

Texas Windstorm Insurance Association

Overview

Prepared by Texas Department of Insurance

September 30, 2020

For Quarter Ending June 30, 2020

Table of Contents

I. Background of Texas Windstorm Insurance Association (TWIA)

Page

- A. Creation and Purpose 4
- B. Legislative Updates 5
- C. Coverage Area 8
- D. Top 10 Counties by the Amount of Direct Insurance in Force for Buildings and Contents (Exhibit A) 10
- E. Member Insurers 11
- F. Loss Payment 11
- G. Assessment History 12

II. Hurricane Information

- A. Hurricanes Impacting Texas Since 2005 (Exhibits B-G) 14
- B. Texas Historical Hurricanes 1900-Present 21

III. Windstorm Insurance Coverage

- A. Eligibility Requirements 22
- B. Inspection Process Regulations 23
- C. Requirements for Certain Noncompliant Structures 25
- D. Additional Requirements for Certain Noncompliant Structures 26
- E. Building Code Credits (Exhibit H) 27

Table of Contents (continued)

	Page
IV. TDI's Windstorm Inspection Program	
A. Overview	28
B. Building Code for Windstorm Resistant Construction: Development, Implementation, and Education	29
V. Operations	
A. Board of Directors	30
B. General Information	30
C. Maximum Limits of Liability	31
D. Rates	32
E. Rate Change History	34
F. Policy Forms	35
G. Deductible Options	35
VI. Statistical Information	
A. Exposures, Policies, and Premiums Written	36
B. TWIA Direct Liability in Force	37
C. Residential Wind Market Share by County (2015-2018)	38
VII. Funding of Excess TWIA Losses	
A. Funding	39
B. Catastrophe Reserve Trust Fund (CRTF)	41
C. CRTF Balance History	42

I. Background of Texas Windstorm Insurance Association (TWIA)

A. Creation and Purpose

- The Texas Legislature created TWIA in 1971 to provide windstorm and hail coverage to those who are unable to obtain insurance from the voluntary insurance market (Texas Insurance Code Chapter 2210). Until 1997, it was known as the Texas Catastrophe Property Insurance Association.
- TWIA was created in response to market conditions along the coast after Corpus Christi was hit by Hurricane Celia in 1970, causing \$500 million in losses.
- The public policy reasons for creating TWIA included ensuring the availability and affordability of insurance along the Texas Gulf Coast, supporting general economic development of our coastal area and the State of Texas.

Background of Texas Windstorm Insurance Association (TWIA) (continued)

B. Legislative Updates

- The 81st and 82nd Texas Legislatures enacted House Bill 4409 and House Bill 3, which included changes to the board composition, funding structure, eligibility requirements, claims processes, and transparency in operations. HB 4409 also specified that TWIA is intended to serve as a residual insurer of last resort and not a competitor in the private market.
- The 83rd Texas Legislature enacted Senate Bill 1702, which modified eligibility requirements for certain residential structures.
- The 84th Texas Legislature enacted
 - SB 900, which includes changes to TWIA's funding structure and board composition, requires TWIA to establish a depopulation program, and requires TDI to conduct a study of market incentives; and
 - SB 498 which indefinitely extends the time in which TWIA may provide coverage for certain noncompliant residential structures.

Background of Texas Windstorm Insurance Association (TWIA) (continued)

The 86th Texas Legislature enacted:

- HB 1900, which:
 - extends some claims handling deadlines
 - describes how losses above premium and other revenue will be paid
 - requires TWIA to publicize its rate adequacy analysis
 - requires member assessments to pay for any reinsurance that TWIA purchases in excess of TWIA's statutory minimum funding level
 - transfers windstorm certifications for completed construction back to TDI
 - creates a funding and funding structure legislative oversight board

- HB 1902, which provides that TWIA's maximum liability limits filing is approved unless the Commissioner disapproves or modifies it within 30 days.

- HB 1944, which changed the extension of claim-related deadlines under Subch. L-1, Ch. 2210 (claim-handling and disputes) to provide more flexibility to TDI to extend deadlines for consumers.

Background of Texas Windstorm Insurance Association (TWIA) (continued)

- SB 615, which enacted several recommendations from the Sunset Advisory Committee including:
 - authorizes supplemental payments on claims
 - requires TWIA to:
 - establish procedures for automatic renewal of policies
 - provide for installment and credit card payments
 - set replacement cost at policy inception
 - to publicly disclose rate adequacy analysis
 - transfers windstorm certifications for completed construction back to TDI
 - revises timing of the assumption reinsurance depopulation program
 - sets procedures for handling TWIA rule proposals
 - requires board training and conflict of interest disclosures.

- HB 1940, which allows eligible surplus lines insurers to provide windstorm and hail insurance regardless of availability through TWIA.

Background of Texas Windstorm Insurance Association (TWIA) (continued)

C. Coverage Area

- **First Tier Coastal Counties**

TWIA provides windstorm and hail insurance in areas exposed to hurricanes and currently provides windstorm and hail coverage in the following 14 “first tier” Texas coastal counties:

Aransas	Brazoria	Calhoun
Cameron	Chambers	Galveston
Jefferson	Kenedy	Kleberg
Matagorda	Nueces	Refugio
San Patricio	Willacy	

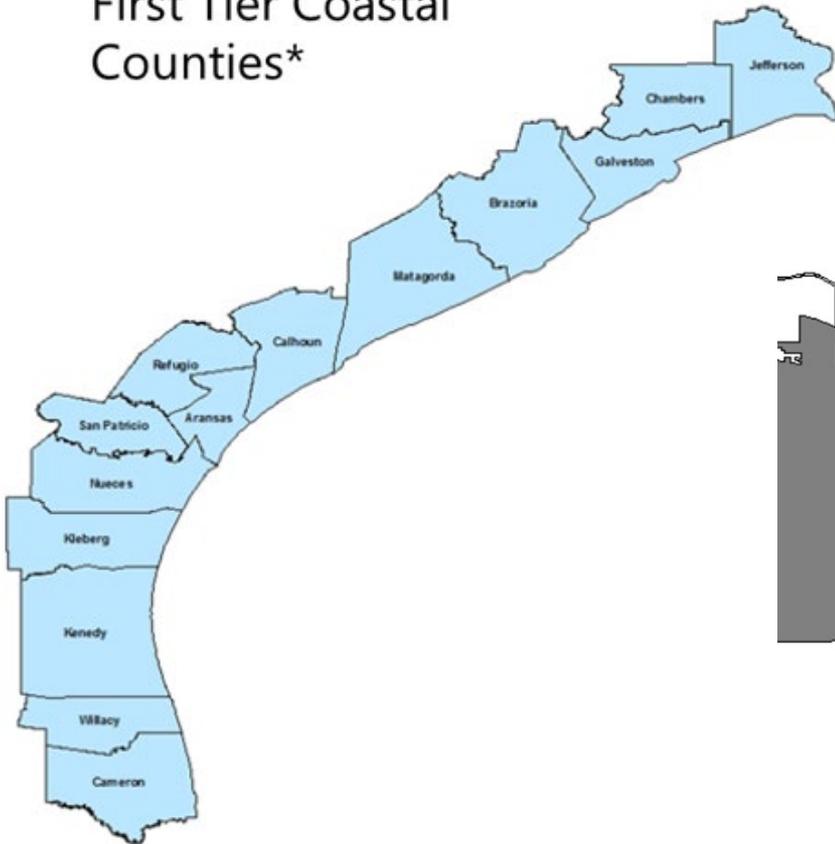
- **Portions of Harris County**

TWIA also provides windstorm and hail coverage for risks that are east of State Highway 146 and that are located in the city limits of certain specifically designated communities in Harris County. These communities are Pasadena, Morgan’s Point, Shoreacres, Seabrook, and La Porte.

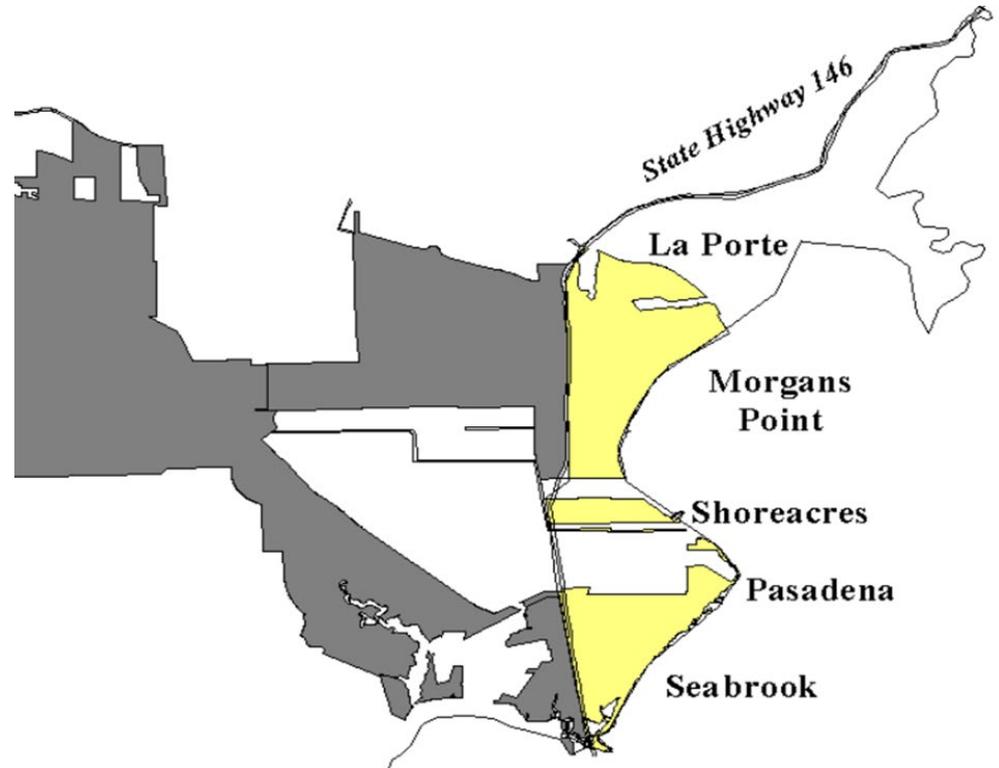
Background of Texas Windstorm Insurance Association (TWIA) (continued)

C. Coverage Area

First Tier Coastal
Counties*



Portions of Harris County*

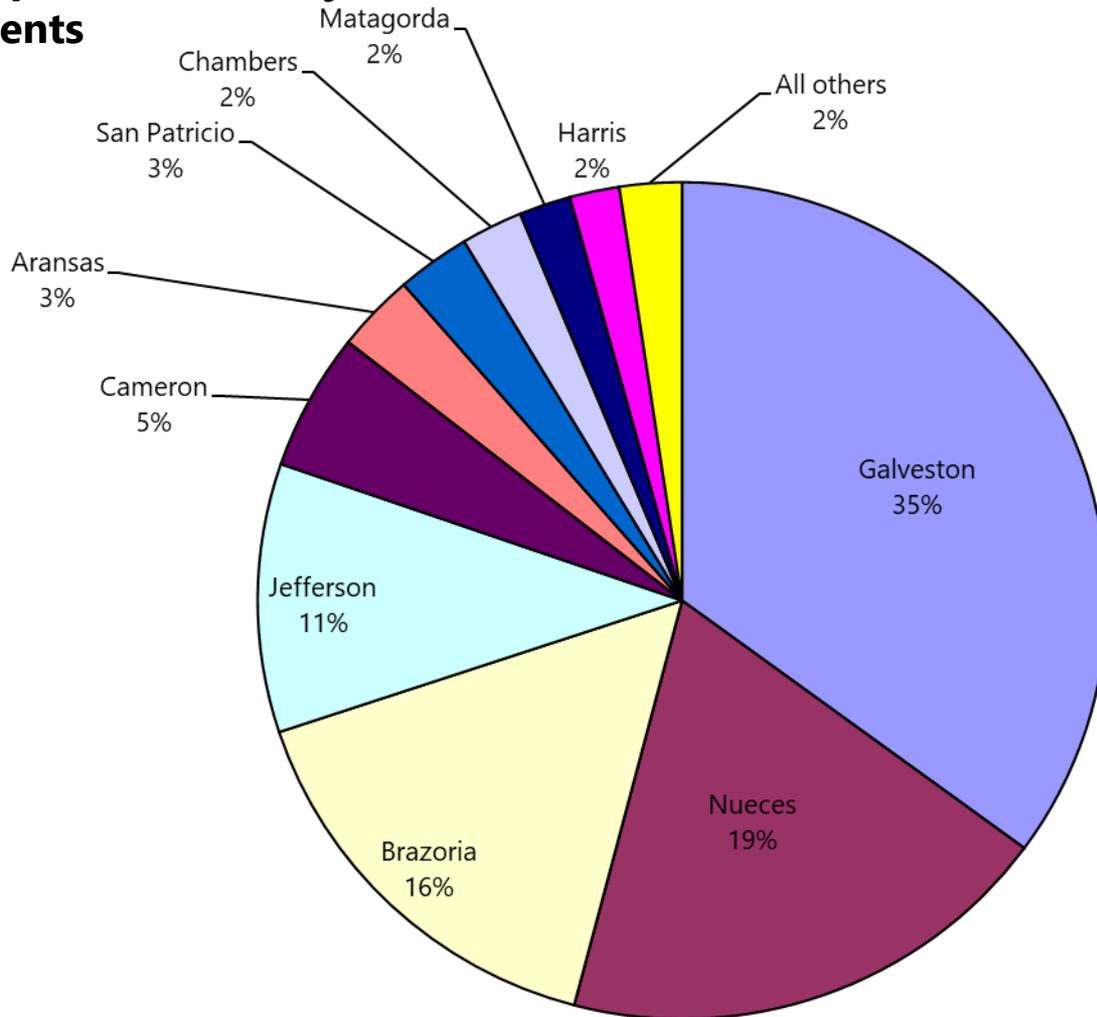


*Maps not to scale

Background of Texas Windstorm Insurance Association (TWIA) (continued)

Exhibit A

D. Top 10 Counties by the Amount of Direct Insurance in Force for Building and Contents



Direct Insurance In Force (Building and Contents)

Galveston	19,189,972,287
Nueces	10,404,112,598
Brazoria	8,653,159,816
Jefferson	5,678,232,669
Cameron	2,904,980,367
Aransas	1,652,593,481
San Patricio	1,532,146,698
Chambers	1,286,448,830
Matagorda	1,076,755,407
Harris	1,034,546,008
All others	\$1,295,954,566

Total \$54,708,902,727

Others Detail:

Calhoun	\$938,717,466
Kleberg	\$173,459,613
Refugio	\$92,451,505
Willacy	\$84,889,641
Kenedy	\$6,436,341

Sub-total \$1,295,954,566

Data Source: Quarterly Statistics Report as of June 30, 2020
From Texas Windstorm Insurance Association

Background of Texas Windstorm Insurance Association (TWIA) (continued)

E. Member Insurers

- TWIA issues insurance policies like an insurance company; however, it also functions as a pooling mechanism.
 - All property insurers licensed in Texas are required to become TWIA *members* as a condition of doing business in the State.
 - An insurer that becomes a member that was not previously a member is not subject to participation in insured losses and operating expenses until the second anniversary of the date on which the insurer first becomes a member.

F. Loss Payment

- Losses covered under TWIA policies are paid by premium and other revenue.
- TWIA losses in excess of premium and other revenue are paid by the Catastrophe Reserve Trust Fund (CRTF), public securities, and available reinsurance. (Refer to Page 36 for a detailed description of TWIA's funding.)

Background of Texas Windstorm Insurance Association (TWIA) (continued)

G. Assessment History

TWIA has made five assessments to its member insurers to pay for excess losses resulting from a major loss event.

- An assessment of \$157 million to member insurers to pay for excess losses resulting from Hurricane Alicia, which struck Galveston Island in 1983. \$57 million of the assessment was subject to premium tax credits based on the statutory funding structure at the time.
- An assessment of \$100 million to member insurers to pay for excess losses resulting from Hurricane Rita, which struck the upper Texas coast in 2005 causing major damage in Jefferson, Chambers, and Galveston counties.
 - Corresponding assessments for each insurer group for the \$100 million assessed, ranged from \$2,954 to \$14,798,886.
- An assessment of \$100 million to member insurers to pay for excess losses resulting from Hurricane Dolly, which struck the lower Texas coast in July of 2008 causing major damage in Cameron and Willacy counties.
 - Corresponding assessments for each insurer group for the \$100 million assessed ranged from \$500 to \$13,761,000.

Background of Texas Windstorm Insurance Association (TWIA) (continued)

- An assessment of \$430 million to member insurers to pay for excess losses resulting from Hurricane Ike, which struck the Texas coast in September 2008 causing major damage in Brazoria, Chambers, Galveston, Harris, Jefferson, and Matagorda counties. \$230 million of the assessment is subject to premium tax credits based on the statutory funding structure in place prior to HB 4409.
 - Corresponding assessments for each insurer group for \$200 million of the assessed amount, ranged from \$2,000 to \$30,484,000.
 - Corresponding assessments for each insurer group for the remaining \$230 million of the assessed amount, ranged from \$2,300 to \$35,056,600.
- Total assessments of \$371.8 million to member insurers to pay for excess losses resulting from Hurricane Harvey, which struck the Texas Coast in August 2017 causing significant damage in Aransas, Refugio, San Patricio, Nueces, and Calhoun Counties. The \$371.8 million consisted of three separate assessments: \$175 million in June 2018; \$106.8 million in August 2018; and \$90 million in February 2020.

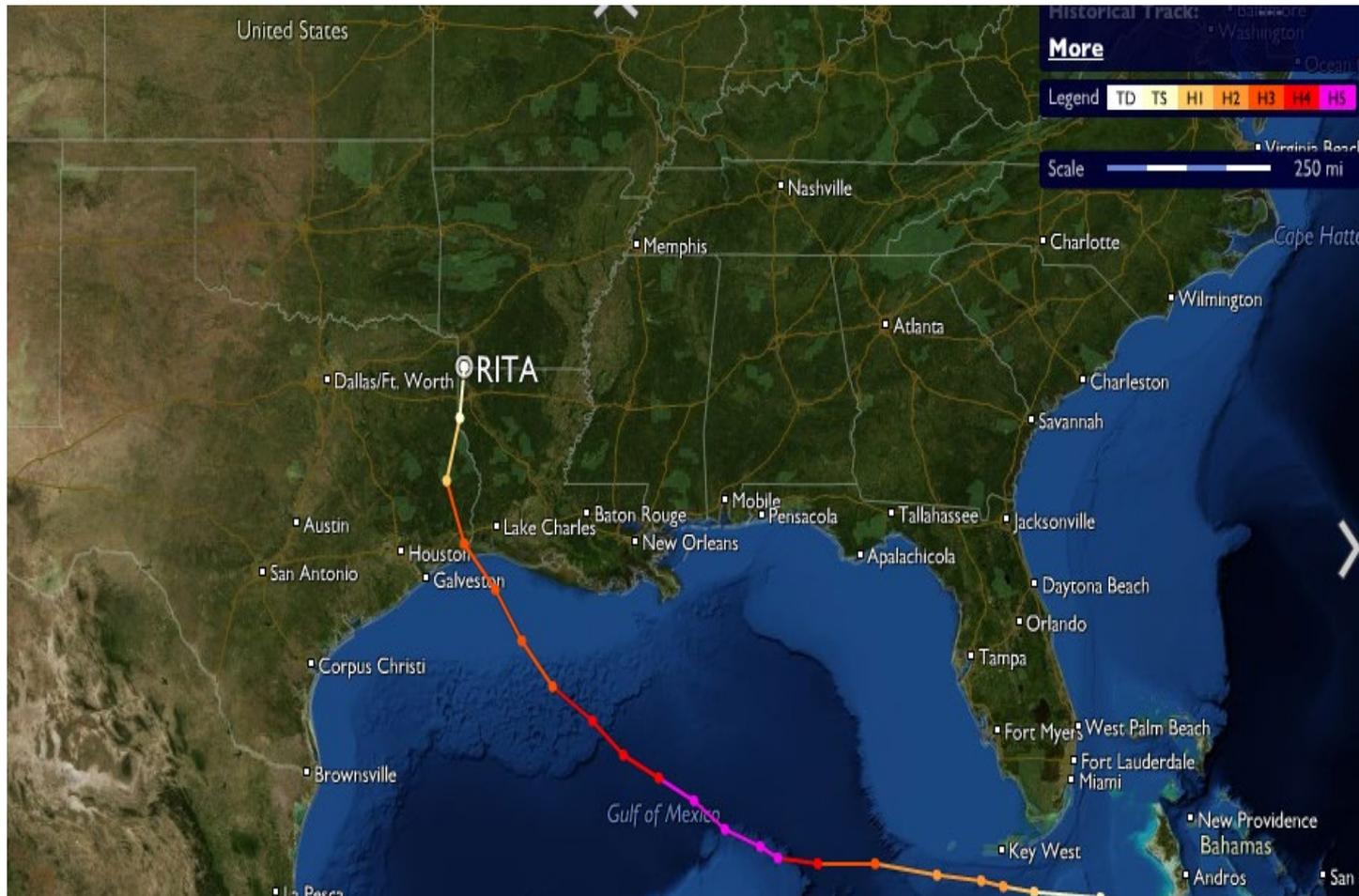
II. Hurricane Information

A. Hurricanes Impacting Texas Since 2005

- **Exhibit B** reflects the path of Hurricane Rita on September 24, 2005.
- **Exhibit C** reflects the path of Hurricane Humberto on September 13, 2007.
- **Exhibit D** reflects the path of Hurricane Dolly on July 23, 2008.
- **Exhibit E** reflects the path of Hurricane Ike on September 13, 2008.
- **Exhibit F** reflects the path of Hurricane Alex on June 30, 2010.
- **Exhibit G** reflects the path of Hurricane Harvey on August 25, 2017.

Path of Hurricane Rita – September 24, 2005

Exhibit B



Hurricane Rita made landfall between Sabine Pass, Texas and Johnsons Bayou, Louisiana on September 24, 2005, as a Category 3 hurricane with winds at 115 mph. Reported losses and loss adjustment expenses for TWIA were approximately \$160 million.

Source: Texas Windstorm Insurance Association

Path of Hurricane Humberto – September 13, 2007 Exhibit C



Hurricane Humberto made landfall on High Island, TX on September 13, 2007, as a minimal Category 1 hurricane with 90 mph winds. Reported losses and loss adjustment expenses for TWIA were approximately \$11.7 million.

Source: Texas Windstorm Insurance Association

Path of Hurricane Dolly – July 23, 2008

Exhibit D



Hurricane Dolly made landfall on South Padre Island at 1:00 PM CDT, July 23, 2008, as a Category 2 hurricane with 100 mph winds. Hurricane Dolly is considered to be the most destructive hurricane to hit the Rio Grande Valley in 41 years. TWIA estimates ultimate losses and loss adjustment expenses will total \$327.2 million.

Source: Texas Windstorm Insurance Association

Path of Hurricane Ike – September 13, 2008

Exhibit E

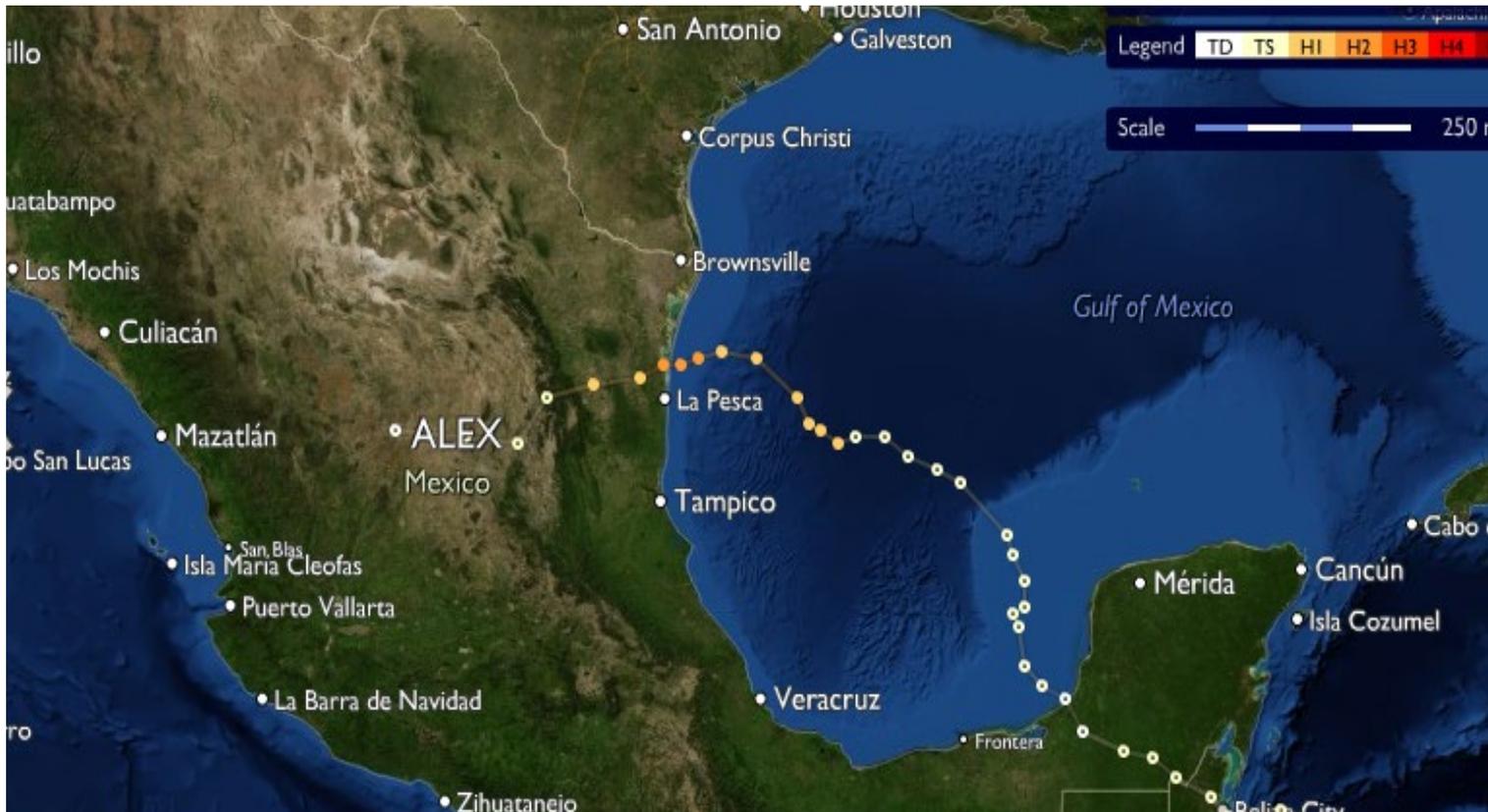


Hurricane Ike made landfall on Galveston Island at 2:10 AM CDT, September 13, 2008, as a strong Category 2 hurricane, with sustained winds of 110 mph. TWIA received 93,065 claims and estimated its losses and loss adjustment expenses to be \$2.6 billion.

Source: Texas Windstorm Insurance Association

Path of Hurricane Alex – June 30, 2010

Exhibit F

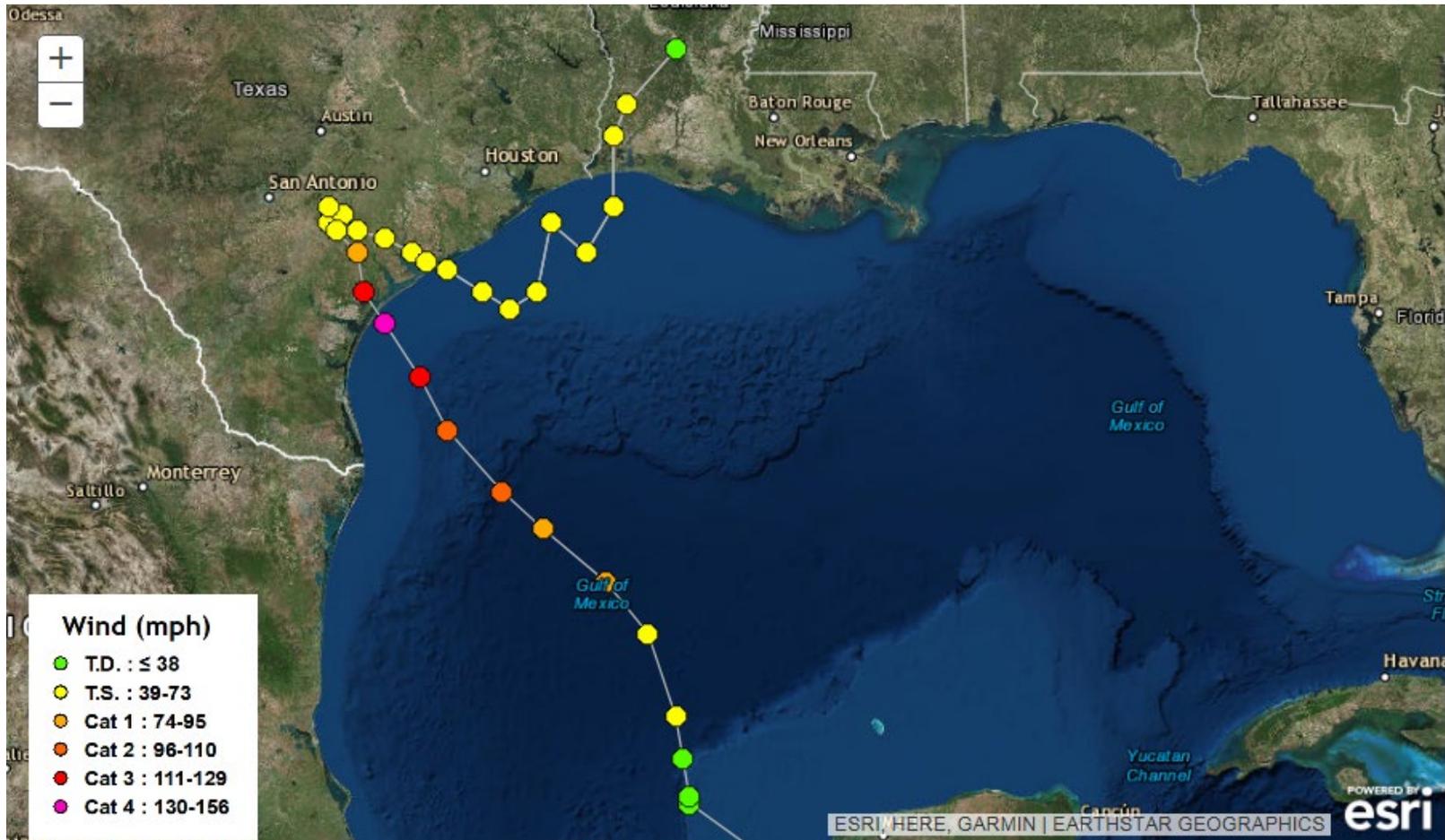


Hurricane Alex made landfall on the northeastern coast of Mexico on June 30, 2010, as a Category 2 hurricane, with sustained winds of 105 mph. TWIA has received 614 claims. TWIA estimates ultimate losses and loss adjustment expenses will total \$3.2 million.

Source: Texas Windstorm Insurance Association

Path of Hurricane Harvey – August 25, 2017

Exhibit G



Hurricane Harvey first made landfall on San Jose Island and then near the Rockport and Fulton, TX area around 10 PM CDT, August 25, 2017, as a Category 4 hurricane, with sustained winds of 130 mph. Harvey made its final landfall near Cameron, LA on August 30, 2017, as a tropical storm. TWIA has received 71,543* claims as of June 30, 2020 and estimates its ultimate losses and loss adjustment expenses will total \$1.7 billion.

*This count excludes unverified or no policy in force claims for TWIA.
Source: Texas Windstorm Insurance Association

Hurricane Information (continued)

B. Texas Historical Hurricanes 1900-Present

- **Saffir/Simpson Category**

Area	Category Number					All	Major
	1	2	3	4	5	1, 2, 3, 4, 5	3, 4, 5
Texas	14	11	10	8	0	43	18

- **Number of Category 3, 4, or 5 Hurricanes Occurring by Month**

Area	June	July	August	September	October	November
Texas	1	1	9	7	0	0

- **Saffir/Simpson Scale**

Type	Category	Damage	Pressure	Winds	Summary
Depression	>35	
Tropical Storm	39-73	
Hurricane	1	Minimal	>28.94	74-95	Very dangerous winds will produce some damage
Hurricane	2	Moderate	28.50-28.91	96-110	Extremely dangerous winds will cause extensive damage.
Hurricane	3	Extensive	27.91-28.47	111-130	Devastating damage will occur.
Hurricane	4	Extreme	27.17-27.88	131-155	Catastrophic damage will occur.
Hurricane	5	Catastrophic	<27.16	>155	Catastrophic damage will occur.

A storm surge scale is not available at this time, however, NOAA is working to enhance the analysis and predictions of storm surge.

III. Windstorm Insurance Coverage

A. Eligibility Requirements

An applicant for new or renewal coverage on a structure to be written through TWIA must comply with one of the following:

- Inspection Process Regulations (refer to Page 22), or
- Requirements for Certain Noncompliant Structures (refer to Page 24), **and**

The applicant must also comply with the following requirements to be eligible for coverage:

- **Declination:** Must have at least one declination of coverage from a licensed insurer that is writing new or renewal property insurance policies that provide windstorm and hail insurance coverage in the first tier coastal counties.

A declination may also be an offer of a policy that includes coverage for the perils of windstorm and hail that is not substantially equivalent to the coverage offered by TWIA. A policy is not substantially equivalent to a TWIA policy if the policy that is being offered does not provide the basic coverages that the applicant is seeking.
- **Flood Insurance:** If the structure was constructed, altered, remodeled, or enlarged on or after September 1, 2009, and is located in Zone V, Zone VE, or Zones V1-V30, the applicant must provide evidence of a flood insurance policy, if flood insurance is available through the National Flood Insurance Program. This requirement does not apply to repairs.
- **Underwriting:** Must comply with all other underwriting requirements for TWIA.

Windstorm Insurance Coverage (continued)

B. Inspection Process Regulations

- A homeowner, builder, or agent can request inspection of a structure by contacting either the TDI Windstorm Inspection Office or a Texas Licensed Professional Engineer.
- As of June 1, 2020, TDI certifies both ongoing and completed improvements.¹
 - For an **ongoing improvement**, an "Application for Windstorm Building Inspection" (WPI-1) starts the inspection process.
 - An Appointed Qualified Inspector or a TDI windstorm inspector can inspect the work to verify compliance with applicable building codes.
 - An Appointed Qualified Inspector completes the "Inspection Certification" (WPI-2) and sends it to TDI windstorm intake.
 - A TDI windstorm inspector completes the "Field Form" (WPI-7).
 - A building must comply with building codes for TDI to issue a "Certificate of Compliance" (WPI-8).

1. SB 615 transferred responsibility for issuing windstorm certificates of compliance for completed improvements to TDI, effective June 1, 2020. TWIA issued certificates for completed improvements from January 2017 through May 2020.

Windstorm Insurance Coverage (continued)

- For a **completed improvement**, an “Application for Certificate of Compliance” (WPI-2E) starts the inspection process.
 - A Texas Licensed Professional Engineer can inspect the work to verify compliance with applicable building codes.
 - The Professional Engineer creates a sealed design or a post construction evaluation report and submits to TDI Windstorm Intake.
 - TDI processes the WPI-2E and issues a “Certificate of Compliance for Completed Improvement” (WPI-8E).
- TDI approves structures that meet the building codes and issues a Certificate of Compliance (WPI-8/WPI-8E). TWIA requires a certificate for a structure to be eligible for wind and hail coverage.
- Additions, alterations, re-roofs, or other repairs to a structure must comply with required windstorm building codes to continue to qualify for coverage through TWIA.
- Structures constructed before January 1, 1988, are not required to have a WPI-8 for coverage through TWIA.

Windstorm Insurance Coverage (continued)

C. Requirements for Certain Noncompliant Structures

- The 83rd Texas Legislature enacted SB 1702 which modified eligibility requirements for certain residential structures that did not go through the windstorm inspection process and are missing one or more WPI-8s for construction on or after January 1, 1988.
- TWIA may provide coverage for residential structures constructed on or after January 1, 1988, and prior to June 19, 2009, that did not go through the inspection process and obtain a WPI-8 for all construction and repairs during this time period. Policies are subject to a 15 percent surcharge.
- TWIA may also provide coverage to residential structures that were insured in the voluntary market on or after June 19, 2009, if the insurer cancels or nonrenews and all construction and repairs begun after the date of cancellation have a WPI-8. Policies are subject to a surcharge based on the rate charged in the voluntary market.
- The 84th Texas Legislature enacted SB 498 which permits TWIA to indefinitely issue or renew policies for these types of noncompliant residential structures.

Windstorm Insurance Coverage (continued)

D. Additional Requirements for Certain Noncompliant Structures

- **Subsequent Additions, Alterations, Re-Roofs, or Other Repairs**

Consistent with the current requirements for TWIA insurability of structures qualifying for coverage through the inspection process, any subsequent additions, alterations, re-roofs, or other repairs to a structure that is insured with TWIA must also comply with required windstorm building code specifications for continued coverage from TWIA.

- **Structures Not Eligible for Building Code Credits**

- All policies covering residential property that qualify under the noncompliant provisions are not eligible for credits for building code compliance under 28 TAC § 5.4700.
- The credits for building code compliance range from 19 percent to 33 percent depending on where the risk is located and which building code the risk is constructed to meet. For example, a risk located in Inland I (Inland I includes specific areas of a county that is inland from the Intracoastal Canal and within 25 miles of the Texas Coast) that is constructed to meet the International Residential Building Code for Seaward (areas seaward of the Intracoastal Canal) risks would be eligible for a 31 percent credit.
- Please refer to Exhibit H for additional information on Building Code Credits.

Windstorm Insurance Coverage (continued)

Exhibit H

E. Building Code Credits

Apply the factors listed below to the Modified EC Premium, independent of any other adjustments.

The following credits shall be provided to **dwelling policies** where the dwelling was constructed to, or exceeding the standards of the Building Code for Windstorm Resistant Construction or the International Residential Code (IRC)/International Building Code (IBC) as modified by the Texas Department of Insurance (TDI). TDI will provide a form WPI-8, building code certificate of compliance, which will indicate the code to which the structure was built. Credits will be applied per the table below, with the IRC/IBC code credits applied to policies effective on or after September 1, 1998, as appropriate. **Retrofit credits** apply to homes built prior to September 1, 1998, or February 1, 2003, as applicable, and retrofitted with exterior opening protections that meet the windborne debris criteria standards of either the Building Code for Windstorm Resistant Construction, the International Residential Code, or the International Building Code.

LOCATION OF RISK	BUILDING CODE STANDARD	WINDSTORM RESISTANT CONSTRUCTION EFFECTIVE 9/1/98		INT'L. RESIDENTIAL CODE & INT'L. BUILDING CODE EFFECTIVE 2/1/2003	
		DWELLING DISCOUNT	PERSONAL PROPERTY DISCOUNT	DWELLING DISCOUNT	PESONAL PROPERTY DISCOUNT
Seaward	Seaward	26%	20%	28%	23%
Inland I	Inland I	24%	19%	26%	21%
Inland I	Seaward	29%	23%	31%	25%
Inland II	Inland II	0%	0%	26%	20%
Inland II	Inland I	27%	21%	28%	23%
Inland II	Seaward	32%	25%	33%	28%
All Designated Catastrophe Areas	Retrofit	10%	10%	10%	10%

IV. TDI's Windstorm Inspection Program

A. Overview

Because of the extent of damage caused by Hurricane Alicia in 1983, it became apparent that applicable building codes were not being enforced. Therefore, the Windstorm Inspection Program at TDI was created by HB 2012, effective January 1, 1988.

The Windstorm Inspection Program is responsible for determining compliance of structures located in the first tier coastal counties of Texas Gulf Coast and portions of Harris County, east of Highway 146. The Inspection Program has field offices located along the Texas Coast to provide inspection services upon request.

Beaumont (Jefferson and Chambers Counties)

5550 Eastex Freeway, Suite F, 77708
(800) 248-6032, option 4, then option 1
(409) 832-7580 FAX

Angleton (Brazoria, Calhoun, and Matagorda Counties)

209 E. Mulberry, Suite 500, 77515
(800) 248-6032, option 4, then option 3
(979) 848-1237 FAX

La Marque (Galveston and Harris Counties)

7124 Autry Road, 77568
(800) 248-6032, option 4, then option 2
(409) 986-5802 FAX

Corpus Christi (Cameron, Willacy, Kenedy, Nueces, Refugio, Kleberg, San Patricio, and Aransas Counties)

606 North Carancahua Street, Suite 200, 78401
(800) 248-6032, option 4, then option 4
(361) 881-9479 FAX

TDI's Windstorm Inspection Program (continued)

B. Building Code for Windstorm Resistant Construction: Development, Implementation, and Education

Damage from Florida's Hurricane Andrew in 1992 was key to the adoption of a new building code in Texas for the first tier counties along the Texas Gulf Coast.

After five years of research and development by TDI engineers and with the assistance of Texas Tech Engineering Department, TDI adopted the new Texas Windstorm Insurance Association Building Code for Windstorm Resistant Construction. This code was based on a nationally recognized design standard, ASCE-7, and became effective September 1, 1998.

The Texas Windstorm Insurance Association Building Code was continually updated to provide the most current wind resistant design and construction methods.

In January 2003, TDI adopted the 2000 International Residential Code (IRC) and the 2000 International Building Code (IBC) as amended by the Texas Revisions as the building standards for windstorm resistant construction, which became effective February 1, 2003.

In July 2004, the Commissioner adopted the 2003 IRC and IBC as amended by the Texas Revisions, which became effective January 1, 2005.

In July 2007, the Commissioner adopted the 2006 IRC and IBC as amended by the Texas Revisions, which became effective January 1, 2008.

In March 2020, the Commissioner adopted the 2018 IRC and IBC which became effective April 1, 2020. In April, due to COVID-19, the effective date was changed to September 1, 2020.

V. Operations

A. Board of Directors

The Board consists of nine members appointed by the Commissioner and includes:

- three insurance representatives whose companies write windstorm and hail insurance in the first tier coastal counties,
- three first tier coastal county members, including a licensed property and casualty agent, and
- three members who reside more than 100 miles from the Texas coastline.

B. General Information

- TWIA's General Manager directs the day-to-day operations.
- TWIA operates somewhat like an insurance company.
- Policies are issued directly by TWIA.
- Claims and operating expenses are paid from premiums collected.

Operations (continued)

C. Maximum Limits of Liability

The maximum limits of liability for policies are set by statute and subject to inflation indexed adjustments on an annual basis.

- Limits are as follows:

Effective	Dwellings	Contents of an Apartment, Condominium, or Townhouse	Commercial Risks	Public Buildings
January 1, 2020	\$1,773,000	\$374,000	\$4,424,000	\$4,424,000

Operations (continued)

D. Rates

Annual Rate Filings (Residential/Commercial)

- The association must file proposed rates with TDI by August 15 of each year.
- Unless rates are file and use, the Commissioner must:
 - provide interested persons an opportunity to review the filing, submit written comments, and request additional supporting information related to the filing; and
 - approve or disapprove the filing by October 15.
- Average rate change is capped at 10 percent higher or lower than the rate in effect on the date the filing is made.
- The rate for an individual rating class is capped at 15 percent higher or lower than the rate in effect on the date the filing is made.
- The caps can be removed, subject to notice and hearing, after a catastrophe to ensure rate adequacy in the catastrophe area and availability of insurance outside the catastrophe area.

Other-Than-Annual Rate Filings (Residential/Commercial)

- The association may also submit rate filings at any other time of the year.
- Unless rates are file and use, the Commissioner must approve or disapprove on or before the 30th day after date of filing.

Operations (continued)

Rates are File and Use if:

- filed 30 days in advance,
- rate change is 5 percent or less of rate in effect on date filing is made,
- individual class rate change is less than 10 percent of rate in effect on date filing is made, and
- for other than annual rate filings, the Commissioner has not disapproved the filing in writing.

Rates are Prior Approval if:

- rate change is greater than 5 percent of rate in effect on date filing is made, or
- individual class rate change greater than or equal to 10 percent of rate in effect on date filing is made.

Operations (continued)

E. Rate Change History

Year or Effective Date	Residential	Commercial
1988	-5.4%	-15.0%
1989	0.0%	0.0%
1990	3.1%	-2.1%
1991	25.0%	-2.0%
1992	-54.0%	-22.9%
1993	30.0%	0.0%
1994	0.0%	0.0%
1995	25.0%	0.0%
1996	0.0%	0.0%
1997	0.0%	0.0%
1998	0.2%	-3.0%
1999	-9.4%	0.0%
2000	8.7%	9.0%
2001	18.5%	4.0%
2002	0.0%	5.0%
1/1/2003	0.0%	10.0%
1/1/2004	9.6%	10.0%
1/1/2005	0.0%	10.0%
1/1/2006	0.0%	5.0%
7/1/2006	3.1%	8.0%
1/1/2007	4.2%	3.7%
2/1/2008	8.2%	5.4%
2/1/2009	12.3%	15.6%
1/1/2011	5.0%	5.0%
1/1/2012	5.0%	5.0%
1/1/2013	5.0%	5.0%
1/1/2014	5.0%	5.0%
1/1/2015	5.0%	5.0%
1/1/2016	5.0%	5.0%
1/1/2017	0.0%	0.0%
1/1/2018	5.0%	5.0%
1/1/2020	0.0%	0.0%
1/1/2021	0.0%	0.0%

Notes:

1992 - Elimination of 400% beach / 25% inland surcharges

1993 - Addition of 30% to residential benchmark rates

2002 - Separation of residential rates from benchmark rates

2009 - 10% cap removed due to catastrophes

August 2009 - TWIA submitted a rate filing requesting a 10% increase in its residential and commercial rates. This filing was disapproved in October 2009 with the finding that some modest increase of less than 10% may be more prudent and reasonable.

August 2018 - TWIA submitted a rate filing requesting a 10% increase in its residential and commercial rates. In October 2018, Governor Abbott suspended the provisions of TWIA's rate statute as necessary to delay any decision to approve or disapprove the filings. This suspension remained in effect until June 16, 2019. TWIA withdrew the filings on May 30, 2019.

Operations (continued)

F. Policy Forms

Policy Form, Endorsement, and Manual Rule Filings

- Policy forms, endorsements, and manual rules are approved specifically for use by TWIA.
- TAC § 5.4911 was adopted to establish a procedure to approve TWIA policy forms, endorsements, manual rules, and application forms. Requires submissions to be posted for public comment and allows for public hearing if requested.

G. Deductible Options

Residential Risks: Deductible options of \$100, \$250, or 1% are available unless an optional large deductible is selected.

NOTE: Adjustment percentages must be applied to calculate the rate for \$100 and \$250 deductibles.

Optional large deductibles of 1½%, 2%, 2½%, 3%, 4%, or 5% are available and are subject to the appropriate premium credits.

Commercial Risks and Public Buildings: A per occurrence deductible of 1% per item applies, unless an optional 2% or 5% deductible is selected, and the deductible percentages are subject to the appropriate premium credits.

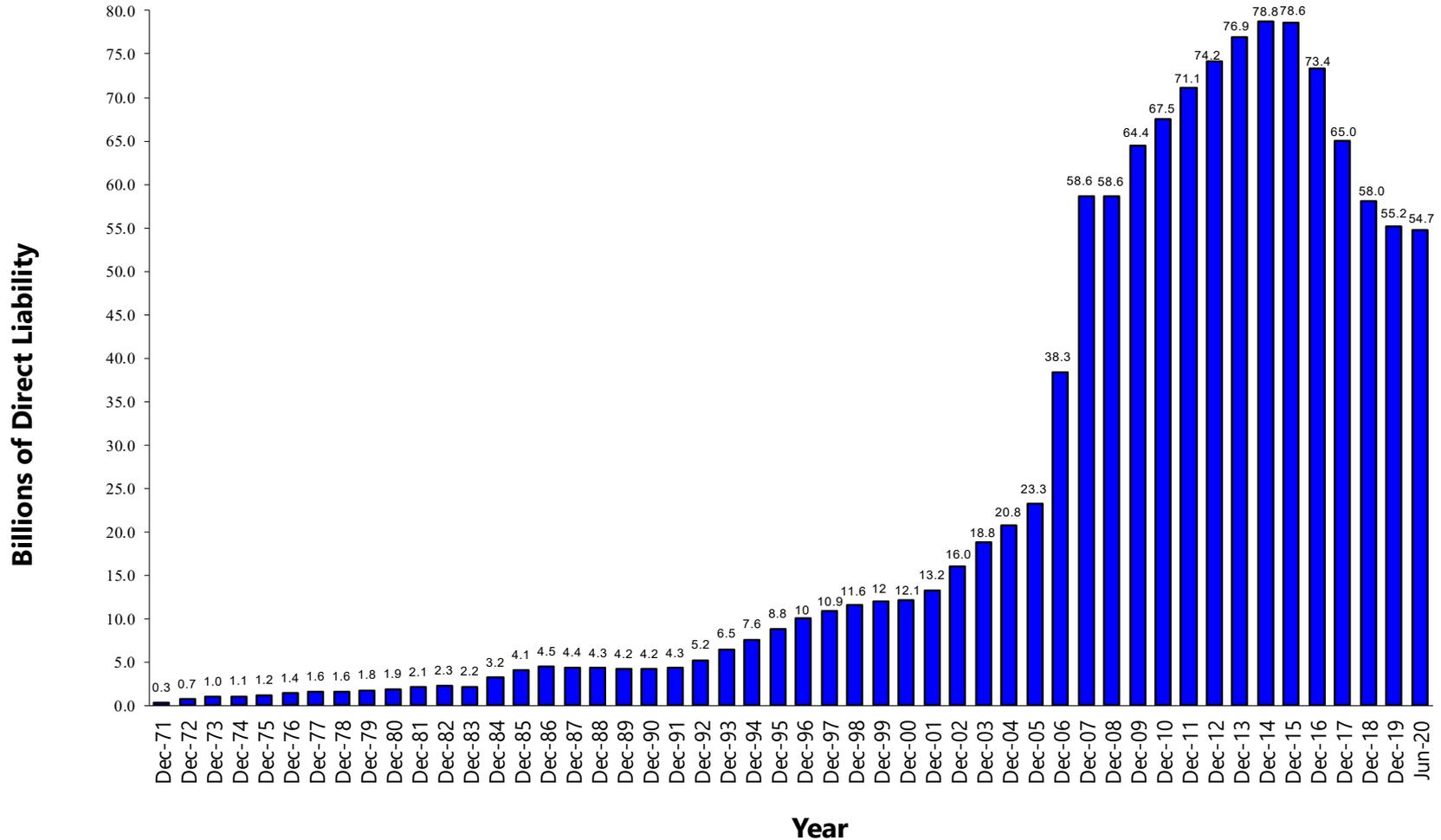
VI. Statistical Information

A. Exposures, Policies, and Premiums Written

		As of 6/30/19	As of 12/31/19	As of 6/30/20
Total Direct Liability in Force	Dwelling	\$49,985,574,820	\$49,399,669,144	\$48,834,199,102
	Mobile Home	\$38,263,406	\$37,985,271	\$39,359,172
	Non-Dwelling	<u>\$6,089,319,391</u>	<u>\$5,752,160,132</u>	<u>\$5,835,344,453</u>
	Total	\$56,113,157,617	\$55,189,814,547	\$54,708,902,727
Total Indirect Liability in Force	Dwelling (Additional Living Expense)	\$5,781,556,582	\$5,703,161,243	\$5,622,812,909
	Non-Dwelling (Business Income Total)	<u>\$125,322,979</u>	<u>\$119,609,698</u>	<u>\$116,091,876</u>
	Total	\$5,906,879,560	\$5,822,770,941	\$5,738,904,785
Total Policies in Force	Dwelling	185,416	181,446	178,188
	Mobile Home	710	694	681
	Non-Dwelling	<u>7,376</u>	<u>7,063</u>	<u>6,605</u>
	Total	193,502	189,203	185,474
Premiums Written on Policies in Force, Year to Date	Dwelling	\$156,871,134	\$312,048,822	\$153,016,220
	Mobile Home	\$517,271	\$953,858	550,804
	Non-Dwelling	<u>\$33,319,734</u>	<u>\$59,020,379</u>	<u>\$31,680,165</u>
	Total	\$190,708,139	\$372,023,059	\$185,247,189
Premiums Written During Quarter	Dwelling	\$95,051,522	\$62,200,299	\$92,696,320
	Mobile Home	\$326,578	\$163,075	\$350,269
	Non-Dwelling	<u>\$20,552,385</u>	<u>\$11,456,708</u>	<u>\$17,609,403</u>
	Total	\$115,930,485	\$73,820,082	\$110,655,992

Source: Quarterly Liability Reports as of 6/30/19, 12/31/19 and 6/30/20 from Texas Windstorm Insurance Association

TWIA Direct Liability in Force December 31, 1971 – June 30, 2020



Data Source: Quarterly Liability Report as of June 30, 2020 from Texas Windstorm Insurance Association

Statistical Information (continued)

C. Residential Wind Market Share by County (2017 – 2019)

TEXAS WINDSTORM INSURANCE ASSOCIATION			
2017-2019 RESIDENTIAL WIND MARKET SHARE BY COUNTY			
(As measured by Insured Exposures for Dwelling and Contents)			
County	2017	2018	2019
Aransas	70%	61%	53%
Brazoria	43%	37%	32%
Calhoun	73%	71%	67%
Cameron	24%	19%	16%
Chambers	47%	38%	33%
Galveston	64%	57%	54%
Harris ¹	55%	53%	49%
Jefferson	53%	45%	41%
Kenedy	21%	19%	19%
Kleberg	19%	16%	16%
Matagorda	64%	57%	52%
Nueces	56%	49%	46%
Refugio	23%	20%	22%
San Patricio	55%	45%	41%
Willacy	21%	19%	17%
Total Catastrophe Area	51%	45%	41%

¹Only includes those portions of Harris County designated as a catastrophe area.

Source: Texas Department of Insurance

Residential Property Statistical Plan Data

VII. Funding of Excess TWIA Losses

A. Funding

TWIA losses in excess of premiums and other revenue are funded as follows:

- Available reserves and available amounts in the Catastrophe Reserve Trust Fund (Balance as of 6/30/2020 - \$177,112,103.01)
- Up to \$500 million in new Pre- or Post-Event Class 1 Public Securities authorized*
- Up to \$500 million in Class 1 assessments of member insurers authorized
- Up to \$250 million in Class 2 public securities authorized
- Up to \$250 million in Class 2 assessments of member insurers authorized
- Up to \$250 million in Class 3 public securities authorized
- Up to \$250 million in Class 3 assessments of member insurers authorized

TWIA's reinsurance must pay after all other available funding, i.e., after class 3 assessments. TWIA must maintain a funding level in an amount not less than the probable maximum loss for a catastrophe year with a probability of one in 100.

NOTE: Reinsurance program in effect June 1, 2020, through May 31, 2021: Reinsurance available in the amount of \$2.1 billion in excess of a \$2.1 billion retention. The \$2.1 billion in reinsurance includes \$1.1 billion in traditional reinsurance and \$1 billion in catastrophe bonds, which are a type of reinsurance.

Public securities issued after September 1, 2015, are paid from TWIA's premiums and surcharges on TWIA policies, unless the Commissioner approves coastal surcharges to pay for class 2 or class 3 public securities. The Series 2014 Pre-Event Class 1 bonds* are paid from TWIA's premiums.

Coastal Surcharges. If the Commissioner finds that class 2 or class 3 public securities that are paid from TWIA premiums and surcharges on TWIA policies cannot be issued, or it is financially unreasonable to issue such public securities, then the Commissioner must order that the class 2 or class 3 public securities are payable from a surcharge on all policies insuring property or automobiles located in the areas where TWIA operates.

*On September 30, 2014, the Texas Public Finance Authority issued \$500 million in pre-event class 1 bonds on behalf of TWIA. The bonds mature in June 2024. TWIA spent the proceeds of these pre-event bonds to help pay for claims from Hurricane Harvey.

Funding of Excess TWIA Losses (continued)

Member insurer assessments are indexed to an individual insurer's share of the overall Texas property insurance market.

- The greater an insurer's share of the Texas market, the greater its potential for loss assessments.
- *Credits* reduce loss assessments and are given if member insurers voluntarily write insurance in the areas where TWIA operates.

Member insurers may **not** credit a class 1, class 2, or class 3 assessment against premium taxes paid.

Currently, funding for TWIA losses in excess of reinsurance is undetermined.

Funding of Excess TWIA Losses (continued)

B. Catastrophe Reserve Trust Fund (CRTF)

- The 73rd Legislature established the CRTF, effective September 1, 1993, as part of the State's plan to address catastrophic losses associated with a major windstorm.
- To fund the CRTF, TWIA deposits excess funds on an annual basis. Additionally, policyholder surcharges for structures insured under the Approval Program are deposited into the CRTF.
- The CRTF is a state fund to be held by the Comptroller outside the State Treasury on behalf of, and with legal title in TDI.
- The CRTF is designed to fund losses in excess of TWIA premiums and other revenue.
- If the CRTF is terminated by law, all assets of the CRTF revert to the State.

Funding of Excess TWIA Losses (continued)

C. CRTF Balance History

Year	Action Taken
1995	Initial CRTF balance was \$122,761,481.73.
September 2005	TWIA withdrew \$65 million to pay excess losses from Hurricane Rita. Subsequently in 2005, TWIA returned \$30 million to the CRTF.
June 30, 2008	CRTF balance was approximately \$468 million.
July 2008	TWIA used \$100 million to pay excess losses resulting from Hurricane Dolly.
September 2008	TWIA used the remainder of the CRTF to pay for excess losses resulting from Hurricane Ike, leaving a balance of \$0.
August 2017	CRTF balance was approximately \$742 million.
September 26, 2017	TWIA withdrew \$370.7 million to pay losses resulting from Hurricane Harvey.
October 23, 2017	TWIA withdrew \$372.5 million to pay losses resulting from Hurricane Harvey.
June 30, 2020	CRTF balance was approximately \$177 million.