Texas FAIR Plan Association

Statutory Financial Statements and Supplemental Information

Years Ended December 31, 2024 and 2023

ctm Calhoun, Thomson+Matza, LLP
Certified Public Accountants

Texas FAIR Plan Association

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Texas FAIR Plan Association

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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.

Cook, Thurman & Mata, LLP

May 1, 2025

Calhoun, Thomson+Matza LLP
Certified Public Accountants

Austin, Texas
512.439.8400
www.ctmllp.com

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.

Cobb, Thurman & Mata, 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.

Texas FAIR Plan Association

Summary of Significant Accounting Policies
(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)

Texas FAIR Plan Association

Summary of Significant Accounting Policies
(In Thousands)

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.

Texas FAIR Plan Association

Summary of Significant Accounting Policies
(In Thousands)

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.

Texas FAIR Plan Association

Summary of Significant Accounting Policies
(In Thousands)

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.

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").

Excess of Loss. 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.

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

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.

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.

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

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.

Texas FAIR Plan Association

Reinsurance Interrogatories
December 31, 2024
(In Thousands)

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.