.
Assoc. Changes IN PROCESS	

House Bill 2067 – Declinations [Updated since last report]

Requires insurers to give written explanations when denying, cancelling, or not renewing insurance policies and to report statistical information on these actions to the Texas Department of Insurance.

Regulatory Requirements COMPLETE	<ul style="list-style-type: none"> • The bill requires insurers to provide TDI with quarterly statistical information on reasons for declinations. • TDI issued rules on January 15, 2026, to implement the law. The rule amends the 2026 Texas Statistical Plan to establish reporting requirements for declinations, cancellations, and nonrenewals. • Association staff is making updates to TWIA data systems to facilitate reporting. We expect changes to be complete in time for the April 1 effective date of the rule.
Assoc. Changes IN PROCESS	

14. Future Meetings

May 18, 2026 –Hyatt Regency

Austin

August 3, 2026 – Tremont House

Galveston