Meeting of the Governing Committee
Texas FAIR Plan Association
Teleconference/Web Conference
May 5, 2025
Marriott Austin South
4415 South IH 35
Austin, TX 78744
3:00 p.m.

Interested parties can listen to the meeting live by going to www.texasfairplan.org.
Go to "About Us/Governing Committee" and click on the webinar link.

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

1. Call to Order: *5 minutes*
   A. Reminder of Anti-Trust Statement –*Wendy Mueller/Counsel*
   B. Meeting Format Information – *Kristina Donley*

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

3. TFPA Operational Dashboard – *David Durden* *10 minutes*

4. Actuarial – *Jim Murphy* *30 minutes*
   A. 2025 Funding; Reinsurance – *Gallagher Re* – ***Action/Vote Likely****
   B. Policy Count/Exposures
   C. Reserve Adequacy
   D. Rate Filing Update

5. Financial *40 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 – *Stuart Harbour*
      1. Income Statement and Expense Statement
      2. Balance Sheet
      3. Cash & Short-Term Investments
      4. Cash Flow Statement
      5. Historical Data
   C. Investment Plan Review – *Stuart Harbour* – ***Action/Vote Likely****
   D. 2025 Renewal of Line of Credit – *Stuart Harbour* – ***Action/Vote Likely****
   E. Financial Audit by Calhoun, Thomson + Matza – *Clark Thomson*
      1. Audit Wrap Up Report
      2. Statutory Report – ***Action/Vote Likely****
      3. Internal Control Letter

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

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

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

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

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

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

12. Future Meetings – *David Durden* *5 minutes*
    - August 4, 2025 – Tremont House – Galveston, TX
    - November 3, 2025 – Omni Hotel – Corpus Christi, TX

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

14. Adjourn

1. Anti-Trust Statement

TEXAS FAIR PLAN ASSOCIATION

Anti-Trust Statement

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

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

2. Approve the Minutes

Minutes of the Texas FAIR Plan Association
Governing Committee Meeting
Teleconference/Webinar
Moody Gardens Hotel
7 Hope Blvd.
Galveston, TX

February 24, 2025

The Following Governing Committee Members were Present, Representing:

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

Absent: Danny Pringle

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

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

The Following Guests Were Present:

1.	Allen Cashin	Gallagher Re
2.	Bill Dubinsky	Gallagher Re
3.	Morgan Huhndorff	Gallagher Re
4.	Jade Nguyen	Gallagher Re
5.	Alicia Robinson	Gallagher Re
6.	Joey Walker	Gallagher Re
7.	Elizabeth Ret	TDI
8.	Dan Graves	Weaver

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

1. Stephen Bejarano
2. Shirley Bowler
3. J'ne Byckovski
4. Kimberly Donovan
5. Angela Fang
6. Allen Fulkerson
7. David Garrelick
8. Jesus Guerrero
9. Jordan He
10. Melissa Heggen
11. Elizabeth Howland
12. Shelina Jamani
13. Debbie King
14. Larry Martin
15. Darrell McClanahan
16. David Muckerheide
17. Anna Stafford
18. Aaron Taylor
19. Iann Villar

1. Call to Order: Chair Wendy Mueller called the meeting to order at 3:01 p.m. Governing Committee members were provided with a copy of the anti-trust statement and reminded of the prohibitions in the statement by counsel. Kristina Donley provided meeting logistics information to the attendees.

2. Approval of the Minutes from Prior Governing Committee Meeting: Ms. Neblett moved to approve the minutes from the December 9, 2024 meeting. Mr. Miletti seconded the motion. The motion passed unanimously.

3. TFPA Operational Dashboard: Mr. Durden reviewed the operational dashboard. TFPA has received 11 TDI complaints. The staff headcount is currently 431, consisting of 229 permanent employees and 202 contractors.

4. Financial:
   A. Report of the Secretary/Treasurer: Mr. Sherlock reviewed the Treasurer's Report. Ms. Neblett moved to accept the report. Ms. Hurley seconded the motion. The motion passed unanimously.
   B. Financial Statement Review by Staff: Direct written premiums for the year ended December 31, 2024 were $237.3.5 million, an increase of $83.2 million budgeted for the year. Direct earned premiums were $169.1 million, an increase of $34.0 million over the budgeted amount.

The TFPA 2024-2025 reinsurance program was placed through broker Gallagher Re and was effective on July 1, 2024. The program provided coverage of $518 million in excess of a $40 million initial retention and includes coverage that reduces the net retention to $10 million for a second event. Reinstatement premium protection was also purchased to cover 90.3% of the cost to reinstate the first $210 million of reinsurance limit. Gross ceded premium for the 2024/2025 reinsurance program totaled $92.5 million, which includes $1.7 million of reinstatement premium associated with Hurricane Beryl. This total reflects an overall-rate-on line (ROL) of 12.7% compared to 11.2% ROL for the 2023/2024 program. The net cost of the reinsurance program after ceding commission was $84.8 million. Ceded premiums are earned on a pro-rata basis over the term of the reinsurance coverage.

Year to date direct losses and LAE totaled $183.9 million, which was above budget by $145.6 million.

Year to date operating expense of $18.2 million. Net operating expenses shown on the statutory income statement exclude claims related expenses, which are recorded in losses and loss adjustment expense. Notable expense items under budget include personnel expenses ($578,000) and other operating expenses ($35,000). Expenses over budget include professional and consulting services ($1.5 million) and hardware and software ($164,000).

The Association's beginning 2024 deficit of $17.7 million increased to $60.1 million at December 31, 2024, due to the $42.9 million year to date net loss.

C. 2024 Member Company Assessment: At the August 5, 2024 meeting of the Texas FAIR Plan Association Governing Committee, staff was authorized to submit a filing to the Texas Department of Insurance (TDI) requesting a member assessment in the amount of $57.655 million. The amount consists of $17.655 million related to the deficit for the calendar year ended December 31, 2023 and $40 million for the projected retained loss related to Hurricane Beryl which struck in July 2024.

The request was submitted to the Texas Department of Insurance on August 13, 2024 and on November 7, 2024, FAIR Plan received approval from TDI Commissioner Brown to proceed with the assessment of $17.655 million for the 2023 deficit and left the $40 million amount under further review.

The assessment letters were mailed to member companies on December 16, 2024 and slightly over $17.5 million has been collected as of February 7, 2025. Staff is confident that the remaining outstanding assessments will be collected.

Since the $40 million assessment request from last year is still officially under review, the TFPA Governing Committee has the option to revise the original request and submit an updated request based on final 2024-year end numbers. TDI will review the submission and confirm that the request matches the information in the 2024 annual statutory statement that will be filed on or before March 1, 2025.

Ms. Neblett moved 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 Texas 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.

Resolved, based on the reports and recommendations of Association staff, the TFPA Governing Committee hereby authorizes and instructs Association staff to seek the direction of the commissioner to assess the participating member companies in accordance with their respective participation percentages to eliminate the deficit existing as of December 31, 2024 in accordance with the 2024 participation percentages, which were determined by the Association as required by law in accordance with the residential property statistical plan adopted by the commissioner. The assessment shall be made in the following amount, or such other amount as directed by the commissioner:

2024 deficit assessment - $60,069,011.

The motion was seconded by Mr. Solomon. The motion passed unanimously.

5. Actuarial:
   A. Policy Count/Exposures: Policy counts are up just over 57% year over year and exposures are up 102% year over year. Growth is occurring outside the coastal areas.
   B. Reserve Adequacy: TFPA staff has completed a review of Texas FAIR Plan Association loss and loss adjustment expense reserves as of December 31, 2024. As of December 31, 2024, TFPA carried $38.0 million in total gross loss and loss adjustment expense reserves with $31.1 million of the total gross loss and expense reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

      Based on this review, the estimate of ultimate gross loss and expense associated with Hurricane Beryl has been updated to $108 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 and expense estimate for Hurricane Harvey remains at $82.5 million.

      In the opinion of the chief actuary, the Association's net reserves met the requirements of the insurance laws of Texas, were consistent with reserves computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all combined unpaid loss and loss expense obligations of the Association under the terms of its contracts and agreements.
   C. Appointed Actuary Qualification Documentation: Annual statement instructions require the appointed actuary to provide qualification documentation to the board

regarding their appointment and on an annual basis thereafter. The TFPA Governing Committee most recently appointed Mr. Murphy as the appointed actuary for the Texas FAIR Plan Association at its February 13, 2023 meeting. The committee members did not have any questions.

D. Rate Filing Update: The Texas FAIR Plan Association Governing Committee voted at its December 9, 2024 meeting to file for the full actuarial rate indications for all policy forms, limited to no more than a 25% change in any territory, update its deductible options, eliminating the 1% deductible and adding 3%, 4% and 5% options. The filing was made January 13, 2025 with a proposed effective date of August 1, 2025.

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

E. 2025 Funding: Reinsurance: Allen Cashin, Alicia Robinson and Jade Nguyen, all from Gallagher Re, reviewed the reinsurance market conditions. They suggested moving the effective date from July 1 to June 1. Ms. Neblett asked what amount was in the budget for reinsurance. Mr. Harbour said $130 million was budgeted for reinsurance. Mr. Miletti asked how often the Association has had a storm that exceeded the 1 in 100-year event. Mr. Murphy said the Association has never had an event to exceed the 1 in 100. The Ike losses were the largest in the Association's history. Mr. Miletti asked what the PML number for Ike was. Mr. Durden said it was probably a 1 in 50-year event. Mr. Baumann moved to go with a variation of option three, lowering the attachment point to $800 million, which includes a retention of $60 million and perpetuating purchasing layer one replacement reinstatement premium protection for the second event. If the purchase goes above the budgeted amount of $130 million, staff will bring it back to the TFPA Governing Committee. Ms. Neblett seconded the motion. The motion passed unanimously.

   Bill Dubinsky from Gallagher Re gave an overview of the catastrophe bond market. Mr. Bridges moved to give Gallagher Re the authority to place the reinsurance in the traditional market or the catastrophe bond market based on what is the best value for the Association. Mr. Solomon seconded the motion. The motion passed unanimously.

6. Internal Audit:
   A. Internal Audit Status Update: Mr. Graves reported that current internal audit activities include customer experience, strategic communications and cash management. Upcoming audits include claims processing, executive management, information security and IT services. Ms. Neblett requested a brief statement on audits that remain open for the next TFPA Governing Committee meeting.

7. Underwriting Operational Review Update: For the fourth quarter of 2024, 99.73% of the transactions were issued within 10 days of receiving the application and payment. Of

those transactions, 92% were straight through processed by the system and 8% were referred by the system to underwriting for additional information, review and approval prior to issuance. Of the calls received, 92.17% were answered in under 20 seconds.

A standard sample of agencies (10) was selected in the fourth 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. Of the selected agents, 9 out of 10 were fully compliant with the audit requirements consisting of signed applications, signed eligibility statements and declination documentation provisions. The remaining agent had outstanding action items to be fully compliant with the audit requirements.

8. Claims:
   A. Claims Operations: First notice of loss to property inspection averaged 4.6 days. The total cycle time of first notice of loss to payment (daily) was 10.8 days and 15.8 days for a catastrophe event. Historical claim volume for 2024 is 16,933. Mr. Solomon asked if there is any stabilization in material costs and repairs. Mr. Williams said not at this time.
   B. Litigation Summary: For the fourth quarter of 2024, 10 new first party suits and one third party suit was received. Six first party suits were settled and four first party and one third party suit were closed. For TFPA claims with letters of representation, 76 new first party and nine third party matters were received for the quarter. Eighteen first party claims were settled and 29 first party and six third party claims were closed.

9. TFPA Operations:
   A. IT Systems Enhancements: The cloud migration project is ongoing. The user acceptance testing phase for core insurance suite components began in December. The testing phase for portals started in February as well as for the enterprise data warehouse. The go live date is still planned for the weekend of April 25.

      For remote user workstations, the proof of concept to change the connection methodology for remote TFPA internal users was successful. The rollout was completed at the end of January 2025.

      Microsoft Copilot was rolled out to a select group of users in December to evaluate functionality and applicability to the organization.

      Systems are functioning well with monthly releases that are limited to business-critical items that are selected by the respective departments.
   B. Communications and Legislative Affairs Update: Staff continue to work with the Texas Department of Insurance to finalize the development of forms related to FAIR Plan property owners' association policies as required by House Bill 998. TDI has received two petitions for areas to be designated as underserved by the private market for this coverage. The FAIR Plan is prepared to issue policies if TDI makes the necessary

designations.

The filing deadline for legislation is March 14. To date, relatively few bills have been filed concerning the property and casualty insurance industry. One bill, House Bill 2517, filed by Rep. Jeffrey Barry (Brazoria County), would exempt TWIA and TFPA from premium and maintenance taxes.

C. Procedure to Appoint Interim GM if Needed/Required: At the last TFPA Governing Committee meeting, staff was instructed to formulate a contingency plan in the event the general manager becomes incapacitated and is unable to perform their duties due to injury, illness or other unforeseen circumstances.

The chair of the TWIA Board of Directors will designate an interim general manager. The chair of the TFPA Governing Committee will be notified of the appointment.

Staff will utilize protocols within the Associations' existing policies, including the Business & Continuity Plan, Continuity of Operations Plan and Crisis Communications Plan, as needed to maintain minimal disruption to the Associations' operations.

The TWIA board chair will determine an anticipated end date to the interim general manager's appointment and establish a check in frequency to monitor the general manager's status and either end the interim general manager's appointment or extend the timeframe.

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: Mr. Durden discussed moving the December meeting to November. November seems to work better timewise with the holidays and it spaces the meetings out properly.

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

    - May 5, 2025 – Marriott South – Austin
    - August 4, 2025 – Tremont House – Galveston
    - Move December Meeting to November

13. Committees: There was nothing to report.

14. Adjourn: There being no further business the meeting adjourned at 5:11 pm.

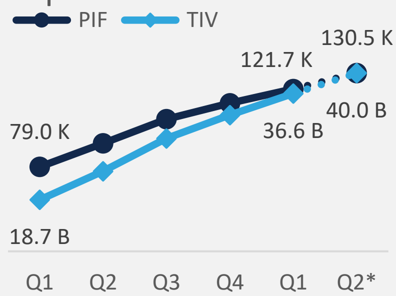
______________________________	___________________________
Prepared by: Amy Koehl	Approved by: Wendy Mueller
Senior Project Administrator	TFPA Chair

3. TFPA Operational Dashboard

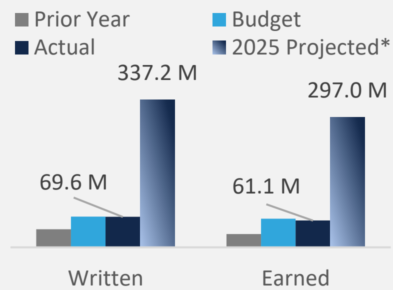
Operational Dashboard

Reporting as of March 31, 2005

Exposure Growth



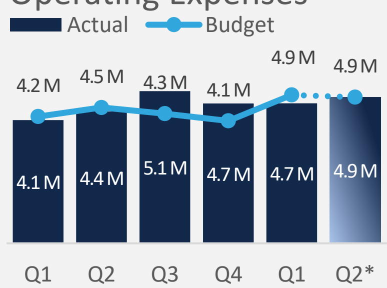
Premiums



Net Income

Actual:	**$ 4.2 M**
Budget:	**7.0 M**
	▼ 2.8 M

Operating Expenses



Claims Activity

Reported Claims:	**1,563**
Incurred Loss & LAE:	**$21.1 M**
Loss Ratio:	**34.5%**

Claims Disputes

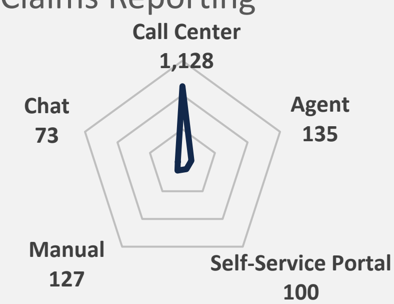
(% of Reported Claims)

TDI Complaints:	**6 (0.4%)**
Disputes:	**12 (0.8%)**
Lawsuits:	**3 (0.2%)**

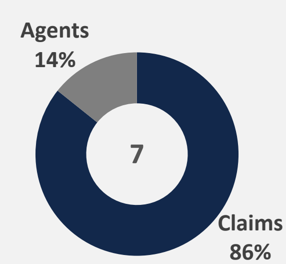
Headcount

Employees:	**240**
Contractors:	**174**
Total:	**414**

Claims Reporting



Complaints by Reason



Exposure Growth, Operating Expenses, and Headcount as of Reporting Date

All other amounts are Year to Date

Enterprise Projects

Status Update as of March 31, 2025

Enterprise Projects	Initiative Type	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Legislative Implementation Program (LIP88)	Mandatory												
LIP88 - HB 998 - TFPA Property Owners Assoc (Condos	Mandatory												
Guidewire Cloud Migration (PC9)	Discretionary Planned												
Association Surcharge - Ph 1 Technical (On Hold)	Mandatory												
Association Surcharge - Ph 2 Business (On Hold)	Mandatory												
Centralized Information - Ph1 Internal Website	Discretionary Planned												

4. Actuarial

4A. 2025 Funding; Reinsurance

MEMORANDUM

DATE: April 18, 2025

TO: David Durden, General Manager

FROM: Jim Murphy, Chief Actuary

RE: TFPA Funding for the 2025 Hurricane Season

TFPA staff is working with Gallagher Re, the Association's reinsurance broker, to secure reinsurance coverage for the 2025 hurricane season as directed by the Governing Committee at its February 24, 2025 meeting, subject to the approved budget of $130 million.

The 2025 reinsurance program will be effective from July 1, 2025 to May 31, 2026 and will provide protection up to $800 million as follows:

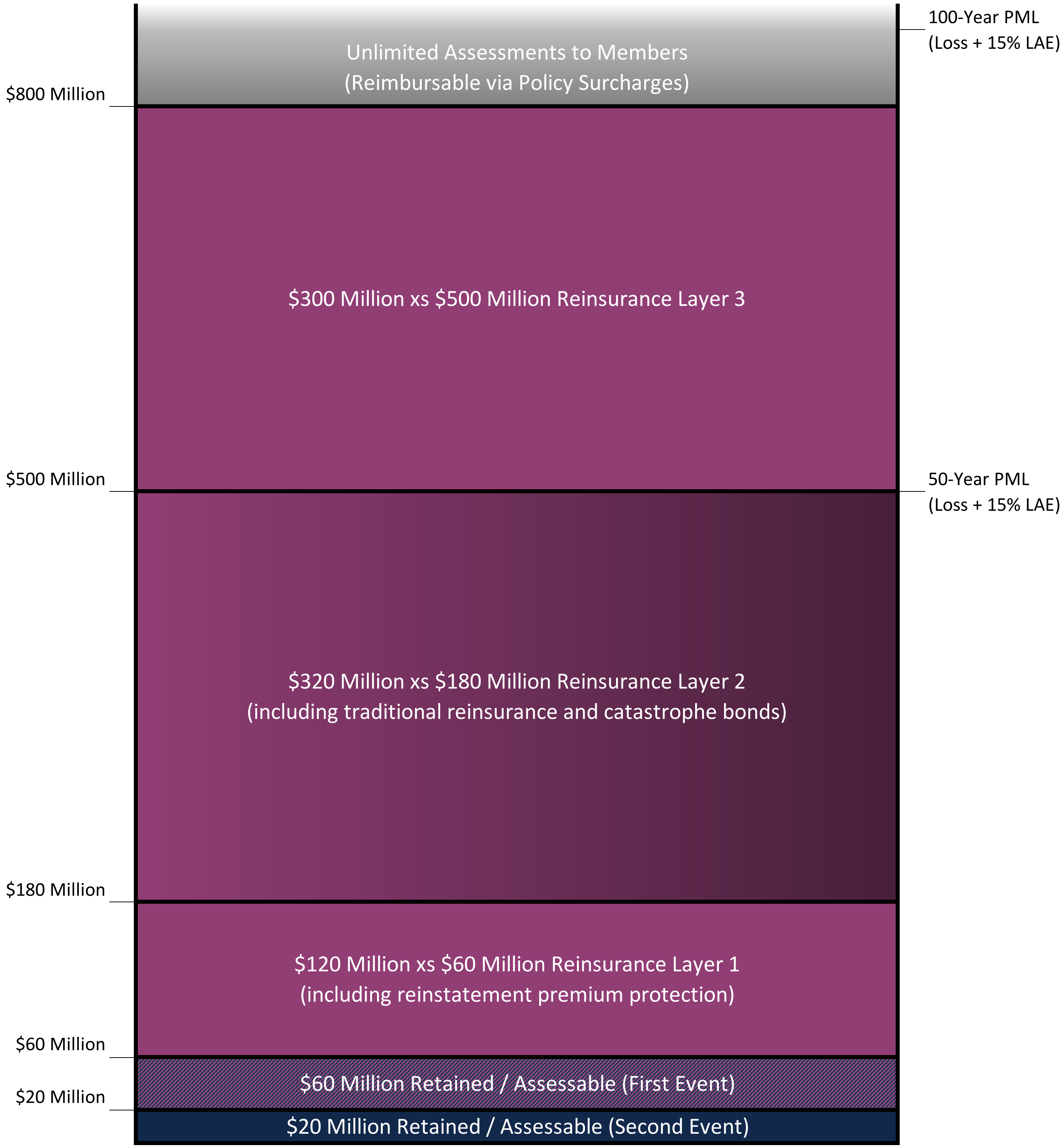
- $100 million xs $60 million (including reinstatement premium protection)
- $340 million xs $160 million, comprising both traditional reinsurance and catastrophe bonds
- $300 million xs $500 million in traditional reinsurance
- $40 million of second event coverage, reducing the Association's retention from $60 million to $20 million for a second event

Representatives from Gallagher will be present at the Governing Committee meeting to provide an update on the placement progress.

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

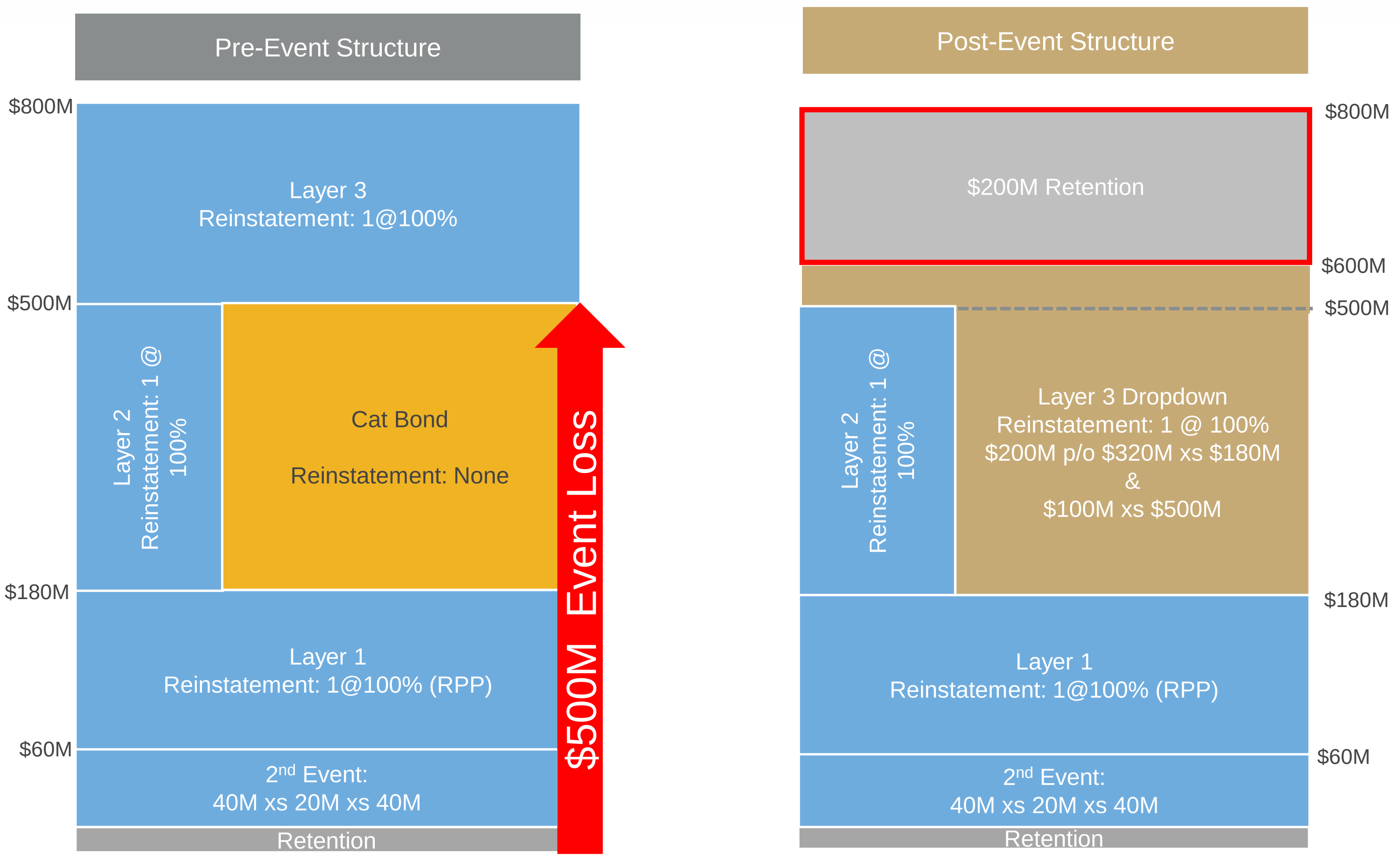
JM

Texas FAIR Plan Association
Preliminary 2025 Funding
Reinsurance Effective 7/1/25 - 5/31/24



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

Layer 3 with Dropdown - $200M Bond



**Assumes a $500M event loss*
***Layers not drawn to scale*

4B. Policy Counts/Exposures

Texas FAIR Plan Association
Liability Report
As of 3/31/25
All Forms Combined

	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
County	03/31/24	03/31/25	Actual	Percentage	03/31/24	03/31/25	Actual	Percentage	03/31/24	03/31/25	Actual	Percentage
Harris	46,903	64,339	17,436	37.17%	9,677,070,231	16,314,451,011	6,637,380,779	68.59%	26,324,751	40,593,194	14,268,442	54.20%
Fort bend	5,900	9,206	3,306	56.03%	1,516,053,195	3,123,386,127	1,607,332,932	106.02%	3,432,494	6,357,509	2,925,015	85.22%
Galveston	5,152	7,146	1,994	38.70%	1,712,567,513	2,863,510,708	1,150,943,196	67.21%	896,461	1,449,092	552,631	61.65%
Dallas	2,339	4,692	2,353	100.60%	566,185,104	1,542,999,105	976,814,001	172.53%	1,739,410	3,435,899	1,696,489	97.53%
Brazoria	2,655	4,526	1,871	70.47%	914,133,037	1,899,656,435	985,523,398	107.81%	574,378	1,105,366	530,988	92.45%
El paso	1,983	3,989	2,006	101.16%	580,702,328	1,399,736,142	819,033,814	141.04%	750,093	1,406,624	656,531	87.53%
Tarrant	1,779	3,891	2,112	118.72%	426,860,129	1,263,889,218	837,029,089	196.09%	1,445,328	2,811,209	1,365,881	94.50%
Jefferson	1,987	3,590	1,603	80.67%	615,209,566	1,261,758,851	646,549,285	105.09%	369,321	762,056	392,735	106.34%
Montgomery	1,013	2,383	1,370	135.24%	254,744,736	750,686,226	495,941,490	194.68%	541,222	1,267,298	726,076	134.15%
Nueces	1,334	1,919	585	43.85%	329,955,528	578,016,728	248,061,200	75.18%	315,737	442,798	127,061	40.24%
Bexar	653	1,290	637	97.55%	145,882,884	391,926,762	246,043,878	168.66%	303,783	718,031	414,248	136.36%
Orange	508	1,224	716	140.94%	116,756,608	365,327,970	248,571,362	212.90%	382,314	941,246	558,933	146.20%
Denton	238	954	716	300.84%	107,156,556	546,827,413	439,670,857	410.31%	372,345	874,961	502,616	134.99%
Cameron	542	679	137	25.28%	134,340,410	197,536,630	63,196,220	47.04%	97,075	138,543	41,468	42.72%
Liberty	348	755	407	116.95%	56,650,012	140,028,053	83,378,041	147.18%	229,683	531,053	301,370	131.21%
Chambers	407	698	291	71.50%	164,064,370	322,895,096	158,830,726	96.81%	100,622	172,375	71,752	71.31%
Travis	298	643	345	115.77%	84,012,420	250,632,928	166,620,508	198.33%	154,634	304,925	150,290	97.19%
Collin	229	592	363	158.52%	88,339,710	313,555,096	225,215,386	254.94%	367,246	516,265	149,019	40.58%
Calhoun	413	489	76	18.40%	111,022,530	147,550,290	36,527,760	32.90%	67,314	93,862	26,548	39.44%
Matagorda	335	507	172	51.34%	95,963,170	166,208,470	70,245,300	73.20%	72,856	131,012	58,156	79.82%
San patricio	224	374	150	66.96%	64,570,780	131,225,670	66,654,890	103.23%	46,946	78,601	31,655	67.43%
Hidalgo	205	262	57	27.80%	32,270,746	52,575,814	20,305,069	62.92%	93,972	131,319	37,346	39.74%
Aransas	202	280	78	38.61%	48,677,870	83,583,430	34,905,560	71.71%	32,356	47,280	14,924	46.13%
Ellis	93	327	234	251.61%	32,938,470	156,218,650	123,280,180	374.27%	112,992	365,688	252,696	223.64%
Waller	169	244	75	44.38%	32,284,400	73,021,400	40,737,000	126.18%	90,332	153,684	63,352	70.13%
Top 25 Counties	75,909	114,999	39,090	51.50%	17,908,412,303	34,337,204,224	16,428,791,922	91.74%	38,913,668	64,829,890	25,916,222	66.60%
All Other Counties	3,088	6,659	3,571	115.64%	769,215,930	2,218,191,213	1,448,975,283	188.37%	2,097,537	4,737,868	2,640,331	125.88%
Tier 1	13,381	20,400	7,019	52.45%	4,223,361,409	7,707,475,223	3,484,113,815	82.50%	2,600,223	4,463,987	1,863,764	71.68%
Tier 2	54,338	76,806	22,468	41.35%	11,492,515,634	20,232,083,253	8,739,567,619	76.05%	30,851,463	49,230,163	18,378,700	59.57%
All Other Counties	11,278	24,452	13,174	116.81%	2,961,751,190	8,615,836,961	5,654,085,771	190.90%	7,559,519	15,873,608	8,314,090	109.98%
Statewide Total	78,997	121,658	42,661	54.00%	18,677,628,233	36,555,395,437	17,877,767,204	95.72%	41,011,205	69,567,758	28,556,554	69.63%

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

Texas FAIR Plan Association
Liability Report
As of 3/31/25
HO-A Policies

County	Policies In-Force 03/31/24	Policies In-Force 03/31/25	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 03/31/24	Exposure In-Force 03/31/25	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 03/31/24	YTD Written Premium 03/31/25	Premium Growth Actual	Premium Growth Percentage
Harris	18,333	29,259	10,926	59.60%	6,029,900,433	11,119,005,010	5,089,104,576	84.40%	17,011,939	27,238,845	10,226,906	60.12%
Fort bend	1,828	3,820	1,992	108.97%	772,720,090	1,950,077,042	1,177,356,952	152.37%	1,839,017	3,859,175	2,020,158	109.85%
Galveston	3,813	5,531	1,718	45.06%	1,560,674,933	2,651,182,282	1,090,507,350	69.87%	739,595	1,227,405	487,810	65.96%
Dallas	1,214	2,978	1,764	145.30%	424,144,790	1,276,907,020	852,762,230	201.05%	1,404,691	2,817,700	1,413,009	100.59%
Brazoria	2,057	3,681	1,624	78.95%	820,911,730	1,744,064,823	923,153,093	112.45%	495,950	962,573	466,623	94.09%
El paso	1,731	3,560	1,829	105.66%	548,597,150	1,339,120,060	790,522,910	144.10%	689,913	1,304,939	615,025	89.15%
Tarrant	1,043	2,481	1,438	137.87%	338,923,349	1,045,782,099	706,858,750	208.56%	1,185,783	2,207,143	1,021,359	86.13%
Jefferson	1,570	2,880	1,310	83.44%	572,657,142	1,178,123,355	605,466,213	105.73%	327,461	669,094	341,633	104.33%
Montgomery	600	1,613	1,013	168.83%	198,308,580	635,796,357	437,487,777	220.61%	419,940	1,028,033	608,093	144.80%
Nueces	831	1,311	480	57.76%	276,244,320	503,380,940	227,136,620	82.22%	263,575	370,732	107,157	40.66%
Bexar	417	912	495	118.71%	124,115,260	343,046,000	218,930,740	176.39%	255,590	603,700	348,110	136.20%
Orange	356	966	610	171.35%	102,237,308	334,301,128	232,063,820	226.99%	347,437	859,307	511,870	147.33%
Denton	181	814	633	349.72%	95,697,016	516,296,620	420,599,604	439.51%	331,320	825,605	494,285	149.19%
Cameron	363	468	105	28.93%	114,242,860	172,383,070	58,140,210	50.89%	74,959	109,362	34,402	45.89%
Liberty	219	482	263	120.09%	45,217,704	116,283,565	71,065,861	157.16%	167,582	391,908	224,326	133.86%
Chambers	358	630	272	75.98%	158,469,870	313,047,096	154,577,226	97.54%	92,956	157,965	65,009	69.93%
Travis	171	425	254	148.54%	70,397,690	217,384,380	146,986,690	208.79%	118,824	234,157	115,333	97.06%
Collin	114	420	306	268.42%	69,436,150	281,554,320	212,118,170	305.49%	283,873	433,321	149,448	52.65%
Calhoun	345	422	77	22.32%	105,113,340	141,578,450	36,465,110	34.69%	60,982	88,654	27,673	45.38%
Matagorda	298	455	157	52.68%	92,273,220	160,690,820	68,417,600	74.15%	68,636	118,444	49,808	72.57%
San patricio	182	323	141	77.47%	60,490,780	125,415,370	64,924,590	107.33%	43,683	69,629	25,945	59.39%
Hidalgo	65	90	25	38.46%	14,456,246	27,651,814	13,195,569	91.28%	39,206	70,203	30,996	79.06%
Aransas	168	235	67	39.88%	45,257,590	79,236,330	33,978,740	75.08%	29,562	42,730	13,167	44.54%
Ellis	68	273	205	301.47%	29,803,570	147,110,950	117,307,380	393.60%	102,593	341,669	239,076	233.03%
Waller	101	153	52	51.49%	25,310,100	60,789,320	35,479,220	140.18%	55,374	114,536	59,162	106.84%
Top 25 Counties	36,426	64,182	27,756	76.20%	12,695,601,221	26,480,208,221	13,784,607,001	108.58%	26,450,442	46,146,827	19,696,385	74.47%
All Other Counties	2,041	4,958	2,917	142.92%	663,092,720	2,008,410,099	1,345,317,379	202.89%	1,817,228	4,132,366	2,315,138	127.40%
Tier 1	10,080	16,081	6,001	59.53%	3,836,231,345	7,119,476,776	3,283,245,431	85.59%	2,225,401	3,855,389	1,629,988	73.24%
Tier 2	21,084	35,321	14,237	67.53%	7,040,457,741	13,753,040,846	6,712,583,104	95.34%	19,736,804	32,986,305	13,249,501	67.13%
All Other Counties	7,303	17,738	10,435	142.89%	2,482,004,855	7,616,100,698	5,134,095,844	206.85%	6,305,466	13,437,499	7,132,034	113.11%
Statewide Total	38,467	69,140	30,673	79.74%	13,358,693,941	28,488,618,320	15,129,924,379	113.26%	28,267,670	50,279,193	22,011,523	77.87%

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

Texas FAIR Plan Association
Liability Report
As of 3/31/25
TDP-1 Policies

	Policies In-Force		PIF Growth		Exposure In-Force		Exposure Growth		YTD Written Premium		Premium Growth	
County	03/31/24	03/31/25	Actual	Percentage	03/31/24	03/31/25	Actual	Percentage	03/31/24	03/31/25	Actual	Percentage
Harris	25,583	31,830	6,247	24.42%	3,476,549,958	4,992,481,721	1,515,931,763	43.60%	8,948,995	12,915,422	3,966,427	44.32%
Fort bend	3,916	5,224	1,308	33.40%	734,217,305	1,164,368,965	430,151,660	58.59%	1,575,247	2,484,858	909,611	57.74%
Galveston	857	1,083	226	26.37%	122,968,140	177,249,786	54,281,646	44.14%	128,491	188,177	59,686	46.45%
Dallas	1,033	1,596	563	54.50%	137,298,514	257,805,365	120,506,851	87.77%	324,104	608,737	284,633	87.82%
Brazoria	554	792	238	42.96%	91,375,467	153,173,372	61,797,905	67.63%	76,485	139,924	63,440	82.94%
El paso	248	424	176	70.97%	31,853,178	60,359,282	28,506,104	89.49%	59,258	101,470	42,212	71.23%
Tarrant	711	1,369	658	92.55%	86,702,460	214,682,439	127,979,979	147.61%	259,126	594,078	334,952	129.26%
Jefferson	364	614	250	68.68%	39,280,984	75,328,616	36,047,632	91.77%	38,324	85,308	46,984	122.60%
Montgomery	370	721	351	94.86%	53,192,076	110,920,989	57,728,913	108.53%	116,361	234,630	118,270	101.64%
Nueces	322	388	66	20.50%	37,806,528	54,144,468	16,337,940	43.21%	35,996	51,941	15,945	44.30%
Bexar	186	313	127	68.28%	19,141,904	44,841,682	25,699,778	134.26%	40,907	106,170	65,263	159.54%
Orange	142	250	108	76.06%	14,081,300	30,804,842	16,723,542	118.76%	34,804	82,015	47,211	135.65%
Denton	50	122	72	144.00%	10,691,540	28,868,793	18,177,253	170.02%	39,063	46,791	7,728	19.78%
Cameron	80	98	18	22.50%	9,573,550	13,280,400	3,706,850	38.72%	12,457	16,073	3,616	29.03%
Liberty	123	261	138	112.20%	11,192,308	23,510,488	12,318,180	110.06%	61,053	139,084	78,031	127.81%
Chambers	43	62	19	44.19%	5,374,900	9,628,400	4,253,500	79.14%	7,472	14,211	6,739	90.18%
Travis	65	139	74	113.85%	9,555,730	25,662,148	16,106,418	168.55%	25,614	52,694	27,079	105.72%
Collin	93	134	41	44.09%	17,035,400	28,515,736	11,480,336	67.39%	82,116	77,510	(4,606)	(5.61%)
Calhoun	54	53	(1)	(1.85%)	5,152,950	5,077,600	(75,350)	(1.46%)	5,288	3,976	(1,311)	(24.80%)
Matagorda	36	50	14	38.89%	3,676,750	5,466,050	1,789,300	48.67%	4,220	12,385	8,166	193.50%
San patricio	40	50	10	25.00%	3,926,400	5,716,700	1,790,300	45.60%	2,737	8,638	5,901	215.59%
Hidalgo	131	158	27	20.61%	17,322,500	24,042,000	6,719,500	38.79%	52,841	58,524	5,683	10.75%
Aransas	21	27	6	28.57%	2,127,160	2,701,900	574,740	27.02%	590	904	314	53.13%
Ellis	24	52	28	116.67%	3,110,900	9,023,700	5,912,800	190.07%	10,399	24,019	13,620	130.97%
Waller	62	86	24	38.71%	6,651,980	12,043,080	5,391,100	81.05%	33,966	38,632	4,667	13.74%
Top 25 Counties	35,108	45,896	10,788	30.73%	4,949,859,882	7,529,698,523	2,579,838,641	52.12%	11,975,914	18,086,170	6,110,257	51.02%
All Other Counties	934	1,541	607	64.99%	100,089,970	199,946,034	99,856,064	99.77%	273,486	583,754	310,268	113.45%
Tier 1	2,404	3,261	857	35.65%	324,057,104	506,735,167	182,678,063	56.37%	311,142	525,411	214,269	68.87%
Tier 2	30,079	38,023	7,944	26.41%	4,270,940,933	6,264,959,527	1,994,018,594	46.69%	10,728,616	15,784,806	5,056,190	47.13%
All Other Counties	3,559	6,153	2,594	72.89%	454,951,815	957,949,862	502,998,047	110.56%	1,209,642	2,359,708	1,150,066	95.07%
Statewide Total	36,042	47,437	11,395	31.62%	5,049,949,852	7,729,644,557	2,679,694,705	53.06%	12,249,400	18,669,925	6,420,525	52.42%

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

Texas FAIR Plan Association
Liability Report
As of 3/31/25
HO-CONB Policies

County	Policies In-Force 03/31/24	Policies In-Force 03/31/25	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 03/31/24	Exposure In-Force 03/31/25	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 03/31/24	YTD Written Premium 03/31/25	Premium Growth Actual	Premium Growth Percentage
Harris	1,988	2,281	293	14.74%	151,990,560	183,967,080	31,976,520	21.04%	319,498	393,880	74,382	23.28%
Fort bend	73	77	4	5.48%	6,899,400	6,580,920	(318,480)	(4.62%)	12,105	8,466	(3,639)	(30.06%)
Galveston	214	249	35	16.36%	20,901,000	25,683,840	4,782,840	22.88%	16,861	19,835	2,975	17.64%
Dallas	73	97	24	32.88%	4,093,800	7,422,240	3,328,440	81.30%	9,155	8,250	(904)	(9.88%)
Brazoria	7	10	3	42.86%	468,000	825,600	357,600	76.41%	245	702	457	186.53%
El paso	1	1	0	0.00%	117,600	100,800	(16,800)	(14.29%)	921	97	(824)	(89.42%)
Tarrant	4	15	11	275.00%	659,520	2,292,480	1,632,960	247.60%	142	6,339	6,197	4364.08%
Jefferson	19	62	43	226.32%	1,815,960	6,583,080	4,767,120	262.51%	2,395	5,920	3,525	147.20%
Montgomery	19	27	8	42.11%	1,475,280	2,606,880	1,131,600	76.70%	2,368	4,318	1,949	82.31%
Nueces	157	200	43	27.39%	15,245,400	19,736,520	4,491,120	29.46%	15,513	18,927	3,414	22.01%
Bexar	35	42	7	20.00%	2,307,720	3,346,080	1,038,360	45.00%	6,276	6,674	398	6.33%
Orange	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Denton	2	7	5	250.00%	300,000	954,000	654,000	218.00%	619	1,807	1,188	191.92%
Cameron	95	109	14	14.74%	10,374,000	11,681,160	1,307,160	12.60%	9,733	13,021	3,288	33.78%
Liberty	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Chambers	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Travis	35	52	17	48.57%	2,910,840	6,075,600	3,164,760	108.72%	8,681	15,406	6,725	77.46%
Collin	14	24	10	71.43%	1,508,160	2,993,040	1,484,880	98.46%	1,007	5,151	4,144	411.53%
Calhoun	5	5	0	0.00%	408,240	558,240	150,000	36.74%	290	560	270	93.27%
Matagorda	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
San patricio	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Hidalgo	7	9	2	28.57%	456,000	756,000	300,000	65.79%	1,780	1,938	158	8.88%
Aransas	10	12	2	20.00%	1,149,120	1,414,800	265,680	23.12%	2,203	3,546	1,343	60.96%
Ellis	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Waller	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Top 25 Counties	2,758	3,279	521	18.89%	223,080,600	283,578,360	60,497,760	27.12%	409,792	514,839	105,046	25.63%
All Other Counties	31	53	22	70.97%	2,753,280	5,562,960	2,809,680	102.05%	3,210	14,003	10,793	336.19%
Tier 1	508	648	140	27.56%	50,510,520	66,632,040	16,121,520	31.92%	47,239	62,512	15,272	32.33%
Tier 2	2,068	2,369	301	14.56%	159,345,960	191,703,600	32,357,640	20.31%	333,383	406,017	72,634	21.79%
All Other Counties	213	315	102	47.89%	15,977,400	30,805,680	14,828,280	92.81%	32,380	60,313	27,933	86.27%
Statewide Total	2,789	3,332	543	19.47%	225,833,880	289,141,320	63,307,440	28.03%	413,003	528,841	115,839	28.05%

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

Texas FAIR Plan Association
Liability Report
As of 3/31/25
HO-BT Policies

County	Policies In-Force 03/31/24	Policies In-Force 03/31/25	PIF Growth Actual	PIF Growth Percentage	Exposure In-Force 03/31/24	Exposure In-Force 03/31/25	Exposure Growth Actual	Exposure Growth Percentage	YTD Written Premium 03/31/24	YTD Written Premium 03/31/25	Premium Growth Actual	Premium Growth Percentage
Harris	999	969	(30)	(3.00%)	18,629,280	18,997,200	367,920	1.97%	44,320	45,047	727	1.64%
Fort bend	83	85	2	2.41%	2,216,400	2,359,200	142,800	6.44%	6,125	5,010	(1,115)	(18.20%)
Galveston	268	283	15	5.60%	8,023,440	9,394,800	1,371,360	17.09%	11,515	13,676	2,161	18.77%
Dallas	19	21	2	10.53%	648,000	864,480	216,480	33.41%	1,460	1,212	(248)	(17.01%)
Brazoria	37	43	6	16.22%	1,377,840	1,592,640	214,800	15.59%	1,698	2,167	469	27.62%
El paso	3	4	1	33.33%	134,400	156,000	21,600	16.07%	0	118	118	N/A
Tarrant	21	26	5	23.81%	574,800	1,132,200	557,400	96.97%	276	3,649	3,373	1222.10%
Jefferson	34	34	0	0.00%	1,455,480	1,723,800	268,320	18.44%	1,142	1,734	592	51.85%
Montgomery	24	22	(2)	(8.33%)	1,768,800	1,362,000	(406,800)	(23.00%)	2,553	317	(2,236)	(87.58%)
Nueces	24	20	(4)	(16.67%)	659,280	754,800	95,520	14.49%	654	1,198	544	83.32%
Bexar	15	23	8	53.33%	318,000	693,000	375,000	117.92%	1,009	1,487	478	47.37%
Orange	10	8	(2)	(20.00%)	438,000	222,000	(216,000)	(49.32%)	73	(75)	(148)	(203.26%)
Denton	5	11	6	120.00%	468,000	708,000	240,000	51.28%	1,344	759	(585)	(43.53%)
Cameron	4	4	0	0.00%	150,000	192,000	42,000	28.00%	(74)	88	162	(218.50%)
Liberty	6	12	6	100.00%	240,000	234,000	(6,000)	(2.50%)	1,048	61	(987)	(94.18%)
Chambers	6	6	0	0.00%	219,600	219,600	0	0.00%	194	199	5	2.58%
Travis	27	27	0	0.00%	1,148,160	1,510,800	362,640	31.58%	1,515	2,668	1,153	76.11%
Collin	8	14	6	75.00%	360,000	492,000	132,000	36.67%	250	283	33	13.20%
Calhoun	9	9	0	0.00%	348,000	336,000	(12,000)	(3.45%)	755	671	(84)	(11.13%)
Matagorda	1	2	1	100.00%	13,200	51,600	38,400	290.91%	0	182	182	N/A
San patricio	2	1	(1)	(50.00%)	153,600	93,600	(60,000)	(39.06%)	526	335	(191)	(36.31%)
Hidalgo	2	5	3	150.00%	36,000	126,000	90,000	250.00%	145	654	509	351.03%
Aransas	3	6	3	100.00%	144,000	230,400	86,400	60.00%	0	100	100	N/A
Ellis	1	2	1	100.00%	24,000	84,000	60,000	250.00%	0	0	0	N/A
Waller	6	5	(1)	(16.67%)	322,320	189,000	(133,320)	(41.36%)	993	516	(477)	(48.04%)
Top 25 Counties	1,617	1,642	25	1.55%	39,870,600	43,719,120	3,848,520	9.65%	77,520	82,054	4,535	5.85%
All Other Counties	82	107	25	30.49%	3,279,960	4,272,120	992,160	30.25%	3,612	7,745	4,133	114.41%
Tier 1	389	410	21	5.40%	12,562,440	14,631,240	2,068,800	16.47%	16,441	20,676	4,235	25.76%
Tier 2	1,107	1,093	(14)	(1.26%)	21,771,000	22,379,280	608,280	2.79%	52,660	53,035	375	0.71%
All Other Counties	203	246	43	21.18%	8,817,120	10,980,720	2,163,600	24.54%	12,031	16,089	4,058	33.73%
Statewide Total	1,699	1,749	50	2.94%	43,150,560	47,991,240	4,840,680	11.22%	81,132	89,799	8,667	10.68%

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

4C. Reserve Adequacy

MEMORANDUM

DATE: April 18, 2025

TO: David Durden
General Manager

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

RE: TFPA Reserve Adequacy as of March 31, 2025

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

As of March 31, 2025, TFPA carried $40.5 million in total gross loss and loss adjustment expense reserves with $8.8 million of the total gross loss and expense reserves ceded to reinsurance companies rated A- or better by A.M. Best Company. Collectability risk has been reviewed and found to be immaterial relative to total gross reserve.

Based on this review, the estimate of ultimate gross loss & expense associated with Hurricane Beryl has been increased slightly to $108.5 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

4D. Rate Filing Update

MEMORANDUM

DATE:	April 18, 2025
TO:	David Durden, General Manager
FROM:	Jim Murphy, Chief Actuary
RE:	TFPA 2024 Rate Filing Update

The Texas FAIR Plan Association Governing Committee voted at its December 9, 2024 meeting to file for the full actuarial indications for all policy forms, limited to no more than a 25% change in any territory, and to update its deductible options, eliminating the 1% deductible and adding 3%, 4%, and 5% options. The filing was made January 13, 2025 with a proposed effective date of August 1, 2025.

The Texas Department of Insurance approved the base rate and deductible credit portions of the filing on April 11, 2025. The change in deductible options is still pending approval of an additional filing based on instruction received by the Department.

A summary of the full actuarial indications, approved changes, and remaining indications by form follows:

Product	Indicated	Filed	Remaining
Homeowners	10.8%	10.8%	0.0%
Tenants	-6.7%	-6.7%	0.0%
Condo	7.4%	7.4%	0.0%
Dwelling (Fire)	11.7%	11.7%	0.0%
Dwelling (EC)	39.5%	24.7%	11.9%

Similar information by territory is shown on the following page.

JM

Homeowners	In-force Premium	Indicated	Filed	Remaining
Central North - Greater Dallas / Ft. Worth	7,427,517	25.5%	25.0%	0.4%
Central North - Remainder	909,975	2.9%	2.9%	0.0%
Central South	7,204,805	14.9%	14.9%	0.0%
North/Northwest	530,854	11.7%	11.7%	0.0%
Seacoast - Tier 1	7,784,058	-14.9%	-14.9%	0.0%
Seacoast - Tier 2	63,566,469	11.9%	11.9%	0.0%
Overall Statewide	87,423,679	10.8%	10.8%	0.0%

Tenants	In-force Premium	Indicated	Filed	Remaining
Central North - Greater Dallas / Ft. Worth	11,092	-13.1%	-13.1%	0.0%
Central North - Remainder	4,095	-19.2%	-19.2%	0.0%
Central South	25,075	-19.1%	-19.1%	0.0%
North/Northwest	435	-19.6%	-19.6%	0.0%
Seacoast - Tier 1	59,708	-20.9%	-20.9%	0.0%
Seacoast - Tier 2	182,853	0.3%	0.3%	0.0%
Overall Statewide	283,253	-6.7%	-6.7%	0.0%

Condos	In-force Premium	Indicated	Filed	Remaining
Central North - Greater Dallas / Ft. Worth	46,884	2.4%	2.4%	0.0%
Central North - Remainder	0	-9.8%	-9.8%	0.0%
Central South	63,521	15.4%	15.4%	0.0%
North/Northwest	875	-6.9%	-6.9%	0.0%
Seacoast - Tier 1	193,522	-5.4%	-5.4%	0.0%
Seacoast - Tier 2	1,227,329	9.2%	9.2%	0.0%
Overall Statewide	1,532,132	7.4%	7.4%	0.0%

Dwelling (Fire)	Indicated	Filed	Remaining
Overall Statewide	11.7%	11.7%	0.0%

Dwelling (EC)	In-force Premium	Indicated	Filed	Remaining
Central North - Greater Dallas / Ft. Worth	1,421,746	105.9%	25.0%	64.7%
Central North - Remainder	146,612	88.8%	25.0%	51.0%
Central South	721,636	75.2%	25.0%	40.2%
North/Northwest	54,247	52.9%	25.0%	22.3%
Seacoast - Tier 1	157,533	-35.6%	-25.0%	-14.1%
Seacoast - Tier 2	28,660,232	35.4%	25.0%	8.3%
Overall Statewide	31,162,006	39.5%	24.7%	11.9%

5. Financial
5A1. Income Statement

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

	For the three months ended March 31, 2025	2024
Premiums Written:		
Direct	$ 69,568	$ 41,011
Ceded	(13)	0
Net	69,555	41,011
Premiums Earned:		
Direct	$ 61,141	$ 29,996
Ceded	(22,714)	(11,380)
Net	38,427	18,617
Deductions:		
Direct Losses and LAE Incurred	21,090	11,817
Direct Losses and LAE Incurred - Harvey	0	0
Direct Losses and LAE Incurred - Beryl	500	0
Ceded Losses and LAE Incurred - Harvey	0	0
Ceded Losses and LAE Incurred - Beryl	(473)	0
Operating Expenses	4,659	4,099
Commission Expense	7,732	4,613
Ceding commissions / brokerage	0	0
Premium / Maintenance Tax	1,212	716
Total Deductions	34,721	21,245
Net Underwriting Gain or (Loss)	3,706	(2,628)
Other Income or (Expense):		
Gross Investment Income	553	511
Line of Credit Fees	(23)	(23)
Interest Expense on Line of Credit Advance	0	0
Member Assessment Income	0	0
Premium Charge offs/Write offs	(364)	(130)
Billing Fees	296	172
Miscellaneous Income (Expense)	0	0
Total Other Income or (Expense)	463	531
Net Income (Loss)	**$ 4,169**	**$ (2,097)**
Surplus (Deficit) Account:		
Beginning Surplus (Deficit)	$ (60,144)	$ (17,655)
Net Income (Loss)	4,169	(2,097)
Change in Provision for Reinsurance	0	0
Change in nonadmitted assets	(1,361)	(49)
Other	0	0
Ending Surplus (Deficit)	**$ (57,336)**	**$ (19,802)**

5A2. Management Discussion and Analysis

Texas FAIR Plan Association
Management's Discussion and Analysis of Financial Results
For the Three Months Ended March 31, 2025

Written and Earned Premiums

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 69.6 M	$ 70.0 M	($ 0.4 M)	(0.6%)
Direct Earned Premiums	$ 61.1 M	$ 65.1 M	($ 3.9 M)	(6.1%)
Policies In-Force	121,658	126,258	(4,600)	(3.6%)

Current Yr vs Prior Yr Actuals	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Direct Written Premiums	$ 69.6 M	$ 41.0 M	$ 28.6 M	69.6%
Direct Earned Premiums	$ 61.1 M	$ 30.0 M	$ 31.1 M	103.8%
Policies In-Force	121,658	78,997	42,661	54.0%

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. Gross ceded premium for the 2024/25 reinsurance program totaled $92.5 million which includes $1.7 million of reinstatement premium associated with Hurricane Beryl. This total reflects an overall rate-on-line (ROL) of 12.7% compared to 11.2% ROL for the 2023/24 program. The net cost of the reinsurance program after ceding commission was $84.8 million. Ceded premiums are earned on a pro-rata basis over the term of the reinsurance coverage.

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

Loss and Loss Adjustment Expense Incurred

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 15.4 M	$ 17.3 M	($ 1.9 M)	(11.0%)
Direct LAE Incurred	$ 6.2 M	$ 4.5 M	$ 1.7 M	37.6%
Total Direct Losses & LAE	**$ 21.6 M**	**$ 21.8 M**	**($ 0.2 M)**	**(0.9%)**
Loss & LAE Ratio	**35.3%**	**33.5%**		**1.8%**

Current Yr vs Prior Yr Actuals	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Direct Losses Incurred	$ 15.4 M	$ 8.9 M	$ 6.5 M	73.4%
Direct LAE Incurred	$ 6.2 M	$ 3.0 M	$ 3.3 M	110.5%
Total Direct Losses & LAE	**$ 21.6 M**	**$ 11.8 M**	**$ 9.8 M**	**82.7%**
Loss & LAE Ratio	**35.3%**	**39.4%**		**(4.1%)**

Operating Expenses

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 4.7 M	$ 4.9 M	($ 0.3 M)	(5.6%)
Operating Expense Ratio	7.6%	7.6%		0.0%

Current Yr vs Prior Yr Actuals	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Operating Expenses	$ 4.7 M	$ 4.1 M	$ 0.6 M	13.7%
Operating Expense Ratio	7.6%	13.7%		(6.0%)

- Net operating expenses shown above and on the statutory income statement exclude claims related expenses which are recorded in losses and loss adjustment expense. Expenses were slightly under budget as of March 31, 2025.

Commission Expense and Premium Taxes

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 7.7 M	$ 8.0 M	($ 0.3 M)	(3.9%)
Premium Taxes	$ 1.2 M	$ 1.3 M	($ 0.1 M)	(5.3%)

Current Yr vs Prior Yr Actuals	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Commission Expense	$ 7.7 M	$ 4.6 M	$ 3.1 M	67.6%
Premium Taxes	$ 1.2 M	$ 0.7 M	$ 0.5 M	69.3%

Other Income (Expense)

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 0.6 M	$ 0.7 M	($ 0.1 M)	(16.2%)

Current Yr vs Prior Yr Actuals	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Gross Investment Income	$ 0.6 M	$ 0.5 M	$ 0.0 M	8.1%

Net Income (Loss)

Actual vs Budget	Mar-2025 YTD Actual	Mar-2025 YTD Budget	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 4.2 M	$ 74.6 M	($ 70.4 M)	(94.4%)

Current Yr vs Prior Yr Actuals	Mar-2025 YTD Actual	Mar-2024 YTD Actual	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Net Income (Loss)	$ 4.2 M	($ 2.1 M)	$ 6.3 M	298.8%

Surplus (Deficit)

Current Period vs. Prior Year End Actual	Mar-2025 YTD Actual	Dec-24 YTD Actual	Variance $/count Inc (Dec)	Variance % Inc (Dec)
Surplus (Deficit)	($ 57.3 M)	($ 60.1 M)	$ 2.8 M	(4.7%)

- The Association's beginning 2025 deficit of $60.1 million decreased to $57.3 million due primarily to the year-to-date net income of $4.2 million.

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5B. Financial Statement Review

TEXAS FAIR PLAN ASSOCIATION

Quarterly Financial Statements and Schedules

March 2025

Statutory Income Statement
(In 000s)

	For the three months ended March 31,			
	Actuals - 2025	Budget - 2025	Variance - 2025	Actuals - 2024
Premiums Written:				
Direct	$ 69,568	$ 69,972	$ (404)	$ 41,011
Ceded	(13)	0	(13)	0
Net	69,555	69,972	(416)	41,011
Premiums Earned:				
Direct	$ 61,141	$ 65,087	$ (3,946)	$ 29,996
Ceded	(22,714)	(22,705)	(9)	(11,380)
Net	38,427	42,382	(3,955)	18,617
Deductions:				
Direct Losses and LAE Incurred	21,090	21,791	(701)	11,817
Direct Losses and LAE Incurred - Harvey	0	0	0	0
Direct Losses and LAE Incurred - Beryl	500	0	500	0
Ceded Losses and LAE Incurred - Harvey	0	0	0	0
Ceded Losses and LAE Incurred - Beryl	(473)	0	(473)	0
Operating Expenses	4,659	4,936	(276)	4,099
Commission Expense	7,732	8,047	(315)	4,613
Ceding commissions / brokerage	0	0	0	0
Premium / Maintenance Tax	1,212	1,280	(68)	716
Total Deductions	34,721	36,054	(1,333)	21,245
Net Underwriting Gain or (Loss)	3,706	6,328	(2,622)	(2,628)
Other Income or (Expense):				
Gross Investment Income	553	660	(107)	511
Line of Credit Fees	(23)	(26)	3	(23)
Interest Expense on Line of Credit Advance	0	0	0	0
Member Assessment Income	0	67,536	(67,536)	0
Premium Charge offs/Write offs	(364)	(175)	(189)	(130)
Billing Fees	296	231	65	172
Miscellaneous Income (Expense)	0	0	0	0
Total Other Income or (Expense)	463	68,226	(67,764)	531
Net Income (Loss)	$ 4,169	$ 74,554	$ (70,385)	$ (2,097)

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

	For the three months ended March 31,			
	Actuals - 2025	Budget - 2025	Variance - 2025	Actuals - 2024
Surplus (Deficit) Account:				
Beginning Surplus (Deficit)	(60,144)	(60,144)	0	(17,655)
Net Income (Loss)	4,169	74,554	(70,385)	(2,097)
Change in Provision for Reinsurance	0	500	(500)	0
Change in nonadmitted assets	(1,361)	(991)	(370)	(49)
Other	0	0	0	0
Ending Surplus (Deficit)	$ (57,336)	$ 13,920	$ (71,256)	$ (19,802)
Key Operating Ratios:				
Direct:				
Loss & LAE Ratio:				
Non Hurricane	34.5%	33.5%	1.0%	39.4%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Hurricane Beryl	0.8%	0.0%	0.8%	0.0%
Loss & LAE Ratio	35.3%	33.5%	1.8%	39.4%
UW Expense Ratio:				
Acquisition	12.9%	13.3%	(0.5%)	13.0%
Non Acquisition	7.6%	7.6%	0.0%	13.7%
UW Expense Ratio	20.5%	20.9%	(0.4%)	26.7%
Combined Ratio	55.8%	54.4%	1.4%	66.1%
Net:				
Loss & LAE Ratio:				
Non Hurricane	54.9%	51.4%	3.5%	63.5%
Hurricane Harvey	0.0%	0.0%	0.0%	0.0%
Hurricane Beryl	0.1%	0.0%	0.1%	0.0%
Loss & LAE Ratio	55.0%	51.4%	3.5%	63.5%
UW Expense Ratio:				
Acquisition	16.5%	16.7%	(0.2%)	16.5%
Non Acquisition	12.1%	11.6%	0.5%	22.0%
UW Expense Ratio	28.7%	28.3%	0.3%	38.5%
Combined Ratio	83.6%	79.8%	3.8%	102.0%
Note: Beginning budgeted deficit adjusted to actual for comparative purposes.				

Statutory Expense Statement
(In 000s)

		For the three months ended March 31,				
1						1
2	**Description**	**Actuals - 2025**	**Budget - 2025**	**Variance - 2025**	**Actuals - 2024**	2
3	Personnel Expenses					3
4	Salaries & Wages - Permanent	$ 1,995	$ 2,089	$ (94)	$ 1,812	4
5	Contractor & Temporary Help	1,886	2,397	(511)	369	5
6	Payroll Taxes	158	157	1	140	6
7	Employee Benefits	524	642	(118)	532	7
8	Recruiting, Training & Other	2	67	(65)	38	8
9	Subtotal	4,565	5,352	(787)	2,891	9
10						10
11	Professional & Consulting Services					11
12	Legal	31	28	3	52	12
13	Accounting & Auditing	66	44	22	41	13
14	Information Technology	445	673	(228)	658	14
15	Actuarial Services	22	22	0	24	15
16	Surveys & Inspections	429	313	115	283	16
17	Disaster Recovery Services	2	4	(2)	0	17
18	Other Services (1)	560	585	(25)	388	18
19	Subtotal	1,554	1,669	(115)	1,446	19
20						20
21	Hardware/Software Purchases & Licensing	646	663	(17)	414	21
22	Rental & Maintenance - Office/Equipment	132	124	9	130	22
23	Travel Expenses	28	49	(21)	25	23
24	Postage, Telephone and Express	176	134	42	108	24
25	Capital Management Expenses	23	26	(3)	23	25
26	Other Operating Expenses	166	199	(34)	119	26
27						27
28	**Total Operating Expenses**	**$ 7,289**	**$ 8,215**	**$ (926)**	**$ 5,155**	28
29						29
30	Capitalization of Fixed Assets	0	0	0	0	30
31	Allocation To ULAE	(2,607)	(3,254)	647	(1,033)	31
32	Allocation To Investing & Other Expense	(23)	(26)	3	(23)	32
33	**Net Operating Expense - UW Operations**	**$ 4,659**	**$ 4,936**	**$ (276)**	**$ 4,099**	33
34						34

(1) Summary Details for Other Services:

VENDOR	Amount	Department
Clear Point Claims LLC	135	Underwriting
Marshall & Swift/Boeckh	114	Underwriting
Nearmap US, Inc	79	Claims
Genesys Cloud Services, Inc.-	70	Underwriting
Insurance Services Office, Inc.	58	Claims/Underwriting
*Other Outside Services below $50K	104	Various Departments
Total Other Services	**560**	

Statutory Balance Sheet
(In 000s)

1		**March 2025**	**December 2024**	1
2	**Admitted Assets**			2
3	Cash and short term investments	92,928	62,176	3
4	Premiums receivable & other	27,603	25,419	4
5	Assessment receivable	(0)	14,259	5
6	Amounts recoverable from reinsurers	17,092	12,325	6
7	Other Assets	182	121	7
8	**Total admitted assets**	**$ 137,805**	**$ 114,300**	8
9				9
10	**Liabilities, Surplus and other funds**			10
11	**Liabilities:**			11
12	Loss and Loss adjustment expenses	32,159	26,363	12
13	Underwriting expenses payable	5,814	7,522	13
14	Unearned premiums, net of ceded unearned premiums	113,933	82,805	14
15	Ceded reinsurance premiums payable	33,552	50,068	15
16	Principal outstanding on line of credit advance	0	0	16
17	Interest payable on line of credit advance	0	0	17
18	Provision for reinsurance	48	48	18
19	Other payables	9,636	7,638	19
20	**Total liabilities**	**195,141**	**174,444**	20
21				21
22	**Surplus and others funds**			22
23	Unassigned surplus (deficit)	(57,336)	(60,144)	23
24	**Total liabilities, surplus and other funds**	**$ 137,805**	**$ 114,300**	24
25				25

Statement of Cash Flows
(In 000s)

	For the three months ended March 31,		
	Actuals - 2025	**Budget - 2025**	**Variance - 2025**
Cash flows from operating activities:			
Premiums collected, net of reinsurance	$ 54,068	$ 58,832	$ (4,764)
Losses and loss adjustment expense paid (1) (2)	(20,089)	(16,654)	(3,435)
Underwriting expenses paid	(17,824)	(14,847)	(2,977)
Other	(130)	56	(186)
Net cash provided by operating activities	16,025	27,387	(11,362)
Cash flows from non-operating activities:			
Member assessment received	14,259	67,536	(53,277)
Net cash provided by non-operating activities	14,259	67,536	(53,277)
Cash flows from investing activities:			
Sales and maturities of investments	0	0	0
Net investment income	491	660	(169)
Net cash provided by investing activities	491	660	(169)
Cash flows from financing activities:			
Borrowed funds	0	0	0
Borrowed funds repaid	0	0	0
Interest Expense/Fees - Line of Credit Advance	(23)	(26)	3
Net cash provided by financing activities	(23)	(26)	3
Net increase (decrease) in cash and short-term investments	30,753	95,557	(64,804)
Cash and short-term investments, Beginning	62,176	62,176	0
Cash and short-term investments, Ending	**$ 92,928**	**$ 157,733**	**$ (64,804)**
(1) Direct Beryl Loss/LAE Payments	$ 5,036		
(2) Direct Harvey Loss/LAE Payments	2		

Note: Beginning budgeted Cash and Short-term investments adjusted to actual for comparative purposes.

Cash and Short-Term Investments
(In 000s)

Bank	Non Interest Bearing	Interest Bearing	Total Amount of Deposits	Average Daily Balance for the Quarter	Investment Income during the Quarter	Annual Average Yield	Total Deposit % of TFPA's Portfolio < 40%	N.A. Bank Credit Rating Superior or Strong	N.A. Tier 1 Capital Ratio > 10%	N.A. Regulatory Capital > $25B	Are funds in excess of the N.A. Regulatory Capital? > .2% of N.A. Reg Capital
Balances as of 03/31/2025:											
Bank of America	$ 9,707	0	$ 9,707	0	0	0.0%	10%	Superior	13.5%	$194	No
Citibank	0	0	0	0	0	0.0%	0%	Superior	14.0%	$156	No
JPMorgan Chase	0	$ 37,416	37,416	$ 33,719	$ 157	1.9%	40%	Superior	16.0%	$276	No
Citibank IMMA	0	319	319	113	0	0.7%	0%	N/A	N/A	N/A	N/A
JP Morgan U.S. Treasury Plus Money Market Fund (1)	0	20,149	20,149	15,626	164	4.2%	22%	N/A	N/A	N/A	N/A
JP Morgan Goldman Sachs (1)	0	15,170	15,170	12,128	126	4.2%	16%	N/A	N/A	N/A	N/A
Fidelity Treasury (1)	0	10,167	10,167	10,131	106	4.2%	11%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 9,707**	**$ 83,221**	**$ 92,928**	**$ 71,718**	**$ 553**	**3.1%**	**100%**				
Balances as of 12/31/2024:											
Bank of America	$ 6,215	0	$ 6,215	0	0	0.0%	7%	Superior	13.4%	$191	No
Citibank	208	0	208	0	0	0.0%	0%	Superior	14.1%	$156	No
JPMorgan Chase	0	$ 22,989	22,989	$32,242	$ 163	2.0%	25%	Superior	16.2%	$279	No
Citibank IMMA	0	111	111	111	0	0.9%	0%	N/A	N/A	N/A	N/A
JP Morgan U.S. Treasury Plus Money Market Fund (1)	0	17,513	17,513	4,979	56	4.5%	19%	N/A	N/A	N/A	N/A
JP Morgan Goldman Sachs (1)	0	5,079	5,079	5,709	66	4.6%	5%	N/A	N/A	N/A	N/A
Fidelity Treasury (1)	0	10,059	10,059	8,396	97	4.6%	11%	N/A	N/A	N/A	N/A
Total of all financial institutions	**$ 6,424**	**$ 55,752**	**$ 62,176**	**$ 51,436**	**$ 383**	**3.0%**	**67%**				

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

Bank credit rating, Tier 1 Capital Ratios, and Regulatory Capital were reviewed with the latest financial information available as of December 31, 2024. Rates, ratios and regulatory capital are comparable and consistent with year end National Association (N.A.) results.

Historical Data
(In 000s)

2003 - 2025
($ with 000s omitted)

	GROSS					NET					
YEAR	LIABILITY IN FORCE END OF PERIOD	POLICY COUNT	RATE CHANGES	WRITTEN PREMIUMS	LOSS & LAE INCURRED	EARNED PREMIUMS	LOSS & LAE INCURRED	UNDERWRITING EXPENSES INCURRED	UNDERWRITING GAIN (LOSS)	MEMBER ASSESSMENTS	SURPLUS OR (DEFICIT) END OF PERIOD
2003	$ 18,272,542	100,223		$ 82,004	$ 19,580	$ 31,287	$ 19,580	$ 26,618	$ (14,911)		$ (15,948)
2004	22,904,408	134,350		100,666	37,184	85,238	37,184	28,470	19,584		(1,821)
2005	14,165,560	88,512		60,969	31,262	77,389	31,262	18,588	27,539		31,563
2006	13,321,087	81,129		59,873	22,545	45,867	22,545	17,304	6,017		40,063
2007	15,556,965	91,847	3.9%	73,058	24,578	52,955	24,578	19,362	9,015		52,081
2008	14,060,852	84,438		64,488	239,886	48,364	82,774	18,797	(53,208)		209
2009	11,706,721	72,989	10.7%	60,255	32,961	28,136	6,659	18,811	2,666		(9,753)
2010	14,246,999	85,984	5.0%	73,924	86,187	40,905	34,601	17,019	(10,715)		(17,449)
2011	15,979,040	96,710		83,066	78,009	47,063	53,009	15,897	(21,843)		(33,860)
2012	17,966,799	108,637	14.6%	102,383	28,453	56,880	28,453	20,346	8,081		(25,722)
2013	20,594,317	124,222	16.7% (a)	122,683	39,438	75,343	39,438	22,610	13,295		(13,422)
2014	21,944,280	131,376		133,206	45,070	89,405	45,070	24,058	20,277		5,978
2015	22,154,205	132,734		132,879	68,593	90,952	68,593	24,675	(2,316)		4,977
2016	19,883,769	121,413	8.0% (b)	122,486	78,008	84,401	78,008	26,419	(20,026)		(15,203)
2017	18,029,369	110,989	5.0% (c)	112,316	128,666	76,837	84,864	29,739	(37,766)		(54,941)
2018	15,223,344	95,637	8.1% (d)	95,882	26,733	69,239	26,733	29,527	12,979	54,941	15,088
2019	12,299,224	80,923		85,327	38,241	59,625	38,241	25,310	(3,926)		12,133
2020	12,618,291	73,713	9.6% (e)	79,477	36,620	53,092	36,620	22,398	(5,926)		6,006
2021	11,471,201	66,512	9.2% (f)	75,648	34,070	49,414	34,070	19,050	(3,705)		2,105
2022	11,301,744	61,452	7.3% (g)	76,881	27,146	45,620	27,146	19,033	(559)		1,451
2023	16,275,783	72,626	9.8% (h)	113,460	47,339	53,316	49,839	23,917	(20,439)		(17,655)
2024	32,930,398	113,860	9.9% (i)	237,277	183,906	99,261	120,364	41,652	(62,755)	17,655	(60,012)
2025	36,555,395	121,658		69,568	21,590	38,427	21,117	13,603	3,706		(57,336)
TOTAL				**$ 2,217,775**	**$ 1,376,066**	**$ 1,399,017**	**$ 1,010,749**	**$ 523,203**	**$ (134,935)**	**$ 72,596**	

(a) Effective July 1, 2013
(b) Effective April 1, 2016
(c) Effective June 1, 2017
(d) Effective October 1, 2018 and November 1, 2018 for new business and renewal business, respectively.
(e) Effective August 1, 2020
(f) Effective August 1, 2021
(g) Effective August 1, 2022
(h) Effective August 1, 2023
(i) Effective August 1, 2024
*2025 data through 03/31/2025

5C. Investment Plan Review

MEMORANDUM

DATE: April 16, 2025

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: FAIR Plan Investment Review

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

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

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

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

Below you will find an evaluation of our financial institutions based on certain of the criteria listed above.

Evaluation of Counterparty Relationships as of 12/31/2024						
	Moody's	S&P				
Financial Institution	N.A. Bank Credit Rating		N.A. Bank Credit Rating (as of 12/31/24)	N.A. Tier 1 Capital Ratio (as of 12/31/24)	N.A. Regulatory Capital (as of 12/31/24)	Holding Company Level Market Capitalization ($ in Billions as of 12/31/24)
JPMorgan Chase, N.A.	P-1	A-1	Superior	16.0%	$276	$675
Bank of America, N.A.	P-1	A-1	Superior	13.5%	$194	$337
Citibank, N.A.	P-1	A-1	Superior	14.0%	$156	$133

MEMORANDUM

Currently, we are not recommending any changes to the Texas FAIR Plan Association investment plan. Throughout 2024, the Association invested available funds in US Treasury Money Market Mutual funds to take advantage of the higher interest rates.

We will be seeking a resolution at the May 5, 2025 Governing Committee meeting regarding Governing Committee review of the adequacy of the current investment plan, copy attached, and Governing Committee review of the implementation of the plan. Suggested wording of such resolution is as follows:

> The Governing Committee of the Texas Fair Plan Association acknowledges its review of the adequacy and implementation of the investment plan of the Association and accepts staff's recommendation to make no changes to the investment plan at this time.

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

Stuart

TEXAS FAIR PLAN ASSOCIATION

Investment Plan

I. Overview

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

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

II. Investment Objectives

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

III. Permissible Asset Types

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

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

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

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

4. Other investments approved by the governing committee.

IV. Diversification and Evaluation of counterparty relationships:

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

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

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

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

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

V. Monitoring, Evaluation and Compliance

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

Appendix A to Statement of Investment Objectives and Guidelines

I. Definitions related to the guidelines

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

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

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

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

Formula = stock price X total number of shares outstanding

II. Permissible Assets:

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

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

Appendix A to Statement of Investment Objectives and Guidelines (Continued)

Although the Plan of Operation allows TFPA to follow Texas Insurance Code Chapter 424, management and the governing committee recognize that TFPA is subject to the same risks as Texas Windstorm Insurance Association ("TWIA"). Therefore, TFPA will follow the more stringent policies adhered to by TWIA. The following are the permissible assets for TFPA based on the TWIA Plan of Operation:

a. Interest bearing time deposits or certificates of deposit in any bank or banks doing business in the State of Texas and/or:

b. In treasury notes of the government of the United States of America; and/or

c. Money market funds which invest exclusively in the bonds or the evidence of indebtedness of the United States of America or any of its agencies when such obligations are guaranteed as to principal and interest by the United States of America; except however:

    i. such money market funds may make loans to or purchases of the described bonds and other evidence of indebtedness from a solvent bank or securities broker, registered under the Securities Act of 1934, under an agreement (commonly called a "repurchase agreement") which provides for the purchase by the money market fund of the type of securities described and which agreement matures in 90 days or less and provides for the repurchase by such entity of the same or similar securities purchased by the money market fund, provided that the total market value of such securities shall equal or exceed the amount of such loan or repurchase when it is made; and

    ii. such loan collateral or securities purchased from any one bank or securities broker may not exceed the greater of 5.0% of assets of the money market fund or 5.0% of the amount of capital, surplus, or individual profits of such bank or securities broker; and/or

d. In such other investments as may be proposed by the governing committee and approved by the Commissioner. The governing committee shall determine what portion of such funds shall be retained in a checking account or accounts and what portion of such reserve shall be invested in the investments listed in this subparagraph, as well as which specific investments, if any, shall be made.

5D. 2025 Renewal Line of Credit

MEMORANDUM

DATE: April 15, 2025

TO: David Durden, General Manager

FROM: Stuart Harbour, Chief Financial Officer

RE: TFPA Line of Credit for 2025

As we approach the 2025 hurricane season, I recommend the renewal of the TFPA line of credit which expires on June 30, 2025.

Based on projected earnings and cash forecasts, Staff proposes to maintain the credit line at $30 million to ensure cash is readily available to pay claims pending collection of reinsurance and/or a member assessment below the reinsurance retention, if needed. The line of credit serves as a liquidity bridge to our permanent funding. Selection of the $30 million amount also assumes the pending assessment of $60.1 million is approved by the Commissioner to eliminate the TFPA deficit existing at December 31, 2024, caused primarily by losses from Hurricane Beryl.

The proposed pricing for the 2025 - 2026 line of credit commitment fee is 30 basis points per annum on the unused portion of the revolving credit line which is consistent with the pricing achieved for the prior line of credit. Therefore, the commitment fee would remain $90,000 per year ($7,500 per month). There is no up-front fee to FAIR Plan to establish this line of credit with JPMorgan/Chase.

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

I have attached additional exhibits for this item as follows:

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

Please let me know if you have any questions.

Stuart

Texas FAIR Plan Association
Renewal of the $30,000,000 Revolving Line of Credit
Summary of Terms and Conditions
April 16, 2025

This Summary of Terms and Conditions (the "Term Sheet") is confidential, is intended as a statement of indicative terms only, and is provided to facilitate additional discussion. It is a proposal for your consideration only and not a commitment by JPMorgan Chase Bank, N.A. or its affiliates ("JPMorgan") to provide the financing described in this Term Sheet. The rates and fees set forth in this proposal are indicative only and are subject to market conditions at all times until JPMorgan commits in writing to provide financing and, in any event, should not be regarded as indicative after the date of this Term Sheet. Subject to the foregoing, this proposal expires on May 16, 2025.

PRINCIPAL INDICATIVE TERMS:

Lender	JPMorgan Chase Bank, N.A ("Bank" or "Lender")
Borrower	Texas FAIR Plan Association ("Borrower")
Facility/Amount	$30,000,000 Revolving Line of Credit Facility ("Facility")
Purpose	Proceeds of the Facility would continue to be used to ensure adequate liquidity to pay claims in the event of a natural disaster from windstorm or hailstorm.
Interest Rates	Adjusted Term SOFR + 120 bps See attached Appendix for additional details.
Unused Fee	30 bps See attached Appendix for additional details.
Covenants	Covenants would remain substantially consistent with those maintained within the existing revolving line of credit provided by the Lender.
Stated Expiration Date	June 30, 2027 ("Stated Expiration Date" or "Maturity Date")
Legal Fees	Borrower to pay all legal fees of Bank. L. Jeffrey Hubenak of Troutman Pepper Locke LLP to be engaged to represent the Bank.

Additional customary terms and explanations follow in the attached Appendix

APPENDIX

INTEREST RATES, TERM, PAYMENTS AND FEES

Variable Interest Rate: The Facility would continue to accrue interest at a variable rate per annum equal to Adjusted Term SOFR* plus the Applicable Margin set forth below:

Stated Expiration Date	Applicable Margin
June 30, 2027	120 bps per annum

*The Facility is callable at par on any Term SOFR Contract Renewal Date.

[1]"Adjusted Term SOFR" means, for any relevant interest period, an interest rate per annum equal to the sum of (a) the Term SOFR[2] rate in effect for such interest period and (b) the SOFR Adjustment[3].

[2]"Term SOFR" means the forward-looking SOFR rate administered by the relevant governmental body (or other administrator selected by the Bank) and published by a commercially available source providing such quotations as may be selected by the Bank relating to quotations for one (1) month, using a 2-business day lookback period. At any time Term SOFR is less than 0.00%, Term SOFR shall be deemed to be 0.00% for purposes of calculating the variable interest rate.

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

Loan Payments/ Amortization Continuing interest-only payable monthly.

Principal would continue to be due in full at maturity.

Prepayment: The Facility may continue to be prepaid in whole or in part, without premium or penalty, on any Term SOFR Contract Renewal Date as defined above. Any prepayment on any date other than those provided for above, irrespective of whether such prepayment is due to acceleration upon an Event of Default, is subject to breakage costs payable by the Borrower.

Facility Fees: Unused Fee of 30 bps payable quarterly in arrears.

Day Basis/Year: Actual/360.

Maximum Interest Rate: No limitation would exist in the Facility Documents or authorizing resolution that restricts the interest rate to any rate lower than the maximum rate permitted by law.

Interest Rate Recapture: The Facility Documents will continue to contain customary interest rate recapture language allowing the Bank, during periods in which the applicable interest rate is less than the maximum rate allowed by law, to recover the amount of interest otherwise earned but not charged or payable during periods in which the applicable interest rate exceeds the maximum rate allowed by law.

Default Rate: The default rate and related default provisions would remain substantially consistent with those maintained within the existing revolving line of credit provided by the Lender.

OTHER FACILITY TERMS AND PROVISIONS

Security: The Lender would continue to maintain a security interest in the proceeds of the assessment and reinsurance payments and insurance premiums.

Drawdown: Advance requests on the Facility will be submitted according to an advance request form acceptable to the Lender; and (i) will be subject to written evidence which Borrower reasonably believes sufficiently confirms that the aggregate amount of all claims then being made under insurance policies issued by Borrower exceeds the aggregate amount of Borrower's then available liquid funds (including without limitation, all amounts available under any and all deposit accounts, savings accounts, and securities or other investment accounts now or hereafter maintained by Borrower); (ii) include one or more schedules or other reasonably satisfactory work product of Borrower detailing Borrower's contemplated member assessment plan that will result in assessment payments sufficient to pay the amount of such requested Loan, together with all other amounts, if any, then outstanding under the Loan Agreement; and (iii) Borrower certifies that Borrower currently has sufficient remaining member assessment capacity to fully implement such contemplated member assessment plan.

Extension of Expiration Date: Extensions of the Stated Expiration Date would continue to be within the sole discretion of the Bank and subject to its timely receipt of advance notice of request for an extension..

Required Documents: The terms of the Facility would continue to be evidenced by definitive agreements, instruments and documents (collectively, the "Facility Documents") that are substantially consistent with the existing revolving line of credit provided by the Lender.

Conditions Precedent: Usual and customary representations and warranties and other conditions prior to the issuance of the Facility for like situated borrowers and for the type and term of the Facility, including absence of default, absence of material litigation and absence of material adverse change from the Borrower's financial conditions and operations as reflected in the financial statements of the Borrower since December 31, 2024.

An additional condition precedent would include delivery of acceptable Facility Documents.

Covenants: Covenants would remain substantially consistent with those maintained within the existing revolving line of credit provided by the Lender.

Participations: The Bank would continue to be entitled, in its sole discretion, to sell participations in the Facility and disclose information to prospective participants and share, at its option, any fees with such participants.

Waiver of Jury Trial: The Borrower and the Bank will continue to waive, to the fullest extent permitted by applicable law, any right to have a jury participate in resolving any dispute in any way related to this Term Sheet, any related documentation, or the transactions contemplated hereby or thereby.

Governing Law: All aspects of the Facility being discussed including this Term Sheet and any Facility Documents, will continue to be governed by the laws of the State of Texas.

Sovereign Immunity: The Borrower will make representations and warranties relating to Absence of Sovereign Immunity (or provide a limited waiver of sovereign immunity, if applicable) related to disputes arising out of contract claims.

Municipal Advisor Disclosure: The Borrower acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the Borrower and the Bank, (ii) in connection with such transaction, the Bank and/or its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), agent or a fiduciary of the Borrower, (iii) the Bank and/or its affiliates are relying on the bank exemption in the Municipal Advisor Rules, (iv) the

Bank and/or its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Bank and/or any affiliate of the Bank, has provided other services or advised, or is currently providing other services or advising the Borrower on other matters), (v) the Bank and/or its affiliates have financial and other interests that differ from those of the Borrower, and (vi) the Borrower has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

Expenses: The Borrower would continue to pay or reimburse the Bank for all its out-of-pocket costs and expenses and reasonable attorneys' fees where not prohibited by applicable law and incurred in connection with (i) the development, preparation and execution of the Facility, and (ii) in connection with the preparation, negotiation, execution and enforcement or preservation of rights under any agreement, any amendment, supplement, or modification thereto, and any other Facility Documents both before and after judgment.

Information Sharing: The Borrower would continue to agree that the Bank may provide any information or knowledge the Bank may have about the Borrower or about any matter relating to the Facility Documents or the Facility described in this Term Sheet to JPMorgan Chase & Co., or any of its subsidiaries or affiliates or their successors, or to any one or more participants or assignees of Facility described in this Term Sheet.

EMMA and Rating Agency Disclosure: Bank acknowledges that information about the Facility may be posted on the MSRB's EMMA website as may be required under MSRB rules, may be referenced in "new event notice" requirements under SEC rules, or otherwise disclosed pursuant to best practices in order to maintain transparency with Borrower's existing creditors and rating agencies. Such information may be posted and/or disclosed by the Borrower, subject to redaction, as requested by Bank, including, without limitation, signatures/names, account numbers, wire transfer and payment instructions and any other data that could be construed as sensitive information, to the extent that such redactions would not violate any disclosure obligations under applicable MSRB and SEC rules.

Confidentiality: This Term Sheet is for the Borrower's confidential review and may not be disclosed by it to any other person other than its employees, attorneys, board members and financial advisors (but not other commercial lenders), and then only in connection with the transactions being discussed and on a confidential basis, except where disclosure is required by law, or where the Bank consents to the proposed disclosure.

Bank Credit Decision: Satisfactory final due diligence, in the Bank's sole discretion, would be required, including a full review of requested financial statements, discussions with management and other background due diligence of the Borrower and its management. Should the Borrower request financing substantially on the terms and conditions described in this Term Sheet, the Bank's credit decision would be made promptly after receipt of such request and completion of due diligence.

Bank Contacts:

Beth Dotson
Relationship Executive
Government Banking
1900 N Akard St, Floor 03
Dallas, TX, 75201-2300,
United States
+1-214-965-3359
Beth.Dotson@jpmorgan.com

Anthony Jay Robinson
Executive Director, Credit Risk
Government Banking
450 S Orange Ave, Floor 10
Orlando, FL, 32801-3383,
United States
+1-407-236-5472
Jay.Robinson@jpmorgan.com

SECRETARY'S CERTIFICATE

I, the undersigned, do hereby certify that I am the duly elected and acting Secretary of TEXAS FAIR PLAN ASSOCIATION (the "Association"), a non-profit association established pursuant to Chapter 2211 of the Texas Insurance Code to develop and administer a program to provide residential property insurance in designated underserved areas in Texas (the "Authorizing Statute"); that, at a meeting of the Governing Committee of the Association held in Austin, Texas on May 5, 2025, the following resolutions were duly adopted; that said resolutions have been recorded in the minute books of the Association kept by me, are in accord with and pursuant to the Authorizing Statute and the Plan of Operation of the Association, have not been amended, modified, superseded or revoked, and are now in full force and effect, to-wit:

> RESOLVED: That in order to provide Texas FAIR Plan Association (the "Association") with liquidity to facilitate payment by the Association of claims to its policyholders, the Association may further renew and extend until June 30, 2027 the maturity of its existing revolving line of credit with JPMorgan Chase Bank, N.A. (the "Lender"), in the principal amount of $30,000,000 (the "Credit Facility"), in accordance with and pursuant to the terms of the April 16, 2025 Term Sheet from the Lender in the form attached as Exhibit A hereto (the "Term Sheet");
>
> RESOLVED, FURTHER: That in order to evidence such renewal and extension of the Credit Facility, the Association is hereby authorized to enter into and execute and deliver to the Lender (a) a Fifth Amendment of Second Amended and Restated Loan Agreement (the "Fifth Amendment"), whereby the existing loan agreement for the Credit Facility is further amended in a manner consistent with the terms set forth in the Term Sheet and (b) the related renewal and replacement Promissory Note in the original principal amount of $30,000,000 contemplated under the terms of the Fifth Amendment (the "Replacement Note");
>
> RESOLVED, FURTHER: That the General Manager of the Association be, and is, authorized and directed for and on behalf, and as the act and deed, of the Association to negotiate the specific terms of, and to execute and deliver to Lender, the Fifth Amendment, the Replacement Note and such other instruments as Lender may reasonably require in its discretion in connection with the above-described renewal and extension of the Credit Facility and to take such other action in the consummation and/or administration of the renewal and extension of the Credit Facility herein contemplated as the officer acting shall deem to be necessary or desirable, and any and all acts heretofore taken by the above-described officer to such end are hereby expressly ratified and confirmed as the acts and deeds of the Association;
>
> RESOLVED, FURTHER: That the General Manager of the Association be, and is, authorized and directed for and on behalf, and as the act and deed, of the

Association and without further authorization of the Governing Committee of the Association, to negotiate and agree to on terms acceptable to the General Manager any and all further renewals, extensions, modifications and/or amendments, but not any additional increases, to the Credit Facility, and to execute and deliver to the Lender such documents as the Lender shall require to evidence any such renewal, extension, modification or amendment, but not any additional increase, and to take such other action in the consummation of the transactions therein contemplated as the officer acting shall deem to be necessary or desirable; and

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

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

Name	Title	Signature
David Durden	General Manager	______________________
E Jay Sherlock	Secretary	______________________

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

IN TESTIMONY WHEREOF, I have hereunto subscribed my name by order of the Governing Committee thereof effective as of May 5, 2025.

____
E. Jay Sherlock, Secretary of Texas
FAIR Plan Association

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

____
David Durden, General
Manager of Texas FAIR Plan Association

ATTACHMENTS:

EXHIBIT A –Form of April 16, 2025 Term Sheet

EXHIBIT A

(See attached April 16, 2025 Term Sheet from Lender)

Should you have any questions, please do not hesitate to contact either of us. Thank you for this opportunity.

Sincerely,

Beth Dotson	Anthony Jay Robinson
Relationship Executive	Executive Director, Credit Risk

5E. Financial Audit by Calhoun, Thomson + Matza

5E1. Audit Wrap Up Report

Texas FAIR Plan Association

December 31, 2024

Audit Wrap Up

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

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

Calhoun, Thomson + Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

May 1, 2025

Governing Committee
Texas FAIR Plan Association
Austin, Texas

Ladies and Gentlemen:

Professional standards require us to communicate with you regarding matters related to the statutory financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On July 11, 2024, we presented an overview of our plan for the audit of the statutory financial statements of Texas FAIR Plan Association (the "Association") as of and for the year ended December 31, 2024, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Association's accounting practices and policies, management's judgments and estimates, statutory financial statement disclosures, and other required matters.

We are pleased to be of service to the Association and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

Calh., Thomson & Matza, LLP

Discussion Outline

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Status of Our Audit

Audit of Statutory Financial Statements

We have completed our audit of the statutory financial statements of Texas FAIR Plan Association as of and for the year ended December 31, 2024. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the statutory financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable – not absolute – assurance about whether the statutory financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our engagement letter.
- We issued an unmodified opinion on the statutory financial statements on May 1, 2025.
- Our responsibility for other information in documents containing the Association's audited statutory financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Association and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the statutory financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- All records and information requested by Calhoun, Thomson + Matza, LLP were freely available for our inspection.
- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Association personnel throughout the course of our work.

Results of Our Audit

Accounting Practices, Policies, Estimates, and Statutory Financial Statement Disclosures

The following summarizes the more significant required communications related to our audit concerning the Association's accounting practices, policies, estimates, and statutory financial statement disclosures:

The Association's significant accounting practices and policies are those included in the Summary of Significant Accounting Policies in the statutory financial statements. These accounting practices and policies are appropriate, comply with accounting practices prescribed or permitted by the Texas Department of Insurance, and industry practice, were consistently applied, and are adequately described within the Summary of Significant Accounting Policies.

- There were no changes in significant accounting policies and practices during 2024.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Association's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the Summary of Significant Accounting Policies.

Significant accounting estimates include:
Loss and Loss Adjustment Expense Reserves

Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2024.

Corrected and Uncorrected Misstatements

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

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

Internal Control Over Financial Reporting

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

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

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

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

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

Required Communications

Matters Required To Be Reported to Those Charged with Governance

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

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

Required Communications

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

Independence Communication

Our engagement letter to you dated July 11, 2024 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Association with respect to independence as agreed to by the Association. Please refer to that letter for further information.

5E2. Statutory Report

Texas FAIR Plan Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2024 and 2023

Calhoun, Thomson + Matza, LLP
Certified Public Accountants

Texas FAIR Plan Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2024 and 2023

Texas FAIR Plan Association

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Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

Accountants’ Letter of Qualifications

Governing Committee
Texas FAIR Plan Association
Austin, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory financial statements of Texas FAIR Plan Association (the “Association”) for the years ended December 31, 2024 and 2023, and have issued our report thereon dated May 1, 2025. In connection therewith, we advise you as follows:

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

b. The engagement partner, who is a certified public accountant, has 31 years of experience in public accounting and is experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and most of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

c. We understand that the Association intends to file its audited statutory financial statements and our report thereon with the Texas Department of Insurance and that the Insurance Commissioner of that state will be relying on that information in monitoring and regulating the statutory financial condition of the Association.

   While we understand that an objective of issuing a report on the statutory financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Association and Insurance Commissioner should understand that the objective of an audit of statutory financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus and other funds, results of operations and cash flows in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements resulting from fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by the Insurance Commissioner.

It is the responsibility of the management of the Association to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain an internal control structure that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance.

The Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory financial position of insurers and should not rely solely upon the independent auditor's report.

d. We will retain the workpapers prepared in the conduct of our audit until the Texas Department of Insurance has filed a Report of Examination covering 2024, but not longer than seven years. After notification to the Association, we will make the workpapers available for review by the Texas Department of Insurance at the offices of the insurer, at our offices, at the Insurance Department or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Texas Department of Insurance, photocopies of pertinent audit working papers may be made (under the control of the accountant) and such copies may be retained by the Texas Department of Insurance.

e. The engagement partner has served in that capacity with respect to the Association since 2023, is licensed by the Texas State Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

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

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

Calh., Thomson & Matza, LLP

May 1, 2025

Independent Auditors' Report

Governing Committee
Texas FAIR Plan Association
Austin, Texas

Opinion

We have audited the statutory basis financial statements of Texas FAIR Plan Association (the "Association"), which comprise the statutory basis statements of admitted assets, liabilities, and surplus and other funds as of December 31, 2024 and 2023, and the related statutory basis statements of income and changes in surplus and other funds, and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

In our opinion, the accompanying statutory basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus and other funds of the Association as of December 31, 2024 and 2023, and the results of its operations, changes in its surplus and other funds, and its cash flows for the years then ended, in accordance with the statutory accounting practices prescribed or permitted by the Texas Department of Insurance as described in the Summary of Significant Accounting Policies – "Basis of Accounting".

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to the Summary of Significant Accounting Policies – "Basis of Accounting" of the statutory basis financial statements, which describes the basis of accounting. As described in the Summary of Significant Accounting Policies – "Basis of Accounting" to the statutory basis financial statements, the statutory basis financial statements are prepared by the Association on the basis of accounting practices prescribed or permitted by the Texas Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the statutory basis financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Emphasis of Matters - Other

As of December 31, 2024, the Association had approximately $33 billion of insurance exposure in the State of Texas. The Association has authority to assess certain property and casualty insurers underwriting business in the State of Texas under Texas Insurance Code Chapter 2211. If a major claim event occurs in the future, it could have a severe impact on the financial condition of the Association.

As of December 31, 2024, ultimate loss projections for Hurricane Harvey and Hurricane Beryl are estimated to be $82 million and $108 million, respectively, by the Association's appointed actuary.

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of the statutory basis financial statements in accordance with the accounting practices prescribed or permitted by the Texas Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory basis financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory basis financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the statutory basis financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory basis financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory basis financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory basis financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory basis financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory basis financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter - Supplementary Information

Our audits of the statutory basis financial statements were conducted for the purpose of forming an opinion on those statutory basis financial statements taken as a whole. The accompanying supplemental summary investment schedule, investment risk interrogatories, and the reinsurance interrogatories as of and for the year ended December 31, 2024, are presented for purposes of additional analysis and are not a required part of the basic statutory basis financial statements but is supplementary information required by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and Texas state law.

The accompanying supplementary information is the responsibility of the Association's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory basis financial statements. Such information has been subjected to the auditing procedures applied in our audits of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic statutory basis financial statements taken as a whole.

Other Matter - Restriction on Use

This report is intended solely for the information and use of the Governing Committee and management of the Association and for filing with the Texas Department of Insurance and is not intended to be and should not be used by anyone other than these specified parties.

Calhoun, Thomas & Matza, LLP

May 1, 2025

Texas FAIR Plan Association

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

December 31,		**2024**		2023
Admitted Assets				
Cash and cash equivalents	**$**	**62,175**	$	52,887
Investment income due and accrued		**102**		138
Uncollected premiums and agents' balances in the course of collection		**5,099**		2,963
Deferred premiums, agents' balances and installments booked but deferred		**20,320**		8,681
Amounts recoverable from reinsurers		**12,325**		51
Member assessment receivable		**14,259**		-
Accounts receivable		**20**		-
Total admitted assets	**$**	**114,300**	$	64,720
Liabilities, Surplus and Other Funds				
Liabilities				
Loss and loss adjustment expenses	**$**	**26,363**	$	16,605
Underwriting expenses payable		**7,523**		3,859
Unearned premiums, net of ceded unearned premiums		**82,805**		37,298
Ceded reinsurance premiums payable, net of ceding commissions		**49,431**		21,034
Provision for reinsurance		**48**		-
Other liabilities		**8,274**		3,579
Total liabilities		**174,444**		82,375
Commitments and contingencies (Notes 6, 7 and 8)				
Surplus and other funds				
Unassigned deficit		**(60,144)**		(17,655)
Total liabilities and surplus and other funds	**$**	**114,300**	$	64,720

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

Texas FAIR Plan Association

Statutory Statements of Income
(In Thousands)

Years ended December 31,		**2024**		2023
Underwriting income:				
Premiums earned	**$**	**169,127**	$	92,201
Premiums ceded		**(69,866)**		(38,885)
Net premiums earned		**99,261**		53,316
Deductions:				
Losses and loss expenses incurred		**120,364**		49,839
Other underwriting expenses incurred		**41,661**		23,916
Total underwriting deductions		**162,025**		73,755
Net underwriting loss		**(62,764)**		(20,439)
Investment income:				
Net investment income		**1,986**		1,303
Other income:				
Member assessment income		**17,655**		-
Other income		**243**		108
Total other income		**17,898**		108
Net loss	**$**	**(42,880)**	$	(19,028)

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

Texas FAIR Plan Association

Statutory Statements of Changes in Surplus and Other Funds

(In Thousands)

		Unassigned Deficit
Balance, January 1, 2023	$	1,183
Net loss		(19,028)
Change in nonadmitted assets		(810)
Change in provision for reinsurance		1,000
Balance, December 31, 2023		(17,655)
Net loss		(42,880)
Change in nonadmitted assets		439
Change in provision for reinsurance		(48)
Balance, December 31, 2024	$	(60,144)

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

Texas FAIR Plan Association

Statutory Statements of Cash Flows
(In Thousands)

Years ended December 31,	**2024**	2023
Cash from operations:		
Premiums collected, net of reinsurance	**$ 161,695**	$ 69,892
Net investment income	**2,023**	1,224
Miscellaneous income	**3,638**	108
Benefit and loss related payments	**(122,880)**	(36,092)
Commissions, expenses paid and aggregate write-ins for deductions	**(35,879)**	(33,013)
Net cash from operations	**8,597**	2,119
Cash from financing and miscellaneous sources:		
Other cash provided	**691**	149
Net cash from financing and miscellaneous sources	**691**	149
Net change in cash and cash equivalents	**9,288**	2,268
Cash and cash equivalents, beginning of year	**52,887**	50,619
Cash and cash equivalents, end of year	**$ 62,175**	$ 52,887

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

(In Thousands)

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

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

Reconciliations of net loss and policyholders’ deficit between the amounts reported in the accompanying financial statements (Texas basis) and NAIC statutory accounting practices (“SAP”) follow:

Years ended December 31,		**2024**		2023
Net loss, Texas basis	**$**	**(42,880)**	$	(19,028)
Effect of Texas prescribed practices		**-**		-
Effect of Texas permitted practices		**-**		-
Net loss, NAIC SAP basis	**$**	**(42,880)**	$	(19,028)

December 31,		**2024**		2023
Statutory deficit, Texas basis	**$**	**(60,144)**	$	(17,655)
Effect of Texas prescribed practices		**-**		-
Effect of Texas permitted practices		**-**		-
Policyholders’ deficit, NAIC SAP basis	**$**	**(60,144)**	$	(17,655)

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

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

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

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

Cash and Cash Equivalents
Cash consists of demand deposits at financial institutions. Cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

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

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

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

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

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

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

Salvage and subrogation recoverables are not recognized until received.

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

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

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

Cash: The carrying values approximate fair value.

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

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

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

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

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

(In Thousands)

1. Electronic Data Processing Equipment and Software

Electronic data processing equipment and software consists of the following:

December 31,		**2024**		2023
Electronic data processing equipment and software	**$**	68	$	68
Less: accumulated depreciation		(68)		(68)
		-		-
Less: non-admitted electronic data processing equipment and software		-		-
	$	-	$	-

Depreciation expense was $0 for the years ended December 31, 2024 and 2023.

2. Reinsurance

During 2024 and 2023, the Association entered into a reinsurance agreement. The agreement limits the amount of losses that can arise from claims under a general reinsurance contract known as a property catastrophe excess of loss reinsurance program ("excess of loss").

<u>*Excess of Loss*</u>. Effective July 1, 2024, the excess of loss reinsurance agreement provides the Association with two layers of coverage and one underlying layer. The first layer provides 100% participation of $210,000 in excess of $40,000 of each and every loss occurrence. The second layer provides 100% participation of $308,000 in excess of $250,000 of each and every loss occurrence. The first and second layers' limit of coverage will be reduced by loss payments and shall be reinstated for up to one full limit as detailed above. The $30,000 excess $10,000 layer is an underlying layer that does not respond until the second event. The agreement covers losses incurred on all in-force, new and renewal policies. Any additional liability would be funded by member assessments in the event that available funds are not sufficient to meet the obligations of the Association. This agreement expires on June 30, 2025.

During 2024, the Association has Reinstatement Premium Protection reinsurance coverage with a limit of $29,621 to provide recoveries of reinstatement premium in conjunction with the first two layers of reinsurance coverage.

Effective July 1, 2023, the excess of loss reinsurance agreement provided the Association with two layers of coverage and one underlying layer. The first layer provided 100% participation of $120,000 in excess of $40,000 of each and every loss occurrence. The second layer provided 100% participation of $205,000 in excess of $160,000 of each and every loss occurrence. The first and second layers' limit of coverage will be reduced by loss payments and shall be reinstated for up to one full limit as detailed above. The $30,000 excess $10,000 layer was an underlying layer that would not respond until the second event. The agreement covered losses incurred on all in-force, new and renewal policies. Any additional liability would be funded by member assessments in the event that available funds are not sufficient to meet the obligations of the Association. This agreement expired on June 30, 2024.

During 2023, the Association had Reinstatement Premium Protection reinsurance coverage with a limit of $21,875 to provide recoveries of reinstatement premium in conjunction with the first two layers of reinsurance coverage.

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

(In Thousands)

The Association has unsecured reinsurance recoverables which exceed 3% of the Association's surplus with the following reinsurers as of December 31, 2024 and 2023:

Name of reinsurer	2024	2023
Allianz Risk Transfer (Bermuda) Ltd.	**$ 177**	$ -
Arch Reinsurance Ltd.	**1,045**	43
Ariel Re Bda Limited	**-**	132
Ascot Bermuda Ltd.	**261**	-
Aspen Bermuda Ltd.	**570**	45
Berkley Insurance Company	**100**	-
Chubb Tempest Reinsurance Ltd.	**954**	47
DaVinci Reinsurance	**1,365**	46
Endurance Specialty Ins Ltd.	**-**	18
Everest Reinsurance Company	**2,410**	225
Fidelis Insurance Bermuda Limited	**1,434**	187
Hamilton Re, Ltd.	**378**	24
Hannover Re	**574**	22
Hannover Rück SE	**2**	126
Hiscox Insurance Company Ltd	**705**	32
IQW Syndicate	**-**	43
Leadenhall Capital Partners	**-**	65
Lloyd's Syndicate No. 1856 IQUW	**551**	35
Lloyd's Underwriter Syndicate No. 0033 HIS	**578**	8
Lloyd's Underwriter Syndicate No. 0623 AFB	**-**	4
Lloyd's Underwriter Syndicate No. 1084 CSL	**-**	2
Lloyd's Underwriter Syndicate No. 1183 TAL	**-**	29
Lloyd's Underwriter Syndicate No. 1274 AUL	**-**	11
Lloyd's Underwriter Syndicate No. 1301 IGO	**156**	7
Lloyd's Underwriter Syndicate No. 1414 ASC	**-**	30
Lloyd's Underwriter Syndicate No. 1458 RNR	**-**	7
Lloyd's Underwriter Syndicate No. 1910 ARE	**3,508**	25
Lloyd's Underwriter Syndicate No. 1955 BAR	**205**	13
Lloyd's Underwriter Syndicate No. 2001 AML	**443**	52
Lloyd's Underwriter Syndicate No. 2010 MMX	**-**	12
Lloyd's Underwriter Syndicate No. 2468 NEO	**-**	1
Lloyd's Underwriter Syndicate No. 2623 AFB	**-**	19
Lloyd's Underwriter Syndicate No. 2007 NVA	**81**	-
Lloyd's Underwriter Syndicate No. 2791 MAP	**306**	23
Lloyd's Underwriter Syndicate No. 4020 ARK	**803**	54
Lloyd's Underwriter Syndicate No. 4444 CMA	**203**	12
Markel Bermuda Limited	**-**	7
Munich Reinsurance America, Inc.	**143**	89

(In Thousands)

Navigators Insurance Company	**290**	-
Odyssey Reinsurance Company	**166**	57
Partner Reinsurance Company Ltd.	**563**	55
Renaissance Reinsurance Ltd.	**1,365**	40
SCOR Reinsurance Company	**655**	43
Swiss Reinsurance America Corporation	**248**	-
The Cincinnati Insurance Company	**579**	28
Transatlantic Reinsurance Company	**26**	70
Validus Reinsurance, Ltd.	**-**	92
Vermeer Reinsurance Ltd.	**-**	26

The effect of reinsurance on premiums written and earned for the years ended December 31, 2024 and 2023 is as follows:

	2024		2023	
	Written	**Earned**	Written	Earned
Direct	**$ 237,277**	**$ 169,127**	$ 113,460	$ 92,201
Ceded	**(92,509)**	**(69,866)**	(45,518)	(38,885)
Net	**$ 144,768**	**$ 99,261**	$ 67,942	$ 53,316

The maximum amount of return reinsurance ceding commission due in the event of cancellation as of December 31, 2024 and 2023 is as follows:

December 31,	**2024**	2023
Ceded unearned premium reserves	**$ 45,402**	$ 22,759
Less: ceded commission equity	**(3,867)**	(1,786)
Net ceded premium reserves	**$ 41,535**	$ 20,973
Direct unearned premium reserves	**$ 128,207**	$ 60,057

The amount of return commission that would have been due to the reinsurers if they or the Association had canceled the Association's excess of loss reinsurance agreement would have been approximately $4,532 and $2,536 as of December 31, 2024 and 2023, respectively.

(In Thousands)

3. Loss and Loss Adjustment Expenses

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

Years ended December 31,		**2024**		2023
Beginning balance	**$**	**16,914**	$	15,902
Less: reinsurance recoverable		**309**		3,044
Beginning net balance		**16,605**		12,858
Incurred related to:				
Current loss year		**123,356**		50,634
Prior loss years		**(2,992)**		(795)
Losses and loss adjustment expense incurred		**120,364**		49,839
Paid related to:				
Current loss year		**100,706**		38,452
Prior loss years		**9,900**		7,640
Paid losses and loss adjustment expense		**110,606**		46,092
Ending net balance		**26,363**		16,605
Plus: reinsurance recoverable		**-**		309
Ending balance	**$**	**26,363**	$	16,914

Current year changes in estimates of the costs of prior year losses and loss adjustment expenses ("LAE") affect the current year statutory statements of income. Increases in those estimates increase current year expense and are referred to as unfavorable development or prior year reserve shortages. Decreases in those estimates decrease current year expense and are referred to as favorable development or prior year reserve redundancies. Current year losses and LAE reflected on the statutory statements of income of $120,364 are lower by $2,992 due to favorable development of prior year. Increases or decreases of this nature occur as the result of claim settlements and receipt and evaluation of additional information regarding unpaid claims. Recent development trends are also taken into account in evaluating the overall adequacy of reserves. Due to the inherently uncertain process involving loss and LAE reserve estimates, the final resolution of the ultimate liability may be different from that anticipated at the reporting date. The appointed actuary for the Association has opined that the loss and LAE reserves as of December 31, 2024 and 2023 make a reasonable provision for the Association's claims liabilities.

4. Governance

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

5. Service Contract with Texas Windstorm Insurance Association

The Association entered into a service contract with Texas Windstorm Insurance Association ("TWIA") in which the Association is to reimburse TWIA for all expenditures, professional fees, consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by TWIA on behalf of the Association. During 2024 and 2023 the Association incurred expenses from TWIA under its contract in the amounts of approximately $22,973 and $15,270, respectively. As of December 31, 2024 and 2023, the Association incurred expenses for which it has not reimbursed TWIA in the amount of $2,603 and $1,088, respectively, and are included in other liabilities in the statutory statements of admitted assets, liabilities, surplus and other funds. This arrangement is subject to a written agreement which requires that balances be settled within 30 days.

6. Borrowed Money – Line of Credit

The Association obtained a $30,000 line of credit with one of its primary financial institutions effective June 30, 2023. The facility replaced the previous $30,000 line of credit and terminates on June 30, 2025. There were no draws against the line of credit in 2024 or 2023. The Association pays the lender a 0.3% commitment fee against the unused portion of the line of credit. Interest expense was $0 for the years ended December 31, 2024 and 2023. The line of credit agreement contains various covenants. The Association is in compliance with all line of credit covenants.

7. Contingencies

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

The Association is subject to a fire assessment by the State of Texas. The assessment is based on premium and recorded at the time premiums are written. The Association is not subject to loss-based assessments. As of December 31, 2024 and 2023, the Association has accrued a liability for fire assessment of $118 and $43, respectively, and is included in underwriting expenses payable in the statutory statements of admitted assets, liabilities, surplus and other funds. The amounts recorded represent management's best estimates based on assessment rate information received from the State of Texas. The assessment is recouped by imposing a surcharge on policies written. Surcharges receivable of $53 and $49 have been fully non-admitted as of December 31, 2024 and 2023, respectively. Policy surcharges collected were $45 and $1 for the years ended December 31, 2024 and 2023, respectively.

(In Thousands)

8. Concentration of Credit Risk

The Association maintains deposits of cash in excess of federally insured limits with certain financial institutions. The Association has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents. The Association underwrites policies for residences located exclusively in the State of Texas.

The Association continues to experience significant premiums written in Harris County, Texas. As of December 31, 2024 and 2023 premiums written in Harris County, Texas represented 60% and 70% of total premiums, respectively.

9. Nonadmitted Assets

Nonadmitted assets consisted of the following:

December 31,		**2024**		2023
Uncollected premiums and agents' balances in the course of collection	**$**	**325**	$	127
Due from agents		**176**		137
Surcharge receivable		**53**		49
Prepaid assets		**106**		786
Total nonadmitted assets	**$**	**660**	$	1,099

(In Thousands)

10. Fair Value Measurements

The following table reflects the fair values and admitted assets and liabilities that are financial instruments. The fair values are also categorized into the three-level fair value hierarchy. Cash and cash equivalents are the only financial instruments held by the Association. The investment strategy for the Association is to hold highly liquid cash and cash equivalents for funding catastrophe events. The Association does not believe that the assets stated at NAV have any significant restrictions to liquidate or to be sold for less than NAV.

Fair Value Measurements at December 31, 2024:

	Aggregate Fair Value	Net Asset Value	Admitted Assets	Level 1	Level 2	Level 3
Cash	**$ 29,524**	**$ -**	**$ 29,524**	**$ 29,524**	**$ -**	**$ -**
Cash equivalents*	**-**	**32,651**	**32,651**	**-**	**-**	**-**
	$ 29,524	**$ 32,651**	**$ 62,175**	**$ 29,524**	**$ -**	**$ -**

Fair Value Measurements at December 31, 2023:

	Aggregate Fair Value	Net Asset Value	Admitted Assets	Level 1	Level 2	Level 3
Cash	$ 21,911	$ -	$ 21,911	$ 21,911	$ -	$ -
Cash equivalents*	-	30,976	30,976	-	-	-
	$ 21,911	$ 30,976	$ 52,887	$ 21,911	$ -	$ -

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

11. Surplus

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

12. Distributions

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

13. Reconciliation with Annual Statement

There were no differences between the 2024 and 2023 annual statements as filed with the Texas Department of Insurance and the 2024 and 2023 audited statutory financial statements.

14. Subsequent Events

The Association has evaluated subsequent events occurring after December 31, 2024, the date of the most recent statutory statements of admitted assets, liabilities, surplus and other funds, through May 1, 2025, the date the statutory financial statements were issued. The Association does not believe any subsequent events have occurred that would require further disclosure or adjustment to the statutory financial statements.

Texas FAIR Plan Association

Summary Investment Schedule
December 31, 2024
(In Thousands)

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

See accompanying independent auditors' report on supplemental information.

Texas FAIR Plan Association

Summary Investment Schedule
December 31, 2024
(In Thousands)

Investment categories	Gross Investment Holdings * Amount	%	Admitted Assets as Reported in the Annual Statement ** Amount	%
Cash, cash equivalents and short-term investments:				
Cash (Schedule E, Part 1)	29,524	47.48%	29,524	47.48%
Cash equivalents (Schedule E, Part 2)	32,651	52.52%	32,651	52.52%
Short-term investments (Schedule DA)	-	-	-	-
Total cash, cash equivalents and short-term investments	62,175	100.00%	62,175	100.00%
Contract loans	-	-	-	-
Derivatives (Schedule DB)	-	-	-	-
Other invested assets (Schedule BA)	-	-	-	-
Receivables for securities	-	-	-	-
Securities Lending (Schedule DL, Part 1)	-	-	-	-
Other invested assets (Page 2, Line 11)	-	-	-	-
Total invested assets	$ 62,175	100.00%	$ 62,175	100.00%

**Gross investment holdings as valued in compliance with the NAIC Accounting Procedures Manual.*

*** The Association has no securities lending reinvested collateral at December 31, 2024.*

See accompanying independent auditors' report on supplemental information.

Texas FAIR Plan Association

Supplemental Investment Risk Interrogatories
December 31, 2024
(In Thousands)

1)	Reporting entity's total admitted assets as reported in the accompanying financial statements.	$	114,300

Questions 2 through 23 are not applicable.

See accompanying independent auditors' report on supplemental information.

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES[ ] NO [X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. N/A [X]

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES[ ] NO [X]

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

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

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

(c) Aggregate stop loss reinsurance coverage;

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

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

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

See accompanying independent auditors' report on supplemental information.

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

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

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

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

N/A

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

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

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

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

See accompanying independent auditors' report on supplemental information.

5E3. Internal Control Letter

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

May 1, 2025

Governing Committee
Texas FAIR Plan Association
Austin, Texas

In planning and performing our audit of the financial statements of Texas FAIR Plan Association, (the "Association") as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

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

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

Calhoun, Thomson & Matza, LLP

The engagement partner, Clark Thomson, has served in that capacity with respect to the Association since 2023.

6. Internal Audit Status & Update

MEMORANDUM

TO: The Governing Committee – Texas FAIR Plan Association
FROM: Dan Graves, Weaver - Internal Audit
DATE: May 5, 2025
SUBJECT: Status of Internal Audit Activities

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

- **Current Activities:**

Activity Description	Status
Follow-Up Quarterly Discussion	Complete
Claims Processing	In progress, fieldwork

- **Upcoming Audits and Activities:**

Activity Description	Timing
Executive Management	Q2 2025
Information Security	Q2 2025
IT Services	Q2 2025

- **Open Findings Summary:**

Cash Management 2021

- Review and evaluation of System Organization Controls Reports
- Development and approval of a documented Wire Transfer Policy

Underwriting and Policy Services 2023

- Tracking and monitoring issues and resolutions from agent compliance audits

AP & Expense Policy Services 2023

- User access reviews within the Accounts Payable module of Great Plains

Legal and Compliance 2024

- Documenting the review and updates of Association policy manuals

Financial Close and Reporting 2024

- Documenting the review and approval of Chart of Accounts modifications

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

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

L - Limited Annual Procedures

I - In Process

7. Underwriting Operational Update

TEXAS FAIR PLAN ASSOCIATION

MEMORANDUM

DATE: April 15, 2025

TO: David Durden, General Manager

FROM: Michael Ledwik, Vice President, Underwriting

RE: Update on Underwriting Operational Results

First Quarter 2025 Results

TFPA Underwriting Metrics	Monthly Summary				Quarterly Summary					YTD		
	Jan-25	Feb-25	Mar-25		Q1 2025					2025	2025 Goal	▲
Transaction Issuance	99.73%	99.98%	99.83%		99.85%					99.85%	90%	9.85
Internal Underwriting QA	98.09%	98.83%	98.94%		98.62%					98.62%	95%	3.62
Phone Service Level	88.01%	91.94.%	87.62%		89.19%					89.19%	80%	9.19

I. Overview:

- 99.85% of the transactions were issued within 10 Days of receiving the application and payment
    a. 92% of the transactions were straight through processed by the system
    b. 8% of the transactions were referred by the system to Underwriting for additional information, review, and approval prior to issuance
- 89.19% of calls were answered under 20 seconds

II. Agency Compliance Audits:

A standard sample of agencies (10) were selected in the first quarter of 2025 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.

- 9 out of the 10 agents are fully compliant with the Audit requirements consisting of:
    - Signed applications
    - Signed eligibility statements
    - Declination documentation provisions
- 1 agent had outstanding action items to fully be compliant with the Audit requirements

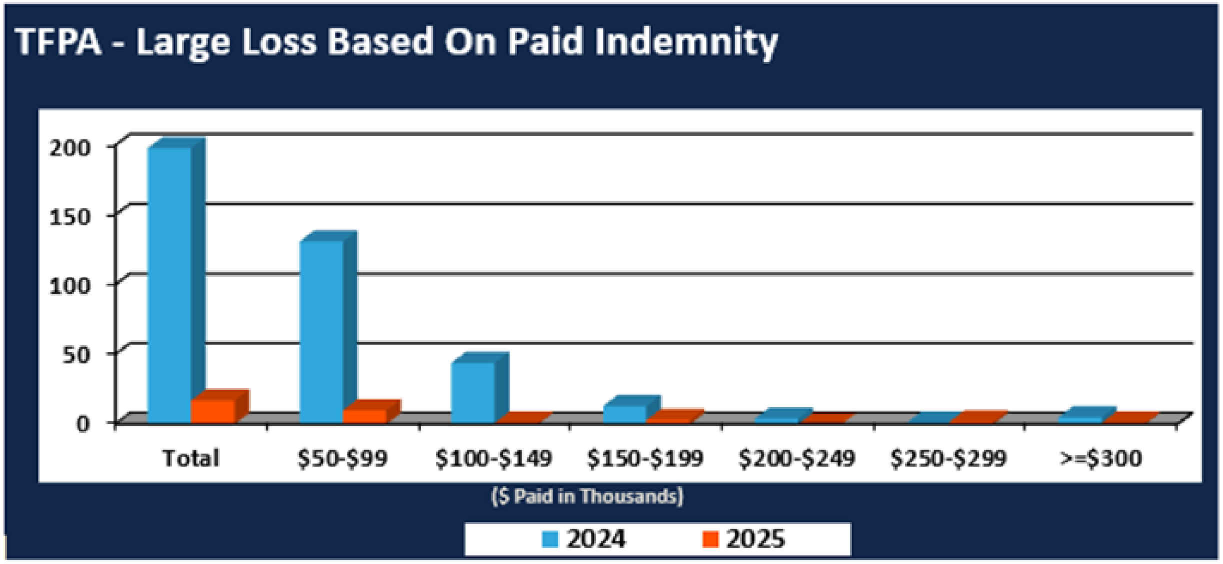
8. Claims
8A. Claims Operations

TFPA Claims Operations 2025

TFPA Claims - 2025 Q1 Results (year-to-date)					
Key Cycle Times (In days)	**Industry Average, TX**	**TFPA**	**TFPA Plan**	**Variance to Plan**	**% Variance to Plan**
Avg. Days - FNOL to TFPA Receipt - Daily	9.5	4.8	<7	-2.2	-31%
Avg. Days - FNOL to TFPA Receipt - Cat	9.5	4.3	<14	-9.7	-69%
Avg. Days - FNOL to ACV Payment - Daily	N/A	8.5	<12	-3.5	-29%
Avg. Days - FNOL to ACV Payment - CAT	N/A	7.0	<21	-14.0	-67%
TDI Complaint Ratio					
2024	0.06% - 11 complaints from 16,933 new claims				
2025	0.38% - 6 complaints from 1,563 new claims				

Year	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Actual Volume	464	318	435	534	2,049	931	8,533	1,673	767	485	374	370	433	383	747
Actuarial Projected	349	212	212	706	707	330	331	470	613	360	215	215	1,095	290	1,138
Staffing Plan	340	340	340	340	340	340	340	340	340	340	340	340	546	546	546
Open Inventory	892	820	996	1,019	2,176	1,698	5,318	8,651	5,318	3,532	3,387	3,166	3,126	2,899	2,934

Historical TFPA Claim Volume	
Year	**Claims**
2005	**5,581**
2006	**3,067**
2007	**4,039**
2008	**27,777**
2009	**3,640**
2010	**3,200**
2011	**4,200**
2012	**5,886**
2013	**5,974**
2014	**5,498**
2015	**9,387**
2016	**11,509**
2017	**24,096**
2018	**5,720**
2019	**6,950**
2020	**2,931**
2021	**9,471**
2022	**3,322**
2023	**4,694**
2024	**16,933**
2025	**1,563**



Date	Total	$50-$99	$100-$149	$150-$199	$200-$249	$250-$299	>=$300
2024 (complete year)	198	131	44	13	4	1	5
Liability	0	0	0	0	0	0	0
2025 (year-to-date)	17	10	1	3	0	2	1
Liability	0	0	0	0	0	0	0
Variance	-181	-121	-43	-10	-4	1	-4

TFPA - Claim Severity by Accident Year and Peril

Reported Claims by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ	Claims	% Δ
2021	133	-	70	-	81	-	4,047	-	3,209	-	9,192	-
2022	98	-26.3%	70	0.0%	62	-23.5%	718	-82.3%	1,932	-39.8%	3,181	-65.4%
2023	84	-14.3%	62	-11.4%	54	-12.9%	576	-19.8%	3,581	85.4%	4,663	46.6%
2024	135	60.7%	78	25.8%	66	22.2%	775	34.5%	15,719	339.0%	17,171	268.2%
2025	59	-	8	-	15	-	246	-	708	-	1,125	-

Paid Amounts by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ	Incurred	% Δ
2021	$ 8,545,593	-	$ 466,857	-	$ 132,881	-	$ 3,730,729	-	$ 12,056,501	-	$ 26,236,172	-
2022	$ 7,043,987	-17.6%	$ 739,401	58.4%	$ 188,149	41.6%	$ 695,647	-81.4%	$ 10,582,870	-12.2%	$ 19,647,445	-25.1%
2023	$ 7,308,045	3.7%	$ 809,209	9.4%	$ 44,080	-76.6%	$ 648,871	-6.7%	$ 27,896,475	163.6%	$ 37,315,159	89.9%
2024	$ 10,524,786	44.0%	$ 74,806	-90.8%	$ 120,317	173.0%	$ 974,325	50.2%	$ 125,887,538	351.3%	$ 139,338,223	273.4%
2025	$ 2,928,928	-	$ 3,000	-	$ 20,607	-	$ 273,847	-	$ 4,430,738	-	$ 7,788,857	-

Paid Claim Severity by Peril

Year	Fire		Liability		Theft		Water		Wind / Hail		All Perils	
	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ	Severity	% Δ
2021	$ 64,253	-	$ 6,669	-	$ 1,641	-	$ 922	-	$ 3,757	-	$ 2,854	-
2022	$ 71,877	11.9%	$ 10,563	58.4%	$ 3,035	85.0%	$ 969	5.1%	$ 5,478	45.8%	$ 6,176	116.4%
2023	$ 87,001	21.0%	$ 13,052	23.6%	$ 816	-73.1%	$ 1,127	16.3%	$ 7,790	42.2%	$ 8,002	29.6%
2024	$ 77,961	-10.4%	$ 959	-92.7%	$ 1,823	123.3%	$ 1,257	11.6%	$ 8,009	2.8%	$ 8,115	1.4%
2025	$ 49,643	-	$ 375	-	$ 1,374	-	$ 1,113	-	$ 6,258	-	$ 6,923	-

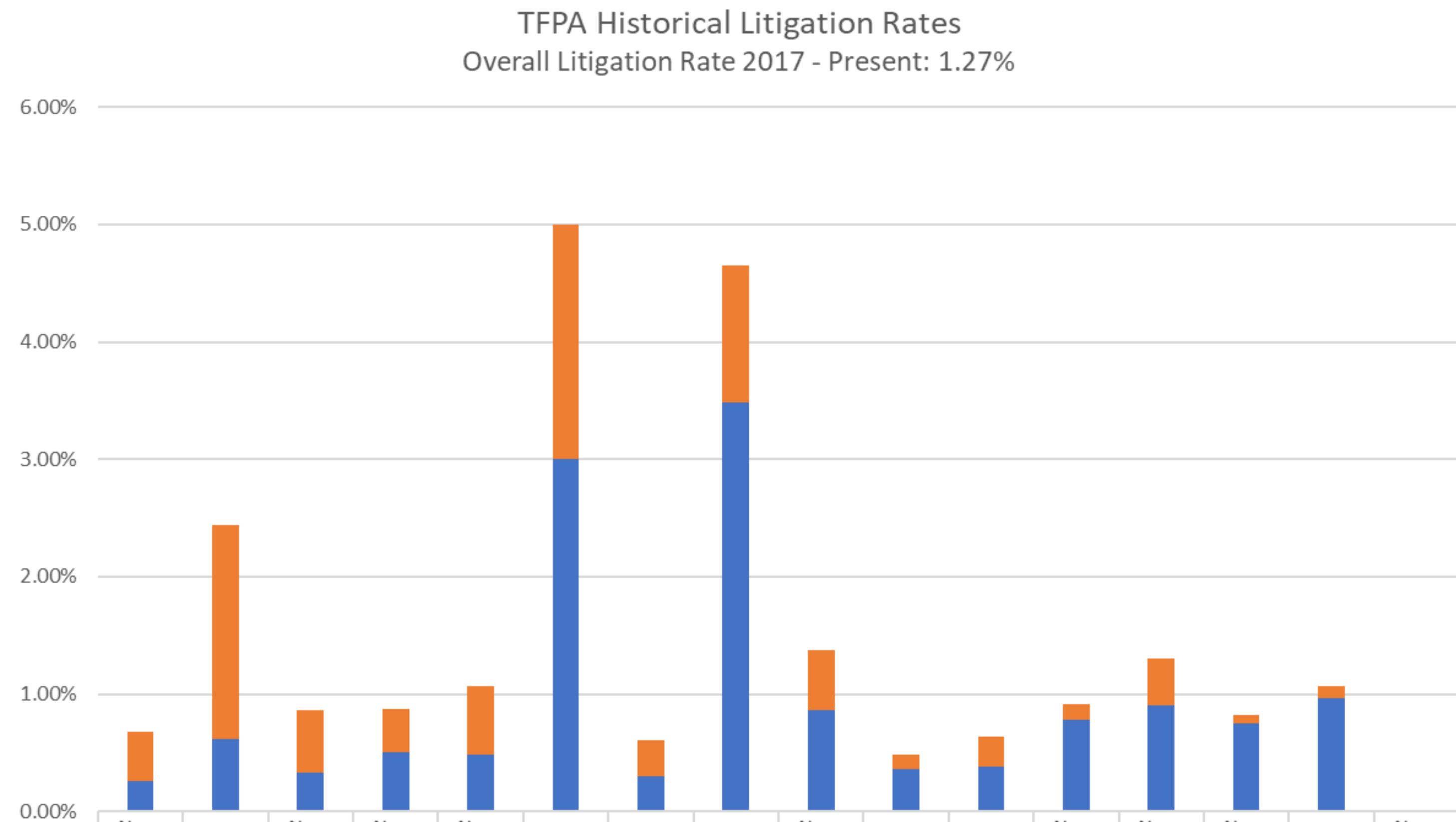
TWIA Beryl	As of 2/2/25	As of 4/4/25	Change	% Change
Claims	32,158	32,520	362	1.1%
Open	17,798	15,397	-2,401	-13.5%
Closed	14,360	17,123	2,763	19.2%
% Closed	44.7%	52.7%	8.0%	8.0%
Paid Indemnity	$319,852,095	$336,346,179	$16,494,084	5.2%
Paid Expense	$39,165,640	$43,119,775	$3,954,135	10.1%

TFPA Beryl	As of 2/2/25	As of 4/4/25	Change	% Change
Claims	10,170	10,297	127	1.2%
Open	1,964	1,612	-352	-17.9%
Closed	8,206	8,685	479	5.8%
% Closed	80.7%	84.30%	3.6%	3.6%
Paid Indemnity	$81,447,826	$83,520,309	$2,072,483	2.5%
Paid Expense	$9,284,838	$9,548,300	$263,462	2.8%

8B. Claims Litigation

TEXAS FAIR PLAN ASSOCIATION

TFPA Litigation Summary



	Non-CAT (2017)	Harvey (2017)	Non-CAT (2018)	Non-CAT (2019)	Non-CAT (2020)	Hanna (2020)	Laura (2020)	Delta (2020)	Non-CAT (2021)	Uri (2021)	Nicholas (2021)	Non-CAT (2022)	Non-CAT (2023)	Non-CAT (2024)	Beryl (2024)	Non-CAT (2025)
% Suit	0.42%	1.82%	0.53%	0.37%	0.58%	2.00%	0.30%	1.16%	0.52%	0.12%	0.25%	0.13%	0.41%	0.07%	0.11%	0.00%
% NOIS	0.26%	0.62%	0.33%	0.50%	0.49%	3.00%	0.30%	3.49%	0.86%	0.37%	0.38%	0.79%	0.90%	0.75%	0.96%	0.00%
Total Claims	6,950	18,007	5,085	7,365	5,154	100	330	86	3,486	4,916	789	3,181	4,664	6,803	10,287	953

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

TFPA Litigation Tracking Activity

Litigation Quarter Summary

First Quarter 2025

1st Quarter 2025	Summary of TFPA Claims in Suit						
		New		Settled		Closed	
		1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
	January	3	1	0	0	0	0
	February	3	0	3	0	0	1
	March	1	2	9	0	0	0
		7	3	12	0	0	1

1st Quarter 2025	Summary of TFPA Claims with LORs						
		New		Settled		Closed	
		1st Party	3rd Party	1st Party	3rd Party	1st Party	3rd Party
	January	43	2	2	0	8	1
	February	38	2	0	0	22	2
	March	34	1	0	0	22	0
		115	5	2	0	52	3

TFPA Claims Litigation
March 2025

	TFPA Claims in Suit							
	Beginning Inventory	New		Closed		Ending Inventory		
		1st Party	3rd Party	1st party	3rd Party	1st Party	3rd Party	Total
Mar-25	49	1	2	0	0	45	7	52
	Breakdown							
	Normal	1	2	0	0			
	Beryl 2024	0	0	0	0			
	Houston 012423	0	0	0	0			

	TFPA Claims with LOR									
	Beginning Inventory	New		Closed		Converted to Suit		Ending Inventory		
		1st Party	3rd Party	1st party	3rd Party	1st party	3rd Party	1st Party	3rd Party	Total
Mar-25	205	35	1	22	0	1	1	209	8	217
	Breakdown									
	Normal	8	1	8	0	1	1			
	Beryl 2024	24	0	11	0	2	0			
	Houston 051624	3	0	2	0	0	0			
	St Patrick 2024	0	0	1	0	0	0			

	TFPA Active Claims with Suits/LORs: Breakdown by CAT Event					
	Event	Total claims	Total Suits	Active Suits	Total LORs	Active LORS
Mar-25	Harvey 082517	18,007	320	2	170	0
	Valentines Freeze	4,917	8	0	58	0
	Houston 051624	1,660	2	1	20	14
	Beryl 2024	10,310	9	1	163	123

9. TFPA Operations
9A. IT Operations Update

MEMORANDUM

DATE: April 15, 2025

TO: David Durden, General Manager

FROM: Michael Eleftheriades, Interim CIO / VP IT

RE: TFPA Information Technology Status

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

Cloud Migration Update

- The project has completed the formal testing phases for the core Insurance Suite Components (Billing Center, Policy Center, and Claims Center), Digital Engagement Portals (agents and policyholders) and the Enterprise Data Warehouse.
- Practice Dry Runs have been completed, the second and final Rehearsal is currently in play.
- Go-live date still planned and on target for Q2 2025 (weekend of April 25).

On premise and Remote User Workstations

- The upgrade from Microsoft Windows 10 (which is being deprecated by Microsoft later this year) to Windows 11 for all the Association workstations is an on-going project for TFPA.

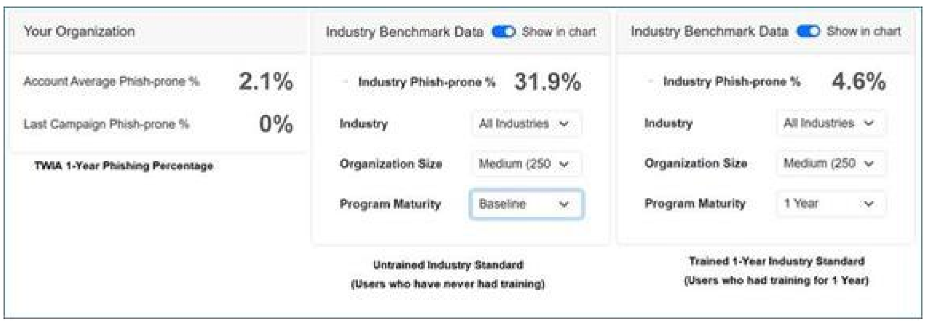
AI Proof of Concept Project.

- First feedback milestone was reached from the rollout of Microsoft Copilot to a very select few users in December (this is to evaluate functionality and applicability to the organization). Subsequent feedback milestone will be later in Q2.

Phishing Email Statistics

Summary of results: TFPA is well below industry metrics for a medium sized organization (see chart below), measuring the failure to identify phishing attempts. We send out about 500 simulated emails a month via our Security Training Software (KnowBe4).

Note: Independent pen testing and security assessments have confirmed the metrics during their testing as well. These reports are vetted by auditors every year.



General Status:

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

9B. Communications and Legislative Affairs Update

MEMORANDUM

DATE: April 16, 2025

TO: David Durden, General Manager

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

RE: Legislative & External Affairs Operational Highlights

I. Legislative & Regulatory Affairs

a) 89th Legislative Session:

i. The Association's Legislative & External Affairs team continues to monitor developments in the 89th Legislative Session and to provide information to legislators and other stakeholders on bills that may affect Association operations. We have kept Governing Committee members informed via scheduled and ad hoc email updates.

ii. No bills related exclusively to the FAIR Plan have been filed in this session. However, House Bill 2517, which would exempt TWIA and Texas FAIR Plan from premium and maintenance taxes, passed the House Insurance Committee on February 9. Association staff is tracking legislation affecting the broader property insurance industry that may impact FAIR Plan operations. These include the following bills that have received a hearing in a House or Senate committee:

- **Senate Bill 458** by Sen. Charles Schwertner (Williamson County), *relating to an appraisal process for disputed losses under personal automobile or residential property insurance policies.* This bill passed the Senate and was sent to the House on April 10.
- **House Bill 1576** by Rep. Tom Oliverson (Harris County), *relating to a grant program for hurricane and windstorm loss mitigation for single-family residential property.* This bill passed the House Insurance Committee on April 9.
- **Senate Bill 1006** by Sen. Mayes Middleton (Galveston County) and House Bill 2067 by Rep. Dennis Paul (Harris County), *relating to declination, cancellation, or nonrenewal of insurance policies.* The House bill has passed the House Insurance Committee. The Senate bill has passed the Senate and was sent to the House, where it was referred to the House Insurance Committee.
- **House Bill 3344** by Rep. Pat Curry (McLennan County), *relating to the regulation of roofing contractors; providing an administrative penalty; authorizing a fee; creating a criminal offense; requiring an occupational license.* This bill received a hearing in the

House Trade, Workforce & Economic Development Committee on April 15 and was left pending.

b) **<u>Legislative Meetings:</u>** Association staff held 30 meetings with legislative offices between January and March, primarily on issues related to TWIA legislation.

c) **<u>Stakeholder Inquiries</u>:** From January 1 to March 31, we responded to three routine inquiries from a legislator on FAIR Plan litigation and one inquiry from the Governor's office on legislation.

12. Future Meetings
August 4, 2025 –Tremont House – Galveston, TX
November 3, 2025 – Omni Hotel – Corpus Christi, TX