Meeting of the Governing Committee
Texas FAIR Plan Association
Teleconference/Web Conference
November 3, 2025
Omni Hotel
900 North Shoreline Blvd.
Corpus Christi, TX 78401
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 or may attend the meeting in person at the Omni Hotel.

***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
   A. Welcoming Remarks –*Wendy Mueller* — *5 minutes*
   B. Reminder of Anti-Trust Statement – *Counsel*
   C. Meeting Format Information – *Kristina Donley*

2. Consideration and Action to: — *5 minutes*
   Approve the Minutes from Prior Governing Committee Meetings
   –*Wendy Mueller* – ***Action/Vote Likely****

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

4. 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*
   C. Review/Approval of 2026 Budget – *Stuart Harbour* – ***Action/Vote Likely****

5. Actuarial – *Jim Murphy* — *40 minutes*
   A. Policy Count/Exposures
   B. Reserve Adequacy
   C. Rate and Deductible Review – ***Action/Vote Likely****

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

7. Underwriting Operational Review Update – *Michael Ledwik* — *10 minutes*

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

9. TFPA Operations *20 minutes*
   A. IT Update – *Michael Eleftheriades*
   B. Communications and Legislative Update – *David Durden*

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

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

12. Committees – *Wendy Mueller* *5 minutes*

13. Future Meetings – *David Durden* *5 minutes*
    - February 23, 2026 – Moody Gardens Hotel – Galveston
    - May 18, 2026 – Hyatt Regency – Austin
    - August 3, 2026 – Tremont House – Galveston

14. Adjourn

1. Call to Order

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 from Prior Governing Committee Meetings

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

Tremont House
2300 Ships Mechanic Row
Galveston, TX

August 4, 2025

The Following Governing Committee Members were Present, Representing:

1.	Wendy Mueller (Chair)	State Farm
2.	Mark Solomon	Agent Member
3.	Ryan Bridges (Vice Chair)	Public Member
4.	Frank Baumann	Public Member
5.	Georgia Neblett	Public Member
6.	John Miletti	Travelers
7.	E. Jay Sherlock (Secretary/Treasurer)	Public Member
8.	Pamela Hurley	Public 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.	Michael Eleftheriades, VP Technology	TFPA
5.	Michelle Friesenhahn, VP People and Business Operations	TFPA
6.	Jim Murphy, Chief Actuary	TFPA
7.	Michael Ledwik, VP Underwriting	TFPA
8.	Amy Koehl, Senior Project Administrator	TFPA
9.	Kristina Donley, Training, QA and Agency Audit Manager	TFPA
10.	David Harkin, Director Claims	TFPA
11.	Mike Perkins, Association Counsel	Perkins Law Group PLLC

The Following In Person Attendees Were Present:

1.	Morgan Huhndorff	Gallagher Re
2.	Alicia Robinson	Gallagher Re
3.	Joey Walker	Gallagher Re
4.	David Muckerheide	TDI
5.	Jessica O'Connor	TDI
6.	Jessica Davidson	TFPA
7.	Afton Gillard	Weaver
8.	Brandon Tanous	Weaver

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

1. Jeff Berg
2. Shirley Bowler
3. Allen Cashin
4. Angie Cervantes
5. Kimberly Donovan
6. William Dubinsky
7. Nicole Elliott
8. Angela Fang
9. Allen Fulkerson
10. Ninad Gokhale
11. Jesus Guerrero
12. Jordan He
13. Xylon Heyart
14. Shelina Jamani
15. Spencer Johnson
16. Debbie King
17. Julisa Morones Luna
18. Nash Noal
19. Elisabeth Ret
20. Kenisha Schuster
21. Anna Stafford
22. Aaron Taylor

1. Call to Order: Chairman 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 logistics information to the attendees.

2. Approval of the Minutes from Prior Governing Committee Meeting: Ms. Neblett moved to approve the minutes from the May 5, 2025 meeting. Mr. Bridges seconded the motion. The motion passed unanimously.

3. TFPA Operational Dashboard: Mr. Durden reviewed the current operational dashboard. Exposure growth is flattening slightly. The current staff headcount is 382, with 238 full time employees and 144 contractors.

4. Financial:
   A. Report of the Secretary/Treasurer: Mr. Sherlock reviewed the Treasurer's Report. Mr. Solomon moved to approve the report. Mr. Miletti seconded the motion. The motion passed unanimously.
   B. Financial Statement Review by Staff: Direct written premiums for the three months ending on June 30, 2025, were $159.4 million. Direct earned premiums were $129.7 million. Policies in force were 127,957.

      The TFPA 2024-2025 reinsurance program was placed through broker Arthur J. Gallagher, effective in early July 2024. The program provides coverage of $518 million in excess of a $40 million initial retention and includes coverage that reduces the net retention to $10 million for a second event. Reinstatement premium protection was also purchased to cover 90.3% of the cost to reinstate the first $210 million of reinsurance limit. Gross ceded premium for the 2024/25 reinsurance program totaled $92.5 million, which includes $1.7 million of reinstatement premium associated with Hurricane Beryl. This total reflects an overall rate-on-line (ROL) of 12.7%, compared to 11.2% ROL for the 2023/24 program. The net cost of the reinsurance program after ceding commission was $84.8 million. Ceded premiums are earned on a pro-rata basis over the term of the reinsurance coverage.

Direct losses and loss adjustment expense were $59.8 million for the quarter. Operating expenses for the quarter were $9.1 million.

C. Selection of Auditors/Accountants for 2025: Ms. Neblett moved that the governing committee of the Association, acting as the audit committee, authorizes and directs that the firm of Calhoun, Thomson + Matza be engaged to conduct the upcoming annual audit of the Association's financial statements on the terms set forth in the engagement letter included in the governing committee book. Mr. Solomon seconded the motion. The motion passed unanimously.

5. Actuarial:
   A. Policy Count/Exposures: Mr. Murphy reported that the policy count is up 39% and exposures are up about 69%. Growth is slowing and hopefully it will flatten out in 2026.
   B. Reserve Adequacy: TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of June 30, 2025.

      As of June 30, 2025, TFPA carried $54.4 million in total gross loss and loss adjustment expense reserves with $17.5 million of the total gross loss and expense reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

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

      As of June 30, 2024, TFPA carried $35.9 million in total gross loss and loss adjustment expense reserves with just over $400,000 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.

      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 Filing Update: The Texas FAIR Plan Association Governing Committee voted at its December 9, 2024 meeting to file for the full actuarial indications for all policy forms,

limited to no more than a 25% change in any territory, and to update its deductible options, eliminating the 1% deductible and adding 3%, 4% and 5% options. The filing was made January 13, 2025 with a proposed effective date of August 1, 2025.

The Texas Department of Insurance approved the base rate and deductible credit portions of the filing on April 11, 2025. These changes have been implemented and will apply to policies issued or renewing on or after August 1, 2025. The change in deductible options is still pending approval by the department, who provided feedback that they would like to see additional supporting information on the availability of 1% deductibles. After discussion, the Governing Committee directed staff to conduct further research and present it at an upcoming interim meeting.

D. 2025 Hurricane Season Funding: TFPA staff and Gallagher Re, the Association's reinsurance broker, have secured reinsurance coverage for the 2025 hurricane season as directed by the governing committee at its February and May 2025 meetings and within the approved budget of $130 million. The 2025 reinsurance program is effective from July 1, 2025 to May 31, 2026 and provides protection up to $800 million.

E. Annual Adjustment Factors: Since August 1, 2024, TFPA has applied an automatic increase to the coverage limit on policies insuring structures on a replacement cost basis. This annual adjustment automatically increases a policy's coverage limit at renewal by applying a building cost index factor to better reflect current construction costs.

   The percentages used to revise policy limits vary by the first three digits of the insured location's ZIP code. Current factors are between 6.2% and 10.6%. Effective November 1, 2025, adjustment factors will be updated to be between 1.0% and 3.6%.

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

7. Underwriting Operational Review Update: Mr. Ledwik reported that 99.75% of underwriting transactions were issued within 10 days of receiving the application and payment. Of those transactions, 92% were straight through processed by the system and 8% of the transactions were referred by the system to underwriting staff for additional information, review and approval prior to issuance. Of department calls, 81.61% of calls were answered in under 20 seconds.

   A standard sample of agencies (20) were selected in the second quarter of 2025 to verify compliance with the Texas FAIR Plan Association declination of coverage requirements and TFPA producer requirements and performance standards. Of the samples, 15 out of the 20 agents were fully compliant with the audit requirements consisting of signed applications, signed eligibility statements and declination documentation provisions. Five agents had outstanding action items to fully be compliant with the audit requirements.

8. Claims:
   A. Claims Operations: First notice of loss to actual cash value payment (daily) averaged 8.8 days. First notice of loss to actual cash value payment (catastrophe) averaged 8.3 days. Historical TFPA claim volume for 2025 is 3,378.
   B. Claims Litigation: Nineteen first party and zero third party suits were received in the second quarter. During the same timeframe, six first party and five third party suits were closed. For TFPA claims with letters of representation, 87 first party and three third party were received for the quarter. The Association closed 56 first party and four third party claims with letters of representation during the quarter.

9. TFPA Operations:
   A. IT Systems Enhancements: The Guidewire cloud migration was a major project to transition the Association's policy administration, billing and claims systems to the cloud. This was undertaken to take advantage of the inherent benefits of a cloud solution. These include scalability, cost efficiency, security and performance. The project inception was started in early 2024. Go live deployment was successfully completed over the weekend of April 25 of this year. Staff has resumed regular scheduled monthly maintenance releases of fixes and new functionality for the Association's applications and portals.

      Systems are functioning well with monthly releases with business-critical items selected and curated by the respective developments.
   B. Communications and Legislative Affairs Update: The 89th legislative session concluded on June 2. One bill affecting both TWIA and FAIR Plan was enacted, along with two bills affecting the property insurance industry, including FAIR Plan. All bills affecting the Association were either signed by the governor or allowed to become law without his signature and will go into effect on September 1.

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 were no items to consider.

12. Future Meetings: The next meetings are scheduled to take place on the following dates and locations:
    - October 6, 2025 – TFPA 2026 Budget Meeting
    - November 3, 2025 – Omni Hotel – Corpus Christi
    - February 23, 2026 – Moody Gardens Hotel – Galveston

13. Committees: There was nothing to report.

14. Adjourn: There being no further business the meeting adjourned at 4:18 pm.

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Prepared by: Amy Koehl
Senior Project Administrator

Approved by: Wendy Mueller
TFPA Chairman

Minutes of the Texas FAIR Plan Association
Governing Committee Meeting
Teleconference (Webinar)
4801 Southwest Parkway
Building 1, Suite 200
Austin, TX 78735

October 6, 2025

The Following Governing Committee Members were Present, Representing:

1.	Ryan Bridges (Vice Chair)	Public Member
2.	Mark Solomon	Agent Member
3.	Georgia Neblett	Public Member
4.	Frank Baumann	Public Member
5.	Pamela Hurley	Public Member
6.	E. Jay Sherlock	Agent Member
7.	Marianne Baker	Ex-Officio Non-Voting Member, TDI

Absent: John Miletti, Wendy Mueller

The Following TFPA Staff and Counsel Were Present:

1.	David Durden, General Manager	TFPA
2.	Jessica Crass, VP Legal and Compliance	TFPA
3.	Stuart Harbour, Chief Financial Officer	TFPA
4.	Jim Murphy, Chief Actuary	TFPA
5.	Mike Ledwik, VP Underwriting	TFPA
6.	Amy Koehl, Senior Project Administrator	TFPA
7.	Kristina Donley, Training, QA and Agency Audit Manager	TFPA
8.	Al Fulkerson, Controller	TFPA
9.	Rubi Harman, Senior Financial Analyst	TFPA
10.	Dave Williams, Vice President Claims	TFPA
11.	Michael Eleftheriades, Vice President Technology	TFPA
12.	Michelle Friesenhahn, Vice President People and Business Operations	TFPA
13.	Jordan He, Senior Actuary	TFPA
14.	Angela Fang, Actuary	TFPA
15.	Mike Perkins, Association Counsel	Perkins Law Group

The Following In Person Attendees Were Present:

1.	Marianne Baker	TDI
2.	David Muckerheide	TDI
3.	Elizabeth Ret	TDI

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

1. Shirley Bowler
2. Angie Cervantes
3. Lance Cooke
4. Kimberly Donovan
5. Sarah Edstrom
6. Nicole Elliott
7. Bradley Fell
8. Jo Freitag
9. Nadia Gonzales
10. Spencer Johnson
11. Marie Leung
12. Marianne Moul
13. Alicia Robinson
14. Anna Stafford
15. Aaron Taylor
16. Annika Vandayar
17. Jamie Walker

1. Call to Order: Vice Chair Ryan Bridges called the meeting to order at 1:30 pm. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Kristina Donley provided meeting logistics information to the attendees.

2. Review of 2026 TFPA Budget: Mr. Harbour started the meeting by going over some key assumptions from the budget.
    - Rate level: The August 2025 rate increase is reflected. The budget does not project future rate increases.
    - The number of policies in force is projected to decrease from a projected 132,463 policies at December 31, 2025 to 125,616 at year end 2026, a decrease of 6,847 policies (-5.2%).
    - Employee merit increases are set at 3.5%.
    - Operating expenses: Developed using zero-based detailed departmental budgets.
    - Commissions: Budgeted at $41.2million using an average rate of 11.5% for new and renewal policies.
    - Budget reflects receipt of assessment for 2024 deficit ($60.1 million) in 3rd and 4th quarter 2025. Assessment was billed to member companies in mid-September 2025.
    - The FAIR Plan $30 million line of credit that was effective July 1, 2025 remains in place for two years. The line of credit has an annual commitment fee on unused funds of 30 basis points ($90,000).
    - Loss and loss adjustment expense ratios are based on actuarial rate indications. The forecast reflects January through June actuals and July through December forecasted amounts.

    Mr. Harbour started by commending the work of Rubi Harman, Al Fulkerson and Jeffrey Berg in putting together the materials and their work on the budget.

Mr. Harbour reviewed the key assumptions for the 2026 budget. Written premiums year over year are projected to flatten out starting in the later part of 2026. Ceded written premiums for June 2026 – May 2027 are estimated at $125 million based on projected exposures. Investment income is estimated to increase as cash is received from the assessment and increased written premium. Investment yields (rates) are budgeted to decline steadily. Member assessment income in 2025 is based on the 2024 deficit balance.

Mr. Solomon asked if Guidewire provided cyber security. Mr. Harbour said it was primarily handled in house. The Association monitors the security of firms used by monitoring their System and Organization Controls Report.

Ms. Neblett commended Mr. Harbour and his staff on the transparency of the presentation.

3. <u>Updated on Filed/Pending Changes in Deductibles:</u> The Texas FAIR Plan Association Governing Committee directed staff at its August 4, 2025 meeting to modify previously filed changes to TFPA deductible options, separating changes eliminating the 1% deductible and adding 3%, 4% and 5% options. As a result, the Texas Department of Insurance has approved the additional deductible options and they are now in development.

   The TFPA Governing Committee also asked staff to research the use of 1% deductibles on private market homeowners policies. Association staff sent a survey to registered TFPA agents to gather this information. The four-question survey was emailed to approximately 5,700 agents registered with the FAIR Plan. Staff received 359 survey responses. Of the agents that responded, 75% said 1% deductible was not available. The results were clear that the 1% wind deductible was not available. Over 90% said a 1% all other peril was still available, no matter where they were in the state. Agents said offering higher deductibles would be great for policyholders. Agents also suggested looking at the limited water damage endorsement as the limits might not be sufficient.

   The next step will be bringing this topic [-back to the TFPA Governing Committee at the November meeting to decide how to proceed.

4. <u>Adjourn:</u> There being no further business, the meeting adjourned at 2:54 pm.

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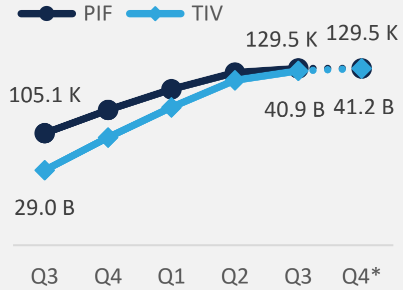
Prepared by: Amy Koehl	Approved by: Wendy Mueller
Senior Project Administrator	TFPA Chair

3. TFPA Operational Dashboard

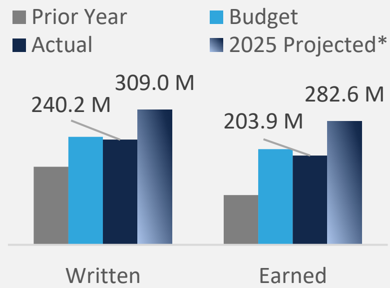
Operational Dashboard

Reporting as of September 30, 2025

Exposure Growth



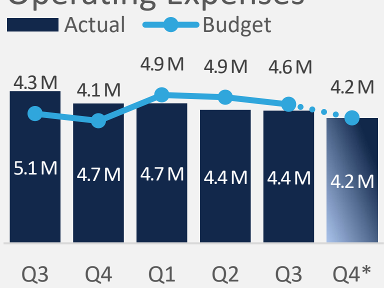
Premiums



Net Income

Actual: $ 96.3 M
Budget: 108.8 M
▼ 12.5 M

Operating Expenses



Claims Activity

Reported Claims:	**4,846**
Incurred Loss & LAE:	**$74.5M**
Loss Ratio:	**36.5%**

Claims Disputes

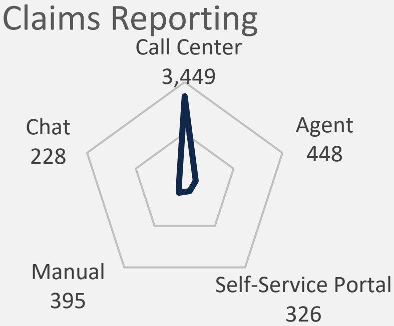
(% of Reported Claims)

TDI Complaints:	**18**	**(0.4%)**
Disputes:	**102**	**(2.1%)**
Lawsuits:	**42**	**(0.9%)**

Headcount

Employees:	**242**
Contractors:	**114**
Total:	**356**

Claims Reporting



Complaints by Reason

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

Enterprise Projects

Status Update as of September 30, 2025

Enterprise Projects	Initiative Type	2024		2025				2026			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
89th Legislative Implementation Program (LIP89)	Mandatory										
Centralized Info Ph2 MS Teams Project	Discretionary Planned										
TWIA Agent Guest Pay Project	Discretionary Planned										
ImageRight Upgrade Project	Discretionary Planned										

4. Financial

4A. Report of Secretary/Treasurer

4A1. Income Statement

Statutory Income Statement – Treasurer's Report
(In 000s)

1		For the nine months ended September 30,		1
2		Actuals - 2025	Actuals - 2024	2
3				3
4	**Premiums Written:**			4
5	Direct	$ 240,204	$ 178,106	5
6	Ceded	(115,488)	(74,982)	6
7	Net	124,716	103,124	7
8				8
9	**Premiums Earned:**			9
10	Direct	$ 203,897	$ 113,536	10
11	Ceded	(77,156)	(42,543)	11
12	Net	126,741	70,993	12
13				13
14	**Deductions:**			14
15	Direct Losses and LAE Incurred	60,476	65,649	15
16	Direct Losses and LAE Incurred - Harvey	0	0	16
17	Direct Losses and LAE Incurred - Beryl	14,000	95,000	17
18	Ceded Losses and LAE Incurred - Harvey	0	0	18
19	Ceded Losses and LAE Incurred - Beryl	(13,249)	(51,570)	19
20	Operating Expenses	13,511	13,549	20
21	Commission Expense	26,230	20,299	21
22	Ceding commissions / brokerage	(7,808)	(5,984)	22
23	Premium / Maintenance Tax	9	3,096	23
24	Total Deductions	93,169	140,039	24
25				25
26	**Net Underwriting Gain or (Loss)**	33,572	(69,046)	26
27				27
28	**Other Income or (Expense):**			28
29	Gross Investment Income	2,521	1,695	29
30	Line of Credit Fees	(68)	(69)	30
31	Interest Expense on Line of Credit Advance	0	0	31
32	Member Assessment Income	60,144	0	32
33	Premium Charge offs/Write offs	(845)	(403)	33
34	Billing Fees	932	641	34
35	Miscellaneous Income (Expense)	0	0	35
36	Total Other Income or (Expense)	62,683	1,865	36
37				37
38	**Net Income (Loss)**	**$ 96,255**	**$ (67,181)**	38
39				39
40	**Surplus (Deficit) Account:**			40
41	Beginning Surplus (Deficit)	$ (60,144)	$ (17,655)	41
42	Net Income (Loss)	96,255	(67,181)	42
43	Change in Provision for Reinsurance	0	0	43
44	Change in nonadmitted assets	(182)	537	44
45	Other	0	0	45
46	Ending Surplus (Deficit)	**$ 35,929**	**$ (84,300)**	46
47				47

4A2. Management Discussion and Analysis

Texas FAIR Plan Association
Management's Discussion and Analysis of Financial Results
For the Nine Months Ended September 30, 2025

Written and Earned Premiums

Actual vs Budget	Sep-2025 YTD Actual	Sep-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 240.2 M	$ 246.4 M	($ 6.2 M)	(2.5%)
Direct Earned Premiums	$ 203.9 M	$ 218.5 M	($ 14.6 M)	(6.7%)
Policies In-Force	129,526	138,138	(8,612)	(6.2%)

Current Yr vs Prior Yr Actuals	Sep-2025 YTD Actual	Sep-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 240.2 M	$ 178.1 M	$ 62.1 M	34.9%
Direct Earned Premiums	$ 203.9 M	$ 113.5 M	$ 90.4 M	79.6%
Policies In-Force	129,526	105,123	24,403	23.2%

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. Gross ceded premiums for the initial purchase totaled $115.1 million reflecting an overall rate-on-line (ROL) of 15.6% compared to 17.5% for the 2024-2025 program. Ceded premiums written in 2025 includes $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 eleven-month coverage period.

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

Loss and Loss Adjustment Expense Incurred

Actual vs Budget	Sep-2025 YTD Actual	Sep-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 57.4 M	$ 51.2 M	$ 6.1 M	12.0%
Direct LAE Incurred	$ 17.1 M	$ 13.5 M	$ 3.6 M	27.0%
Total Direct Losses & LAE	**$ 74.5 M**	**$ 64.7 M**	**$ 9.8 M**	**15.1%**
Loss & LAE Ratio	**36.5%**	**29.6%**		**6.9%**

Current Yr vs Prior Yr Actuals	Sep-2025 YTD Actual	Sep-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 57.4 M	$ 138.4 M	($ 81.0 M)	(58.5%)
Direct LAE Incurred	$ 17.1 M	$ 22.3 M	($ 5.2 M)	(23.3%)
Total Direct Losses & LAE	**$ 74.5 M**	**$ 160.6 M**	**($ 86.2 M)**	**(53.6%)**
Loss & LAE Ratio	**36.5%**	**141.5%**		**(105.0%)**

Operating Expenses

Actual vs Budget	Sep-2025 YTD Actual	Sep-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 13.5 M	$ 14.4 M	($ 0.9 M)	(6.3%)
Operating Expense Ratio	6.6%	6.6%		0.0%

Current Yr vs Prior Yr Actuals	Sep-2025 YTD Actual	Sep-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 13.5 M	$ 13.5 M	($ 0.0 M)	(0.3%)
Operating Expense Ratio	6.6%	11.9%		(5.3%)

- 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 September 30, 2025. Expenses under budget included Personnel Expenses ($1,050,000) and Hardware & Software ($295,000). Expense items over budget included Professional & Consulting Services $469,000.

Texas FAIR Plan Association

Management's Discussion and Analysis of Financial Results

(cont'd)

Commission Expense and Premium Taxes

Actual vs Budget	Sep-2025 YTD Actual	Sep-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 26.2 M	$ 28.3 M	($ 2.1 M)	(7.4%)
Premium Taxes	$ 0.0 M	$ 4.5 M	($ 4.5 M)	(99.8%)

Current Yr vs Prior Yr Actuals	Sep-2025 YTD Actual	Sep-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 26.2 M	$ 20.3 M	$ 5.9 M	29.2%
Premium Taxes	$ 0.0 M	$ 3.1 M	($ 3.1 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	Sep-2025 YTD Actual	Sep-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 2.5 M	$ 3.2 M	($ 0.6 M)	(20.5%)

Current Yr vs Prior Yr Actuals	Sep-2025 YTD Actual	Sep-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 2.5 M	$ 1.7 M	$ 0.8 M	48.7%

Net Income (Loss)

Actual vs Budget	Sep-2025 YTD Actual	Sep-2025 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 96.3 M	$ 108.8 M	($ 12.6 M)	(11.5%)

Current Yr vs Prior Yr Actuals	Sep-2025 YTD Actual	Sep-2024 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 96.3 M	($ 67.2 M)	$ 163.4 M	243.3%

Surplus (Deficit)

Current Period vs. Prior Year End Actual	Sep-2025 YTD Actual	Dec-24 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	$ 35.9 M	($ 60.1 M)	$ 96.1 M	(159.7%)

- The Association ended the September quarter with a surplus of $35.9 million as year-to-date net income of $96.3 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.

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4B. Financial Statement Review by Staff

TEXAS FAIR PLAN ASSOCIATION

Quarterly Financial Statements and Schedules

September 2025

Statutory Income Statement
(In 000s)

1		For the period Sep-2025 Year to Date				1
2		Actuals - 2025	Budget - 2025	Variance - 2025	Actuals - 2024	2
3						3
4	**Premiums Written:**					4
5	Direct	$ 240,204	$ 246,437	$ (6,233)	$ 178,106	5
6	Ceded	(115,488)	(130,000)	14,512	(74,982)	6
7	Net	124,716	116,437	8,279	103,124	7
8						8
9	**Premiums Earned:**					9
10	Direct	$ 203,897	$ 218,505	$ (14,609)	$ 113,536	10
11	Ceded	(77,156)	(77,910)	754	(42,543)	11
12	Net	126,741	140,595	(13,854)	70,993	12
13						13
14	**Deductions:**					14
15	Direct Losses and LAE Incurred	60,476	64,708	(4,233)	65,649	15
16	Direct Losses and LAE Incurred - Harvey	0	0	0	0	16
17	Direct Losses and LAE Incurred - Beryl	14,000	0	14,000	95,000	17
18	Ceded Losses and LAE Incurred - Harvey	0	0	0	0	18
19	Ceded Losses and LAE Incurred - Beryl	(13,249)	0	(13,249)	(51,570)	19
20	Operating Expenses	13,511	14,417	(906)	13,549	20
21	Commission Expense	26,230	28,340	(2,110)	20,299	21
22	Ceding commissions / brokerage	(7,808)	(9,360)	1,552	(5,984)	22
23	Premium / Maintenance Tax [1]	9	4,510	(4,500)	3,096	23
24	Total Deductions	93,169	102,616	(9,446)	140,039	24
25						25
26	**Net Underwriting Gain or (Loss)**	33,572	37,980	(4,408)	(69,046)	26
27						27
28	**Other Income or (Expense):**					28
29	Gross Investment Income	2,521	3,170	(649)	1,695	29
30	Line of Credit Fees	(68)	(77)	8	(69)	30
31	Interest Expense on Line of Credit Advance	0	0	0	0	31
32	Member Assessment Income	60,144	67,536	(7,392)	0	32
33	Premium Charge offs/Write offs	(845)	(616)	(229)	(403)	33
34	Billing Fees	932	813	118	641	34
35	Miscellaneous Income (Expense)	0	0	0	0	35
36	Total Other Income or (Expense)	62,683	70,826	(8,143)	1,865	36
37						37
38	**Net Income (Loss)**	**$ 96,255**	**$ 108,806**	**$ (12,551)**	**$ (67,181)**	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 nine months ended September 30,			
	Actuals - 2025	**Budget - 2025**	**Variance - 2025**	**Actuals - 2024**
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	(60,144)	(60,144)	0	(17,655)
Net Income (Loss)	96,255	108,806	(12,551)	(67,181)
Change in Provision for Reinsurance	0	(500)	500	0
Change in nonadmitted assets	(182)	(302)	120	537
Other	0	0	0	0
Ending Surplus (Deficit)	$ 35,929	$ 47,860	$ (11,931)	$ (84,300)
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	29.7%	29.6%	0.0%	57.8%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Hurricane Beryl	6.9%	0.0%	6.9%	83.7%
Loss & LAE Ratio	36.5%	29.6%	6.9%	141.5%
UW Expense Ratio:				
Acquisition	10.9%	13.3%	(2.4%)	13.1%
Non Acquisition	6.6%	6.6%	0.0%	11.9%
UW Expense Ratio	17.6%	19.9%	(2.4%)	25.1%
Combined Ratio	54.1%	49.5%	4.5%	166.6%
Net:				
Loss & LAE Ratio:				
Non Hurricane	47.7%	46.0%	1.7%	92.5%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Hurricane Beryl	0.6%	0.0%	0.6%	61.2%
Loss & LAE Ratio	48.3%	46.0%	2.3%	153.6%
UW Expense Ratio:				
Acquisition	16.0%	16.8%	(0.8%)	16.9%
Non Acquisition	10.7%	10.3%	0.4%	19.1%
UW Expense Ratio	26.7%	27.0%	(0.4%)	35.9%
Combined Ratio	75.0%	73.1%	1.9%	189.6%

Note: Beginning budgeted surplus adjusted to actual for comparative purposes.

Statutory Expense Statement
(In 000s)

Description	For the nine months ended September 30, Actuals - 2025	Budget - 2025	Variance - 2025	Actuals - 2024
Personnel Expenses				
Salaries & Wages - Permanent	$ 6,134	$ 6,507	$ (373)	$ 5,802
Contractor & Temporary Help	4,625	6,250	(1,624)	3,699
Payroll Taxes	453	472	(19)	427
Employee Benefits	1,658	1,970	(312)	1,622
Recruiting, Training & Other	30	197	(167)	71
Subtotal	12,900	15,395	(2,495)	11,622
Professional & Consulting Services				
Legal	105	95	10	139
Accounting & Auditing	109	111	(2)	91
Information Technology	1,048	1,271	(223)	1,807
Actuarial Services	22	22	0	18
Surveys & Inspections	1,318	995	322	1,403
Disaster Recovery Services	2	4	(2)	0
Other Services [1]	1,654	1,439	215	2,231
Subtotal	4,258	3,937	321	5,689
Hardware/Software Purchases & Licensing	1,906	1,996	(90)	1,320
Rental & Maintenance - Office/Equipment	406	363	43	400
Travel Expenses	82	134	(52)	85
Postage, Telephone and Express	558	464	94	484
Capital Management Expenses	68	77	(8)	69
Other Operating Expenses	636	661	(25)	472
Total Operating Expenses	**$ 20,814**	**$ 23,026**	**$ (2,212)**	**$ 20,141**
Capitalization of Fixed Assets	0	0	0	0
Allocation To ULAE	(7,234)	(8,533)	1,298	(6,524)
Allocation To Investing & Other Expense	(68)	(77)	8	(69)
Net Operating Expense - UW Operations	**$ 13,511**	**$ 14,417**	**$ (906)**	**$ 13,549**

[1] **Summary Details for Other Services:**

VENDOR	Amount	Department
Insurance Services Office, Inc.	467	Claims/Underwriting
Clear Point Claims LLC	443	Underwriting
Xactware Solutions Inc	133	Claims
Marshall & Swift/Boeckh	114	Underwriting
Nearmap US, Inc	79	Claims
Genesys Cloud Services, Inc.-	70	Underwriting
LexisNexis Risk Solutions Inc.	54	Underwriting
*Other Outside Services below $50K	295	Various Departments
Total Other Services	**1,654**	

Statutory Balance Sheet
(In 000s)

	Sep-2025	Dec-2024
Admitted Assets		
Cash and short term investments:	154,726	62,176
Premiums receivable & other	31,563	25,419
Assessment receivable	43,981	14,259
Amounts recoverable from reinsurers	8,667	12,325
Other Assets	360	121
Total admitted assets	**$ 239,297**	**$ 114,300**
Liabilities, Surplus and other funds		
Liabilities:		
Loss and Loss adjustment expenses	33,427	26,363
Underwriting expenses payable	5,443	7,522
Unearned premiums, net of ceded unearned premiums	80,779	82,805
Ceded reinsurance premiums payable	74,352	50,068
Principal outstanding on line of credit advance	0	0
Interest payable on line of credit advance	0	0
Provision for reinsurance	48	48
Other payables	9,319	7,638
Total liabilities	**203,368**	**174,444**
Surplus and others funds		
Unassigned surplus (deficit)	35,929	(60,144)
Total liabilities, surplus and other funds	**$ 239,297**	**$ 114,300**

Statement of Cash Flows
(In 000s)

		For the nine months ended September 30,		
2		Actuals - 2025	Budget - 2025	Variance - 2025
3				
4	**Cash flows from operating activities:**			
5	Premiums collected, net of reinsurance	$ 146,647	$ 157,652	$ (11,005)
6	Losses and loss adjustment expense paid [1] [2]	(50,506)	(60,060)	9,554
7	Underwriting expenses paid	(35,486)	(36,519)	1,033
8	Other	(741)	197	(938)
9	Net cash provided by operating activities	59,914	61,270	(1,356)
10	**Cash flows from non-operating activities:**			
11	Other (Member Assessment)	30,422	67,536	(37,114)
12	Net cash provided by non-operating activities	30,422	67,536	(37,114)
13	**Cash flows from investing activities:**			
14	Sales and maturities of investments	0	0	0
15	Net investment income	2,282	3,170	(888)
16	Net cash provided by investing activities	2,282	3,170	(888)
17	**Cash flows from financing activities:**			
18	Borrowed funds	0	0	0
19	Borrowed funds repaid	0	0	0
20	Interest Expense/Fees - Line of Credit Advance	(68)	(77)	8
21	Net cash provided by financing activities	(68)	(77)	8
22				
23	Net increase (decrease) in cash and short-term investments	92,550	131,899	(39,349)
24	Cash and short-term investments, Beginning	62,176	62,176	0
25	Cash and short-term investments, Ending	$ 154,726	$ 194,075	$ (39,349)
26				
27	[1] Direct Beryl Loss/LAE Payments	$ 12,373		
28	[2] Direct Harvey Loss/LAE Payments	4		
29	**Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.**			

Cash and Short-Term Investments
(In 000s)

Unrestricted Cash and Short Term Investments ($ in 000s)
September 30, 2025

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 < 40%	N.A. Bank Credit Rating Superior or Strong	N.A. Tier 1 Capital Ratio > 10%	N.A. Regulatory Capital > $25B	Are funds in excess of the N.A. Regulatory Capital? > .2% of N.A. Reg Capital
Balances as of 09/30/2025:											
Bank of America	$ 22,938	0	$ 22,938	0	0	0.0%	15%	Superior	13.3%	$196	No
Citibank	0	0	0	0	0	0.0%	0%	Superior	13.9%	$160	No
JPMorgan Chase	0	$ 29,855	29,855	$ 36,048	$ 173	1.9%	19%	Superior	15.6%	$282	No
Citibank IMMA	0	0	0	0	0	0.0%	0%	N/A	N/A	N/A	N/A
JP Morgan U.S. Treasury Plus Money Market Fund (1)	0	40,773	40,773	40,626	425	4.2%	26%	N/A	N/A	N/A	N/A
JP Morgan Goldman Sachs (1)	0	40,657	40,657	37,479	386	4.1%	26%	N/A	N/A	N/A	N/A
Fidelity Treasury (1)	0	20,503	20,503	20,428	214	4.2%	13%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 22,938**	**$ 131,787**	**$ 154,726**	**$ 134,581**	**$ 1,199**	**3.6%**	**100%**				
Balances as of 06/30/2025:											
Bank of America	$ 14,329	0	$ 14,329	0	0	0.0%	12%	Superior	13.4%	$194	No
Citibank	0	0	0	0	0	0.0%	0%	Superior	14.2%	$158	No
JPMorgan Chase	0	$ 20,382	20,382	$ 35,619	$ 171	2.0%	18%	Superior	15.8%	$278	No
Citibank IMMA	0	0	0	34	0	0.9%	0%	N/A	N/A	N/A	N/A
JP Morgan U.S. Treasury Plus Money Market Fund (1)	0	40,376	40,376	25,240	263	4.5%	35%	N/A	N/A	N/A	N/A
JP Morgan Goldman Sachs (1)	0	20,336	20,336	17,531	181	4.6%	18%	N/A	N/A	N/A	N/A
Fidelity Treasury (1)	0	20,288	20,288	14,748	154	4.6%	18%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 14,329**	**$ 101,381**	**$ 115,710**	**$ 93,172**	**$ 770**	**3.3%**	**100%**				

(1) The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury.

Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of June 30, 2025. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

Historical Data
($ In 000s)

2003 - 2025
($ with 000s omitted)

	GROSS					NET					
YEAR	**LIABILITY IN FORCE END OF PERIOD**	**POLICY COUNT**	**RATE CHANGES**	**WRITTEN PREMIUMS**	**LOSS & LAE INCURRED**	**EARNED PREMIUMS**	**LOSS & LAE INCURRED**	**UNDERWRITING EXPENSES INCURRED**	**UNDERWRITING GAIN (LOSS)**	**MEMBER ASSESSMENTS**	**SURPLUS OR (DEFICIT) END OF PERIOD**
2003	$ 18,272,542	100,223		$ 82,004	$ 19,580	$ 31,287	$ 19,580	$ 26,618	$ (14,911)		$ (15,948)
2004	22,904,408	134,350		100,666	37,184	85,238	37,184	28,470	19,584		(1,821)
2005	14,165,560	88,512		60,969	31,262	77,389	31,262	18,588	27,539		31,563
2006	13,321,087	81,129		59,873	22,545	45,867	22,545	17,304	6,017		40,063
2007	15,556,965	91,847	3.9%	73,058	24,578	52,955	24,578	19,362	9,015		52,081
2008	14,060,852	84,438		64,488	239,886	48,364	82,774	18,797	(53,208)		209
2009	11,706,721	72,989	10.7%	60,255	32,961	28,136	6,659	18,811	2,666		(9,753)
2010	14,246,999	85,984	5.0%	73,924	86,187	40,905	34,601	17,019	(10,715)		(17,449)
2011	15,979,040	96,710		83,066	78,009	47,063	53,009	15,897	(21,843)		(33,860)
2012	17,966,799	108,637	14.6%	102,383	28,453	56,880	28,453	20,346	8,081		(25,722)
2013	20,594,317	124,222	16.7% (a)	122,683	39,438	75,343	39,438	22,610	13,295		(13,422)
2014	21,944,280	131,376		133,206	45,070	89,405	45,070	24,058	20,277		5,978
2015	22,154,205	132,734		132,879	68,593	90,952	68,593	24,675	(2,316)		4,977
2016	19,883,769	121,413	8.0% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5.0% (c)	112,316	128,666	76,837	84,864	29,739	(37,766)		(54,941)
2018	15,223,344	95,637	8.1% (d)	95,882	26,733	69,239	26,733	29,527	12,979	$ 54,941	15,088
2019	12,299,224	80,923		85,327	38,241	59,625	38,241	25,310	(3,926)		12,133
2020	12,618,291	73,713	9.6% (e)	79,477	36,620	53,092	36,620	22,398	(5,926)		6,006
2021	11,471,201	66,512	9.2% (f)	75,648	34,070	49,414	34,070	19,050	(3,705)		2,105
2022	11,301,744	61,452	7.3% (g)	76,881	27,146	45,620	27,146	19,033	(559)		1,451
2023	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	40,923,943	129,526	14.1% (j)	240,204	74,476	126,741	61,227	31,943	33,572		35,929
TOTAL				**$ 2,388,411**	**$ 1,428,951**	**$ 1,487,331**	**$ 1,050,858**	**$ 541,543**	**$ (105,070)**	**$ 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 09/30/2025

4C. Review/Approval of 2026 Budget

Texas FAIR Plan Association

2026 Budget Summary to Governing Committee

November 3, 2025

2025 Forecasted Income Statement with Reconciliation to Workshop

(In 000s)

TEXAS FAIR PLAN ASSOCIATION

		A	B	C	D	E	
		For the twelve months ended December 31,			Budget Workshop October 6		
		FINAL Forecast FY2025	Budget FY2025	Variance 2025	Forecast FY2025	CHANGE	
	Premiums Written:						
1	Direct	$ 319,502	$ 300,587	$ 18,914	$ 319,502	0	1
2	**Premiums Earned:**						2
3	Direct	$ 283,448	$ 295,848	$ (12,400)	$ 283,448	0	3
4	Ceded	(108,556)	(110,410)	1,854	(108,556)	0	4
5	Net	174,892	185,438	(10,546)	174,892	0	5
6	**Deductions:**						6
7	Losses and LAE Incurred	72,383	77,121	(4,738)	72,383	0	7
8	Operating Expenses	17,887	18,586	(700)	17,905	(18)	8
9	Commission Expense	35,945	34,568	1,377	35,945	0	9
10	Ceding commissions / brokerage	(7,808)	(9,360)	1,552	(7,808)	0	10
11	Premium / Maintenance Tax	9	5,501	(5,491)	9	0	11
12	Total Deductions	118,416	126,415	(7,999)	118,434	(18)	12
13	**Net Underwriting Gain or (Loss)**	56,476	59,023	(2,547)	56,458	18	13
14	**Other Income or (Expense):**						14
15	Gross Investment Income	3,346	4,435	(1,088)	3,339	8	15
16	Line of Credit Fees	(93)	(102)	9	(93)	0	16
17	Interest Expense on Line of Credit Advance	0	0	0	0	0	17
18	Member Assessment Income	60,144	67,536		60,144		18
19	Premium Charge Offs/Write Offs	(979)	(751)	(227)	(979)	0	19
20	Billing Fees	1,129	992	137	1,129	0	20
21	Other Income (Expense)	0	0	0	0	0	21
22	Total Other Income or (Expense)	63,547	72,109	(1,170)	63,539	8	22
23							23
24	**Net Income (Loss)**	**$ 120,023**	**$ 131,132**	**$ (11,109)**	**$ 119,997**	**$ 26**	24
25							25

Reduction in Operating expenses reflect revised estimate for Telephone costs.

TEXAS FAIR PLAN ASSOCIATION

2025 Forecasted Deficit & Key Ratios with Reconciliation to Workshop

(In 000s)

		A	B	C	D	E	
		For the twelve months ended December 31,			Budget Workshop October 6		
		FINAL Forecast FY2025	Budget FY2025	Variance 2025	Forecast FY2025	CHANGE	
1	**Surplus (Deficit) Account:**						1
2	Beginning Surplus (Deficit)	$ (60,144)	$ (67,536)	$ 7,392	$ (60,144)	0	2
3	Net Income (Loss)	120,023	131,132	(11,109)	119,997	26	3
4	Change in Provision for Reinsurance	(2)	0	(2)	(2)	0	4
5	Change in Non-Admitted Assets	267	(9)	276	(953)	1,220	5
6	Statutory Fund Cost	0	0	0	0	0	6
7	**Ending Surplus (Deficit)**	**$ 60,144**	**$ 63,587**	**$ (3,443)**	**$ 58,897**	**$ 1,246**	7
8							8
9	**Key Operating Ratios:**						9
10	Direct:						10
11	Loss & LAE Ratio	**30.2%**	**26.1%**	4.1%	**30.2%**	**0.0%**	11
12	UW Expense Ratio:						12
13	Acquisition	11.3%	13.3%	(2.1%)	11.3%	0.0%	13
14	Non Acquisition	6.3%	6.3%	0.0%	6.3%	(0.0%)	14
15	UW Expense Ratio	17.6%	19.6%	(2.0%)	17.6%	(0.0%)	15
16	**Direct Combined Ratio**	**47.8%**	**45.7%**	**2.1%**	**47.8%**	**(0.01%)**	16
17							17

Note: Forecast reflects January to June 2025 actuals and July to December 2025 forecast.

TEXAS FAIR PLAN ASSOCIATION

2025 Revised Forecast – Expense Summary

(In 000s)

		A	B	C	D	E	
		For the twelve months ended December 31,			Budget Workshop October 6		
		FINAL Forecast FY2025	Budget FY2025	Variance 2025	Forecast FY2025	CHANGE	
1	Personnel Expenses	$ 17,371	$ 19,558	$ (2,186)	$ 17,371	0	1
2	Professional & Consulting Services	4,526	4,653	(128)	4,526	0	2
3	Hardware/Software Purchases & Licensing	2,455	2,523	(68)	2,455	0	3
4	Rental & Maintenance - Office/Equipment	558	486	72	558	0	4
5	Travel Expenses	140	181	(41)	140	0	5
6	Postage, Telephone and Express	744	604	140	762	(18)	6
7	Capital Management Expenses	93	102	(9)	93	0	7
8	Depreciation	0	0	0	0	0	8
9	Other Operating Expenses	884	821	63	884	0	9
10	**Gross Operating Expenses**	**$ 26,772**	**$ 28,929**	**$ (2,157)**	**$ 26,790**	**(18)**	10
11	**Less: Adjustments/Allocations**						11
12	Capitalization of Fixed Assets	0	0	0	0	0	12
13	Reimbursement of Depopulation Servicing Expense	0	0	0	0	0	13
14	Allocation To ULAE	(8,792)	(10,241)	1,449	(8,792)	0	14
15	Allocation To Investing	(93)	(102)	9	(93)	0	15
16	**Total Adjustments/Allocations**	**$ (8,885)**	**$ (10,343)**	**$ 1,457**	**$ (8,885)**	**0**	16
17							17
18	**Net Operating Expense**	**$ 17,887**	**$ 18,586**	**$ (700)**	**$ 17,905**	**(18)**	18

2026 Budget - Income Statement with Reconciliation to Workshop

(In 000s)

		A	B	C	
		FINAL Budget FY2026	Budget Workshop October 6 Budget FY2026	CHANGE	
	Premiums Written:				
1	Direct	$ 357,894	$ 357,894	0	1
2	**Premiums Earned:**				2
3	Direct	$ 345,452	$ 345,452	0	3
4	Ceded	(125,251)	(125,251)	0	4
5	Net	$ 220,201	$ 220,201	0	5
6	**Deductions:**				6
7	Losses and LAE Incurred	79,326	79,373	(47)	7
8	Operating Expenses	20,781	20,957	(176)	8
9	Commission Expense	41,158	41,158	0	9
10	Ceding commissions / brokerage	(8,605)	(8,605)	0	10
11	Premium / Maintenance Tax	0	-	0	11
12	Total Deductions	132,659	132,883	(224)	12
13	**Net Underwriting Gain or (Loss)**	$ 87,542	$ 87,318	224	13
14	**Other Income or (Expense):**				14
15	Gross Investment Income	5,359	5,378	(19)	15
16	Line of Credit Fees	(101)	(101)	0	16
17	Interest Expense on Line of Credit Advance	0	0	0	17
18	Member Assessment Income	0	0	0	18
19	Premium Charge Offs/Write Offs	(895)	(895)	0	19
20	Billing Fees	1,181	1,181	0	20
21	Other Income (Expense)	0	0	0	21
22	Total Other Income or (Expense)	5,544	5,563	(19)	22
23					23
24	**Net Income (Loss)**	**$ 93,086**	**$ 92,881**	**205**	24
25					25

Decrease in 2026 Operating Expenses is due to the change in Guidewire Licensing fees.

TEXAS FAIR PLAN ASSOCIATION

2026 Budget Surplus & Key Ratios with Reconciliation to Workshop

(In 000s)

		A	B	C	
		FINAL Budget FY2026	Budget Workshop October 6 Budget FY2026	CHANGE	
1	**Surplus (Deficit) Account:**				1
2	Beginning Surplus (Deficit)	$ 60,144	$ 58,897	1,246	2
3	Net Income (Loss)	93,086	92,881	205	3
4	Change in Provision for Reinsurance	(50)	(50)	0	4
5	Change in Non-Admitted Assets	(9)	98	(107)	5
6	Statutory Fund Cost	0	0	0	6
7	**Ending Surplus (Deficit)**	**$ 153,171**	**$ 151,827**	**$ 1,344**	7
8					8
9	**Key Operating Ratios:**				9
10	Direct:				10
11	Loss & LAE Ratio	**23.0%**	**23.0%**	**(0.0%)**	11
12	UW Expense Ratio:				12
13	Acquisition	11.5%	**11.5%**	**0.0%**	13
14	Non Acquisition	6.0%	**6.1%**	**(0.1%)**	14
15	UW Expense Ratio	17.5%	**17.6%**	**(0.1%)**	15
16	**Direct Combined Ratio**	**40.5%**	**40.5%**	**(0.1%)**	16
17					17

The increase in ending surplus reflects the updated forecast and higher net income as previously shown.

2026 Budget – Operating Expenses with Reconciliation to Workshop (In 000s)

TEXAS FAIR PLAN ASSOCIATION

		A	B	C	
		FINAL Budget FY2026	Budget Workshop October 6 Budget FY2026	CHANGE	
1	Personnel Expenses	18,038	18,038	0	1
2	Professional & Consulting Services	4,778	4,778	0	2
3	Hardware/Software Purchases & Licensing	3,063	3,300	(237)	3
4	Rental & Maintenance - Office/Equipment	595	595	0	4
5	Travel Expenses	240	240	0	5
6	Postage, Telephone and Express	717	717	0	6
7	Capital Management Expenses	101	101	0	7
8	Depreciation	0	0	0	8
9	Other Operating Expenses	954	941	13	9
10	**Gross Operating Expenses**	**28,485**	**28,709**	**(224)**	10
11	**Less: Adjustments/Allocations**				11
12	Capitalization of Fixed Assets	0	0	0	12
13	Reimbursement of Depopulation Servicing Expense	0	0	0	13
14	Allocation To ULAE	(7,604)	(7,651)	47	14
15	Allocation To Investing	(101)	(101)	0	15
16	**Total Adjustments/Allocations**	**(7,704)**	**(7,752)**	**47**	16
17					17
18	**Net Operating Expense**	**20,781**	**20,957**	**(176)**	18

Decrease in 2026 Software Budget is due to the adjustment in Guidewire license fees.

Final TFPA 2026 Income Statement Budget

(In 000s)

		A	B	C	D	
		For the twelve months ended December 31,				
		Forecast FY2025	Budget FY2025	Variance 2025	Budget FY2026	
	Premiums Written:					
1	Direct	$ 319,502	$ 300,587	$ 18,914	$ 357,894	1
2	**Premiums Earned:**					2
3	Direct	$ 283,448	$ 295,848	$ (12,400)	$ 345,452	3
4	Ceded	(108,556)	(110,410)	1,854	(125,251)	4
5	Net	174,892	185,438	(10,546)	220,201	5
6	**Deductions:**					6
7	Losses and LAE Incurred	72,383	77,121	(4,738)	79,326	7
8	Operating Expenses	17,887	18,586	(700)	20,781	8
9	Commission Expense	35,945	34,568	1,377	41,158	9
10	Ceding commissions / brokerage	(7,808)	(9,360)	1,552	(8,605)	10
11	Premium / Maintenance Tax	9	5,501	(5,491)	0	11
12	Total Deductions	118,416	126,415	(7,999)	132,659	12
13	**Net Underwriting Gain or (Loss)**	56,476	59,023	(2,547)	87,542	13
14	**Other Income or (Expense):**					14
15	Gross Investment Income	3,346	4,435	(1,088)	5,359	15
16	Line of Credit Fees	(93)	(102)	9	(101)	16
17	Interest Expense on Line of Credit Advance	0	0	0	0	17
18	Member Assessment Income	60,144	67,536	(7,392)	0	18
19	Premium Charge Offs/Write Offs	(979)	(751)	(227)	(895)	19
20	Billing Fees	1,129	992	137	1,181	20
21	Other Income (Expense)	0	0	0	0	21
22	Total Other Income or (Expense)	63,547	72,109	(8,562)	5,544	22
23						23
24	**Net Income (Loss)**	**$ 120,023**	**$ 131,132**	**$ (11,109)**	**$ 93,086**	24
25						25

Final TFPA 2026 Surplus & Key Ratios Budget

(In 000s)

		A	B	C	D	
		For the twelve months ended December 31,				
		Forecast FY2025	Budget FY2025	Variance 2025	Budget FY2026	
1	**Surplus (Deficit) Account:**					1
2	Beginning Surplus (Deficit)	(60,144)	(67,536)	7,392	60,144	2
3	Net Income (Loss)	120,023	131,132	(11,109)	93,086	3
4	Change in Provision for Reinsurance	(2)	0	(2)	(50)	4
5	Change in Non-Admitted Assets	267	(9)	276	(9)	5
6	Statutory Fund Cost	0	0	0	0	6
7	**Ending Surplus (Deficit)**	**$60,144**	**$63,587**	**($3,443)**	**$153,171**	7
8						8
9	**Key Operating Ratios:**					9
10	Direct:					10
11	Loss & LAE Ratio	**30.2%**	**26.1%**	4.1%	**23.0%**	11
12	UW Expense Ratio:					12
13	Acquisition	11.3%	13.3%	(2.1%)	11.5%	13
14	Non Acquisition	6.3%	6.3%	0.0%	6.0%	14
15	UW Expense Ratio	17.6%	19.6%	(2.0%)	17.5%	15
16	**Direct Combined Ratio**	**47.8%**	**45.7%**	**2.1%**	**40.5%**	16
17						17

TFPA TEXAS FAIR PLAN ASSOCIATION

Final TFPA 2026 Operating Expenses Budget

(In 000s)

	A	B	C	D	E	
		For the twelve months ended December 31,				
		Forecast FY2025	Budget FY2025	Variance 2025	Budget FY2026	
1	Personnel Expenses	17,371	19,558	(2,186)	18,038	1
2	Professional & Consulting Services	4,526	4,653	(128)	4,778	2
3	Hardware/Software Purchases & Licensing	2,455	2,523	(68)	3,063	3
4	Rental & Maintenance - Office/Equipment	558	486	72	595	4
5	Travel Expenses	140	181	(41)	240	5
6	Postage, Telephone and Express	744	604	140	717	6
7	Capital Management Expenses	93	102	(9)	101	7
8	Depreciation	0	0	0	0	8
9	Other Operating Expenses	884	821	63	954	9
10	**Gross Operating Expenses**	**26,772**	**28,929**	**(2,157)**	**28,485**	10
11	**Less: Adjustments/Allocations**					11
12	Capitalization of Fixed Assets	0	0	0	0	12
13	Reimbursement of Depopulation Servicing Expense	0	0	0	0	13
14	Allocation To ULAE	(8,792)	(10,241)	1,449	(7,604)	14
15	Allocation To Investing	(93)	(102)	9	(101)	15
16	**Total Adjustments/Allocations**	**(8,885)**	**(10,343)**	**1,457**	**(7,704)**	16
17						17
18	**Net Operating Expense**	**17,887**	**18,586**	**(700)**	**20,781**	18


ANY
QUESTIONS

5. Actuarial

5A. Policy Counts/Exposures

TEXAS FAIR PLAN ASSOCIATION

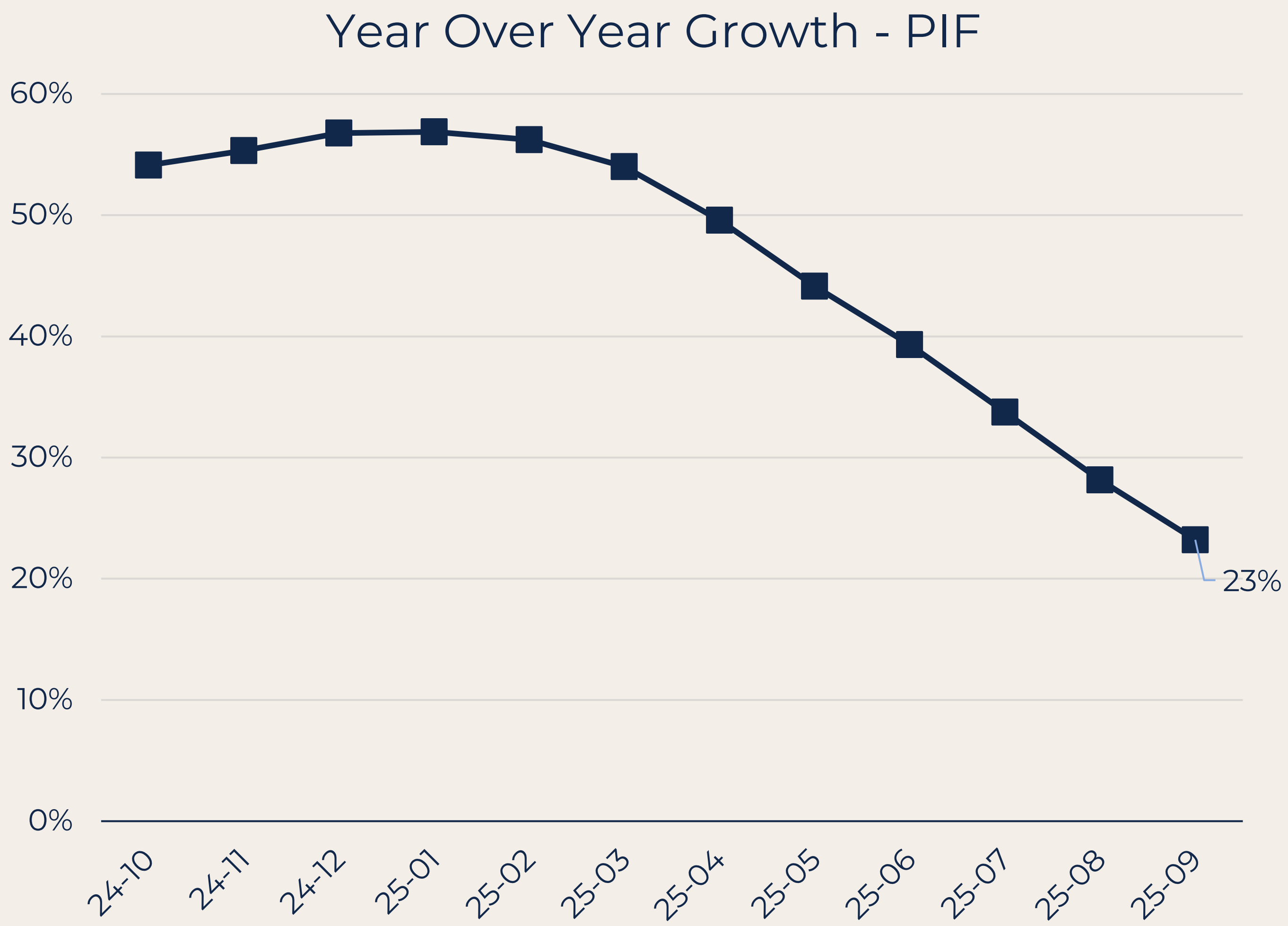
Executive Summary

- Significant growth continues with deceleration
- **New Policy Issuances**: Down 45% year-over-year
- **Retention Rate**: Steady at 72%
- Growth is led by counties outside of Tiers 1 & 2

TFPA		
	9/30/2025	YOY Growth
Policies In-Force	129,526	+23%
Total Insured Value	40.9B	+41%
YTD Written Premium	240M	+35%

YOY Summary

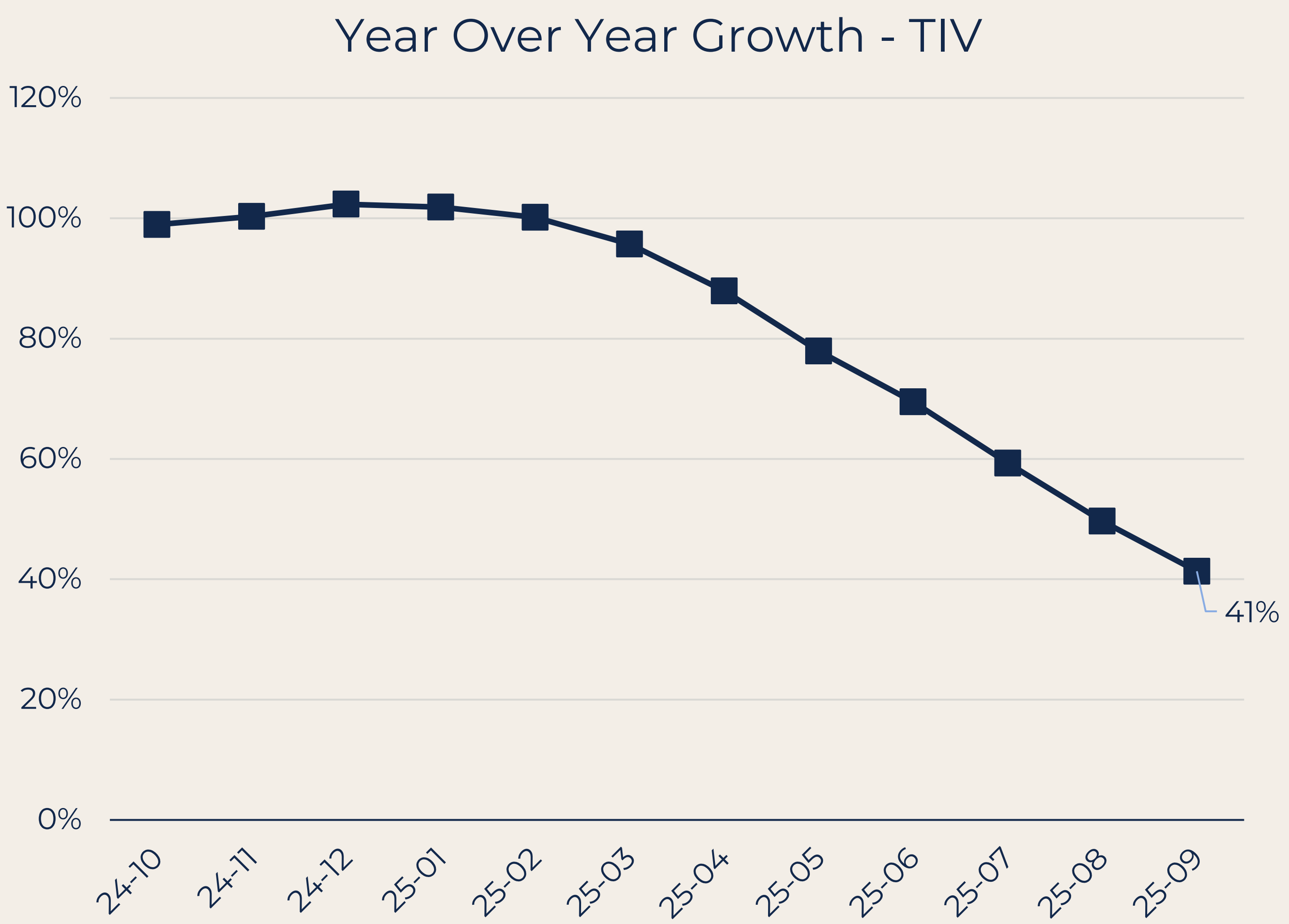
- **PIF growth persists, but at a decelerating rate over the last 12 months**
- **PIF growth: 23%, mainly driven by homeowners (30%)**



Year/Month	2024-10	2024-11	2024-12	2025-01	2025-02	2025-03	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09
PIF	108,427	111,020	113,860	116,556	118,937	121,658	123,842	125,897	127,957	129,583	129,705	129,526

YOY Summary

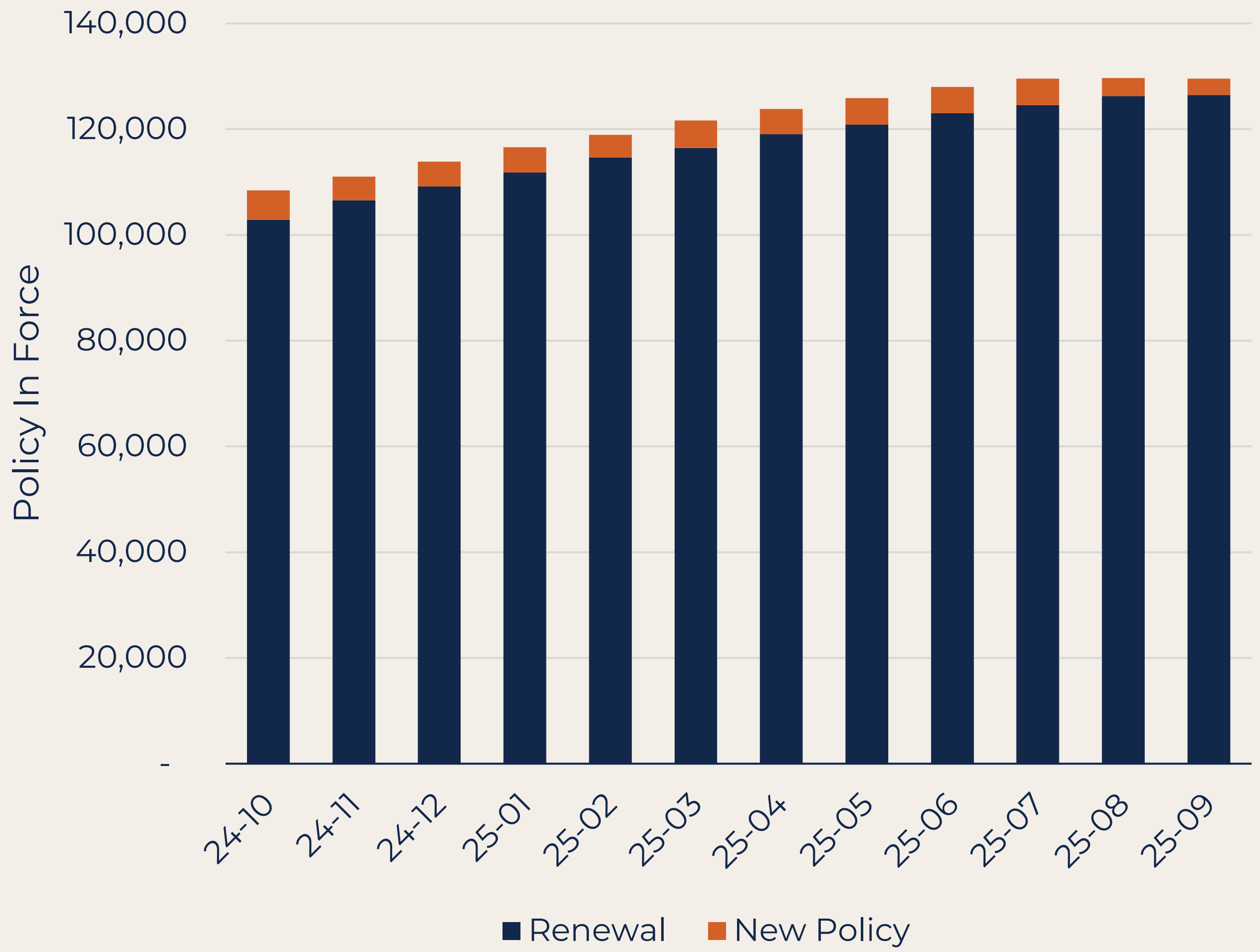
- **TIV growth persists, but at a decelerating rate over the last 12 months**
- **TIV growth: 41%, mainly driven by homeowners (45%)**



Year/Month	2024-10	2024-11	2024-12	2025-01	2025-02	2025-03	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09
TIV (000s)	30,426	31,611	32,930	34,152	35,272	36,555	37,668	38,707	39,791	40,670	40,885	40,924

New Business versus Renewal

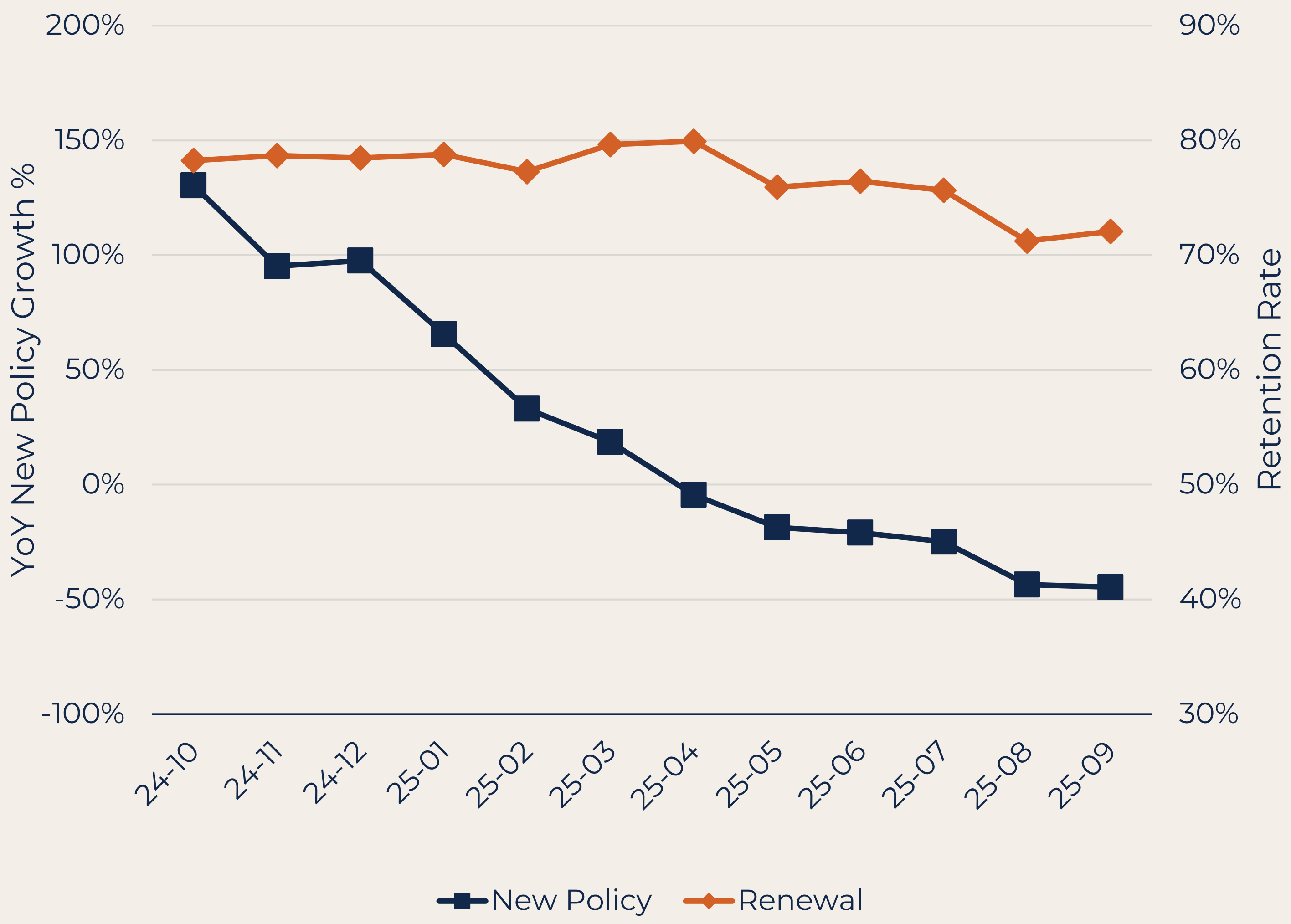
- **New policies account for less than 5% of total PIF**



Year/Month	2024-10	2024-11	2024-12	2025-01	2025-02	2025-03	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09
New Policy	5,527	4,460	4,725	4,759	4,293	5,186	4,776	5,018	4,897	5,033	3,468	3,028
Renewal	102,900	106,560	109,135	111,797	114,644	116,472	119,066	120,879	123,060	124,550	126,237	126,498

New Business versus Renewal

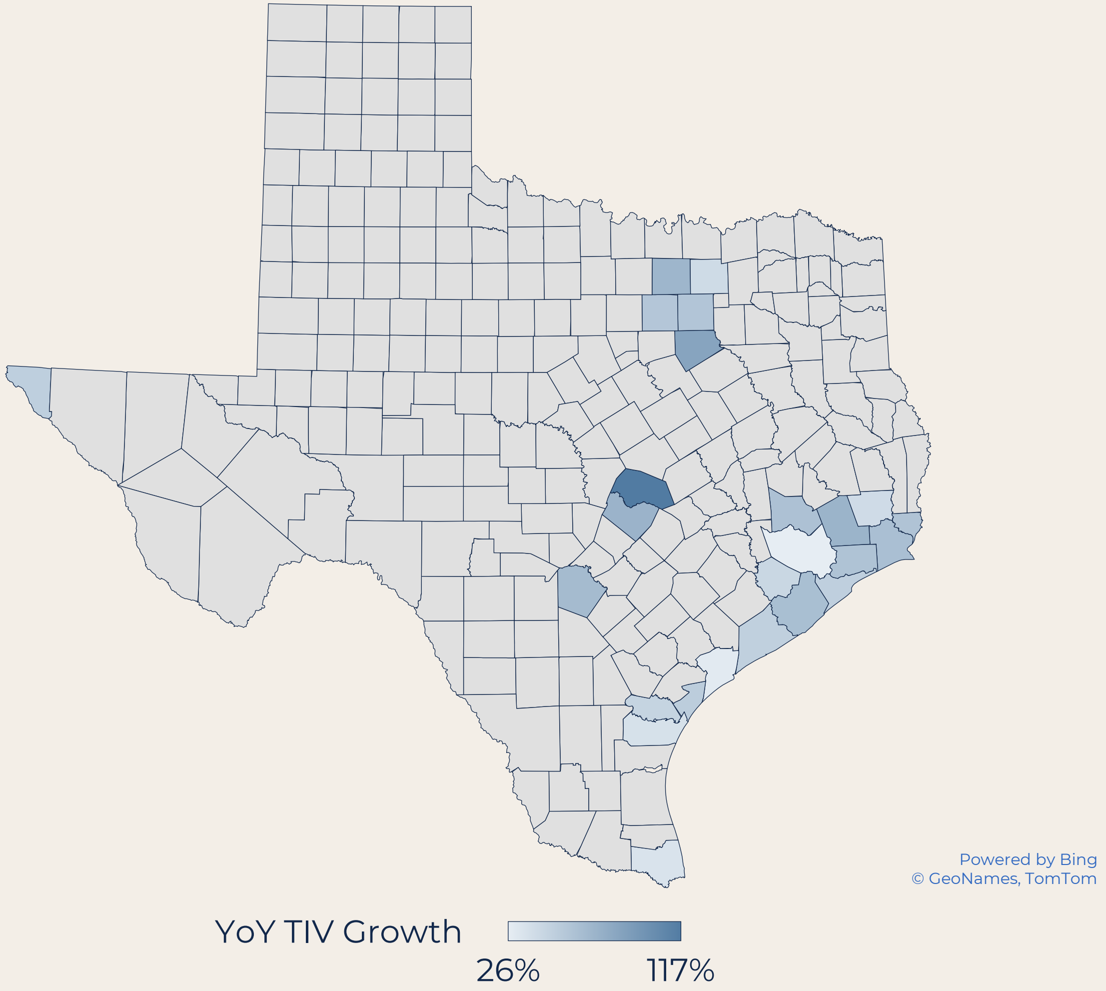
- **New policy issuance is down 45% YoY**
- **Retention rate is 72% as of September**



TIV Growth by County

- **Statewide growth of 41%**
  - **Tier 1: 53%**
  - **Tier 2: 30%**
  - **All other: 61%**

Top 15 County	TIV (in millions)	YoY Growth %
Harris	17,470	26.43%
Fort bend	3,441	43.77%
Galveston	3,477	50.19%
Dallas	1,762	57.86%
Brazoria	2,313	63.13%
Tarrant	1,425	57.02%
El paso	1,595	50.39%
Jefferson	1,551	62.52%
Montgomery	860	61.15%
Nueces	665	35.91%
Bexar	466	66.08%
Orange	402	59.41%
Denton	579	70.19%
Liberty	173	71.80%
Chambers	383	59.94%



Texas FAIR Plan Association
Liability Report
As of 9/30/25
All Forms Combined

County	Policies In-Force 09/30/24	Policies In-Force 09/30/25	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 09/30/24	Exposure In-Force 09/30/25	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 09/30/24	YTD Written Premium 09/30/25	Premium Growth Actual	Premium Growth Percentage
Harris	58,627	65,788	7,161	12.21%	13,818,543,470	17,470,197,079	3,651,653,609	26.43%	110,014,403	141,437,661	31,423,258	28.56%
Fort bend	7,798	9,789	1,991	25.53%	2,393,682,615	3,441,385,490	1,047,702,875	43.77%	15,609,906	21,910,432	6,300,527	40.36%
Galveston	6,311	8,174	1,863	29.52%	2,314,998,077	3,476,852,486	1,161,854,409	50.19%	3,600,648	5,074,460	1,473,812	40.93%
Dallas	3,725	5,206	1,481	39.76%	1,116,401,275	1,762,355,017	645,953,742	57.86%	7,530,307	11,013,511	3,483,204	46.26%
Brazoria	3,690	5,169	1,479	40.08%	1,418,091,617	2,313,366,480	895,274,863	63.13%	2,478,701	3,756,716	1,278,015	51.56%
Tarrant	2,963	4,305	1,342	45.29%	907,412,916	1,424,778,715	517,365,799	57.02%	6,449,961	9,336,860	2,886,899	44.76%
El paso	3,202	4,397	1,195	37.32%	1,060,501,953	1,594,925,385	534,423,432	50.39%	3,410,777	4,918,442	1,507,665	44.20%
Jefferson	2,876	4,136	1,260	43.81%	954,291,276	1,550,890,685	596,599,409	62.52%	1,830,605	2,718,705	888,100	48.51%
Montgomery	1,735	2,668	933	53.78%	533,492,419	859,715,122	326,222,703	61.15%	3,002,216	4,580,964	1,578,748	52.59%
Nueces	1,750	2,097	347	19.83%	489,164,211	664,838,361	175,674,150	35.91%	1,316,612	1,690,888	374,276	28.43%
Bexar	1,018	1,439	421	41.36%	280,286,034	465,506,386	185,220,352	66.08%	1,519,988	2,394,610	874,621	57.54%
Orange	914	1,320	406	44.42%	252,056,358	401,800,417	149,744,059	59.41%	2,380,557	3,401,875	1,021,318	42.90%
Denton	622	1,032	410	65.92%	340,440,070	579,402,785	238,962,715	70.19%	1,947,201	2,694,726	747,525	38.39%
Liberty	587	916	329	56.05%	100,890,482	173,333,008	72,442,526	71.80%	1,099,020	1,865,086	766,066	69.70%
Chambers	553	782	229	41.41%	239,499,740	383,046,476	143,546,736	59.94%	445,844	636,899	191,055	42.85%
Travis	482	745	263	54.56%	174,449,758	300,158,329	125,708,571	72.06%	725,987	1,169,276	443,288	61.06%
Cameron	618	729	111	17.96%	167,372,130	224,404,065	57,031,935	34.07%	346,658	440,515	93,856	27.07%
Collin	447	599	152	34.00%	224,563,796	315,974,366	91,410,570	40.71%	1,606,009	1,792,199	186,189	11.59%
Matagorda	439	571	132	30.07%	134,281,950	200,684,450	66,402,500	49.45%	312,266	457,709	145,443	46.58%
Calhoun	460	512	52	11.30%	130,144,420	167,965,150	37,820,730	29.06%	275,755	343,544	67,789	24.58%
San patricio	325	426	101	31.08%	108,447,480	158,681,230	50,233,750	46.32%	226,122	308,567	82,445	36.46%
Ellis	212	342	130	61.32%	89,457,350	164,875,860	75,418,510	84.31%	525,077	858,616	333,539	63.52%
Aransas	249	335	86	34.54%	67,837,590	103,100,839	35,263,249	51.98%	152,574	219,431	66,858	43.82%
Hardin	209	326	117	55.98%	43,836,469	61,521,083	17,684,614	40.34%	444,579	599,968	155,389	34.95%
Williamson	155	255	100	64.52%	60,433,720	130,983,850	70,550,130	116.74%	283,206	525,474	242,267	85.54%
Top 25 Counties	99,967	122,058	22,091	22.10%	27,420,577,175	38,390,743,112	10,970,165,937	40.01%	167,534,980	224,147,134	56,612,154	33.79%
All Other Counties	5,156	7,468	2,312	44.84%	1,534,972,625	2,533,199,728	998,227,102	65.03%	10,571,219	16,056,878	5,485,659	51.89%
Tier 1	17,444	23,147	5,703	32.69%	6,071,592,546	9,313,372,196	3,241,779,650	53.39%	11,101,592	15,808,461	4,706,869	42.40%
Tier 2	68,992	79,247	10,255	14.86%	16,795,096,932	21,805,544,494	5,010,447,563	29.83%	131,303,930	171,614,980	40,311,049	30.70%
All Other Counties	18,687	27,132	8,445	45.19%	6,088,860,323	9,805,026,150	3,716,165,827	61.03%	35,700,676	52,780,570	17,079,894	47.84%
Statewide Total	105,123	129,526	24,403	23.21%	28,955,549,801	40,923,942,840	11,968,393,039	41.33%	178,106,199	240,204,011	62,097,812	34.87%

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 9/30/25
HO-A Policies

County	Policies In-Force 09/30/24	Policies In-Force 09/30/25	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 09/30/24	Exposure In-Force 09/30/25	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 09/30/24	YTD Written Premium 09/30/25	Premium Growth Actual	Premium Growth Percentage
Harris	25,749	30,010	4,261	16.55%	9,286,307,848	11,917,887,150	2,631,579,302	28.34%	75,304,791	96,731,865	21,427,074	28.45%
Fort bend	3,027	4,045	1,018	33.63%	1,442,117,522	2,122,453,162	680,335,640	47.18%	9,713,340	13,681,720	3,968,380	40.85%
Galveston	4,760	6,345	1,585	33.30%	2,126,104,960	3,222,596,752	1,096,491,792	51.57%	3,052,914	4,317,023	1,264,110	41.41%
Dallas	2,235	3,220	985	44.07%	902,018,080	1,433,354,960	531,336,880	58.91%	6,193,500	8,807,894	2,614,393	42.21%
Brazoria	2,941	4,254	1,313	44.64%	1,291,696,050	2,135,705,094	844,009,044	65.34%	2,164,280	3,283,739	1,119,459	51.72%
Tarrant	1,892	2,614	722	38.16%	758,839,838	1,145,730,700	386,890,862	50.98%	5,327,815	7,255,125	1,927,310	36.17%
El paso	2,862	3,881	1,019	35.60%	1,015,403,290	1,519,290,910	503,887,620	49.62%	3,190,793	4,550,305	1,359,511	42.61%
Jefferson	2,318	3,355	1,037	44.74%	892,808,370	1,455,302,745	562,494,375	63.00%	1,610,613	2,394,290	783,677	48.66%
Montgomery	1,138	1,818	680	59.75%	446,793,730	729,475,278	282,681,548	63.27%	2,474,925	3,797,003	1,322,077	53.42%
Nueces	1,175	1,436	261	22.21%	423,653,150	581,859,998	158,206,848	37.34%	1,121,601	1,433,302	311,701	27.79%
Bexar	703	1,026	323	45.95%	244,309,420	411,173,750	166,864,330	68.30%	1,301,304	2,046,144	744,840	57.24%
Orange	697	1,039	342	49.07%	228,102,558	366,141,325	138,038,767	60.52%	2,150,448	3,063,249	912,801	42.45%
Denton	507	857	350	69.03%	316,361,010	539,301,930	222,940,920	70.47%	1,787,450	2,467,870	680,420	38.07%
Liberty	373	600	227	60.86%	83,209,474	144,478,288	61,268,814	73.63%	864,418	1,468,039	603,620	69.83%
Chambers	493	714	221	44.83%	231,460,140	372,647,516	141,187,376	61.00%	416,891	595,528	178,637	42.85%
Travis	312	507	195	62.50%	151,973,250	262,159,917	110,186,667	72.50%	594,703	960,541	365,838	61.52%
Cameron	431	502	71	16.47%	145,562,680	196,053,900	50,491,220	34.69%	272,108	344,605	72,497	26.64%
Collin	301	418	117	38.87%	198,994,200	279,942,470	80,948,270	40.68%	1,396,606	1,554,199	157,592	11.28%
Matagorda	392	521	129	32.91%	129,572,800	195,158,200	65,585,400	50.62%	284,297	421,639	137,343	48.31%
Calhoun	394	449	55	13.96%	124,710,230	162,366,610	37,656,380	30.20%	253,356	321,834	68,478	27.03%
San patricio	281	371	90	32.03%	104,223,380	152,197,030	47,973,650	46.03%	206,648	276,968	70,320	34.03%
Ellis	168	289	121	72.02%	82,682,650	155,273,860	72,591,210	87.79%	476,819	798,364	321,545	67.44%
Aransas	208	286	78	37.50%	63,756,830	97,889,239	34,132,409	53.54%	134,377	191,262	56,886	42.33%
Hardin	139	227	88	63.31%	37,698,108	53,164,734	15,466,626	41.03%	371,544	502,711	131,166	35.30%
Williamson	103	197	94	91.26%	53,554,420	121,122,110	67,567,690	126.17%	237,220	462,265	225,045	94.87%
Top 25 Counties	53,599	68,981	15,382	28.70%	20,781,913,987	29,772,727,627	8,990,813,639	43.26%	120,902,763	161,727,481	40,824,719	33.77%
All Other Counties	3,623	5,463	1,840	50.79%	1,354,949,378	2,264,000,032	909,050,653	67.09%	9,051,900	13,726,178	4,674,279	51.64%
Tier 1	13,524	18,405	4,881	36.09%	5,576,837,670	8,636,479,684	3,059,642,013	54.86%	9,614,938	13,717,168	4,102,230	42.67%
Tier 2	30,487	36,565	6,078	19.94%	11,222,147,638	14,802,667,958	3,580,520,320	31.91%	89,788,100	117,257,501	27,469,401	30.59%
All Other Counties	13,211	19,474	6,263	47.41%	5,337,878,058	8,597,580,017	3,259,701,959	61.07%	30,551,624	44,478,990	13,927,367	45.59%
Statewide Total	57,222	74,444	17,222	30.10%	22,136,863,366	32,036,727,658	9,899,864,292	44.72%	129,954,662	175,453,660	45,498,998	35.01%

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 9/30/25
TDP-1 Policies

County	Policies In-Force 09/30/24	Policies In-Force 09/30/25	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 09/30/24	Exposure In-Force 09/30/25	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 09/30/24	YTD Written Premium 09/30/25	Premium Growth Actual	Premium Growth Percentage
Harris	29,677	32,639	2,962	9.98%	4,341,356,542	5,344,410,769	1,003,054,227	23.10%	33,461,949	43,284,127	9,822,178	29.35%
Fort bend	4,600	5,581	981	21.33%	941,975,413	1,309,969,288	367,993,875	39.07%	5,850,247	8,183,630	2,333,383	39.89%
Galveston	1,013	1,214	201	19.84%	155,271,277	211,905,574	56,634,297	36.47%	433,055	610,064	177,008	40.87%
Dallas	1,374	1,856	482	35.08%	206,463,435	319,841,657	113,378,222	54.91%	1,288,258	2,151,490	863,231	67.01%
Brazoria	692	867	175	25.29%	124,001,327	175,568,346	51,567,019	41.59%	305,314	464,138	158,824	52.02%
Tarrant	1,047	1,650	603	57.59%	146,658,598	275,185,095	128,526,497	87.64%	1,104,710	2,055,027	950,317	86.02%
El paso	334	506	172	51.50%	44,724,263	74,943,275	30,219,012	67.57%	217,337	363,248	145,911	67.14%
Jefferson	481	688	207	43.04%	56,289,066	87,362,060	31,072,994	55.20%	201,044	301,050	100,005	49.74%
Montgomery	552	799	247	44.75%	82,986,609	126,269,764	43,283,155	52.16%	511,501	768,222	256,721	50.19%
Nueces	361	433	72	19.94%	46,142,461	61,139,202	14,996,741	32.50%	120,660	172,168	51,508	42.69%
Bexar	255	345	90	35.29%	32,446,934	50,154,356	17,707,422	54.57%	191,654	317,139	125,485	65.47%
Orange	206	273	67	32.52%	23,599,800	35,443,092	11,843,292	50.18%	227,136	336,944	109,808	48.34%
Denton	101	159	58	57.43%	23,245,060	38,552,855	15,307,795	65.85%	155,823	220,154	64,331	41.28%
Liberty	203	303	100	49.26%	17,405,008	28,392,600	10,987,592	63.13%	231,866	393,658	161,793	69.78%
Chambers	54	61	7	12.96%	7,820,000	9,999,360	2,179,360	27.87%	28,230	40,141	11,911	42.19%
Travis	97	152	55	56.70%	16,115,788	29,641,492	13,525,704	83.93%	97,193	157,177	59,984	61.72%
Cameron	83	109	26	31.33%	10,609,850	16,030,245	5,420,395	51.09%	39,591	54,837	15,246	38.51%
Collin	117	144	27	23.08%	23,502,236	33,296,136	9,793,900	41.67%	202,681	229,005	26,324	12.99%
Matagorda	46	48	2	4.35%	4,695,950	5,474,650	778,700	16.58%	27,852	35,787	7,935	28.49%
Calhoun	52	51	(1)	(1.92%)	4,629,950	4,764,300	134,350	2.90%	19,039	18,514	(525)	(2.76%)
San patricio	42	53	11	26.19%	4,070,500	6,354,600	2,284,100	56.11%	18,948	31,164	12,216	64.47%
Ellis	42	52	10	23.81%	6,690,700	9,542,000	2,851,300	42.62%	47,839	60,030	12,191	25.48%
Aransas	26	32	6	23.08%	2,683,960	3,632,400	948,440	35.34%	12,460	20,760	8,300	66.62%
Hardin	64	93	29	45.31%	5,957,041	8,211,149	2,254,108	37.84%	71,175	95,553	24,378	34.25%
Williamson	37	45	8	21.62%	6,225,300	8,860,700	2,635,400	42.33%	45,419	57,814	12,396	27.29%
Top 25 Counties	41,556	48,153	6,597	15.87%	6,335,567,068	8,274,944,965	1,939,377,897	30.61%	44,910,981	60,421,841	15,510,860	34.54%
All Other Counties	1,407	1,844	437	31.06%	172,723,647	258,531,576	85,807,929	49.68%	1,480,995	2,272,459	791,464	53.44%
Tier 1	2,890	3,596	706	24.43%	420,222,516	586,675,312	166,452,796	39.61%	1,224,115	1,770,892	546,777	44.67%
Tier 2	35,091	39,333	4,242	12.09%	5,370,925,214	6,783,875,456	1,412,950,242	26.31%	40,208,545	52,875,058	12,666,513	31.50%
All Other Counties	4,982	7,068	2,086	41.87%	717,142,985	1,162,925,773	445,782,788	62.16%	4,959,316	8,048,349	3,089,034	62.29%
Statewide Total	42,963	49,997	7,034	16.37%	6,508,290,715	8,533,476,541	2,025,185,826	31.12%	46,391,976	62,694,300	16,302,324	35.14%

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 9/30/25
HO-CONB Policies

County	Policies In-Force 09/30/24	Policies In-Force 09/30/25	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 09/30/24	Exposure In-Force 09/30/25	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 09/30/24	YTD Written Premium 09/30/25	Premium Growth Actual	Premium Growth Percentage
Harris	2,195	2,333	138	6.29%	172,412,520	190,760,640	18,348,120	10.64%	1,107,721	1,303,880	196,159	17.71%
Fort bend	76	78	2	2.63%	6,838,080	6,714,240	(123,840)	(1.81%)	31,254	31,863	610	1.95%
Galveston	243	289	46	18.93%	24,330,480	30,685,440	6,354,960	26.12%	74,913	98,542	23,629	31.54%
Dallas	100	105	5	5.00%	7,097,280	8,534,400	1,437,120	20.25%	43,898	51,385	7,487	17.06%
Brazoria	9	10	1	11.11%	705,600	789,600	84,000	11.90%	2,812	3,274	462	16.43%
Tarrant	7	14	7	100.00%	1,122,480	2,531,520	1,409,040	125.53%	12,990	19,343	6,353	48.91%
El paso	3	4	1	33.33%	338,400	489,600	151,200	44.68%	2,426	3,553	1,127	46.45%
Jefferson	42	62	20	47.62%	3,736,800	6,637,200	2,900,400	77.62%	13,056	17,648	4,592	35.17%
Montgomery	23	22	(1)	(4.35%)	2,231,280	2,303,280	72,000	3.23%	11,004	11,887	883	8.03%
Nueces	189	205	16	8.47%	18,694,200	20,887,560	2,193,360	11.73%	71,207	80,951	9,744	13.68%
Bexar	40	46	6	15.00%	3,046,080	3,521,280	475,200	15.60%	24,218	28,457	4,238	17.50%
Orange	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Denton	5	8	3	60.00%	504,000	1,044,000	540,000	107.14%	2,393	5,403	3,010	125.78%
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	45	63	18	40.00%	4,907,280	7,320,120	2,412,840	49.17%	28,840	46,953	18,113	62.80%
Cameron	100	113	13	13.00%	11,061,600	12,187,920	1,126,320	10.18%	34,528	40,737	6,209	17.98%
Collin	16	22	6	37.50%	1,635,360	2,237,760	602,400	36.84%	4,985	7,524	2,539	50.94%
Matagorda	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Calhoun	5	5	0	0.00%	468,240	558,240	90,000	19.22%	1,847	2,033	186	10.10%
San patricio	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Ellis	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Aransas	10	11	1	10.00%	1,120,800	1,240,800	120,000	10.71%	4,316	5,778	1,462	33.87%
Hardin	0	0	0	N/A	0	0	0	N/A	0	589	589	N/A
Williamson	0	4	4	N/A	0	761,040	761,040	N/A	(1,657)	4,414	6,071	(366.46%)
Top 25 Counties	3,108	3,394	286	9.20%	260,250,480	299,204,640	38,954,160	14.97%	1,470,751	1,764,213	293,463	19.95%
All Other Counties	48	70	22	45.83%	4,091,280	6,435,120	2,343,840	57.29%	22,753	36,375	13,622	59.87%
Tier 1	599	696	97	16.19%	60,266,520	73,135,560	12,869,040	21.35%	202,679	248,963	46,285	22.84%
Tier 2	2,279	2,421	142	6.23%	179,850,600	198,422,880	18,572,280	10.33%	1,143,300	1,341,521	198,221	17.34%
All Other Counties	278	347	69	24.82%	24,224,640	34,081,320	9,856,680	40.69%	147,525	210,104	62,579	42.42%
Statewide Total	3,156	3,464	308	9.76%	264,341,760	305,639,760	41,298,000	15.62%	1,493,504	1,800,588	307,084	20.56%

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 9/30/25
HO-BT Policies

County	Policies In-Force 09/30/24	Policies In-Force 09/30/25	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 09/30/24	Exposure In-Force 09/30/25	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 09/30/24	YTD Written Premium 09/30/25	Premium Growth Actual	Premium Growth Percentage
Harris	1,006	806	(200)	(19.88%)	18,466,560	17,138,520	(1,328,040)	(7.19%)	139,942	117,790	(22,152)	(15.83%)
Fort bend	95	85	(10)	(10.53%)	2,751,600	2,248,800	(502,800)	(18.27%)	15,065	13,219	(1,847)	(12.26%)
Galveston	295	326	31	10.51%	9,291,360	11,664,720	2,373,360	25.54%	39,766	48,830	9,065	22.79%
Dallas	16	25	9	56.25%	822,480	624,000	(198,480)	(24.13%)	4,650	2,743	(1,907)	(41.02%)
Brazoria	48	38	(10)	(20.83%)	1,688,640	1,303,440	(385,200)	(22.81%)	6,295	5,565	(730)	(11.60%)
Tarrant	17	27	10	58.82%	792,000	1,331,400	539,400	68.11%	4,446	7,365	2,919	65.65%
El paso	3	6	3	100.00%	36,000	201,600	165,600	460.00%	221	1,338	1,117	505.24%
Jefferson	35	31	(4)	(11.43%)	1,457,040	1,588,680	131,640	9.03%	5,892	5,718	(174)	(2.95%)
Montgomery	22	29	7	31.82%	1,480,800	1,666,800	186,000	12.56%	4,786	3,852	(934)	(19.52%)
Nueces	25	23	(2)	(8.00%)	674,400	951,600	277,200	41.10%	3,145	4,468	1,323	42.07%
Bexar	20	22	2	10.00%	483,600	657,000	173,400	35.86%	2,812	2,870	58	2.06%
Orange	11	8	(3)	(27.27%)	354,000	216,000	(138,000)	(38.98%)	2,972	1,681	(1,291)	(43.43%)
Denton	9	8	(1)	(11.11%)	330,000	504,000	174,000	52.73%	1,535	1,299	(236)	(15.35%)
Liberty	11	13	2	18.18%	276,000	462,120	186,120	67.43%	2,736	3,389	653	23.87%
Chambers	6	7	1	16.67%	219,600	399,600	180,000	81.97%	723	1,230	507	70.12%
Travis	28	23	(5)	(17.86%)	1,453,440	1,036,800	(416,640)	(28.67%)	5,252	4,605	(646)	(12.30%)
Cameron	4	5	1	25.00%	138,000	132,000	(6,000)	(4.35%)	432	337	(95)	(22.06%)
Collin	13	15	2	15.38%	432,000	498,000	66,000	15.28%	1,737	1,471	(266)	(15.30%)
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	276,000	(60,000)	(17.86%)	1,512	1,162	(350)	(23.15%)
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	6	1	20.00%	276,000	338,400	62,400	22.61%	1,421	1,631	210	14.78%
Hardin	6	6	0	0.00%	181,320	145,200	(36,120)	(19.92%)	1,860	1,116	(744)	(40.01%)
Williamson	15	9	(6)	(40.00%)	654,000	240,000	(414,000)	(63.30%)	2,224	980	(1,244)	(55.94%)
Top 25 Counties	1,704	1,530	(174)	(10.21%)	42,845,640	43,865,880	1,020,240	2.38%	250,486	233,598	(16,888)	(6.74%)
All Other Counties	78	91	13	16.67%	3,208,320	4,233,000	1,024,680	31.94%	15,571	21,866	6,295	40.42%
Tier 1	431	450	19	4.41%	14,265,840	17,081,640	2,815,800	19.74%	59,860	71,438	11,578	19.34%
Tier 2	1,135	928	(207)	(18.24%)	22,173,480	20,578,200	(1,595,280)	(7.19%)	163,986	140,899	(23,086)	(14.08%)
All Other Counties	216	243	27	12.50%	9,614,640	10,439,040	824,400	8.57%	42,211	43,126	915	2.17%
Statewide Total	1,782	1,621	(161)	(9.03%)	46,053,960	48,098,880	2,044,920	4.44%	266,057	255,464	(10,593)	(3.98%)

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

5B. Reserve Adequacy

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: October 17, 2025

TO: David Durden
General Manager

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

RE: TFPA Reserve Adequacy as of September 30, 2025

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

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

The complete actuarial analysis is available on request.

JM

5C. Rate and Deductible Review

MEMORANDUM

DATE: October 17, 2025

TO: David Durden, General Manager

FROM: Jim Murphy, Chief Actuary

RE: TFPA Rate and Deductible Filing Update

The TFPA annual rate review is currently under way but is not expected to be complete in time for the November 3, 2025 Governing Committee meeting. Staff will be able to provide an overview of general rate indications at that meeting and will be prepared to present the complete analysis at the February 2026 meeting, or sooner if desired by the Governing Committee.

An informational update on the status of deductible changes was provided to the Governing Committee at its October 6, 2025 meeting. That update is attached for reference. Staff requests direction from the 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?

JM

MEMORANDUM

DATE: September 29, 2025

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 August 4, 2025, meeting to modify previously filed changes to TFPA deductible options, separating changes eliminating the 1% deductible and adding 3%, 4%, and 5% options. As a result, the Texas Department of Insurance has approved the additional deductible options, and they are now in development.

The Governing Committee also asked staff to research the use of 1% deductibles on private market homeowners policies. Association staff sent a survey to registered TFPA agents to gather this information. A memo summarizing agent responses is attached.

In response to a question asked by a Governing Committee member, TFPA staff has also prepared the following statistics on claim elimination due to increased deductibles:

- Between 2014 and 2023, 14,388 claims were submitted on HO-A policies with a 1% wind and hail deductible. Of these, 1,596 claims (11%) would have been eliminated if the policy had had a 2% deductible. Separately, 5,653 claims were submitted on HO-A policies with a 1% all-other-perils (AOP) deductible, and 1,170 claims (21%) would have been eliminated with a 2% deductible.
- For Hurricane Beryl specifically, 1,055 claims were submitted on HO-A policies with a 1% wind and hail deductible. Of these, 90 claims (9%) would have been eliminated if the policy had had a 2% deductible.
- The average deductible credit for a 2% wind and hail deductible is 12%, and for a 2% AOP deductible, the average deductible credit is 6%.

JM

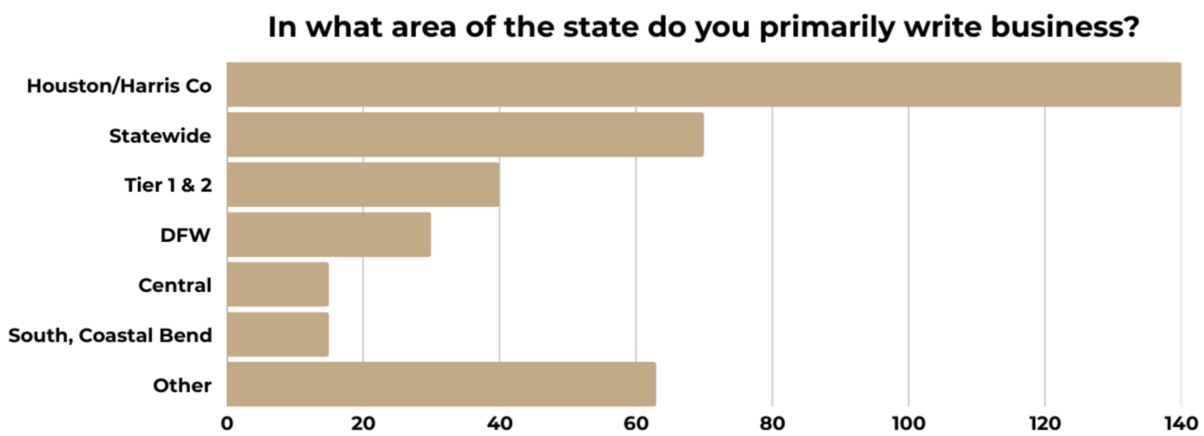
TFPA Deductible Agent Survey Results

Overview

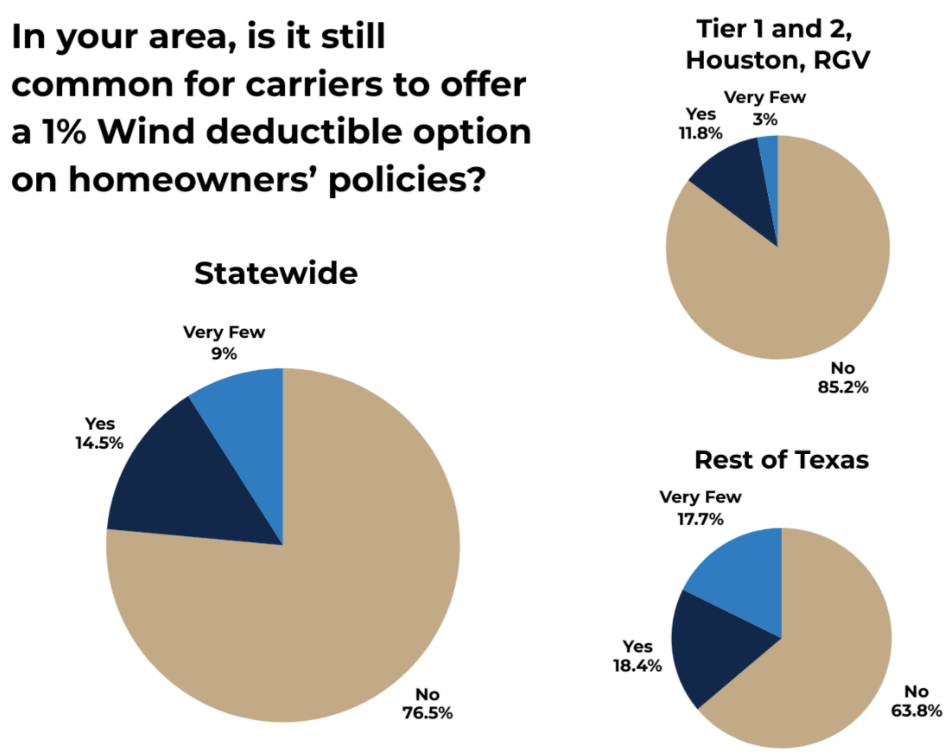
- Agent Bulletin with four-question survey was emailed to approximately 5,700 agents registered with the FAIR Plan.
- Survey questions:
    1. In your area, is it still common for carriers to offer a 1% Wind deductible option on homeowners' policies?
    2. In your area, is it still common for carriers to offer a 1% All Other Peril deductible option on homeowners' policies?
    3. In what area of the state do you primarily write business?
    4. Feel free to add any other details you think are relevant.
- We received 359 survey responses.

Analysis

- Geographical spread
    - The responses are spread statewide, but Houston metro, Harris County, and coastal Tier 1 counties come up frequently. These are also the areas where 1% wind deductibles are least available.



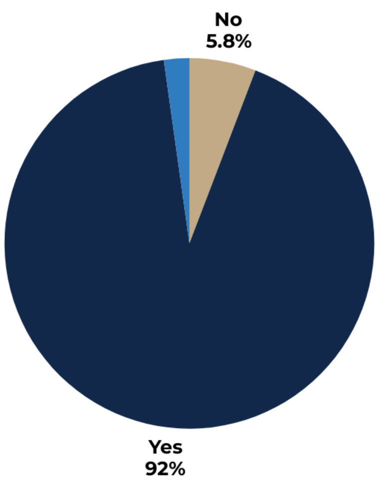
- 1% Wind Deductible
    - 1% Wind Deductibles are mostly obsolete in many areas, especially coastal and urban markets.
    - A clear majority (≈70%) report that 1% wind deductibles are not common in their area.
    - Many cited that 2% is now the market standard, with some companies requiring 3% or higher.



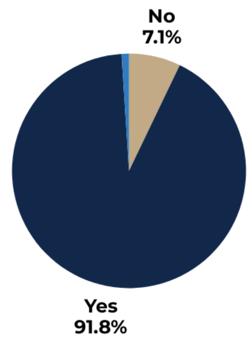
- All Other Perils
    - Almost universal availability of 1% AOP deductibles (over 90% of responses).
    - A few respondents noted that while carriers offer them, policyholders often choose higher deductibles (2–3%) to save on premiums.

In your area, is it still common for carriers to offer a 1% All Other Peril deductible option on homeowners' policies?

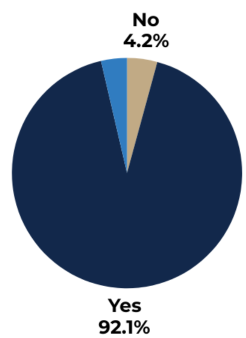
Statewide



Tier 1 and Tier 2
(Coast and Houston area)



Remainder of State



- Themes from agent commentary
  - Split deductibles: Many agents requested allowing different deductibles for wind vs AOP.
    - *"It would be nice to offer 1% AOP and 2% wind instead of 2% 2%. That's the norm with most carriers."*
    - *"We need an option to do 2% Wind and hail and a 1% AOP at the same time; It's the norm now across the industry."*
  - Higher deductible trends: Mentions of 2.5%, 3%, 4%, 5% wind deductibles becoming common and preferred by clients.
    - *"We would like to split the deductibles to help on rate. 1% AOP, options of 2,3,4,5 for Windstorm Deductibles."*
    - *“TFPA needs to offer higher deductible options and the option to have different deductible for AOP vs wind.”*
    - *"Most private carriers are offering 3% or higher for named storms and 2% or higher for all other wind and hail claims."*
  - Water Damage Limits: Several agents requested the water damage limit be increased.
    - *"Can FAIR Plan please increase sudden / accidental water damage to $10,000 - $20,000 etc. and just price the premium accordingly?"*
    - *"Would like a better option for water damage coverage. Maybe an option up to $30,000."*
    - *More water coverage... I get limiting it but limit it to $25K."*

6. Internal Audit Status Update

MEMORANDUM

TO: The Governing Committee – Texas FAIR Plan Association
FROM: Dan Graves, Weaver - Internal Audit
DATE: November 3, 2025
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 (Q1-Q4)
Claims Processing	Complete
Executive Management	In progress, reporting
Cash Management – Limited Annual Procedures	In progress, reporting
Information Security	In progress, reporting
IT Services	In progress, reporting

- **Follow-Ups Status:**
    - Internal audit completing follow-ups for six findings

- **Upcoming Audits and Activities:**

Activity Description	Timing
Risk Assessment Update	Q4 2025

MEMORANDUM

- **Summary of Open Findings:**

Internal Audit History			
Audit	**Fiscal Year**	**Total Findings**	**Closed and Validated**
Facilities	2020	1	Closed and Validated
Actuarial	2021	3	Closed - Pending Validation
Cash Management		3	Closed and Validated
Governance		4	Closed and Validated
Premium Taxes		1	Closed and Validated
Secure Remote Work Practices & Vulnerability Mgmt	2022	2	Closed and Validated
COOP / BCP		1	Closed and Validated
Claims Processing		-	No Findings
Reinsurance		2	Closed and Validated
Underwriting and Policy Services	2023	3	Closed and Validated
Actuarial		2	Closed - Pending Validation
AP & Expense Processing		3	Closed and Validated
AR		1	Closed and Validated
Facilities and Services		-	No Findings
Leg and External Affairs	2024	-	No Findings
Database and Application Administration		8	Closed and Validated
Application Development		2	Closed and Validated
Legal and Compliance		2	Closed and Validated
Financial Close and Reporting		2	Closed and Validated
Cash Management		1	Closed and Validated
Customer Experience		4	Closed and Validated
Total		**45**	**-**

Texas Fair Plan Association
Internal Audit Plan – Lookback (2023-2024) and Prospective (2025-2027)

Process Area	Last Report Date	2024 Inherent Risk Rating	2023	2024	2025	2026	2027
Funding Sources and Reinsurance	Nov. 2023	High	✓			x	
Information Security	Apr. 2022	High			x		
Emergency Planning	May 2024	High		✓			
Customer Experience	N/A	High		✓			x
Underwriting and Policy Services	Nov. 2023	High	✓			x	
Claims Processing	Dec. 2022	High			✓		
Actuarial (Pricing and Reserving)	Sept. 2023	High	✓				x
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		✓		x	
Strategic Communications	Mar. 2021	Moderate		✓			
Executive Management, Management Planning and Reporting	May 2021	Moderate			x		
Legal & Compliance	Mar. 2024	Moderate		✓			
Financial Close and Reporting	May 2024	Moderate		✓			
Accounts Payable and Expense Processing	Aug. 2023	Moderate	✓				x
Cash Management	Aug. 2021	Moderate		✓	L	L	L
Payroll	Dec. 2022	Low					x
Accounts Receivable	Oct. 2023	Low	✓				
Premium Taxes	Jul. 2021	Low					

L - limited annual procedures

7. Underwriting Operational Review Update

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: October 14, 2025

TO: David Durden, General Manager

FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

Third Quarter 2025 Results

TFPA Underwriting Metrics	Monthly Summary					YTD		
	Jul-25	Aug-25	Sep-25	Q3 2025		2025	2025 Goal	▲
% of New Business/Renewal policies issued in 10 Days	99.98%	99.50%	99.50%	99.66%		99.75%	90%	9.75
New Business Policies Issued	5,372	3,696	3,095	12,163		43,384		
Renewal Policies Issued	9,788	8,600	7,533	25,921		72,568		
Internal Underwriting Quality Control	99.89%	99.45%	98.51%	99.28%		98.81%	95%	3.81
Number of Calls	14,963	11,667	13,205	39,835		124,645		
Phone Service Level (calls answered in 20 seconds)	85.41%	85.44%	91.00%	87.28%		84.96%	80%	6.03

I. 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 are specifically focusing on compliance of:

- Signed Applications
- Signed Eligibility Statements
- Declination Provisions

Audit Results:

- 2 agencies were found to be fully compliant, with no issues identified.
- 8 agencies had issues identified that were addressed through corrective actions and/or training.
- 10 agencies had issues identified that remain unresolved and have outstanding action items.

8. Claims

8A. Claims Operations

TFPA Claims Operations 2025

TFPA Claims - 2025 Q3 Results (year-to-date)					
Key Cycle Times (In days)	**Industry Average, TX**	**TFPA**	**TFPA Plan**	**Variance to Plan**	**% Variance to Plan**
Avg. Days - FNOL to TFPA Receipt - Daily	9.6	4.7	<7	-2.3	-33%
Avg. Days - FNOL to TFPA Receipt - Cat	9.6	4.3	<14	-9.7	-69%
Avg. Days - FNOL to ACV Payment - Daily	N/A	8.8	<12	-3.2	-27%
Avg. Days - FNOL to ACV Payment - CAT	N/A	8.4	<21	-12.6	-60%
TDI Complaint Ratio					
2024	0.06% - 11 complaints from 16,933 new claims				
2025	0.37% - 18 complaints from 4,846 new claims				

Year	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Actual Volume	931	8,533	1,673	767	485	374	370	433	383	747	539	567	709	513	488	467
Actuarial Projected	330	331	470	613	360	215	215	1,095	290	1,138	699	2,346	891	342	580	475
Staffing Plan	340	340	340	340	340	340	340	546	546	546	546	546	546	546	546	546
Open Inventory	1,698	5,318	8,651	5,318	3,532	3,387	3,166	3,126	2,899	2,934	2,793	2,895	2,966	2,838	2,719	2,564

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	**4,846**

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%	3,183	-65.4%
2023	84	-14.3%	64	-9.9%	54	-12.9%	576	-19.8%	3,589	85.7%	4,672	46.8%
2024	135	60.7%	83	29.7%	66	22.2%	778	35.1%	16,104	348.7%	17,575	276.2%
2025	116	-	32	-	52	-	713	-	1,694	-	2,900	-

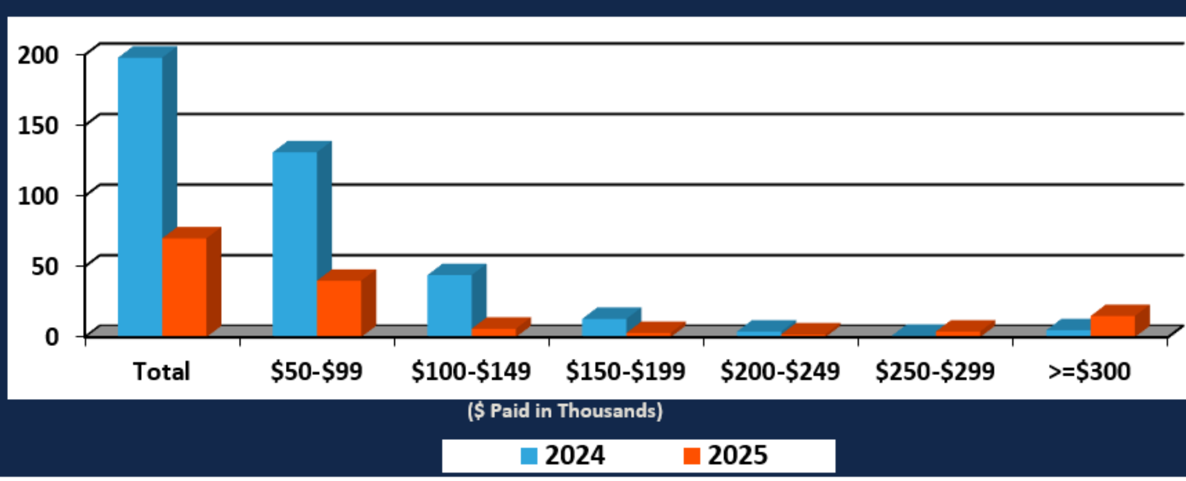
Paid Amounts by Peril

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	-	$ 26,254,306	-
2022	$ 7,043,987	-17.7%	$ 774,401	63.3%	$ 188,149	41.6%	$ 695,647	-81.4%	$ 10,602,091	-12.1%	$ 19,701,666	-25.0%
2023	$ 7,308,045	3.7%	$ 814,209	5.1%	$ 44,576	-76.3%	$ 648,871	-6.7%	$ 28,038,297	164.5%	$ 37,473,442	90.2%
2024	$ 11,717,815	60.3%	$ 110,627	-86.4%	$ 134,689	202.2%	$ 985,897	51.9%	$ 133,226,963	375.2%	$ 147,946,360	294.8%
2025	$ 10,897,467	-	$ 41,736	-	$ 67,445	-	$ 644,686	-	$ 20,816,720	-	$ 32,956,415	-

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	-	$ 2,856	-
2022	$ 71,877	11.7%	$ 10,907	65.6%	$ 3,035	85.0%	$ 969	5.1%	$ 5,485	46.0%	$ 6,190	116.8%
2023	$ 87,001	21.0%	$ 12,722	16.6%	$ 825	-72.8%	$ 1,127	16.3%	$ 7,812	42.4%	$ 8,021	29.6%
2024	$ 86,799	-0.2%	$ 1,333	-89.5%	$ 2,041	147.2%	$ 1,267	12.5%	$ 8,273	5.9%	$ 8,418	5.0%
2025	$ 93,944	-	$ 1,304	-	$ 1,297	-	$ 904	-	$ 12,289	-	$ 11,364	-

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)	70	40	6	3	2	4	15
Liability	0	0	0	0	0	0	0
Variance	-128	-91	-38	-10	-2	3	10

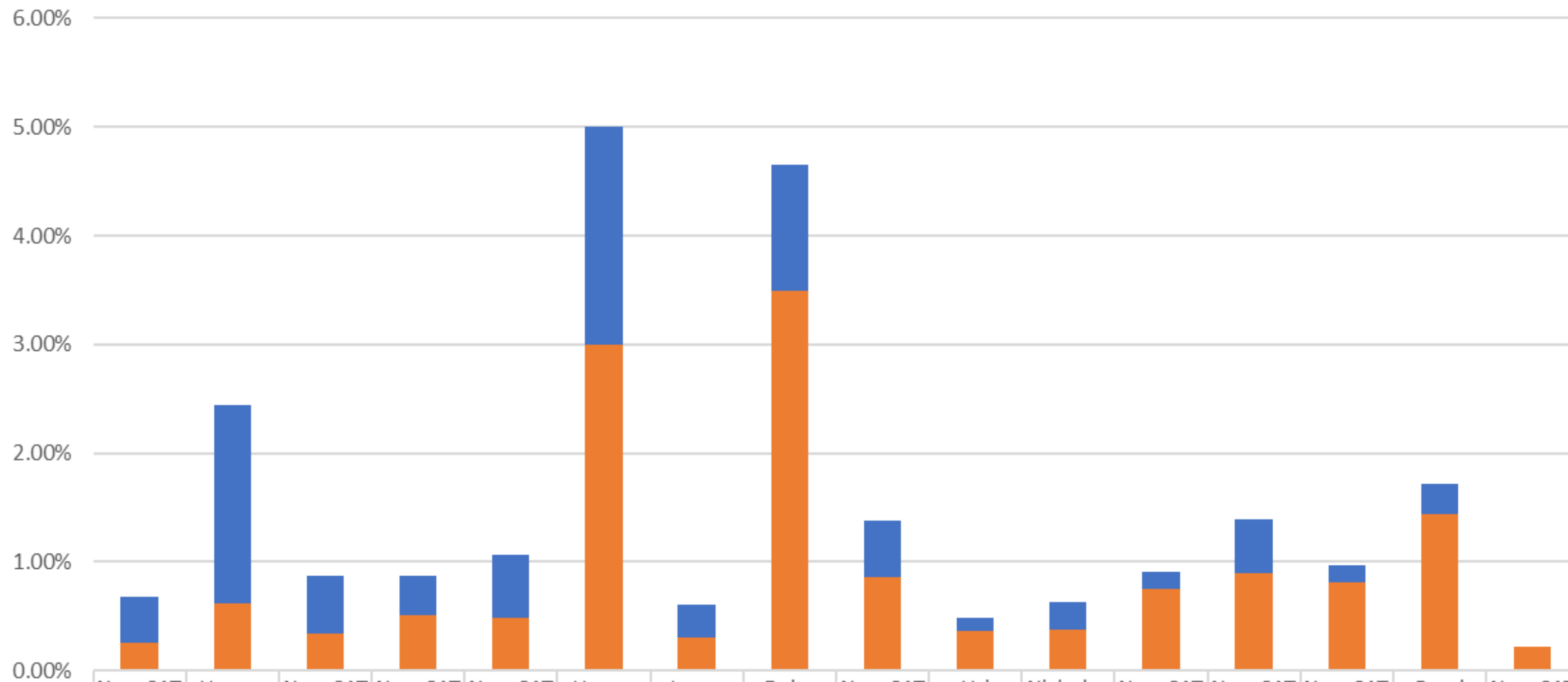
8B. Claims Litigation

TEXAS FAIR PLAN ASSOCIATION

TFPA Litigation Summary

TFPA Historical Litigation Rates 2017 - Present

(Overall Litigation Rate: 1.34%)



	Non-CAT (2017)	Harvey (2017)	Non-CAT (2018)	Non-CAT (2019)	Non-CAT (2020)	Hanna (2020)	Laura (2020)	Delta (2020)	Non-CAT (2021)	Uri (2021)	Nicholas (2021)	Non-CAT (2022)	Non-CAT (2023)	Non-CAT (2024)	Beryl (2024)	Non-CAT (2025)
Suit Rate	0.42%	1.82%	0.53%	0.37%	0.58%	2.00%	0.30%	1.16%	0.52%	0.12%	0.25%	0.16%	0.49%	0.15%	0.28%	0.00%
NOIS Rate	0.26%	0.62%	0.33%	0.50%	0.48%	3.00%	0.30%	3.49%	0.86%	0.37%	0.38%	0.75%	0.90%	0.82%	1.44%	0.21%
Total Claims	6,950	18,007	5,085	7,365	5,155	100	330	86	3,489	4,916	789	3,183	4,672	7,114	10,461	3,735

***NOIS: Notice of Intent to Sue**

TEXAS FAIR PLAN ASSOCIATION

TFPA Litigation Tracking Activity

Litigation Quarter Summary
Third Quarter 2025

3rd Quarter 2025

Summary of TFPA Claims in Suit	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
July	6	1	3	0	8	0
August	5	3	1	0	3	1
September	2	1	5	0	1	0
	13	5	9	0	12	1

3rd Quarter 2025

Summary of TFPA Claims with LORs	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
July	20	0	2	0	5	3
August	16	2	2	0	12	1
September	28	2	9	0	16	0
	64	4	13	0	33	4

TFPA Claims Litigation
September 2025

	TFPA Claims in Suit							
	Beginning Inventory	New		Closed		Ending Inventory		
		1st Party	3rd Party	1st party	3rd Party	1st Party	3rd Party	Total
Sep-25	63	2	1	1	0	56	9	65
	Breakdown							
	Normal	0	1	1	0			
	Beryl 2024	2	0	0	0			

	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
Sep-25	235	28	2	16	0	2	1	237	9	246
	Breakdown									
	Normal	11	2	7	0	0	1			
	Beryl 2024	17	0	9	0	2	0			

	TFPA Active Claims with Suits/LORs: Breakdown by CAT Event					
	Event	Total claims	Total Suits	Active Suits	Total LORs	Active LORS
Sep-25	Harvey 082517	18,007	320	2	170	0
	Valentines Freeze	4,917	8	0	58	0
	Houston 051624	1,697	6	4	17	9
	Beryl 2024	10,473	30	22	215	148

9. TFPA Operations

9A. IT Update

TWIA
TEXAS WINDSTORM INSURANCE ASSOCIATION
TFPA
TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: October 15, 2025

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

- Reminder that Go-Live deployment to the cloud was successfully completed over the weekend of April 25 earlier this year.
- We have resumed regular scheduled monthly maintenance releases of fixes and new functionality for the Insurance applications and portals.

Guidewire Application Version Upgrade

- 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. We have completed and deployed the Association's Guidewire applications on the required release of the Guidewire Cloud Software framework in September.

Artificial Intelligence (AI)

- The Association has identified Artificial Intelligence as a technology for review in our Strategic Plans. 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.

Artificial Intelligence (AI) Proof of Concept Project

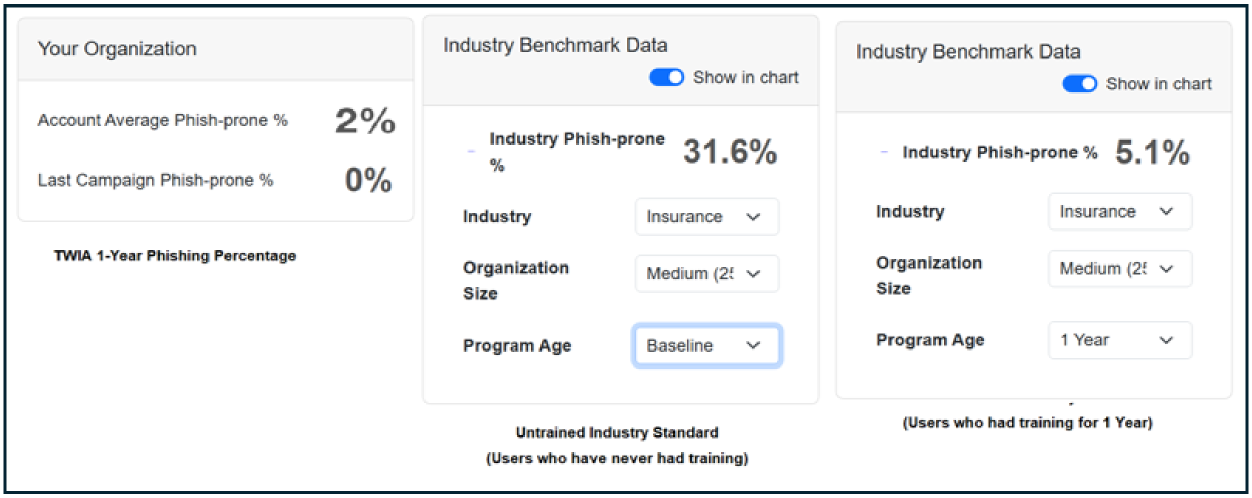
- The Association's first evaluation of any AI technology was the Microsoft Office 365 add-on tool called Microsoft Copilot. This tool is a conversational, AI-powered assistant that helps boost productivity and streamline workflows by offering contextual assistance, automating routine tasks, and analyzing data.
- We selected a very limited number of users to play an evaluation role. 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 next steps will need to focus on Copilot setup and configuration to include any security implications before any decisions on any additional user distribution of the respective licensing.

On premise and Remote User Workstations

- Completing slow rollout of Windows 11. Microsoft Windows 10 is being deprecated by Microsoft in October. Upgrading all the Association workstations and laptops is complete with a few virtual images remaining.

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

Total Reported	Simulated Emails (TWIA initiated internal emails)	Non-Simulated Emails (Not TWIA Initiated – outside emails)
14,094	9,677	4,417



General Status:

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

9B. Communications and Legislative Update

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: October 15, 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:** On October 15, 2025, the Texas Department of Insurance issued an order, effective immediately, determining an area of the Clear Lake community in Harris County is an underserved area for property owners' association insurance. This determination implements House Bill 998, enacted in 2023, which requires FAIR Plan to provide property owners' association insurance in areas designated by the Insurance Commissioner as underserved. Association staff have been planning for this determination and are prepared to issue policies to eligible applicants.

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. Staff also communicated with TDI to coordinate the collection of the member company assessment for the 2024 deficit.

c) Stakeholder Inquiries: From July 1 to September 30, Legislative & External Affairs staff responded to an inquiry from an industry stakeholder group on the status of the FAIR Plan assessment.

Legislative Implementation Plan Status Report
89th Legislative Session
As of October 15, 2025

Senate Bill 458 – Appraisals Process

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**	• TDI has distributed an informal working draft of a rule to implement this bill. • The Association submitted public comment (attached) on the bill focused on the potential for misinterpretation of specific language in the draft. • The Association's Claims and Legal & Compliance staff are reviewing the draft to assess whether FAIR Plan's existing appraisal process needs to be revised to comply with the rule.
Assoc. Changes **IN PROCESS**	

House Bill 2067 – Declinations

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 **IN PROCESS**	• The bill requires insurers to provide quarterly statistical information on reasons for declinations to TDI. • TDI proposed rules on October 13, 2025 to implement the law. The proposed rule amends the 2026 Texas Statistical Plan to establish reporting requirements for declinations, cancellations and nonrenewals. Association staff are reviewing the proposed rule.
Assoc. Changes **IN PROCESS**	

Legislative Implementation Plan Status Report
89th Legislative Session
As of October 15, 2025

House Bill 2517 – Premium & Maintenance Taxes
Exempts TWIA and TFPA from premium and maintenance tax.

Regulatory Requirements **COMPLETE**	• The Comptroller's office provided the Association with a refund of about $1.9 million for premium and maintenance taxes paid in 2025. • The Accounting Department has updated processes and financial statements to reflect that the Association is not subject to these taxes going forward.
Assoc. Changes **COMPLETE**	

TFPA submits the following comment regarding the informal draft rules on residential appraisal provisions.

Proposed Rule s.5.9802(3) requires the appraisal provisions adopted by insurers must require appraisal awards to be binding as to "the amount of loss or damage…." This provision differs from the remit provided by the statute, which requires the appraisal award to be binding only as to the "amount of loss."

> Sec. 1813.004. EFFECT OF APPRAISAL. (a) An appraisal under the provision required by this chapter does not affect any applicable policy terms, and an appraisal award must be made in substantial compliance with the appraisal clause of the insurance policy.
>
> (b) Except for fraud, accident, or material mistake relevant to the appraisal or an appraisal award made without authority, the amount of loss determined by an appraisal under this chapter is binding as to the policyholder and the insurer.
>
> Added by Acts 2025, 89th Leg., R.S., Ch. 899 (S.B. 458), Sec. 1, eff. September 1, 2025.

The statute contemplates that the rules for appraisals will address disputes over both the amount of loss *and* damage:

> Sec. 1813.002. RULES. (a) The commissioner shall adopt rules necessary to implement this chapter, including:
>
> (1) rules establishing the period in which an appraisal under a provision required by this chapter must be completed; and
>
> (2) rules mandating an appraisal for total loss and damage of the property that is the subject of the appraisal.

However, even if appraisers consider and address disputes about the amount of *damage*, only awards as to the *amount of loss* will be binding.

The distinction is subtle, but important. The “amount of loss” refers to the amount the insurer will pay to repair or replace covered property that has been damaged by a covered peril and is otherwise within the terms and conditions of the policy. In other words, the amount the insurer will pay is determined by the *scope of repairs*, which may include repairing or replacing undamaged property, or property not otherwise damaged by a covered peril, in order to effectuate repairs to that portion of the property that is covered under the policy.

The “amount of damage” refers to the extent of damage to the property, whether covered by the policy or not. While the statute may contemplate the appraisers evaluating the “amount of damage” and even including their assessment of how to address such damage in an award, making their determination binding could result in an award that exceeds the explicit coverages, terms and conditions of the policy. This would create a conflict with Sec. 1813.004(a). It is unclear how such a conflict could be resolved.

This potential issue could be avoided by removing the words “or damage” from s.5.9802(3).

13. Future Meetings

February 23, 2026 – Moody Gardens Hotel
Galveston

May 18, 2026 – Hyatt Regency
Austin

August 3, 2026 – Tremont House
Galveston