



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

August 7, 2023  
Tremont House  
2300 Ships Mechanic Row  
Galveston, TX 77550  
3:00 pm

Interested parties may attend in person or listen to the meeting live by going to [www.texasfairplan.org](http://www.texasfairplan.org).  
Go to “About Us/Governing Committee” and click on the webinar link.

**\*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 – *Mark Solomon* *5 minutes*
  - B. Reminder of Anti-Trust Statement– *Mark Solomon/Counsel*
  - C. Meeting Format Information – *Kristina Donley*
  
2. Approve the Minutes from Prior Governing Committee Meeting *5 minutes*  
– *Mark Solomon – Action/Vote Likely\**
  
3. Election of TFPA Officer – *Mark Solomon – Action/Vote Likely\** *10 minutes*
  
4. TFPA Operational Dashboard – *David Durden* *5 minutes*
  
5. Financial *20 minutes*
  - A. Report of the Secretary/Treasurer – ***Action/Vote Likely\****
    1. Income Statement
    2. Management Discussion and Analysis
  - B. Financial Statement Review – *Stuart Harbour*
  - C. Selection of Auditors/Accountants for 2023 – *Stuart Harbour – Action/Vote Likely\**
  
6. Actuarial – *Jim Murphy* *15 minutes*
  - A. Policy Count/Exposures
  - B. Reserve Adequacy
  - C. Rate Filing Update
  - D. Reinsurance Report
  
7. Internal Audit Status & Update – *Jeff Jones – Weaver* *5 minutes*

- |   |                    |
|---|--------------------|
| 8. Underwriting Operational Review Update – <i>Michael Ledwik</i>   | <i>5 minutes</i>   |
| 9. Claims and Litigation  | <i>15 minutes</i>  |
| A. Claims Operations – <i>Dave Williams</i>   |                    |
| B. Claims Litigation – <i>Jessica Crass</i>   |                    |
| 10. TFPA Operations   | <i>20 minutes</i>  |
| A. IT Systems Update – <i>Camron Malik</i>  |                    |
| B. Legislative Affairs Update and Legislative Implementation – <i>David Durden</i>  |                    |
| 11. Closed Session ( <b>Governing Committee Only</b> )  | <i>10 minutes</i>  |
| A. Personnel Issues   |                    |
| B. Legal Advice   |                    |
| 12. Consideration of Issues Related to Matters Deliberated in Closed Session<br>that May Require Action, if any, of the Governing Committee<br>– <b>Action/Vote Likely*</b> | <i>5 minutes</i>   |
| 13. Future Meetings – <i>David Durden</i>   | <i>5 minutes</i>   |
| • December 11, 2023 – Omni Hotel – Corpus Christi, TX   |                    |
| • February 19, 2024 – Moody Gardens Hotel – Galveston, TX   |                    |
| 14. Committees – <i>Mark Solomon</i>  | <i>5 minutes</i>   |
| 15. Adjourn   |                    |
| Estimated Total Length of Meeting   | 2 hours 10 minutes |

# 1. Anti-Trust Statement



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TEXAS FAIR PLAN  
ASSOCIATION

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## **Anti-Trust Statement**

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

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

## 2. Approve the Minutes

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



Marriott Austin South  
4415 South I-35 Frontage Road  
Austin, TX

**May 22, 2023**

The Following Governing Committee Members were Present, Representing:

- |   |                                   |
|---|-----------------------------------|
| 1. Mark Solomon (Chair)                   | Agent Member                      |
| 2. Wendy Mueller (Vice Chair)             | State Farm                        |
| 3. David Nardecchia (Secretary/Treasurer) | Public Member                     |
| 4. Debbie King                            | AmTrust                           |
| 5. Frank Baumann                          | Public Member                     |
| 6. Georgia Neblett                        | Public Member                     |
| 7. Tim McCarthy                           | Texas Farm Bureau                 |
| 8. Danny Pringle                          | USAA                              |
| 9. John Miletti                           | Travelers                         |
| 10. E. Jay Sherlock                       | Public Member                     |
| 11. Marianne Baker                        | Ex-Officio Non-Voting Member, TDI |

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

- |  |                        |
|--|------------------------|
| 1. David Durden, General Manager                   | TFPA                   |
| 2. Stuart Harbour, Chief Financial Officer         | TFPA                   |
| 3. Jessica Crass, VP Legal and Compliance          | TFPA                   |
| 4. Dave Williams, VP Claims                        | TFPA                   |
| 5. Camron Malik, Chief Information Officer         | TFPA                   |
| 6. JD Lester, VP Human Resources                   | TFPA                   |
| 7. Jim Murphy, Chief Actuary                       | TFPA                   |
| 8. Michal Ledwik, VP Underwriting                  | TFPA                   |
| 9. Amy Koehl, Senior Project Administrator         | TFPA                   |
| 10. Kristina Donley, Senior Instructional Designer | TFPA                   |
| 11. Mike Perkins, Association Counsel              | Perkins Law Group PLLC |

The Following Guests Were Present:

- |                       |                          |
|-----------------------|--------------------------|
| 1. Clark Thomson      | Calhoun, Thomson + Matza |
| 2. Allen Cashin       | Gallagher Re             |
| 3. Bill Dubinsky      | Gallagher Re             |
| 4. Jade Nguyen        | Gallagher Re             |
| 5. Joel Walker        | Gallagher Re             |
| 6. David Mueckerheide | TDI                      |
| 7. Jessica Davidson   | TFPA                     |
| 8. Bruce Zaret        | Weaver                   |

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

- |                      |                     |
|----------------------|---------------------|
| 1. Jeff Berg         | 8. Brian Ryder      |
| 2. Angie Cervantes   | 9. Kenisha Schuster |
| 3. Ebony Cormier     | 10. Anna Stafford   |
| 4. Josephine Freitag | 11. Jocelyn Strong  |
| 5. Allen Fulkerson   | 12. Aaron Taylor    |
| 6. Daryl Parrish     | 13. Scott Weiss     |
| 7. Dan Paschal       |                     |

1. Call to Order: Chairman Mark Solomon called the meeting to order at 3:00 p.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the statement by counsel. Kristina Donley provided housekeeping information to the attendees.
2. Welcoming Remarks: Chairman Solomon welcomed attendees to the meeting.
3. Approval of the Minutes from Prior Governing Committee Meeting: Ms. Neblett moved to approve the minutes from the February 13, 2023 meeting. Ms. Mueller seconded the motion. The motion passed unanimously.
4. TFPA Operational Highlights: Mr. Durden reviewed the updated TFPA operational dashboard. He said the metrics featured on the report give an indication of where the Association stands, how issues are managed and what activities and insurance business are new or changed. He discussed the enterprise projects, which cover both TFPA and TWIA. Ms. Neblett said she loved the new dashboard and the information it conveys. Mr. Solomon commended Mr. Durden and his team on the new look for the operational highlights.
5. Financial:
  - A. Report of the Secretary/Treasurer: Mr. Nardecchia reviewed the Treasurer's Report. Ms. Mueller asked how large the deficit needs to be in order to start assessing members. Mr. Durden said staff would wait until the end of the year and then review. Mr. Nardecchia moved to accept the report. Ms. Mueller seconded the motion. The motion passed unanimously.
  - B. Financial Statement Review by Staff: Direct written premiums for the three months ended March 31, 2023 were \$22.5 million, an increase of \$4.7 million or 26.3% from the \$17.8 million for the same period in the prior year. Direct written premium was \$5.1 million higher than the budgeted \$17.5 million. The growth in premium and policies for the first quarter can be partially attributed to policyholders that migrated to FAIR Plan from insolvent insurer UPC and to a reduction in coverage offered by carriers operating in the private market. Policies in force totaled 62,671 or 3,900 policies above the budget of 58,771. At year-end 2022, policies in force totaled 61,452.

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

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

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

Year to date direct losses and LAE totaled \$17 million, which was over budget by \$11.4 million. The higher than anticipated losses and LAE were due primarily to the damage caused by the tornadoes and storms that struck the Houston area in late January. The March loss and LAE ratio of 87.6% was above the budgeted rate of 29.8%.

March year to date operating expense of \$3.1 million was under budget by \$554,000. Notable expense items under budget include contractor and temporary help (\$192,000), recruiting (\$51,000), information technology consulting fees (\$166,000), and software (\$118,000).

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

March YTD 2023 gross investment income was \$221,000, which was above the budgeted amount of \$46,000. The higher interest rates continue to produce better than budgeted investment income. TFPA’s financial results for the quarter ended March 2023 reflect a net loss of \$11.4 million compared to the budgeted loss of \$583,000.

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

- C. Investment Plan Review: Annually, the TFPA Governing Committee reviews the adequacy and implementation of the Association’s investment plan as reflected in the Statement of Investment Objectives and Guidelines. The primary focus of the investment plan is asset preservation and liquidity, along with compliance with the Texas Insurance Code and Plan of Operation of the Association.

Currently, staff is not recommending any changes to the investment plan. Mr. Miletto moved that the Governing Committee of the Texas FAIR Plan Association acknowledges its review of the adequacy and implementation of the investment plan of the Association and accepts staff's recommendation to make no changes to the investment plan at this time. Ms. Neblett seconded the motion. The motion passed unanimously.

- D. 2023 Renewal of Line of Credit: Staff proposed to maintain the credit line at \$30 million to coincide with the retention of the reinsurance agreements. The proposed pricing for the 2022 – 2023 line of credit commitment fee is 30 basis points per annum on the unused portion of the revolving credit line which is consistent with pricing achieved for the prior line of credit which was a two-year agreement. Therefore, the commitment fee would remain at \$90,000 per year (\$7,500 per month). There is no upfront fee to establish this line of credit with JP Morgan/Chase. Ms. Mueller moved to approve the TFPA line of credit. Mr. Miletto seconded the motion. The motion, a copy of which is attached, passed unanimously.
- E. Financial Audit by Calhoun, Thomson + Matza: Clark Thomson reviewed the results of the financial audit conducted by Calhoun, Thomson + Matza. Ms. Neblett moved to accept the audit report. Mr. Nardecchia seconded the motion. The motion passed unanimously.

6. Actuarial:

- A. Policy Count/Exposures: Exposures are up 2% since December. Exposures are up 7%. Most of the growth is in tier two counties.
- B. Reserve Adequacy: TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of March 31, 2023. Based on this review, the indicated ultimate cost of Hurricane Harvey is \$83.9 million, remaining very close to the previous quarterly review. Due to uncertainties surrounding the adequacy of case reserves and the outcomes of disputed claims, the selected ultimate gross loss and expense estimate has been maintained at \$85 million.

As of March 31, 2023, TFPA carried \$18 million in total gross loss and loss adjustment expense reserves with \$ 3.2 million of the total gross losses and expenses reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

In the opinion of Mr. Murphy, 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 12, 2022 meeting to file for the full actuarial indications for all policy forms, limited to no more than a 10% change in any territory, to be effective August

- 1, 2023. The filing was made December 22, 2022. The Texas Department of Insurance approved the filing as submitted on March 22, 2023. Implementation of the approved rates is currently underway and on schedule for an August 1, 2023 effective date for all new and renewal policies.
- D. 2023 Funding; Reinsurance: TFPA staff is working with Gallagher Re, the Association's reinsurance broker, to begin preparations for the July 1 renewal of the TFPA reinsurance program for the 2023 hurricane season. Allen Cashin from Gallagher Re reviewed the reinsurance market. Jade Nguyen reviewed the modeling results. Mr. McCarthy said since Covid, inflation has gone up about 17% and asked how the catastrophe models are taking into account the general inflation increases. Ms. Nguyen said it was not being reflected in the model losses. Mr. McCarthy asked if it would be reasonable to assume these PML's are understated if the book of business is being affected by general inflation. Ms. Nguyen said potentially yes. After additional discussion, Mr. McCarthy moved to purchase \$325 million xs \$40 million, second event coverage should attach at \$10 million, reinsurance will be purchased in two layers, \$120 million xs \$40 million for the first layer and \$205 xs \$160 million for the second layer. The Association's broker Gallagher Re will buy reinstatement premium protection only on the lower layer of coverage. Mr. Miletti seconded the motion. This is subject to a gross premium of \$43 million. If it goes over, the committee will be reconvened to discuss. The motion passed unanimously.
7. Internal Audit Status Update: Mr. Zaret reported that current internal audit activities include reinsurance, continuity of operations plan – business operations, human resources and payroll, claims audit, facilities, accounts receivable, accounts payable and expense processing. Upcoming audits include plan of operation, communications, model audit rule, underwriting, reinsurance funding and actuarial.
8. Underwriting Operational Update: Mr. Ledwik reported that 99.58% of transactions were issued within 10 days. Within one day, 85% of transactions were straight through processed and issued by the system. Transactions referred to underwriting by the system are due to more complex risk requiring additional information from agencies. Seventy six percent of calls were answered in under 20 seconds. On January 6<sup>th</sup>, 2023, there was a data connectivity issue with the Waco data center. On February 16-17, 2023, there was a two-day internal outage with the phone provider.

A standard sample of agencies were selected for review in the first quarter of 2023 to verify compliance with the declination of coverage requirements and TFPA producer requirements and performance standards. Proof of declination was received for 56% of the policies selected and signed applications were provided for 54% of the policies selected. Signed eligibility requirement statements were provided for 55% of the policies selected. Six agents haven't responded and two agents that could not provide the requested documents cited book of business transfers and 70% of agents have responded. All agents selected have an active property and casualty insurance license and have the required direct standard market appointments. Staff is following up for outstanding proof of declinations, outstanding signed applications and outstanding

signed eligibility statements for the agents who have not fully responded. Follow-up audits continue to be conducted on agents who have been previously audited when that audit was deemed non-compliant.

At the Q4 2021 TFPA Governing Committee meeting, a request was made to have staff make a process change with a corresponding filing to TDI to require MSB or equivalent property value calculations at policy renewals that coincide with the property's requalification for insurance eligibility. To implement this change effectively and efficiently, the TFPA Governing Committee approved the staff recommendation to apply an automatic factor to each renewal replacement and amount of insurance values. Actions completed to date include completing revisions to the TFPA rating manual and underwriting guidelines manual to reflect this change and were filed with TDI, business requirements were completed and delivered to IT for system development with an ETA of Q3 of 2023 and the development of a communication plan and policy package notice.

9. Claims:

- A. Claims Operations: First notice of loss to property inspection is running 3.2 days versus an industry average of 5.9 days. The total cycle time from first notice of loss to payment daily is 8.9 days and 8.7 days in a CAT. The historical claim volume for 2023 is 1,558.
- B. Litigation Summary: For the first quarter of 2023, four first party claims in suit were received with 17 first party claims and two third party claims closed. Twenty-two first party and four third party claims with letters of representation were received for the quarter. Eighteen first party and three third party claims with letters of representation were closed. The majority of the suits were held by the Dick Law Firm and Manuel Solis, P.C.

10. TFPA Operations:

- A. IT Systems Enhancements: Mr. Malik reported that after the TWIA Board of Director's approval of the cloud program, a contract was negotiated with Guidewire for their portion of the cloud effort and also awarded the system integration contract to Zensar. Staff is currently finalizing the statement of work with Zensar and expects to have it signed by the middle of June. This work is planned to start in January 2024.

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

- B. Legislative Affairs Update: The legislative session continues through May 29. Association staff held more than 25 meetings with legislative offices during Q1 2023. Most of these meetings have been related to TWIA issues but meetings also took place with the offices of the authors of the TFPA bills being considered. HB 998, relating to the provision of property owners' association insurance by TFPA in certain areas, has passed and was sent to the governor to be signed. It is effective September 1, 2023 and the coverage must start January 1, 2024. SB 1393, relating to eligibility for coverage under the FAIR Plan Association in certain areas, has passed

and was sent to the governor for signature. An operational update will be provided at the August board meeting.

11. Closed Session: There was no closed session.
12. 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.
13. Future Meetings: The next meetings are scheduled to take place on the following dates in the following locations:
  - August 7, 2023 – Tremont House – Galveston
  - December 11, 2023 – Omni Hotel – Corpus Christi
14. Committees: There was nothing to report.
15. Adjourn: There being no further business the meeting adjourned at 5:03 pm.

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Prepared by: Amy Koehl  
Senior Project Administrator

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Approved by: Mark Solomon  
TFPA Chairman

## SECRETARY'S CERTIFICATE

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

RESOLVED: That in order to provide Texas FAIR Plan Association (the "Association") with liquidity to facilitate payment by the Association of claims to its policyholders, the Association may further renew and extend until June 30, 2025 the maturity of its existing revolving line of credit with JPMorgan Chase Bank, N.A. (the "Lender"), in the principal amount of \$30,000,000 (the "Credit Facility"), in accordance with and pursuant to the terms of the May 2, 2023 Term Sheet from the Lender in the form attached as Exhibit A hereto (the "Term Sheet");

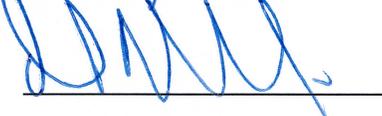
RESOLVED, FURTHER: That in order to evidence such renewal and extension of the Credit Facility, the Association is hereby authorized to enter into and execute and deliver to the Lender (a) a Fourth Amendment of Second Amended and Restated Loan Agreement (the "Fourth Amendment"), whereby the existing loan agreement for the Credit Facility is further amended in a manner consistent with the terms set forth in the Term Sheet and (b) the related renewal and replacement Promissory Note in the original principal amount of \$30,000,000 contemplated under the terms of the Fourth Amendment (the "Replacement Note");

RESOLVED, FURTHER: That the General Manager of the Association be, and is, authorized and directed for and on behalf, and as the act and deed, of the Association to negotiate the specific terms of, and to execute and deliver to Lender, the Fourth Amendment, the Replacement Note and such other instruments as Lender may reasonably require in its discretion in connection with the above-described renewal and extension of the Credit Facility and to take such other action in the consummation and/or administration of the renewal and extension of the Credit Facility herein contemplated as the officer acting shall deem to be necessary or desirable, and any and all acts heretofore taken by the above-described officer to such end are hereby expressly ratified and confirmed as the acts and deeds of the Association;

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

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

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

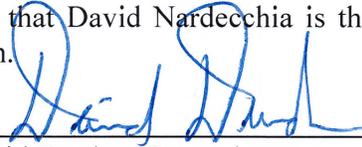
<u>Name</u>	<u>Title</u>	<u>Signature</u>
David Durden	General Manager	
David Nardecchia	Secretary	

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

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

  
\_\_\_\_\_  
David Nardecchia, Secretary of Texas  
FAIR Plan Association

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



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David Durden, General  
Manager of Texas FAIR Plan Association

ATTACHMENTS:

EXHIBIT A –Form of May 2, 2023 Term Sheet



May 2, 2023

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

Dear Stuart,

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

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

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#### **Summary of Indicative Terms and Conditions**

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



**ADVANCES ON FACILITY:**

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

**COVENANTS:**

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

**BANKING SERVICES:**

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

**CONDITIONS PRECEDENT:**

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

**EVENTS OF DEFAULT:**

Usual and customary for transactions of this type.

**EXPENSES:**

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

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

Sincerely,

Beth Dotson  
Executive Director



**ADDENDUM I  
PRICING, FEES AND EXPENSES**

**UPFRONT FEE:** None

**UNUSED**

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

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

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

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

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

<sup>1</sup>“Adjusted Term SOFR” means an interest rate per annum equal to the sum of (a) the one (1) month Term SOFR<sup>2</sup> rate in effect and (b) the SOFR Adjustment<sup>3</sup>.

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

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

<sup>3</sup>“SOFR Adjustment” means 0.10% per annum.

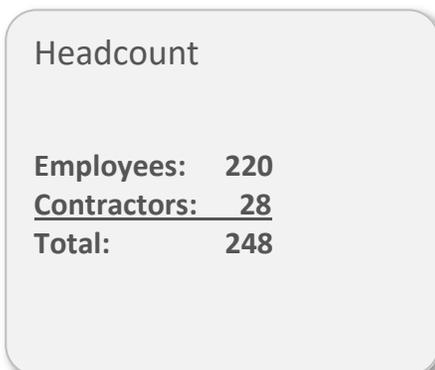
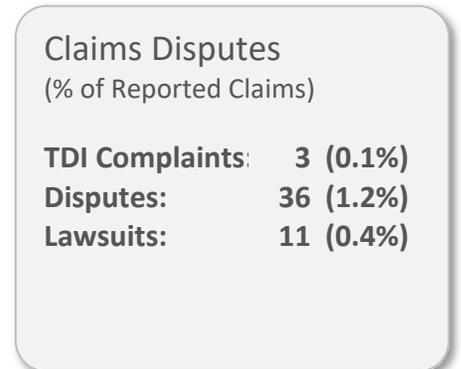
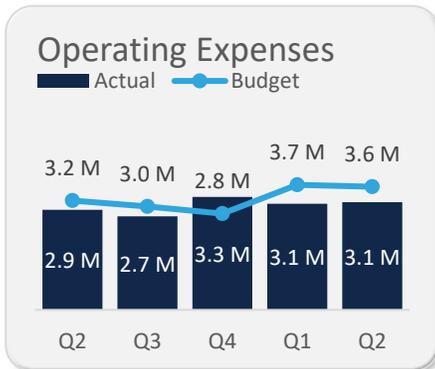
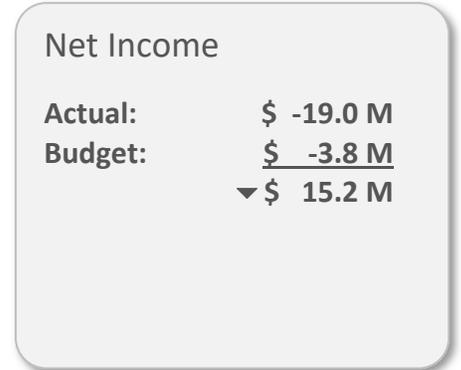
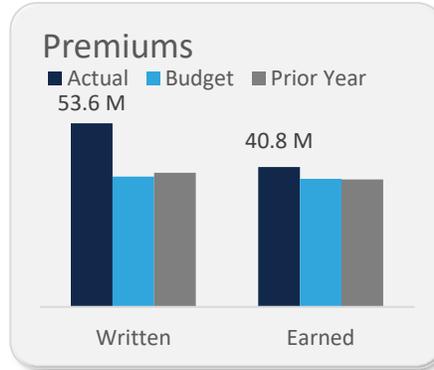
**Note:** Drawn Loan rate is Adjusted Term SOFR, plus the Applicable Margin. The current one-month Term SOFR indicative rate as of May 2, 2023 is 5.04594%.

## 4. TFPA Operational Dashboard



# Operational Dashboard

Reporting as of June 30, 2023



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



# Enterprise Projects

Status Update as of June 30, 2023



Enterprise Projects	Initiative Type	2022				2023				2024			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
● Chase Digital Bill Pay - TWIA	Required					■	■	■					
● Chase Digital Bill Pay - TFPA	Required								■				
● Agent Commission Study	High Priority	■	■	■	■								
● Association Surcharge for GW9	Mandatory					■	■	■	■				
● Strategy Management & Planning	Discretionary Planned			■	■	■	■	■	■				
● TWIA Leadership Development Program	Discretionary Planned			■	■	■	■	■	■				
● TFPA Automatic Adjustment to Limits	High Priority					■	■	■	■				
● Crisis Communication Plan	Discretionary Planned	■	■	■	■	■	■	■	■				
● Transforming Customer Experience (CX)	Discretionary Planned						■						
● TWIA Website Redesign	Discretionary Planned					■	■	■	■				
● HIVE Program - Program Set Up	Discretionary Unplanned						■	■	■				
● Legislative Implementation Program (LIP88)	Mandatory						■	■	■	■	■	■	■
● Conversational AI - Chatbot for Claims	Discretionary Planned						■	■	■				
● Guidewire Cloud Migration (PC9)	Discretionary Planned									■	■	■	■



# Enterprise Projects

## Reporting Definitions



### Initiative Types

**Mandatory** - Driven by Legislature, Regulations, Rules, or Governor or Commissioner Order

**Required** - Required for continuity of operations or contractual commitments

**High Priority** - Recommended or required by Board of Directors, Security, or Audit stakeholders

**Discretionary Planned** - Elective efforts with a degree of advanced planning, e.g., strategic plan

**Discretionary Unplanned** - Elective efforts without advanced planning

### Project Status / Health

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

Project health report represents scope and schedule

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

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

**TEXAS FAIR PLAN ASSOCIATION**  
**Statutory Income Statement - Treasurer's Report**  
**for the six months ended June 30,**  
**(000's omitted)**

	2023	2022
<b>Direct Premiums Written</b>	<u>\$ 53,603</u>	<u>\$ 39,159</u>
<b>Premiums Earned:</b>		
Direct Premiums Earned	\$ 40,836	\$ 37,175
Ceded Reinsurance Premiums	<u>(16,125)</u>	<u>(13,687)</u>
Net Premiums Earned	<u>24,710</u>	<u>23,488</u>
<b>Deductions:</b>		
Direct Losses and LAE Incurred	31,212	13,259
Direct Losses and LAE Incurred - Harvey	-	-
Ceded Losses and LAE Incurred - Harvey	-	-
Operating Expenses	6,241	5,763
Commission Expense	5,868	4,085
Ceding commissions / brokerage	-	-
Premium / Maintenance Tax	980	729
Total Deductions	<u>44,301</u>	<u>23,835</u>
<b>Net Underwriting Gain or (Loss)</b>	<u>(19,590)</u>	<u>(347)</u>
<b>Other Income or (Expense):</b>		
Investment Income	514	25
Investment Expenses (Line of Credit Commitment Fee)	(45)	(45)
Interest Expense on Line of Credit Advance	-	-
Member Assessment Income	-	-
Charge off's /Write off	(154)	(159)
Billing Fees	256	235
Other Income (Expense)	<u>1</u>	<u>-</u>
Total Other Income or (Expense)	<u>572</u>	<u>56</u>
<b>Net Income (Loss)</b>	<u>\$ (19,018)</u>	<u>\$ (292)</u>
<b>Surplus (Deficit) Account:</b>		
Beginning Surplus (Deficit)	1,183	1,955
Net Income (Loss)	(19,018)	(292)
Change in Provision for Reinsurance	1,000	484
Change in nonadmitted assets	(2,533)	(139)
Other	-	-
Ending Surplus (Deficit)	<u>\$ (19,369)</u>	<u>\$ 2,008</u>

## 5A2. Management Discussion and Analysis

**Texas FAIR Plan Association  
Management’s Discussion and Analysis of Financial Results for the  
Six Months Ended June 30, 2023**

**Written and Earned Premiums**

<b>Actual vs Budget</b>	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$/count Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 53.6 M	\$ 38.0 M	\$ 15.6 M	41.0%
Direct Earned Premiums	\$ 40.8 M	\$ 37.4 M	\$ 3.4 M	9.1%
Policies in Force	66,033	57,233	8,800	15.4%

<b>Actual vs Prior Year</b>	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$/count Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 53.6 M	\$ 39.2 M	\$ 14.4 M	36.7%
Direct Earned Premiums	\$ 40.8 M	\$ 37.2 M	\$ 3.6 M	9.7%
Policies in Force	66,033	62,871	3,162	5.0%

- Policies in force at year- end 2022 totaled 61,452.

**Reinsurance Costs:**

- The TFPA 2022-2023 reinsurance program was placed through our broker Arthur J. Gallagher and incepted on July 1, 2022. The program provided coverage of \$335 million in excess of a \$30 million initial retention and included a “second event” cover that reduced the net retention to \$10 million. Reinstatement premium protection was also purchased with the program. Ceded premiums are earned on a pro-rata basis over the term of the reinsurance coverage. Ceded earned premiums for January – June of 2023 totaled \$16.1 million which exceeded the budget and prior year amounts due to the harder than expected reinsurance market experienced during the 2022-2023 renewal period.

**Loss and Loss Adjustment Expense Incurred**

<b>Actual vs Budget</b>	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Direct Losses and LAE	\$ 31.2 M	\$ 13.6 M	\$ 17.6 M	129.4%
Loss and LAE Ratio	76.4%	36.5%		39.9%

<b>Actual vs Prior Year</b>	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Direct Losses and LAE	\$ 31.2 M	\$ 13.3 M	\$ 17.9 M	134.6%
Loss and LAE Ratio	76.4%	35.7%		40.7%

The higher than anticipated losses and LAE were due primarily to the damage caused by the tornados and storms that struck the Houston area in late January.

### **Operating Expenses**

<b>Actual vs Budget</b>	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 6.2 M	\$ 7.2 M	(\$ 1.0 M)	(13.9%)
Operating Expense Ratio	15.3%	19.4%		(4.1%)

<b>Actual vs Prior Year</b>	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 6.2 M	\$ 5.8 M	\$ 0.40 M	6.9%
Operating Expense Ratio	15.3%	15.5%		(0.2%)

- Notable expense items under budget include Personnel Expenses (\$480,000), Professional and Consulting (\$151,000), Software and Hardware (\$78,000), and Other Operating Expenses (\$223,000).

### **Commissions and Premium Taxes**

<b>Actual vs Budget</b>	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 5.9 M	\$ 4.0 M	\$ 1.9 M	47.5%
Premium Taxes	\$ 980 K	\$ 705 K	\$ 275 K	39.0%

<b>Actual vs Prior Year</b>	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 5.9 M	\$ 4.1 M	\$ 1.8 M	43.9%
Premium Taxes	\$ 980 K	\$ 729 K	\$ 251 K	34.4%

### **Other Income (Expense)**

<b>Actual vs Budget</b>	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 514 K	\$ 89 K	\$ 425 K	477.5%

<b>Actual vs Prior Year</b>	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 514 K	\$ 25 K	\$ 489 K	1,956.0%

- Higher interest rates continue to produce better than budgeted investment income.

#### **Net Loss**

<b>Actual vs Budget</b>	June 2023 YTD Actual	June 2023 YTD Budget	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Net Loss	\$ 19.0 M	\$ 3.8 M	\$ 15.2 M	400.0%

<b>Actual vs Prior Year</b>	June 2023 YTD Actual	June 2022 YTD Actual	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Net Loss	\$ 19.0 M	\$ 0.29 M	\$ 18.7 M	6,448.3%

#### **Surplus (Deficit)**

<b>Actual June 2023 vs Dec 2022</b>	<b>June 2023 Actual</b>	<b>Dec 2022 Actual</b>	Variance \$ Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	(\$ 19.4 M)	\$ 1.2 M	(\$ 20.6 M)	(1,716.7%)

- Surplus at June 30, 2023, was also reduced by \$2.5 million due to an increase in non-admitted assets related to prepaid expenses and reinsurance.

\*\*\*\*\*

## 5B. Financial Statement Review

**TEXAS FAIR PLAN ASSOCIATION**  
**Statutory Income Statement (000's omitted)**  
**for the six months ended June 30,**

	Actuals - 2023	Budget - 2023	Variance - 2023	Actuals - 2022
<b>1 Premiums Written:</b>				
5 Direct	\$ 53,603	\$ 38,016	\$ 15,587	\$ 39,159
6 Ceded	-	-	-	-
7 Ceded - Depopulation	-	-	-	-
8 Net	<u>53,603</u>	<u>38,016</u>	<u>15,587</u>	<u>39,159</u>
<b>10 Premiums Earned:</b>				
11 Direct	\$ 40,836	\$ 37,384	\$ 3,452	\$ 37,175
12 Ceded	(16,125)	(15,685)	(440)	(13,687)
13 Ceded - Depopulation	-	-	-	-
14 Net	<u>24,710</u>	<u>21,699</u>	<u>3,012</u>	<u>23,488</u>
<b>16 Deductions:</b>				
17 Direct Losses and LAE Incurred	31,212	13,631	17,581	13,259
18 Direct Losses and LAE Incurred - Harvey	-	-	-	-
19 Ceded Losses and LAE Incurred - Harvey	-	-	-	-
20 Operating Expenses	6,241	7,248	(1,007)	5,763
21 Commission Expense	5,868	3,980	1,888	4,085
22 Ceding commissions / brokerage	-	-	-	-
23 Premium / Maintenance Tax	980	705	275	729
24 Total Deductions	<u>44,301</u>	<u>25,564</u>	<u>18,736</u>	<u>23,835</u>
<b>26 Net Underwriting Gain or (Loss)</b>	<u>(19,590)</u>	<u>(3,865)</u>	<u>(15,725)</u>	<u>(347)</u>
<b>28 Other Income or (Expense):</b>				
29 Gross Investment Income	514	89	425	25
30 Investment Expenses (Line of Credit Commitment Fee)	(45)	(45)	(0)	(45)
31 Interest Expense on Line of Credit Advance	-	-	-	-
32 Member Assessment Income	-	-	-	-
33 Premium Charge offs/Write offs	(154)	(170)	16	(159)
34 Billing Fees	256	190	66	235
35 Other Income (Expense)	1	-	1	-
36 Total Other Income or (Expense)	<u>572</u>	<u>64</u>	<u>508</u>	<u>56</u>
<b>38 Net Income (Loss)</b>	<u>\$ (19,018)</u>	<u>\$ (3,802)</u>	<u>\$ (15,216)</u>	<u>\$ (292)</u>
<b>40 Surplus (Deficit) Account:</b>				
41 Beginning Surplus (Deficit)	1,183	1,183	-	1,955
42 Net Income (Loss)	(19,018)	(3,802)	(15,216)	(292)
43 Change in Provision for Reinsurance	1,000	-	1,000	484
44 Principal Funded on Class 1 Bonds (net)	-	-	-	-
45 Change in nonadmitted assets	(2,533)	(162)	(2,371)	(139)
46 Unassigned Funds - Unrecognized Pension Losses	-	-	-	-
47 Statutory Fund Cost	-	-	-	-
48 Ending Surplus (Deficit)	<u>\$ (19,369)</u>	<u>\$ (2,781)</u>	<u>\$ (16,588)</u>	<u>\$ 2,008</u>
<b>50 Key Operating Ratios:</b>				
51 Direct:				
52 Loss & LAE Ratio:				
53 Non Hurricane	76.4%	36.5%	40.0%	35.7%
54 Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
55 Hurricanes Ike & Dolly	0.0%	0.0%	0.0%	0.0%
56 Loss & LAE Ratio	<u>76.4%</u>	<u>36.5%</u>	<u>40.0%</u>	<u>35.7%</u>
57 UW Expense Ratio:				
58 Acquisition	12.8%	12.3%	0.5%	12.3%
59 Non Acquisition	15.3%	19.4%	(4.1%)	15.5%
60 UW Expense Ratio	<u>28.1%</u>	<u>31.7%</u>	<u>(3.7%)</u>	<u>27.8%</u>
61 Combined Ratio	<u>104.5%</u>	<u>68.2%</u>	<u>36.3%</u>	<u>63.5%</u>

TEXAS FAIR PLAN ASSOCIATION				
Statutory Expense Report (000's omitted)				
for the six months ended June 30,				
Description	Actuals - 2023	Budget - 2023	Variance - 2023	Actuals - 2022
Personnel Expenses				
Salaries & Wages - Permanent	\$ 3,530	\$ 3,560	\$ (29)	\$ 2,862
Contractor & Temporary Help	492	749	(257)	646
Payroll Taxes	273	283	(10)	211
Employee Benefits	1,127	1,082	45	1,114
Recruiting, Training & Other	16	111	(95)	11
Subtotal	<u>5,438</u>	<u>5,785</u>	<u>(346)</u>	<u>4,843</u>
Professional & Consulting Services				
Legal	64	68	\$ (4)	58
Accounting & Auditing	80	67	13	77
Information Technology	60	374	(313)	194
Actuarial Services	24	24	-	17
Surveys & Inspections	308	218	90	187
Disaster Recovery Services	4	5	(1)	31
Other Services (1)	786	751	35	550
Subtotal	<u>1,326</u>	<u>1,508</u>	<u>(182)</u>	<u>1,114</u>
Hardware/Software Purchases & Licensing	731	934	(204)	823
Rental & Maintenance - Office/Equipment	243	284	(40)	326
Travel Expenses	66	72	(6)	25
Postage, Telephone and Express	187	229	(42)	154
Capital Management Expenses	45	45	0	45
Other Operating Expenses	159	407	(248)	274
<b>Total Operating Expenses</b>	<b>\$ 8,195</b>	<b>\$ 9,263</b>	<b>\$ (1,068)</b>	<b>\$ 7,604</b>
Capitalization of Fixed Assets	0	0	-	0
Allocation To ULAE	(1,909)	(1,970)	61	(1,796)
Allocation To Investing & Other Expense	(45)	(45)	(0)	(45)
<b>Net Operating Expense - UW Operations</b>	<b>\$ 6,241</b>	<b>\$ 7,248</b>	<b>\$ (1,007)</b>	<b>\$ 5,763</b>

(1) Summary Details for Other Services:

<u>VENDOR</u>	<u>Amount</u>	<u>Department</u>
Insurance Services Office, Inc.	221	Underwriting & Claims
Clear Point Claims LLC	201	Underwriting
Marshall & Swift/Boeckh	64	Underwriting
Xactware Solutions Inc	62	Claims
EagleView Technologies Inc	47	Claims
LYNX Services LLC	40	Claims
Accenture LLP (Customer Experience)	33	Corporate
* Other Vendors less than \$20K	118	Various departments
<b>Total Other Services</b>	<b><u>786</u></b>	

**TEXAS FAIR PLAN ASSOCIATION**  
**Statutory Balance Sheet (000's omitted)**

1	June-2023	December 2022	1
2 <b>Admitted Assets</b>			2
3 Cash and short term investments:	45,180	50,619	3
4 Premiums receivable & other	10,165	6,661	4
5 Amounts recoverable from reinsurers	223	303	5
6 Other Assets	114	58	6
7 <b>Total admitted assets</b>	<u><u>\$ 55,682</u></u>	<u><u>\$ 57,641</u></u>	7
8			8
9 <b>Liabilities, Surplus and other funds</b>			9
10 <b>Liabilities:</b>			10
11 Loss and Loss adjustment expenses	16,620	12,858	11
12 Underwriting expenses payable	3,354	2,351	12
13 Unearned premiums, net of ceded unearned premiums	51,564	22,672	13
14 Ceded reinsurance premiums payable	-	14,325	14
15 Provision for reinsurance	-	1,000	15
16 Other payables	3,513	3,252	16
17 <b>Total liabilities</b>	<u><u>75,051</u></u>	<u><u>56,458</u></u>	17
18			18
19 <b>Surplus and others funds</b>			19
20 Unassigned surplus (deficit)	(19,369)	1,183	20
21 <b>Total liabilities, surplus and other funds</b>	<u><u>\$ 55,682</u></u>	<u><u>\$ 57,641</u></u>	21
22			22

**TEXAS FAIR PLAN ASSOCIATION**  
**Statement of Cash Flows (000's omitted)**

1	Actuals - 2023	Budget - 2023	Variance - 2023	1
2				2
3				3
4	<b>Cash flows from operating activities:</b>			4
5	\$ 36,816	\$ 18,396	\$ 18,420	5
6	(27,370)	(14,085)	(13,285)	6
7	(14,895)	(11,103)	(3,792)	7
8	-	-	-	8
9	-	-	-	9
10	(403)	20	(423)	10
11	<u>(5,852)</u>	<u>(6,772)</u>	<u>920</u>	11
12	<b>Cash flows from nonoperating activities:</b>			12
13	-	-	-	13
14	-	-	-	14
15	<u>-</u>	<u>-</u>	<u>-</u>	15
16	<b>Cash flows from investing activities:</b>			16
17	-	-	-	17
18	414	89	325	18
19	<u>414</u>	<u>89</u>	<u>325</u>	19
20	<b>Cash flows from financing activities:</b>			20
21	-	-	-	21
22	-	-	-	22
23	(0)	(45)	45	23
24	<u>(0)</u>	<u>(45)</u>	<u>45</u>	24
25				25
26	(5,439)	(6,728)	1,290	26
27	50,619	50,619	-	27
28	<u>\$ 45,180</u>	<u>\$ 43,891</u>	<u>\$ 1,290</u>	28
29				29
30	<b>Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.</b>			30

**TEXAS FAIR PLAN ASSOCIATION**  
**Cash and Short Term Investments (\$ in 000's)**  
**June 30, 2023**

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Annual Average Yield	Total Deposit % of TFFPA's Portfolio	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
<b>Balances as of 6/30/2023:</b>											
Bank of America	\$ 5,664	\$ -	\$ 5,664				13%	Superior	13.4%	\$185	No
Citibank	208	108	316	3,144	22	2.8%	1%	Superior	14.8%	\$154	No
JPMorgan Chase	11,030	-	11,030				24%	Superior	17.3%	\$274	No
JP Morgan U.S. Treasury Plus Money Market Fund (1)	-	10,853	10,853	10,809	131	4.9%	24%	N/A	N/A	N/A	N/A
JP Morgan Goldman Sachs (1)	-	8,092	8,092	8,061	95	4.7%	18%	N/A	N/A	N/A	N/A
Fidelity Treasury (1)	-	9,225	9,225	6,181	45	2.9%	20%	N/A	N/A	N/A	N/A
<b>Total of all financial institutions</b>	<b>\$ 16,902</b>	<b>\$ 28,279</b>	<b>\$ 45,180</b>	<b>\$ 28,194</b>	<b>\$ 293</b>	<b>4.2%</b>	<b>100%</b>				
<b>Balances as of 3/31/2023:</b>											
Bank of America	\$ 4,437	\$ -	\$ 4,437				10%	Superior	13.5%	\$181	No
Citibank	208	9,303	9,511	9,289	40	1.7%	21%	Superior	14.1%	\$152	No
JPMorgan Chase	11,997	-	11,997				27%	Superior	16.9%	\$270	No
JP Morgan U.S. Treasury Plus Money Market Fund (1)	-	10,725	10,725	14,081	150	4.3%	24%	N/A	N/A	N/A	N/A
JP Morgan Goldman Sachs (1)	-	8,000	8,000	2,756	31	4.5%	18%	N/A	N/A	N/A	N/A
Fidelity Treasury (1)	-	-	-				0%	N/A	N/A	N/A	N/A
<b>Total of all financial institutions</b>	<b>\$ 16,643</b>	<b>\$ 28,028</b>	<b>\$ 44,670</b>	<b>\$ 26,126</b>	<b>\$ 221</b>	<b>3.4%</b>	<b>100%</b>				

(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 March 31, 2023. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

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

YEAR	GROSS					NET					SURPLUS OR (DEFICIT) END OF PERIOD
	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	MEMBER ASSESSMENTS	
2003	\$ 18,272,542	100,223		\$ 82,004	\$ 19,580	\$ 31,287	\$ 19,580	\$ 26,618	\$ (14,911)		\$ (15,948)
2004	22,904,408	134,350		100,666	37,184	85,238	37,184	28,470	19,584		(1,821)
2005	14,165,560	88,512		60,969	31,262	77,389	31,262	18,588	27,539		31,563
2006	13,321,087	81,129		59,873	22,545	45,867	22,545	17,304	6,017		40,063
2007	15,556,965	91,847	3.9%	73,058	24,578	52,955	24,578	19,362	9,015		52,081
2008	14,060,852	84,438		64,488	239,886	48,364	82,774	18,797	(53,208)		209
2009	11,706,721	72,989	10.7%	60,255	32,961	28,136	6,659	18,811	2,666		(9,753)
2010	14,246,999	85,984	5.0%	73,924	86,187	40,905	34,601	17,019	(10,715)		(17,449)
2011	15,979,040	96,710		83,066	78,009	47,063	53,009	15,897	(21,843)		(33,860)
2012	17,966,799	108,637	14.6%	102,383	28,453	56,880	28,453	20,346	8,081		(25,722)
2013	20,594,317	124,222	16.7% (a)	122,683	39,438	75,343	39,438	22,610	13,295		(13,422)
2014	21,944,280	131,376		133,206	45,070	89,405	45,070	24,058	20,277		5,978
2015	22,154,205	132,734		132,879	68,593	90,952	68,593	24,675	(2,316)		4,977
2016	19,883,769	121,413	8.0% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5.0% (c)	112,316	128,666	76,837	84,864	29,739	(37,766)		(54,941)
2018	15,223,344	95,637	8.1% (d)	95,882	26,733	69,239	26,733	29,527	12,979	54,941	15,088
2019	12,299,224	80,923		85,327	38,241	59,625	38,241	25,310	(3,926)		12,133
2020	12,618,291	73,713	9.6% (e)	79,477	36,620	53,092	36,620	22,398	(5,926)		6,006
2021	11,471,201	66,512	9.2% (f)	75,648	34,070	49,414	34,070	19,050	(3,705)		2,105
2022	11,301,744	61,452	7.3% (g)	76,881	27,146	45,620	27,146	19,033	(559)		1,451
2023	13,452,341	66,033		53,603	31,212	24,710	31,212	13,089	(19,590)		(19,369)
<b>TOTAL</b>				<b>\$ 1,851,073</b>	<b>\$ 1,154,442</b>	<b>\$ 1,232,723</b>	<b>\$ 850,640</b>	<b>\$ 457,120</b>	<b>\$ (75,037)</b>	<b>\$ 54,941</b>	

(a) Effective July 1, 2013  
(b) Effective April 1, 2016  
(c) Effective June 1, 2017  
(d) Effective October 1, 2018 and November 1, 2018 for new business and renewal business, respectively.  
(e) Effective August 1, 2020  
(f) Effective August 1, 2021  
(g) Effective August 1, 2022  
\*2023 data through 6/30/2023

## 5C. Selection of Auditors/ Accountants for 2023

## MEMORANDUM

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DATE: July 18, 2023  
TO: David Durden, General Manager  
FROM: Stuart Harbour, Chief Financial Officer  
RE: **Appointment of Auditors/Accountants for 2023**

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Each year the association retains an accounting firm to conduct an audit of the association's financial statements as of and for the year ended December 31. Pursuant to an RFP process in 2021, Calhoun Thomson + Matza ("CTM") was selected to continue in their role as the association's independent auditor. I have attached the engagement letter from CTM for use in connection with the audit of the association's 2023 statutory financial statements. Counsel has reviewed the letter and reports that it is the same as last year with no changes in terms or fee amounts. Staff recommends to the Governing Committee that the engagement be approved, and the letter executed. Resolution language follows.

**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.**

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

Thank you,

Stuart Harbour

**Agreement to provide services**

July 13, 2023

Mr. Mark Solomon, Chair of the Governing/Audit Committee  
Texas FAIR Plan Association  
4801 Southwest Pkwy Building One, Suite 200  
Austin, Texas 78735

Dear Mr. Solomon:

This agreement to provide services (the “Agreement”) is intended to describe the nature and scope of our services.

**Statutory Audit**

As agreed, Calhoun, Thomson + Matza, LLP (“CTM” or “we”) will audit the statutory statement of admitted assets, liabilities, surplus and other funds of Texas FAIR Plan Association (the “Association” or “you”) as of December 31, 2023 and the related statutory statements of income, changes in surplus and other funds, and cash flows for the year then ending, in accordance with auditing standards generally accepted in the United States of America. The financial records and financial statements are the responsibility of the Association’s management. In that regard, management is responsible for establishing and maintaining effective internal control over financial reporting, establishing and maintaining proper accounting records, selecting appropriate accounting principles, safeguarding the Association’s assets, designing and implementing programs and controls to prevent and detect fraud, complying with relevant laws and regulations, and making all financial records and related information available to us.

Also, the supplementary information accompanying the statutory financial statements, as listed below, which are presented to comply with the National Association of Insurance Commissioners’ Accounting Practices and Procedures Manual and Texas state law, will be subjected to the auditing procedures applied in our audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditors’ report will provide an opinion on it in relation to the statutory financial statements as a whole.

- Summary Investment Schedule as of December 31, 2023.

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- Supplemental Investment Risk Interrogatories as of December 31, 2023.
- Reinsurance Interrogatories as of December 31, 2023.

You acknowledge and understand your responsibility for the preparation of the supplementary information in accordance with the applicable criteria. You also agree to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. You also agree to present the supplementary information with the audited financial statements, or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and our report thereon.

Our responsibility is to express an opinion on the statutory financial statements based on our audit. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statutory financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We are also responsible for communicating with those charged with governance what our responsibilities are under generally accepted auditing standards, an overview of the planned scope and timing of the audit, and significant findings from the audit. The term “those charged with governance” is defined as the person(s) with responsibility for overseeing the strategic direction of the Association and obligations related to the accountability of the Association, including overseeing the financial reporting process. For the Association, we agree that Governing/Audit Committee meets that definition.

At the conclusion of our audit, we will submit to you a report containing our opinion as to whether the statutory financial statements, taken as a whole, are fairly presented based on accounting principles prescribed or permitted by the Texas Department of Insurance. If, during the course of our work, it appears for any reason that we will not be in a position to render an unqualified opinion on the statutory financial statements, or that our report will require an explanatory paragraph, we will discuss this with you. It is possible that, because of unexpected circumstances, we may determine that we cannot render a report or otherwise complete the engagement. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If, in our professional judgment, the circumstances require, we may resign from the engagement prior to completion.

We will design our audit, in accordance with auditing standards generally accepted in the United States of America, to obtain reasonable assurance about whether the statutory financial statements are free of material misstatements, whether caused by error or fraud. Our work will be based primarily upon selected tests of evidence

Mr. Mark Solomon, Chair of the Governing/Audit Committee  
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supporting the amounts and disclosures in the statutory financial statements and, therefore, will not include a detailed check of all of the Association's transactions for the period. Accordingly, an audit performed in accordance with auditing standards generally accepted in the United States of America is not a guarantee of the accuracy of the statutory financial statements, and there is a risk that material errors or fraud may exist and not be detected by us. Also, an audit is not designed to detect errors or fraud that are immaterial to the statutory financial statements. However, we will promptly inform you of any material errors or any fraud, whether material or not, that come to our attention. We will also inform you of possible illegal acts that come to our attention. In addition, during the course of our audit, statutory financial statement misstatements may be identified, either through our audit procedures or through communication by the Association's employees to us, and we will bring these misstatements to your attention as proposed adjustments. Management is responsible for recording such adjustments in the statutory financial statements, after evaluating their propriety based on a review of both the applicable authoritative literature and the underlying supporting evidence from the Association's files; or otherwise concluding and confirming in a representation letter provided to us at the conclusion of our audit that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the statutory financial statements taken as a whole. At the conclusion of our audit we will communicate to those charged with governance all such uncorrected misstatements.

An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we will express no such opinion. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses in internal control. However, we are responsible for ensuring that you are aware of any significant deficiencies or material weaknesses that come to our attention during our engagement.

CTM is retaining the Association as a client in reliance on information obtained during the course of our continuing client reacceptance procedures. Clark Thomson has been assigned the role of engagement director and is responsible for directing the engagement and issuing the appropriate report on the Association's statutory financial statements.

### **Responsibility to Communicate with the Audit Committee**

Although the objective of our audit of the statutory financial statements is not to report on the Association's internal control and we are not obligated to search for reportable conditions as part of our audit, we will communicate reportable conditions to you to the extent they come to our attention.

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We will report to you, in writing, the following matters:

1. Audit adjustments detected during the audit that could, in our judgment, either individually or in aggregate have a significant effect on the Association's financial reports. Audit adjustments, whether or not recorded by the Association, are proposed corrections of the financial statements that may not have been detected except through the auditing procedures.
2. Uncorrected misstatements aggregated during the current engagement that were determined by management to be immaterial.
3. Any disagreements with management or other serious difficulties encountered during the audit.
4. Any other matter that is required to be communicated by generally accepted auditing standards.

We will also read the minutes of Audit Committee meetings for consistency with our understanding of the communications made to you and determine that you have received copies of all material written communications between ourselves and management.

#### **E-mail Communication**

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of e-mail transmissions, or for the unauthorized use or failed delivery of e-mails transmitted by us in connection with the performance of this engagement. In that regard, the Association agrees that we shall have no liability for any loss or damage from the use of email, including any punitive, consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure of confidential information.

#### **Ownership of Working Papers**

The working papers prepared in conjunction with our audit are the property of our Firm, constitute confidential information, and will be retained by us in accordance with our Firm's policies and procedures. However, we may be required to make certain working papers available to State insurance regulators pursuant to authority given them by law

Mr. Mark Solomon, Chair of the Governing/Audit Committee  
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or regulation. Access to the requested working papers will be provided to the State insurance regulators pursuant to a request under Chapter 401 of the Texas Insurance Code.

### **Reproduction of Audit Report**

If the Association plans any reproduction or publication of our report, or any portion of it, copies of masters' or printers' proofs of the entire document, or if there is no proof, a copy of the entire document in its final form, should be submitted to us in sufficient time for our review and written approval before printing. You also agree to provide us with a copy of the final reproduced material for our written approval before it is distributed. If, in our professional judgment, the circumstances require, we may withhold our written approval.

### **Posting of Audit Report and Statutory Financial Statements on Your Web Site**

You agree that, if you plan to post an electronic version of the statutory financial statements and audit report on your Web site, you will ensure that there are no differences in content between the electronic version of the statutory financial statements and audit report on your Web site and the signed version of the statutory financial statements and audit report provided to management by CTM.

### **Review of Documents for Sale of Securities**

The audited statutory financial statements and our report thereon should not be provided or otherwise made available to recipients of any document to be used in connection with the sale of securities (including securities offerings on the Internet) without first submitting copies of the document to us in sufficient time for our review and written approval. If, in our professional judgment, the circumstances require, we may withhold our written approval.

### **Management Representations and Indemnification**

As required by auditing standards generally accepted in the United States of America, we will request certain written representations from the Association's management at the close of our audit to confirm oral representations given to us and to indicate and document the continuing appropriateness of such representations and reduce the possibility of misunderstanding concerning matters that are the subject of the representations.

### **Availability of Records and Personnel**

The Association agrees that all records, documentation, and information we request in connection with our audit will be made available to us (including those pertaining to

Mr. Mark Solomon, Chair of the Governing/Audit Committee  
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related parties), that all material information will be disclosed to us, and that we will have the full cooperation of, and unrestricted access to, the Association's personnel during the course of the engagement.

You also agree to ensure that any third party valuation reports and/or actuarial reports that the Association provides to us to support amounts or disclosures in the statutory financial statements a) indicate the purpose for which they were intended, which is consistent with your actual use of such reports; and b) do not contain any restrictive language that would preclude us from using such reports as audit evidence.

#### **Assistance by the Association's Personnel and Internet Access**

We also ask that the Association's personnel prepare various schedules and analyses for our staff. However, except as otherwise noted by us, no personal information other than names related to the Association's employees and/or customers should be provided to us. In addition, we ask that the Association provides high-speed Internet access to our engagement team, if practicable, while working on the Association's premises. This assistance will serve to facilitate the progress of our work and minimize costs to the Association.

#### **Other Services**

We are always available to meet with you or other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting the Association. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas. We will also be pleased, at your request, to attend your committee meetings.

#### **Independence**

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the Association in the performance of our services. Any discussions that you have with personnel of our Firm regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence. In addition, if you hire one of our personnel, you agree to pay us a fee of 20% of that individual's base compensation at your Association 90 days from the first day of employment.

Provisions of the National Association of Insurance Commissioners' Model Audit Rule also require the Association's audit committee to pre-approve all permissible non-attest services. We agree not to perform any services without audit committee pre-approval and you agree to implement appropriate policies and procedures to ensure that the

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audit committee pre-approves any services that we or other independent auditors are asked to perform.

### **Dispute Resolution Procedure**

If any dispute, controversy, or claim arises out of, relates to, or results from the performance or breach of this Agreement, excluding claims for non-monetary or equitable relief (collectively, the “Dispute”), either party may, upon written notice to the other party, request non-binding mediation. A recipient party of such notice may waive its option to resolve such Dispute by non-binding mediation by providing written notice to the party requesting mediation and then such parties hereto shall resolve such Dispute by binding arbitration as described below. Such mediation shall be assisted by a neutral mediator acceptable to both parties and shall require the commercially reasonable efforts of the parties to discuss with each other in good faith their respective positions and different interests to finally resolve such Dispute. If the parties are unable to agree on a mediator within twenty (20) days from delivery of the written notice, either party may invoke the mediation service of the American Arbitration Association (the “AAA”).

Each party may disclose any facts to the other party or to the mediator that it, in good faith, considers reasonably necessary to resolve the Dispute. However, all such disclosures shall be deemed in furtherance of settlement efforts and shall not be admissible in any subsequent proceeding against the disclosing party. Except as agreed to in writing by both parties, the mediator shall keep confidential all information disclosed during mediation. The mediator shall not act as a witness for either party in any subsequent proceeding between the parties.

Unless waived, such mediation shall conclude after the parties have engaged in good faith settlement negotiations, but nonetheless are unable to resolve the Dispute through the mediation process. The attorneys’ fees and costs incurred by each party in such mediation shall be borne solely by such party, except that the fees and expenses of the mediator, if any, shall be borne equally by the parties.

Any Dispute not resolved first by mediation between the parties (or if the mediation process is waived as provided herein) shall be decided by binding arbitration. The arbitration proceeding shall take place in Austin, Texas, unless the parties agree in writing to a different locale. The arbitration shall be governed by the provisions of the laws of the state in which the arbitration is to take place (except if there is no applicable state law providing for such arbitration, then the Federal Arbitration Act shall apply) and the substantive law of such state shall be applied without reference to conflicts of law rules. In any arbitration instituted hereunder, the proceedings shall proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that the Arbitration Panel (as defined below) shall permit discovery that is consistent with the scope of discovery typically permitted by the Federal Rules of Civil Procedure and/or is otherwise customary in light of the complexity

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of the Dispute and the amount in controversy. Any Dispute regarding discovery, or the relevance or scope thereof, shall be determined by the Arbitration Panel (as defined below).

The arbitration shall be conducted before a panel of three persons, one selected by each party, and the third selected by the two party-selected arbitrators (the "Arbitration Panel"). The party-selected arbitrators shall be treated as neutrals. The Arbitration Panel shall have no authority to award non-monetary or equitable relief, but nothing herein shall be construed as a prohibition against a party from pursuing non-monetary or equitable relief in a state or federal court. The parties also waive the right to punitive damages and the arbitrators shall have no authority to award such damages or any other damages that are not strictly compensatory in nature. In rendering their award, the Arbitration Panel shall issue in writing findings of fact and conclusions of law. The Arbitration Panel shall not have authority to grant an award that is not supported by substantial evidence or that is based on an error of law, and such absence of substantial evidence or such error of law may be reviewed on appeal to vacate an award based on the standard of review otherwise applicable in the Federal Appellate Court responsible for the jurisdiction in which the arbitration is venued, and without regard to any heightened standard of review otherwise applicable to an arbitration decision rendered by the AAA. The confidentiality provisions applicable to mediation shall also apply to arbitration. The award issued by the Arbitration Panel may be confirmed in a judgment by any federal or state court of competent jurisdiction. No payment of any award or posting of any bond of any kind whatsoever is required to be made or posted until such Dispute is finally determined.

In no event shall a demand for arbitration be made after the date on which the initiation of the legal or equitable proceeding on the same Dispute would be barred by the applicable statute of limitations or repose. For the purposes of applying the statute of limitations or repose, receipt of a written demand for arbitration by the AAA shall be deemed the initiation of the legal or equitable proceeding based on such Dispute.

### **Fees**

Our charges to the Association for the audit services described above will be \$55,250 all-inclusive except for out-of-town travel to Governing Committee meetings (if attendance is requested).

Our hourly rates are as follows:

Partner	\$225
Senior Manager	\$175
Senior Associate	\$135
Audit Associate	\$115

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This engagement includes only those services specifically described in this letter; any additional services not specified herein will be agreed to in a separate letter. Reasonable costs and time spent in legal matters or proceedings arising from our engagement (other than litigation to which we are a party), such as subpoenas, testimony, or consultation involving private litigation or arbitration, or government regulatory inquiries at your request or by subpoena, will be billed to the Association separately and the Association agrees to pay the same.

Bills will be rendered on a semi-monthly or other periodic basis, with payment terms of net due upon receipt. If payments are not received promptly, we reserve the right to stop work on the engagement.

If we elect to terminate our services for nonpayment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all of our time expended, and to reimburse us for all of our out-of-pocket expenses and internal charges incurred, through the date of termination.

### **Miscellaneous**

This Agreement is only intended to cover the services specified herein, although we look forward to many more years of pleasant association with the Association. This engagement is a separate and discrete event and any future services will be covered by a separate agreement to provide services.

Many banks have engaged a third party to electronically process cash or debt audit confirmation requests, and a few of those banks have mandated the use of this service. To the extent applicable, the Association hereby authorizes CTM to participate in this electronic confirmation process through the third party's Web site (e.g., by entering the Association's bank account information to initiate the process and then accessing the bank's confirmation response) and agrees that CTM shall have no liability in connection therewith.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, or published interpretations, but if any provision of this Agreement shall be deemed prohibited, invalid, or otherwise unenforceable for any reason under such applicable laws, regulations, or published interpretations, such provisions shall be ineffective only to the extent of such prohibition, invalidity, or unenforceability and such revised provision shall be made a part of this Agreement as if it was specifically set forth herein. Furthermore, the provisions of the foregoing sentence shall not invalidate the remainder of such provision or the other provisions of this Agreement.

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This Agreement may be transmitted in electronic format and shall not be denied legal effect solely because it was formed or transmitted, in whole or in part, by electronic record; however, this Agreement must then remain capable of being retained and accurately reproduced, from time to time, by electronic record by the parties to this Agreement and all other persons or entities required by law. An electronically transmitted signature to this Agreement will be deemed an acceptable original for purposes of consummating this Agreement and binding the party providing such electronic signature.

### **Assignability**

This Agreement is nonassignable.

### **Entire Agreement**

This Agreement constitutes the entire agreement between the parties hereto with regard to the subject matter hereof and supersedes all other agreements relating to the subject matter hereof. There are no agreements, understandings, specific restrictions, warranties or representations relating to said subject matter between the parties other than those set forth herein or herein provided.

### **Amendment and Modification**

This Agreement may only be amended or modified by the mutual written agreement of the parties.

### **Public Information**

Notwithstanding any provision herein to the contrary, the parties hereby acknowledge and agree that TFPA is subject to the Texas Public Information Act, Tex. Gov't Code §552.001 et seq. ("Public Information Act") and Attorney General Opinions issued under that statute and must comply with the provisions of Texas law including the Public Information Act. Within three (3) days of receipt, CTM will refer to TFPA any third party requests, received directly by CTM, for information to which CTM has access as a result of or in the course of performing services under this Agreement.

### **Confidential Information and Subpoenas**

CTM will not disclose to anyone, directly or indirectly, any work-papers, data, databases, materials, information or reports in any form that are designated as confidential or that are or could be construed as confidential or subject to restrictions on disclosure under applicable law ("Confidential Information") and received from TFPA or such Confidential Information to which CTM has access as a result of or in the course of performing services under this Agreement without the prior written consent of TFPA.

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This confidentiality provision does not apply to information required to be disclosed by law, legal process, and applicable professional standards or to information disclosed in connection with litigation relating to the Agreement or CTM's performance. Each party will protect the confidentiality of the Confidential Information in the same manner that it protects the confidentiality of its own proprietary and confidential information of like kind. Nothing in this Agreement shall prohibit or limit either party's use or disclosure of information (including, but not limited to, ideas, concepts, know-how, techniques, and methodologies) (i) previously known to it without obligation of confidence, (ii) independently developed by it, (iii) acquired by it from a third party which is not, to its knowledge, under an obligation of confidence with respect to such information, or (iv) which is or becomes publicly available through no breach of the Agreement. In the event either party receives a subpoena or other validly issued administrative or judicial process requesting Confidential Information, it shall provide prompt notice to the other of such receipt. The party receiving the subpoena shall thereafter be entitled to comply with such subpoena or other process to the extent permitted by law.

**GAAP Basis Audit Report**

If the Association needs an audit report prepared in accordance with accounting principles generally accepted in the United States of America for general distribution, we will prepare a separate engagement letter covering that service.

Very truly yours,



Acknowledged:

By \_\_\_\_\_  
Mr. Mark Solomon, Chair of the Governing/Audit Committee

Date \_\_\_\_\_

(Please sign and return to us one copy; retain the other copy for your files)

## 6. Actuarial

### 6A. Policy Count/Exposures

**Texas FAIR Plan Association**  
**Liability Report**  
As of 6/30/23  
All Forms Combined



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	06/30/22	06/30/23	Actual	Percentage	06/30/22	06/30/23	Actual	Percentage	06/30/22	06/30/23	Actual	Percentage
Harris	39,533	40,905	1,372	3.47%	6,177,016,755	7,392,363,623	1,215,346,869	19.68%	27,605,872	37,972,198	10,366,326	37.55%
Galveston	4,101	4,487	386	9.41%	1,095,099,294	1,377,653,027	282,553,733	25.80%	1,041,639	1,466,068	424,429	40.75%
Fort bend	4,126	4,640	514	12.46%	755,508,469	1,000,212,174	244,703,705	32.39%	2,738,475	4,301,017	1,562,541	57.06%
Dallas	1,944	1,823	(121)	(6.22%)	342,720,274	337,279,183	(5,441,091)	(1.59%)	1,222,994	1,397,656	174,662	14.28%
Brazoria	1,729	2,039	310	17.93%	450,639,100	627,100,687	176,461,587	39.16%	473,724	729,848	256,125	54.07%
Tarrant	1,495	1,353	(142)	(9.50%)	251,909,478	242,509,680	(9,399,798)	(3.73%)	1,081,990	1,137,189	55,199	5.10%
El paso	1,229	1,401	172	14.00%	294,598,135	365,305,989	70,707,854	24.00%	569,115	713,634	144,519	25.39%
Jefferson	1,095	1,450	355	32.42%	260,675,707	404,682,567	144,006,860	55.24%	306,036	508,977	202,941	66.31%
Nueces	1,137	1,113	(24)	(2.11%)	235,732,790	249,133,340	13,400,550	5.68%	357,770	410,309	52,539	14.69%
Montgomery	716	731	15	2.09%	128,953,246	149,616,370	20,663,124	16.02%	431,642	556,530	124,888	28.93%
Bexar	542	509	(33)	(6.09%)	98,665,732	98,141,762	(523,970)	(0.53%)	292,941	337,218	44,277	15.11%
Cameron	426	461	35	8.22%	75,376,530	100,450,780	25,074,250	33.27%	108,274	154,227	45,953	42.44%
Calhoun	374	389	15	4.01%	93,067,715	101,909,965	8,842,250	9.50%	102,055	125,564	23,509	23.04%
Orange	355	399	44	12.39%	59,414,358	75,262,178	15,847,820	26.67%	296,180	456,160	159,980	54.01%
Chambers	259	314	55	21.24%	74,563,030	114,254,940	39,691,910	53.23%	90,324	138,715	48,392	53.58%
Matagorda	259	274	15	5.79%	58,337,845	71,399,185	13,061,340	22.39%	87,403	112,923	25,520	29.20%
Liberty	198	239	41	20.71%	23,149,442	31,648,632	8,499,190	36.71%	166,597	225,253	58,657	35.21%
Travis	225	216	(9)	(4.00%)	40,245,398	43,769,860	3,524,462	8.76%	69,518	115,664	46,145	66.38%
Aransas	169	179	10	5.92%	37,257,620	41,372,220	4,114,600	11.04%	47,045	56,269	9,224	19.61%
Hidalgo	179	176	(3)	(1.68%)	20,749,536	22,860,996	2,111,460	10.18%	110,024	141,679	31,655	28.77%
San patricio	159	166	7	4.40%	36,526,236	44,668,206	8,141,970	22.29%	50,844	61,073	10,229	20.12%
Collin	155	155	0	0.00%	31,844,910	36,033,740	4,188,830	13.15%	129,876	178,238	48,362	37.24%
Waller	118	147	29	24.58%	17,454,050	21,422,750	3,968,700	22.74%	77,881	99,353	21,472	27.57%
Denton	107	117	10	9.35%	31,330,086	37,926,166	6,596,080	21.05%	87,244	132,569	45,324	51.95%
Brazos	84	74	(10)	(11.90%)	14,452,980	12,693,010	(1,759,970)	(12.18%)	37,831	37,084	(747)	(1.97%)
<b>Top 25 Counties</b>	<b>60,714</b>	<b>63,757</b>	<b>3,043</b>	<b>5.01%</b>	<b>10,705,288,716</b>	<b>12,999,671,031</b>	<b>2,294,382,315</b>	<b>21.43%</b>	<b>37,583,292</b>	<b>51,565,413</b>	<b>13,982,121</b>	<b>37.20%</b>
<b>All Other Counties</b>	<b>2,157</b>	<b>2,276</b>	<b>119</b>	<b>5.52%</b>	<b>385,962,322</b>	<b>452,669,938</b>	<b>66,707,616</b>	<b>17.28%</b>	<b>1,575,589</b>	<b>2,037,475</b>	<b>461,886</b>	<b>29.32%</b>
<b>Tier 1</b>	<b>9,815</b>	<b>10,998</b>	<b>1,183</b>	<b>12.05%</b>	<b>2,441,372,808</b>	<b>3,162,834,703</b>	<b>721,461,895</b>	<b>29.55%</b>	<b>2,693,043</b>	<b>3,811,307</b>	<b>1,118,263</b>	<b>41.52%</b>
<b>Tier 2</b>	<b>44,697</b>	<b>46,714</b>	<b>2,017</b>	<b>4.51%</b>	<b>7,084,343,256</b>	<b>8,580,845,913</b>	<b>1,496,502,658</b>	<b>21.12%</b>	<b>31,164,384</b>	<b>43,443,827</b>	<b>12,279,444</b>	<b>39.40%</b>
<b>All Other Counties</b>	<b>8,359</b>	<b>8,321</b>	<b>(38)</b>	<b>(0.45%)</b>	<b>1,565,534,975</b>	<b>1,708,660,353</b>	<b>143,125,378</b>	<b>9.14%</b>	<b>5,301,454</b>	<b>6,347,754</b>	<b>1,046,300</b>	<b>19.74%</b>
<b>Statewide Total</b>	<b>62,871</b>	<b>66,033</b>	<b>3,162</b>	<b>5.03%</b>	<b>11,091,251,038</b>	<b>13,452,340,969</b>	<b>2,361,089,931</b>	<b>21.29%</b>	<b>39,158,881</b>	<b>53,602,888</b>	<b>14,444,007</b>	<b>36.89%</b>

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 6/30/23  
HO-A Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	06/30/22	06/30/23	Actual	Percentage	06/30/22	06/30/23	Actual	Percentage	06/30/22	06/30/23	Actual	Percentage
Harris	13,426	14,691	1,265	9.42%	3,345,432,320	4,271,990,259	926,557,940	27.70%	15,622,598	22,807,911	7,185,313	45.99%
Galveston	2,950	3,291	341	11.56%	996,227,092	1,252,242,291	256,015,199	25.70%	853,018	1,202,216	349,199	40.94%
Fort bend	1,046	1,230	184	17.59%	294,503,936	433,957,655	139,453,719	47.35%	1,165,117	2,007,180	842,063	72.27%
Dallas	881	800	(81)	(9.19%)	228,822,440	220,729,100	(8,093,340)	(3.54%)	873,022	986,131	113,109	12.96%
Brazoria	1,303	1,556	253	19.42%	400,387,960	559,392,850	159,004,890	39.71%	393,181	621,472	228,291	58.06%
Tarrant	780	720	(60)	(7.69%)	176,537,498	174,340,970	(2,196,528)	(1.24%)	786,735	848,822	62,087	7.89%
El paso	1,038	1,193	155	14.93%	272,994,510	340,356,970	67,362,460	24.68%	512,814	642,435	129,621	25.28%
Jefferson	814	1,117	303	37.22%	235,834,972	372,659,312	136,824,340	58.02%	260,176	447,519	187,343	72.01%
Nueces	673	660	(13)	(1.93%)	194,381,080	204,584,230	10,203,150	5.25%	279,941	328,752	48,811	17.44%
Montgomery	409	409	0	0.00%	97,714,890	111,763,480	14,048,590	14.38%	337,690	419,478	81,788	24.22%
Bexar	342	310	(32)	(9.36%)	83,145,520	82,078,620	(1,066,900)	(1.28%)	243,658	277,798	34,141	14.01%
Cameron	251	293	42	16.73%	59,211,240	82,611,230	23,399,990	39.52%	77,783	116,921	39,138	50.32%
Calhoun	307	321	14	4.56%	87,502,620	95,907,430	8,404,810	9.61%	92,014	114,882	22,868	24.85%
Orange	220	246	26	11.82%	48,223,058	61,550,028	13,326,970	27.64%	242,666	375,685	133,019	54.82%
Chambers	214	267	53	24.77%	69,865,430	108,246,440	38,381,010	54.94%	76,799	125,990	49,191	64.05%
Matagorda	212	239	27	12.74%	54,656,370	68,213,510	13,557,140	24.80%	77,422	99,662	22,240	28.73%
Liberty	112	138	26	23.21%	16,493,484	23,608,784	7,115,300	43.14%	121,693	155,324	33,631	27.64%
Travis	116	112	(4)	(3.45%)	30,217,110	34,076,300	3,859,190	12.77%	50,256	86,863	36,607	72.84%
Aransas	139	146	7	5.04%	34,774,260	38,155,380	3,381,120	9.72%	42,595	51,532	8,937	20.98%
Hidalgo	65	58	(7)	(10.77%)	9,231,736	9,242,496	10,760	0.12%	54,403	64,661	10,258	18.85%
San patricio	126	136	10	7.94%	33,814,836	42,151,306	8,336,470	24.65%	44,335	58,555	14,221	32.08%
Collin	46	47	1	2.17%	15,705,610	19,273,840	3,568,230	22.72%	65,305	99,750	34,446	52.75%
Waller	74	91	17	22.97%	13,485,770	16,406,750	2,920,980	21.66%	60,599	72,129	11,530	19.03%
Denton	65	77	12	18.46%	25,761,486	32,548,766	6,787,280	26.35%	70,696	117,937	47,241	66.82%
Brazos	36	29	(7)	(19.44%)	10,521,630	9,565,440	(956,190)	(9.09%)	25,576	25,284	(291)	(1.14%)
<b>Top 25 Counties</b>	<b>25,645</b>	<b>28,177</b>	<b>2,532</b>	<b>9.87%</b>	<b>6,835,446,858</b>	<b>8,665,653,438</b>	<b>1,830,206,580</b>	<b>26.78%</b>	<b>22,430,090</b>	<b>32,154,891</b>	<b>9,724,801</b>	<b>43.36%</b>
<b>All Other Counties</b>	<b>1,283</b>	<b>1,353</b>	<b>70</b>	<b>5.46%</b>	<b>308,047,590</b>	<b>363,587,430</b>	<b>55,539,840</b>	<b>18.03%</b>	<b>1,200,524</b>	<b>1,603,783</b>	<b>403,259</b>	<b>33.59%</b>
<b>Tier 1</b>	<b>7,069</b>	<b>8,118</b>	<b>1,049</b>	<b>14.84%</b>	<b>2,188,746,051</b>	<b>2,851,578,140</b>	<b>662,832,089</b>	<b>30.28%</b>	<b>2,220,919</b>	<b>3,208,763</b>	<b>987,844</b>	<b>44.48%</b>
<b>Tier 2</b>	<b>15,040</b>	<b>16,552</b>	<b>1,512</b>	<b>10.05%</b>	<b>3,751,762,804</b>	<b>4,844,540,782</b>	<b>1,092,777,979</b>	<b>29.13%</b>	<b>17,388,780</b>	<b>25,670,017</b>	<b>8,281,237</b>	<b>47.62%</b>
<b>All Other Counties</b>	<b>4,819</b>	<b>4,860</b>	<b>41</b>	<b>0.85%</b>	<b>1,202,985,594</b>	<b>1,333,121,946</b>	<b>130,136,352</b>	<b>10.82%</b>	<b>4,020,916</b>	<b>4,879,895</b>	<b>858,979</b>	<b>21.36%</b>
<b>Statewide Total</b>	<b>26,928</b>	<b>29,530</b>	<b>2,602</b>	<b>9.66%</b>	<b>7,143,494,448</b>	<b>9,029,240,868</b>	<b>1,885,746,420</b>	<b>26.40%</b>	<b>23,630,614</b>	<b>33,758,674</b>	<b>10,128,060</b>	<b>42.86%</b>

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 6/30/23  
TDP-1 Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	06/30/22	06/30/23	Actual	Percentage	06/30/22	06/30/23	Actual	Percentage	06/30/22	06/30/23	Actual	Percentage
Harris	22,945	23,411	466	2.03%	2,665,994,275	2,965,790,084	299,795,809	11.25%	11,426,055	14,590,841	3,164,786	27.70%
Galveston	622	711	89	14.31%	70,100,522	97,224,656	27,124,134	38.69%	128,212	201,778	73,566	57.38%
Fort bend	2,938	3,266	328	11.16%	453,614,093	558,188,599	104,574,506	23.05%	1,553,666	2,269,537	715,871	46.08%
Dallas	951	928	(23)	(2.42%)	108,724,634	111,935,243	3,210,609	2.95%	335,318	392,887	57,569	17.17%
Brazoria	369	433	64	17.34%	47,714,700	65,807,997	18,093,297	37.92%	74,567	103,692	29,125	39.06%
Tarrant	677	608	(69)	(10.19%)	74,236,780	67,580,710	(6,656,070)	(8.97%)	292,439	287,042	(5,398)	(1.85%)
El paso	187	203	16	8.56%	21,213,625	24,616,019	3,402,394	16.04%	54,538	69,852	15,313	28.08%
Jefferson	244	291	47	19.26%	22,997,775	29,986,375	6,988,600	30.39%	42,481	57,050	14,569	34.30%
Nueces	266	266	0	0.00%	24,450,190	28,061,590	3,611,400	14.77%	42,335	51,536	9,201	21.73%
Montgomery	267	285	18	6.74%	29,099,356	35,679,810	6,580,454	22.61%	89,829	132,448	42,619	47.45%
Bexar	155	153	(2)	(1.29%)	13,527,012	14,158,862	631,850	4.67%	39,505	47,533	8,028	20.32%
Cameron	73	77	4	5.48%	6,717,810	8,496,350	1,778,540	26.47%	13,454	20,157	6,703	49.82%
Calhoun	55	55	0	0.00%	4,941,095	5,282,295	341,200	6.91%	7,974	9,491	1,517	19.02%
Orange	124	143	19	15.32%	10,831,300	13,384,550	2,553,250	23.57%	51,343	78,358	27,016	52.62%
Chambers	40	41	1	2.50%	4,565,600	5,758,900	1,193,300	26.14%	13,455	12,194	(1,262)	(9.38%)
Matagorda	46	34	(12)	(26.09%)	3,668,275	3,172,475	(495,800)	(13.52%)	9,981	13,261	3,280	32.86%
Liberty	85	97	12	14.12%	6,643,958	7,937,848	1,293,890	19.47%	44,904	69,600	24,697	55.00%
Travis	58	50	(8)	(13.79%)	7,098,248	6,705,680	(392,568)	(5.53%)	13,410	21,543	8,133	60.65%
Aransas	14	21	7	50.00%	1,324,400	2,284,560	960,160	72.50%	1,300	2,245	945	72.73%
Hidalgo	104	108	4	3.85%	10,995,800	13,108,500	2,112,700	19.21%	52,341	73,830	21,489	41.06%
San patricio	31	30	(1)	(3.23%)	2,608,200	2,516,900	(91,300)	(3.50%)	6,179	2,518	(3,662)	(59.26%)
Collin	85	87	2	2.35%	15,134,900	15,815,500	680,600	4.50%	62,758	76,601	13,843	22.06%
Waller	42	49	7	16.67%	3,839,280	4,645,680	806,400	21.00%	17,282	26,111	8,829	51.09%
Denton	39	35	(4)	(10.26%)	5,244,600	4,999,400	(245,200)	(4.68%)	15,127	12,934	(2,193)	(14.50%)
Brazos	25	19	(6)	(24.00%)	2,491,950	1,986,250	(505,700)	(20.29%)	9,476	9,248	(228)	(2.40%)
<b>Top 25 Counties</b>	<b>30,442</b>	<b>31,401</b>	<b>959</b>	<b>3.15%</b>	<b>3,617,778,378</b>	<b>4,095,124,833</b>	<b>477,346,455</b>	<b>13.19%</b>	<b>14,397,927</b>	<b>18,632,286</b>	<b>4,234,359</b>	<b>29.41%</b>
<b>All Other Counties</b>	<b>787</b>	<b>845</b>	<b>58</b>	<b>7.37%</b>	<b>73,868,692</b>	<b>84,775,708</b>	<b>10,907,016</b>	<b>14.77%</b>	<b>360,483</b>	<b>417,757</b>	<b>57,274</b>	<b>15.89%</b>
Tier 1	1,785	1,991	206	11.54%	190,945,317	251,237,723	60,292,406	31.58%	343,646	479,383	135,736	39.50%
Tier 2	26,324	27,184	860	3.27%	3,158,611,052	3,572,512,331	413,901,279	13.10%	13,192,573	17,169,530	3,976,957	30.15%
All Other Counties	3,120	3,071	(49)	(1.57%)	342,090,701	356,150,487	14,059,786	4.11%	1,222,191	1,401,130	178,939	14.64%
<b>Statewide Total</b>	<b>31,229</b>	<b>32,246</b>	<b>1,017</b>	<b>3.26%</b>	<b>3,691,647,070</b>	<b>4,179,900,541</b>	<b>488,253,471</b>	<b>13.23%</b>	<b>14,758,411</b>	<b>19,050,043</b>	<b>4,291,632</b>	<b>29.08%</b>

Exposure includes Dwelling, Contents, and Loss of Use coverages  
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**Texas FAIR Plan Association**  
**Liability Report**  
As of 6/30/23  
HO-CONB Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	06/30/22	06/30/23	Actual	Percentage	06/30/22	06/30/23	Actual	Percentage	06/30/22	06/30/23	Actual	Percentage
Harris	1,995	1,839	(156)	(7.82%)	141,989,760	136,254,240	(5,735,520)	(4.04%)	467,129	487,585	20,456	4.38%
Galveston	219	210	(9)	(4.11%)	19,209,480	19,822,920	613,440	3.19%	35,255	39,045	3,790	10.75%
Fort bend	78	72	(6)	(7.69%)	5,784,240	6,120,000	335,760	5.80%	14,224	18,754	4,531	31.85%
Dallas	82	74	(8)	(9.76%)	4,195,200	4,085,040	(110,160)	(2.63%)	12,207	16,832	4,624	37.88%
Brazoria	10	8	(2)	(20.00%)	780,000	564,000	(216,000)	(27.69%)	2,190	1,523	(667)	(30.46%)
Tarrant	5	0	(5)	(100.00%)	348,000	0	(348,000)	(100.00%)	1,186	100	(1,086)	(91.57%)
El paso	3	1	(2)	(66.67%)	342,000	117,600	(224,400)	(65.61%)	1,446	845	(601)	(41.56%)
Jefferson	9	9	0	0.00%	594,960	682,920	87,960	14.78%	1,121	1,481	360	32.16%
Nueces	180	164	(16)	(8.89%)	16,248,720	15,675,840	(572,880)	(3.53%)	33,453	28,326	(5,127)	(15.33%)
Montgomery	13	16	3	23.08%	1,103,280	1,135,680	32,400	2.94%	2,601	3,094	493	18.95%
Bexar	30	31	1	3.33%	1,754,400	1,644,120	(110,280)	(6.29%)	8,915	10,755	1,840	20.65%
Cameron	101	88	(13)	(12.87%)	9,399,480	9,182,400	(217,080)	(2.31%)	16,903	16,486	(417)	(2.46%)
Calhoun	4	5	1	25.00%	312,000	408,240	96,240	30.85%	1,202	270	(932)	(77.54%)
Orange	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Chambers	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Matagorda	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Liberty	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Travis	34	32	(2)	(5.88%)	2,435,040	2,348,040	(87,000)	(3.57%)	5,006	5,709	704	14.06%
Aransas	14	9	(5)	(35.71%)	1,074,600	787,920	(286,680)	(26.68%)	2,888	1,941	(947)	(32.80%)
Hidalgo	7	7	0	0.00%	456,000	456,000	0	0.00%	2,904	2,911	7	0.23%
San patricio	1	0	(1)	(100.00%)	78,000	0	(78,000)	(100.00%)	330	0	(330)	(100.00%)
Collin	18	13	(5)	(27.78%)	848,400	632,400	(216,000)	(25.46%)	1,070	1,138	68	6.36%
Waller	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Denton	2	2	0	0.00%	300,000	300,000	0	0.00%	1,277	1,384	107	8.40%
Brazos	16	10	(6)	(37.50%)	1,322,400	892,320	(430,080)	(32.52%)	2,623	2,552	(71)	(2.72%)
<b>Top 25 Counties</b>	<b>2,821</b>	<b>2,590</b>	<b>(231)</b>	<b>(8.19%)</b>	<b>208,575,960</b>	<b>201,109,680</b>	<b>(7,466,280)</b>	<b>(3.58%)</b>	<b>613,929</b>	<b>640,731</b>	<b>26,802</b>	<b>4.37%</b>
<b>All Other Counties</b>	<b>20</b>	<b>18</b>	<b>(2)</b>	<b>(10.00%)</b>	<b>1,589,760</b>	<b>1,651,560</b>	<b>61,800</b>	<b>3.89%</b>	<b>6,466</b>	<b>7,434</b>	<b>968</b>	<b>14.97%</b>
<b>Tier 1</b>	<b>538</b>	<b>493</b>	<b>(45)</b>	<b>(8.36%)</b>	<b>47,697,240</b>	<b>47,124,240</b>	<b>(573,000)</b>	<b>(1.20%)</b>	<b>93,342</b>	<b>89,072</b>	<b>(4,270)</b>	<b>(4.57%)</b>
<b>Tier 2</b>	<b>2,080</b>	<b>1,918</b>	<b>(162)</b>	<b>(7.79%)</b>	<b>148,230,000</b>	<b>142,830,240</b>	<b>(5,399,760)</b>	<b>(3.64%)</b>	<b>484,257</b>	<b>509,250</b>	<b>24,993</b>	<b>5.16%</b>
<b>All Other Counties</b>	<b>223</b>	<b>197</b>	<b>(26)</b>	<b>(11.66%)</b>	<b>14,238,480</b>	<b>12,806,760</b>	<b>(1,431,720)</b>	<b>(10.06%)</b>	<b>42,796</b>	<b>49,842</b>	<b>7,047</b>	<b>16.47%</b>
<b>Statewide Total</b>	<b>2,841</b>	<b>2,608</b>	<b>(233)</b>	<b>(8.20%)</b>	<b>210,165,720</b>	<b>202,761,240</b>	<b>(7,404,480)</b>	<b>(3.52%)</b>	<b>620,395</b>	<b>648,165</b>	<b>27,770</b>	<b>4.48%</b>

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 6/30/23  
HO-BT Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	06/30/22	06/30/23	Actual	Percentage	06/30/22	06/30/23	Actual	Percentage	06/30/22	06/30/23	Actual	Percentage
Harris	1,167	964	(203)	(17.40%)	23,600,400	18,329,040	(5,271,360)	(22.34%)	90,089	85,860	(4,229)	(4.69%)
Galveston	310	275	(35)	(11.29%)	9,562,200	8,363,160	(1,199,040)	(12.54%)	25,155	23,029	(2,126)	(8.45%)
Fort bend	64	72	8	12.50%	1,606,200	1,945,920	339,720	21.15%	5,469	5,545	76	1.39%
Dallas	30	21	(9)	(30.00%)	978,000	529,800	(448,200)	(45.83%)	2,448	1,806	(642)	(26.22%)
Brazoria	47	42	(5)	(10.64%)	1,756,440	1,335,840	(420,600)	(23.95%)	3,785	3,161	(624)	(16.48%)
Tarrant	33	25	(8)	(24.24%)	787,200	588,000	(199,200)	(25.30%)	1,630	1,225	(405)	(24.85%)
El paso	1	4	3	300.00%	48,000	215,400	167,400	348.75%	317	502	185	58.36%
Jefferson	28	33	5	17.86%	1,248,000	1,353,960	105,960	8.49%	2,259	2,927	668	29.56%
Nueces	18	23	5	27.78%	652,800	811,680	158,880	24.34%	2,041	1,695	(346)	(16.95%)
Montgomery	27	21	(6)	(22.22%)	1,035,720	1,037,400	1,680	0.16%	1,522	1,510	(12)	(0.79%)
Bexar	15	15	0	0.00%	238,800	260,160	21,360	8.94%	864	1,131	267	30.96%
Cameron	1	3	2	200.00%	48,000	160,800	112,800	235.00%	134	662	528	395.14%
Calhoun	8	8	0	0.00%	312,000	312,000	0	0.00%	865	921	56	6.47%
Orange	11	10	(1)	(9.09%)	360,000	327,600	(32,400)	(9.00%)	2,171	2,117	(54)	(2.49%)
Chambers	5	6	1	20.00%	132,000	249,600	117,600	89.09%	70	532	462	662.05%
Matagorda	1	1	0	0.00%	13,200	13,200	0	0.00%	0	0	0	N/A
Liberty	1	4	3	300.00%	12,000	102,000	90,000	750.00%	0	329	329	N/A
Travis	17	22	5	29.41%	495,000	639,840	144,840	29.26%	847	1,549	702	82.93%
Aransas	2	3	1	50.00%	84,360	144,360	60,000	71.12%	262	551	289	110.31%
Hidalgo	3	3	0	0.00%	66,000	54,000	(12,000)	(18.18%)	375	277	(98)	(26.13%)
San patricio	1	0	(1)	(100.00%)	25,200	0	(25,200)	(100.00%)	0	0	0	N/A
Collin	6	8	2	33.33%	156,000	312,000	156,000	100.00%	743	749	6	0.81%
Waller	2	7	5	250.00%	129,000	370,320	241,320	187.07%	0	1,113	1,113	N/A
Denton	1	3	2	200.00%	24,000	78,000	54,000	225.00%	145	314	169	116.55%
Brazos	7	16	9	128.57%	117,000	249,000	132,000	112.82%	156	0	(156)	(100.00%)
<b>Top 25 Counties</b>	<b>1,806</b>	<b>1,589</b>	<b>(217)</b>	<b>(12.02%)</b>	<b>43,487,520</b>	<b>37,783,080</b>	<b>(5,704,440)</b>	<b>(13.12%)</b>	<b>141,347</b>	<b>137,506</b>	<b>(3,841)</b>	<b>(2.72%)</b>
<b>All Other Counties</b>	<b>67</b>	<b>60</b>	<b>(7)</b>	<b>(10.45%)</b>	<b>2,456,280</b>	<b>2,655,240</b>	<b>198,960</b>	<b>8.10%</b>	<b>8,115</b>	<b>8,500</b>	<b>385</b>	<b>4.74%</b>
<b>Tier 1</b>	<b>423</b>	<b>396</b>	<b>(27)</b>	<b>(6.38%)</b>	<b>13,984,200</b>	<b>12,894,600</b>	<b>(1,089,600)</b>	<b>(7.79%)</b>	<b>35,136</b>	<b>34,089</b>	<b>(1,048)</b>	<b>(2.98%)</b>
<b>Tier 2</b>	<b>1,253</b>	<b>1,060</b>	<b>(193)</b>	<b>(15.40%)</b>	<b>25,739,400</b>	<b>20,962,560</b>	<b>(4,776,840)</b>	<b>(18.56%)</b>	<b>98,774</b>	<b>95,030</b>	<b>(3,743)</b>	<b>(3.79%)</b>
<b>All Other Counties</b>	<b>197</b>	<b>193</b>	<b>(4)</b>	<b>(2.03%)</b>	<b>6,220,200</b>	<b>6,581,160</b>	<b>360,960</b>	<b>5.80%</b>	<b>15,552</b>	<b>16,887</b>	<b>1,335</b>	<b>8.58%</b>
<b>Statewide Total</b>	<b>1,873</b>	<b>1,649</b>	<b>(224)</b>	<b>(11.96%)</b>	<b>45,943,800</b>	<b>40,438,320</b>	<b>(5,505,480)</b>	<b>(11.98%)</b>	<b>149,462</b>	<b>146,006</b>	<b>(3,456)</b>	<b>(2.31%)</b>

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

## 6B. Reserve Adequacy



## MEMORANDUM

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DATE: July 20, 2023

TO: David Durden  
General Manager

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

RE: TFPA Reserve Adequacy as of June 30, 2023

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TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of June 30, 2023.

Based on this review, the indicated ultimate cost of Hurricane Harvey is \$84.1 million, remaining very close to the previous quarterly review. Due to uncertainties surrounding the adequacy of case reserves and the outcomes of disputed claims, the selected ultimate gross loss & expense estimate has been maintained at \$85 million.

As of June 30, 2023, TFPA carried \$16.6 million in total gross loss and loss adjustment expense reserves with \$3.1 million of the total gross losses and expenses reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

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

The complete actuarial analysis is available on request.

JM

## 6C. Rate Filing Update



## MEMORANDUM

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DATE: July 19, 2023

TO: David Durden  
General Manager

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

RE: TFPA Rate Filing Update

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

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

A summary of indications and approved changes by form follows:

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

JM

## 6D. Reinsurance Report

## MEMORANDUM

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DATE: July 20, 2023

TO: David Durden  
General Manager

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

RE: TFPA Funding for the 2023 Hurricane Season

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TFPA has successfully secured reinsurance coverage for the 2023 hurricane season as directed by the Governing Committee at its May 22, 2023 meeting and with the assistance of its broker, Gallagher Re.

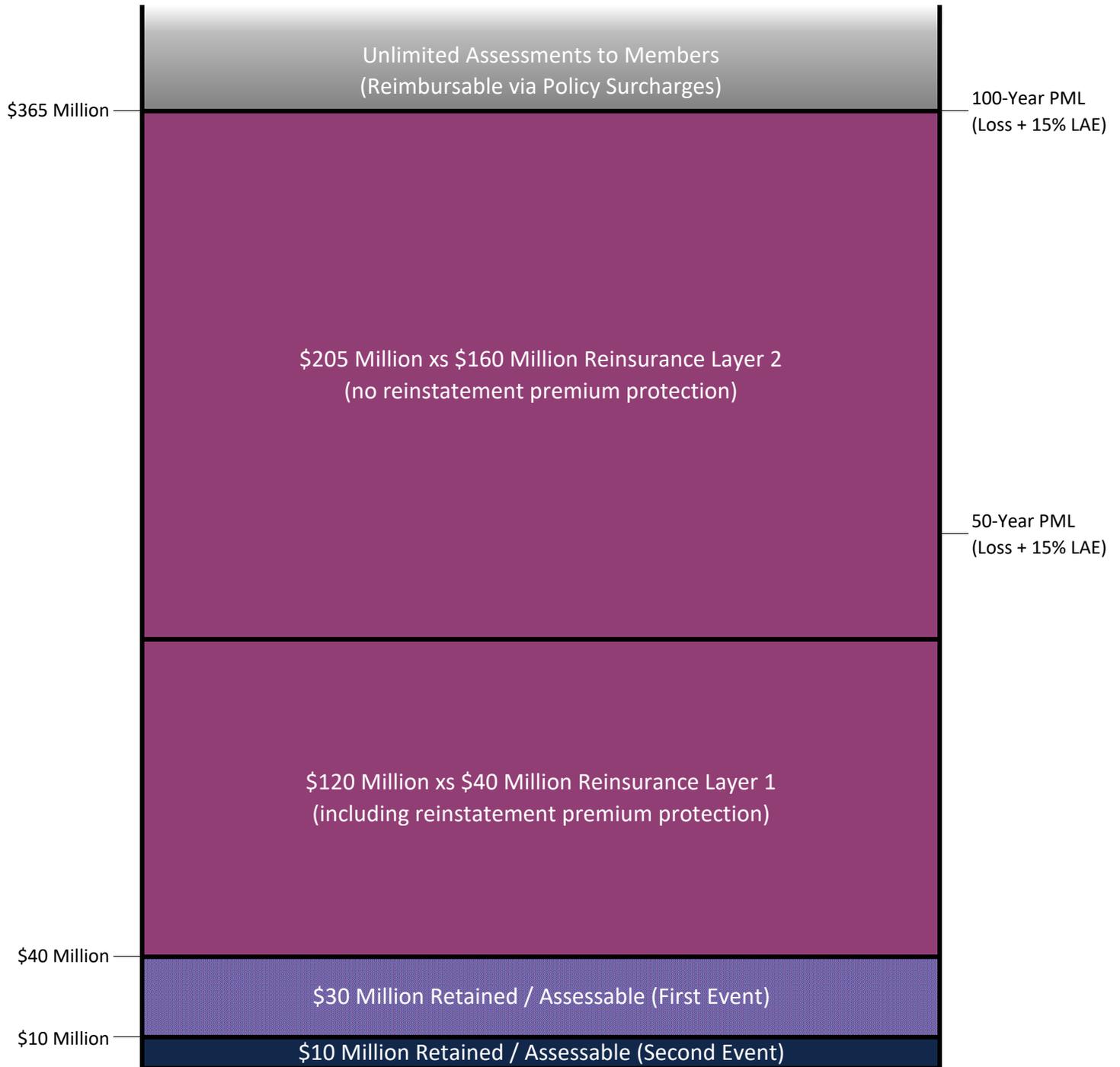
The 2023 reinsurance program became effective July 1, 2023 and provides protection up to \$365 million as follows:

- \$120 million xs \$40 million (including reinstatement premium protection)
- \$205 million xs \$160 million
- \$30 million of second event coverage, reducing the Association's retention from \$40 million to \$10 million for a second event

Gross deposit premiums for all reinsurance layers total \$42.6 million, within the maximum premium authorized by the Governing Committee.

A funding chart showing total funding for the 2023 hurricane season is attached.

JM



Probable Maximum Loss estimates based on TFPA exposures as of 3/31/23, using average of RMS and Verisk near-term per occurrence estimates and include a 15% provision for LAE

## 7. Internal Audit Status & Update

# MEMORANDUM

TO: The Governing Committee - Texas FAIR Plan Association  
FROM: Bruce Zaret, Weaver - Internal Audit  
DATE: August 7, 2023  
SUBJECT: Status of Internal Audit Activities

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

➤ **Current Activities:**

Activity Description	Status
Accounts Payable and Expense Processing	Reporting in progress
Accounts Receivable	Review in progress
Depopulation	Review in progress
CAT Plan Tabletop Exercises	Attended all sessions
Underwriting	Fieldwork in progress
App Development & Database Access	Fieldwork in progress
Model Audit Rule	Planning in progress
Reinsurance Funding	Planning in progress

➤ **Upcoming Audits and Activities:**

Activity Description	Timing
Actuarial	3 <sup>rd</sup> /4 <sup>th</sup> Quarter
Communications	4 <sup>th</sup> Quarter
Legal and Compliance	4 <sup>th</sup> Quarter
Plan of Operation	1 <sup>st</sup> Quarter 2024 (moved back from Q2 2023)

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

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

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

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

## 8. Underwriting Operational Review Update

## MEMORANDUM

DATE: July 19, 2023  
 TO: David Durden, General Manager  
 FROM: Michael Ledwik, Vice President, Underwriting  
 RE: Update on Underwriting Operational Results

### Second Quarter 2023 Results

TFPA Underwriting Metrics	Monthly Summary			Quarterly Summary			YTD		
	Apr-23	May-23	Jun-23	Q1 2023	Q2 2023	Q3 2023	2023	2023 Goal	▲
Transaction Issuance	99.61%	99.64%	99.62%	99.58%	99.62%		99.60%	90%	9.60
Internal Underwriting QA	98.67%	98.58%	97.67%	98.61%	98.31%		98.46%	95%	3.62
Service Level	84.98%	82.48%	80%	76%	82.49%		79.24%	80%	0.76

I. Overview:

- 99.62% of the transactions were issued within 10 Days of receiving the application and payment
  - a. 89% of the transactions were straight through processed by the system
  - b. 11% of the transactions were referred by the system to Underwriting for additional information, review, and approval prior to issuance
- 82.49% of calls were answered under 20 seconds

II. Agency Compliance Audits:

A standard sample of agencies (20) were selected for review in the second quarter of 2023 to verify compliance with the Texas FAIR Plan Association (TFPA) declination of coverage requirement and TFPA Producer Requirements and Performance Standards. Forty-Five percent (45%) of agents have responded. The statistics below are results of the analysis of documents that have been provided to date.

- i. Proof of declination was received for sixty-seven percent (67%) of the policies selected.
- ii. Signed applications were provided for seventy-one percent (72%) of the policies selected.
- iii. Signed eligibility requirement statements were provided for seventy-one percent (71%) of the policies selected.



- iv. Contributing the percentages above, 11 agents have not responded and 2 agents that could not provide the requested documents cited a book of business transfer.
- b. All agents selected have an active property and casualty insurance license and the required direct standard market appointments.
- c. Staff is following up for outstanding proof of declinations, outstanding signed applications, and outstanding signed eligibility statements for the agents who have not fully responded.
- d. Follow-up audits continue to be conducted on agents who have been previously audited when that audit was deemed non-compliant.

## 9. Claims

### 9A. Claims Operations

## TFPA Claims Operations 2023

TFPA Claims - 2023 Results (through Q2)					
Key Cycle Times (In days)	Industry Average, TX	TFPA	TFPA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	5.9	3.2	<3	0.2	7%
Inspect Property to Receipt by TFPA	4.2	1.9	<8	-6.1	-76%
Total Cycle Time FNOL to Payment - Daily	N/A	9.6	<12	-2.4	-15%
Total Cycle Time FNOL to Payment - Cat	N/A	8.8	<12	-3.2	-20%
TDI Complaint Ratio					
2022	0.18% - 6 complaints from 3,322 new claims				
2023	0.10% - 3 complaints from 3,021 new claims				

Year	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Actual Volume	253	210	321	302	314	260	236	354	270	220	253	329	712	367	479	479	454	530
Actuarial Projected	338	203	203	667	667	306	302	434	565	658	194	194	304	185	185	604	604	281
Staffing Plan	315	315	315	315	315	315	315	315	315	315	315	315	288	288	288	288	288	288
Open Inventory	773	768	793	780	790	734	682	691	595	614	634	679	1,012	883	982	1,030	992	1,065

Historical TFPA Claim Volume	
Year	Claims
<b>2005</b>	<b>5,581</b>
<b>2006</b>	<b>3,067</b>
<b>2007</b>	<b>4,039</b>
<b>2008</b>	<b>27,777</b>
<b>2009</b>	<b>3,640</b>
<b>2010</b>	<b>3,200</b>
<b>2011</b>	<b>4,200</b>
<b>2012</b>	<b>5,886</b>
<b>2013</b>	<b>5,974</b>
<b>2014</b>	<b>5,498</b>
<b>2015</b>	<b>9,387</b>
<b>2016</b>	<b>11,509</b>
<b>2017</b>	<b>24,096</b>
<b>2018</b>	<b>5,720</b>
<b>2019</b>	<b>6,950</b>
<b>2020</b>	<b>2,931</b>
<b>2021</b>	<b>9,471</b>
<b>2022</b>	<b>3,322</b>
<b>2023</b>	<b>3,021</b>

## TFPA - Claim Severity by Accident Year and Peril

### Reported Claims by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ
2019	232	-	84	-	157	-	727	-	4,949	-	6,506	-
2020	114	-50.9%	95	13.1%	111	-29.3%	627	-13.8%	3,620	-26.9%	4,994	-23.2%
2021	132	15.8%	69	-27.4%	79	-28.8%	4,045	545.1%	3,201	-11.6%	9,175	83.7%
2022	96	-27.3%	67	-2.9%	61	-22.8%	712	-82.4%	1,890	-41.0%	3,125	-65.9%
2023	34	-64.6%	21	-68.7%	30	-50.8%	284	-60.1%	2,266	19.9%	2,782	-11.0%

### Incurred Amounts by Peril

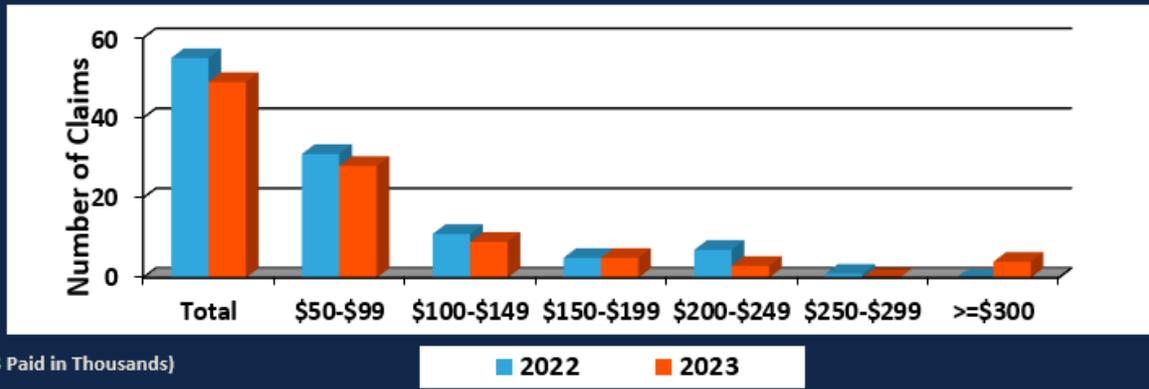
Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2019	\$9,749,964	-	\$584,045	-	\$398,281	-	\$551,611	-	\$20,730,908	-	\$32,607,005	-
2020	\$5,814,901	-40.4%	\$849,398	45.4%	\$206,387	-48.2%	\$477,463	-13.4%	\$15,355,878	-25.9%	\$25,652,947	-21.3%
2021	\$8,558,731	47.2%	\$131,857	-84.5%	\$132,140	-36.0%	\$3,689,180	672.7%	\$11,880,728	-22.6%	\$25,654,817	0.0%
2022	\$6,881,662	-19.6%	\$202,297	53.4%	\$172,525	30.6%	\$688,813	-81.3%	\$10,028,128	-15.6%	\$18,360,652	-28.4%
2023	\$1,457,073	-78.8%	\$67,587	-66.6%	\$17,279	-90.0%	\$333,313	-51.6%	\$17,342,616	72.9%	\$19,502,488	6.2%

### Incurred Claim Severity by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ
2019	\$42,026	-	\$6,953	-	\$2,537	-	\$759	-	\$4,189	-	\$5,012	-
2020	\$51,008	21.4%	\$8,941	28.6%	\$1,859	-26.7%	\$762	0.4%	\$4,242	1.3%	\$5,137	2.5%
2021	\$64,839	27.1%	\$1,911	-78.6%	\$1,673	-10.0%	\$912	19.8%	\$3,712	-12.5%	\$2,796	-45.6%
2022	\$71,684	10.6%	\$3,019	58.0%	\$2,828	69.1%	\$967	6.1%	\$5,306	43.0%	\$5,875	110.1%
2023	\$42,855	-40.2%	\$3,218	6.6%	\$576	-79.6%	\$1,174	21.3%	\$7,653	44.2%	\$7,010	19.3%

\*Case incurred amounts exclude loss adjustment expenses and IBNR reserves

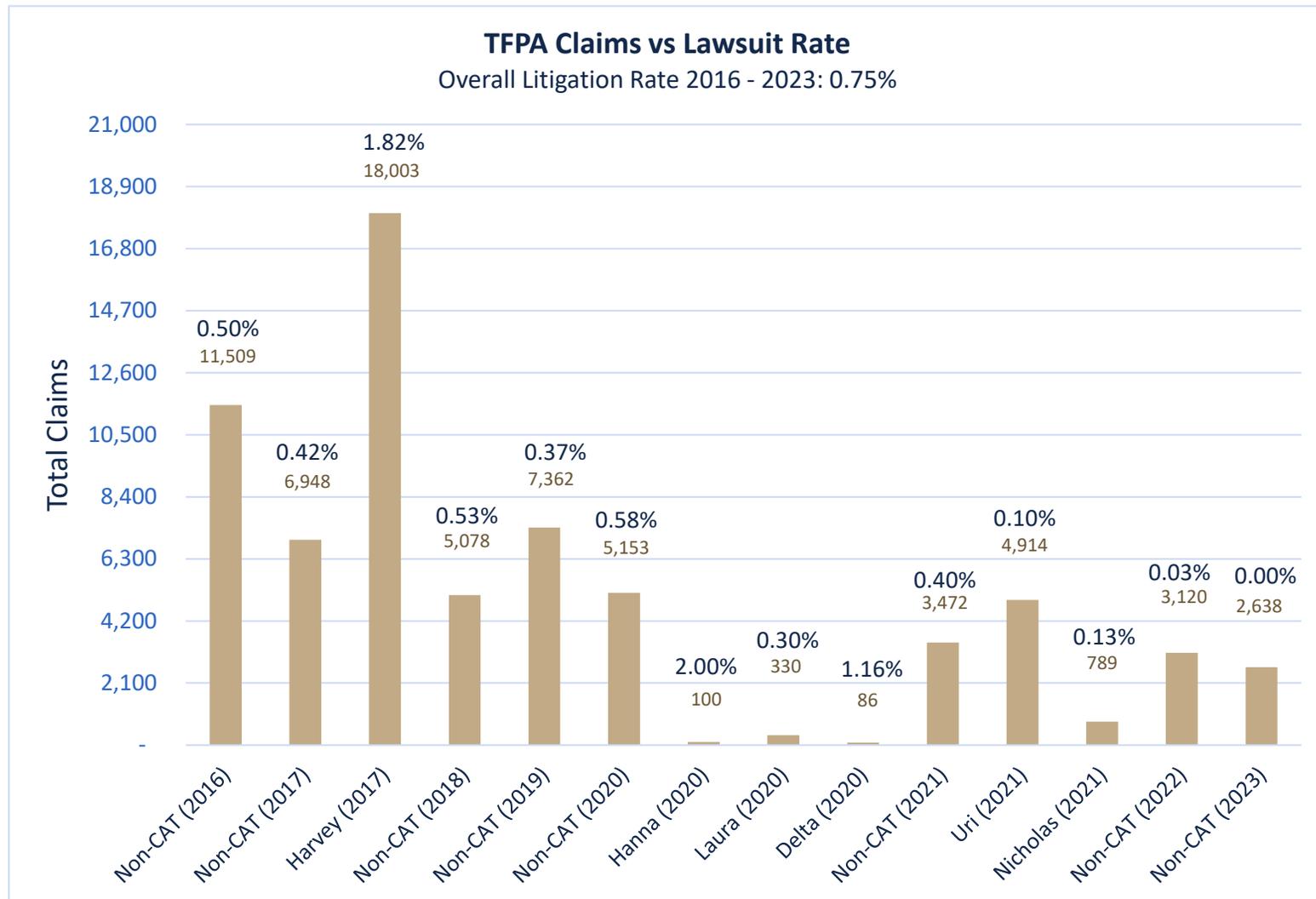
## TFPA - Large Loss Based On Paid Indemnity



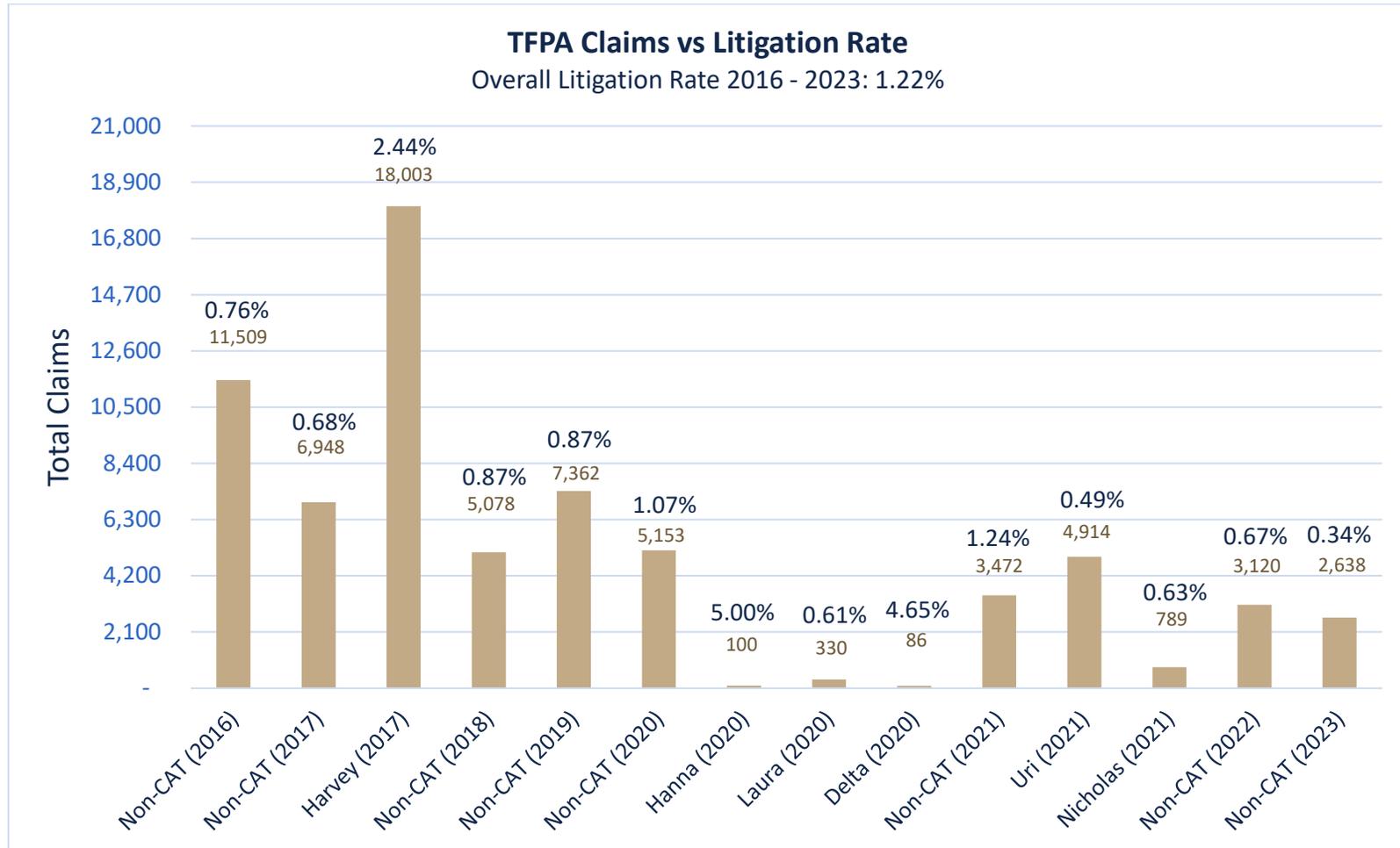
Date	Total	\$50-\$99	\$100-\$149	\$150-\$199	\$200-\$249	\$250-\$299	>=\$300
2022 (complete year)	55	31	11	5	7	1	0
Liability	0	0	0	0	0	0	0
2023 (year-to-date)	48	27	9	5	3	0	4
Liability	1	1	0	0	0	0	0
Variance	-6	-3	-2	0	-4	-1	4

## 9B. Claims Litigation

## TFPA Litigation Activity



## TFPA Litigation Activity





# TFPA Litigation Activity

## Litigation Quarterly Summary Second Quarter 2023

2nd Quarter 2023	Summary of TFPA Claims in Suit					
	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
April	1	0	0	0	2	0
May	5	0	0	0	2	0
June	1	0	0	0	2	0
	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>

2nd Quarter 2023	Summary of TFPA Claims with LORs					
	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
April	7	0	0	0	3	1
May	13	2	0	0	8	2
June	6	1	0	0	5	1
	<b>26</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>4</b>



## TFPA Litigation Activity

### TFPA Claims Litigation June 2023

Jun-23	TFPA Claims in Suit						
		Beginning Inventory	New	Closed	Ending Inventory		
					1st Party	3rd Party	TOTAL
	Wind/Hail	31	1	(2)	30	0	30
	Other Perils	8	0	0	8	0	8
	Bodily Injury	5	0	0	0	5	5
	Property Damage	0	0	0	0	0	0
	TOTAL	44	1	(2)	38	5	43

Jun-23	TFPA Claims with LORs							
		Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory		
						1st Party	3rd Party	TOTAL
	Wind/Hail	55	5	(4)	(1)	55	0	55
	Other Perils	15	1	(1)	0	15	0	15
	Bodily Injury	3	1	(1)	0	0	3	3
	Property Damage	0	0	0	0	0	0	0
	TOTAL	73	7	(6)	(1)	70	3	73

Jun-23	TFPA Claims with Suits/LORs: Detail of Ending Inventory											
	Category	Active Unsettled Claims					Settled & Funded (Awaiting closing documents and final invoices)					GRAND TOTAL
		Suits		LORs		Total	Suits		LORs		Total	
		1st	3rd	1st	3rd		1st	3rd	1st	3rd		
	TOTAL	38	5	70	3	116	0	0	0	0	0	116



## TFPA Litigation Activity

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<b>TFPA Active Claims with Suits/LORs: Breakdown by Plaintiff Firm</b>	
<b>Firm</b>	<b>Total</b>
Dick Law Firm	40
Manuel Solis, P.C.	17
Chad T. Wilson Law Firm	9
Palker Law Firm	7
Baker Law	5
Zar Law Firm	3
Arguello Law Firm	3
Law Offices of Willie McAllen	2
Crowell & Kucera	2
Omar Ochoa Law Firm	2
Furlow Law Firm	1
Galindo Law	1
McMillan Law Firm	1
Buzbee Law Firm	1
Remaining 22 firms	22
<b>TOTAL</b>	<b>116</b>



## TFPA Litigation Activity

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<b>TFPA Active Claims with Suits/LORs: County of Loss Location</b>			
<b>County</b>	<b>1st Party</b>	<b>3rd Party</b>	<b>Total</b>
Atascosa	1	0	1
Brazoria	1	0	1
Dallas	1	0	1
El Paso	3	0	3
Ft. Bend	10	0	10
Galveston	0	2	2
Harris	86	4	90
Hidalgo	4	0	4
Johnson	0	1	1
Maverick	1	0	1
Nueces	0	1	1
San Jacinto	1	0	1
<b>TOTAL</b>	<b>108</b>	<b>8</b>	<b>116</b>

# 10. TFPA Operations

## 10A. IT Systems Update



## MEMORANDUM

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DATE: July 18, 2023  
TO: David Durden, General Manager  
FROM: Camron Malik, CIO / VP IT  
RE: TFPA Information Technology status

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We have started early preparations for the cloud effort with individuals taking cloud training on Guidewire core applications. The team is in on-going discussions on infrastructure, such as tools and technologies, that will change with the move to the cloud. The project is still on track to start January 2024.

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

## 10B. Legislative Affairs Update and Legislative Implementation

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## MEMORANDUM

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DATE: July 19, 2023  
TO: David Durden, General Manager  
FROM: Anna Stafford, Senior Manager, Legislative & External Affairs  
RE: Legislative & External Affairs Operational Highlights

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### Legislative & Regulatory Affairs

- a) 88<sup>th</sup> Legislative Session: The regular session of the 88th Legislature concluded on May 29. House Bill 998 by Rep. Dennis Paul (Harris County) passed and was signed into law by the governor. This bill allows the Insurance Commissioner to designate areas within 10 miles of TWIA's coverage area where property owners' associations would be eligible for FAIR Plan coverage.
- The governor vetoed Senate Bill 1393. This bill, by Sen. Mayes Middleton (Galveston County) and Rep. Paul, would have allowed an offer of private market residential coverage that is at least 10 percent higher than a TFPA offer for equivalent coverage to be considered a declination for purposes of eligibility for TFPA coverage in areas within four miles of TWIA's coverage area.
- b) OPIC: David Bolduc was confirmed by the Senate on April 19 as Public Counsel for the Office of Public Insurance Counsel for a term to expire in February 2025.
- c) Legislative Implementation: Staff have launched a Legislative Implementation Program for the 88th Session (LIP 88) to put into effect the new laws impacting Association operations. The implementation program, guided by the Enterprise Portfolio Management team within People & Business Operations and supported by the Legislative & External Affairs team, will follow the outline below:
- 30 Days: Identify the scope of changes and begin stakeholder communications. [Status: Complete]
  - 60 Days: Initiate the program, conduct stakeholder impact analyses, and identify timelines. [Status: Underway]
  - 90 Days: Complete change management strategy activities, monitor progress, and validate compliance understanding based on effective dates and other deadlines. [Status: Pending]
- d) Special Sessions: Since the conclusion of the regular session, the governor has called two special sessions and is expected to call further special sessions this biennium. We do not expect any Association-related legislation to be considered in these sessions.

- e) Legislative Meetings: Association staff held five meetings with legislative offices during Q2 2023. Most of these meetings have been related to TWIA issues, but we have also met with the offices of the authors of the TFPA bills listed above and discussed those proposals.
- f) Stakeholder Inquiries: From April 1 through June 30, 2023, we received and responded to five legislative/TDI inquiries on TFPA litigation and general TFPA coverage questions from coastal property owners sent from the TDI Ombudsman.
- g) Operational Updates: We continue to provide regular email updates to the Governing Committee, the Texas Department of Insurance (TDI), legislative staff, and coastal elected officials and stakeholders about Association operational activities.

## 13. Future Meetings

December 11, 2023 – Omni Hotel

Corpus Christi, TX

February 19, 2024 – Moody Gardens Hotel

Galveston, TX