

# Texas FAIR Plan Association

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2026 Budget Presentation to Governing  
Committee  
October 6, 2025

# TFPA Budget – New or Notable Items for 2026

- **Premium Projections** - Policy counts and exposures are projected to begin a gradual decline starting in the later part of 2026. Total 2026 written premium projection of \$358 million is driven by early 2026 premium growth.
- **Premium and Maintenance Tax** – TFPA is no longer subject to these taxes beginning in 2025 (House Bill 2517).
- **House Bill 998** – No estimates have been included in the 2026 budget for commercial property and liability coverage for Property Owners and Condo Associations.
- **Reinsurance** – Placeholder of \$125 million for the 2026/2027 TFPA reinsurance program based on forecasted exposures. The amount of reinsurance purchased by FAIR Plan is at the full discretion of the FAIR Plan Governing Committee.

# TFPA 2026 Budget – Key Assumptions

The 2026 Budget includes the following assumptions:

- Rate level: The August 2025 rate increase is reflected. The budget does not include potential future rate increases.
- The number of policies in force is projected to decrease from **132,463** policies at December 31, 2025, to **125,616** at year end 2026, a decrease of **6,847** policies (-5.2%).
- Employee merit increase is set at **3.5%**
- Operating expenses: Developed using zero-based detailed departmental budgets.
- Commissions: Budgeted at \$41.2 million using average rate of **11.5%** for new and renewal policies.
- Budget reflects receipt of assessment for 2024 deficit (\$60.1 million) in 3<sup>rd</sup> and 4<sup>th</sup> Quarter 2025. Assessment was billed to member companies in mid-September 2025.

## TFPA 2026 Budget – Key Assumptions (cont)

The 2026 Budget includes the following assumptions:

- The FAIR Plan **\$30 million** line of credit that was effective July 1, 2025 remains in place for two years. The line of credit has an annual commitment fee on unused funds of 30 basis points (approximately \$90,000).
- Loss and loss adjustment expense ratios are based on actuarial rate indications.
- Forecast reflects January through June actuals and July through December forecasted amounts.

# TFPA 2026 Proposed Budget - Income Statement

(In 000s)

	For the twelve months ended December 31,				B2026 vs B2025	B2026 vs F2025	
	Forecast FY2025	Budget FY2025	Variance 2025	Budget FY2026			
<b>Premiums Written:</b>							
1 Direct	\$319,502	\$300,587	\$18,914	\$357,894	\$57,306	\$38,392	1
<b>Premiums Earned:</b>							
2 Direct	\$283,448	\$295,848	(\$12,400)	\$345,452	\$49,604	\$62,004	2
3 Ceded	(108,556)	(110,410)	1,854	(125,251)	(14,841)	(16,695)	3
4 Net	174,892	185,438	(10,546)	220,201	34,763	45,309	4
<b>Deductions:</b>							
5 Losses and LAE Incurred	72,383	77,121	(4,738)	79,373	2,252	6,990	5
6 Operating Expenses	17,905	18,586	(681)	20,957	2,371	3,052	6
7 Commission Expense	35,945	34,568	1,377	41,158	6,590	5,213	7
8 Ceding commissions / brokerage	(7,808)	(9,360)	1,552	(8,605)	755	(797)	8
9 Premium / Maintenance Tax	9	5,501	(5,491)	0	(5,501)	(9)	9
10 Total Deductions	118,434	126,415	(7,981)	132,883	6,468	14,449	10
11 <b>Net Underwriting Gain or (Loss)</b>	56,458	59,023	(2,565)	87,318	28,295	30,860	11
<b>Other Income or (Expense):</b>							
12 Gross Investment Income	3,339	4,435	(1,096)	5,378	943	2,039	12
13 Line of Credit Fees	(93)	(102)	9	(101)	1	(8)	13
14 Interest Expense on Line of Credit Advance	0	0	0	0	0	0	14
15 Member Assessment Income	60,144	67,536	(7,392)	0	(67,536)	(60,144)	15
16 Premium Charge Offs/Write Offs	(979)	(751)	(227)	(895)	(143)	84	16
17 Billing Fees	1,129	992	137	1,181	189	52	17
18 Other Income (Expense)	0	0	0	0	0	0	18
19 Total Other Income or (Expense)	63,539	72,109	(8,570)	5,563	(66,546)	(57,976)	19
<b>Net Income (Loss)</b>	<b>\$119,997</b>	<b>\$131,132</b>	<b>(\$11,135)</b>	<b>\$92,881</b>	<b>(\$38,251)</b>	<b>(\$27,115)</b>	20

## Discussion Highlights

Written premiums year over year are projected to flatten out starting in the later part of 2026.

Ceded Written Premiums for June 2026 – May 2027 are estimated at \$125 million based on projected exposures.

Investment income is estimated to increase as cash is received from the assessment and increased written premium. Investment yields (rates) are budgeted to decline steadily.

Member assessment income in 2025 is based on 2024 deficit balance.

# TFPA 2026 Budgeted Surplus and Key Ratios (In 000s)

	A	B	C	D	E	F	
	For the twelve months ended December 31,						
	Forecast FY2025	Budget FY2025	Variance 2025	Budget FY2026	B2026 vs B2025	B2026 vs F2025	
1 <b>Surplus (Deficit) Account:</b>							1
2 Beginning Surplus (Deficit)	(60,144)	(67,536)	7,392	58,897	126,434	119,041	2
3 Net Income (Loss)	119,997	131,132	(11,135)	92,881	(38,251)	(27,115)	3
4 Change in Provision for Reinsurance	(2)	0	(2)	(50)	(50)	(48)	4
5 Change in Non-Admitted Assets	(953)	(9)	(944)	98	107	1,052	5
6 Statutory Fund Cost	0	0	0	0	-	-	6
7 <b>Ending Surplus (Deficit)</b>	<b>\$58,897</b>	<b>\$63,587</b>	<b>(\$4,690)</b>	<b>\$151,827</b>	<b>\$88,240</b>	<b>\$92,930</b>	7
8							8
9 <b>Key Operating Ratios:</b>							9
10 Direct:							10
11 Loss & LAE Ratio	30.2%	26.1%	4.1%	23.0%	(3.1%)	(7.2%)	11
12 UW Expense Ratio:							12
13 Acquisition	11.3%	13.3%	(2.1%)	11.5%	(1.8%)	0.2%	13
14 Non Acquisition	6.3%	6.3%	0.0%	6.1%	(0.2%)	(0.3%)	14
15 UW Expense Ratio	17.6%	19.6%	(2.0%)	17.6%	(2.0%)	(0.0%)	15
16 <b>Direct Combined Ratio</b>	<b>47.8%</b>	<b>45.7%</b>	<b>2.1%</b>	<b>40.5%</b>	<b>(5.1%)</b>	<b>(7.2%)</b>	16
17							17

# Proposed 2026 Budget Expense Summary

In 000s

A		B		D	E	F	G
		For the twelve months ended December 31,				B2026 vs B2025	B2026 vs F2025
		Forecast FY2025	Budget FY2025	Variance 2025	Budget FY2026	Inc (Dec)	Inc (Dec)
1	Personnel Expenses	17,371	19,558	(2,186)	18,038	(1,520)	666
2	Professional & Consulting Services	4,526	4,653	(128)	4,778	125	252
3	Hardware/Software Purchases & Licensing	2,455	2,523	(68)	3,300	777	845
4	Rental & Maintenance - Office/Equipment	558	486	72	595	108	37
5	Travel Expenses	140	181	(41)	240	59	100
6	Postage, Telephone and Express	762	604	158	717	112	(45)
7	Capital Management Expenses	93	102	(9)	101	(1)	8
8	Depreciation	0	0	0	0	0	0
9	Other Operating Expenses	884	821	63	941	120	56
10	Gross Operating Expenses	26,790	28,929	(2,139)	28,709	(220)	1,919
11	Less: Adjustments/Allocations						
12	Capitalization of Fixed Assets	0	0	0	0	0	0
13	Reimbursement of Depopulation Servicing Expense	0	0	0	0	0	0
14	Allocation To ULAE	(8,792)	(10,241)	1,449	(7,651)	2,590	1,141
15	Allocation To Investing	(93)	(102)	9	(101)	1	(8)
16	Total Adjustments/Allocations	(8,885)	(10,343)	1,457	(7,752)	2,591	1,134
17							
18	Net Operating Expense - UW Operations	17,905	18,586	(681)	20,957	2,371	3,052

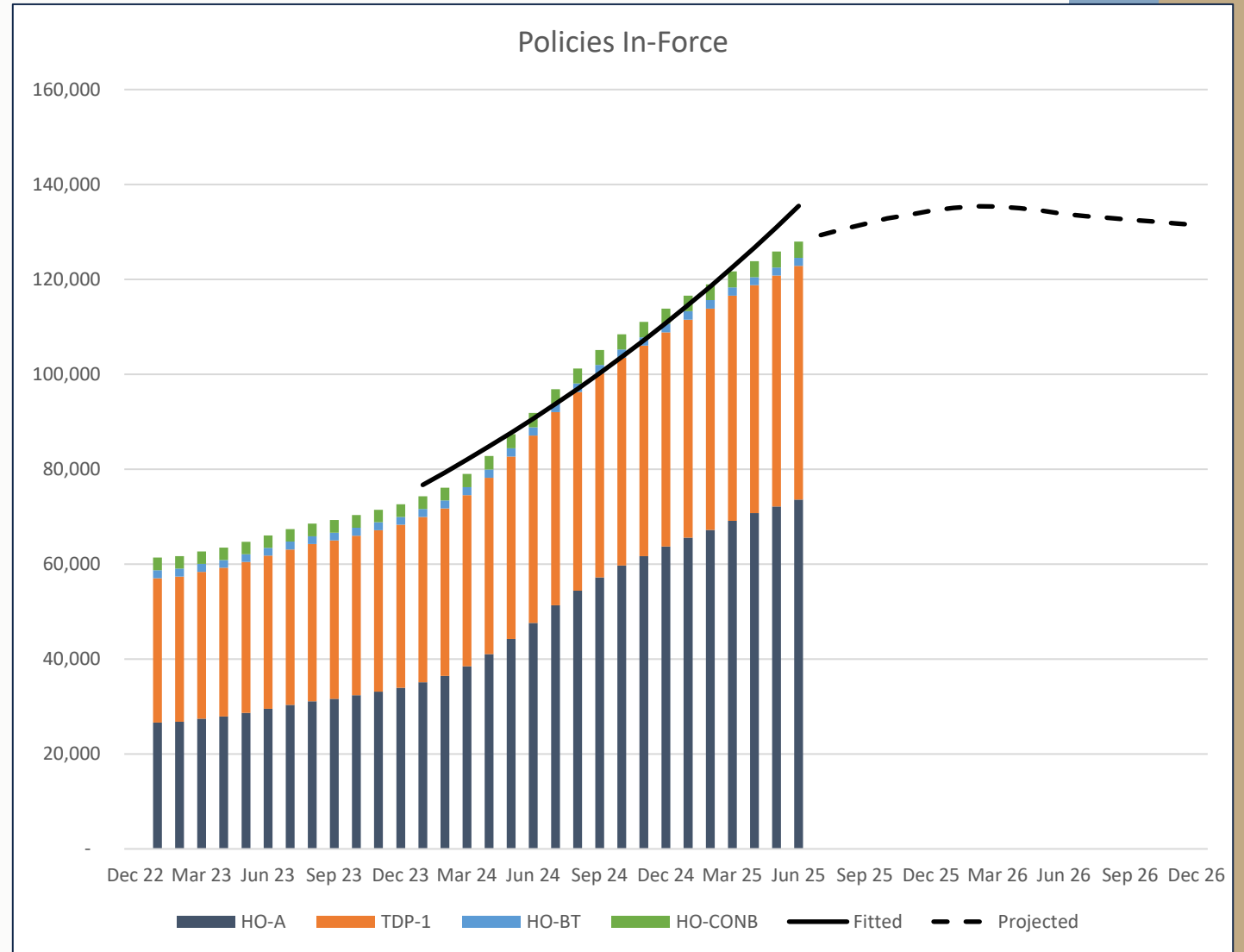
## Texas FAIR Plan 2026 Budget

# Premium Projections



# Premium Projection - Policies In Force

Total Policies in Force Year End	
2022 (Actual)	61,452
2023 (Actual)	72,626
2024 (Actual)	113,860
2025 (Projection)	132,463
2026 (Budget)	125,616
2026 Budget – PIF as of 12/31/2026	
Class of Business	Count
Homeowners	69,109
Dwelling	52,276
Condominium	3,064
Tenant	1,166
TOTAL	125,616
% Annual Change	-5.17%



Graphical view of month-end policies in force from 2022 through 2026 budget.

# TFPA Historical and Projected Policies In Force

	A	B	C	D	E	F	G	H	I	J	K	
	Policies in Force at December 31,											
1	Class of Business	2018	2019	2020	2021	2022	2023	2024	Forecast 2025	Budget 2026	% Change B2026 vs F2025	1
2	Homeowners - HO3	41,555	34,253	30,865	28,153	26,611	33,974	63,712	76,256	69,109	-9.4%	2
3	Dwelling - DP2	46,475	40,379	37,174	33,205	30,414	34,316	45,144	51,276	52,276	1.9%	3
4	Condominium - HO6	4,059	3,670	3,463	3,130	2,713	2,670	3,234	3,383	3,064	-9.4%	4
5	Tenant - HO4	3,549	2,621	2,211	2,024	1,714	1,666	1,770	1,547	1,166	-24.6%	5
6	<b>Total</b>	<b>95,638</b>	<b>80,923</b>	<b>73,713</b>	<b>66,512</b>	<b>61,452</b>	<b>72,626</b>	<b>113,860</b>	<b>132,463</b>	<b>125,616</b>	<b>-5.2%</b>	6
7	<b>% Change</b>	<b>-10.9%</b>	<b>-15.4%</b>	<b>-8.9%</b>	<b>-9.8%</b>	<b>-7.6%</b>	<b>18.2%</b>	<b>56.8%</b>	<b>16.3%</b>	<b>-5.2%</b>		7

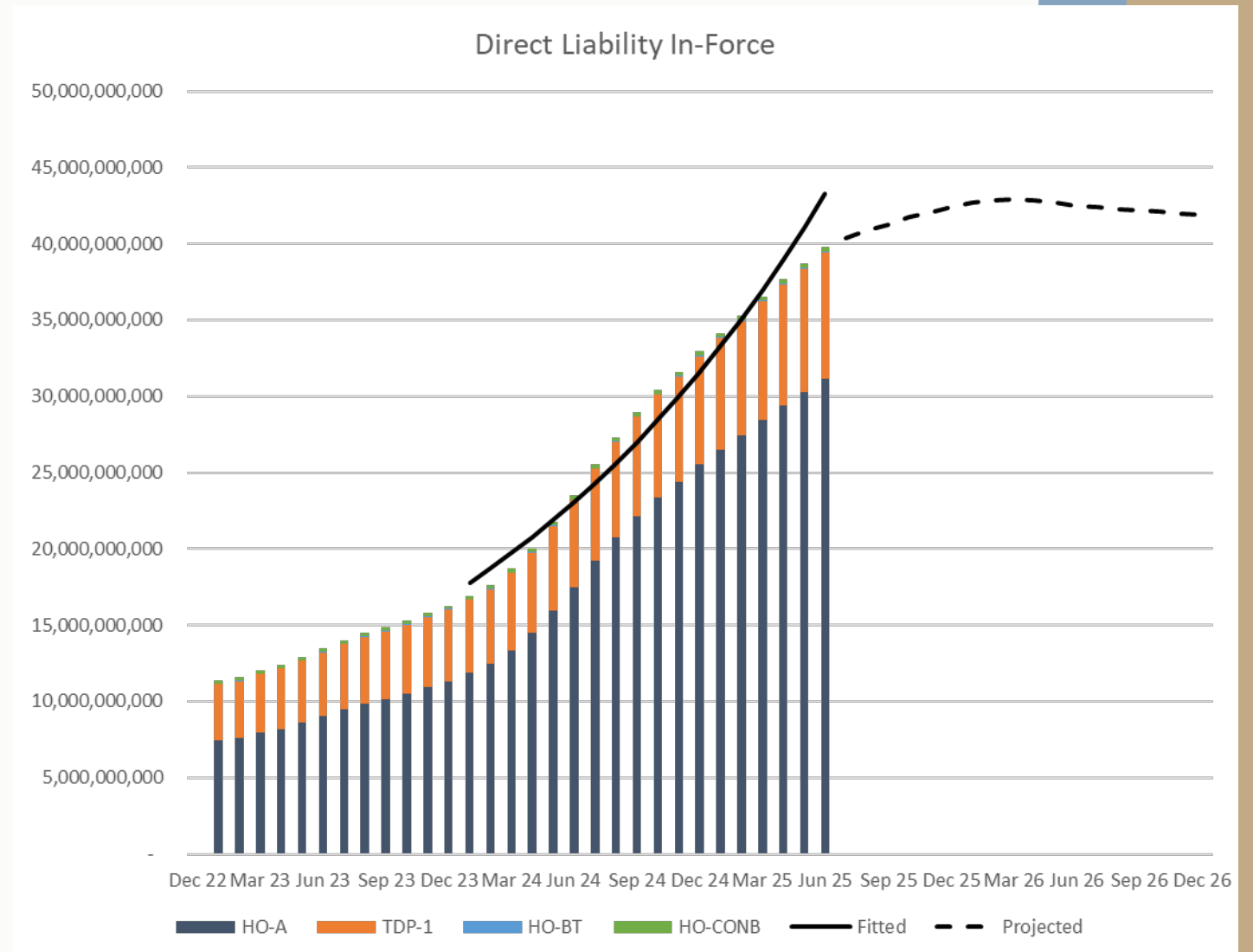
# Premium Budget – Direct Liability in Force (Exposures)

## Total Direct Liability in Force (In 000s)

2022 (Actual)	\$11,301,744
2023 (Actual)	\$16,275,783
2024 (Actual)	\$32,930,398
2025 (Projection)	\$42,078,534
2026 (Budget)	\$40,022,377

## 2026 Budget – Exposures as of 12/31/2026 (In 000s)

<u>Class of Business</u>	<u>Amount</u>
Homeowners	\$30,523,620
Dwelling	9,167,342
Condominium	291,786
Tenant	39,629
<b>TOTAL</b>	<b>\$40,022,377</b>
% Annual Change	-4.89%



Graphical view of month-end exposures in force from 2022 through 2026 budget.

# TFPA Historical and Projected Exposures in Force

	A	B	C	D	E	F	G	H	I	J	K
	Exposures in Force at December 31, (In 000s)										
											% Change B2026 vs F2025
1	Class of Business	2018	2019	2020	2021	2022	2023	2024	Forecast 2025	Budget 2026	
2	Homeowners - HO3	9,837,297	8,522,822	7,960,202	7,318,776	7,365,929	11,334,275	25,516,250	32,930,097	30,523,620	-7.3%
3	Dwelling - DP2	5,082,484	4,601,376	4,361,752	3,879,984	3,686,824	4,685,713	7,089,767	8,797,433	9,167,342	4.2%
4	Condominium - HO6	280,244	251,509	236,557	221,575	207,151	213,628	277,499	303,965	291,786	-4.0%
5	Tenant - HO4	85,483	65,816	57,608	50,866	41,840	42,168	46,881	47,040	39,629	-15.8%
6	Total	15,285,508	13,441,524	12,616,119	11,471,201	11,301,744	16,275,783	32,930,398	42,078,534	40,022,377	-4.9%
7	% Change	-10.9%	-12.1%	-6.1%	-9.1%	-1.5%	44.0%	102.3%	27.8%	-4.9%	

# Premium Projection – Written Premium

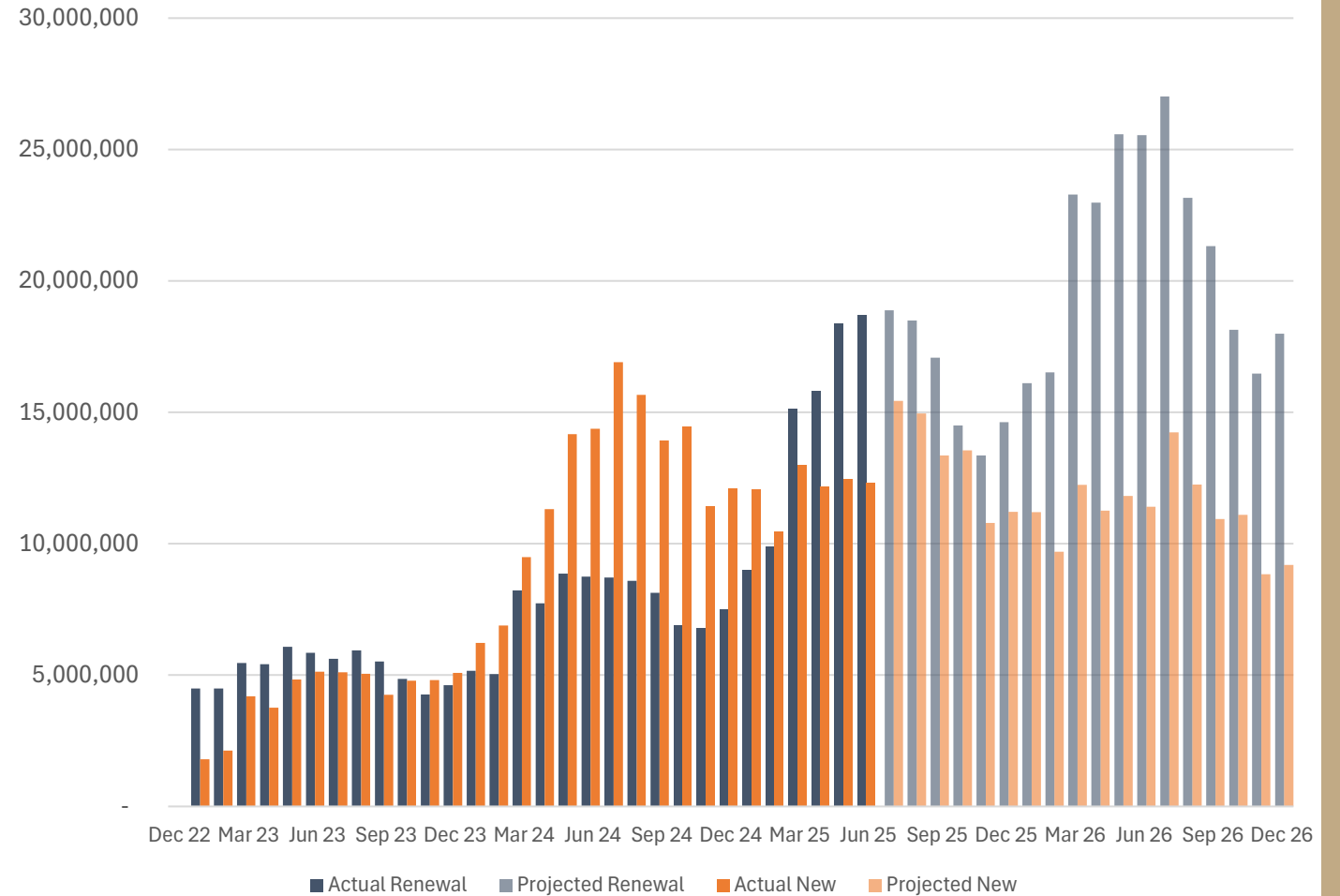
## Total Annual Direct Written Premiums

2022 (Actual)	\$76,880,876
2023 (Actual)	\$113,460,197
2024 (Actual)	\$237,276,551
2025 (Projection)	\$319,501,686
2026 (Budget)	\$357,893,861

## 2026 Budget – Direct Written Premiums

Class of Business	Amount
Homeowners	\$257,270,862
Dwelling	98,003,485
Condominium	2,397,609
Tenant	221,905
<b>TOTAL</b>	<b>\$357,893,861</b>
% Annual Change	12.00%

Direct Written Premiums



Graphical view of monthly direct written premium from 2022 through 2026 budget.

# TFPA 2026 Proposed Budget

## REINSURANCE

# Reinsurance Projection

- 2025 reinsurance projected premiums: **\$115.5 million**
- Estimated 2026 reinsurance deposit premiums: **\$125.0 million**

**The above estimate is based on the projected increase in TFPA's exposure growth. Actual reinsurance costs will depend on:**

- **the amount of reinsurance coverage purchased (The Governing Committee is not required to purchase to a specific loss amount)**
- **which additional coverages are purchased if any (drop down and Reinstatement Premium Protection (RPP))**
- **selected retention level**
- **changes in underlying reinsurance market conditions for the 2026 season which is expected to improve year over year.**

# TFPA 2026 Proposed Budget

## Expenses



# Expense Categories

TFPA budgets and tracks expenses in four primary categories:

## Personnel Expenses

- Salary & Wages
- Contractors/Temp Help
- Payroll Taxes
- Employee Benefits
- Recruiting/Training/Other

## EDP Equipment & Software

- Hardware
- Software Purchases and Licensing

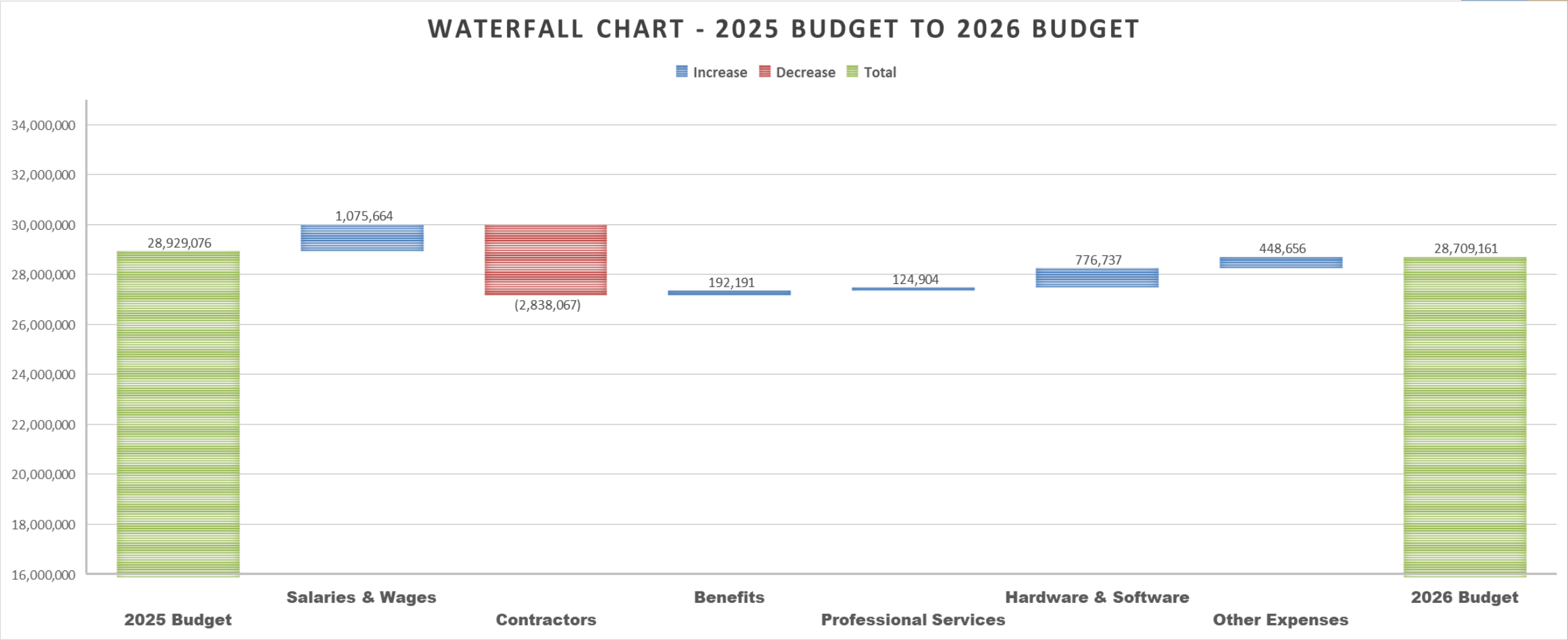
## Professional Services

- Legal
- Accounting & Auditing
- Information Technology
- Actuarial
- Surveys & Inspections
- Other Services

## Other Operating Expenses

- Rent
- Maintenance
- Office Equipment
- Postage
- Telephone
- Travel
- Bureaus and Associations (ISO, PIPSO, TICO)
- Printing and Supplies
- Dues and Subscriptions
- Insurance
- Media and Advertising
- Service Charges (Bank Fees)

# TFPA Gross Expense Categories



# TFPA All Expenses Summary (In 000s)

A		B	C	D	E	F	G	H	I
For the twelve months ended December 31,					Budget FY2026	B2026 vs B2025		B2026 vs F2025	
		Forecast 2025	Budget FY2025	Variance 2025		\$	%	\$	%
Personnel Expenses									
1	Salaries & Wages - Permanent	8,360	8,730	(370)	9,806	1,076	12%	1,446	17%
2	Contractor & Temporary Help	5,856	7,312	(1,455)	4,474	(2,838)	-39%	(1,383)	-24%
3	Payroll Taxes	611	624	(13)	695	71	11%	83	14%
4	Employee Benefits	2,368	2,637	(269)	2,829	192	7%	462	19%
5	Recruiting, Training & Other	176	255	(79)	234	(21)	-8%	58	33%
6	Subtotal	17,371	19,558	(2,186)	18,038	(1,520)	-8%	666	4%
Professional & Consulting Services									
9	Legal	136	122	13	111	(11)	-9%	(25)	-18%
10	Accounting & Auditing	144	144	0	149	5	4%	5	3%
11	Information Technology	1,354	1,554	(200)	1,341	(213)	-14%	(13)	-1%
12	Actuarial Services	22	22	0	24	2	10%	2	10%
13	Ombudsman Program	0	0	0	0	0	0%	0	0%
14	Surveys & Inspections	1,317	1,157	160	1,170	13	1%	(147)	-11%
15	Disaster Recovery Services	2	4	(2)	3	(0)	-3%	2	124%
16	Other Services	1,551	1,651	(100)	1,980	329	20%	429	28%
17	Subtotal	4,526	4,653	(128)	4,778	125	3%	252	6%
19	Hardware/Software Purchases & Licensing	2,455	2,523	(68)	3,300	777	31%	845	34%
20	Rental & Maintenance - Office/Equipment	558	486	72	595	108	22%	37	7%
21	Travel Expenses	140	181	(41)	240	59	33%	100	71%
22	Postage, Telephone and Express	762	604	158	717	112	19%	(45)	-6%
23	Capital Management Expenses	93	102	(9)	101	(1)	-1%	8	8%
24	Depreciation	0	0	0	0	0	0%	0	0%
25	Other Operating Expenses	884	821	63	941	120	15%	56	6%
27	Total Operating Expenses	26,790	28,929	(2,139)	28,709	(220)	-1%	1,919	7%
29	Capitalization of Fixed Assets	0	0	0	0	0	0%	0	0%
30	Reimbursement of Depopulation Servicing Expenses	0	0	0	0	0	0%	0	0%
31	Allocation To ULAE	(8,792)	(10,241)	1,449	(7,651)	2,590	-25%	1,141	-13%
32	Allocation To Investing	(93)	(102)	9	(101)	1	-1%	(8)	8%
33	Net Operating Expense - UW Operations	17,905	18,586	(681)	20,957	2,371	13%	3,052	17%

2026 increase in Salaries and Wages is attributable to the additional full-time employees primarily in the IT and Underwriting departments and the proposed salary increases. Additional information is provided in the Personnel section of this presentation.

Contractor & temporary help decrease is primarily attributable to fewer claims examiners needed to handle claims related to Hurricane Beryl.

The increase in Hardware and Software is attributable to Guidewire Licensing fees and additional Non-production environment fees.

# Historical Operating Expenses by Category

	A	B	C	D	E	G	F	H	I	J	
	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Forecast	2025 Budget	2026 Budget	
1 <b>TOTAL ALL DEPTS</b>											1
2 Personnel Costs	\$15,105,525	\$11,350,250	\$11,065,152	\$10,076,419	\$10,218,143	\$10,868,945	\$17,025,328	\$17,371,345	\$19,557,791	\$18,037,715	2
3 Professional Services	7,519,066	4,938,527	3,975,824	2,293,651	2,275,448	3,056,706	7,561,943	4,525,813	4,653,366	4,778,270	3
4 Hardware & Software Licensing	1,177,267	1,305,467	1,304,142	1,286,390	1,418,291	1,417,429	1,789,544	2,455,442	2,523,429	3,300,166	4
5 Rental & Maintenance - Office/Equipment	748,160	684,883	678,653	670,781	737,988	525,789	539,033	557,723	486,175	594,640	5
6 Travel Expenses	73,599	63,988	10,184	12,302	68,288	114,119	99,896	140,203	180,980	240,303	6
7 Postage, Telephone and Express	423,073	412,485	348,767	452,930	343,499	414,306	654,553	762,112	604,216	716,632	7
8 Capital Management Expenses	84,056	121,667	150,501	164,160	91,250	91,472	91,500	93,250	102,000	100,800	8
9 Other Operating Expenses	551,225	509,274	477,148	435,640	334,825	383,402	609,502	884,464	821,119	940,635	9
10											10
11 <b>GROSS OPERATING EXPENSES</b>	<b>25,681,969</b>	<b>19,386,542</b>	<b>18,010,370</b>	<b>15,392,273</b>	<b>15,487,733</b>	<b>16,872,168</b>	<b>28,371,300</b>	<b>26,790,352</b>	<b>28,929,076</b>	<b>28,709,161</b>	11
12											12
13 Capitalization of Fixed Assets	0	0	0	0	0	0	0	0	0	0	13
14 Reimbursement of Depop Servicing Exp	0	0	0	0	0	0	0	0	0	0	14
15 Allocation To ULAE	(6,845,841)	(3,691,030)	(4,616,029)	(4,757,745)	(3,590,053)	(3,775,983)	(10,078,007)	(8,792,216)	(10,240,931)	(7,651,046)	15
16 Allocation To Investing & Other Exp	(84,056)	(121,667)	(150,501)	(164,160)	(91,250)	(91,472)	(91,500)	(93,250)	(102,000)	(100,800)	16
17 <b>Net Operating Expense</b>	<b>\$18,752,073</b>	<b>\$15,573,845</b>	<b>\$13,243,840</b>	<b>\$10,470,369</b>	<b>\$11,806,430</b>	<b>\$13,004,713</b>	<b>\$18,201,792</b>	<b>\$17,904,886</b>	<b>\$18,586,144</b>	<b>\$20,957,315</b>	17
18											18
19 <b>Direct Earned Premium</b>	<b>104,488,425</b>	<b>90,423,217</b>	<b>82,158,825</b>	<b>77,565,541</b>	<b>75,432,120</b>	<b>92,200,633</b>	<b>169,126,080</b>	<b>283,448,163</b>	<b>295,847,959</b>	<b>345,451,874</b>	19
20 <b>Direct Non Acquisition Expense Ratio</b>	<b>17.9%</b>	<b>17.2%</b>	<b>16.1%</b>	<b>13.5%</b>	<b>15.7%</b>	<b>14.1%</b>	<b>10.8%</b>	<b>6.3%</b>	<b>6.3%</b>	<b>6.1%</b>	20

# Employee Benefits – TFPA

	Description	for the 12 months ended December 31,				Budget 2026 vs Forecast 2025	Budget 2026 vs Budget 2025	
		Forecast FY2025	Budget FY2025	Variance-25	Budget FY2026			
1	Total Salary & Wages	8,359,539	8,729,917	(370,378)	9,805,581	1,446,042	1,075,664	1
2								2
3	Pension Plan	693,672	712,922	(19,250)	697,330	3,657	(15,593)	3
4	401 K Plan	436,839	469,564	(32,725)	528,682	91,844	59,119	4
5	Insurance & Related:						0	5
6	Medical	1,097,244	1,298,015	(200,770)	1,418,057	320,813	120,042	6
7	Dental	66,424	79,400	(12,976)	99,110	32,686	19,710	7
8	Life, LTD, STD & AD&D	58,552	60,810	(2,258)	68,449	9,897	7,640	8
9	All Other (1)	15,171	16,542	(1,371)	17,815	2,644	1,273	9
10	Total Insurance & Related	1,237,391	1,454,765	(217,375)	1,603,430	366,039	148,665	10
11								11
12	Total All Benefit Costs	2,367,902	2,637,252	(269,350)	2,829,442	461,540	192,191	12

The Increase in Employee Benefits resulted primarily from slightly higher contracted rates for Medical Insurance (5%) and a budgeted increase in staff.

(1) All Other Benefits include Vision, EAP, HSA fees, FSA fees, Extended Leave Admin fees

Benefits % to Salaries

30.2%

28.9%

# Consolidated Headcount Summary – TWIA/TFPA

	A	B	C	D	E	F	
	Actual 6/30/2025	Forecast 12/31/2025	Authorized Budget 12/31/2025	Proposed Budget 12/31/2026	B2026 vs F2025	B2026 vs B2025	
1 FTE	238	254	265	289	35	24	1
2 Contractors	144	117	99	43	(74)	(56)	2
3 Total	382	371	364	332	(39)	(32)	3

Note: Headcount is as of end of the period

# Professional & Consulting Services

## 2026 Budget vs. 2025 Forecast vs. 2025 Budget Comparisons

(In 000's)

	A	B	C	D	E	F	
	Forecast 2025	Budget FY2025	Variance 2025	Budget FY2026	Variance B26 vs F25	Variance B26 vs B25	
1 Professional & Consulting Services							1
2 Legal	136	122	13	111	(25)	(11)	2
3 Accounting & Auditing	144	144	0	149	5	5	3
4 Information Technology	1,354	1,554	(200)	1,341	(13)	(213)	4
5 Actuarial Services	22	22	0	24	2	2	5
6 Ombudsman Program	0	0	0	0	0	0	6
7 Surveys & Inspections	1,317	1,157	160	1,170	(147)	13	7
8 Disaster Recovery Services	2	4	(2)	3	2	(0)	8
9 Other Services	1,551	1,651	(100)	1,980	429	329	9
10 Total Gross	4,526	4,653	(128)	4,778	252	125	10
11 Less:							11
12 Capitalized Amount	0	0	0	0	0	0	12
13 ULAE Allocation	(518)	(681)	164	(597)	(79)	84	13
14 Investment Expense Allocation	0	0	0	0	0	0	14
15 Professional Services, Net	4,008	3,972	36	4,181	173	209	15

The decrease in IT Consulting expense in the 2026 budget is attributed to completion of the Guidewire migration to the cloud in April 2025.

Surveys and Inspections exceeded budgets due to the growth in new policies issued and corresponding increase in inspections

Other Services increased primarily due to higher Call Center expenses in UW . It is a result of the increase in the number of policies.

# TFPA Professional Services Top 10 Vendors

		A	B	C	D	E	F	G	H	
		Department/s	Vendor	2025 Forecast	2025 Budget	Variance 2025	2026 Budget	Variance B2026 vs F2025	Variance B2026 vs B2025	
1	Underwriting	Reliable Reports, Inc.	\$	1,061,296	939,913	121,383	986,520	\$ (74,776)	46,607	1
2	Information Technology	Cynosure, Inc. dba Zensar Technologies		543,517	778,834	(235,317)	501,522	(41,994)	(277,312)	2
3	Underwriting	Clear Point Claims, LLC.		528,019	479,186	48,833	559,066	31,046	79,880	3
4	Information Technology	Stratus Technology Services, LLC.		232,427	206,885	25,542	363,274	130,847	156,389	4
5	Underwriting	Marshall & Swift/Boeckh, LLC. (CoreLogic)		343,770	341,635	2,135	262,786	(80,984)	(78,849)	5
6	Underwriting	Insurance Services Office, Inc. (Verisk)		179,159	201,152	(21,993)	247,441	68,282	46,289	6
7	Claims	Xactware Solutions, Inc.		142,326	186,336	(44,010)	183,774	41,448	(2,562)	7
8	Information Technology	Transferpath, LLC.		118,873	131,250	(12,377)	127,500	8,627	(3,750)	8
9	Underwriting	Genesys Cloud Services, Inc.		0	29,750	(29,750)	111,221	111,221	81,471	9
10	Information Technology	DataBank Holdings, LTD		48,221	49,000	(779)	110,500	62,279	61,500	10
11	Various departments	Other Vendors		1,328,204	1,309,425	18,780	1,324,666	(3,538)	15,241	11
12										
13	Total Professional Services			\$	4,525,813	\$	4,653,366	\$	(127,553)	
							\$	4,778,270	\$	252,457
									\$	124,904

- Reduction in IT Consulting services for Cynosure/Zensar Technologies is primarily due to the completion of the Guidewire cloud migration project in April 2025.



# Hardware and Software

## 2026 Budget vs. 2025 Forecast vs. 2025 Budget Comparisons (In 000's)

	A	B	C	D	E	F	
	Forecast 2025	Budget FY2025	Variance 2025	Budget FY2026	Variance B26 vs F25	Variance B26 vs B25	
1 Hardware and Software							1
2 Hardware	49	115	(66)	142	93	27	2
3 Software Licensing Fees	2,407	2,409	(2)	3,158	751	749	3
4 <b>Total Gross</b>	<b>2,455</b>	<b>2,523</b>	<b>(68)</b>	<b>3,300</b>	<b>845</b>	<b>777</b>	4
5 Less:							5
6 Capitalized Amount	0	0	0	0	0	0	6
7 ULAE Allocation	(252)	(231)	(21)	(650)	(398)	(418)	7
8 Investment Expense Allocation	0	0	0	0	0	0	8
9 <b>Hardware &amp; Software, Net</b>	<b>2,203</b>	<b>2,292</b>	<b>(89)</b>	<b>2,650</b>	<b>447</b>	<b>358</b>	9

# All Other Expenses Summary

(In 000s)

	A	B	C	D	E	F	
	Forecast 2025	Budget 2025	Variance 2025	Budget 2026	Variance B26 vs F25	Variance B26 vs B25	
1 All Other Operating Expenses							1
2 Rental & Maintenance - Office/Equipment	558	486	72	595	37	108	2
3 Travel Expenses	140	181	(41)	240	100	59	3
4 Postage, Telephone and Express	762	604	158	717	(45)	112	4
5 Capital Management Expenses	93	102	(9)	101	8	(1)	5
6 Printing & Supplies	385	304	81	310	(75)	6	6
7 Depreciation	0	0	0	0	0	0	7
8 Bank Charges	160	117	43	174	14	58	8
9 Others	339	401	(61)	457	117	56	9
10 Total Gross	2,438	2,194	243	2,593	155	399	10
11 Less:							11
12 Capitalized Amount	0	0	0	0	0	0	12
13 Reimbursement of Depopulation Servicing Fees	0	0	0	0	0	0	13
14 ULAE Allocation	(442)	(372)	(70)	(421)	21	(49)	14
15 Investment Expense Allocation	(93)	(102)	9	(101)	0	(8)	15
16 All Other Operating Expenses, Net	1,903	1,720	182	2,071	176	342	16

**Postage/Courier :** Expense is budgeted to increase due to the actual and projected growth in policy counts, and the postal rate increase that occurred in July 2025.

**Bank Charges:** Bank charges have increased due to higher transaction volumes from Hurricane Beryl and higher policy counts.

# All Other Expenses Details

(In 000s)

Description	for the 12 months ended December 31,				Variance		
	Forecast 2025	Budget FY2025	Variance 2025	Budget FY2026	B26 vs F25	B26 vs B25	
1 Office Rent	500	427	73	494	(5)	67	1
2 Utilities expense	0	0	0	0	0	0	2
3 Equipment/Storage Rental	5	6	(1)	7	2	1	3
4 Office Relocation Expense	0	0	0	0	0	0	4
5 Repair & Maintenance	53	53	0	93	40	41	5
6 Other Office & Equip Expense	0	0	0	0	0	0	6
7 Total Rental & Maintenance	558	486	72	595	37	108	7
8							8
9 Board meetings	85	105	(20)	103	18	(2)	9
10 Storm Related	0	0	0	0	0	0	10
11 Workshops	0	0	(0)	1	1	1	11
12 Other Travel	55	75	(21)	136	81	61	12
13 Total Travel Expenses	140	181	(41)	240	100	59	13
14							14
15 Postage/Courier	529	419	111	594	64	175	15
16 Telephone	233	186	47	123	(110)	(63)	16
17 Total Postage, Tele & Express	762	604	158	717	(45)	112	17
18							18
19 Line of Credit Fees	93	102	(9)	101	8	(1)	19
20 Investment Expense - TTSTC Fees	0	0	0	0	0	0	20
21 Total Capital Mgt Expenses	93	102	(9)	101	8	(1)	21
22							22
23 Boards, Bureaus & Assoc	126	172	(46)	194	67	21	23
24 Printing & Supplies	385	304	81	310	(75)	6	24
25 Dues & Subscriptions	92	101	(9)	148	56	47	25
26 Insurance	106	95	10	94	(11)	(1)	26
27 Media and Advertising	6	20	(14)	6	0	(14)	27
28 Depreciation & Amortization	0	0	0	0	0	0	28
29 Write-offs	0	0	0	0	0	0	29
30 Bank Charges	160	117	43	174	14	58	30
31 Other Expenses	9	12	(3)	15	6	3	31
32 Total Other Operating Exp	884	821	63	941	56	120	32
33							33
34 Total All Other Expenses	2,438	2,194	243	2,593	155	399	34

Decrease in Telephone expense is due to savings associated with the new Genesys phone system.

# TFPA 2026 Proposed Budget - Income Statement

(In 000s)

	A	B	C	D	E	F	
	For the twelve months ended December 31,				B2026 vs B2025	B2026 vs F2025	
	Forecast FY2025	Budget FY2025	Variance 2025	Budget FY2026			
1	Premiums Written:						
2	Direct	\$319,502	\$300,587	\$18,914	\$357,894	\$57,306	\$38,392
3	Premiums Earned:						
4	Direct	\$283,448	\$295,848	(\$12,400)	\$345,452	\$49,604	\$62,004
5	Ceded	(108,556)	(110,410)	1,854	(125,251)	(14,841)	(16,695)
6	Net	174,892	185,438	(10,546)	220,201	34,763	45,309
7	Deductions:						
8	Losses and LAE Incurred	72,383	77,121	(4,738)	79,373	2,252	6,990
9	Operating Expenses	17,905	18,586	(681)	20,957	2,371	3,052
10	Commission Expense	35,945	34,568	1,377	41,158	6,590	5,213
11	Ceding commissions / brokerage	(7,808)	(9,360)	1,552	(8,605)	755	(797)
12	Premium / Maintenance Tax	9	5,501	(5,491)	0	(5,501)	(9)
13	Total Deductions	118,434	126,415	(7,981)	132,883	6,468	14,449
14	Net Underwriting Gain or (Loss)	56,458	59,023	(2,565)	87,318	28,295	30,860
15	Other Income or (Expense):						
16	Gross Investment Income	3,339	4,435	(1,096)	5,378	943	2,039
17	Line of Credit Fees	(93)	(102)	9	(101)	1	(8)
18	Interest Expense on Line of Credit Advance	0	0	0	0	0	0
19	Member Assessment Income	60,144	67,536	(7,392)	0	(67,536)	(60,144)
20	Premium Charge Offs/Write Offs	(979)	(751)	(227)	(895)	(143)	84
21	Billing Fees	1,129	992	137	1,181	189	52
22	Other Income (Expense)	0	0	0	0	0	0
23	Total Other Income or (Expense)	63,539	72,109	(8,570)	5,563	(66,546)	(57,976)
24	Net Income (Loss)	\$119,997	\$131,132	(\$11,135)	\$92,881	(\$38,251)	(\$27,115)
25							

# WRAP UP: QUESTIONS?



## MEMORANDUM

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DATE: September 29, 2025  
TO: David Durden, General Manager  
FROM: Jim Murphy, Chief Actuary  
RE: TFPA Deductible Filing Update

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

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

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

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

JM



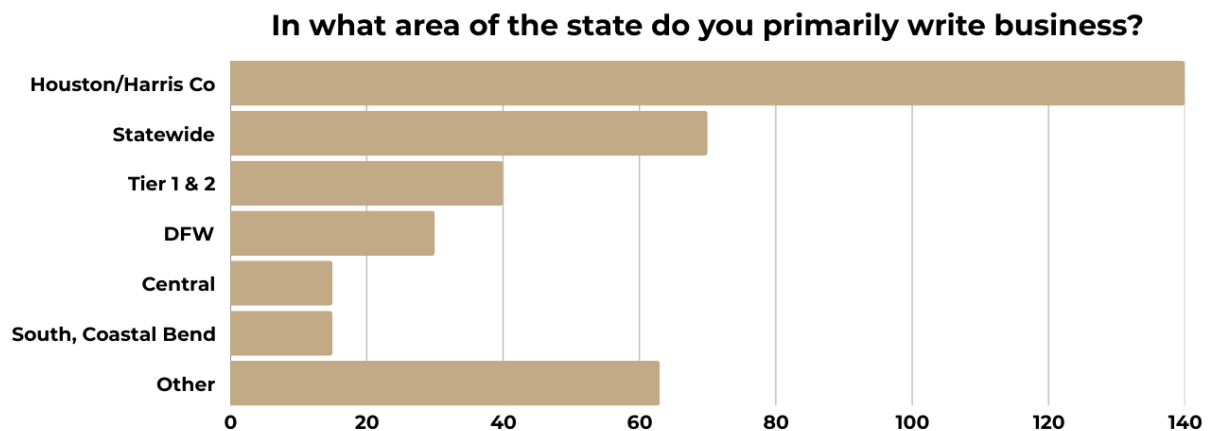
# TFPA Deductible Agent Survey Results

## Overview

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

## Analysis

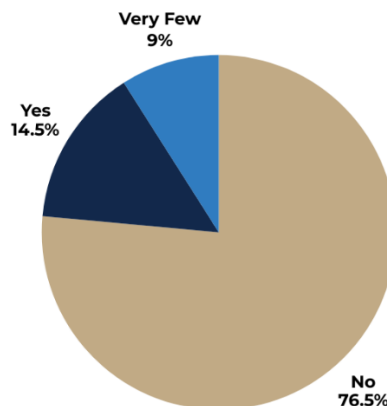
- Geographical spread
  - The responses are spread statewide, but Houston metro, Harris County, and coastal Tier 1 counties come up frequently. These are also the areas where 1% wind deductibles are least available.



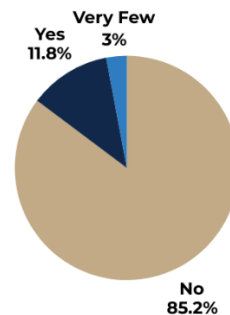
- 1% Wind Deductible
  - 1% Wind Deductibles are mostly obsolete in many areas, especially coastal and urban markets.
  - A clear majority (~70%) report that 1% wind deductibles are not common in their area.
  - Many cited that 2% is now the market standard, with some companies requiring 3% or higher.

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

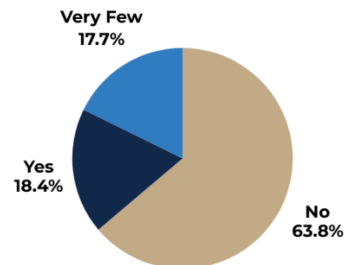
**Statewide**



**Tier 1 and 2, Houston, RGV**



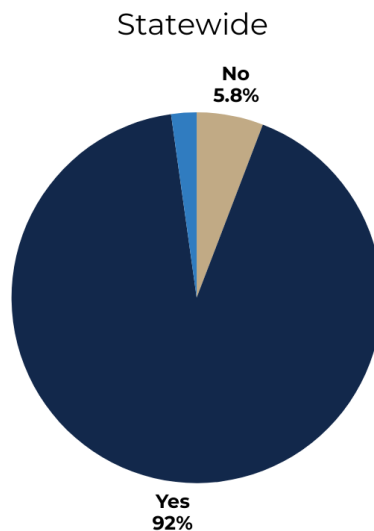
**Rest of Texas**



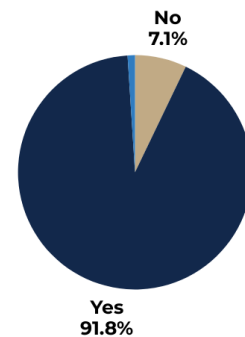


- All Other Perils
  - Almost universal availability of 1% AOP deductibles (over 90% of responses).
  - A few respondents noted that while carriers offer them, policyholders often choose higher deductibles (2–3%) to save on premiums.

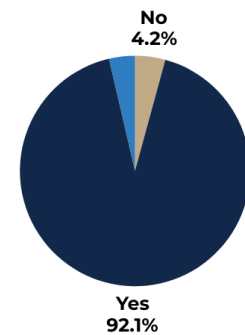
**In your area, is it still common for carriers to offer a 1% All Other Peril deductible option on homeowners' policies?**



Tier 1 and Tier 2  
(Coast and Houston area)



Remainder of State



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