

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

December 9, 2024

Omni Hotel  
900 North Shoreline Blvd.  
Corpus Christi, TX 78401  
3:00 p.m.



TEXAS FAIR PLAN  
ASSOCIATION

Interested parties can listen to the meeting live by going to [www.texasfairplan.org](http://www.texasfairplan.org).  
Go to “About Us/Board Meetings” and access the video conferencing website with instructions  
available on [www.texasfairplan.org](http://www.texasfairplan.org) or may attend the meeting in person at the Omni Hotel.

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

1. Call to Order
  - A. Welcoming Remarks –*Wendy Mueller* *5 minutes*
  - B. Reminder of Anti-Trust Statement – *Counsel*
  - C. Meeting Format Information – *Kristina Donley*
2. Consideration and Action to: *5 minutes*  
Approve the Minutes from Prior Governing Committee Meetings  
–*Wendy Mueller* – **Action/Vote Likely\***
3. Election of Governing Committee Officer – *Wendy Mueller*– **Action/Vote Likely\*** *10 minutes*
4. TFP A Operational Dashboard – *David Durden* *5 minutes*
5. Financial *30 minutes*
  - A. Report of the Secretary/Treasurer –*E. Jay Sherlock* – **Action/Vote Likely\***
    1. Income Statement
    2. Management Discussion and Analysis
  - B. Financial Statement Review by Staff – *Stuart Harbour*
  - C. Review/Approval of 2025 Budget – *Stuart Harbour* – **Action/Vote Likely\***
6. Actuarial – *Jim Murphy* *40 minutes*
  - A. Policy Count/Exposures
  - B. Reserve Adequacy
  - C. Annual Rate Review – **Action/Vote Likely\***
  - D. 2025 Hurricane Funding/Reinsurance
7. Internal Audit – *Dan Graves* – *Weaver* *20 minutes*
  - A. Internal Audit Status Update
  - B. Catastrophe Plan Audit
  - C. Internal Audit Risk Assessment and 2025 Proposed Audit Plan – **Action/Vote Likely\***
8. Underwriting Operational Review Update – *Michael Ledwik* *10 minutes*

9. Claims *15 minutes*  
A. Claims Operations – *Dave Williams*  
B. Claims Litigation – *Jessica Crass*
10. TFPA Operations *20 minutes*  
A. IT System Enhancements – *Michael Eleftheriades*  
B. Cyber Security – *Michael Eleftheriades*  
C. Communications and Legislative Update – *David Durden*
11. Closed Session (**Governing Committee Only**) *30 minutes*  
A. Personnel Issues  
B. Legal Advice
12. Consideration of Issues Related to Matters Deliberated in Closed Session *5 minutes*  
that May Require Action, if any, of the Governing Committee – **Action/Vote Likely\***
13. Committees – *Wendy Mueller* *5 minutes*
14. Future Meetings – *David Durden* *5 minutes*  
  - February 24, 2025 – Moody Gardens Hotel – Galveston
  - May 5, 2025 – Marriott South – Austin
  - August 4, 2025 – Tremont House – Galveston
15. Adjourn

# 1. Call to Order



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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**



Tremont House  
2300 Ships Mechanic Row  
Galveston, TX

**August 5, 2024**

The Following Governing Committee Members were Present, Representing:

- |  |                                   |
|--|-----------------------------------|
| 1. Wendy Mueller (Chair)                 | State Farm                        |
| 2. Mark Solomon                          | Agent Member                      |
| 3. Ryan Bridges                          | Public Member                     |
| 4. Frank Baumann                         | Public Member                     |
| 5. Georgia Neblett                       | Public Member                     |
| 6. Tim McCarthy                          | Texas Farm Bureau                 |
| 7. Danny Pringle                         | USAA                              |
| 8. John Miletti                          | Travelers                         |
| 9. E. Jay Sherlock (Secretary/Treasurer) | Public Member                     |
| 10. Pamela Hurley                        | 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. Michelle Friesenhahn, VP People and<br>Business Operations                | TFPA                   |
| 7. Jim Murphy, Chief Actuary   | TFPA                   |
| 8. Michael Ledwik, VP Underwriting   | TFPA                   |
| 9. Amy Koehl, Senior Project Administrator                                   | TFPA                   |
| 10. Michael Eleftheriades, Director of Software<br>Development (Interim CIO) | TFPA                   |
| 11. Kristina Donley, Training, QA and<br>Agency Audit Manager                | TFPA                   |
| 12. Mike Perkins, Association Counsel  | Perkins Law Group PLLC |

The Following In Person Attendees Were Present:

- |                      |                          |
|----------------------|--------------------------|
| 1. Clark Thomson     | Calhoun, Thomson + Matza |
| 2. Allen Cashin      | Gallagher Re             |
| 3. Joey Walker       | Gallagher Re             |
| 4. Drew Beglau       | TDI                      |
| 5. David Muckerheide | TDI                      |
| 6. Jessica Davidson  | TFPA                     |
| 7. Mary Keller       | TWIA Board Member        |

- |                 |        |
|-----------------|--------|
| 8. David Bolduc | OPIC   |
| 9. Dan Graves   | Weaver |

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

- |                       |                        |
|-----------------------|------------------------|
| 1. Jeff Berg          | 16. Larry Martin       |
| 2. Shirley Bowler     | 17. Claudia Martinez   |
| 3. J'ne Byckovski     | 18. Darrell McClanahan |
| 4. Angie Cervantes    | 19. Susan Nold         |
| 5. Lou Cusano         | 20. Jessica O'Connor   |
| 6. Kimberly Donovan   | 21. Dan Paschal        |
| 7. Nicole Elliott     | 22. Elisabeth Ret      |
| 8. Angela Fang        | 23. Amarisa Rodriguez  |
| 9. Allen Fulkerson    | 24. Kenisha Schuster   |
| 10. Jesus Guerro      | 25. Rhonda Scott       |
| 11. Jordan He         | 26. Rachel Shann       |
| 12. Elizabeth Howland | 27. Anna Stafford      |
| 13. Andrew Hurt       | 28. Aaron Taylor       |
| 14. Shelina Jamani    | 29. Cindy Watkins      |
| 15. Tammy Jones       | 30. Olga Yakovleva     |

1. Call to Order: Chairman Wendy Mueller called the meeting to order at 3:00 p.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the statement by counsel. Kristina Donley provided housekeeping information to the attendees.
2. Approval of the Minutes from Prior Governing Committee Meeting: Ms. Neblett moved to approve the minutes from the May 6, 2024 and June 20, 2024 meetings. Mr. Miletti seconded the motion. The motion passed unanimously.
3. TFPA Operational Dashboard: Mr. Durden reviewed the current operational dashboard. Operating expenses are below budget. Exposure growth is up 13% and this number does not include Beryl activity. Mr. Durden reviewed the current enterprise projects.
4. Financial:
  - A. Report of the Secretary/Treasurer: Mr. Sherlock reviewed the Treasurer's Report. Mr. Solomon moved to approve the report. Mr. McCarthy seconded the motion. The motion passed unanimously.
  - B. Financial Statement Review by Staff: Direct written premiums for the three months ending on June 30, 2024 were \$106.2 million, an increase of \$30.5 million. Direct earned premiums were \$66.7 million. Policies in force were 91,841.

The TFPA 2024-2025 reinsurance program was placed through broker Arthur J. Gallagher, effective in early July 2024. The program provides coverage of \$518

million in excess of a \$40 million initial retention and includes a “second event” cover that reduces the net retention to \$120 million. Reinstatement premium protection was also purchased to cover 90.3% of the cost to reinstate the first \$210 million of reinsurance limit. Ceded premiums are earned on a pro-rata basis over the term of the reinsurance coverage.

Direct losses and loss adjustment expense were \$62.8 million for the quarter. Operating expenses for the quarter were \$8.5 million. Notable expense items over budget include professional & consulting services (over by \$160,000) and hardware & software expenses (\$74,000).

- C. Selection of Auditors/Accountants for 2024: Ms. Neblett asked when the last time an RFP was conducted for auditors/accountants. Mr. Harbour said the last RFP occurred in 2021. Mr. Bridges moved that the governing committee of the Association, acting as the audit committee, authorizes and directs that the firm of Calhoun, Thomson + Matza be engaged to conduct the upcoming annual audit of the Association’s financial statements on the terms set forth in the engagement letter included in the governing committee book. Ms. Neblett seconded the motion. The motion passed unanimously.

5. Actuarial:

- A. Policy Count/Exposures: Mr. Murphy reported that the policy count is up just under 40% and exposures are up about 75%. The primary driver is the homeowner’s policy, which is up 60% year-over-year. The homeowner’s policy outside of the coastal areas is up 107% and is up 56% in tier two counties. Harris County is up 12,000 policies year-over-year.
- B. Reserve Adequacy: TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of June 30, 2024.

Based on this review, the indicated ultimate cost of Hurricane Harvey decreased slightly to \$82.2 million. In recognition of uncertainties regarding the outcomes of disputed claims, the selected ultimate gross loss & expense estimate remains at \$82.5 million.

As of June 30, 2024, TFPA carried \$35.9 million in total gross loss and loss adjustment expense reserves with just over \$400,000 of the total gross loss and expense reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

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

- C. Rate Filing Update: Implementation of approved rates is on schedule for an August 1, 2024 effective date for all new and renewal policies.

TFPA actuarial staff will be updating its annual rate adequacy analysis and will present the results to the governing committee at its December meeting. In addition to the standard analysis, staff will be preparing additional information requested by governing committee members including rate indications capped at various levels, including uncapped, retention information for TFPA policies, scenarios modeling premium increases associated with various rate increases and rate increases required to establish target surplus levels. Ms. Mueller would like to know if the Association takes a significant rate increase, will that affect growth. Ms. Neblett asked what the property value average is of the new policyholders. Mr. Murphy said it was slightly higher than the existing book. Existing policyholder property values were around \$200,000 and new policies are around \$300,000. Mr. Baumann asked if the 1% deductible is locked in. Mr. Murphy said 1% was the default deductible but policyholders can choose a higher one. Mr. McCarthy said he would like to see that as an option to be presented to the governing committee. Staff will put together an interim meeting to discuss rates and property values of new policyholders versus the older book of business. Staff will canvas the voluntary market for deductibles for new business, age of roofs, etc.

- D. TFPA Assessment Discussion: As of June 30, 2024, the Texas FAIR Plan Association reported a deficit of \$57.7 million primarily due to losses associated with higher than anticipated severe convective storms during the 2023 and 2024 spring storm seasons. In addition, Hurricane Beryl made landfall in early July 2024 with losses and LAE expected to exceed the \$40 million retention that exists in the current reinsurance agreements.

While it is still early to estimate the ultimate gross losses and loss expenses from Hurricane Beryl, TFPA anticipates paying out the entire \$40 million retention and receiving reimbursements from its reinsurers for the amount of losses and prescribed loss adjustment expenses in excess of its \$40 million net retention.

In light of the financial impact of the existing December 31, 2023, deficit and the losses that will be incurred from Hurricane Beryl, Association staff recommends that the Governing Committee consider seeking a member assessment at this time for the \$17,655,182 deficit that existed as of December 31, 2023 using the 2023 final participation percentages. Collection of the assessment for the 2023 deficit along with other cash balances is expected to allow TFPA to pay claims for the remainder of 2024 unless policyholders are faced with another catastrophic event. Staff also recommended an additional \$40 million assessment be sought to reimburse the association for the reinsurance retention related to Hurricane Beryl, which will be exceeded.

Ms. Neblett noted that the Governing Committee of the Texas FAIR Plan Association is authorized by the provisions of Chapter 2211 of the Texas Insurance Code and the

Association's plan of operation to make assessments against its participating insurers, at the direction of the Commissioner of Insurance, as required to meet the Association's expenses and liabilities, to provide necessary operating funds, and to eliminate deficits incurred in the operation of the Association.

Ms. Neblett moved as follows:

Resolved, that the Governing Committee directs association staff to make a filing with the commissioner of insurance seeking direction to assess the member companies in the amount of \$17.7 million to eliminate the association's balance sheet deficit as of December 31, 2023 and also to assess the member companies in the amount of \$40 million to reimburse the association for Hurricane Beryl losses and loss adjustment expenses below the reinsurance retention amount.

The motion, seconded by Mr. McCarthy, passed unanimously.

- E. 2024 Hurricane Season Funding: TFPA, with the assistance of its broker, Gallagher Re, has successfully secured reinsurance coverage for the 2024 hurricane season as directed by the Governing Committee at its June 20, 2024 meeting, subject to the approved budget of \$73.6 million.

The 2024 reinsurance program became effective July 1, 2024 and provides protection up to \$558 million (\$518 million xs \$40 million retention). Gross deposit premiums for all reinsurance layers total \$73,597,096. Allen Cashin from Gallagher Re stated this is the third year of placing the Association's reinsurance and this was a very challenging year. He would like the committee to reconsider the renewal date, which is currently July 1. Most reinsurers have deployed their capital and June is difficult. He suggested changing the renewal date to May 1 or June 1 for next year. This item will be put on the December meeting agenda.

6. Internal Audit Status Update: Current internal audit activity includes legal and compliance, legislative and external affairs, financial close and reporting, emergency planning – catastrophe plan, customer experience and executive management, operational planning and reporting. Upcoming audit activities include strategic communications, cash management and risk assessment update.
7. Underwriting Operational Review Update: Mr. Ledwik reported that 99.45% of underwriting transactions were issued within 10 days of receiving the application and payment. Of those transactions, 89% were straight through processed by the system and 11% of the transactions were referred by the system to underwriting staff for additional information, review and approval prior to issuance. Of department calls, 81.26% of calls were answered in under 20 seconds.

There is no agency compliance audit data to present/report currently. For the second quarter audit, one of the larger TFPA agencies has been selected for audit with an

expanded audit of data related to 200 policies. The audit is in progress and once the findings are compiled, the Association will provide an update.

8. Claims:

- A. Claims Operations: First notice of loss to property inspection averaged 3.1 days, coming under the industry average of 5.8 days. The total cycle time of first notice of loss to payment (daily) was 9.7 days. The total cycle time of first notice of loss to payment (cat) was 11.0 days. Historical TFPA claim volume for 2024 is 4,731.
- B. Claims Litigation: Three first party and one third party suits were received in the second quarter. During the same timeframe, eight first party and two third party suits were closed. For TFPA claims with letters of representation, 19 first party and 10 third party were received for the quarter. The Association closed 18 first party and 10 third party claims with letters of representation during the quarter.

9. TFPA Operations:

- A. IT Systems Enhancements: Mr. Malik reported the cloud program is moving forward and is currently in “green” status. The program comprises projects implementing policy, billing, claims, portals, integration, enterprise data warehouse and infrastructure. All of which are doing well. The system integrator and TWIA continue to work well together and the project teams are focused on achieving the goals of the program.

The chatbot project for claims deployed the chat (web based) and SMS (text) bots. The voice bot will be deployed in the next few weeks, once the associated support work in ClaimsCenter is completed.

The IT budget is controlled and currently \$394K below projections.

Overall, the systems are functioning well with monthly releases on schedule and the infrastructure and operations team continues to support the organization meeting quality goals.

Mr. Durden announced that Mr. Malik is retiring and introduced Michael Eleftheriades as the interim CIO.

- B. Communications and Legislative Affairs Update: In regard to House Bill 998, the Texas Department of Insurance has proposed new and amended sections to TFPA’s Plan of Operation to implement this law. These changes include the process by which the commissioner will designate areas in which the property owners’ association coverage required by the law will be offered. Written public comments on the proposal must be received by July 29. TDI held a public hearing on the proposal on July 16, which Association staff attended. The Association continues to work with the third-party vendor selected to manage these policies on behalf of TFPA. Staff are developing processes for handling claims for these policies internally.

10. Closed Session: There was no closed session.

11. Consideration of Issues Related to Matters Deliberated in Closed Session that May Require Action, If Any, of the Governing Committee: There were no items to consider.
12. Future Meetings: The next meetings are scheduled to take place on the following dates and locations:
  - December 9, 2024 – Omni Hotel – Corpus Christi
  - February 24, 2025 – Moody Gardens Hotel – Galveston
13. Committees: There was nothing to report.
14. Election of Officer: The vice chair position for the committee is currently open. An election will hopefully take place at the December meeting.
15. Adjourn: There being no further business the meeting adjourned at 4:36 pm.

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Prepared by: Amy Koehl  
Senior Project Administrator

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Approved by: Wendy Mueller  
TFPA Chairman

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



4801 Southwest Parkway  
Building 1, Suite 200  
Austin, TX 78735

**November 7, 2024**

The Following Governing Committee Members were Present, Representing:

- |                          |                                   |
|--------------------------|-----------------------------------|
| 1. Wendy Mueller (Chair) | Agent Member                      |
| 2. Mark Solomon          | Agent Member                      |
| 3. Georgia Neblett       | Public Member                     |
| 4. Frank Baumann         | Public Member                     |
| 5. John Miletti          | Travelers                         |
| 6. Pamela Hurley         | Public Member                     |
| 7. Tim McCarthy          | Texas Farm Bureau                 |
| 8. Marianne Baker        | Ex-Officio Non-Voting Member, TDI |

Absent: E. Jay Sherlock, Danny Pringle, Ryan Bridges

The Following TWIA Staff and Counsel Were Present:

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

The Following In Person Attendees Were Present:

- |                      |     |
|----------------------|-----|
| 1. Marianne Baker    | TDI |
| 2. David Muckerheide | TDI |

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

1. Shirley Bowler
2. Nicole Elliott
3. Angela Fang
4. Jordan He
5. Elizabeth Howland
6. Andrew Hurt
7. Jessica O'Connor
8. Elisabeth Ret
9. Kenisha Schuster
10. Aaron Taylor

1. Call to Order: Chair Wendy Mueller called the meeting to order at 1:00 pm. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the anti-trust statement by counsel. Kristina Donley provided housekeeping information to the attendees.
2. Review of 2025 TFPA Budget: Mr. Harbour started the meeting by going over some key assumptions from the budget.
  - Rate level: Includes 2024 rate increase. The budget does not project future rate increases.
  - The number of policies in force is projected to increase from a projected 117,429 policies at December 31, 2024 to 134,504 at year end 2025, an increase of 17,075 policies (a 14.5% increase).
  - Employee merit increases are set at 3.5%.
  - Operating expenses: Developed using zero-based detailed departmental budgets.
  - Commissions: Budgeted at \$34.6 million using an average rate of 11.5% for new and renewal policies. The average commission rate has increased due to higher commission percentage on new versus renewal policies.
  - Premium taxes, licenses and other fees are at 1.83%.
  - Assumes the FAIR Plan \$30 million line of credit that was effective July 1, 2024 is renewed with identical terms. The line of credit has a commitment fee on unused funds of 30 basis points.
  - Assumes receipt of assessment for 2023 deficit (\$17.655 million) in December 2024 and a second assessment to carriers for the projected December 31, 2024 deficit of \$67.6 million in March 2025.
  - Loss and loss adjustment expense ratios used are based on actuarial rate indications.

Mr. Harbour stated the budget process started in August and will conclude in December. He commended the work of Rubi Harman and Al Fulkerson in putting together the materials and their work on the budget.

Mr. Harbour reviewed the key assumptions for the 2025 budget. Mr. McCarthy asked if the Association needs to rescind the initial \$40 million request and then issue a new request for a revised amount. Mr. Durden said there is no need to rescind. Mr. Solomon asked about the cash flow for the Association. Mr. Harbour said with the strong growth TFPA has seen, cash flow isn't an issue. Mr. McCarthy asked if, at the December meeting, the committee could see the projections with the updated losses.

Ms. Neblett asked if the full-time employee number on the headcount slide was for both associations. Mr. Harbour said that was correct. He continued by saying underwriting was adding five positions, two for TWIA only, two for TFPA only and one shared employee. The same applies in claims, a few examiners will be dedicated to TFPA exclusively and the same with TWIA. In TFPA, the underwriting group has to allocate more time to FAIR Plan than in the past due to policy increases.

Ms. Neblett commended Mr. Harbour and his team for the presentation.

3. Review of Preliminary Rate Adequacy Analysis and Related Information: Mr. Murphy reviewed the presentation he developed for the committee. TFPA is currently projecting approximately \$300 million in earned premiums for 2025. Every 1% of increased rate would result in an additional \$3 million in annual income. Assuming an August 1 effective date, approximately 15% of the annual impact would be realized in 2025 (\$441,000 per 1%).

Mr. Murphy noted that private market practices include restricting business in higher risk locations, mandating higher deductibles and restricting availability of replacement cost coverage. Options for deductibles include adjusting the default deductible, offering optional higher deductibles and updating existing deductible credit factors. An additional option is offering a new home discount. Many private market insurers offer credits for newer homes. TFPA claim frequency would support a similar credit. This would have no overall rate adequacy impact but would improve equity among policyholders and would better align with private market practices. Ms. Hurley stated she thought the new home discount was a good idea. She asked Mr. Murphy to bring more information about this concept to the December TFPA Governing Committee meeting. Mr. Milette asked if there is anything TFPA offers that goes above and beyond the minimum statutory requirements. Mr. Murphy said he didn't think there was a shiny object FAIR Plan is offering. There is always another company that offers more or less in the private market. If FAIR Plan offered less coverage, that would involve filings and a hard conversation with TDI.

4. Adjourn: There being no further business, the meeting adjourned at 3:29 pm.

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Prepared by: Amy Koehl  
Senior Project Administrator

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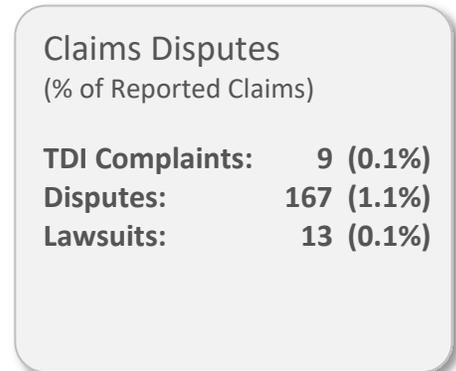
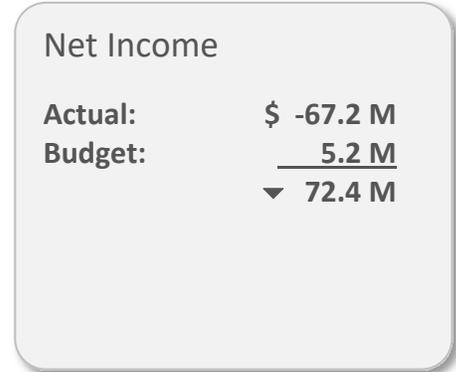
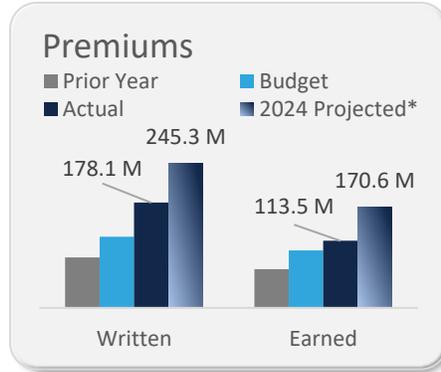
Approved by: Wendy Mueller  
TFPA Chair

## 4. TFPA Operational Dashboard



# Operational Dashboard

Reporting as of September 30, 2024



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



# Enterprise Projects

Status Update as of September 30, 2024



Enterprise Projects	Initiative Type	2023				2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
● Legislative Implementation Program (LIP88)	Mandatory		■	■	■	■	■	■	■				
<i>LIP88 - SB 2232 - Agent Requirements/Standards</i>	Mandatory		■	■	■	■	■	■					
<i>LIP88 - HB 998 - TFPA Property Owners Assoc (Condos)</i>	Mandatory		■	■	■	■	■	■					
● Association Surcharge - Ph 1 Technical (On Hold)	Mandatory	■	■	■	■								
● Association Surcharge - Ph 2 Business (On Hold)	Mandatory	■	■	■	■	■	■	■	■				
● Guidewire Cloud Migration (PC9)	Discretionary Planned			■	■	■	■	■	■	■			
● Audit Tracking (Legal & Compliance)	High Priority					■	■	■					



# 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 Secretary/Treasurer

#### 5A1. Income Statement

# Statutory Income Statement – Treasurer’s Report (In 000s)



	For the nine months ended September 30,			
	2024	2023		
1			1	
2			2	
3			3	
4	<b>Premiums Written:</b>		4	
5	Direct	\$ 178,106	\$ 85,067	5
6	Ceded	(74,982)	(45,169)	6
7	Net	103,124	39,897	7
8			8	
9	<b>Premiums Earned:</b>		9	
10	Direct	\$ 113,536	\$ 65,238	10
11	Ceded	(42,543)	(27,418)	11
12	Net	70,993	37,821	12
13			13	
14	<b>Deductions:</b>		14	
15	Direct Losses and LAE Incurred	65,649	39,569	15
16	Direct Losses and LAE Incurred - Harvey	0	0	16
17	Direct Losses and LAE Incurred - Beryl	95,000	0	17
18	Ceded Losses and LAE Incurred - Harvey	480	0	18
19	Ceded Losses and LAE Incurred - Beryl	(52,051)	0	19
20	Operating Expenses	13,549	9,582	20
21	Commission Expense	20,299	9,343	21
22	Ceding commissions / brokerage	(5,984)	(3,534)	22
23	Premium / Maintenance Tax	3,096	1,553	23
24	Total Deductions	140,039	56,513	24
25			25	
26	<b>Net Underwriting Gain or (Loss)</b>	(69,046)	(18,693)	26
27			27	
28	<b>Other Income or (Expense):</b>		28	
29	Gross Investment Income	1,695	949	29
30	Line of Credit Fees	(69)	(68)	30
31	Interest Expense on Line of Credit Advance	0	0	31
32	Member Assessment Income	0	0	32
33	Premium Charge offs/Write offs	(403)	(247)	33
34	Billing Fees	641	405	34
35	Miscellaneous Income (Expense)	0	1	35
36	Total Other Income or (Expense)	1,865	1,040	36
37			37	
38	<b>Net Income (Loss)</b>	\$ (67,181)	\$ (17,653)	38
39			39	
40	<b>Surplus (Deficit) Account:</b>		40	
41	Beginning Surplus (Deficit)	\$ (17,655)	\$ 1,183	41
42	Net Income (Loss)	(67,181)	(17,653)	42
43	Change in Provision for Reinsurance	0	1,000	43
44	Change in nonadmitted assets	537	(129)	44
45	Other	0	0	45
46	Ending Surplus (Deficit)	\$ (84,300)	\$ (15,599)	46
47			47	

## 5A2. Management Discussion and Analysis

# Texas FAIR Plan Association

## Management's Discussion and Analysis of Financial Results

### For the Nine Months Ended September 30, 2024

#### Written and Earned Premiums

<b>Actual vs Budget</b>	Sep-2024 YTD Actual	Sep-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 178.1 M	\$ 120.3 M	\$ 57.8 M	48.1%
Direct Earned Premiums	\$ 113.5 M	\$ 97.0 M	\$ 16.5 M	17.0%
Policies In-Force	105,123	78,898	26,225	33.2%

<b>Current Yr vs Prior Yr Actuals</b>	Sep-2024 YTD Actual	Sep-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	\$ 178.1 M	\$ 85.1 M	\$ 93.0 M	109.4%
Direct Earned Premiums	\$ 113.5 M	\$ 65.2 M	\$ 48.3 M	74.0%
Policies In-Force	105,123	69,273	35,850	51.8%

#### Reinsurance Costs

- The TFPA 2024-2025 reinsurance program was placed through our broker Gallagher Re and was effective July 1, 2024. The program provides coverage of \$518 million in excess of a \$40 million initial retention and includes coverage that reduces the net retention to \$10 million for a second event. Reinstatement premium protection was also purchased to cover 90.3% of the cost to reinstate the first \$210 million of reinsurance limit. The initial deposit premium for the 2024/25 reinsurance program totaled \$73.6 million compared to an initial budgeted estimate of \$65.0 million and an approved budget of \$73.6 million. This total reflects an overall rate-on-line (ROL) of 12.73% compared to 11.20% ROL for the 2023/24 program. The initial net cost of the reinsurance program after ceding commission was \$67.6 million. Ceded premiums are earned on a pro-rata basis over the term of the reinsurance coverage.

Texas FAIR Plan Association  
Management's Discussion and Analysis of Financial Results  
For the Nine Months Ended September 30, 2024  
(cont'd)

**Loss and Loss Adjustment Expense Incurred**

<b>Actual vs Budget</b>	Sep-2024 YTD Actual	Sep-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	\$ 138.4 M	\$ 25.5 M	\$ 112.9 M	443.5%
Direct LAE Incurred	\$ 22.3 M	\$ 6.2 M	\$ 16.1 M	259.6%
<b>Total Direct Losses &amp; LAE</b>	<b>\$ 160.6 M</b>	<b>\$ 31.7 M</b>	<b>\$ 129.0 M</b>	<b>407.5%</b>
<b>Loss &amp; LAE Ratio</b>	<b>141.5%</b>	<b>32.6%</b>		<b>108.9%</b>

<b>Current Yr vs Prior Yr Actuals</b>	Sep-2024 YTD Actual	Sep-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	\$ 138.4 M	\$ 31.5 M	\$ 106.9 M	339.3%
Direct LAE Incurred	\$ 22.3 M	\$ 8.1 M	\$ 14.2 M	176.1%
<b>Total Direct Losses &amp; LAE</b>	<b>\$ 160.6 M</b>	<b>\$ 39.6 M</b>	<b>\$ 121.1 M</b>	<b>306.0%</b>
<b>Loss &amp; LAE Ratio</b>	<b>141.5%</b>	<b>60.7%</b>		<b>80.8%</b>

**Operating Expenses**

<b>Actual vs Budget</b>	Sep-2024 YTD Actual	Sep-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 13.5 M	\$ 13.0 M	\$ .5 M	3.8%
Operating Expense Ratio	11.9%	13.4%		(1.5%)

<b>Current Yr vs Prior Yr Actuals</b>	Sep-2024 YTD Actual	Sep-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	\$ 13.5 M	\$ 9.6 M	\$ 4.0 M	41.4%
Operating Expense Ratio	11.9%	14.7%		(2.8%)

- Net operating expenses shown above and on the statutory income statement exclude claims related expenses which are recorded in losses and loss adjustment expense. Operating Expenses as of September 30, 2024 were slightly over the planned amount.

Texas FAIR Plan Association  
**Management’s Discussion and Analysis of Financial Results**  
For the Nine Months Ended September 30, 2024  
(cont’d)

**Commission Expense and Premium Taxes**

<b>Actual vs Budget</b>	Sep-2024 YTD Actual	Sep-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 20.3 M	\$ 13.2 M	\$ 7.1 M	53.4%
Premium Taxes	\$ 3.1 M	\$ 2.2 M	\$ 0.9 M	40.7%

<b>Current Yr vs Prior Yr Actuals</b>	Sep-2024 YTD Actual	Sep-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Commission Expense	\$ 20.3 M	\$ 9.3 M	\$ 11.0 M	117.3%
Premium Taxes	\$ 3.1 M	\$ 1.6 M	\$ 1.5 M	99.3%

**Other Income (Expense)**

<b>Actual vs Budget</b>	Sep-2024 YTD Actual	Sep-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 1.7 M	\$ 1.3 M	\$ 0.4 M	33.9%

<b>Current Yr vs Prior Yr Actuals</b>	Sep-2024 YTD Actual	Sep-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	\$ 1.7 M	\$ 0.9 M	\$ 0.7 M	78.6%

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

**Net Income (Loss)**

<b>Actual vs Budget</b>	Sep-2024 YTD Actual	Sep-2024 YTD Budget	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	(\$ 67.2 M)	\$ 5.2 M	(\$ 72.3 M)	(1,403.0%)

<b>Current Yr vs Prior Yr Actuals</b>	Sep-2024 YTD Actual	Sep-2023 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Net Income	(\$ 67.2 M)	(\$ 17.7 M)	(\$ 49.5 M)	280.6%

Texas FAIR Plan Association  
**Management's Discussion and Analysis of Financial Results**  
 For the Nine Months Ended September 30, 2024  
 (cont'd)

**Surplus (Deficit)**

Current Period vs. Prior Year End Actual	Sep-2024 YTD Actual	Dec-23 YTD Actual	Variance Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	(\$ 84.3 M)	(\$ 17.7 M)	(\$ 66.6 M)	377.5%

- The Association's beginning 2024 deficit of \$17.7 million increased to \$84.3 million as of September 30, 2024, due primarily to the year-to-date net loss of \$67.2 million.

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## 5B. Financial Statement Review by Staff



TEXAS FAIR PLAN  
ASSOCIATION

# Quarterly Financial Statements and Schedules

September 2024

# Statutory Income Statement (In 000s)



	For the period Sep-2024 Year to Date			
	Actuals - 2024	Budget - 2024	Variance - 2024	Actuals - 2023
<b>1</b>				<b>1</b>
<b>2</b>				<b>2</b>
<b>3</b>				<b>3</b>
<b>4 Premiums Written:</b>				<b>4</b>
5 Direct	\$ 178,106	\$ 120,276	\$ 57,830	\$ 85,067
6 Ceded	(74,982)	(65,000)	(9,982)	(45,169)
7 Net	103,124	55,276	47,848	39,897
<b>8</b>				<b>8</b>
<b>9 Premiums Earned:</b>				<b>9</b>
10 Direct	\$ 113,536	\$ 97,036	\$ 16,500	\$ 65,238
11 Ceded	(42,543)	(38,835)	(3,708)	(27,418)
12 Net	70,993	58,201	12,792	37,821
<b>13</b>				<b>13</b>
<b>14 Deductions:</b>				<b>14</b>
15 Direct Losses and LAE Incurred	65,649	31,656	33,994	39,569
16 Direct Losses and LAE Incurred - Harvey	0	0	0	0
17 Direct Losses and LAE Incurred - Beryl	95,000	0	95,000	0
18 Ceded Losses and LAE Incurred - Harvey	480	0	480	0
19 Ceded Losses and LAE Incurred - Beryl	(52,051)	0	(52,051)	0
20 Operating Expenses	13,549	13,049	500	9,582
21 Commission Expense	20,299	13,230	7,069	9,343
22 Ceding commissions / brokerage	(5,984)	(5,744)	(240)	(3,534)
23 Premium / Maintenance Tax	3,096	2,201	895	1,553
24 Total Deductions	140,039	54,392	85,647	56,513
<b>25</b>				<b>25</b>
<b>26 Net Underwriting Gain or (Loss)</b>	<b>(69,046)</b>	<b>3,809</b>	<b>(72,855)</b>	<b>(18,693)</b>
<b>27</b>				<b>27</b>
<b>28 Other Income or (Expense):</b>				<b>28</b>
29 Gross Investment Income	1,695	1,266	430	949
30 Line of Credit Fees	(69)	(69)	0	(68)
31 Interest Expense on Line of Credit Advance	0	0	0	0
32 Member Assessment Income	0	0	0	0
33 Premium Charge offs/Write offs	(403)	(361)	(42)	(247)
34 Billing Fees	641	511	130	405
35 Miscellaneous Income (Expense)	0	0	0	1
36 Total Other Income or (Expense)	1,865	1,348	517	1,040
<b>37</b>				<b>37</b>
<b>38 Net Income (Loss)</b>	<b>(67,181)</b>	<b>5,156</b>	<b>(72,337)</b>	<b>(17,653)</b>

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



	For the period Sep-2024 Year to Date				
	Actuals - 2024	Budget - 2024	Variance - 2024	Actuals - 2023	
1					1
2					2
3					3
4	<b>Surplus (Deficit) Account:</b>				4
5	(17,655)	(17,655)	0	1,183	5
6	(67,181)	5,156	(72,337)	(17,653)	6
7	0	(500)	500	1,000	7
8	537	(302)	839	(129)	8
9	0	0	0	0	9
10	\$ (84,300)	\$ (13,301)	\$ (70,999)	\$ (15,599)	10
11					11
12	<b>Key Operating Ratios:</b>				12
13	Direct:				13
14	Loss & LAE Ratio:				14
15	57.8%	32.6%	25.2%	60.7%	15
16	0.0%	0.0%	0.0%	0.0%	16
17	83.7%	0.0%	83.7%	0.0%	17
18	141.5%	32.6%	108.9%	60.7%	18
19	UW Expense Ratio:				19
20	13.1%	12.8%	0.3%	12.8%	20
21	11.9%	13.4%	(1.5%)	14.7%	21
22	25.1%	26.3%	(1.2%)	27.5%	22
23					23
24	166.6%	58.9%	107.7%	88.1%	24
25					25
26	Net:				26
27	Loss & LAE Ratio:				27
28	92.5%	54.4%	38.1%	104.6%	28
29	0.7%	0.0%	0.7%	0.0%	29
30	60.5%	0.0%	60.5%	0.0%	30
31	153.6%	54.4%	99.3%	104.6%	31
32	UW Expense Ratio:				32
33	16.9%	16.3%	0.6%	16.9%	33
34	19.1%	22.4%	(3.3%)	25.3%	34
35	35.9%	38.7%	(2.8%)	42.2%	35
36					36
37	189.6%	93.1%	96.5%	146.8%	37
38					38
39	<b>Note: Beginning budgeted surplus adjusted to actual for comparative purposes.</b>				39

# Statutory Expense Statement (In 000s)



		For the nine months ended September 30,			
Description	Actuals - 2024	Budget - 2024	Variance - 2024	Actuals - 2023	
1 Personnel Expenses					
4 Salaries & Wages - Permanent	\$ 5,802	\$ 6,084	\$ (282)	\$ 5,316	
5 Contractor & Temporary Help	3,699	903	2,797	773	
6 Payroll Taxes	427	449	(22)	401	
7 Employee Benefits	1,622	1,776	(154)	1,634	
8 Recruiting, Training & Other	71	163	(91)	46	
9 Subtotal	<u>11,622</u>	<u>9,375</u>	<u>2,247</u>	<u>8,169</u>	
10					
11 Professional & Consulting Services					
12 Legal	139	93	46	97	
13 Accounting & Auditing	91	103	(11)	114	
14 Information Technology	1,807	2,318	(510)	89	
15 Actuarial Services	18	24	(6)	24	
16 Surveys & Inspections	1,403	476	927	596	
17 Disaster Recovery Services	0	4	(4)	4	
18 Other Services (1)	2,231	1,138	1,092	1,137	
19 Subtotal	<u>5,689</u>	<u>4,156</u>	<u>1,533</u>	<u>2,061</u>	
20					
21 Hardware/Software Purchases & Licensing	1,320	1,267	53	1,046	
22 Rental & Maintenance - Office/Equipment	400	422	(22)	381	
23 Travel Expenses	85	116	(31)	92	
24 Postage, Telephone and Express	484	427	57	319	
25 Capital Management Expenses	69	69	0	68	
26 Other Operating Expenses	472	472	(0)	326	
27					
28 <b>Total Operating Expenses</b>	<u><b>\$ 20,141</b></u>	<u><b>\$ 16,304</b></u>	<u><b>\$ 3,837</b></u>	<u><b>\$ 12,461</b></u>	
29					
30 Capitalization of Fixed Assets	0	0	0	0	
31 Allocation To ULAE	(6,524)	(3,187)	(3,337)	(2,811)	
32 Allocation To Investing & Other Expense	(69)	(69)	0	(68)	
33 <b>Net Operating Expense - UW Operations</b>	<u><b>\$ 13,549</b></u>	<u><b>\$ 13,049</b></u>	<u><b>\$ 500</b></u>	<u><b>\$ 9,582</b></u>	
34					

(1) Summary Details for Other Services:

<u>VENDOR</u>	<u>Amount</u>	<u>Department</u>
EagleView Technologies Inc	\$ 526	Claims
Clear Point Claims LLC	472	Underwriting
Insurance Services Office, Inc.	392	Claims/Underwriting
Xactware Solutions Inc	311	Claims
LYNX Services LLC	185	Claims
Marshall & Swift/Boeckh	58	Underwriting
*Other Outside Services below \$50K	286	Various Departments
<b>Total Other Services</b>	<u><b>\$ 2,231</b></u>	

# Statutory Balance Sheet

(In 000s)



1	Sep-2024	Dec-2023	1
2 <b>Admitted Assets</b>			2
3 Cash and short term investments:	33,929	52,887	3
4 Premiums receivable & other	28,864	11,644	4
5 Assessment receivable	0	0	5
6 Amounts recoverable from reinsurers	15,299	51	6
7 Other Assets	44	138	
8 <b>Total admitted assets</b>	<u>\$ 78,136</u>	<u>\$ 64,720</u>	8
9			9
10 <b>Liabilities, Surplus and other funds</b>			10
11 <b>Liabilities:</b>			11
12 Loss and Loss adjustment expenses	25,066	16,605	12
13 Underwriting expenses payable	6,590	3,859	13
14 Unearned premiums, net of ceded unearned premiums	69,429	37,298	14
15 Ceded reinsurance premiums payable	54,439	21,033	15
16 Principal outstanding on line of credit advance	0	0	16
17 Interest payable on line of credit advance	0	0	17
18 Provision for reinsurance	0	0	18
19 Other payables	6,912	3,579	19
20 <b>Total liabilities</b>	<u>162,435</u>	<u>82,375</u>	20
21			21
22 <b>Surplus and others funds</b>			22
23 Unassigned surplus (deficit)	(84,300)	(17,655)	23
24 <b>Total liabilities, surplus and other funds</b>	<u>\$ 78,136</u>	<u>\$ 64,720</u>	24
25			25

# Statement of Cash Flows (In 000s)



	For the period Sep-2024 Year to Date			
	Actuals - 2024	Budget - 2024	Variance - 2024	
1				1
2				2
3				3
4	<b>Cash flows from operating activities:</b>			4
5	\$ 121,555	\$ 77,838	\$ 43,716	5
6	(115,867)	(32,147)	(83,720)	6
7	(26,071)	(22,752)	(3,319)	7
8	0	0	0	8
9	(315)	150	(466)	9
10	<u>(20,699)</u>	<u>23,090</u>	<u>(43,789)</u>	10
11	<b>Cash flows from nonoperating activities:</b>			11
12	0	0	0	12
13	<u>0</u>	<u>0</u>	<u>0</u>	13
14	<b>Cash flows from investing activities:</b>			14
15	0	0	0	15
16	1,809	1,266	543	16
17	<u>1,809</u>	<u>1,266</u>	<u>543</u>	17
18	<b>Cash flows from financing activities:</b>			18
19	0	0	0	19
20	0	0	0	20
21	(69)	(69)	0	21
22	<u>(69)</u>	<u>(69)</u>	<u>0</u>	22
23				23
24	(18,958)	24,288	(43,245)	24
25	52,887	52,887	0	25
26	<u>\$ 33,929</u>	<u>\$ 77,174</u>	<u>\$ (43,245)</u>	26
27				27
28	\$ 82,589	0	\$ 82,589	28
29				29
30	<b>Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.</b>			30

# Cash and Short-Term Investments (In 000s)



	Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Bank Balance for the Quarter	Investment Income during the Quarter	Annual Average Yield	Total Deposit % of TFPA's Portfolio	N.A. Bank Credit Rating Superior or Strong	N.A. Tier 1 Capital Ratio	N.A. Regulatory Capital	Are funds in excess of the N.A. Regulatory Capital? > .2% of N.A. Reg Capital	
1													1
2								< 40%		> 10%	> \$25B		2
3	<b>Balances as of 09/30/2024:</b>												3
4	Bank of America	\$ 9,042	0	\$ 9,042	0	0	0.0%	27%	Superior	13.5%	\$190	No	4
5	Citibank	208	0	208	0	0	0.0%	1%	Superior	14.4%	\$151	No	5
6	JPMorgan Chase	0	\$ 10,558	10,558	\$ 42,586	\$ 281	2.6%	31%	Superior	16.4%	\$277	No	6
7	Citibank IMMA	0	111	111	110	0	1.7%	0%	N/A	N/A	N/A	N/A	7
8	JP Morgan U.S. Treasury Plus Money Market Fund (1)	0	0	0	6,187	81	5.2%	0%	N/A	N/A	N/A	N/A	8
9	JP Morgan Goldman Sachs (1)	0	9,011	9,011	7,732	100	5.2%	27%	N/A	N/A	N/A	N/A	9
10	Fidelity Treasury (1)	0	5,000	5,000	5,494	72	5.3%	15%	N/A	N/A	N/A	N/A	10
11													11
12	<b>Total of all financial institutions</b>	<b>\$ 9,250</b>	<b>\$ 24,679</b>	<b>\$ 33,929</b>	<b>\$ 62,110</b>	<b>\$ 534</b>	<b>3.4%</b>	<b>100%</b>					12
13													13
14	<b>Balances as of 06/30/2024:</b>												14
15	Bank of America	\$ 4,942	0	\$ 4,942	0	0	0.0%	8%	Superior	13.5%	\$188	No	15
16	Citibank	208	0	208	0	0	0.0%	0%	Superior	14.1%	\$149	No	16
17	JPMorgan Chase	0	\$ 11,983	11,983	\$ 24,646	\$ 98	1.6%	18%	Superior	17.4%	\$262	No	17
18	Citibank IMMA	0	110	110	110	0	1.7%	0%	N/A	N/A	N/A	N/A	18
19	JP Morgan U.S. Treasury Plus Money Market Fund (1)	0	16,430	16,430	11,233	145	5.2%	25%	N/A	N/A	N/A	N/A	19
20	JP Morgan Goldman Sachs (1)	0	16,650	16,650	10,466	135	5.2%	26%	N/A	N/A	N/A	N/A	20
21	Fidelity Treasury (1)	0	14,748	14,748	10,137	133	5.2%	23%	N/A	N/A	N/A	N/A	21
22													22
23	<b>Total of all financial institutions</b>	<b>\$ 5,151</b>	<b>\$ 59,921</b>	<b>\$ 65,072</b>	<b>\$ 56,592</b>	<b>\$ 511</b>	<b>3.6%</b>	<b>100%</b>					23
24													24
25	(1) The Fund invests in U.S. treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Treasury.												25
26	Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of June 30, 2024. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.												26

# Historical Data (In 000s)



2003 - 2024 (\$ with 000s omitted)											
YEAR	GROSS					NET					SURPLUS OR (DEFICIT) END OF PERIOD
	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	MEMBER ASSESSMENTS	
2003	\$ 18,272,542	100,223		\$ 82,004	\$ 19,580	\$ 31,287	\$ 19,580	\$ 26,618	\$ (14,911)		\$ (15,948)
2004	22,904,408	134,350		100,666	37,184	85,238	37,184	28,470	19,584		(1,821)
2005	14,165,560	88,512		60,969	31,262	77,389	31,262	18,588	27,539		31,563
2006	13,321,087	81,129		59,873	22,545	45,867	22,545	17,304	6,017		40,063
2007	15,556,965	91,847	3.9%	73,058	24,578	52,955	24,578	19,362	9,015		52,081
2008	14,060,852	84,438		64,488	239,886	48,364	82,774	18,797	(53,208)		209
2009	11,706,721	72,989	10.7%	60,255	32,961	28,136	6,659	18,811	2,666		(9,753)
2010	14,246,999	85,984	5.0%	73,924	86,187	40,905	34,601	17,019	(10,715)		(17,449)
2011	15,979,040	96,710		83,066	78,009	47,063	53,009	15,897	(21,843)		(33,860)
2012	17,966,799	108,637	14.6%	102,383	28,453	56,880	28,453	20,346	8,081		(25,722)
2013	20,594,317	124,222	16.7% (a)	122,683	39,438	75,343	39,438	22,610	13,295		(13,422)
2014	21,944,280	131,376		133,206	45,070	89,405	45,070	24,058	20,277		5,978
2015	22,154,205	132,734		132,879	68,593	90,952	68,593	24,675	(2,316)		4,977
2016	19,883,769	121,413	8.0% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5.0% (c)	112,316	128,666	76,837	84,864	29,739	(37,766)		(54,941)
2018	15,223,344	95,637	8.1% (d)	95,882	26,733	69,239	26,733	29,527	12,979	54,941	15,088
2019	12,299,224	80,923		85,327	38,241	59,625	38,241	25,310	(3,926)		12,133
2020	12,618,291	73,713	9.6% (e)	79,477	36,620	53,092	36,620	22,398	(5,926)		6,006
2021	11,471,201	66,512	9.2% (f)	75,648	34,070	49,414	34,070	19,050	(3,705)		2,105
2022	11,301,744	61,452	7.3% (g)	76,881	27,146	45,620	27,146	19,033	(559)		1,451
2023	16,275,783	72,626	9.8% (h)	113,460	47,339	53,316	49,839	23,917	(20,439)		(17,655)
2024	28,955,550	105,123	9.9% (i)	178,106	160,649	70,993	109,079	30,960	(69,046)		(84,300)
<b>TOTAL</b>				<b>\$ 2,089,037</b>	<b>\$ 1,331,218</b>	<b>\$ 1,332,321</b>	<b>\$ 978,347</b>	<b>\$ 498,907</b>	<b>\$ (144,933)</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  
 (h) Effective August 1, 2023  
 (i) Effective August 1, 2024  
 \*2024 data through 09/30/2024

## 5C. Review/Approval of 2025 Budget



# Texas FAIR Plan Association

2025 Budget Summary to  
Governing Committee  
December 9, 2024



# 2024 Forecasted Income Statement w/ Reconciliation to Workshop

(In 000s)

	A			B			C			D			E		
	For the twelve months ended December 31,									Budget Workshop			CHANGE		
	FINAL									November 7					
	Forecast FY2024	Budget FY2024	Variance 2024	Forecast FY2024	Budget FY2024	Variance 2024	Forecast FY2024	Budget FY2024	Variance 2024	Forecast FY2024	Budget FY2024	Variance 2024	Forecast FY2024	Budget FY2024	Variance 2024
<b>Premiums Written:</b>															
Direct	\$ 245,465	\$ 154,099	\$ 91,366				\$ 245,465						0		
<b>Premiums Earned:</b>															
Direct	\$ 172,894	\$ 135,162	\$ 37,732				\$ 172,894						0		
Ceded	(68,605)	(55,085)	(13,520)				(68,605)						0		
Net	104,289	80,077	24,212				104,289						0		
<b>Deductions:</b>															
Losses and LAE Incurred	129,928	38,279	91,649				129,928						0		
Operating Expenses	17,579	17,122	457				17,664						(85)		
Commission Expense	27,851	16,951	10,900				27,851						0		
Ceding commissions / brokerage	(5,984)	(5,744)	(240)				(5,984)						0		
Premium / Maintenance Tax	4,372	2,820	1,552				4,372						0		
Total Deductions	173,746	69,428	104,318				173,831						(85)		
<b>Net Underwriting Gain or (Loss)</b>	(69,457)	10,648	(80,106)				(69,542)						85		
<b>Other Income or (Expense):</b>															
Gross Investment Income	2,016	1,793	224				2,016						1		
Line of Credit Fees	(92)	(92)	0				(92)						0		
Interest Expense on Line of Credit Advance	0	0	0				0						0		
Member Assessment Income	17,655	0					17,655								
Premium Charge Offs/Write Offs	(570)	(462)	(108)				(570)						0		
Billing Fees	841	655	186				841						0		
Other Income (Expense)	0	0	0				0						0		
Total Other Income or (Expense)	19,850	1,894	301				19,850						1		
<b>Net Income (Loss)</b>	<b>\$ (49,607)</b>	<b>\$ 12,542</b>	<b>\$ (62,149)</b>				<b>\$ (49,692)</b>						<b>\$ 85</b>		

## Discussion Notes

- Reduction in Net Operating expenses reflect the updates to the Fair Plan allocation of Underwriting Workforce costs.

# 2024 Forecasted Deficit & Key Ratios w/ Reconciliation to Workshop

(In 000s)

		A	B	C	D	E
		For the twelve months ended December 31,			Budget Workshop November 7	
		FINAL			Forecast FY2024	CHANGE
		Forecast FY2024	Budget FY2024	Variance 2024		
1	<b>Surplus (Deficit) Account:</b>					
2	Beginning Surplus (Deficit)	\$ (17,655)	\$ (15,123)	\$ (2,532)	\$ (17,655)	0
3	Net Income (Loss)	(49,607)	12,542	(62,149)	(49,692)	85
4	Change in Provision for Reinsurance	(1,000)	0	(1,000)	(1,000)	0
5	Change in Non-Admitted Assets	726	(9)	735	726	0
6	Statutory Fund Cost	0	0	0	0	0
7	<b>Ending Surplus (Deficit)</b>	<b>\$ (67,536)</b>	<b>\$ (2,590)</b>	<b>\$ (64,946)</b>	<b>\$ (67,621)</b>	<b>\$ 85</b>
8						
9	<b>Key Operating Ratios:</b>					
10	Direct:					
11	Loss & LAE Ratio	<b>102.2%</b>	<b>28.3%</b>	73.9%	<b>102.2%</b>	<b>0.0%</b>
12	UW Expense Ratio:					
13	Acquisition	13.1%	12.8%	0.3%	13.1%	0.0%
14	Non Acquisition	10.2%	12.7%	(2.5%)	10.2%	(0.0%)
15	UW Expense Ratio	23.3%	25.5%	(2.2%)	23.3%	(0.0%)
16	<b>Direct Combined Ratio</b>	<b>125.5%</b>	<b>53.8%</b>	<b>71.7%</b>	<b>125.6%</b>	<b>(0.05%)</b>
17						

Note: Forecast reflects January to July 2024 actuals and August to December 2024 forecast.

# 2024 Revised Forecast – Expense Summary

(000's)

	A			B			C			D			E		
	For the twelve months ended December 31,									Budget Workshop			CHANGE		
	FINAL									November 7					
	Forecast FY2024			Budget FY2024			Variance 2024			Forecast FY2024					
1	Personnel Expenses	\$	17,761	\$	12,489	\$	5,272	\$	17,846	(85)	1				
2	Professional & Consulting Services		5,684		5,272		412		5,684	0	2				
3	Hardware/Software Purchases & Licensing		1,697		1,676		20		1,697	0	3				
4	Rental & Maintenance - Office/Equipment		510		570		(59)		510	0	4				
5	Travel Expenses		130		162		(33)		130	0	5				
6	Postage, Telephone and Express		661		556		105		661	0	6				
7	Capital Management Expenses		92		92		0		92	0	7				
8	Depreciation		0		0		0		0	0	8				
9	Other Operating Expenses		664		557		107		664	0	9				
10	<b>Gross Operating Expenses</b>	\$	<b>27,200</b>	\$	<b>21,375</b>	\$	<b>5,825</b>	\$	<b>27,284</b>	<b>(85)</b>	10				
11	<b>Less: Adjustments/Allocations</b>										11				
12	Capitalization of Fixed Assets		0		0		0		0	0	12				
13	Reimbursement of Depopulation Servicing Expense		0		0		0		0	0	13				
14	Allocation To ULAE		(9,529)		(4,161)		(5,368)		(9,529)	0	14				
15	Allocation To Investing		(92)		(92)		0		(92)	0	15				
16	<b>Total Adjustments/Allocations</b>	\$	<b>(9,621)</b>	\$	<b>(4,252)</b>	\$	<b>(5,368)</b>	\$	<b>(9,621)</b>	<b>0</b>	16				
17											17				
18	<b>Net Operating Expense</b>	\$	<b>17,579</b>	\$	<b>17,122</b>	\$	<b>457</b>	\$	<b>17,664</b>	<b>(85)</b>	18				

• **Reduction in Net Operating expenses reflect the updates to the Fair Plan allocation of Underwriting Workforce costs.**

# 2025 Budget - Income Statement w/ Reconciliation to Workshop

(In 000's)

	A	B	C
	FINAL Budget FY2025	Budget Workshop November 7 Budget FY2025	CHANGE
<b>Premiums Written:</b>			
1 Direct	\$ 300,587	\$ 300,587	0
<b>Premiums Earned:</b>			
2 Direct	\$ 295,848	\$ 295,848	0
3 Ceded	(110,410)	(110,410)	0
4 Net	\$ 185,438	\$ 185,438	0
<b>Deductions:</b>			
5 Losses and LAE Incurred	77,117	77,117	0
6 Operating Expenses	18,590	18,912	(323)
7 Commission Expense	34,568	34,568	0
8 Ceding commissions / brokerage	(9,360)	(9,360)	0
9 Premium / Maintenance Tax	5,501	5,501	0
10 Total Deductions	126,415	126,738	(323)
<b>Net Underwriting Gain or (Loss)</b>	\$ 59,023	\$ 58,700	323
<b>Other Income or (Expense):</b>			
11 Gross Investment Income	4,435	4,430	5
12 Line of Credit Fees	(102)	(102)	0
13 Interest Expense on Line of Credit Advance	0	0	0
14 Member Assessment Income	67,536	67,621	(85)
15 Premium Charge Offs/Write Offs	(751)	(751)	0
16 Billing Fees	992	992	0
17 Other Income (Expense)	0	0	0
18 Total Other Income or (Expense)	72,109	72,190	(81)
<b>Net Income (Loss)</b>	\$ 131,132	\$ 130,890	242

The decrease in the 2025 Operating Expenses is due to the change in workforce allocations and true up of Unallocated Loss Adjustment Expense (ULAE) rates.

# 2025 Budget Deficit & Key Ratios w/ Reconciliation to Workshop

(In 000's)

	A	B	C
	FINAL Budget FY2025	Budget Workshop November 7 Budget FY2025	CHANGE
<b>1 Surplus (Deficit) Account:</b>			
<b>2</b> Beginning Surplus (Deficit)	\$ (67,536)	\$ (67,621)	85
<b>3</b> Net Income (Loss)	131,132	130,890	242
<b>4</b> Change in Provision for Reinsurance	0	0	0
<b>5</b> Change in Non-Admitted Assets	(9)	(9)	(0)
<b>6</b> Statutory Fund Cost	0	0	0
<b>7 Ending Surplus (Deficit)</b>	<b>\$ 63,587</b>	<b>\$ 63,260</b>	<b>\$ 327</b>
<b>8</b>			
<b>9 Key Operating Ratios:</b>			
<b>10</b> Direct:			
<b>11</b> Loss & LAE Ratio	<b>26.1%</b>	<b>26.1%</b>	<b>0.0%</b>
<b>12</b> UW Expense Ratio:			
<b>13</b> Acquisition	13.3%	<b>13.3%</b>	<b>0.0%</b>
<b>14</b> Non Acquisition	6.3%	<b>6.4%</b>	<b>(0.1%)</b>
<b>15</b> UW Expense Ratio	19.6%	<b>19.7%</b>	<b>(0.1%)</b>
<b>16</b> Direct Combined Ratio	<b>45.7%</b>	<b>45.8%</b>	<b>(0.1%)</b>
<b>17</b>			

The ending surplus increased to reflect updated forecast and higher net income as previously shown.

# 2025 Budget – Operating Expenses Summary w/ Reconciliation to Workshop

(In 000's)

	A	B	C	
	FINAL Budget FY2025	Budget Workshop November 7 Budget FY2025	CHANGE	
1 Personnel Expenses	19,558	19,798	(240)	1
2 Professional & Consulting Services	4,653	4,653	0	2
3 Hardware/Software Purchases & Licensing	2,523	2,523	0	3
4 Rental & Maintenance - Office/Equipment	486	486	0	4
5 Travel Expenses	181	181	0	5
6 Postage, Telephone and Express	604	604	0	6
7 Capital Management Expenses	102	102	0	7
8 Depreciation	0	0	0	8
9 Other Operating Expenses	821	821	0	9
10 <b>Gross Operating Expenses</b>	<b>28,929</b>	<b>29,169</b>	<b>(240)</b>	10
11 <b>Less: Adjustments/Allocations</b>				11
12 Capitalization of Fixed Assets	0	0	0	12
13 Reimbursement of Depopulation Servicing Expense	0	0	0	13
14 Allocation To ULAE	(10,237)	(10,155)	(83)	14
15 Allocation To Investing	(102)	(102)	0	15
16 <b>Total Adjustments/Allocations</b>	<b>(10,339)</b>	<b>(10,257)</b>	<b>(83)</b>	16
17				17
18 <b>Net Operating Expense</b>	<b>18,590</b>	<b>18,912</b>	<b>(323)</b>	18

**The change in the 2025 Personnel Expenses Budget is due to the adjustment in the workforce allocation percentage.**

**The increase in allocation to ULAE is due to minor correction of ULAE rates.**

# Final TFPA 2025 Operating Expenses Budget

(In 000's)

A		B	C	D	E	
		For the twelve months ended December 31,				
		Forecast FY2024	Budget FY2024	Variance 2024	Budget FY2025	
1	Personnel Expenses	17,761	12,489	5,272	19,558	1
2	Professional & Consulting Services	5,684	5,272	412	4,653	2
3	Hardware/Software Purchases & Licensing	1,697	1,676	20	2,523	3
4	Rental & Maintenance - Office/Equipment	510	570	(59)	486	4
5	Travel Expenses	130	162	(33)	181	5
6	Postage, Telephone and Express	661	556	105	604	6
7	Capital Management Expenses	92	92	0	102	7
8	Depreciation	0	0	0	0	8
9	Other Operating Expenses	664	557	107	821	9
10	<b>Gross Operating Expenses</b>	<b>27,200</b>	<b>21,375</b>	<b>5,825</b>	<b>28,929</b>	10
11	<b>Less: Adjustments/Allocations</b>					11
12	Capitalization of Fixed Assets	0	0	0	0	12
13	Reimbursement of Depopulation Servicing Expense	0	0	0	0	13
14	Allocation To ULAE	(9,529)	(4,161)	(5,368)	(10,237)	14
15	Allocation To Investing	(92)	(92)	0	(102)	15
16	<b>Total Adjustments/Allocations</b>	<b>(9,621)</b>	<b>(4,252)</b>	<b>(5,368)</b>	<b>(10,339)</b>	16
17						17
18	<b>Net Operating Expense</b>	<b>17,579</b>	<b>17,122</b>	<b>457</b>	<b>18,590</b>	18

# Final TFPA 2025 Income Statement Budget

(In 000's)

		A	B	C	D	
		For the twelve months ended December 31,				
		Forecast FY2024	Budget FY2024	Variance 2024	Budget FY2025	
1	<b>Premiums Written:</b>					
1	Direct	\$ 245,465	\$ 154,099	\$ 91,366	\$ 300,587	1
2	<b>Premiums Earned:</b>					
3	Direct	\$ 172,894	\$ 135,162	\$ 37,732	\$ 295,848	3
4	Ceded	(68,605)	(55,085)	(13,520)	(110,410)	4
5	Net	104,289	80,077	24,212	185,438	5
6	<b>Deductions:</b>					
7	Losses and LAE Incurred	129,928	38,279	91,649	77,117	7
8	Operating Expenses	17,579	17,122	457	18,590	8
9	Commission Expense	27,851	16,951	10,900	34,568	9
10	Ceding commissions / brokerage	(5,984)	(5,744)	(240)	(9,360)	10
11	Premium / Maintenance Tax	4,372	2,820	1,552	5,501	11
12	Total Deductions	173,746	69,428	104,318	126,415	12
13	<b>Net Underwriting Gain or (Loss)</b>	(69,457)	10,648	(80,106)	59,023	13
14	<b>Other Income or (Expense):</b>					
15	Gross Investment Income	2,016	1,793	224	4,435	15
16	Line of Credit Fees	(92)	(92)	0	(102)	16
17	Interest Expense on Line of Credit Advance	0	0	0	0	17
18	Member Assessment Income	17,655	0	17,655	67,536	18
19	Premium Charge Offs/Write Offs	(570)	(462)	(108)	(751)	19
20	Billing Fees	841	655	186	992	20
21	Other Income (Expense)	0	0	0	0	21
22	Total Other Income or (Expense)	19,850	1,894	17,956	72,109	22
23						23
24	<b>Net Income (Loss)</b>	\$ (49,607)	\$ 12,542	\$ (62,149)	\$ 131,132	24
25						25

# Final TFPA 2025 Surplus & Key Ratios Budget

(In 000's)

		A	B	C	D		
		For the twelve months ended December 31,					
		Forecast FY2024	Budget FY2024	Variance 2024	Budget FY2025		
1	<b>Surplus (Deficit) Account:</b>					1	
2	Beginning Surplus (Deficit)	(17,655)	(15,123)	(2,532)	(67,536)	2	
3	Net Income (Loss)	(49,607)	12,542	(62,149)	131,132	3	
4	Change in Provision for Reinsurance	(1,000)	0	(1,000)	0	4	
5	Change in Non-Admitted Assets	726	(9)	735	(9)	5	
6	Statutory Fund Cost	0	0	0	0	6	
7	<b>Ending Surplus (Deficit)</b>	<b>(\$67,536)</b>	<b>(\$2,590)</b>	<b>(\$64,946)</b>	<b>\$63,587</b>	7	
8						8	
9	<b>Key Operating Ratios:</b>					9	
10	Direct:					10	
11	Loss & LAE Ratio	<b>102.2%</b>	<b>28.3%</b>	73.9%	<b>26.1%</b>	11	
12	UW Expense Ratio:					12	
13	Acquisition	13.1%	12.8%	0.3%	13.3%	13	
14	Non Acquisition	10.2%	12.7%	(2.5%)	6.3%	14	
15	UW Expense Ratio	23.3%	25.5%	(2.2%)	19.6%	15	
16	<b>Direct Combined Ratio</b>	<b>125.5%</b>	<b>53.8%</b>	<b>71.7%</b>	<b>45.7%</b>	16	
17						17	

ANY  
QUESTIONS



## 6. Actuarial

### 6A. Policy Counts/Exposures

**Texas FAIR Plan Association**  
**Liability Report**  
As of 9/30/24  
All Forms Combined



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	09/30/23	09/30/24	Actual	Percentage	09/30/23	09/30/24	Actual	Percentage	09/30/23	09/30/24	Actual	Percentage
Harris	42,598	58,627	16,029	37.63%	8,074,013,615	13,818,543,470	5,744,529,854	71.15%	59,294,863	110,014,403	50,719,540	85.54%
Galveston	4,661	6,311	1,650	35.40%	1,473,784,027	2,314,998,077	841,214,050	57.08%	2,283,933	3,600,648	1,316,715	57.65%
Fort bend	5,036	7,798	2,762	54.85%	1,167,038,275	2,393,682,615	1,226,644,340	105.11%	7,204,150	15,609,906	8,405,756	116.68%
Dallas	1,868	3,725	1,857	99.41%	361,793,883	1,116,401,275	754,607,392	208.57%	2,193,721	7,530,307	5,336,586	243.27%
Brazoria	2,200	3,690	1,490	67.73%	705,431,057	1,418,091,617	712,660,560	101.02%	1,210,256	2,478,701	1,268,445	104.81%
Tarrant	1,364	2,963	1,599	117.23%	259,919,740	907,412,916	647,493,176	249.11%	1,757,940	6,449,961	4,692,021	266.90%
El paso	1,529	3,202	1,673	109.42%	411,099,699	1,060,501,953	649,402,254	157.97%	1,199,257	3,410,777	2,211,520	184.41%
Jefferson	1,636	2,876	1,240	75.79%	472,541,547	954,291,276	481,749,729	101.95%	890,868	1,830,605	939,737	105.49%
Nueces	1,136	1,750	614	54.05%	261,122,810	489,164,211	228,041,401	87.33%	685,203	1,316,612	631,409	92.15%
Montgomery	800	1,735	935	116.88%	186,514,440	533,492,419	346,977,979	186.03%	995,005	3,002,216	2,007,212	201.73%
Bexar	537	1,018	481	89.57%	110,620,714	280,286,034	169,665,320	153.38%	582,020	1,519,988	937,968	161.16%
Cameron	483	618	135	27.95%	111,802,440	167,372,130	55,569,690	49.70%	221,890	346,658	124,768	56.23%
Calhoun	391	460	69	17.65%	105,304,730	130,144,420	24,839,690	23.59%	204,292	275,755	71,463	34.98%
Orange	438	914	476	108.68%	87,503,718	252,056,358	164,552,640	188.05%	773,045	2,380,557	1,607,512	207.95%
Chambers	341	553	212	62.17%	128,107,990	239,499,740	111,391,750	86.95%	232,632	445,844	213,212	91.65%
Matagorda	288	439	151	52.43%	78,085,810	134,281,950	56,196,140	71.97%	178,065	312,266	134,201	75.37%
Liberty	253	587	334	132.02%	36,688,832	100,890,482	64,201,650	174.99%	380,232	1,099,020	718,788	189.04%
Travis	224	482	258	115.18%	51,765,090	174,449,758	122,684,668	237.00%	205,733	725,987	520,254	252.88%
Aransas	190	249	59	31.05%	43,784,340	67,837,590	24,053,250	54.94%	96,410	152,574	56,163	58.25%
Hidalgo	180	253	73	40.56%	24,978,706	45,171,164	20,192,459	80.84%	205,115	355,327	150,212	73.23%
San patricio	186	325	139	74.73%	51,855,796	108,447,480	56,591,684	109.13%	103,787	226,122	122,335	117.87%
Collin	163	447	284	174.23%	43,130,750	224,563,796	181,433,046	420.66%	288,287	1,606,009	1,317,722	457.09%
Waller	150	228	78	52.00%	25,027,010	61,774,100	36,747,090	146.83%	172,487	404,558	232,071	134.54%
Denton	133	622	489	367.67%	48,078,586	340,440,070	292,361,484	608.09%	256,344	1,947,201	1,690,857	659.60%
Brazos	74	104	30	40.54%	13,031,450	24,812,320	11,780,870	90.40%	55,204	107,061	51,857	93.94%
<b>Top 25 Counties</b>	<b>66,859</b>	<b>99,976</b>	<b>33,117</b>	<b>49.53%</b>	<b>14,333,025,056</b>	<b>27,358,607,221</b>	<b>13,025,582,165</b>	<b>90.88%</b>	<b>81,670,741</b>	<b>167,149,063</b>	<b>85,478,322</b>	<b>104.66%</b>
<b>All Other Counties</b>	<b>2,414</b>	<b>5,147</b>	<b>2,733</b>	<b>113.21%</b>	<b>516,399,870</b>	<b>1,596,942,580</b>	<b>1,080,542,710</b>	<b>209.25%</b>	<b>3,395,871</b>	<b>10,957,136</b>	<b>7,561,265</b>	<b>222.66%</b>
<b>Tier 1</b>	<b>11,641</b>	<b>17,444</b>	<b>5,803</b>	<b>49.85%</b>	<b>3,462,156,153</b>	<b>6,071,592,546</b>	<b>2,609,436,394</b>	<b>75.37%</b>	<b>6,180,806</b>	<b>11,101,592</b>	<b>4,920,787</b>	<b>79.61%</b>
<b>Tier 2</b>	<b>48,878</b>	<b>68,992</b>	<b>20,114</b>	<b>41.15%</b>	<b>9,455,951,308</b>	<b>16,795,096,932</b>	<b>7,339,145,623</b>	<b>77.61%</b>	<b>68,432,219</b>	<b>131,303,930</b>	<b>62,871,712</b>	<b>91.87%</b>
<b>All Other Counties</b>	<b>8,754</b>	<b>18,687</b>	<b>9,933</b>	<b>113.47%</b>	<b>1,931,317,465</b>	<b>6,088,860,323</b>	<b>4,157,542,858</b>	<b>215.27%</b>	<b>10,453,587</b>	<b>35,700,676</b>	<b>25,247,089</b>	<b>241.52%</b>
<b>Statewide Total</b>	<b>69,273</b>	<b>105,123</b>	<b>35,850</b>	<b>51.75%</b>	<b>14,849,424,926</b>	<b>28,955,549,801</b>	<b>14,106,124,875</b>	<b>94.99%</b>	<b>85,066,612</b>	<b>178,106,199</b>	<b>93,039,587</b>	<b>109.37%</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 9/30/24  
HO-A Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	09/30/23	09/30/24	Actual	Percentage	09/30/23	09/30/24	Actual	Percentage	09/30/23	09/30/24	Actual	Percentage
Harris	15,620	25,749	10,129	64.85%	4,782,176,571	9,286,307,848	4,504,131,276	94.19%	36,144,018	75,304,791	39,160,773	108.35%
Galveston	3,438	4,760	1,322	38.45%	1,343,421,291	2,126,104,960	782,683,669	58.26%	1,901,339	3,052,914	1,151,575	60.57%
Fort bend	1,418	3,027	1,609	113.47%	544,465,266	1,442,117,522	897,652,256	164.87%	3,518,582	9,713,340	6,194,758	176.06%
Dallas	828	2,235	1,407	169.93%	241,355,470	902,018,080	660,662,610	273.73%	1,561,078	6,193,500	4,632,422	296.75%
Brazoria	1,685	2,941	1,256	74.54%	630,146,870	1,291,696,050	661,549,180	104.98%	1,026,956	2,164,280	1,137,324	110.75%
Tarrant	735	1,892	1,157	157.41%	190,969,430	758,839,838	567,870,408	297.36%	1,320,895	5,327,815	4,006,921	303.35%
El paso	1,311	2,862	1,551	118.31%	384,768,730	1,015,403,290	630,634,560	163.90%	1,094,343	3,190,793	2,096,450	191.57%
Jefferson	1,271	2,318	1,047	82.38%	434,871,972	892,808,370	457,936,398	105.30%	774,650	1,610,613	835,963	107.91%
Nueces	681	1,175	494	72.54%	215,649,340	423,653,150	208,003,810	96.45%	548,548	1,121,601	573,053	104.47%
Montgomery	467	1,138	671	143.68%	144,404,600	446,793,730	302,389,130	209.40%	769,402	2,474,925	1,705,524	221.67%
Bexar	332	703	371	111.75%	93,020,130	244,309,420	151,289,290	162.64%	477,184	1,301,304	824,120	172.70%
Cameron	313	431	118	37.70%	93,829,540	145,562,680	51,733,140	55.14%	170,298	272,108	101,809	59.78%
Calhoun	330	394	64	19.39%	100,197,340	124,710,230	24,512,890	24.46%	186,132	253,356	67,225	36.12%
Orange	273	697	424	155.31%	71,912,418	228,102,558	156,190,140	217.19%	636,909	2,150,448	1,513,539	237.64%
Chambers	296	493	197	66.55%	122,559,390	231,460,140	108,900,750	88.86%	216,537	416,891	200,354	92.53%
Matagorda	252	392	140	55.56%	74,794,360	129,572,800	54,778,440	73.24%	156,929	284,297	127,368	81.16%
Liberty	148	373	225	152.03%	28,299,524	83,209,474	54,909,950	194.03%	284,102	864,418	580,316	204.26%
Travis	119	312	193	162.18%	41,822,660	151,973,250	110,150,590	263.38%	159,742	594,703	434,961	272.29%
Aransas	153	208	55	35.95%	40,195,600	63,756,830	23,561,230	58.62%	84,461	134,377	49,915	59.10%
Hidalgo	59	88	29	49.15%	10,735,606	22,125,064	11,389,459	106.09%	94,416	172,940	78,524	83.17%
San patricio	154	281	127	82.47%	48,857,996	104,223,380	55,365,384	113.32%	92,828	206,648	113,821	122.61%
Collin	54	301	247	457.41%	25,016,750	198,994,200	173,977,450	695.44%	186,054	1,396,606	1,210,553	650.65%
Waller	92	141	49	53.26%	19,605,910	50,685,000	31,079,090	158.52%	130,704	305,733	175,029	133.91%
Denton	91	507	416	457.14%	41,849,646	316,361,010	274,511,364	655.95%	226,238	1,787,450	1,561,212	690.08%
Brazos	30	50	20	66.67%	9,786,880	19,317,500	9,530,620	97.38%	37,317	76,430	39,113	104.81%
<b>Top 25 Counties</b>	<b>30,150</b>	<b>53,468</b>	<b>23,318</b>	<b>77.34%</b>	<b>9,734,713,291</b>	<b>20,700,106,374</b>	<b>10,965,393,083</b>	<b>112.64%</b>	<b>51,799,662</b>	<b>120,372,283</b>	<b>68,572,620</b>	<b>132.38%</b>
<b>All Other Counties</b>	<b>1,488</b>	<b>3,754</b>	<b>2,266</b>	<b>152.28%</b>	<b>425,865,330</b>	<b>1,436,756,992</b>	<b>1,010,891,662</b>	<b>237.37%</b>	<b>2,726,955</b>	<b>9,582,379</b>	<b>6,855,425</b>	<b>251.39%</b>
<b>Tier 1</b>	<b>8,667</b>	<b>13,524</b>	<b>4,857</b>	<b>56.04%</b>	<b>3,131,948,530</b>	<b>5,576,837,670</b>	<b>2,444,889,141</b>	<b>78.06%</b>	<b>5,218,133</b>	<b>9,614,938</b>	<b>4,396,806</b>	<b>84.26%</b>
<b>Tier 2</b>	<b>17,723</b>	<b>30,487</b>	<b>12,764</b>	<b>72.02%</b>	<b>5,488,446,765</b>	<b>11,222,147,638</b>	<b>5,733,700,872</b>	<b>104.47%</b>	<b>41,116,760</b>	<b>89,788,100</b>	<b>48,671,340</b>	<b>118.37%</b>
<b>All Other Counties</b>	<b>5,248</b>	<b>13,211</b>	<b>7,963</b>	<b>151.73%</b>	<b>1,540,183,326</b>	<b>5,337,878,058</b>	<b>3,797,694,732</b>	<b>246.57%</b>	<b>8,191,725</b>	<b>30,551,624</b>	<b>22,359,899</b>	<b>272.96%</b>
<b>Statewide Total</b>	<b>31,638</b>	<b>57,222</b>	<b>25,584</b>	<b>80.86%</b>	<b>10,160,578,621</b>	<b>22,136,863,366</b>	<b>11,976,284,745</b>	<b>117.87%</b>	<b>54,526,617</b>	<b>129,954,662</b>	<b>75,428,045</b>	<b>138.33%</b>

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



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	09/30/23	09/30/24	Actual	Percentage	09/30/23	09/30/24	Actual	Percentage	09/30/23	09/30/24	Actual	Percentage
Harris	24,117	29,677	5,560	23.05%	3,131,122,604	4,341,356,542	1,210,233,938	38.65%	22,209,241	33,461,949	11,252,707	50.67%
Galveston	746	1,013	267	35.79%	102,081,256	155,271,277	53,190,021	52.11%	291,085	433,055	141,970	48.77%
Fort bend	3,479	4,600	1,121	32.22%	614,537,929	941,975,413	327,437,484	53.28%	3,649,461	5,850,247	2,200,785	60.30%
Dallas	942	1,374	432	45.86%	115,469,573	206,463,435	90,993,862	78.80%	606,260	1,288,258	681,998	112.49%
Brazoria	472	692	220	46.61%	73,462,347	124,001,327	50,538,980	68.80%	176,523	305,314	128,791	72.96%
Tarrant	603	1,047	444	73.63%	67,697,990	146,658,598	78,960,608	116.64%	425,220	1,104,710	679,489	159.80%
El paso	213	334	121	56.81%	26,000,969	44,724,263	18,723,294	72.01%	103,018	217,337	114,319	110.97%
Jefferson	323	481	158	48.92%	35,297,175	56,289,066	20,991,891	59.47%	108,119	201,044	92,925	85.95%
Nueces	274	361	87	31.75%	29,645,590	46,142,461	16,496,871	55.65%	83,901	120,660	36,759	43.81%
Montgomery	300	552	252	84.00%	40,133,560	82,986,609	42,853,049	106.78%	218,199	511,501	293,302	134.42%
Bexar	159	255	96	60.38%	15,506,704	32,446,934	16,940,230	109.24%	89,165	191,654	102,489	114.94%
Cameron	76	83	7	9.21%	8,543,300	10,609,850	2,066,550	24.19%	24,255	39,591	15,336	63.23%
Calhoun	47	52	5	10.64%	4,351,150	4,629,950	278,800	6.41%	15,388	19,039	3,651	23.73%
Orange	151	206	55	36.42%	15,041,700	23,599,800	8,558,100	56.90%	131,544	227,136	95,592	72.67%
Chambers	38	54	16	42.11%	5,281,000	7,820,000	2,539,000	48.08%	15,481	28,230	12,749	82.35%
Matagorda	35	46	11	31.43%	3,278,250	4,695,950	1,417,700	43.25%	21,023	27,852	6,829	32.48%
Liberty	102	203	101	99.02%	8,299,308	17,405,008	9,105,700	109.72%	95,272	231,866	136,594	143.37%
Travis	50	97	47	94.00%	6,809,830	16,115,788	9,305,958	136.65%	33,283	97,193	63,910	192.02%
Aransas	24	26	2	8.33%	2,626,460	2,683,960	57,500	2.19%	8,636	12,460	3,824	44.28%
Hidalgo	111	155	44	39.64%	13,733,100	22,536,100	8,803,000	64.10%	107,511	178,503	70,992	66.03%
San patricio	32	42	10	31.25%	2,997,800	4,070,500	1,072,700	35.78%	10,960	18,948	7,988	72.89%
Collin	89	117	28	31.46%	16,834,800	23,502,236	6,667,436	39.61%	97,902	202,681	104,779	107.02%
Waller	51	79	28	54.90%	5,056,780	10,736,780	5,680,000	112.32%	40,312	97,242	56,930	141.22%
Denton	38	101	63	165.79%	5,868,940	23,245,060	17,376,120	296.07%	28,358	155,823	127,465	449.48%
Brazos	20	31	11	55.00%	2,019,250	4,138,100	2,118,850	104.93%	12,963	24,532	11,568	89.24%
<b>Top 25 Counties</b>	<b>32,492</b>	<b>41,678</b>	<b>9,186</b>	<b>28.27%</b>	<b>4,351,697,365</b>	<b>6,354,105,007</b>	<b>2,002,407,642</b>	<b>46.01%</b>	<b>28,603,083</b>	<b>45,046,824</b>	<b>16,443,741</b>	<b>57.49%</b>
<b>All Other Counties</b>	<b>844</b>	<b>1,285</b>	<b>441</b>	<b>52.25%</b>	<b>86,547,420</b>	<b>154,185,708</b>	<b>67,638,288</b>	<b>78.15%</b>	<b>647,879</b>	<b>1,345,152</b>	<b>697,272</b>	<b>107.62%</b>
<b>Tier 1</b>	<b>2,100</b>	<b>2,890</b>	<b>790</b>	<b>37.62%</b>	<b>270,325,103</b>	<b>420,222,516</b>	<b>149,897,413</b>	<b>55.45%</b>	<b>768,775</b>	<b>1,224,115</b>	<b>455,340</b>	<b>59.23%</b>
<b>Tier 2</b>	<b>28,121</b>	<b>35,091</b>	<b>6,970</b>	<b>24.79%</b>	<b>3,797,371,303</b>	<b>5,370,925,214</b>	<b>1,573,553,911</b>	<b>41.44%</b>	<b>26,327,398</b>	<b>40,208,545</b>	<b>13,881,147</b>	<b>52.73%</b>
<b>All Other Counties</b>	<b>3,115</b>	<b>4,982</b>	<b>1,867</b>	<b>59.94%</b>	<b>370,548,379</b>	<b>717,142,985</b>	<b>346,594,606</b>	<b>93.54%</b>	<b>2,154,790</b>	<b>4,959,316</b>	<b>2,804,526</b>	<b>130.15%</b>
<b>Statewide Total</b>	<b>33,336</b>	<b>42,963</b>	<b>9,627</b>	<b>28.88%</b>	<b>4,438,244,785</b>	<b>6,508,290,715</b>	<b>2,070,045,930</b>	<b>46.64%</b>	<b>29,250,963</b>	<b>46,391,976</b>	<b>17,141,013</b>	<b>58.60%</b>

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**Texas FAIR Plan Association**  
**Liability Report**  
As of 9/30/24  
HO-CONB Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	09/30/23	09/30/24	Actual	Percentage	09/30/23	09/30/24	Actual	Percentage	09/30/23	09/30/24	Actual	Percentage
Harris	1,885	2,195	310	16.45%	141,516,120	172,412,520	30,896,400	21.83%	809,121	1,107,721	298,600	36.90%
Galveston	211	243	32	15.17%	20,190,720	24,330,480	4,139,760	20.50%	58,650	74,913	16,263	27.73%
Fort bend	71	76	5	7.04%	6,283,200	6,838,080	554,880	8.83%	26,554	31,254	4,699	17.70%
Dallas	77	100	23	29.87%	4,433,040	7,097,280	2,664,240	60.10%	23,114	43,898	20,785	89.92%
Brazoria	8	9	1	12.50%	564,000	705,600	141,600	25.11%	2,021	2,812	791	39.14%
Tarrant	3	7	4	133.33%	647,520	1,122,480	474,960	73.35%	8,504	12,990	4,486	52.75%
El paso	1	3	2	200.00%	117,600	338,400	220,800	187.76%	845	2,426	1,581	187.10%
Jefferson	11	42	31	281.82%	1,005,240	3,736,800	2,731,560	271.73%	3,061	13,056	9,995	326.52%
Nueces	160	189	29	18.13%	15,142,200	18,694,200	3,552,000	23.46%	49,711	71,207	21,495	43.24%
Montgomery	16	23	7	43.75%	1,117,680	2,231,280	1,113,600	99.63%	4,582	11,004	6,422	140.15%
Bexar	32	40	8	25.00%	1,827,720	3,046,080	1,218,360	66.66%	13,885	24,218	10,333	74.42%
Cameron	89	100	11	12.36%	9,267,600	11,061,600	1,794,000	19.36%	26,331	34,528	8,196	31.13%
Calhoun	5	5	0	0.00%	408,240	468,240	60,000	14.70%	1,443	1,847	404	28.00%
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	30	45	15	50.00%	2,288,040	4,907,280	2,619,240	114.48%	9,152	28,840	19,688	215.12%
Aransas	9	10	1	11.11%	787,920	1,120,800	332,880	42.25%	2,592	4,316	1,724	66.53%
Hidalgo	7	7	0	0.00%	456,000	456,000	0	0.00%	2,911	3,435	524	18.00%
San patricio	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Collin	13	16	3	23.08%	985,200	1,635,360	650,160	65.99%	3,480	4,985	1,505	43.24%
Waller	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Denton	2	5	3	150.00%	300,000	504,000	204,000	68.00%	1,384	2,393	1,009	72.90%
Brazos	11	12	1	9.09%	952,320	1,110,720	158,400	16.63%	3,461	5,052	1,591	45.98%
<b>Top 25 Counties</b>	<b>2,641</b>	<b>3,127</b>	<b>486</b>	<b>18.40%</b>	<b>208,290,360</b>	<b>261,817,200</b>	<b>53,526,840</b>	<b>25.70%</b>	<b>1,050,802</b>	<b>1,480,895</b>	<b>430,092</b>	<b>40.93%</b>
<b>All Other Counties</b>	<b>16</b>	<b>29</b>	<b>13</b>	<b>81.25%</b>	<b>1,133,760</b>	<b>2,524,560</b>	<b>1,390,800</b>	<b>122.67%</b>	<b>7,715</b>	<b>12,610</b>	<b>4,894</b>	<b>63.43%</b>
Tier 1	493	599	106	21.50%	47,365,920	60,266,520	12,900,600	27.24%	143,809	202,679	58,869	40.94%
Tier 2	1,963	2,279	316	16.10%	148,255,320	179,850,600	31,595,280	21.31%	838,587	1,143,300	304,713	36.34%
All Other Counties	201	278	77	38.31%	13,802,880	24,224,640	10,421,760	75.50%	76,122	147,525	71,404	93.80%
<b>Statewide Total</b>	<b>2,657</b>	<b>3,156</b>	<b>499</b>	<b>18.78%</b>	<b>209,424,120</b>	<b>264,341,760</b>	<b>54,917,640</b>	<b>26.22%</b>	<b>1,058,518</b>	<b>1,493,504</b>	<b>434,986</b>	<b>41.09%</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 9/30/24  
HO-BT Policies



County	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
	09/30/23	09/30/24	Actual	Percentage	09/30/23	09/30/24	Actual	Percentage	09/30/23	09/30/24	Actual	Percentage
Harris	976	1,006	30	3.07%	19,198,320	18,466,560	(731,760)	(3.81%)	132,483	139,942	7,459	5.63%
Galveston	266	295	29	10.90%	8,090,760	9,291,360	1,200,600	14.84%	32,860	39,766	6,906	21.02%
Fort bend	68	95	27	39.71%	1,751,880	2,751,600	999,720	57.07%	9,552	15,065	5,513	57.72%
Dallas	21	16	(5)	(23.81%)	535,800	822,480	286,680	53.51%	3,269	4,650	1,381	42.25%
Brazoria	35	48	13	37.14%	1,257,840	1,688,640	430,800	34.25%	4,756	6,295	1,539	32.35%
Tarrant	23	17	(6)	(26.09%)	604,800	792,000	187,200	30.95%	3,321	4,446	1,125	33.87%
El paso	4	3	(1)	(25.00%)	212,400	36,000	(176,400)	(83.05%)	1,051	221	(830)	(78.97%)
Jefferson	31	35	4	12.90%	1,367,160	1,457,040	89,880	6.57%	5,038	5,892	854	16.96%
Nueces	21	25	4	19.05%	685,680	674,400	(11,280)	(1.65%)	3,042	3,145	103	3.37%
Montgomery	17	22	5	29.41%	858,600	1,480,800	622,200	72.47%	2,822	4,786	1,964	69.61%
Bexar	14	20	6	42.86%	266,160	483,600	217,440	81.70%	1,786	2,812	1,026	57.41%
Cameron	5	4	(1)	(20.00%)	162,000	138,000	(24,000)	(14.81%)	1,005	432	(573)	(57.03%)
Calhoun	9	9	0	0.00%	348,000	336,000	(12,000)	(3.45%)	1,329	1,512	183	13.77%
Orange	14	11	(3)	(21.43%)	549,600	354,000	(195,600)	(35.59%)	4,591	2,972	(1,619)	(35.26%)
Chambers	7	6	(1)	(14.29%)	267,600	219,600	(48,000)	(17.94%)	614	723	109	17.73%
Matagorda	1	1	0	0.00%	13,200	13,200	0	0.00%	113	117	4	3.54%
Liberty	3	11	8	266.67%	90,000	276,000	186,000	206.67%	858	2,736	1,878	218.91%
Travis	25	28	3	12.00%	844,560	1,453,440	608,880	72.09%	3,556	5,252	1,696	47.68%
Aransas	4	5	1	25.00%	174,360	276,000	101,640	58.29%	721	1,421	700	97.09%
Hidalgo	3	3	0	0.00%	54,000	54,000	0	0.00%	277	449	172	62.09%
San patricio	0	2	2	N/A	0	153,600	153,600	N/A	0	526	526	N/A
Collin	7	13	6	85.71%	294,000	432,000	138,000	46.94%	851	1,737	886	104.11%
Waller	7	8	1	14.29%	364,320	352,320	(12,000)	(3.29%)	1,471	1,583	112	7.61%
Denton	2	9	7	350.00%	60,000	330,000	270,000	450.00%	364	1,535	1,171	321.70%
Brazos	13	11	(2)	(15.38%)	273,000	246,000	(27,000)	(9.89%)	1,463	1,047	(416)	(28.43%)
<b>Top 25 Counties</b>	<b>1,576</b>	<b>1,703</b>	<b>127</b>	<b>8.06%</b>	<b>38,324,040</b>	<b>42,578,640</b>	<b>4,254,600</b>	<b>11.10%</b>	<b>217,193</b>	<b>249,062</b>	<b>31,869</b>	<b>14.67%</b>
<b>All Other Counties</b>	<b>66</b>	<b>79</b>	<b>13</b>	<b>19.70%</b>	<b>2,853,360</b>	<b>3,475,320</b>	<b>621,960</b>	<b>21.80%</b>	<b>13,321</b>	<b>16,995</b>	<b>3,674</b>	<b>27.58%</b>
Tier 1	381	431	50	13.12%	12,516,600	14,265,840	1,749,240	13.98%	50,089	59,860	9,771	19.51%
Tier 2	1,071	1,135	64	5.98%	21,877,920	22,173,480	295,560	1.35%	149,474	163,986	14,511	9.71%
All Other Counties	190	216	26	13.68%	6,782,880	9,614,640	2,831,760	41.75%	30,951	42,211	11,260	36.38%
<b>Statewide Total</b>	<b>1,642</b>	<b>1,782</b>	<b>140</b>	<b>8.53%</b>	<b>41,177,400</b>	<b>46,053,960</b>	<b>4,876,560</b>	<b>11.84%</b>	<b>230,514</b>	<b>266,057</b>	<b>35,543</b>	<b>15.42%</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: November 20, 2024

TO: David Durden  
General Manager

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

RE: TFPA Reserve Adequacy as of September 30, 2024

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TFPA actuarial staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of September 30, 2024.

As of September 30, 2024, TFPA carried \$36.9 million in total gross loss and loss adjustment expense reserves with \$12.9 million of the total gross loss and expense reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

Based on this review, the initial quarterly estimate of ultimate gross loss & expense associated with Hurricane Beryl is set at \$95 million. TFPA actuarial staff will continue to monitor the development of claims associated with this event and update the ultimate estimate as necessary going forward. The selected ultimate gross loss & expense estimate for Hurricane Harvey remains at \$82.5 million.

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

The complete actuarial analysis is available on request.

JM

## 6C. Annual Rate Review

# **TFPA Governing Committee**

**2024 Rate Indications**

**TFPA Actuarial Department**

**December 9, 2024**

# Contents

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- **Actuarial Principles**
- **Statutory Language**
- **Actuarial Methodology**
- **Rate Adequacy Analysis**
- **Reconciliation of Changes in Rate Indications**
- **Financial Impact**
- **Additional Topics**

# Actuarial Principles

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## Casualty Actuarial Society Statement of Principles

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

# Statutory Language

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Texas Insurance Code Sec. 2211.056 requires the FAIR Plan to file with the commissioner of insurance proposed rates to be used in connection with the issuance of insurance policies or endorsements. Under this statute, the commissioner is required to approve or disapprove, in whole or in part, the proposed rates within 60 days of filing, with an additional 30-day extension upon written notice by the Texas Department of Insurance (TDI) to the FAIR Plan.

Sec 2211.056(b) requires the FAIR Plan to set rates in an amount sufficient to (1) carry all claims to maturity, and (2) meet the expenses incurred in the writing and servicing of the business.

# Actuarial Methodology

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

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

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

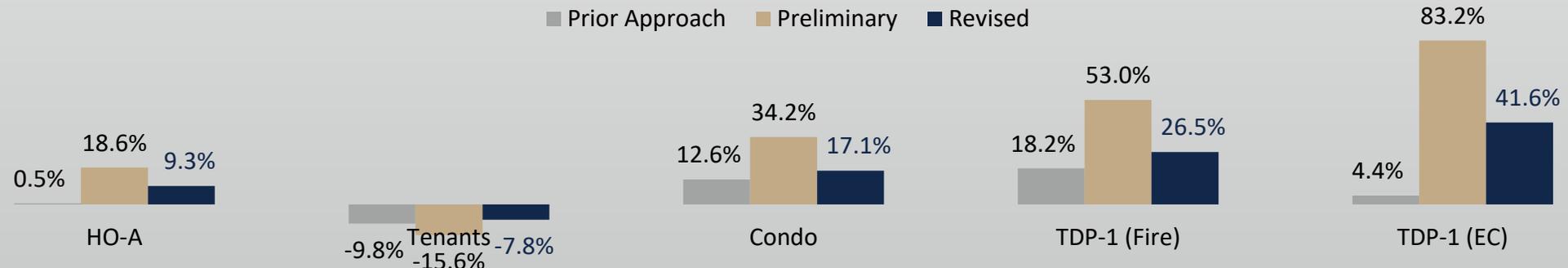
# Actuarial Methodology

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

# Revised Wind Methodology

- Historical wind loss provision relied solely on catastrophe models for both hurricane and non-hurricane wind losses, such as hail, tornado, and straight-line wind events
- Prior approach combined modeled hurricane and non-hurricane losses with TFPA experience without developing or trending losses or premiums
- Preliminary methodology presented November 7 showed the impact of the most recent five years of actual experience for non-hurricane losses, developed and trended consistent with other causes of loss
- Revised methodology uses catastrophe models for both hurricane and non-hurricane wind losses, combined with 17 years of hurricane experience and 10 years of non-hurricane experience, developed and trended to current loss and premium levels



# 2024 Rate Adequacy Analysis

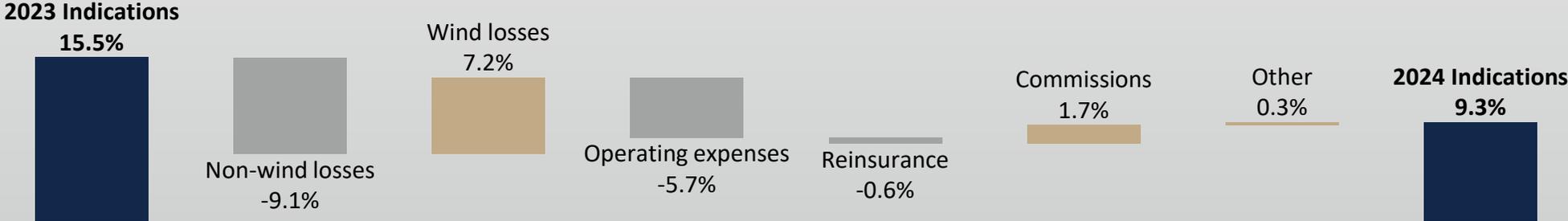
Rate Element	HO-A			Tenants			Condo		
	2023 Review	2024 Review	2024 vs. 2023	2023 Review	2024 Review	2024 vs. 2023	2023 Review	2024 Review	2024 vs. 2023
Non-Wind Loss Provision	20.9%	14.4%	-6.6%	44.5%	27.9%	-16.5%	62.0%	42.8%	-19.2%
Wind Loss Provision									
Experience	31.1%	42.7%	11.7%	5.2%	7.3%	2.1%	7.8%	10.0%	2.2%
Modeled	25.4%	24.1%	-1.3%	22.0%	8.1%	-14.0%	25.2%	12.6%	-12.6%
Combined	28.2%	33.4%	5.2%	9.4%	7.5%	-1.9%	12.1%	10.6%	-1.5%
Total Loss Provision	49.1%	47.8%	-1.4%	53.9%	35.4%	-18.5%	74.1%	53.4%	-20.7%
Fixed Expenses									
Operating	12.1%	8.0%	-4.1%	12.1%	8.0%	-4.1%	12.1%	8.0%	-4.1%
Reinsurance	23.6%	23.2%	-0.4%	23.6%	23.2%	-0.4%	23.6%	23.2%	-0.4%
Total	35.7%	31.2%	-4.5%	35.7%	31.2%	-4.5%	35.7%	31.2%	-4.5%
Total Loss Provision plus Fixed Expenses	84.8%	78.9%	-5.9%	89.6%	66.6%	-23.0%	109.8%	84.6%	-25.2%
Variable Expenses									
Commissions	9.7%	11.0%	1.3%	9.7%	11.0%	1.3%	9.7%	11.0%	1.3%
Taxes and Fees	1.8%	1.8%	0.0%	1.8%	1.8%	0.0%	1.8%	1.8%	0.0%
Stabilization Fund	15.0%	15.0%	0.0%	15.0%	15.0%	0.0%	15.0%	15.0%	0.0%
Total Variable Expenses	26.5%	27.8%	1.3%	26.5%	27.8%	1.3%	26.5%	27.8%	1.3%
Permissible Loss Ratio	73.5%	72.2%	-1.3%	73.5%	72.2%	-1.3%	73.5%	72.2%	-1.3%
<b>Rate Indication</b>	<b>15.5%</b>	<b>9.3%</b>	<b>-6.1%</b>	<b>21.9%</b>	<b>-7.8%</b>	<b>-29.7%</b>	<b>49.5%</b>	<b>17.1%</b>	<b>-32.4%</b>

# 2024 Rate Adequacy Analysis (continued)

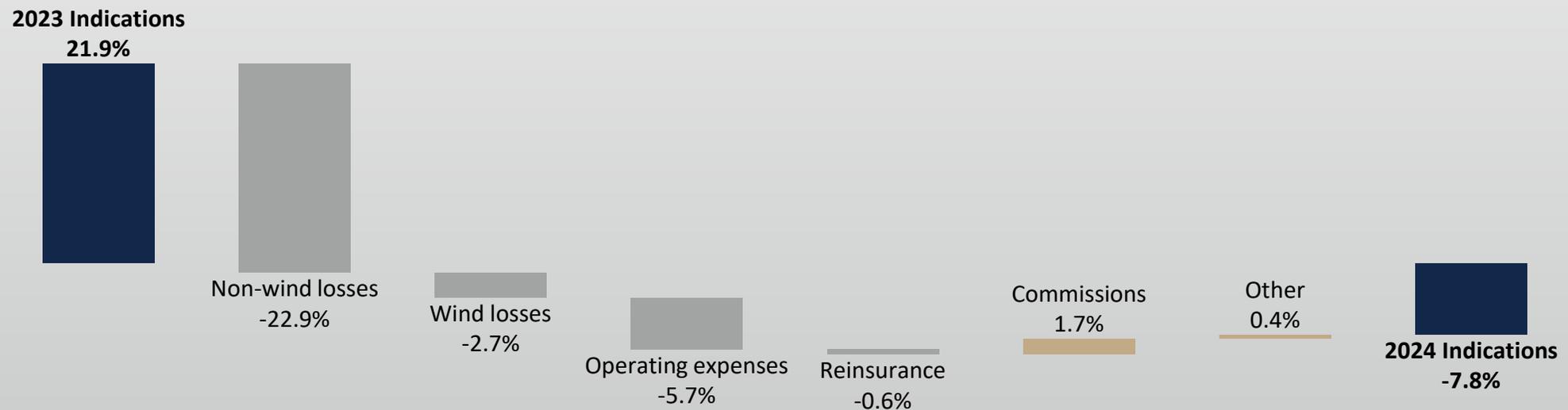
Rate Element	Dwelling (Fire)			Dwelling (EC)		
	2023 Review	2024 Review	2024 vs. 2023	2023 Review	2024 Review	2024 vs. 2023
Non-Wind Loss Provision				3.4%	3.3%	0.0%
Wind Loss Provision						
Experience				39.0%	91.3%	52.3%
Modeled				47.4%	44.1%	-3.3%
Combined				43.2%	67.7%	24.5%
Total Loss Provision	66.1%	60.2%	-5.9%	46.6%	71.1%	24.5%
Fixed Expenses						
Operating	12.1%	8.0%	-4.1%	12.1%	8.0%	-4.1%
Reinsurance	23.6%	23.2%	-0.4%	23.6%	23.2%	-0.4%
Total	35.7%	31.2%	-4.5%	35.7%	31.2%	-4.5%
Total Loss Provision plus Fixed Expenses	101.8%	91.4%	-10.4%	82.2%	102.2%	20.0%
Variable Expenses						
Commissions	9.7%	11.0%	1.3%	9.7%	11.0%	1.3%
Taxes and Fees	1.8%	1.8%	0.0%	1.8%	1.8%	0.0%
Stabilization Fund	15.0%	15.0%	0.0%	15.0%	15.0%	0.0%
Total Variable Expenses	26.5%	27.8%	1.3%	26.5%	27.8%	1.3%
Permissible Loss Ratio	73.5%	72.2%	-1.3%	73.5%	72.2%	-1.3%
<b>Rate Indication</b>	<b>38.5%</b>	<b>26.5%</b>	<b>-12.0%</b>	<b>12.0%</b>	<b>41.6%</b>	<b>29.6%</b>

# Reconciliation of Change in Rate Indications

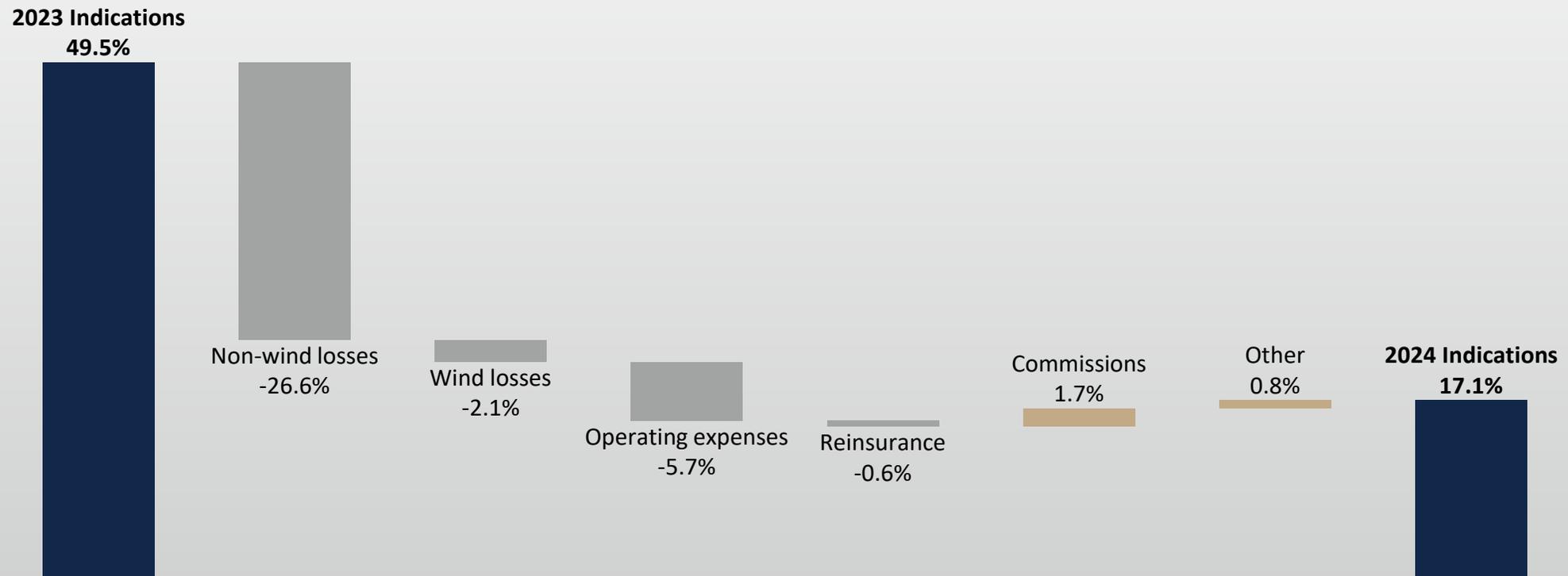
## HO-A 2024 vs 2023



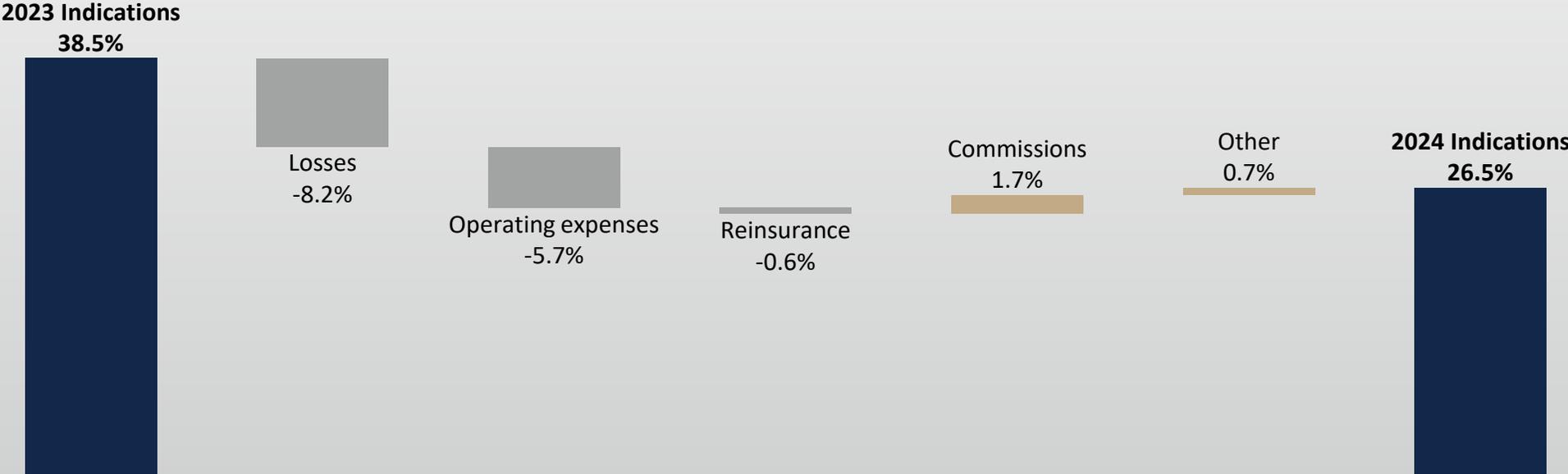
# Reconciliation of Change in Rate Indications Tenants 2024 vs 2023



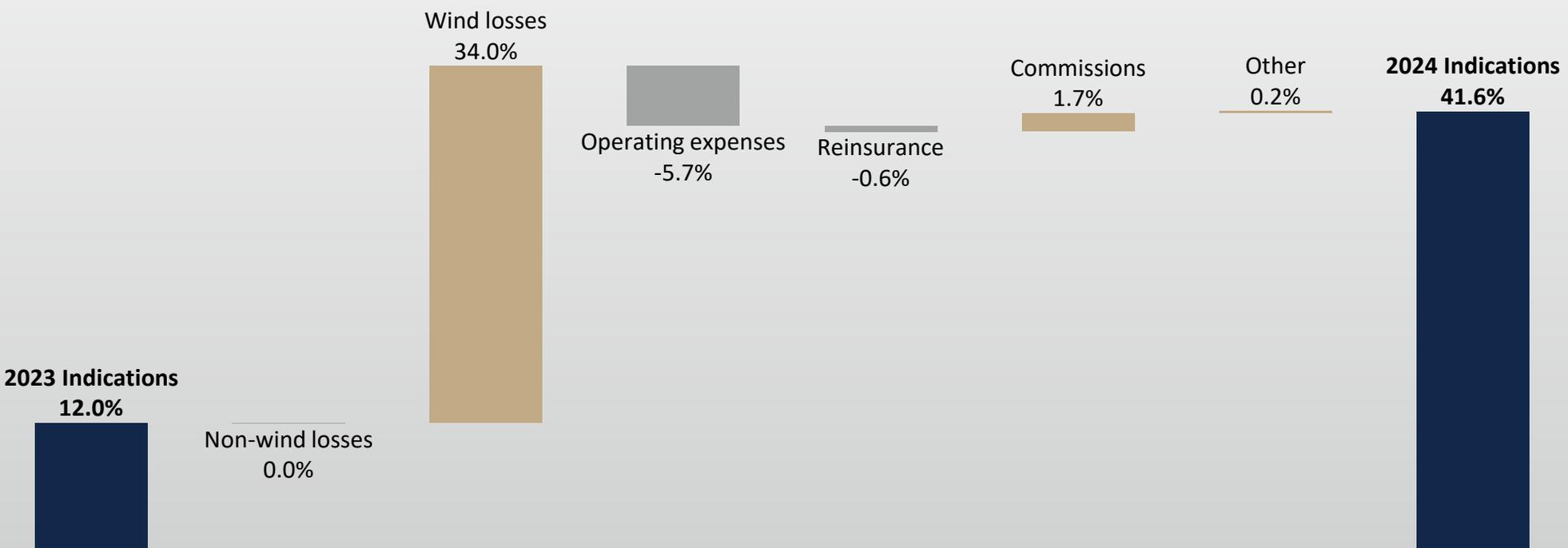
# Reconciliation of Change in Rate Indications Condo 2024 vs 2023



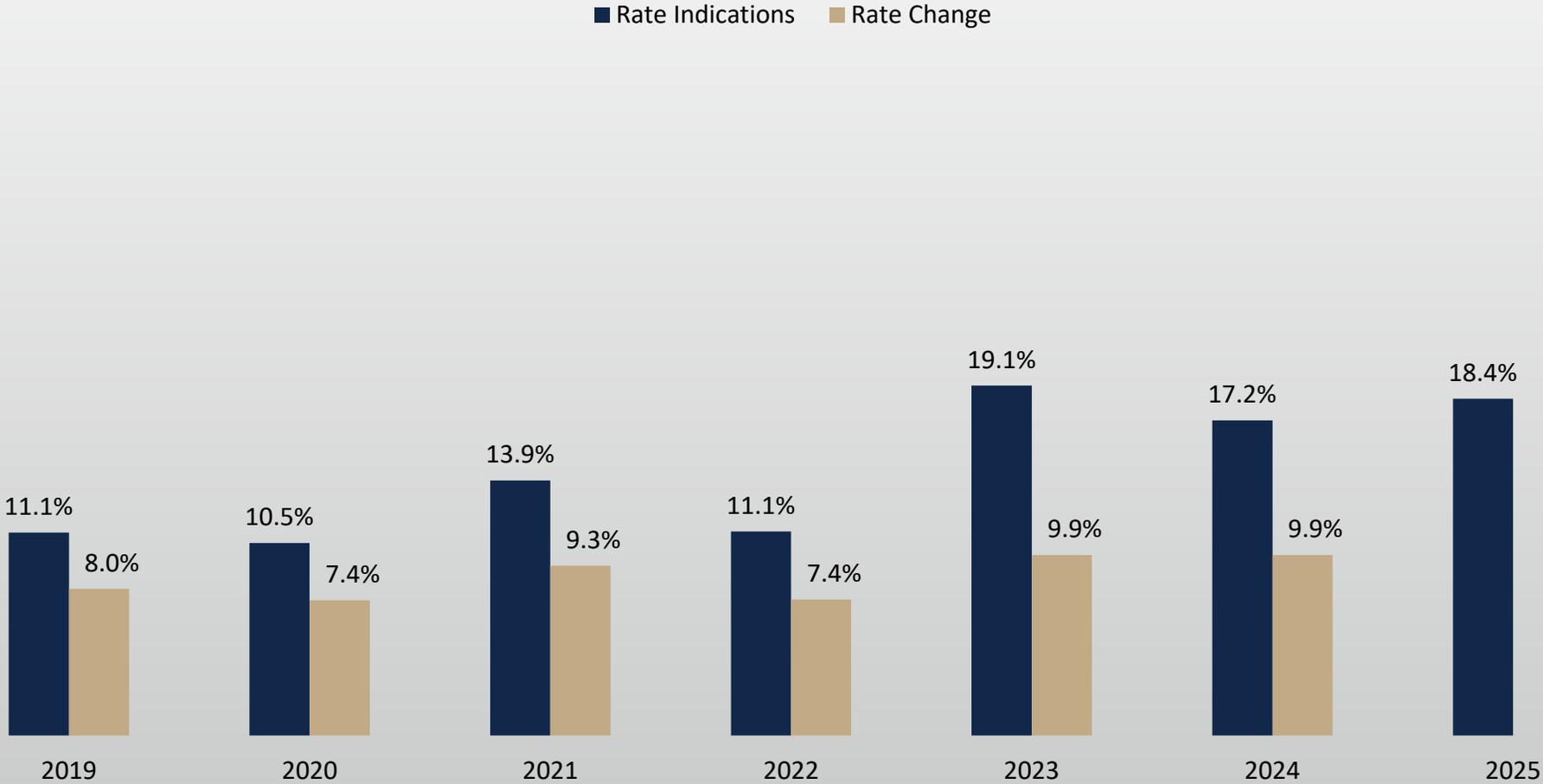
# Reconciliation of Change in Rate Indications Dwelling (Fire) 2024 vs 2023



# Reconciliation of Change in Rate Indications Dwelling (EC) 2024 vs 2023



# Rate Indications vs Rate Changes



# Reconciliation to Budgeted Financial Statements

Major Differences	Budget	Rate Analysis	Description	Estimated Impact
Time Period	1/1/24 – 12/31/24	8/1/25 – 7/31/26	Reinsurance premiums are projected to increase 40% in 2025; this is fully reflected in the rating period but only impacts half of calendar year 2025	\$17 Million
Catastrophes	Not Included	Included	The rate analysis includes a 15.7% net catastrophe provision that is not reflected in the budget	\$46.3 Million
Contribution to Surplus	Not Included	Included	The rate analysis includes a 15% factor to build up surplus that is not reflected in the budget	\$44.4 Million

# Financial Impact of Rate Changes

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- **TFPA is currently projecting approximately \$300 million in earned premiums for 2025**
- **Every 1% of increased rate would result in an additional \$3 million in annual income**
- **Assuming an August 1 effective date, approximately 15% of the annual impact would be realized in 2025 (\$441,000 per 1%)**

# Capped and Uncapped Indications by Territory

## Homeowners

### Indications Capped at Various Amounts

	Uncapped	20%	15%	10%
Central North - Greater DFW	25.4%	20.0%	15.0%	10.0%
Central North - Remainder	5.8%	5.8%	5.8%	5.8%
Central South	17.1%	17.1%	15.0%	10.0%
North/Northwest	13.7%	13.7%	13.7%	10.0%
Seacoast - Tier 1	-12.8%	-12.8%	-12.8%	-10.0%
Seacoast - Tier 2	9.3%	9.3%	9.3%	9.3%
Overall Statewide	9.3%	8.9%	8.3%	7.7%

## Tenants

	Uncapped	20%	15%	10%
Central North - Greater DFW	-12.8%	-12.8%	-12.8%	-10.0%
Central North – Remainder	-19.0%	-19.0%	-15.0%	-10.0%
Central South	-18.8%	-18.8%	-15.0%	-10.0%
North/Northwest	-19.4%	-19.4%	-15.0%	-10.0%
Seacoast - Tier 1	-20.7%	-20.0%	-15.0%	-10.0%
Seacoast - Tier 2	-1.5%	-1.5%	-1.5%	-1.5%
Overall Statewide	-7.8%	-7.7%	-6.2%	-4.5%

## Condos

### Indications Capped at Various Amounts

	Uncapped	20%	15%	10%
Central North - Greater DFW	14.7%	14.7%	14.7%	10.0%
Central North – Remainder	2.2%	2.2%	2.2%	2.2%
Central South	30.7%	20.0%	15.0%	10.0%
North/Northwest	4.0%	4.0%	4.0%	4.0%
Seacoast - Tier 1	4.7%	4.7%	4.7%	4.7%
Seacoast - Tier 2	18.5%	18.5%	15.0%	10.0%
Overall Statewide	17.1%	16.7%	13.7%	9.3%

# Capped and Uncapped Indications by Territory

<b>Dwelling (Fire)</b>	<u>Indications Capped at Various Amounts</u>			
	Uncapped	20%	15%	10%
Overall Statewide	26.5%	20.0%	15.0%	10.0%

<b>Dwelling (EC)</b>	Uncapped	20%	15%	10%
	Central North - Greater DFW	112.6%	20.0%	15.0%
Central North - Remainder	95.7%	20.0%	15.0%	10.0%
Central South	79.5%	20.0%	15.0%	10.0%
North/Northwest	62.6%	20.0%	15.0%	10.0%
Seacoast - Tier 1	-28.5%	-20.0%	-15.0%	-10.0%
Seacoast - Tier 2	37.2%	20.0%	15.0%	10.0%
Overall Statewide	41.6%	19.8%	14.8%	9.9%

# Additional Topics

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- **Private Market Practices**
- **Impact of Recent Growth**
- **Rating Factor Analysis**
  - Deductible Options
  - New Home Discount

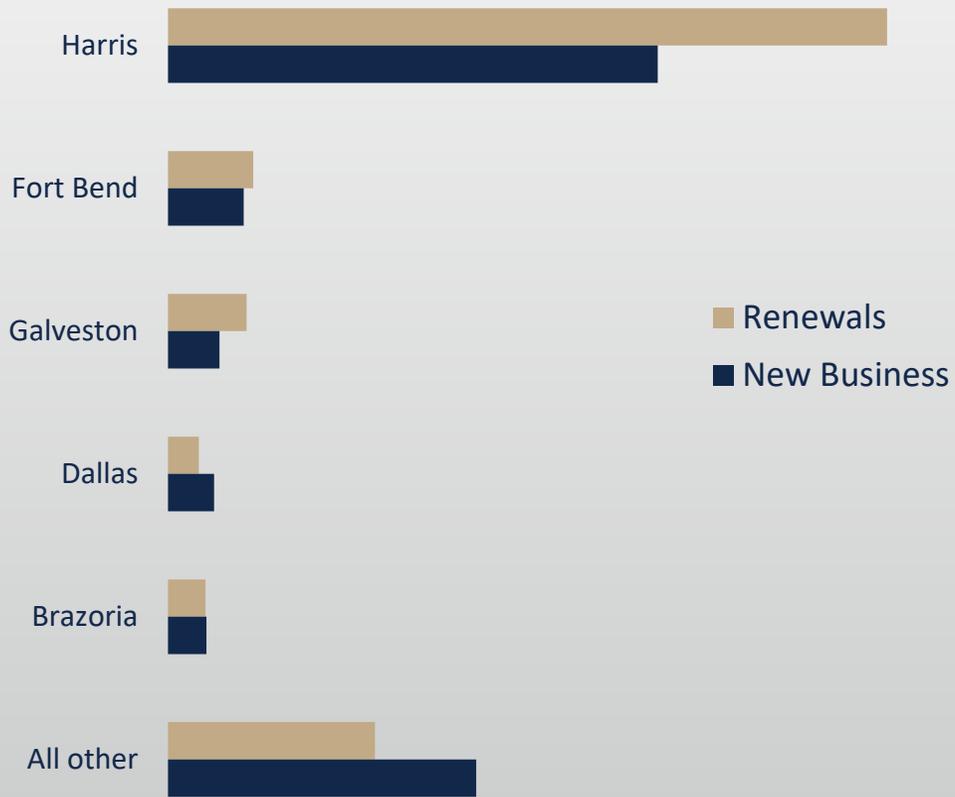
# Private Market Practices

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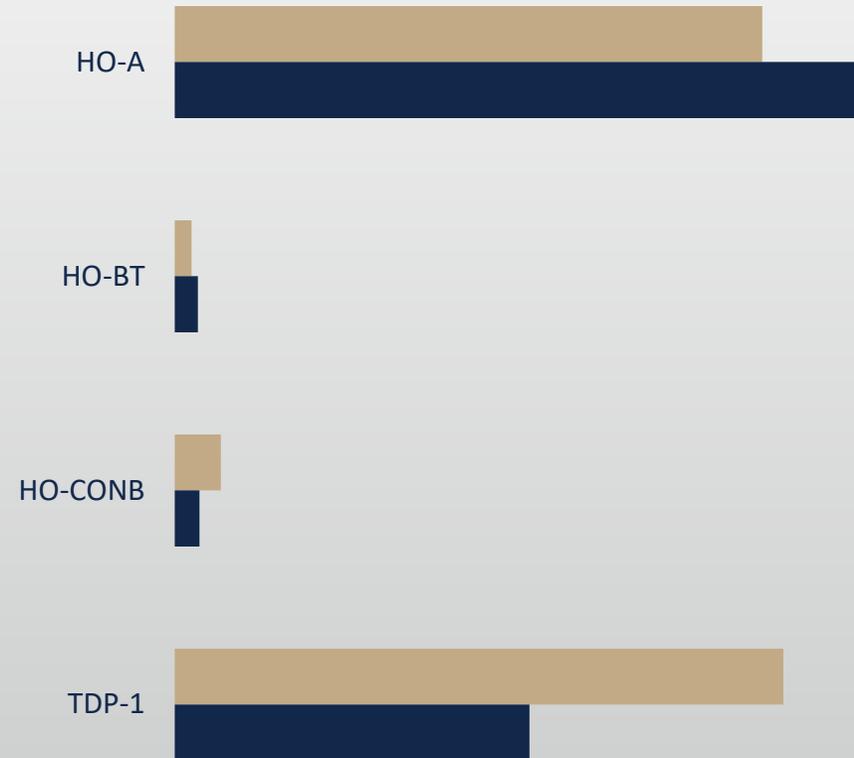
- **Restricting Business in Higher Risk Locations**
- **Mandating Higher Deductibles**
- **Restricting Availability of Replacement Cost Coverage**

# Impact of Recent Growth

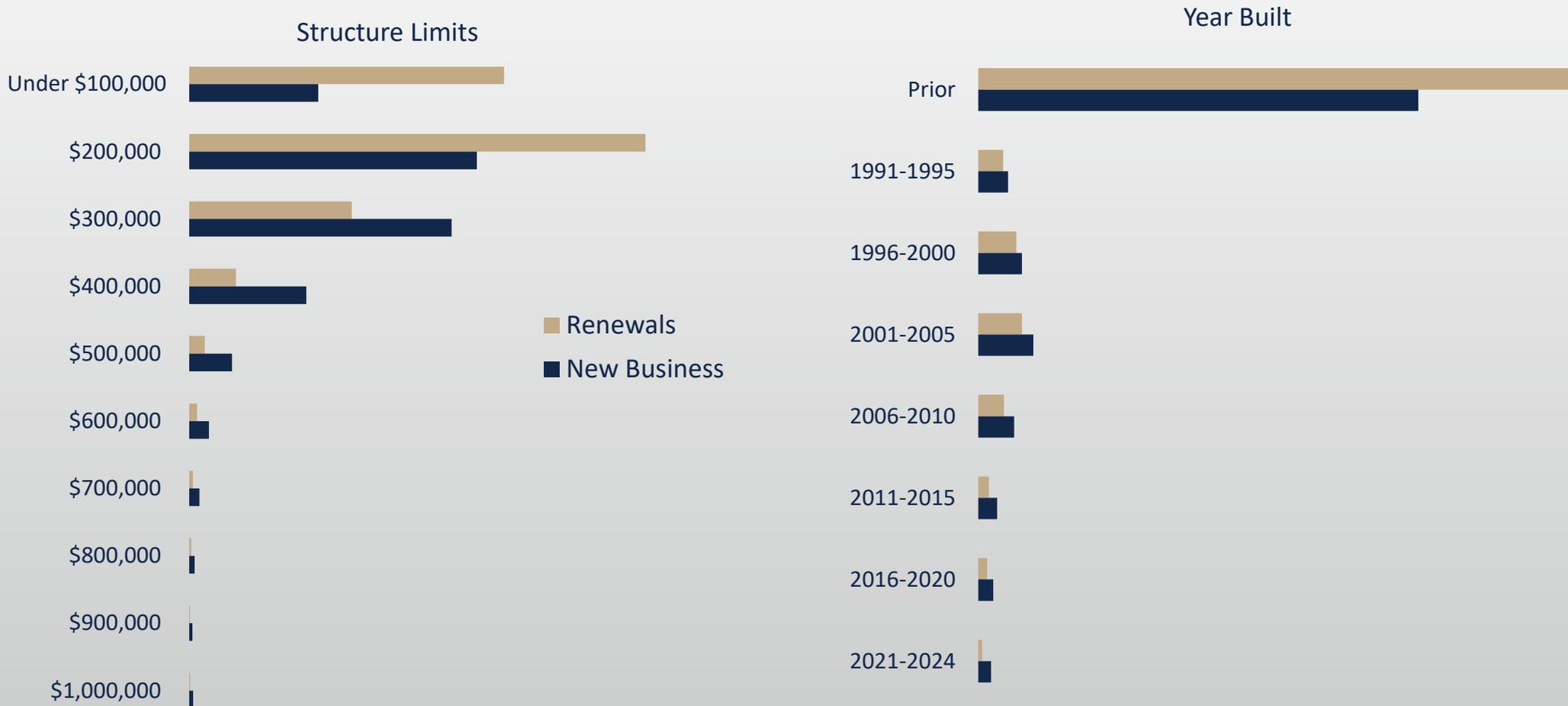
County



Policy Form



# Impact of Recent Growth



# Deductible Options

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- **Adjust the default deductible**
  - The TFPA application currently defaults to a 1% deductible
  - A majority of TFPA policyholders voluntarily choose the higher 2% deductible option
  - Considering moving the default deductible from 1% to 2% to encourage even higher adoption
- **Offer optional higher deductibles**
  - The voluntary market routinely offers deductibles up to 5%
  - TFPA could file additional higher deductibles to be more consistent
  - This would have no direct impact to rate adequacy
- **Update existing deductible credit factors**
  - Existing deductible credit factors have been in place for many years
  - Factors could be reviewed and updated to reflect the latest claims information
  - No *overall* impact to rate adequacy

# Deductible Options

## HO-A (Wind)

Current credits at 2% deductible: range from 4% to 11%, varying by coverage amount

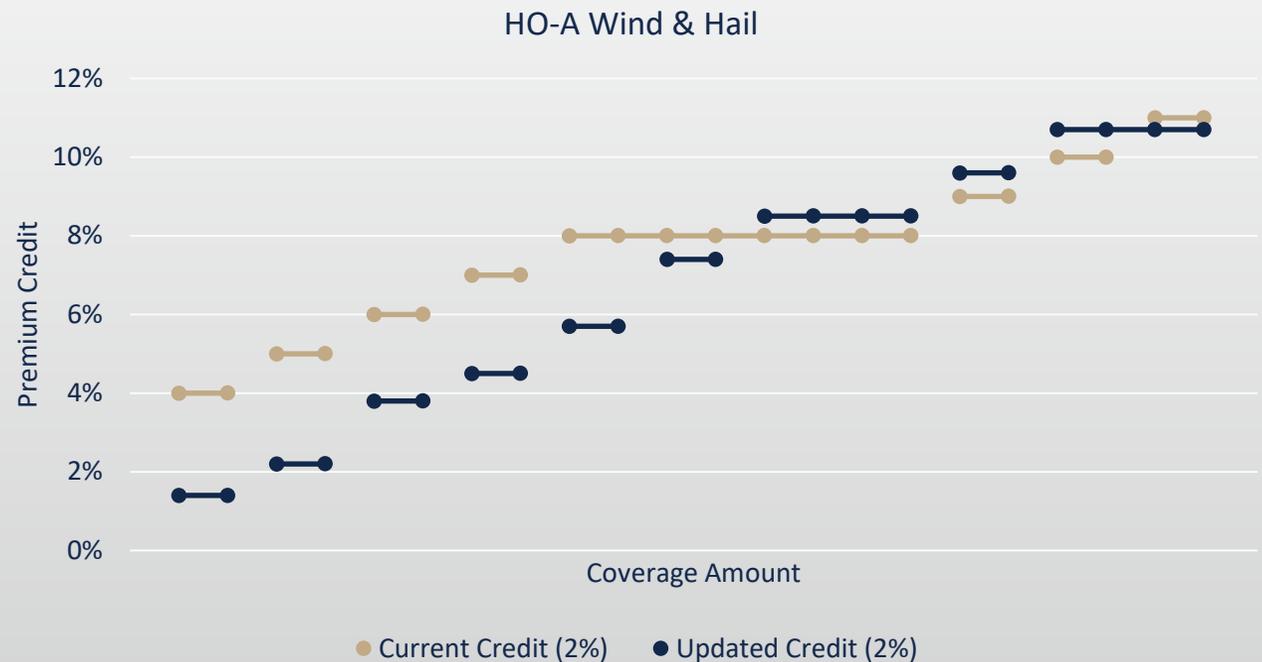
Revised credits at 2% deductible : range from 1% to 11%

### Additional deductible options:

3%: 3% - 17% premium reduction

4%: 4% to 22% premium reduction

5%: 5% to 25% premium reduction



# Deductible Options

## HO-A (Non-Wind)

Current credits at 2% deductible : range from 6% to 14%, varying by coverage amount

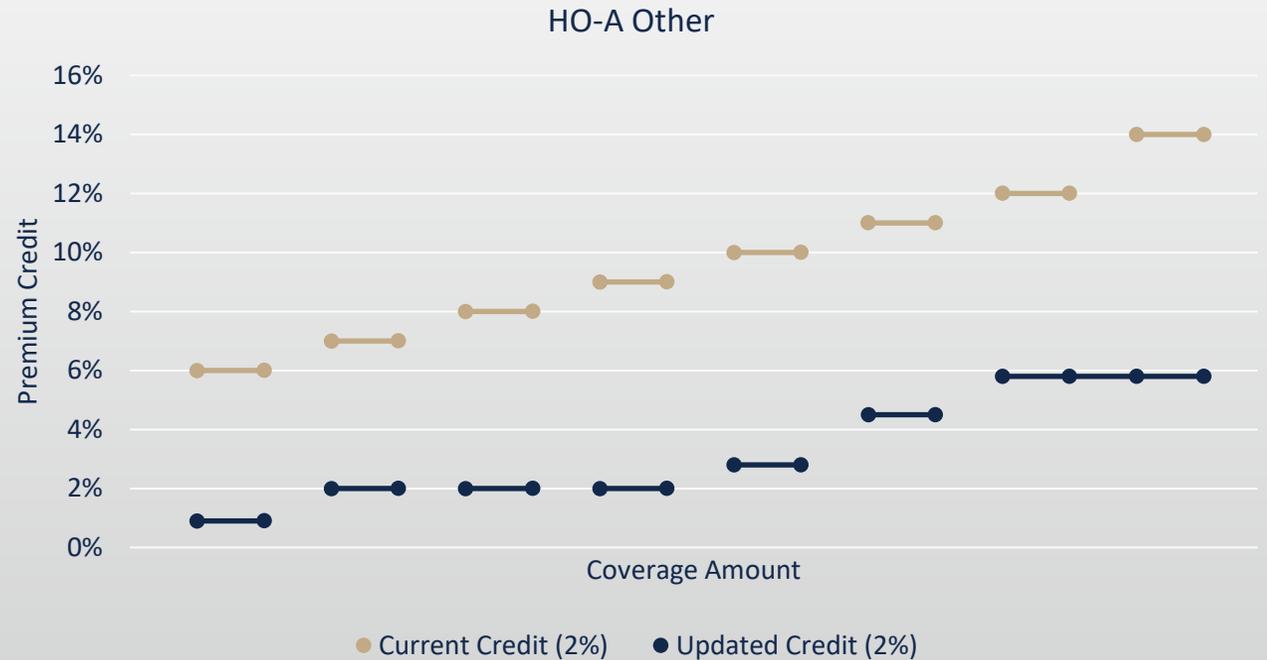
Revised credits at 2% deductible : range from 1% to 6%

### Additional deductible options:

3%: 2% - 8% premium reduction

4%: 2% to 10% premium reduction

5%: 3% to 11% premium reduction



# Deductible Options

## TDP (Extended Coverage)

Current credits at 2% deductible : range from 12% to 24%, varying by coverage amount

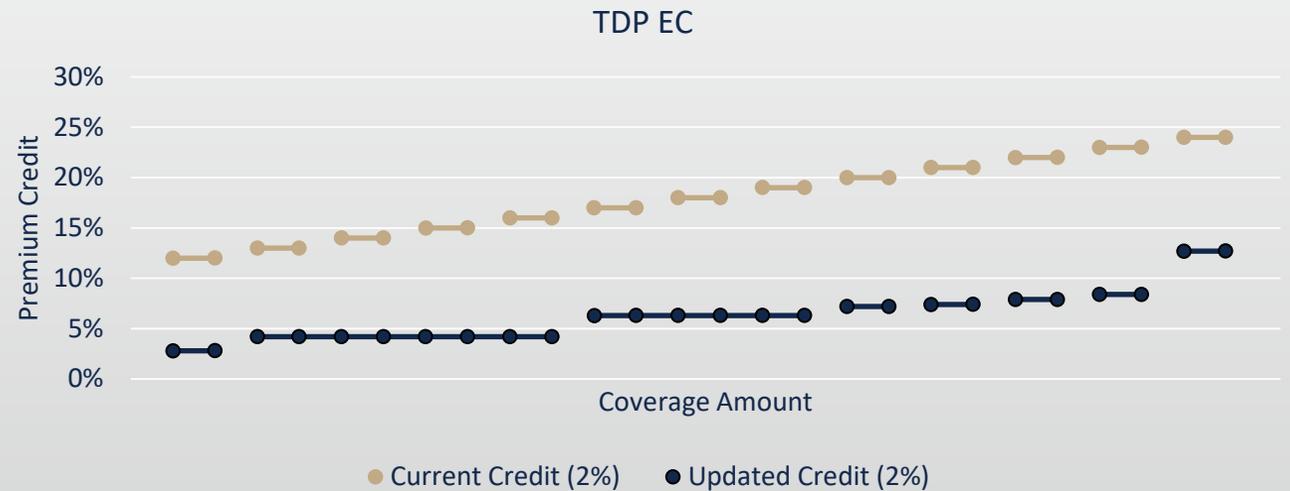
Revised credits at 2% deductible : range from 3% to 13%

### Additional deductible options:

3%: 5% - 21% premium reduction

4%: 8% to 29% premium reduction

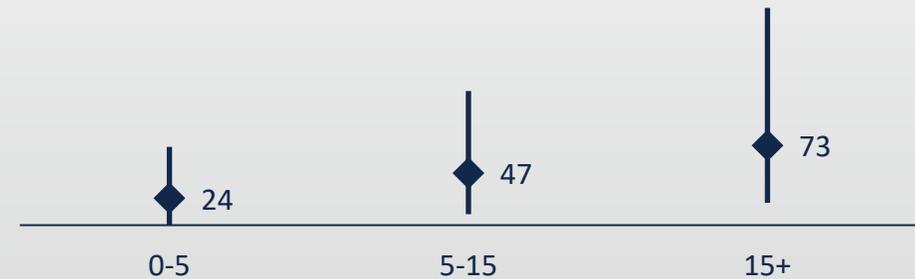
5%: 10% to 37% premium reduction



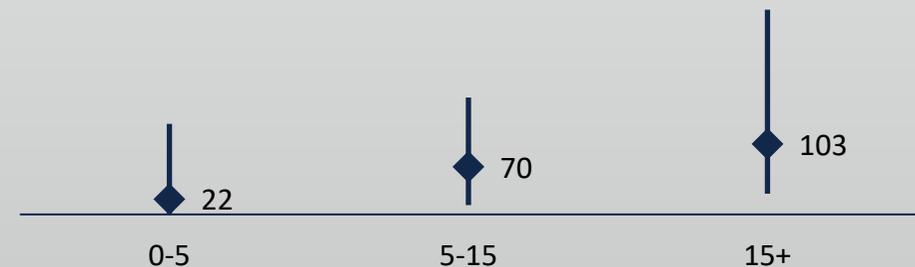
# New Home Discount

- Many private market insurers offer credits for newer homes
- TFPA claim frequency would support a similar credit
- This would have no overall rate adequacy impact but would improve equity among policyholders and would better align with private market practices

2019-2023 HO-A Claim Frequency



2019-2023 TDP-1 Claim Frequency



# New Home Discount

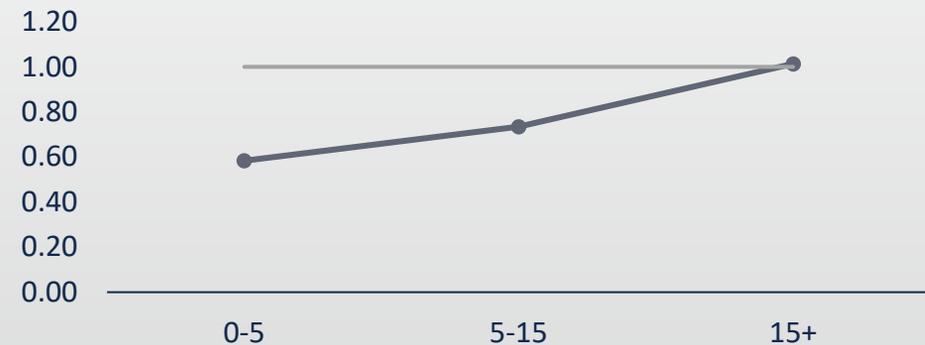
- **Impact on HO-A policies:**

- **Built within 5 years:**  
Up to 42% premium savings
- **5-15 years of construction:**  
Up to 27% premium savings
- **15 years and older constructions:**  
1-2% surcharge

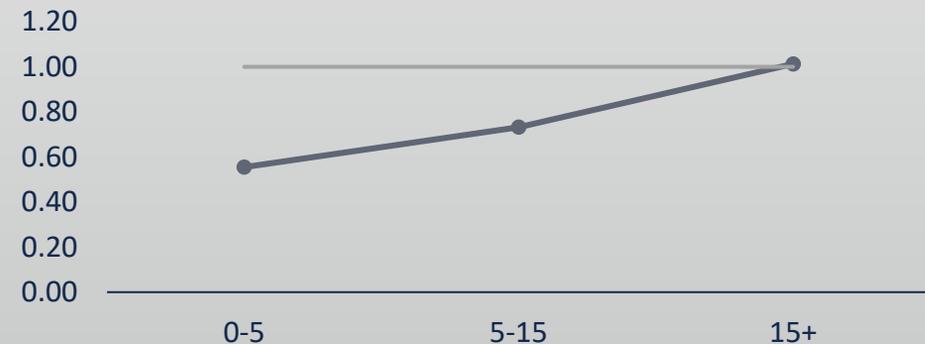
- **Impact on TDP policies:**

- **Built within 5 years:**  
Up to 45% premium savings
- **5-15 years of construction:**  
Up to 27% premium savings
- **15 years and older constructions:**  
1-2% surcharge

HO-A Premium Impact



TDP-1 Premium Impact



# Questions

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## 6D. 2025 Hurricane Funding/Reinsurance

## MEMORANDUM

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DATE: November 20, 2024  
TO: David Durden, General Manager  
FROM: Jim Murphy, Chief Actuary  
RE: Preliminary Discussion on TFPA Funding for the 2025 Hurricane Season

---

The TFPA Governing Committee asked to include 2025 hurricane season funding on the agenda for its December 2024 meeting.

For reference, the 2024 hurricane season reinsurance program became effective July 1, 2024, and provides protection up to \$558 million as follows:

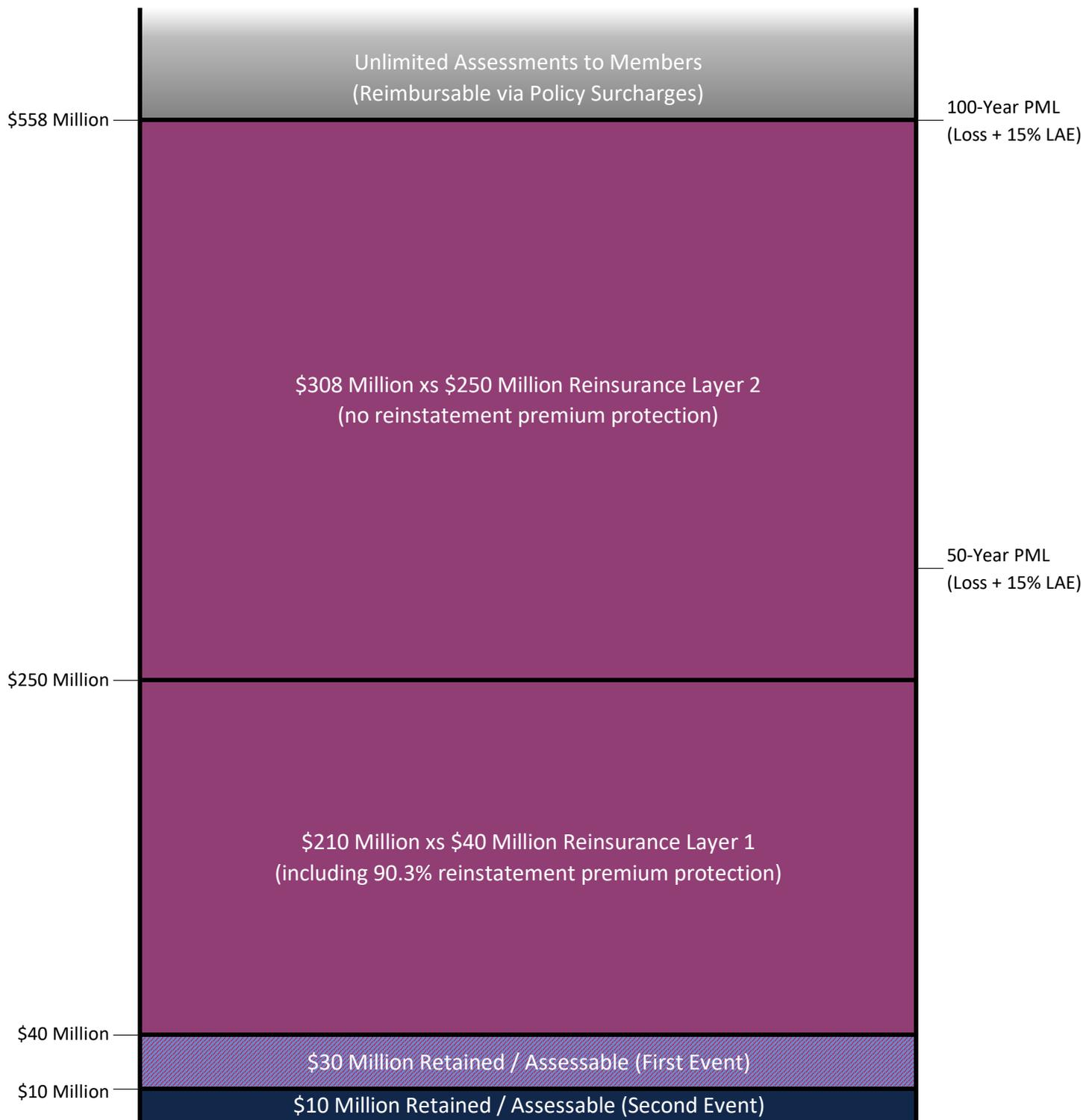
- \$210 million xs \$40 million (including 90.3% reinstatement premium protection)
- \$308 million xs \$250 million
- \$30 million of second event coverage, reducing the Association's retention from \$40 million to \$10 million for a second event

The final adjusted premiums for all reinsurance layers totaled \$92.1 million. A funding chart showing total funding for the 2024 hurricane season is attached.

As a result of Hurricane Beryl, TFPA expects to recover over \$50 million in recoveries under the core program, with additional recoveries under the reinstatement premium coverage offsetting the costs to reinstate the reinsurance. The reinstatement ensured that TFPA continued to have full coverage for the remainder of the 2024 hurricane season, with a reduced retention of only \$10 million for a second event.

Given the extreme growth in TFPA exposures, staff plans to work with our broker, Gallagher Re, to run the catastrophe models using exposures as of November 30, 2024 to allow the Governing Committee to make reinsurance-related decisions earlier next year. In addition to accelerating its decision timeline, the Governing Committee may also want to consider moving up the effective date of the program to better access all available reinsurance capacity and increasing the retention on the program to better align with general industry practices. Gallagher Re will be present at the December meeting to provide additional information on the reinsurance market and answer any questions.

JM



Probable Maximum Loss estimates based on TFPA exposures as of 3/31/24, using average of RMS and Verisk near-term per occurrence estimates and include a 15% provision for LAE

## 7. Internal Audit

### 7A. Internal Audit Status Update

# MEMORANDUM

TO: The Governing Committee – Texas FAIR Plan Association  
FROM: Dan Graves, Weaver - Internal Audit  
DATE: December 9, 2024  
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
Emergency Planning - Catastrophe Plan	Complete
Customer Experience	Fieldwork Complete - Reporting in progress
Strategic Communications	Fieldwork Complete - Reporting in progress
Cash Management	Fieldwork Complete - Reporting in progress
Executive Management, Operational Planning and Reporting	Moved to FY26
Risk Assessment Update	Complete

➤ **Upcoming Audits and Activities:**

Activity Description	Timing
Executive Management	Q1 2025
Follow-Up Quarterly Discussion	Q1 2025
Claims Processing	Q2 2025
HR Administration & Talent Retention	Q2 2025

➤ **ELT meetings:**

- Attended Executive Leadership Team and Operations meetings.

## Texas FAIR Plan Association

### Internal Audit Plan – Lookback (2023-2024) and Prospective (2025-2027)

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

L- limited annual procedures

## 7B. Catastrophe Plan Audit



# Texas Windstorm Insurance Association

Advisory Audit over the Catastrophe  
Incident Response Plan (CAT Plan)

**Results Presentation**

December 10, 2024

# Agenda

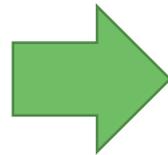
- ▶ Engagement Overview
- ▶ Areas for Improvement & Recommendations
- ▶ Questions

# Engagement Overview

The Catastrophe (CAT) Incident Response Plan (the Plan) outlines TWIA's and TFPA's activities for preparing and responding to catastrophe events, including planning, mitigation, deployment procedures, and continuous improvement initiatives. Our scope included:

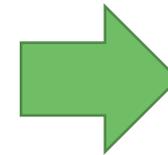
## Objective A

Evaluate whether the CAT Plan meets requirements of Section 2210.455 of the Texas Insurance Code and other statutory guidelines



## Objective B

Evaluate the Plan's procedures to ensure compliance with department service level agreements (SLAs) and responsibilities



## Objective C

Ensure the CAT Plan is routinely updated and tested to an appropriate level commensurate with the size and nature of the Association

# Procedures Performed



Collected documentation, performed interviews and walkthroughs, and facilitated collaboration sessions with key personnel



Identified and evaluated current CAT Plan, service level agreements, and other supporting documentation



Developed recommendations to further strengthen the procedures surrounding the CAT Plan

# 5 Areas for Improvement

Theme	Plan Understanding and Communication	Quality Control and Feedback	Execution of Department-SLAs	Stakeholder Buy-in	Redundancy and Succession
Summary	<p>CAT Plan communication and training provided to stakeholders could be enhanced to increase awareness and understanding</p>	<p>There is currently no formalized method of receiving and tracking feedback to be incorporated into the Plan</p>	<p>There are challenges with scalability, execution and quality control of inter-department agreements</p>	<p>Active engagement with, and understanding of, the CAT Plan is inconsistent at the executive-level and minimal at the board-level</p>	<p>There is no formal succession planning and talent retention strategy for key individuals responsible for the CAT Plan</p>

# Plan Understanding and Communication



Current State Observations	Recommendations
<ul style="list-style-type: none"><li>• Difficulty <b>ensuring stakeholder awareness</b> beyond annual acknowledgment of CAT Plan</li><li>• <b>Inconsistent communication of CAT Plan exceptions</b> to key stakeholders during events</li><li>• <b>Challenges disseminating</b> CAT Plan information to stakeholders</li><li>• Uncertainty in <b>roles and responsibilities</b> during catastrophe events</li><li>• Difficulty <b>maintaining updated CAT Plan contact lists</b>, whereby manual updates can lead to outdated information and unreliable communication channels</li><li>• Limited direct <b>communication with policyholders</b>, uncertainty whether agents communicate essential information</li></ul>	<ul style="list-style-type: none"><li>• <b>Virtual Training:</b> Provide quarterly virtual training with simulations and comprehension testing</li><li>• <b>Roles and responsibilities:</b> Consistently communicate unique roles and responsibilities to key stakeholders and ensure understanding by obtaining employee acknowledgment</li><li>• <b>Feedback:</b> Establish formal channels for communication and receiving training effectiveness feedback</li><li>• <b>CAT Plan Resources:</b> If needed, increase resource capacity by engaging a catastrophe subject-matter expert to assist with training and Plan evaluation</li></ul>

# Quality Control and Feedback

Current State Observations	Recommendations
<ul style="list-style-type: none"><li>• <b>Limited and informal feedback</b> is being provided on emergency communication strategies and where CAT plan execution can be improved</li><li>• Currently there are no structured <b>methods for assessing and evaluating</b> communication effectiveness, updating contact lists and ensuring accuracy, and training outcomes</li><li>• Challenges <b>gathering feedback</b> and <b>measuring impact</b> of communication and training efforts</li><li>• Difficulty <b>identifying erroneous stakeholder contact data</b> due to <b>turnover of coastal stakeholders</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Refine Feedback Protocol:</b> Develop structured evaluation processes, for example post-event surveys or focus groups</li><li>• <b>Evaluate Training Sessions:</b> Establish formal evaluation methods linked to annual performance ratings</li><li>• <b>Automate Contact List Maintenance:</b> Use LogicGate or other application to ensure updates are reliable, which will also save time by reducing manual effort</li></ul>

# Execution of Department-SLAs

Current State Observations	Recommendations
<ul style="list-style-type: none"><li>• Department-SLA specifications are in place, though <b>compliance with</b> SLA's are <b>occasionally inconsistent</b></li><li>• The Association has faced challenges in <b>onboarding field employees</b> during a CAT event due to inconsistencies in the execution of processes and system limitations, which <b>caused delays</b> in getting team members integrated <b>and impacting productivity</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Include extra efforts to ensure SLAs</b> among essential department are understood and complied with consistently</li><li>• <b>Develop consistent and repeatable IT onboarding processes and procedures</b> to support for large-scale CAT events</li></ul>

# Stakeholder Buy-in

Current State Observations	Recommendations
<ul style="list-style-type: none"><li>• Minimal executive and Board/ Governing Committee understanding as to the criticality of <b>the CAT plan</b>, which may <b>increase uncertainty</b> in roles and responsibilities during catastrophes</li><li>• Minimal <b>awareness of CAT Plan procedures</b> increases risk of ineffective execution when an event occurs</li><li>• There are no well-defined <b>training and evaluation protocols</b> for the Board/ Governing Committee</li></ul>	<ul style="list-style-type: none"><li>• <b>Executive Education and Training:</b> Implement mandatory sessions emphasizing executive roles during crises with hands-on exercises</li><li>• <b>Regular Communication:</b> Establish structured updates on the CAT Plan to ensure stakeholder understanding</li><li>• <b>Association Involvement:</b> Encourage participation in CAT Plan training for more effective preparation with executives setting the example</li><li>• <b>Highlight Success Stories:</b> Showcase past successes of CAT Plan execution to build confidence and buy-in from stakeholders</li></ul>

# Redundancy and Succession

Current State Observations	Recommendations
<ul style="list-style-type: none"><li>• <b>There is reliance on a few key individuals</b> for primary CAT Plan functions and there is <b>absence of backup roles</b>, which increases risk of ineffective Plan execution in their absence</li><li>• <b>Limited formal succession practices</b> and plans, which increases susceptibility to talent risks and the chances the Association will not have the appropriate trained resources to respond to a catastrophe</li></ul>	<ul style="list-style-type: none"><li>• <b>Develop Redundancy Plans:</b> Identify critical roles and create redundancy plans through cross-training or appointing backups</li><li>• <b>Formalize Succession Planning:</b> Implement structured processes to identify potential successors of key roles</li></ul>



Questions?

## 7C. Internal Audit Risk Assessment and 2025 Proposed Audit Plan



# Texas FAIR Plan Association Risk Assessment and Internal Audit Plan Update

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December 9, 2024



# Risk Assessment Process

- ✓ **Purpose:** The accompanying risk assessment has been completed for the purpose of developing an internal audit plan. This risk assessment, therefore, is not an enterprise-wide risk assessment, which may consider other risk characteristics.
- ✓ Risk Assessments:
  - Are required by professional internal audit standards
  - Allow internal auditors to focus resources on the areas of greatest risk
  - Result in a comprehensive internal audit plan that identifies the specific areas of focus over a period of time
  - The frequency of internal audits performed is based on the over risk assessed, risk trends and other qualitative factors

# Risk Assessment Update Process

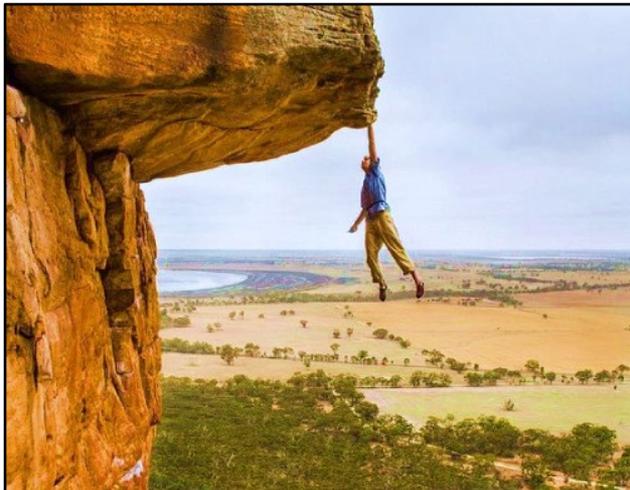


- Review results of prior risk assessments as benchmark criteria
  - Receive feedback from the Executive Leadership Team
  - Review financial risks, process documentation, and strategic initiatives
  - Consider industry best practices
- 
- Evaluate inherent risk of probability and impact
  - Consider current and anticipated business changes
  - For key operating areas, evaluate financial/transaction significance and risk trends
  - Consider the current control environment: staffing, policies, culture, anticipated changes in the environment
  - Assess the degree of legal/regulatory compliance requirements
- 
- Summarize risk ratings by business process area
  - Develop internal audit plans for 2025, 2026 and 2027 to monitor and mitigate process risks

# Risk Assessment Definitions

## Risks were evaluated based on inherent versus residual risk

**Inherent Risk:** The natural risk (exposure) in the significant activities of the organization ***without consideration of internal controls*** or other actions that mitigate risk.



Vs.



\*The Inherent Risk Assessment was used in developing the proposed areas of the internal audit plan. The plan is subject to review and approval of the Board.



## Financial Stability Risks –

- The risk the Association will fail to adequately forecast and plan to achieve necessary cash flow, manage liquidity, receive adequate funding and accurately report financial results.



## Operations Risks –

- The risk that internal operations do not adequately identify and provide for the needs of the Association's policyholders.
- The risk the Association's daily processes are not effectively designed to prevent and detect errors or adequately process claim volumes.
- The risk that the diverse nature of the Association's operations, processes, and/or underlying mechanics mitigate the economies of scale to efficiently execute transactions and processes.



## Legal and Compliance Risks –

- The risk that legislative and political activities and decisions will have an adverse impact on the Association and inhibit its ability to achieve strategic objectives, or that regulatory changes impair operations and the ability to conduct business.



## Reputational Risks –

- The risk of an event generating poor public opinion and/or reduced employee commitment. Considers policyholder relations, agent relations, internal and external communications, data privacy, headline risk, etc.



## Fraud Risks –

- The risk of the occurrence of illegal acts characterized by deceit, concealment, or violation of trust. Risks associated with dollar volume, non-conformance with ethical standards, and complexity of operations making detection more difficult.



## Information Technology Risks –

- The risk the Association's IT strategy is not aligned with the business model to embrace and rely on technology. Also includes the risk the Association is highly dependent on technology to execute strategic operations and that IT infrastructure and systems are not consistently available and reliable.

# Risk Assessment Results

2024 Risk Assessment Summary											
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category				
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud
<b>Funding Sources and Reinsurance</b>	<ul style="list-style-type: none"> <li>• Funding Sources</li> <li>• Execution of Agreements</li> <li>• Billing and Recoverables</li> <li>• Risk Transfer</li> <li>• Reinsurer Credit Risk Monitoring</li> <li>• Buying and Placement</li> <li>• CAT Bond Market Funding</li> </ul>	High	High	↔	High	High	X	X	X	X	X
<b>Information Security</b>	<ul style="list-style-type: none"> <li>• Mobile Security</li> <li>• Logical Access (Database, OS, Application)</li> <li>• Physical Access</li> <li>• Cybersecurity and Cybersecurity Insurance</li> </ul>	High	High	↔	High	High		X	X	X	X

# Risk Assessment Results

2024 Risk Assessment Summary											
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category				
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud
<b>Emergency Planning</b>	<ul style="list-style-type: none"> <li>• Continuity of Operations Plans (COOP)</li> <li>• CAT (Operations) and Business Continuity Planning (TFPA and Claimants)</li> <li>• Disaster Recovery Planning (COOPs extension to IT)</li> <li>• Safety Planning</li> </ul>	High	High	↔	High	High	X	X		X	X
<b>Customer Experience</b>	<ul style="list-style-type: none"> <li>• Customer Experience</li> <li>• Policy Services</li> <li>• Communications</li> <li>• Claims</li> <li>• Agent Services</li> </ul>	High	High	↔	High	High		X	X	X	X

# Risk Assessment Results

2024 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category					
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT
<b>Underwriting and Policy Services</b>	<ul style="list-style-type: none"> <li>• Application &amp; Quoting Process</li> <li>• Policy Issuance Process (includes Billing)</li> <li>• Agent Registration</li> <li>• Policy Eligibility Determination Process</li> <li>• Fraud Reporting Process</li> <li>• Inspection Process</li> <li>• Agent Commissions</li> <li>• Association Mergers</li> <li>• Risk Evaluation and Pricing Process</li> <li>• QA/Audit Process</li> <li>• Policyholder/Agent Complaint Process</li> <li>• Appeal Process</li> <li>• Voluntary Market Contraction</li> </ul>	High	High	↔	High	High	X	X	X	X	X	X

# Risk Assessment Results

2024 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category					
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT
<b>Claims Processing</b>	<ul style="list-style-type: none"> <li>• Intake/FNOL Process</li> <li>• Triage/Assign Claim</li> <li>• Investigate Claim</li> <li>• Evaluate Claim</li> <li>• Resolve Claim</li> <li>• Recover Damages</li> <li>• Compliance (Legislative &amp; TDI Regulations)</li> <li>• Litigation/Disputed Claims</li> <li>• Quality Assurance</li> <li>• Vendor Management</li> </ul>	High	High	↔	High	High	X	X	X	X	X	X
<b>Actuarial (Pricing and Reserving)</b>	<ul style="list-style-type: none"> <li>• Case Reserving</li> <li>• Data Capture and Accuracy</li> <li>• IBNR Estimation</li> <li>• Premium Rate Changes</li> <li>• Reporting and Analytics</li> <li>• Rate Adequacy</li> </ul>	High	High	↔	High	High	X	X	X	X	X	X

# Risk Assessment Results

2024 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category					
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT
<b>Legislative &amp; External Affairs</b>	<ul style="list-style-type: none"> <li>• Media Relations</li> <li>• Legislative Affairs</li> <li>• Implementation of Legislative Changes</li> <li>• Development of Legislative Recommendations</li> <li>• Board Meeting Communications and Postings</li> <li>• Board Meeting Updates</li> <li>• Annual Reporting</li> <li>• Agent Advisory Group Coordination</li> <li>• Agent Commission Study</li> <li>• TDI</li> </ul>	High	High	↔	High	High		X	X	X		
<b>Information Technology Services</b>	<ul style="list-style-type: none"> <li>• Network Operations (including Monitoring, Tools)</li> <li>• Help Desk</li> <li>• Change Management</li> <li>• Hardware Management</li> <li>• IT Vendor Management</li> <li>• Cloud Management</li> <li>• Disaster Recovery Planning (IT)</li> <li>• Microsoft 365 Management</li> </ul>	Moderate	High	↑	High	High		X	X	X	X	X

# Risk Assessment Results

2024 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category					
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT
<b>Database and Application Administration</b>	<ul style="list-style-type: none"> <li>• Database Administration</li> <li>• Application Management</li> <li>• Systems Administration</li> <li>• Report Administration</li> <li>• Software Licensing and Usage</li> <li>• Telephone Systems</li> </ul>	Moderate	High	↑	High	High		X		X	X	X
<b>Application Development</b>	<ul style="list-style-type: none"> <li>• System Development Life Cycle</li> <li>• Project Management Office / Life Cycle</li> </ul>	Moderate	High	↑	High	High		X		X	X	X

# Risk Assessment Results

2024 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category					
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT
<b>Strategic Communications</b>	<ul style="list-style-type: none"> <li>• Agent/Policyholder Communications</li> <li>• Internal Communications and Coordination</li> <li>• Branding (Reputation Management)</li> <li>• Organizational Change Management</li> <li>• Digital Media</li> <li>• Community Outreach</li> <li>• Website Design and Updates</li> <li>• Website Maintenance and Security</li> </ul>	High	Moderate	↓	Moderate	Moderate		X	X	X		X
<b>Executive Management, Management Planning and Reporting</b>	<ul style="list-style-type: none"> <li>• Operational Planning and Reporting</li> <li>• Board Reporting</li> <li>• Strategic Planning and Execution</li> <li>• Succession Planning</li> </ul>	High	Moderate	↓	Moderate	Moderate		X		X		

# Risk Assessment Results

2024 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category					
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT
<b>Legal &amp; Compliance</b>	<ul style="list-style-type: none"> <li>• Complaint Process (Administrative Code)</li> <li>• Contracts Management Process (New or Renewal)</li> <li>• Conflict Disclosures / Ethics Process</li> <li>• 3rd Party (Vendor, Policy Holder)</li> <li>Fraud Reporting Process</li> <li>• Records Retention Process</li> <li>• Public Information / Open Records</li> <li>• E-discovery</li> <li>• Association Policy Management</li> <li>• Filings (Policy Forms &amp; Endorsements, TDI, non-financial statement)</li> <li>• Sanctions Checking Process-FCPA/OFAC Compliance</li> <li>• Vendor Management Process (Including Due Diligence)</li> <li>• Legislative Changes</li> <li>• Claims and Non-Claims Litigation</li> <li>• Plan of Operation</li> </ul>	Moderate	Moderate	↔	Moderate	Moderate		X	X	X		

# Risk Assessment Results

2024 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category					
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT
<b>Financial Close and Reporting</b>	<ul style="list-style-type: none"> <li>• Period End Closing Process</li> <li>• Expense Allocation</li> <li>• Statutory Financial Statement Preparation</li> <li>• GASB Compliance</li> <li>• TDI / Statutory Data Calls</li> <li>• General Ledger Recording and Maintenance</li> <li>• Account Reconciliations</li> <li>• Fixed Assets</li> <li>• Escheatment/Unclaimed Property</li> <li>• Public Securities</li> <li>• Revenue Recognition</li> </ul>	Moderate	Moderate	↔	Moderate	Moderate	X		X	X	X	X
<b>Accounts Payable and Expense Processing</b>	<ul style="list-style-type: none"> <li>• Vendor Management (Set-up &amp; Payments)</li> <li>• Accounts Payable Processing (Invoice Routing and Approval)</li> <li>• Check Disbursements</li> <li>• Expense Coding</li> <li>• Employee Expense Reimbursement</li> <li>• Company Credit Card Processing</li> </ul>	Moderate	Moderate	↔	Moderate	Moderate	X	X		X	X	X

# Risk Assessment Results

2024 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category					
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT
<b>Cash Management</b>	<ul style="list-style-type: none"> <li>• Banking General</li> <li>• Lockbox</li> <li>• Credit Cards</li> <li>• Wire Transfers</li> <li>• Void Stop Payments</li> <li>• Positive Pay</li> <li>• Cash Forecasting</li> <li>• Bank Account Reconciliation</li> <li>• Cash and Cash Equivalent Investments Management</li> <li>• Funding Stack Execution</li> <li>• Lines of Credit</li> </ul>	Low	Moderate	↑	Moderate	Moderate	X	X	X	X	X	X
<b>Payroll</b>	<ul style="list-style-type: none"> <li>• Timekeeping and Approval</li> <li>• Payroll Adjustments (Manual)</li> <li>• Payroll Process and Disbursement</li> <li>• Payroll Taxes</li> <li>• Compliance Reporting</li> <li>• Distributions &amp; Voluntary Deductions</li> </ul>	Moderate	Low	↓	Low	Moderate	X	X	X	X	X	X

# Risk Assessment Results

2024 Risk Assessment Summary												
Risk Area	Process Activities	Inherent Risk Rating		Direction of Risk	Probability	Impact	Risk Category					
		2023	2024				Financial Stability	Operations	Legal & Compliance	Reputational	Fraud	IT
<b>Accounts Receivable</b>	<ul style="list-style-type: none"> <li>• Billing</li> <li>• Collections and Deposits</li> <li>• Customer Account Maintenance</li> <li>• Past Due A/R, Non-admitted and write-offs</li> <li>• Refunds</li> <li>• System Reconciliation</li> </ul>	Moderate	Low	↓	Low	Moderate	X	X		X	X	X
<b>Premium and Maintenance Taxes</b>	<ul style="list-style-type: none"> <li>• Premium Taxes</li> <li>• Premium Tax Preparation and Compliance</li> <li>• Maintenance Tax</li> </ul>	Low	Low	↔	Low	Low	X		X			

# Audit Plan 2025-2027

- The proposed **audit plan has been** developed using results of the Risk Assessment and considered:
  - Risk trend
  - Results of past audits
  - Changes in the control environment
  - New software applications
  - Other qualitative factors



# Proposed Three Year Audit Plan



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

L - limited annual procedures

# Discussion



## 8. Underwriting Operational Review Update

## MEMORANDUM

DATE: November 15, 2024  
 TO: David Durden, General Manager  
 FROM: Michael Ledwik, Vice President, Underwriting  
 RE: Update on Underwriting Operational Results

### Third Quarter 2024 Results

TFPA Underwriting Metrics	Jul-24	Aug-24	Sep-24	Quarterly Summary			YTD		
				Q1 2024	Q2 2024	Q3 2024	2024	2024 Goal	▲
Transaction Issuance	99.17%	99.04%	99.64%	99.67%	99.45%	99.28%	99.47%	90%	9.47
Internal Underwriting QA	98.94%	98.65%	97.96%	97.84%	98.20%	98.52%	98.19%	95%	3.19
Phone Service Level	63.80%	84.87%	85.48%	91.25%	81.26%	78.05%	83.52%	80%	3.52

#### I. Overview:

- 99.28% 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
- 78.05% of calls were answered under 20 seconds

#### II. Agency Compliance Audits:

##### Second Quarter Follow up:

During the second quarter of 2024, the committee was notified that the audit team was working on completing an audit of a larger agent. The team completed the results and has identified compliance issues related to the declination and flood process, as well as accuracy of information on the application(s). To address these issues, the team is working with the agency and formalizing a training plan to ensure these issues are resolved for the future.



### Third Quarter Results:

A standard sample of agencies (10) were selected in the third quarter of 2024 to verify compliance with the Texas FAIR Plan Association (TFPA) declination of coverage requirements and TFPA Producer Requirements and Performance Standards. All agents have active property and casualty insurance licenses.

- 8 out of the 10 agents are fully compliant with the Audit requirements consisting of:
  - Signed applications
  - Signed eligibility statements
  - Declination documentation provisions
- 2 out of the 10 agents have outstanding action items to fully be compliant with the Audit requirements

To support agents in complying with audit requirements, we have created a one-page resource guide, which has been added to the TFPA agent resources tab, training center and agent registration page.

## 9. Claims

### 9A. Claims Operations

# TFPA Claims Operations 2024

TFPA Claims - 2024 Q3 Results (thru September)					
Key Cycle Times (In days)	Industry Average, TX	TFPA	TFPA Plan	Variance to Plan	% Variance to Plan
FNOL to Inspect Property	5.9	4.7	<3	1.7	57%
Inspect Property to Receipt by TFPA	3.7	2.5	<8	-5.5	-69%
Total Cycle Time FNOL to Payment - Daily	N/A	10.7	<12	-1.3	-8%
Total Cycle Time FNOL to Payment - Cat	N/A	15.8	<12	3.8	24%
TDI Complaint Ratio					
2023	0.13% - 6 complaints from 4,694 new claims				
2024	0.06% - 9 complaints from 15,704 new claims				

Year	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Actual Volume	313	288	289	295	264	224	464	318	435	534	2,049	931	8,533	1,673	767
Actuarial Projected	276	392	510	294	175	175	349	212	212	706	707	330	331	470	613
Staffing Plan	288	288	288	288	288	288	340	340	340	340	340	340	340	340	340
Open Inventory	994	935	925	887	843	772	892	820	996	1,019	2,176	1,698	5,318	8,651	5,318

Historical TFPA Claim Volume	
Year	Claims
2005	5,581
2006	3,067
2007	4,039
2008	27,777
2009	3,640
2010	3,200
2011	4,200
2012	5,886
2013	5,974
2014	5,498
2015	9,387
2016	11,509
2017	24,096
2018	5,720
2019	6,950
2020	2,931
2021	9,471
2022	3,322
2023	4,694
2024	15,704

## 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
2020	114	-	95	-	111	-	627	-	3,621	-	4,995	-
2021	133	16.7%	70	-26.3%	81	-27.0%	4,047	545.5%	3,208	-11.4%	9,191	84.0%
2022	97	-27.1%	70	0.0%	62	-23.5%	717	-82.3%	1,932	-39.8%	3,179	-65.4%
2023	84	-13.4%	61	-12.9%	54	-12.9%	576	-19.7%	3,564	84.5%	4,644	46.1%
2024	87	-	51	-	41	-	599	-	14,250	-	15,331	-

### Paid Amounts by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2020	\$5,806,000	-	\$935,398	-	\$206,387	-	\$477,463	-	\$15,402,027	-	\$25,779,848	-
2021	\$8,570,270	47.6%	\$466,857	-50.1%	\$132,881	-35.6%	\$3,729,770	681.2%	\$12,055,863	-21.7%	\$26,259,253	1.9%
2022	\$7,043,795	-17.8%	\$739,401	58.4%	\$188,149	41.6%	\$695,647	-81.3%	\$10,582,870	-12.2%	\$19,647,253	-25.2%
2023	\$7,266,136	3.2%	\$708,209	-4.2%	\$44,080	-76.6%	\$645,015	-7.3%	\$27,442,376	159.3%	\$36,712,923	86.9%
2024	\$5,188,520	-	\$42,385	-	\$55,188	-	\$639,970	-	\$105,925,962	-	\$113,286,395	-

### Paid Claim Severity by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ
2020	\$50,930	-	\$9,846	-	\$1,859	-	\$762	-	\$4,254	-	\$5,161	-
2021	\$64,438	26.5%	\$6,669	-32.3%	\$1,641	-11.8%	\$922	21.0%	\$3,758	-11.6%	\$2,857	-44.6%
2022	\$72,616	12.7%	\$10,563	58.4%	\$3,035	85.0%	\$970	5.3%	\$5,478	45.8%	\$6,180	116.3%
2023	\$86,502	19.1%	\$11,610	9.9%	\$816	-73.1%	\$1,120	15.4%	\$7,700	40.6%	\$7,905	27.9%
2024	\$59,638	-	\$831	-	\$1,346	-	\$1,068	-	\$7,433	-	\$7,389	-

\*Paid amounts exclude loss adjustment expenses and IBNR reserves

## TFPA - Large Loss Based On Paid Indemnity



Date	Total	\$50-\$99	\$100-\$149	\$150-\$199	\$200-\$249	\$250-\$299	>=\$300
2023 (complete year)	92	52	16	10	2	2	10
Liability	2	1	1	0	0	0	0
2024 (year-to-date)	148	100	35	7	3	1	2
Liability	0	0	0	0	0	0	0
Variance	54	47	18	-3	1	-1	-8

<b>TFPA - 2024 Claims</b>				
Total Claims	Claims With No Supplemental Payments	% Claims With No Supplemental Payments	Claims With Supplemental Payments	% Claims With Supplemental Payments
15,704	15,178	96.7%	526	3.3%

<b>TFPA - 2024 Disputed Claims</b>					
Dispute Frequency			Type of Dispute		
Total Claims	Disputed Claims	% of Disputed Claims	Appraisals	Notice of Intent	Suits
15,704	167	1.06%	139	47	8

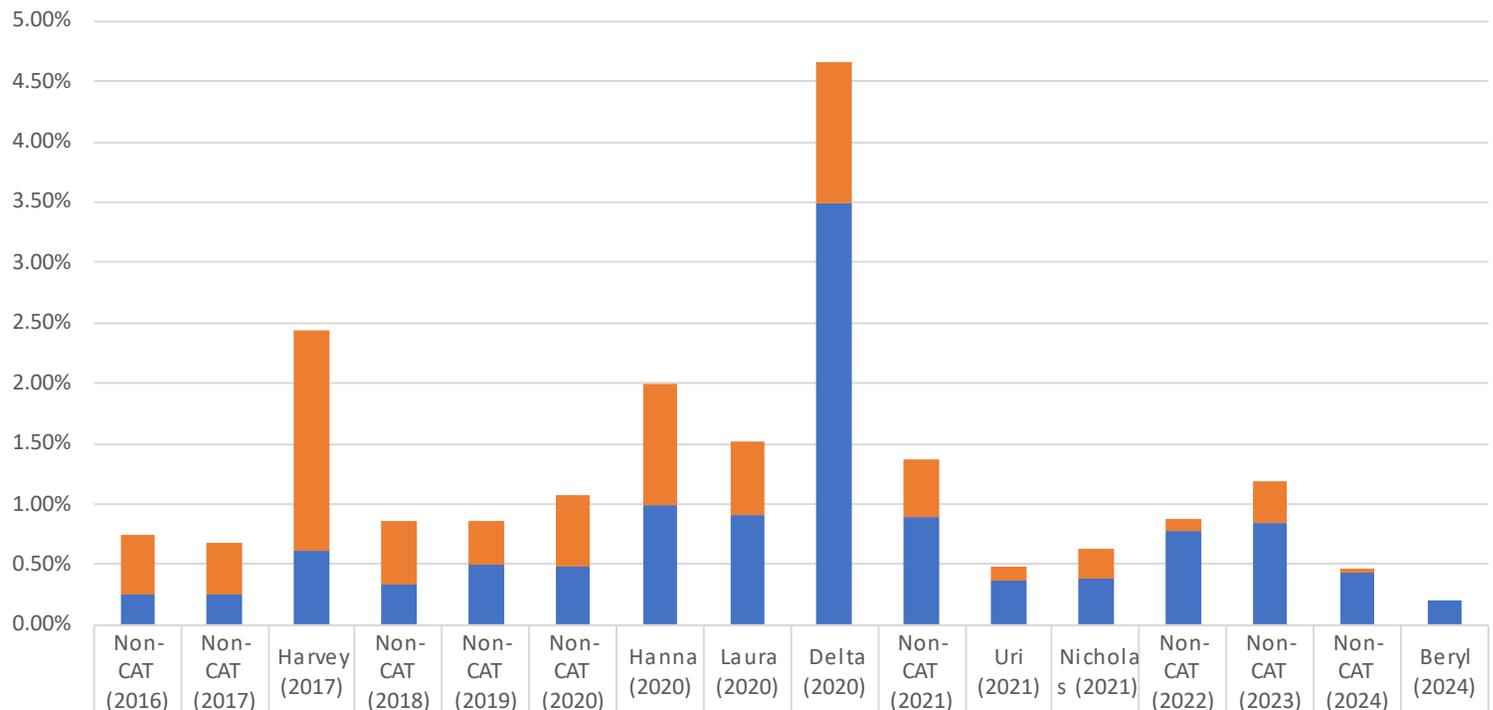
<b>TFPA - 2024 Disputed Claims With Appraisal Invoked</b>					
Total	Open/Pending	Appraisal Complete	Appraisal Process Stopped		
Appraisals	Appraisal In Process	Appraisal Award	Settled with Supplement	Withdrawn	Ineligible
139	111	4	6	18	0
	80%	3%	17%		

<b>TFPA - 2024 Claims With Notice of Intent or Lawsuit Served</b>				
Total Nol / Suit	Notices of Intent Received	Notices of Intent Resolved	Lawsuits Received	Lawsuits Resolved
55	47	3	8	2

## 9B. Claims Litigation

# TFPA Litigation Summary

**TFPA Historical Litigation Rates**  
Overall Litigation Rate 2016 to Present: 1.10%



<b>% Suit</b>	0.49%	0.42%	1.82%	0.53%	0.37%	0.58%	1.00%	0.61%	1.16%	0.49%	0.12%	0.25%	0.09%	0.34%	0.04%	0.00%
<b>% NOIS</b>	0.26%	0.26%	0.62%	0.33%	0.50%	0.49%	1.00%	0.91%	3.49%	0.89%	0.37%	0.38%	0.79%	0.84%	0.43%	0.21%
<b>Total Claims (by DOL)</b>	11,550	6,910	18,007	5,085	7,365	5,154	100	330	86	3,486	4,916	789	3,179	4,644	5,626	9,624

**NOIS: Notice of Intent to Sue**



# TFPA Litigation Tracking Activity

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## Litigation Quarter Summary Third Quarter 2024

3rd Quarter 2024	Summary of TFPA Claims in Suit					
	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
July	4	1	0	0	2	1
August	1	1	0	0	4	0
September	2	0	0	0	1	0
	7	2	0	0	7	1

3rd Quarter 2024	Summary of TFPA Claims with LORs					
	New		Settled		Closed	
	1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
July	16	0	0	0	5	0
August	33	1	2	0	11	0
September	33	0	1	0	8	2
	82	1	3	0	24	2



## TFPA Claims Litigation September 2024

TFPA Claims in Suit							
Sep-24		Beginning Inventory	New	Closed	Ending Inventory		
					1st Party	3rd Party	TOTAL
					Wind/Hail	27	1
Other Perils	5	1	1	5	0	5	
Bodily Injury	4	0	0	0	4	4	
Property Damage	0	0	0	0	0	0	
<b>TOTAL</b>	<b>36</b>	<b>2</b>	<b>1</b>	<b>33</b>	<b>4</b>	<b>37</b>	

TFPA Claims with LORs								
Sep-24		Beginning Inventory	New	Closed	Converted to Suit	Ending Inventory		
						1st Party	3rd Party	TOTAL
						Wind/Hail	86	30
Other Perils	6	3	0	0	9	0	9	
Bodily Injury	5	0	2	0	0	3	3	
Property Damage	0	0	0	0	0	0	0	
<b>TOTAL</b>	<b>97</b>	<b>33</b>	<b>10</b>	<b>1</b>	<b>116</b>	<b>3</b>	<b>119</b>	

TFPA Claims with Suits/LORs: Detail of Ending Inventory						
Sep-24	Category	Active Unsettled Claims				GRAND TOTAL
		Suits		LORs		
		1st	3rd	1st	3rd	
		<b>TOTAL</b>	<b>33</b>	<b>4</b>	<b>116</b>	

# 10. TFPA Operations

## 10A. IT System Enhancements



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## MEMORANDUM

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DATE: November 21, 2024

TO: David Durden, General Manager

FROM: Michael Eleftheriades, Interim CIO / VP IT

RE: TFPA Information Technology Status

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

### **Cloud Migration Update**

- Project is on-going
- Preparing for entrance into User Acceptance Testing for core Insurance Suite Components (Billing Center, Policy Center, and Claims Center) in December
- Entrance for Portals into Stabilization will follow in December. Portal User Acceptance to start in January.
- After the October project milestone assessment, the planned go live date updated to Q2 2025 (April 25).
  - Major decision points rested on a change by Guidewire version policy change, an Enterprise Data Warehouse technical issue, and a refinement of the estimate for Portal completion.

### **Claims Chatbots (Chat, SMS, Voice)**

- Chat and SMS Deployed May 20th – was in use for Beryl
- Soft Launch of Voice deployed September 12th.

### **Multi-factor Authentication (MFA) Status.**

- Released in August



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

The IT budget is controlled and currently \$404K below projections.

## 10B. Cyber Security

This item will be covered in closed session.

# 10C. Communications and Legislative Update

## MEMORANDUM

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DATE: November 20, 2024  
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

- I. Changes to Coastal Delegation: The General Election was held November 5. The following are newly elected members of the coastal delegation for next year's 89th Session of the Texas Legislature:
  - Senate District 27 (Nueces County to Cameron County): Adam Hinojosa was elected over incumbent Sen. Morgan LaMantia.
  - House District 29 (Brazoria County): Jeffrey Barry was elected to the seat of retiring Rep. Ed Thompson.
  - House District 30 (including Matagorda County): A.J. Louderback was elected to the seat of retiring Rep. Geanie Morrison.
  - House District 34 (Nueces County): Denise Villalobos was elected to the seat of retiring Rep. Abel Herrero.
- II. Legislative Implementation: Below is the status of House Bill 998, the TFPA legislation passed in the 88<sup>th</sup> Regular Session of the Texas Legislature:
  - The Texas Department of Insurance (TDI) finalized amendments to TFPA's Plan of Operation (Texas Administrative Code) to implement this law in September. These changes include the process by which the Insurance Commissioner will designate areas where property owners' association coverage would be required by law to be offered.
  - Staff is completing implementation activities related to FAIR Plan property owners' association policies as required by this law. We expect to have finalized our contract with the vendor that will handle underwriting for these policies by the end of November.
- III. Legislative Hearings:
  - Association staff provided testimony at a House State Affairs Committee hearing on TWIA funding and state agency oversight of TWIA.

- Staff attended but did not testify at two interim hearings on private-market property insurance costs:
  - House State Affairs Committee on September 17.
  - Senate Business & Commerce Committee on October 1.
- IV. Bill Filing: Bill filing for next year’s legislative session opened on November 12. To date, no bills specifically addressing FAIR Plan have been filed. One bill has been filed to require property insurers, including FAIR Plan, to make an initial payment of 80 percent of estimated repair costs on replacement cost coverage claims. Association staff will provide updates on bills potentially affecting the Association as the legislative session progresses.
- V. Storm Updates to Stakeholders: The Association provided regular email updates to legislators, TDI, and other stakeholders on Hurricane Beryl claims throughout the third quarter. Email updates on policy moratoriums due to the presence of other hurricanes in the Gulf of Mexico were also provided to these stakeholders.
- VI. Stakeholder Inquiries: From July 1 through September 30, 2024, we received and responded to three standing legislative inquiries on TFPA litigation, a legislative inquiry about Association online systems, and a TDI request for data on FAIR Plan policies in TWIA’s coverage area.
- VII. 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.

## 14. Future Meetings

February 24, 2025 – Moody Gardens Hotel  
Galveston

May 5, 2025 – Marriott South  
Austin

August 4, 2025 – Tremont House  
Galveston