

MERLINOS & ASSOCIATES, INC.

ACTUARIES AND CONSULTANTS

April 17, 2012

Mr. James Murphy (via e-mail)
Texas Windstorm Insurance Association
Actuarial Department
5700 South Mopac, Building E
Austin, Texas 78749

RE: Actuarial Rate Level Analysis – Commercial and Residential Property Programs

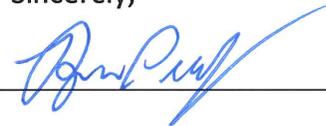
Dear Mr. Murphy:

In January of 2012, Merlinos & Associates, Inc. (M&A), was contracted by the Texas Windstorm Insurance Association (TWIA, "the Company") to perform an independent actuarial analysis of the pricing of their Residential and Commercial books of business. The enclosed documentation and exhibits are intended to address the requirement of the contract to provide a thorough review of TWIA's overall rate level and rate structure for both residential and commercial property insurance, and prepare a report for the TWIA Board of Directors with findings, including an indication of overall rate needed to achieve rate adequacy.

We have included both an Actuarial Memorandum to communicate our findings to the Board of Directors and technical documentation to provide in depth discussion of the methods and assumptions used in our analysis. Finally, we have included detailed actuarial exhibits documenting our methods, calculations, and the data items relied upon.

Additional information is being produced to address recommendations on structural changes for the Company and additional documentation will be produced and provided to the TDI in support of any filing that is made based on the analyses discussed herein.

Sincerely,



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Texas Windstorm Insurance Association

Actuarial Memorandum

2012 Rate and Structure Review

Introduction

In January of 2012, Merlinos & Associates, Inc. (M&A), was contracted by the Texas Windstorm Insurance Association (TWIA, "the Company") to perform an independent actuarial analysis of the pricing of their Residential and Commercial books of business. Specifically, M&A was contracted to:

- Provide a thorough review of TWIA's overall rate level and rate structure for both residential and commercial property insurance, and prepare a report for the TWIA Board of Directors with findings, including an indication of overall rate needed to achieve rate adequacy;
- Identify and present possible structural changes to TWIA's rate program and the implications of those changes for possible rate changes; and,
- Based upon direction from the TWIA Board, prepare a rate filing and supporting documentation for consideration by the Texas Department of Insurance ("TDI").

This memorandum is intended to address the first item listed above. Additional information will be produced and provided to the TDI in support of any filing that is made based on the analyses discussed in this memorandum.

Background

TWIA was created by the Texas Legislature in 1971 in response to market conditions along the coast in the aftermath of Hurricane Celia and was known as the Texas Catastrophe Property Insurance Association prior to 1997. TWIA operates in accordance with Chapter 2210 of the Texas Insurance Code. Its purpose is to provide an adequate market for windstorm and hail insurance in the seacoast territory of the State. Additionally, TWIA is intended to serve as a residual insurer of last resort for windstorm and hail insurance in the seacoast territory, and shall:

1. Function in such a manner as to not be a direct competitor in the private market; and,
2. Provide windstorm and hail insurance coverage who are unable to obtain that coverage in the private market.

All property insurers licensed in Texas are required to become a TWIA member as a condition of doing business in the State. Each member company is assessable based on the detailed financing plan discussed below.

Currently, TWIA provides a market for windstorm and hail insurance in the fourteen coastal counties of the State, and portions of Harris County. The Company writes business under the Special Property line of business, including coverage for commercial properties, commercial farm properties, personal residential properties, personal farm properties, and mobilehomes.

Since the creation of TWIA in 1971, the market for property catastrophe insurance has seen dramatic changes. With the development of complex catastrophe hazard computer models, pricing of these perils has evolved from simple analyses of observed losses to analyses of simulated event sets with focus on multiple higher moments of expected loss distributions. It would be common prior to Hurricane Andrew to see reinsurance contract priced at loss ratios nearing 100%, while it is now common to see higher layer contracts to be priced with loss ratios of 10%.

With the extreme losses seen in Hurricane Andrew and the development of these new pricing tools, private insurers and reinsurers began to re-evaluate their exposure to coastal property risks. More focus was drawn to the potential for very severe events, such as Andrew, to put the whole of their operations into financial peril. As a result, reinsurance prices began to rise and private carriers began to restrict writings in coastal areas or withdraw completely from these markets. Residual market mechanisms for coastal property catastrophe risk in the Gulf States are now ubiquitous. After Andrew and the multiple hurricanes in 2004, Citizens Property Insurance Corporation in Florida has grown to be the largest writer of property in that State. Similarly, Hurricanes Katrina, Wilma, Rita, and Ike have caused other coastal states to see increases in the exposure of their coastal property residual markets. These issues have affected TWIA in a dramatic way, as evidenced by the exposure growth of the entity over the past decade. At the end of 2001, the Company provided roughly \$13 billion of property insurance. At the end of 2011, the Company provided over \$70 billion of property insurance and had seen growth in almost every quarter since Ike made landfall in September of 2008. Since the funding mechanisms provided for

in statute were revised in 2009, the Company's exposure has grown around 10%. All of the analysis discussed throughout this memorandum was performed based on the level of exposure of the Company at 12/31/2011. No considerations or projections of growth or reductions in exposure have been made at any point in our analysis.

Summary of Current Operations and Financing

Policy Issuance

As discussed above, the Company is currently providing windstorm and hail insurance coverage in the Coastal areas of the State. The Company provides insurance on structures, their contents, appurtenant structures to the property, additional living expenses, and business income for commercial risks. TWIA provides deductible insurance up to maximum limit of liability. We understand the current maximum limits of liability are:

Effective	Dwellings	Contents of an Apartment, Condominium, or Townhouse	Commercial Risks	Public Buildings
January 1, 2012	\$1,773,000	\$374,000	\$4,424,000	\$4,424,000

These maximum limits do not represent the maximum value of the property insured by a policy, but rather the maximum amount of insurance that the Company will provide for an individual site. For instance, the Company writes a Commercial policy with the following characteristics:

Value of Building and Contents

<u>Appurtenant</u>					
<u>Policy</u>	<u>Site Number</u>	<u>Building Value</u>	<u>Structures Value</u>	<u>Contents Value</u>	<u>Total Value</u>
1	1	\$5,723,648	\$0	\$600,000	\$6,323,648
1	2	\$2,298,411	\$0	\$601,336	\$2,899,747

Insured Limits

<u>Appurtenant</u>					
<u>Policy</u>	<u>Site Number</u>	<u>Building Limit</u>	<u>Structures Limit</u>	<u>Contents Limit</u>	<u>Total Limit Provided</u>
1	1	\$3,924,000	\$0	\$500,000	\$4,424,000
1	2	\$2,024,000	\$0	\$457,600	\$2,481,600

In order to be issued a policy from TWIA, the insured must provide evidence of one declination from a private carrier and meet the other underwriting criteria of the Company. A “declination” has the meaning assigned by the plan of operation of TWIA and includes a refusal to offer coverage for the perils of windstorm and hail and the inability to obtain substantially equivalent insurance coverage for the perils of windstorm and hail. Additionally, the insured is required to provide evidence of one declination every three calendar years in order to be provided a renewal of an association policy.

Payment of Liabilities

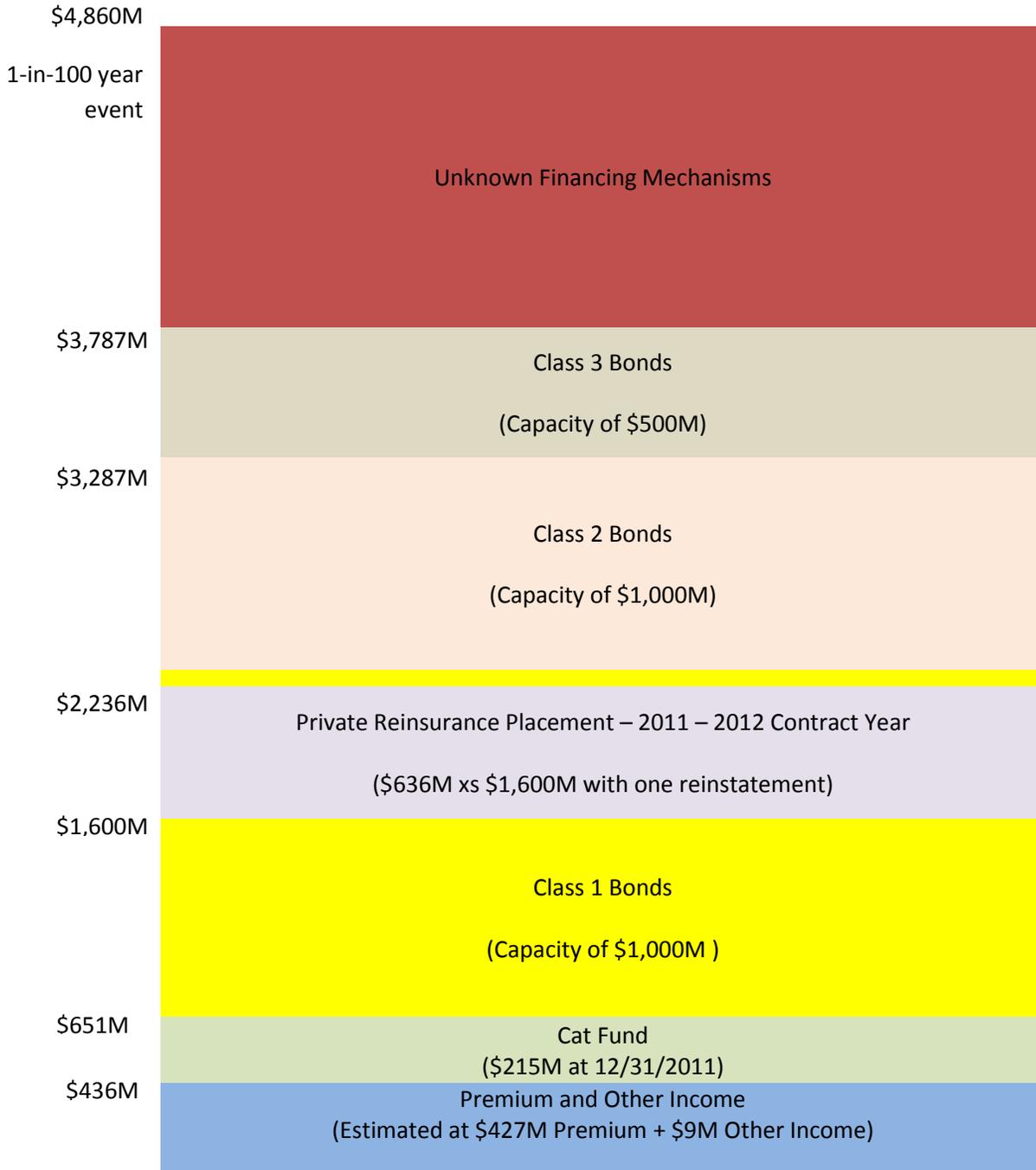
In order to provide for payment of insured liabilities on the policies issued and the operating expenses of the Company, TWIA relies on a mixture of premiums, other income, accumulated funds in the Catastrophe Reserve Trust Fund (“Cat Fund”), catastrophe excess of loss reinsurance, and post-event financing. Chapter 2210 of the Texas Insurance Code specifies an order of payment from these various sources and provides additional information on the funding sources of various bond issuances. Subchapter B-1 of Chapter 2210 specifies that losses, loss adjustment expense, and operating expenses of TWIA are paid from sources in this order:

1. Premium and Other Revenue of the Association
2. Available reserves of the association and available amounts in the Catastrophe Reserve Trust Fund.
3. Payment from Class 1 Public Securities – Not to exceed \$1 billion per Catastrophe year.
4. Payment from Class 2 Public Securities – Not to exceed \$1 billion per Catastrophe year.
5. Payment from Class 3 Public Securities – Not to exceed \$500 million per Catastrophe year.

We understand that privately placed catastrophe excess of loss reinsurance contracts would begin paying within the structure above based on the individual terms of the contracts. For the 2011-2012 contract year, the Company maintained one catastrophe excess of loss reinsurance contract providing \$636,000,000 of loss coverage excess of retained losses of \$1,600,000,000, with available reinstatement of limits. A diagram showing the anticipated financing of the Company is shown on the following page.

TWIA Financing of Liabilities – As of 12/31/11

(Liabilities include all costs of doing business, not just servicing of Catastrophe losses)



As of 12/31/2011, the Company insured 255,679 policies with premiums of \$406,721,035 and total insured value in excess of \$75 billion. Accounting for the 5% overall rate increase that was effective on 1/1/2012, we estimate these same policies would generate annual written premiums of \$427,057,087. As of 12/31/2011, we understand that the Cat Fund has \$214,718,831 on hand to pay for losses and expenses of the Company. As a result of Hurricane Ike in 2008, the Cat Fund was completely depleted and has been reestablished through revenues of the Company in excess of loss and expense since that time.

As specified by subchapter M of Chapter 2210, Class 1 Public Securities must be repaid from the Company's net premium and other income. Class 2 Public Securities must be repaid through member Company Assessments (30%) and premium surcharges assessed on all policyholders of policies that cover insured property that is located in the Catastrophe area, including automobiles principally garaged in the Catastrophe area (70%). Class 3 Public Securities must be repaid through member Company Assessments. As the law is unclear, it is uncertain as to how financing of losses that extend past the mechanisms discussed above would occur. In the discussions below, we have simply referred to losses associated with these events as "excess of Class 3 bonds." We understand that there are currently no bonds issued as described above outstanding for the Company at this time.

Rate Standard

Section 2210.355 of the Texas Insurance Code specifies that the following must be considered when adopting rates for TWIA:

1. The past and prospective loss experience within and outside the state of hazards for which insurance is made available through the plan of operation, if any;
2. Expenses of operation, including acquisition costs;
3. A reasonable margin for profit and contingencies;
4. Payment of public security obligations for Class 1 public securities issued under this chapter, including the additional amount of any debt service coverage determined by the association to be required for the issuance of marketable public securities.
5. All other relevant factors, within and outside this State.

Statewide Indications

In order to produce information on the indicated rate need of the Company's programs, we have produced two actuarial analyses of the overall rate adequacy of the current programs. First, we have produced what we refer to as the "traditional" actuarial rate level indications by line of business that include provisions for:

1. Non-Hurricane Loss
2. Non-Hurricane Loss Adjustment Expense
3. Hurricane Loss, as estimated from recognized catastrophe models
4. Hurricane Loss Adjustment Expense
5. Operating Expenses of the Company
6. Net Cost of Reinsurance – Actual Purchased Reinsurance for 2011-2012 Contract Year

The reference to these indications as "traditional" is for clarity purposes only and is not intended to convey any other meaning or inference about the provisions contained in these indications other than what is specified above. These analyses do not include any recognition of a reasonable margin for profit and contingencies or payment or service of debt of any public security obligations. As such, they provide only a partial view of the rate adequacy of the Company's program. The analysis of profits, contingencies, risk loads, or other measures of risk variance are a very complex undertaking for an entity such as TWIA, and rely on considerations such as the level of desired subsidy between future policy holders and current policyholders, the level of desired subsidy between the market as a whole and the Company's insured population, and the economic impact to the affected area of any pricing changes versus expected economic impacts after an event. Given these types of considerations, these types of provisions are largely a matter of public policy.

In order to address these issues, we have produced a second actuarial analysis that evaluates 5 year and 10 year scenarios to estimate the long term probabilities and average amount of the various post event financing mechanisms. This analysis uses provisions for costs, other than gross hurricane losses, from the "traditional" actuarial rate level indications and the estimated gross hurricane loss amounts from the modeled storm set from a run of AIR v 13.0 with long term frequency, with demand surge, without storm surge on the Company's 12/31/11 policy set. The AIR v 13.0 storm set was used in this analysis due to the ease of using the output in a simple Monte Carlo simulation. The AIR model output includes a large set of individual model years that are equally probable, whereas the RMS model produces losses for individual storms that each have a unique probability distribution. While each model is assumed to produce outcomes by event that are within a reasonable range of results, each model is uniquely designed and contains some element of model specification risk. The use of a different model or an alternative sampling technique could produce results that differ from those discussed below. However, the results discussed below produce estimates within a range of reasonable results and are suitable for the intended purpose of this analysis.

Summary

Under current pricing, the Company's long term finances are heavily dependent upon post-event financing. We estimate the probability¹ of the Company having a deficit² to be:

Current Pricing Estimates

<u>Deficit Level</u>	<u>5 Year Probability</u>	<u>10 Year Probability</u>
Any Deficit	26.1%	32.3%
Deficit >\$2B	8.9%	15.7%
Deficit >\$4B	4.7%	9.2%

Additionally, we estimate the following on the use of Class 1 Bonds:

Current Pricing Estimates

<u>Class 1 Bond Measure</u>	<u>5 Year Scenario</u>	<u>10 Year Scenario</u>
Probability of Issuance	33.9%	47.6%
Average Amount Issued	\$832.2M	\$1,034.6M

It is important to note that the average amount issued figure for the 10 year scenario would imply that the average ten year period would include at least two catastrophe years in which Class 1 Bonds were required to be issued.

Under the maximum 10% rate change specified under section 2210.359, the dependence on post-event financing is not reduced in a material way. With a 10% rate increase, these figures are:

¹ The probabilities referenced throughout are consistent with the probabilities of given hurricane catastrophe events as estimated by the AIR v 13.0 model and the financial simulation model developed for the purposes of this analysis. The use of differing hurricane catastrophe models or assumptions could result in different estimated probabilities than what is referenced herein.

² Deficits as discussed throughout are defined as the amount of incurred net of reinsurance hurricane catastrophe losses in excess of premiums collected and other income earned during the period in question, combined with 12/31/2011 amounts in the Cat Fund, less the expected amounts of non-hurricane losses, fixed expenses, variable expenses, and reinsurance premiums (including reinstatement premiums) during the period in question.

10% Rate Increase Estimates

<u>Deficit Level</u>	<u>5 Year Probability</u>	<u>10 Year Probability</u>
Any Deficit	23.7%	27.8%
Deficit >\$2B	8.3%	14.2%
Deficit >\$4B	4.5%	8.5%

<u>Class 1 Bond Measure</u>	<u>5 Year Scenario</u>	<u>10 Year Scenario</u>
Probability of Issuance	31.7%	43.8%
Average Amount Issued	\$828.6M	\$1,016.2M

Even under larger rate change scenarios of up to 50%, the probabilities of deficits in excess of \$4 billion remain material in our opinion.

“Traditional” Actuarial Indications – Without Profit and Contingencies

We have produced actuarial indications for the Company’s book of business in three segments: Residential (Non-Mobilehome), Commercial, and Mobilehome. The attached exhibits document the development of these indications with no consideration of profit, contingencies, risk load, etc. or a provision for servicing of Class 1 bond debt. To assist in the understanding of the sensitivity of these indications to various profit or contingencies loads, we have provided a table of various statewide and territorial indications under various profit and contingencies assumptions in Appendix D. This table should also provide a clearer relationship between the rate changes assumed in the Financial Scenario Analysis discussed below and the implied profit or contingencies load that would be included in a corresponding indication.

Additional information on the methodologies and assumptions used to support these indications can be found in the section “Actuarial Methods and Assumptions” below and in the attached “Actuarial Technical Memorandum”.

Financial Scenario Analysis

We have produced an actuarial analysis that generates 5 year and 10 year loss scenarios to estimate the financial impact of accumulated catastrophe losses on the financial condition of the Company and their interaction with the methods of financing the losses. As discussed above, the use of post-event financing is uncommon and usually only used in the financing of residual market entities and does not lend itself to more common actuarial methods of producing estimates of profits or contingencies. We have produced the analysis and information discussed in the following paragraphs in order to provide the Company and public policy makers clear information that can be used to determine reasonable rate level revisions in order to minimize post-event financing to the level desired.

The analysis begins with the creation of a long term financing model for the Company. Provisions for expected non-hurricane loss and loss adjustment expense, operating expenses, and reinsurance premium are developed based on the analysis in the “traditional” actuarial indications discussed above. These provisions are subtracted from the estimated on-level inforce premium for policies inforce as of 12/31/2011, to develop what we refer to as “free premium”³. The “free premium” is estimated under several rate change scenarios ranging from a -20% overall change to a +50% change.

Next, the modeled storm set from the 12/31/2011 run of AIR v 13.0, with long term frequency, with demand surge, without storm surge was analyzed and found to include 10,000 years of simulated hurricane events. These model years include years in which no events occur or produce damage to the Company’s policies and years with multiple events. We then produce a random sample of these model years over a ten year period, and finally produce 10,000 random samples of separate 10 year periods. The loss amounts associated with each event in the sampled year is analyzed, the provision for hurricane loss adjustment expense from the statewide indications is added, and applicable reinsurance is netted from the gross loss and LAE amounts. Associated reinsurance reinstatement premiums are then calculated for each event where such a liability would arise.

For the first year of the simulated 10 year period, the available funds for payment of hurricane loss and loss adjustment expenses is calculated by summing the “free premium”, the other income provision, and the current amount of funds available in the Cat Fund, less any applicable reinstatement premiums. Net hurricane loss and loss adjustment expenses for the sampled model year are then subtracted from these available funds. Remaining unpaid hurricane losses and loss adjustment expense remaining after the use of the available funds are offset by the corresponding issuance of Class 1, Class 2, or Class 3 public securities. If hurricane loss and loss adjustment expenses are left unpaid after the issuance of Class 3 public securities, the remaining losses are classified as “Excess of Class 3 Bond Losses”.

For each subsequent year of the simulated period, the available funds are calculated by summing the “free premium”, the other income provision, and the amount of money available in the Cat Fund at the end of the previous simulated year, less any applicable reinstatement premiums.

We accumulate the statistics provided in Appendix A based on the first five year period in each ten year period and at the end of the ten year period to provide an analysis of a mid and long term time horizon for the entity. Amounts shown under the various classes of bonds represent only the expected amount of loss and loss adjustment expenses that would be covered by that financing source. This analysis has not considered the actual costs of issuing these bonds or any interest that would be due on the amounts issued. For information purposes, we have included a study of the cost of issuance of the full amount of Class 1 bonds under varying transaction cost and interest rate assumptions in Appendix I. Additionally, we have provided several graphs of the results of our analysis in Appendix H to aid in the understanding of these figures. Below is a table summarizing some key points of this analysis:

³ “Free Premium” is defined throughout as the current level inforce premium at 12/31/2011 adjusted for additional rate changes as assumed in each rate change scenario, less the expected amount of non-hurricane losses, fixed expenses, variable expenses, and reinsurance premiums for the 2011-2012 contract period.

Financial Scenario Analysis
Actual Costs and LAE

5 Year Scenarios

	Rate Change Scenarios			
	-20%	0%	10%	50%
Class 1 Bonds -				
Average Size Over All Scenarios	328,502,014	282,353,350	262,590,262	200,384,097
Probability of Issuance	39.7%	33.9%	31.7%	24.4%
Average Size of Issuance	827,878,060	832,164,309	828,621,844	820,573,697
Class 2 Bonds -				
Average Size Over All Scenarios	139,585,540	125,155,475	119,235,092	100,720,157
Probability of Issuance	18.5%	16.0%	15.1%	12.3%
Average Size of Issuance	756,561,190	781,245,162	792,259,749	818,863,065
Class 3 Bonds -				
Average Size Over All Scenarios	45,536,667	42,456,230	41,040,815	36,334,565
Probability of Issuance	9.7%	9.1%	8.8%	7.7%
Average Size of Issuance	468,484,228	466,039,849	466,372,894	470,046,114
XS of Class 3 Bonds -				
Average Size Over All Scenarios	285,129,273	271,868,210	265,447,664	241,434,210
Probability of Exceedence	7.8%	7.4%	7.1%	6.5%
Average Size of Exceedence	3,646,154,392	3,683,851,088	3,722,968,635	3,720,095,693
Net Results -				
Probability of Surplus at End of Period	67.9%	73.9%	76.3%	85.1%
Probability of Deficit Between \$0 and \$0.5B	8.3%	7.4%	7.2%	3.4%
Probability of Deficit Between \$0.5B and \$1.0B	7.2%	4.7%	3.7%	2.4%
Probability of Deficit Between \$1.0B and \$2.0B	6.6%	5.1%	4.6%	2.3%
Probability of Deficit Between \$2.0B and \$3.0B	2.7%	2.3%	2.2%	2.0%
Probability of Deficit Between \$3.0B and \$4.0B	2.0%	1.9%	1.6%	1.2%
Probability of Deficit Greater than \$4.0B	5.3%	4.7%	4.5%	3.8%

Financial Scenario Analysis
Actual Costs and LAE

10 Year Scenarios

	Rate Change Scenarios			
	-20%	0%	10%	50%
Class 1 Bonds -				
Average Size Over All Scenarios	610,196,354	491,965,417	444,902,268	314,225,449
Probability of Issuance	56.6%	47.6%	43.8%	32.4%
Average Size of Issuance	1,078,847,868	1,034,627,586	1,016,222,631	970,430,665
Class 2 Bonds -				
Average Size Over All Scenarios	268,251,399	230,277,605	215,755,192	171,771,326
Probability of Issuance	31.1%	26.3%	24.4%	19.0%
Average Size of Issuance	863,099,740	877,248,019	885,694,549	906,444,995
Class 3 Bonds -				
Average Size Over All Scenarios	89,104,935	81,191,112	77,211,059	64,123,059
Probability of Issuance	18.0%	16.3%	15.6%	13.0%
Average Size of Issuance	495,853,839	496,885,631	495,260,157	493,254,300
XS of Class 3 Bonds -				
Average Size Over All Scenarios	587,158,647	543,718,854	523,283,587	449,566,721
Probability of Exceedence	15.0%	13.7%	13.1%	11.1%
Average Size of Exceedence	3,917,002,314	3,957,196,897	3,985,404,319	4,061,126,654
Net Results -				
Probability of Surplus at End of Period	55.9%	67.7%	72.2%	82.8%
Probability of Deficit Between \$0 and \$0.5B	9.3%	6.2%	4.9%	2.5%
Probability of Deficit Between \$0.5B and \$1.0B	6.8%	4.7%	3.8%	1.7%
Probability of Deficit Between \$1.0B and \$2.0B	8.8%	5.7%	4.9%	3.1%
Probability of Deficit Between \$2.0B and \$3.0B	5.0%	3.9%	3.4%	2.1%
Probability of Deficit Between \$3.0B and \$4.0B	3.4%	2.6%	2.4%	1.6%
Probability of Deficit Greater than \$4.0B	10.9%	9.2%	8.5%	6.1%

The results of this analysis show that, when considering the variance of the expected hurricane losses, the long term financing of losses becomes highly dependent of post-event financing options. Under current pricing, the Company will issue Class 1 Bonds over the next 5 years with a probability of 33.9% and over the next 10 years with a probability of 47.6%. Similarly, the probability of issuance of Class 2 and Class 3 bonds over the next 5 years is 16.0% and 9.1% respectively, and 26.3% and 16.3% respectively over the next 10 years. Finally, the probability of having losses in excess of Class 3 bonds at any point over the next five years is 7.4% and 13.7% over the next 10 years.

Of more concern is the average size of losses exceeding Class 3 bonds. Again, under current pricing, the average amount of loss exceeding Class 3 bonds when such an event occurs is \$3.68 billion for the 5 year scenario and \$3.96 billion for the 10 year scenario. These amounts do not represent the total losses under these scenarios, but rather the losses remaining after all other financing options that are clearly specified in statute are extinguished.

Finally, under current pricing, there is a 73.9% chance of having a surplus in the Company at the end of the five year period and a 67.7% chance at the end of the ten year period. The probabilities of having deficits greater than \$4.0 billion, which is greater than clearly defined financing provisions, is 4.7% for the five year period and 9.2% for the ten year period.

An analysis of individual modeled storm losses from the AIR v 13.0 model run shows that there is a 1.5% probability of an individual storm in any given year that will exceed Class 3 bonds, with an average size of event of around \$7 billion. This represents a 1-in-66 year event. For comparison purposes, we understand that typically most regulatory authorities conduct solvency tests around funding for a 1-in-100 year event, which would represent a \$4.86 billion event according to the AIR v 13.0 model results. The table below shows the individual storm return period for each source of financing.

<u>Source</u>	<u>Probability of Event at Termination</u>	<u>Return Period at Termination</u>
“Free“ Premium, Other Income, Cat Fund	11.8%	1-in-9
Class 1 Bonds	4.3%	1-in-23
Reinsurance	2.6%	1-in-39
Class 2 Bonds	1.9%	1-in-54
Class 3 Bonds	1.5%	1-in-66

Methods of Reducing Reliance on Post Event Financing

While the level of reliance on post event funding is a public policy decision, we have concluded that the issuance of Class 1 bonds is an important risk factor to the Company. This class of bonds relies on the future premiums and other income of TWIA to provide funding of the debt. As such, bonds issued Class 1 will require policyholder surcharges be implemented to provide for the servicing of the debt. The Class 1 bonds can be issued for up to \$1 billion per catastrophe year and paid back over a period of 14 years. A substantial policyholder surcharge would be required for the repayment of the bond, interest on the bond, and costs of issuing the bond. At the current time, we are not aware of any mechanism that will require individual policyholders to maintain coverage through TWIA at such time that a policyholder surcharge is implemented. Based on the limited assessment base and the inability to maintain the volume of the book of business after surcharges are implemented, we understand that these bonds would be viewed in the private markets as riskier assets than the Class 2 and Class 3 bonds, which rely on more diverse assessment basis for servicing of their debt. The sections below discuss various methods to reduce reliance on post-event financing for the Company.

Rate Increases (without consideration of exposure reductions)

The scenario analysis above also shows that the rate changes in the level indicated by the “traditional” actuarial analysis do not materially affect the probability of issuing the various bond classes or exceeding the bonding capacity.⁴ Furthermore, as the analysis shows, a rate increase of 50% reduces the probability of issuing Class 1 bonds by around 10% for the five year scenario and 15% for the ten year scenario. Probabilities of exceeding bonding capacity with a 50% rate increase are decreased by less than 1% for the five year scenario and by 2.6% for the ten year scenario. Similarly, the probability of having a surplus at the end of the five year period is increased by around 11%. The probability of having a surplus at the end of the ten year period is increased by 15%. Probabilities of having deficits greater than \$4 billion decrease by 1.1% and 3.1% for the five year and ten year scenarios respectively. These results show that the reliance on post event funding cannot be changed materially without very significant rate increases. Additionally, the territorial analysis and indications discussed below show that most of the rate need is associated with a few geographic areas, with indications in excess of 100%.

Use of Reinsurance

Another method of reducing the probabilities of using post-event financing in the near term would be to expand the use of reinsurance. In order to replace the Class 1 Bonds under the current rates with private reinsurance, the Company would need to purchase a contract covering \$1 billion xs of around \$430 million. Currently, the Company purchases \$636 million excess of \$1.6 billion for a premium of \$108 million (a 17% rate on line, attaching at approximately a 1-in-27 year event). At this rate on line, the additional reinsurance would cost \$170 million, or around 40% of the Company’s total premium. For other catastrophe exposed books of business in Florida, we see reinsurance contracts covering between a 1-in-10 year and a 1-in-20 year return period with 30% rate on line. The hypothetical contract discussed above would begin covering losses at the 1-in-9 year event.

To study the efficiency of the use of reinsurance for the entity, we developed a second scenario analysis in which the 2011-2012 reinsurance program is not present for the Company. Simulated losses are not reduced for the presence of applicable reinsurance coverage, and reinsurance premiums and reinstatement premiums are not removed from available funds. The scenario analysis functions in the same way as that described above and results in the table of results shown in Appendix B. A summary of that information is shown below:

⁴ This analysis makes no consideration of exposure reduction for the entity that might result from the implementation of rate increases.

Financial Scenario Analysis
No Reinsurance - With LAE

5 Year Scenarios

	Rate Change Scenarios			
	-20%	0%	10%	50%
Class 1 Bonds -				
Average Size Over All Scenarios	265,655,897	235,053,654	221,926,695	180,702,269
Probability of Issuance	31.4%	28.1%	26.2%	21.0%
Average Size of Issuance	846,577,110	835,597,775	845,757,221	860,486,997
Class 2 Bonds -				
Average Size Over All Scenarios	138,305,073	127,503,806	122,709,071	106,727,693
Probability of Issuance	16.4%	14.9%	14.3%	12.2%
Average Size of Issuance	841,271,733	856,880,419	859,909,397	874,817,157
Class 3 Bonds -				
Average Size Over All Scenarios	49,536,354	46,705,859	45,279,575	39,976,159
Probability of Issuance	10.4%	9.8%	9.5%	8.4%
Average Size of Issuance	476,769,529	478,053,827	477,632,648	474,776,241
XS of Class 3 Bonds -				
Average Size Over All Scenarios	308,550,310	293,732,220	286,737,622	260,824,552
Probability of Exceedence	8.7%	8.2%	7.9%	7.0%
Average Size of Exceedence	3,558,827,101	3,582,100,238	3,643,425,952	3,720,749,677
Net Results -				
Probability of Surplus at End of Period	76.6%	80.6%	82.2%	86.8%
Probability of Deficit Between \$0 and \$0.5B	5.4%	4.4%	3.6%	2.5%
Probability of Deficit Between \$0.5B and \$1.0B	3.7%	2.7%	2.6%	1.8%
Probability of Deficit Between \$1.0B and \$2.0B	4.7%	3.8%	3.5%	2.1%
Probability of Deficit Between \$2.0B and \$3.0B	2.2%	2.0%	2.0%	1.8%
Probability of Deficit Between \$3.0B and \$4.0B	1.9%	1.8%	1.6%	1.2%
Probability of Deficit Greater than \$4.0B	5.4%	4.7%	4.6%	3.8%

Financial Scenario Analysis
No Reinsurance - With LAE

10 Year Scenarios

	Rate Change Scenarios			
	-20%	0%	10%	50%
Class 1 Bonds -				
Average Size Over All Scenarios	461,547,662	391,812,697	363,417,464	278,592,199
Probability of Issuance	44.1%	38.9%	36.1%	28.3%
Average Size of Issuance	1,046,118,907	1,008,267,363	1,006,417,790	984,424,730
Class 2 Bonds -				
Average Size Over All Scenarios	250,562,556	223,236,909	211,387,882	173,914,780
Probability of Issuance	26.8%	23.7%	22.5%	18.3%
Average Size of Issuance	934,934,911	941,530,618	939,084,328	948,281,241
Class 3 Bonds -				
Average Size Over All Scenarios	91,588,289	83,566,391	79,871,671	66,332,947
Probability of Issuance	18.1%	16.5%	15.8%	13.3%
Average Size of Issuance	506,292,364	505,238,157	505,837,055	500,248,467
XS of Class 3 Bonds -				
Average Size Over All Scenarios	604,379,154	559,369,468	538,466,769	464,066,879
Probability of Exceedence	15.5%	14.1%	13.5%	11.3%
Average Size of Exceedence	3,909,308,886	3,955,936,829	4,003,470,399	4,092,300,521
Net Results -				
Probability of Surplus at End of Period	70.4%	76.5%	79.1%	85.7%
Probability of Deficit Between \$0 and \$0.5B	4.7%	3.5%	2.7%	1.4%
Probability of Deficit Between \$0.5B and \$1.0B	3.8%	2.5%	2.1%	1.7%
Probability of Deficit Between \$1.0B and \$2.0B	4.9%	3.8%	3.8%	2.4%
Probability of Deficit Between \$2.0B and \$3.0B	3.7%	3.3%	2.7%	1.8%
Probability of Deficit Between \$3.0B and \$4.0B	2.8%	2.2%	2.0%	1.4%
Probability of Deficit Greater than \$4.0B	9.7%	8.2%	7.6%	5.6%

By comparing these results to the original scenario analysis, one can see that the absence of the reinsurance program actually decreases the probability of issuance of Class 1 bonds under current pricing by around 5.8% for the five year scenario and 8.7% for the ten year scenario. Similarly, the probability of having a surplus at the end of period is increased by 6.7% and 8.8% for the five year and ten year scenarios respectively. This result is expected as the premium savings associated with not purchasing the reinsurance protection provide additional available funds to pay for losses initially, while reinsurance protection attached above the termination point of the issuance of Class 1 bonds.

Consequently, the probability of issuance of Class 3 Bonds and of exceeding Class 3 bonds has increased, but by less 1% for both the five year and ten year scenario. For public policy focused on reduction in probability of issuance of Class 1 bonds, the current reinsurance program is not efficient. For policy focused on minimizing the probability and severity of very large events, the current reinsurance program provides protection to this end.

Exposure Reduction

As discussed above, the probability of reliance on post-event financing cannot be materially changed without significant rate increases or through the use of more reinsurance, which in turn would need to be offset with rate increases. The other method to reduce the likelihood of use of post-event financing is to take measures to reduce the exposure of the Company. We have reviewed the Company's current operations as well as those of other residual market entities and identified several areas that could assist in the depopulation of the Company. Each of these items will be discussed in a separate memorandum.

Territorial Indications

We reviewed the current territorial pricing of the Company and found that the most refined program included only two geographic rating territories. While the Company's manual had territories defined by certain Counties (Territory 8 is Galveston county, Territory 9 is Neuces County), the pricing algorithms do not include any differentiation for these areas. Until law changes in 2009, the Company was unable to differentiate their pricing along the Coast. For 2012, the statutes only allow the Company to differentiate pricing by 8% within a county. Currently, the Company provides rates in the residential and farm program for the fourteen Coastal counties as one rate and the portion of Harris count as another rate. Based on our understanding of the hurricane peril, to which the Company is heavily exposed, and the results of the AIR v 13.0 hurricane model, we determined that this level of refinement in the geographic segmentation of the pricing could be improved dramatically.

We began our analysis of territories by studying the results of the AIR v 13.0 hurricane model by policy. Based on the ZIP code location of each insured site, we aggregated data and developed statistics on the average annual loss per \$1000 of insured value for the different programs. For the fourteen coastal counties, loss costs by ZIP code range between \$0.82 and \$9.02. For comparison purposes, these loss costs would indicate expected hurricane losses for a \$150,000 home in the low rated ZIP code to be \$123, with one in the higher rated ZIP code indicating \$1,353 of expected hurricane losses. This difference is an order of magnitude and indicates more refinement in the territorial structure is needed.

Based on the results above, we began analyzing the model results by ZIP code and the geographic alignment of ZIP codes within each county. We grouped ZIP codes within a county into several areas based on geographic proximity and similar modeled loss cost levels. We then mapped the resulting territories and reviewed for reasonability and continuity of defined areas. This process was repeated in multiple iterations to attempt to develop ZIP code groupings that reflect the greatest differences in estimated loss costs and maintains reasonable continuity in the defined area. The resulting territorial structure is shown in the maps in Appendix F and the results of the loss cost analysis is shown in detail in Exhibit X of the attached analyses.

The resulting territories are then analyzed based on common actuarial techniques, corresponding to those described above for the statewide analysis. The company's historic experience data is segmented based on coding of ZIP codes on individual policies and claims. Similarly, model results by policy are accumulated to the new territorial definitions based on ZIP code coding on the modeled policies. The net cost of reinsurance is developed by County based on the results of the AIR v 13.0 model. This model run was provided to us with segmentations of modeled losses by event, line of business, and county. This data was then analyzed to estimate how much of the ceded loss under the reinsurance contract for the 2011-2012 contract year was associated with losses in the various counties and lines of business. These proportions of the total ceded loss are then used to allocate the expected unrecoverable reinsurance costs to the various territories. Additional descriptions and discussions of the territorial indications procedures can be found in the included technical memorandums.

Effects of Recent Law Changes – HB3

In 2011, House Bill No. 3 was passed by the legislature of the State of Texas and signed into law by the Governor. This law was intended to provide for substantial reforms to the operations of TWIA. Many of these legislative changes were intended to address concerns regarding the operations of the Company in the aftermath of Hurricane Ike. Changes range from the requirement for TWIA to allow public access to board meetings to revising how the statutes regarding unfair trade practices apply to the Company. We have identified several sections of the law change that may have effects on the developed analyses discussed above. Other sections of the law change not addressed are not expected to affect the expected costs of the entity and have not been addressed below.

1. Section 2 – Sections of Chapter 541 of Texas Insurance Code not applicable to TWIA
 - a. The Law change prevents TWIA from being subject to triple damage awards in the finding knowingly committed a prohibited practice, including bad faith settlement of claims.
 - b. As represented to us by the Company, the data and information relied upon in the filing does not include any bad faith losses. As such, we do not estimate that this portion of the law change would affect the indication process.
2. Section 5 - Provides that TWIA is not subject to suits under Chapter 541 and 542 and that only the Attorney General may bring class actions against the Company.
 - a. The law change prevents TWIA from being subject to lawsuits for violations under Chapter 541 and 542 of the Texas Insurance Code, including violations related to claims settlement practices. Also, the law prevents the bringing of class actions against the Company by any other party other than the Attorney General of the State.
 - b. We understand that this law change was made in the wake of several large settlements made by the Company in suits seeking damages related to the claims handling practices of the Company in the wake of Hurricane Ike. These settlements were related to losses and expenses for the hurricane peril. Our analysis relies on the use of catastrophe models to produce estimates of expected hurricane losses. As such, we do not estimate that this portion of the law change would affect the indication process in a material way.
 - c. We have assumed that TWIA will comply with all claims handling requirements for expected losses in the future period. No additional expenses or costs related to bad faith settlements or other lawsuits of this kind are included in our analysis.
 - d. The assumption was made that the catastrophe model results relied upon in our analysis simulates losses covered within the TWIA policy.
3. Section 9 – Subjects Company to claims process audit and quality control procedures for claims adjustment process.
 - a. We understand this portion of the law is intended to better the Company's claims processes and make the investigation and settlement of claims more efficient. Changes of this nature were made in other areas of this bill. We have made adjustments in our indications for these changes in their totality, not based on the expected effects of the individual section. The adjustments made are discussed in detail below.

4. Section 19 – Requires the Company use the settlement guidelines promulgated by the Commissioner in the determination of damages related to wind, water, rising tides, etc.
 - a. We understand that no such settlement guidelines have been promulgated at the date of this analysis. In general, we have assumed that losses will be settled in the future period in compliance with the Company’s insurance contract and applicable law and regulation.
5. Section 21 – Upon recommendation by the board, requires the commissioner to approve a commission structure for agents issuing policies for TWIA.
 - a. We understand from the Company that no such recommendation or commission structure has been approved. We have made no consideration of changes to commissions from current levels in our analysis.
6. Section 41 – establishes new provisions for claims settlement practices and dispute resolution for the Company and provides for limitations on suits against the Company.
 - a. Provides for timelines on filing of claims and procedural matters of filing claims;
 - i. We have assumed that projected claims in the future period will be submitted in compliance with the requirements of statute and the insurance contract. No consideration has been made in our analysis of this statutory revision.
 - b. sets up appraisal and umpire system of dispute resolution regarding the amount of loss determined in claims fully or partially accepted;
 - i. We understand this portion of the law is intended to better the Company’s claims processes and make the investigation and settlement of claims more efficient. Changes of this nature were made in other areas of this bill. We have made adjustments in our indications for these changes in their totality, not based on the expected effects of the individual section. The adjustments made are discussed in detail below.
 - c. provides time limitation for bringing suit against the Company for the full or partial denial of a claim;
 - i. We understand this portion of the law is intended to better the Company’s claims processes and make the investigation and settlement of claims more efficient. Changes of this nature were made in other areas of this bill. We have made adjustments in our indications for these changes in their totality, not based on the expected effects of the individual section. The adjustments made are discussed in detail below.
 - d. provides for mediation or moderated settlement conference for disputes regarding denials of claims;
 - i. We understand this portion of the law is intended to better the Company’s claims processes and make the investigation and settlement of claims more efficient. Changes of this nature were made in other areas of this bill. We have made adjustments in our indications for these changes in their totality, not based on the expected effects of the individual section. The adjustments made are discussed in detail below.

- e. establishes limits to recovery in suit against the Company that include the covered loss payable, pre-judgment interest, court costs, reasonable attorney's fees and double damages if bad faith is shown;
 - i. The assumption was made that the catastrophe model results relied upon in our analysis simulates losses covered within the TWIA policy.
- f. Creates ombudsmen program to provide assistance and education to insureds regarding the claims process established by this subchapter.
 - i. We understand this portion of the law is intended to better the Company's claims processes and make the investigation and settlement of claims more efficient. Changes of this nature were made in other areas of this bill. We have made adjustments in our indications for these changes in their totality, not based on the expected effects of the individual section. The adjustments made are discussed in detail below.

Many of the changes discussed above were intended to provide efficiencies within the claims settlement process by TWIA and to create alternative dispute resolution programs to limit reliance on courts in the dispute of claims handling and settlement. We understand these changes were made to reduce the costs of the claims handling process of the Company. While we do agree that these changes will bring efficiencies and reduce the expected amount of loss adjustment expenses from prior periods, the exact level of savings in this area are not specifically quantifiable at this time. In our analyses, we have made an adjustment to observed loss adjustment expense costs in the experience period for both hurricane and non-hurricane losses. We have judgmentally determined and applied a 0.75 adjustment factor to the observed loss adjustment expense costs to reflect the costs savings of the law changes discussed above. It is our opinion that the reduction by 25% in loss adjustment expense costs reflect reasonable provisions for these costs from a range of reasonable results.

In order to test the sensitivity of our analysis to the cost savings provided to the loss adjustment expense by the law change, we have produced a third scenario analysis in which no provisions for loss adjustment expense is included in the hurricane losses analyzed. Please note that the assumption made by this scenario is not reasonable. The company should expect to incur loss adjustment expense costs in the future period. This analysis was performed as a hypothetical scenario to test the impact of the removal of the entirety of loss adjustment expense on results. The results of that analysis are shown in Appendix C and summarized below:

Financial Scenario Analysis
Actual Costs – With No LAE – Hypothetical Study

5 Year Scenarios

	Rate Change Scenarios			
	-20%	0%	10%	50%
Class 1 Bonds -				
Average Size Over All Scenarios	301,148,356	257,211,080	238,273,442	179,411,499
Probability of Issuance	37.2%	31.8%	29.8%	22.5%
Average Size of Issuance	810,191,972	809,858,564	799,039,041	797,030,203
Class 2 Bonds -				
Average Size Over All Scenarios	123,640,141	110,217,127	104,888,275	88,398,848
Probability of Issuance	16.7%	14.3%	13.3%	11.1%
Average Size of Issuance	741,247,849	771,828,623	789,821,346	796,386,016
Class 3 Bonds -				
Average Size Over All Scenarios	39,295,578	36,854,730	35,780,952	31,574,011
Probability of Issuance	8.5%	7.8%	7.6%	6.8%
Average Size of Issuance	460,135,574	471,288,101	469,566,306	467,763,127
XS of Class 3 Bonds -				
Average Size Over All Scenarios	231,154,558	219,268,199	213,555,986	192,662,643
Probability of Exceedence	6.9%	6.5%	6.4%	5.6%
Average Size of Exceedence	3,354,928,268	3,352,724,762	3,347,272,503	3,465,155,457
Net Results -				
Probability of Surplus at End of Period	70.0%	75.8%	78.4%	86.6%
Probability of Deficit Between \$0 and \$0.5B	8.3%	7.3%	6.6%	3.4%
Probability of Deficit Between \$0.5B and \$1.0B	6.6%	4.6%	3.9%	1.8%
Probability of Deficit Between \$1.0B and \$2.0B	6.3%	4.6%	3.7%	2.5%
Probability of Deficit Between \$2.0B and \$3.0B	2.6%	2.2%	2.3%	1.7%
Probability of Deficit Between \$3.0B and \$4.0B	1.9%	1.6%	1.4%	1.1%
Probability of Deficit Greater than \$4.0B	4.4%	3.9%	3.8%	3.0%

Financial Scenario Analysis
Actual Costs – With No LAE – Hypothetical Study

10 Year Scenarios

	Rate Change Scenarios			
	-20%	0%	10%	50%
Class 1 Bonds -				
Average Size Over All Scenarios	555,452,144	442,446,567	397,734,262	277,021,640
Probability of Issuance	53.4%	44.5%	41.0%	29.9%
Average Size of Issuance	1,039,977,803	994,261,949	969,847,018	925,255,980
Class 2 Bonds -				
Average Size Over All Scenarios	235,509,002	201,785,456	188,698,102	149,210,414
Probability of Issuance	28.4%	23.4%	21.6%	17.1%
Average Size of Issuance	830,133,950	861,962,648	875,629,244	874,109,047
Class 3 Bonds -				
Average Size Over All Scenarios	78,086,405	70,415,014	67,089,369	54,747,982
Probability of Issuance	15.9%	14.3%	13.6%	11.2%
Average Size of Issuance	491,109,467	494,140,447	495,124,498	488,821,268
XS of Class 3 Bonds -				
Average Size Over All Scenarios	474,270,193	436,031,828	418,107,682	354,885,023
Probability of Exceedence	13.3%	12.2%	11.5%	9.5%
Average Size of Exceedence	3,563,262,153	3,588,739,329	3,635,718,977	3,739,568,210
Net Results -				
Probability of Surplus at End of Period	58.7%	70.9%	75.0%	85.2%
Probability of Deficit Between \$0 and \$0.5B	9.3%	5.9%	4.8%	2.0%
Probability of Deficit Between \$0.5B and \$1.0B	6.7%	4.2%	3.3%	1.9%
Probability of Deficit Between \$1.0B and \$2.0B	8.2%	5.3%	4.7%	2.7%
Probability of Deficit Between \$2.0B and \$3.0B	4.7%	3.8%	3.0%	1.8%
Probability of Deficit Between \$3.0B and \$4.0B	3.2%	2.3%	2.1%	1.4%
Probability of Deficit Greater than \$4.0B	9.3%	7.7%	7.1%	5.1%

This analysis shows that even in the absence of loss adjustment expenses for hurricane claims, the overall financial position of the Company is not changed materially. The probability of issuing Class 1 bonds decreases by around 2.1% in the five year period and by around 3.1% in the ten year period. The probability of having losses in excess of Class 3 Bonds is reduced by less than 1% for the five year period and by around 1.5% for the ten year period. The probability of having a surplus at the end of the five year period is increased by around 1.9% and is increased by around 3.2% for the ten year period. Based on a comparison of these results, we have determined that the results of our analysis would not be materially affected by alternative adjustments to the expected loss adjustment expense costs based on the law changes discussed above.

Disclosures on Methods and Assumptions

The analysis described in this memorandum represents the first such analysis performed by M&A for TWIA. As such, the methods and assumptions used in the analysis differ in some respects versus the prior analysis of the rate adequacy of the Company. Below is additional discussion of several material assumptions, methods, and additional disclosures on our analysis. Additionally, we have provided commentary regarding changes in actuarial methods or assumptions versus the prior analysis that may have a material impact on the results of this analysis.

1. Experience data used:

- The experience data used in the analysis includes calendar-accident years from 1/1/2007 through 12/31/2011 evaluated as of 12/31/2011. The data represents the actual exposure, premium, loss and expense experience of the Company during the experience period.

2. Loss Adjustment Expense:

- Allocated loss adjustment expense (ALAE) was included within the individual claim files that we received. It has been reviewed and analyzed separately from loss and an average provision for ALAE has been developed based on the historic relationship of ALAE to loss, with adjustments for recent law changes as discussed above. Separate provisions are developed for hurricane versus non-hurricane losses based on prior experience for each type of claim.
- Unallocated loss adjustment expense (ULAE) was provided separately from loss and ALAE information for the past ten accident years. A provision for ULAE was developed based on the historic relationship of ULAE to loss and ALAE, with adjustments for recent law changes as discussed above. The developed ULAE provision is applied equally to both hurricane and non-hurricane losses.

3. Punitive Damage Awards:

- We understand that the experience data used in the analysis does not include any punitive damage awards or bad faith claims.

4. Operational issues and other influences on experience data:

- We are not aware of any operations issues that would materially impact the experience period, other than those discussed above in the section "Effect of Recent Law Changes – HB3". We have made adjustments for large non-recurring claims that were identified in the period. Actual losses have been categorized as hurricane or non-hurricane losses. Hurricane losses are summarized based on coding embedded in the individual claims data and the applicable dates of loss. Hurricane losses are removed from the ratemaking data due to their low frequency nature, consistent with generally accepted actuarial practice. Provisions for hurricane losses expected in the exposure period are included in our analysis based on the results of the hurricane models discussed below.

5. Premium and Loss Trend:

- The developed indications make no consideration of trend to either premiums or losses. The Company provides property insurance coverage for only the perils of windstorm and hail. Since the insurance provided only covers acts of God, we have assumed that the frequency of events and loss are unchanging over the experience period. Additionally, changes in building and contents costs are expected to affect both the amounts of insurance purchased, and the resulting premiums, and the losses in the same manner. Other changes in amounts of insurance provided, such as changed in deductibles, also affect both premiums and losses in similar ways. As such, we have not made consideration of premium and loss trends as these forces are expected to offset each other. This conclusion is consistent with prior Findings of Fact in the Commissioners Orders for past TWIA filings (see 08-0961).

6. Basis of credibility standard:

- The credibility standard used in this analysis to determine the credibility percentage to be applied to the Company's non-hurricane experience is 330,000 earned house years (EHY). The standard is consistent with that used by ISO in pricing Extended Coverage. Partial credibility is being determined by the square root rule, with the complement of credibility being the overall projected TWIA loss ratio for all programs, which is fully credible based on the standard above.

7. Effect of reinsurance on rate development:

- We have included an estimate of the net cost of reinsurance for each program. The actual 2011-2012 reinsurance purchased is reviewed and expected recoveries are netted against reinsurance premiums and expected reinstatement premiums to estimate the net cost of reinsurance. Modeled average annual loss amounts by program are used to further allocate this net cost to each program.

8. Expense Experience and anticipated expense needs:

- Three years of companywide expense and premium data are used to determine historical ratios for the Company. The Company anticipates a large general expense in 2012 related to major IT projects. We have not made consideration of this one time expense in the provisions selected. Commission rates by program have been selected based on those specified in the Company's manual. Overall expenses, Other Acquisition Expenses, and Taxes, Licenses, and Fees provisions have been selected based on the past three years of experience. General Expenses are calculated as the result of these selections.

9. Catastrophe Load Factor:

- We have included a hurricane catastrophe load based on the results of two separate model runs of the Company's 12/31/2011 inforce profile. First, we used model results of

average annual loss by policy from the AIR v 13.0 hurricane model, with long-term frequency, with demand surge, without storm surge to estimate the average annual loss by program and territory. Similarly, results from this model by storm, line of business, and county are used to develop ceded reinsurance amounts used in the net cost of reinsurance analysis. Results by storm for this model were also used in the financial scenario analysis discussed above.

- We have also relied on the results of average annual loss by policy from the RMS v 11 hurricane model, with long-term frequency, with demand surge, without storm surge to estimate the average annual loss by program and territory.

The methods and assumptions used in this analysis differ in several material ways from those used in the prior rate analysis performed by the Company. Each of these differences is noted below, along with commentary on the anticipated affect on the developed indications.

1. Use of Hurricane Simulation Models versus Actual Industry Hurricane Experience

- The prior filing used a mixture of results from hurricane simulation models and actual industry hurricane experience over the past 47 years to develop a provision for hurricane losses. In this analysis, we are relying only on the results of hurricane simulation models. In the prior filing, the residential program loss ratio using the historic hurricane experience was 40.2%, while the loss ratio using the hurricane simulation models was 54%. The selected hurricane loss ratio in the prior filing for residential programs was 47.1%.

Similarly for the commercial property program, the loss ratio using historic hurricane experience was 52.8%, while the loss ratio using the simulation models was 53.3%. The selected hurricane loss ratio for the commercial property program was 53.1%. Additionally, it was discussed in the prior filing that the annual hurricane frequency in the past 47 years of experience was 0.298, while the long term frequency of hurricanes was 0.394.

Given these figures, we have concluded that the reliance on only the hurricane simulation models results in an increase to the indications.

2. Use of Storm Surge Adjustment to model losses

- The prior filing also included an adjustment to model loss estimates for the effects of storm surge. We have included no such adjustment in this year's analysis. This storm surge factor was less than 2% of modeled hurricane losses in the prior analysis. As such, we determine that its exclusion in this year's analysis does not have a material effect on the indications.

3. Use of Profit Load or Load for Additional Contribution to Cat Fund
 - In the prior filing, the Company included a variable expense load of 20% for contributions to the Cat Fund. This provision was used in lieu of a profit or contingencies load and was intended to address the re-establishment of the Cat Fund after Hurricane Ike. In the “traditional” actuarial analysis, we have not included a provisions for profit, contingencies, or a cat fund contribution factor as was used in the prior analysis. Instead, we have attempted to address the need for additional or contingent funds in the financial scenario analysis discussed above. This analysis is intended to address the variance of the loss distribution for the Company and provide information on the risk of severe or extreme events for the entity and the level of reliance on post-event financing. This change in methods is not quantifiable as no direct load to premium is developed or included herein.

4. Use of TWIA Experience in Non-Hurricane Loss Projection versus Industry Experience
 - In the prior filing, the Company relied upon industry non-hurricane loss information and industry premium adjusted to TWIA rate levels to estimate the non-hurricane loss ratio. In this analysis, we have relied upon the actual claims experience and premiums of TWIA as provided to us by the Company. We have not verified how this change in method has affected the resulting indications. The selected non-hurricane loss ratio is less than 5% and TWIA currently makes up a very large portion of the market in the areas in which it provides insurance. As such, we have concluded that this change does not materially affect the developed indications.

5. Consideration of Premium and Loss Trend
 - As discussed above, the prior filing included contemplation of net trend for premium and losses. In this analysis, we are making no consideration of premium or loss trend. The net trend was applied to non-hurricane losses in the prior indications and were less than 1% on an absolute value basis for the Residential program for all accident years that we have considered in our analysis. As such, we have determined that this change does not materially affect the developed indications.

6. Treatment of Robstown Event in Indications
 - The prior indications used experience data for 10 ½ years ending 3/31/2011, and included loss information related to the Squall Line and long track tornado event that occurred near Robstown, TX in January of 2011. At the evaluation date of the prior experience, the non-hurricane losses for the quarter ending 3/31/2011 were estimated to be in excess of \$100M for the industry. In our analysis, we have used actual losses and loss adjustment expenses for TWIA. As of 12/31/2011, it was found that TWIA had incurred losses and LAE from the Robstown event of over \$95 million. We performed analyses to estimate a return period for this event of 1-in-12 years. As a result, we made specific adjustments to reduce the amount of loss associated with this event due to its

low frequency and our use of five accident years of data. We estimate that this adjustment has reduced the indications.

7. Net Cost of Reinsurance

- The prior filing included an analysis of the net cost of reinsurance that did not appear to include recognition of reinstatement premiums and provided for an adjustment to the premium basis for exposure growth during the period between the midpoint of the last accident year and average accident period covered by the contract. In this analysis, we have not included such an adjustment and include in the premium costs an estimated amount for expected reinstatement premiums. This change in methodology has increased the indications.

Distribution and Use

This report has been prepared for the internal use of the Board of Directors and TWIA management to provide information on the adequacy of residential and commercial pricing and recommendations on possible structural changes in the programs. Further distribution or use is not intended without the express written consent of M&A.

Conditions and Limitations

Evaluating loss and LAE involves the estimation of the outcome of future uncertain events. As such, they are subject to variation from expected values. Due to the nature and degree of uncertainty involved in projecting ultimate values of loss and LAE, there can be no guarantee that our independent estimates will prove adequate or not excessive. However, the assumptions and methods we have employed in our analysis are, in our opinion, reasonable under the circumstances.

Data Reliance

In performing this analysis, we relied upon data prepared by Mr. James Murphy, FCAS, MAAA, Vice President – Actuary of the Company. We evaluated the data for reasonableness and consistency. We also reconciled that data to Schedule P Part 1 of the Company's current Annual Statement (See Exhibit IX). Several items were not able to be reconciled to financial information.

The earned premium amounts relied upon in our analysis differed by accident year versus financial statements, and were different by a total of \$4.8 million for the prior five accident years. We understand this overall difference is due to recent accounting changes related to the premium amounts for policies bound before the effective date of the policy. This difference is less than 0.5% of the total earned premium over the five accident periods we reviewed. This overall difference combined with the allocation differences by accident year would not materially affect our analysis.

Also, there were several differences noted between accumulated paid and case loss amounts and the Company's financial statements. The majority of these differences are associated with the 2008 accident year, which was affected by Hurricane Ike. Excluding those amounts for 2008, the differences are less than 1% of losses for the other accident periods reviewed. Since our analysis relies only on the observed experience of the Company for non-hurricane claims, these differences in loss amounts would not materially affect the results of our analysis.

We will continue to review these reconciliation issues with the Company and will provide additional clarity to these differences prior to a filing being made.

Additionally, we relied upon data and information provided by the Company on policies that were in force as of 12/31/2011. This data was compiled and used by the Company's broker to produce input data for the various catastrophe models used in our analysis. While this information was reviewed for reasonableness and consistency, we have not independently audited this information.

Texas Windstorm Insurance Association

Technical Documentation

2012 Rate and Structure Review

Statewide Indications Exhibits

The documentation below discusses the technical aspects of the actuarial methods and assumptions used in component of the development of the “traditional” actuarial statewide indications. In general, we relied on five accident years of experience ending 12/31/2011, evaluated as of 12/31/2011. The Company’s actual premium, exposure, loss, loss adjustment expense (LAE), and other expense experience was reviewed to produce estimates of future costs for the non-hurricane loss and loss adjustment expenses and of various other expense items. The results of two hurricane catastrophe models were used to estimate the expected costs of hurricane claims and to analyze the net cost of reinsurance for the Company.

Data is segregated , analyzed, and indications are produced for three segments of the Company’s book of business: Residential (Non-Mobilehome), Commercial, and Mobilehome exposures. The actuarial methods and assumptions applied to the analysis of each segment are identical.

Exhibit I

This exhibit compiles information from the various exhibits to produce the rate level indication. The estimate of ultimate non-hurricane loss and LAE are selected by accident year based on the estimated amounts from the paid and incurred loss development methods. This selection is divided by the on-level earned premium figure by accident year to develop an estimate of the non-hurricane ultimate loss and LAE ratio. Selected accident year weights are based on common industry time weighting for five accident year ratemaking and are used to produce a weighted average non-hurricane loss and LAE ratio.

Next, the credibility of the observed experience is used to weight the weighted average non-hurricane loss and LAE ratio for the program with overall observed ultimate loss and LAE ratio for the Company’s total book, with the later being the complement of credibility. The result of this procedure is combined with the programs projected hurricane loss and LAE ratio, to produce the credibility weighted projected loss and LAE ratio. The credibility weighted loss and LAE ratio is then combined with the estimate fixed expense provision and estimated net cost of reinsurance expense provision. The result is divided by one minus the variable expense provision to develop the rate level indication.

As discussed in the actuarial memorandum, the developed indication includes no provision for profit, contingencies, risk loads, or contributions to the Cat Fund. The developed indication generally makes no consideration of the variance of the losses that the Company is exposed to and is therefore limited in its nature. The results of this analysis should be reviewed along with the other information discussed in the actuarial memorandum and below regarding the long term financial outlook of the Company's programs.

Exhibit II – Sheet 1

This exhibit estimates the credibility of the observed programs experience based on the earned house years in the experience period and the standard of credibility of 330,000 earned house years. Partial credibility was determined by use of the square root rule. The earned house years of each program was determined based on individual policy records provided by the Company, with one earned house year representing one insured structure being in force for one year within the experience period. The earned house years were determined in a similar fashion, with individual insured structures at various sites being the basis of the house year calculation. The credibility standard of 330,000 earned house years is based on the standard used by ISO for pricing EC perils.

Exhibit II – Sheet 2

This exhibit is used to bring historic earned premiums of the Company to current rate level. The rate change history by program was accumulated based on data and information provided by the Company and publicly available sources. The historic earned premiums are separated into various written date cohorts reflecting a common rate level being charged within each cohort. The earned premiums by accident year and written date cohort are brought to current level based on all rates changes occurring after the ending of the applicable written date cohort.

Exhibit III – Sheet 1

This exhibit analyzes case incurred loss and ALAE development using accumulations from the Company's historic Schedule P data. Age to Age development factors are developed and various averages of these factors are reviewed. Selected Age to Age development factors are selected based on these averages. This analysis is performed for review purposes only and is not materially relied upon in the other portions of the analysis.

Exhibit III – Sheet 2

This exhibit analyzes paid loss and ALAE development using accumulations from the Company's historic Schedule P data. Age to Age development factors are developed and various averages of these factors are reviewed. Selected Age to Age development factors are selected based on these averages. This analysis is performed for review purposes only and is not materially relied upon in the other portions of the analysis.

Exhibit III – Sheet 3

This exhibit analyzes case incurred loss development using accumulations from the Company's historic Schedule P data. Age to Age development factors are developed and various averages of these factors are reviewed. Selected Age to Age development factors are selected based on these averages, with most selections being based on the all year average factor excluding 2008, which was affected by Hurricane Ike. The selected Age to Age factors are used to calculate cumulative Age to Ultimate factors which are in turn used to develop case incurred losses at 12/31/2011 to ultimate.

Exhibit III – Sheet 4

This exhibit analyzes paid loss development using accumulations from the Company's historic Schedule P data. Age to Age development factors are developed and various averages of these factors are reviewed. Selected Age to Age development factors are selected based on these averages, with most selections being based on the all year average factor excluding 2008, which was affected by Hurricane Ike. The selected Age to Age factors are used to calculate cumulative Age to Ultimate factors which are in turn used to develop paid losses at 12/31/2011 to ultimate.

Exhibit III – Sheet 5

This exhibit produces the estimate of ultimate non-hurricane incurred loss and LAE and ultimate non-hurricane paid loss and LAE for each accident year that is used in Exhibit I. Ultimate incurred and paid losses from Exhibit III – Sheet 6 by accident year are loaded with a distribution of losses associated with the 2011 Robstown event. 2011 accident year losses include this same loading, but exclude the actual losses associated with this event.

Next, selected allocated loss adjustment expense (ALAE) and unallocated loss adjustment expense (ULAE) provisions developed in Exhibit IV, Sheets 1 and 2 are applied to the estimates of ultimate non-hurricane loss to develop the estimates of ultimate non-hurricane loss and LAE.

Exhibit III – Sheet 6

This exhibit develops non-hurricane paid and incurred losses to ultimate based on the Age to Ultimate loss development factors developed in Exhibit III, Sheets 3 and 4. The actual losses for each year are included in this analysis, including the amounts associated with the 2011 Robstown weather event. In this exhibit, the amounts of loss specifically related to the Robstown event are also separately analyzed and developed to ultimate. The ultimate losses are then loaded for ALAE and ULAE expenses based on the provisions developed in Exhibit IV, Sheets 1 and 2.

Based on the research and analysis performed on the Robstown event and documented in the attached Appendix E, we estimate that this event represents a 1 in 12 year event. An annual provisions is developed based on the actual Robstown event losses and the estimation of a 1 in 12 year event. This annual provision is then used in Exhibit III, Sheet 5 to allocate the proportion of Robstown event losses evenly by accident year. This adjustment is intended to properly reflect the low frequency nature of this event and remove bias in the indication due to the accident year weighting being more heavily weighted towards the 2011 accident period.

Exhibit IV – Sheet 1

This exhibit develops a provision for ULAE based on the prior loss and expense data of the Company for all perils. The paid loss, ALAE, and ULAE are provided for the past ten accident years. The ULAE is divided by the combination of loss and ALAE to develop a long term provision for ULAE. The selected ULAE provision is based on the total ten year period, with a judgmentally determined adjustment factor of 0.75. As discussed in the actuarial memorandum, this factor is intended to adjust historic LAE costs based on changes to statutory provisions for the claims settlement process for the Company in HB3.

Exhibit IV – Sheet 2

This exhibit reviews non-hurricane and hurricane paid and case incurred loss and ALAE separately to develop provisions for ALAE as a percentage of loss for each peril. The non-hurricane paid loss by accident year is compared to the non-hurricane paid ALAE by accident year to develop estimates of the ALAE load as a percentage of loss. For accident year 2011, these ratios are study with and without the loss and ALAE associated with the Robstown event. Also, totals for all accident years combined are developed with and without the Robstown event.

Similar procedures are performed for non-hurricane case incurred loss and ALAE, hurricane paid loss and ALAE, and hurricane case incurred loss and ALAE to develop various estimates of the average load of ALAE relative to loss. Provisions are selected separately by non-hurricane and hurricane perils based on the corresponding analyses above. The selected provisions include a judgmentally determined adjustment factor of 0.75. As discussed in the actuarial memorandum, this factor is intended to adjust

historic LAE costs based on changes to statutory provisions for the claims settlement process for the Company in HB3.

Exhibit V

This exhibit develops the projected hurricane loss and LAE factor based on the results of two hurricane simulation models. The Company's 12/31/2011 inforce portfolio was input into the AIR v 13.0 and the RMS V 11.0 hurricane simulation models. In both instances, the models relied upon long-term frequency assumptions, including demand surge, and excluding storm surge.

The average annual loss for the program as developed by each model is loaded for LAE expenses based on the provisions developed in Exhibit IV, Sheets 1 and 2. The hurricane loss and LAE figures are then compared to the Company's 12/31/2011 inforce premium, adjusted to current level based on the 5% rate change that was effective 1/1/2012 for the Company's programs, to develop estimates of the hurricane loss ratio for the program. The hurricane loss ratio used in Exhibit I is selected as the average of the AIR v 13.0 and RMS v 11.0 estimates.

The RMS v 11.0 model was used in the Company's prior filing to develop similar estimates of hurricane average annual loss. Additionally, the prior filing used the previous version of the AIR model to produce these figures. These models were chosen for use in this analysis to maintain consistency between this and the prior analysis. As both models produce reasonable estimates of hurricane loss potential, the average of the results of the two models was selected in this instance as our estimate.

Exhibit VI – Sheet 1

This exhibit develops the unrecoverable cost of reinsurance for the Company as a whole based on the 2011-2012 reinsurance contract and the modeled loss estimates from the AIR v 13.0 hurricane catastrophe model. As discussed in the Actuarial Memorandum document, the AIR v 13.0 storm set was used in this analysis due to the ease of using the output for this type of analysis. The AIR model output includes a large set of individual model years that are equally probable, whereas the RMS model produces losses for individual storms that each have a unique probability distribution. While each model is assumed to produce outcomes by event that are within a reasonable range of results, each model is uniquely designed and contains some element of model specification risk¹. The use of a different model for this analysis could produce results that differ from those discussed below. However, the results discussed below produce reasonable estimates and are suitable for the intended purpose of this analysis.

¹ As defined here, model specification risk is intended to mean the risk that the model assumptions, mathematical simplifications of natural phenomenon, or interaction of variables within the model are not exact replications of the actual system of a hurricane.

The reinsurance premium as specified in the contract is combined with the expected reinstatement premiums on that contract to develop an estimate of the expected premium costs of the reinsurance coverage. Reinstatement premiums were estimated based on the results of the financial scenario analysis discussed in the Actuarial Memorandum. For each simulated model year in the scenario analysis, the reinstatement premiums expected due to the modeled storm losses ceded under the contract were accumulated. The average reinstatement premium across all modeled year scenarios was then calculated and included as the expected reinstatement premiums in this Exhibit.

Next, the expected recoveries ceded to the contract were estimated using the model storm catalog from AIR v 13.0. Losses for each event were loaded with LAE based on the provisions developed in Exhibit IV, Sheets 1 and 2. The resulting loss and LAE by event were then compared against available reinsurance coverage to estimate what portion of the modeled loss and LAE would be ceded. The calculated ceded losses were summed and then divided by 10,000 (the number of model year simulations that AIR produced). Finally, the unrecoverable cost of reinsurance was developed by subtracting the expected ceded loss and LAE recoveries from the expected reinsurance and reinstatement premiums.

Exhibit VI – Sheet 2

This exhibit produces estimates of the net cost of reinsurance for each of the Company's programs. The expected ceded average annual loss for each program is developed based on AIR v 13.0 model output by storm, lines of business, and County and is used to allocate the unrecoverable cost of reinsurance from Exhibit VI – Sheet 1 to program. This allocated cost is then divided by the program's 12/31/2011 inforce premium at current rate level to develop the net cost of reinsurance for each program.

Exhibit VII

This exhibit demonstrates the calculations that bring the 12/31/2011 inforce premium for the program to current rate level. The 1/1/2012 rate level change is the only rate revision affecting these premiums.

Exhibit VIII

This exhibit produces estimates of the expenses of the Company related to commissions, other acquisition expense, general expenses, and taxes, licenses, and fees. Three years of historical expense data was provided by the Company and compared to written and earned premium from the Company's financial statements. For each program, the commissions expense provision is selected based on the amount specified for that program in the Company's manual. The other expenses were selected based on the historic three year average for each category and the expense load in total. We have assumed that 50% of the general expense provision is a fixed expense. All other expenses were assumed to be variable.

Exhibit IX

This exhibit reconciles the loss, LAE, and premium information relied upon in these indications to the Company's 12/31/2011 financial statements. Premium, paid loss, paid LAE, and case loss information was compiled by accident year and compared to Schedule P figures. Several items were not able to be reconciled to financial information.

The earned premium amounts relied upon in our analysis differed by accident year versus financial statements, and were different by a total of \$4.8 million for the prior five accident years. We understand this overall difference is due to recent accounting changes related to the premium amounts for policies bound before the effective date of the policy. This difference is less than 0.5% of the total earned premium over the five accident periods we reviewed. This overall difference combined with the allocation differences by accident year would not materially affect our analysis.

Also, there were several differences noted between accumulated paid and case loss amounts and the Company's financial statements. The majority of these differences are associated with the 2008 accident year, which was affected by Hurricane Ike. Excluding those amounts for 2008, the differences are less than 1% of losses for the other accident periods reviewed. Since our analysis relies only on the observed experience of the Company for non-hurricane claims, these differences in loss amounts would not materially affect the results of our analysis.

We will continue to review these reconciliation issues with the Company and will provide additional clarity to these differences prior to a filing being made.

We also understand that the Company recently restated financial statements from 2008, 2009, and 2010 as a result of an audit by the Texas Department of Insurance. We reviewed these documents and found that some of the historic loss information relied upon to develop the triangles of paid and case incurred losses was revised in these documents. We determined that the adjustments did not materially affect the indications or the reasonableness of the selected Age-to-Age development factors discussed in Exhibit III. As such, no revisions were made to these exhibits based on the restatement of these financial documents.

Territorial Indications Exhibits

The discussions below detail the methods and assumptions used to redistrict the Company's geographic territorial definitions and produce indicated changes for each newly defined territory, based on the "traditional" statewide indication as discussed in the Actuarial Memorandum.

Background

As discussed in the Actuarial Memorandum, the Company was unable to provide differentiation in their geographic pricing of risk until recent law changes. As a result, the Company is currently relying on only two segmentations of pricing based on geography for the residential property program. For this program, one price is charged to any exposure in the first tier coastal counties. A second price is charged to any risk in that portion of Harris county that the Company services. Based on our understanding of the hurricane peril, to which the Company is heavily exposed, and the results of the AIR v 13.0 model, we have produced more granular territories that more accurately reflect risk differences than the current pricing structures.

Exhibit X and Remapping

This exhibit documents the mathematical testing of the current and proposed territorial structures using the results of the AIR v 13.0 model. These analysis are designed to support the assertion that the proposed territorial structure reflects generally contiguous regions that reflect greater homogeneity of risk within each group.

We began our analysis of territories, by studying the results of the AIR v 13.0 hurricane model by policy. Based on the ZIP code location of each insured site, we aggregated data and developed statistics about the average annual loss per \$1,000 of insured value for the different programs. It was found that loss costs by ZIP code range between \$0.82 and \$9.02 for the fourteen coastal counties. For comparison purposes, these loss costs would indicate expected annual average hurricane losses for a \$150,000 home in the low rated ZIP Code of \$123, with one in the higher rated ZIP code indicating \$1,353 of expected annual average hurricane losses. This difference is an order of magnitude and indicates more refinement in the territorial structure is needed.

Based on the results above, we began analyzing the model results by ZIP code and the geographic alignment of ZIP codes within each county. We grouped ZIP codes within a county into several areas based on geographic proximity and similar modeled loss cost levels. We then mapped the resulting territories and reviewed for reasonability and continuity of defined areas. This process repeated in multiple iterations to develop ZIP code groupings that reflect the greatest differences in estimated loss costs and maintain reasonable continuity in the defined area. The resulting territorial structure is shown in the maps in Appendix F. A listing of the territorial definitions within each county is provided in Appendix G. Please note, the mapping software utilized was not able to produce defined area mappings

for post office box type zip codes. In the southern counties, where large land areas are serviced by post office box type zip codes, the maps in Appendix F shows these areas as blank portions. This result is a product of the limitations of the mapping software and is not intended to imply that these areas are not priced or written by the Company. Appendix G documents the selected final territorial definitions for each ZIP code (standard, P.O. Box, and Unique type zip codes) in each county.

Exhibit XI

This exhibit produces territorial indications for each program for each proposed territorial grouping. The earned house years, current level earned premium and ultimate non-hurricane losses for the five accident years ending 12/31/2011 were accumulated from data provided by the Company and the results in Exhibit XIV. Ultimate non-hurricane losses were loaded with LAE expenses based on the provisions developed in the Statewide indications Exhibit IV, Sheets 1 and 2. The resulting Ultimate non-hurricane loss and LAE is divided by the current level earned premium to develop the Ultimate non-hurricane loss and LAE ratio by territory.

The credibility of the observed experience in each territory is developed based on the earned house years over the experience period and the statewide credibility standard of 330,000 earned house years. The individual territory loss and LAE ratio is then credibility weighted with the statewide loss and LAE ratio for the program. The hurricane loss ratio and net cost of reinsurance provision from Exhibit XII and XIII respectively are combined with the credibility weighted non-hurricane loss and LAE ratio and the statewide fixed expense provisions. The result is then divided by one minus the statewide variable expense provision to develop the "Indicated Change" by territory.

Based on the "Indicated Change" by territory developed above, the implied statewide indication is developed by weighting the indication in each territory with the current level inforce premium in each territory. The "Indicated Change" is then rebalanced so that the overall indicated change from the territorial procedures is equal to the "traditional" statewide indication for the program.

Again, the resulting "Rebalanced Territorial Indications" should not be viewed as the "correct" or "most reasonable" indication for each territory. These indications, as does the "traditional" statewide indications, do not include provisions for profit, contingencies, risk loads, etc. or service of Class 1 bond debt. Without inclusion of these cost items, the territorial indications should simply be viewed as providing information on the relative rate adequacy within the newly defined territorial structure.

Exhibit XII

This exhibit develops hurricane loss and LAE ratio provisions for each territory based on results from the AIR v 13.0 hurricane simulation model and RMS 11.0 hurricane simulation model. As in the statewide analysis, both model runs relied on long term frequency assumptions, including demand surge, and excluding storm surge.

Average annual loss figures by policy from each model are accumulated based on the proposed territorial definitions. The expected losses are then loaded for LAE based on the provisions developed in the statewide indications Exhibit IV, Sheets 1 and 2. Selected hurricane loss and LAE by territory is based on the average of the RMS v 11.0 and the AIR v 13.0 estimated amounts.

Inforce premiums as of 12/31/2011 are brought to current level and accumulated for each new territory. These are then compared to the selected hurricane loss and LAE by territory to develop the hurricane loss and LAE ratio for each territory. For the Commercial and Mobilehome programs, there were no policies inforce for proposed territory 72 (Inland Harris County). To develop a hurricane loss and LAE provision for this area, we relied on the territory 71 (Harris County ZIP codes bordering bay) hurricane loss ratio for each program adjusted by a factor of 0.38. This factor adjustment was derived based on the hurricane loss ratio relationship between territories 71 and 72 in the Residential (Non-Mobilehome) program.

Exhibit XIII – Sheet 1

This exhibit lists the net cost of reinsurance loading for each territory based on its corresponding county definition and the net cost of reinsurance provisions by county developed in Exhibit XIII – Sheet 2.

Exhibit XIII – Sheet 2

Based on the results of the AIR v 13.0 hurricane simulation model by storm, line of business, and county, we produced estimates of the amount of ceded average annual loss by county and line of business. The percentage of the total ceded loss represented by each segment is then used to allocate the dollar value of the unrecoverable cost of reinsurance from the statewide indications Exhibit VI to each segment.

Next, the current level inforce premium is developed for combination of county and line of business. This is compared to the allocated unrecoverable reinsurance cost figure for each segment above to produce a net cost of reinsurance estimate for each county and line of business.

Exhibit XIV – Sheets 1 - 5

This exhibit develops estimates of ultimate non-hurricane loss and current level earned premium for each proposed territory for the five accident years ending 12/31/2007 through 12/31/2011. Incurred and paid non-hurricane losses in this period are developed to ultimate based on corresponding loss development factors from statewide indications Exhibit III, Sheets 3 and 4. Selected ultimate non-hurricane loss estimates are based on an average of the results of the paid and incurred loss development methods. Current level earned premiums are developed using similar techniques to those

described in statewide indications Exhibit II, Sheet 2, extended to historic premiums accumulated at the territory level. Historic rate changes that effect the experience period did not vary by geographic area.

Financial Scenario Methods and Assumptions

As discussed in the Actuarial Memorandum, the variance of the expected loss distribution of the Company and the long term financing was analyzed outside of the “traditional” actuarial indication process. The analysis of profits, contingencies, risk loads, or other measures of risk variance are a very complex undertaking for an entity such as TWIA, and rely on considerations such as the level of desired subsidy between future policyholders and current policyholders, the level of desired subsidy between the market as a whole and the Company’s insured population, and the economic impact to the affected area of any pricing changes versus expected economic impacts after an event. Given these types of considerations, these types of provisions are largely a matter of public policy.

In order to address these issues and provide numerical analyses to quantify the level of reliance on post-event financing, we have produced an actuarial analysis that evaluates 5 year and 10 year scenarios to estimate the long term probabilities and average amount of the various post event financing mechanisms. The sections below detail the assumptions and calculations used in producing this analysis. For discussion purposes, the collection of methods and assumptions used to develop these long term financial probabilities and estimates will be referred to as the “Financial Scenario Model” , to prevent confusion with the discussion of the use of a hurricane catastrophe model.

Financial Scenario Model Overview

In the development of the Financial Scenario Model, we produced a calculation method that incorporated various financial information and loss estimates for the Company and specified interaction with the results of one simulation year with future years. This calculation uses ten independent variables and several input assumptions to produce several data outputs. These inputs and outputs are then stored and the independent variables revised. This process is repeated 10,000 times, and the stored inputs and outputs later analyzed to produce estimated probabilities and expected values of different financial outcomes over these 10,000 simulations. In each instance, the results from one of the 10,000 simulations are equally probable.

Alternate results under various rate change scenarios or different LAE considerations, for example, are created under versions of the Financial Scenario Model above with different input assumptions specified.

Financial Scenario Model Specifications

Independent Variables

The independent variables in this analysis are a set of ten random integers between 1 and 10,000 that each represent the results of one simulated model year from the results of the AIR v 13.0 simulation catastrophe model with long term frequency, with demand surge, and excluding storm surge on the Company's 12/31/11 policy set. The AIR v 13.0 storm set was used in this analysis due to the ease of using the output in a simple Monte Carlo simulation method, as this model output includes a large set of individual model years that are equally probable.

A random number generator was used to produce 10,000 sets of ten random figures. This table represents the set of independent variables that are sampled in the 10,000 simulations discussed above. This set does not change under the various assumptions or changes to input assumptions.

Input Assumptions

Other inputs are held constant under each variation of the Financial Scenario Model. These other inputs include:

1. The estimated amount of premium available under policies written in each year
 - a. The starting assumption for this input is that the amount of premium collected in each simulated year is equal to the 12/31/2011 inforce premium, adjusted for the approved 1/1/2012 rate level revision and for any other rate change specified.
 - b. The level of premium is assumed to be constant year to year. No assumptions have been made as to fluctuations or trends in the number of policies insured or amount of insurance provided. The volume of business is assumed to be constant and equal to the volume at 12/31/2011.
 - c. The other rate changes specified under the model assumption scenario are assumed to be a one time adjustment, occurring before the first policy issuance. As such, there is no lag in implementation or collection of the additional premium amounts. No consideration of incremental changes (10% in first year ,10% in second year, 10% in first year, etc.) has been made.
 - d. With no consideration of other rate changes, the assumed premium level is \$427,057,087.
2. The estimated non-hurricane loss and LAE amounts per year,
 - a. the non-hurricane loss and LAE ratio for all programs of the Company is used to determine the expected non-hurricane loss and LAE amounts. This figure is produced in

- the statewide indication methodologies discussed above, and represents the expected ultimate non-hurricane loss and LAE ratio to current level earned premium.
- b. The non-hurricane loss and LAE ratio of 4.8% is multiplied by the current level inforce premium at 12/31/2011 of \$427,057,087 to develop the expected non-hurricane loss and LAE of \$20,498,740.
 - c. This provision does not change in any scenario and is assumed fixed for this analysis.
3. The expected other income amounts in each year,
 - a. The investment income of the Company's was reviewed for the prior six calendar periods from the Company's financial statements. These amounts were compared to the average invested assets during the calendar period to develop an average return on investments for the Company for the period.
 - b. A rate of return on investments of 1.8% was selected based on the results above.
 - c. The selected rate of return was multiplied by the total invested assets of the Company at 12/31/2011 to estimate an other income amount of \$9,030,704.
 - d. This provision does not change in any scenario and is assumed fixed for this analysis.
 4. The presence of reinsurance as specified in the 2011-2012 reinsurance contracts (both in ceded losses and in reinsurance premium costs)
 - a. The reinsurance coverage and cost for the 2011-2012 reinsurance contract was reviewed.
 - i. The reinsurance premium under this contract was \$108,120,000
 - ii. The contract provided catastrophe excess of loss protection of \$636 million excess of \$1.6 billion.
 - iii. The contract provided for one reinstatement of limits, with reinstatement premiums determined pro-rata as to limit.
 - b. This reinsurance premium, or subsequent reinstatement premiums were not assumed to vary in any scenario year.
 - c. The limits, attachments, or reinstatement provisions were not assumed to vary in any scenario year.
 5. The fixed expense amounts
 - a. Fixed expense provisions from the statewide indications analysis were used to estimate the expected dollars of fixed expense.
 - b. The fixed expense provision from the statewide indications of 2.12% was multiplied by the current level inforce premium at 12/31/2011 of \$427,057,087 to determine the fixed expense cost of \$9,064,909.
 - c. This provision does not change in any scenario and is assumed fixed for this analysis.
 6. The variable expense provisions as a percentage of premium
 - a. Variable expense provisions from the statewide indications analysis were used to estimate the expected dollars of variable expense

- b. The variable expense provision of 20.04% is used along with the expected premium amounts, including adjustments for other specified rate changes.
 - c. This provision as a percentage of premium does not change in any scenario. The dollar values of variable expense are revised in some scenarios based on the other rate change amounts specified.
 - d. The dollar value of variable expenses do not change within each 10,000 simulations of 10 year periods.
7. The starting Cat Fund balance
- a. The starting Cat Fund balance was assumed to be equal to the 12/31/2011 Cat Fund balance of \$ 214,718,831.
 - b. This provision does not change in any scenario and applies only to the first year of each 10 year period.
8. The amount of post event financing in each class
- a. The statutory specifications on the Classes of bonds included in this analysis are:
 - i. Class 1 Bonds issued up to \$1,000,000,000
 - ii. Class 2 Bonds issued up to \$1,000,000,000
 - iii. Class 3 Bonds issued up to \$500,000,000
 - b. No assumptions have been made about changes to these allowed bonding limits.
 - c. Expected amounts of liabilities in excess of Class 3 Bonds are simply accumulated as “Excess of Class 3 Bond liabilities.”
 - d. No expected costs of bond issuance are assumed in any scenario. Amounts of liabilities provided for by each class of bond are simply accumulated under each category. No expectation of interest costs on this debt or costs to issue the bonds have been assumed.

First Scenario Year Calculations

As discussed above, the Financial Scenario Model relies on random sampling of 10 modeled years from AIR v 13.0 to produce the outputs. These sampled model years in each of the 10,000 simulations is ordered and represent the results for the next ten years. The calculations rely on this ordering to provide for interactions between the current simulated year’s financial results and prior year’s results. For the first scenario year in the set of ten, the calculations are performed as follows:

1. Expected premium, including any adjustments for other specified rate changes, is reduced by the expected non-hurricane loss and LAE, expected fixed expenses, expected variable expenses, and expected reinsurance premiums to develop what we have called the “free premium”
2. The “free premium” is combined with the expected other income amount and with the starting cat fund balance of \$214,718,831.

3. Based on the sampled hurricane model year, the expected loss amounts from the AIR v.13.0 model for each event in the sampled year are adjusted based on the statewide LAE provisions.
4. The ceded losses for each event are determined based on the terms of the reinsurance contract, with the assumption that no reinsurance will apply after the second cession. The AIR v 13.0 model produces estimates of more than two events in less than 2% of the model years. As such, more complex assumptions on the presence and function of the reinsurance protection over more than two events ceding to the contract was not considered.
5. Based on the ceded losses for the first event in which losses were ceded, the reinstatement premiums pro-rata as to the limit is calculated.
6. The net of reinsurance hurricane loss and LAE amounts for each event are determined by subtracting (4) from (3)
7. The results of (5) are subtracted from the results of (2) to calculate the funds available to pay for net of reinsurance hurricane loss and LAE amount.
8. The results of (6) are subtracted from the results of (7) and result stored in the following manner:
 - a. If $(7) - (6) \geq 0$, the results are stored as the Ending Cat Fund Balance.
 - b. If $(7) - (6) < 0$ and $(7) - (6) \geq -\$1$ billion, the Ending Cat Fund Balance is set as 0 and the absolute value of the result is stored as amounts under Class 1 Bonds.
 - c. If $(7) - (6) < -\$1$ billion and $(7) - (6) \geq -\$2$ billion, the Ending Cat Fund Balance is set as 0, the Class 1 Bonds value is set to \$1 billion, and the absolute value of the result in excess of \$1 billion is stored as amounts under Class 2 Bonds.
 - d. If $(7) - (6) < -\$2$ billion and $(7) - (6) \geq -\$2.5$ billion, the Ending Cat Fund Balance is set as 0, the Class 1 Bonds value is set to \$1 billion, the Class 2 Bonds value is set to \$1 billion, and the absolute value of the result in excess of \$2 billion is stored as amounts under Class 3 Bonds.
 - e. If $(7) - (6) < -\$2.5$ billion, the Ending Cat Fund Balance is set as 0, the Class 1 Bonds value is set to \$1 billion, the Class 2 Bonds value is set to \$1 billion, the Class 3 Bonds value is set to \$0.5 billion, and the absolute value of the results in excess of \$2.5 billion is stored as amounts in Excess of Class 3 Bonds.

Subsequent Scenario Year Calculations

For each subsequent scenario year after the first, the calculations are performed in the same manner as that specified above for the "First Scenario Year Calculations" except that in step (2) the "free premium" is combined with the expected other income amount and with the Ending Cat Fund balance from the previous scenario year.

Output Variables

The output variables from the Financial Scenario Models are as follows:

1. Summation of all Class 1 Bonds values for the first 5 years of each 10 year period.
2. Summation of all Class 1 Bonds values for all 10 years of each 10 year period.
3. Summation of all Class 2 Bonds values for the first 5 years of each 10 year period.
4. Summation of all Class 2 Bonds values for all 10 years of each 10 year period.
5. Summation of all Class 3 Bonds values for the first 5 years of each 10 year period.
6. Summation of all Class 3 Bonds values for all 10 years of each 10 year period.
7. Summation of all Excess of Class 3 Bonds values for the first 5 years of each 10 year period.
8. Summation of all Excess of Class 3 Bonds values for all 10 years of each 10 year period.
9. Ending Cat Fund Balance of the 5th year of each 10 year period.
10. Ending Cat Fund Balance of the 10th year of each 10 year period.
11. Average Ceded Reinsurance Amount over the first 5 years of each 10 year period.
12. Average Ceded Reinsurance Amount over all 10 years of each 10 year period.
13. Average Reinstatement Premiums paid over the first 5 years of each 10 year period.
14. Average Reinstatement Premiums paid over all 10 years of each 10 year period.

Each of these outputs is stored along with the input variables for further analysis.

Financial Scenario Model Versions and Changing Assumptions

The Financial Scenario Model specifications discussed above produce inputs and outputs for 10,000 simulations under a certain set of input assumptions. The totality of our analysis discussed in the Actuarial Memorandum relied on several model versions with many different inputs assumptions specified in each.

Financial Scenario Model Versions

Three main model versions were created that each functioned in a similar method to those described above and were each designed to answer a specific question on the Company's financial position. These three versions are:

1. Model with Loss Adjustment Expense provisions included in hurricane loss estimates and with applicability of reinsurance as stated in the 2011-2012 reinsurance contract.
 - a. This is the main version of the Financial Scenario model and is designed primarily to test the long term reliance on post-event financing and the probability of certain classes of bonds being issued.
 - b. This version of the model loads the AIR v 13.0 average annual loss estimates by event for LAE based on the provisions developed in the statewide indications Exhibit IV Sheets 1 and 2.

- c. This version also makes consideration of the presence of reinsurance as discussed in the section Financial Scenario Model Specification above.
2. Model without Loss Adjustment Expense provisions included in hurricane loss estimates and with applicability of reinsurance as stated in the 2011-2012 reinsurance contract.
 - a. This version of the Financial Scenario Model is designed to test the sensitivity of the results of the model run under part (1) above to the assumption of a 0.75 adjustment factor to historic LAE amounts due to the passage of HB3.
 - b. This version of the model includes no loading to the AIR v 13.0 average annual loss estimates for LAE
 - c. This version does make consideration of the presence of reinsurance as discussed in the section Financial Scenario Model Specification above.
3. Model with Loss Adjustment Expense provisions included in hurricane loss estimates and without applicable reinsurance.
 - a. This version of the Financial Scenario Model is designed to test the efficiency of the reinsurance program for the Company. It removes all consideration of reinsurance in the model specification. No consideration of reinsurance or reinstatement premiums is made. Also, the expected hurricane losses from the AIR v 13.0 are not reduced for the presence of reinsurance coverage. This version of the model allows us to test the changes in post-event financing and long term financial position of the Company in absence of reinsurance.
 - b. This version of the model loads the AIR v 13.0 average annual loss estimates by event for LAE based on the provisions developed in the statewide indications Exhibit IV Sheets 1 and 2.
 - c. This version makes no consideration of the presence of reinsurance in any simulated years.

Input Assumption Variations

Within each version discussed above, we have produced results for eleven different variations of input assumptions. Each variation assumes a different specified additional rate change that is applied to the original premium estimate of \$427,057,087. The eleven variations are:

1. -20% Additional Rate Change
2. -10% Additional Rate Change
3. 0% Additional Rate Change (current pricing applies)
4. 5% Additional Rate Change
5. 10% Additional Rate Change
6. 15% Additional Rate Change
7. 20% Additional Rate Change
8. 25% Additional Rate Change
9. 30% Additional Rate Change

10. 40% Additional Rate Change
11. 50% Additional Rate Change

The 10,000 simulations discussed above are produced for each of these various assumptions.

Additional Analysis of Results

For each model version and input assumption variation, we reviewed the 10,000 simulation inputs and outputs to determine several key statistics. These statistics are calculated for both the five year and ten year outputs described above and are described below:

- Probability of Class 1 Bond Issuance
 - Calculated as the number of scenarios in each of the 10,000 simulations where the summation of the Class 1 Bonds is greater than 0.
- Average Size Over All Scenarios of Class 1 Bonds
 - Calculated as the average value of the summation of the Class 1 Bonds over all 10,000 simulations
- Average Size of Issuance of Class 1 Bonds
 - Calculated as the average value of the summation of the Class 1 Bonds over only those scenarios where Class 1 Bonds are greater than 0.
- Probability of Class 2 Bond Issuance
 - Calculated as the number of scenarios in each of the 10,000 simulations where the summation of the Class 2 Bonds is greater than 0.
- Average Size Over All Scenarios of Class 2 Bonds
 - Calculated as the average value of the summation of the Class 2 Bonds over all 10,000 simulations
- Average Size of Issuance of Class 2 Bonds
 - Calculated as the average value of the summation of the Class 2 Bonds over only those scenarios where Class 2 Bonds are greater than 0.
- Probability of Class 3 Bond Issuance
 - Calculated as the number of scenarios in each of the 10,000 simulations where the summation of the Class 3 Bonds is greater than 0.
- Average Size Over All Scenarios of Class 3 Bonds
 - Calculated as the average value of the summation of the Class 3 Bonds over all 10,000 simulations
- Average Size of Issuance of Class 3 Bonds
 - Calculated as the average value of the summation of the Class 3 Bonds over only those scenarios where Class 3 Bonds are greater than 0.
- Probability of Excess of Class 3 Bonds
 - Calculated as the number of scenarios in each of the 10,000 simulations where the summation of the Excess of Class 3 Bonds value is greater than 0.

- Average Size Over All Scenarios of Excess of Class 3 Bonds
 - Calculated as the average value of the summation of the Excess of Class 3 Bonds value over all 10,000 simulations
- Average Size of Exceedence of Class 3 Bonds
 - Calculated as the average value of the summation of the Excess of Class 3 Bonds value over only those scenarios where Excess of Class 3 Bonds value is greater than 0.
- Probability of Cession to Reinsurance
 - Calculated as the number of scenarios in each of the 10,000 simulations where the average ceded AAL over the period is greater than 0.
- Average Size Over All Scenarios of Cession to Reinsurance
 - Calculated as the average value of the average ceded AAL over the period over all 10,000 simulations.
- Average Size of Reinsurance Cession
 - Calculated as the average value of the average ceded AAL over the period over only those scenarios where the average ceded AAL over the period is greater than 0.
- Probability of Payment of Reinstatement Premiums
 - Calculated as the number of scenarios in each of the 10,000 simulations where the average reinstatement premiums over the period are greater than 0.
- Average Size Over All Scenarios of reinstatement premiums
 - Calculated as the average value of the average reinstatement premium over the period over all 10,000 simulations.
- Average Size of Reinstatement Premiums
 - Calculated as the average value of the average reinstatement premium over the period over only those scenarios where the average reinstatement premiums over the period are greater than 0.
- Probability that Net Results at End of Period result in a Surplus
 - Calculated as the number of scenarios in which the difference between the Cat Fund Balance at the end of the period and the summation of the Class 1 Bond, Class 2 Bond, Class 3 Bond, and Excess of Class 3 Bond values is greater than 0 divided by the 10,000 simulations.
 - The difference calculation described above is the same as the Total premium and other income collected during the period plus the initial cat fund balance minus the net of reinsurance hurricane losses during the period and the reinstatement premiums paid during the period.
- Probability that Net Results at End of Period result in Deficit Between \$0 and \$0.5 Billion
 - Calculated as the number of scenarios in which the difference between the Cat Fund Balance at the end of the period and the summation of the Class 1 Bond, Class 2 Bond, Class 3 Bond, and Excess of Class 3 Bond values is less than 0, but greater than or equal to -\$0.5 billion, divided by the 10,000 simulations.
- Probability that Net Results at End of Period result in Deficit Between \$0.5 and \$1.0 Billion

- Calculated as the number of scenarios in which the difference between the Cat Fund Balance at the end of the period and the summation of the Class 1 Bond, Class 2 Bond, Class 3 Bond, and Excess of Class 3 Bond values is less than $-\$0.5$ billion, but greater than or equal to $-\$1.0$ billion, divided by the 10,000 simulations.
- Probability that Net Results at End of Period result in Deficit Between $\$1.0$ and $\$2.0$ Billion
 - Calculated as the number of scenarios in which the difference between the Cat Fund Balance at the end of the period and the summation of the Class 1 Bond, Class 2 Bond, Class 3 Bond, and Excess of Class 3 Bond values is less than $-\$1.0$ billion, but greater than or equal to $-\$2.0$ billion, divided by the 10,000 simulations.
- Probability that Net Results at End of Period result in Deficit Between $\$2.0$ and $\$3.0$ Billion
 - Calculated as the number of scenarios in which the difference between the Cat Fund Balance at the end of the period and the summation of the Class 1 Bond, Class 2 Bond, Class 3 Bond, and Excess of Class 3 Bond values is less than $-\$2.0$ billion, but greater than or equal to $-\$3.0$ billion, divided by the 10,000 simulations.
- Probability that Net Results at End of Period result in Deficit Between $\$3.0$ and $\$4.0$ Billion
 - Calculated as the number of scenarios in which the difference between the Cat Fund Balance at the end of the period and the summation of the Class 1 Bond, Class 2 Bond, Class 3 Bond, and Excess of Class 3 Bond values is less than $-\$3.0$ billion, but greater than or equal to $-\$4.0$ billion, divided by the 10,000 simulations.
- Probability that Net Results at End of Period result in Deficit Greater than $\$4.0$ Billion
 - Calculated as the number of scenarios in which the difference between the Cat Fund Balance at the end of the period and the summation of the Class 1 Bond, Class 2 Bond, Class 3 Bond, and Excess of Class 3 Bond values is less than $-\$4.0$ billion, divided by the 10,000 simulations.

Texas Windstorm Insurance Association

2012 Rate and Structure Review

Residential Property Program

Statewide and Territorial Analysis

Texas Windstorm Insurance Association
Residential Property Program (Non-Mobilehome)
 Statewide Rate Level Indication

Exhibit I
 Sheet 1

<u>AY</u>	<u>On-Level EP</u> (1)	<u>PLDM Ult Non-Hurr Loss and LAE</u> (2)	<u>ILDMM Ult Non-Hurr Loss and LAE</u> (3)	<u>Selected Ult Non-Hurr Loss and LAE</u> (4)	<u>Non-Hurr Ult Loss & LAE Ratio</u> (5)	<u>AY Weights</u> (6)
1/1/2007 - 12/31/2007	220,032,626	14,696,343	12,979,589	13,837,966	6.29%	10.0%
1/1/2008 - 12/31/2008	274,767,226	12,627,076	11,003,537	11,815,307	4.30%	15.0%
1/1/2009 - 12/31/2009	297,815,745	19,209,607	18,383,857	18,796,732	6.31%	20.0%
1/1/2010 - 12/31/2010	302,345,198	18,937,131	18,667,315	18,802,223	6.22%	25.0%
<u>1/1/2011 - 12/31/2011</u>	<u>320,005,508</u>	<u>15,393,706</u>	<u>14,134,441</u>	<u>14,764,074</u>	<u>4.61%</u>	<u>30.0%</u>
Total:	1,414,966,303	80,863,863	75,168,740	78,016,301	5.51%	5.48%

(7) Weighted Non-Hurr L&LAE Ratio = 5.48%

(8) Credibility = 100.00%

(9) Complement of Credibility = 4.84%

(10) Credibility weighted Loss Ratio = 5.48%

(11) Hurricane Loss Ratio = 58.13%

(12) Projected Loss Ratio = 63.61%

(13) Fixed Expense Provision = 2.12%

(14) Net Cost of Reinsurance Expense Provision = 22.30%

(15) Variable Expense Provision = 20.04%

(16) Rate Level Indication = **10.10%**

Notes:

(1) = from Exhibit II, Sheet 2

(2) & (3) = from Exhibit III, Sheet 5

(4) = average of (2) & (3)

(5) = (4) / (1)

(6) = Based on common industry time weightings for five accident year ratemaking.

This measure recognizes that more recent information is more predictive than older information in the ratemaking process.

(7) = (5) weighted by (6)

(8) = from Exhibit II, Sheet 1

(9) = Observed Loss Ratio for all programs

(10) = (7) x (8) + [1 - (8)] x (9)

(11) = from Exhibit V Sheet 1

(12) = (10) + (11)

(13) & (15) = from Exhibit VIII Sheet 1

(14) = from Exhibit VI, Sheet 2

(16) = [(12) + (13) + (14)] / [1 - (15)] - 1

Texas Windstorm Insurance Association
Residential Property Program (Non-Mobilehome)
Statewide Rate Level Indication
Calculation of Statewide Credibility Factors

Exhibit II
Sheet 1

Calculation of Statewide Credibility Factor

(1) Full Coverage Earned House Years	1,063,042
(2) Full Credibility Standard	330,000
(3) Credibility As it Regards Exposures	100.00%

Notes:

- (1) Provided by the Company
- (2) = Based on ISO Full Credibility Standard for EC Perils
- (3) = $\min [\text{Sqrt}(\text{Total of (1) / (2)}, 1]$

Texas Windstorm Insurance Association

Residential Property Program (Non-Mobilehome)

Statewide Rate Level Indication

Calculation of On-Level Earned Premium

Exhibit II

Sheet 2

	Rate Level Change Residential	Cumulative On- Level Factor Residential
7/1/2006	3.1%	1.439
1/1/2007	4.2%	1.396
2/1/2008	8.2%	1.340
2/1/2009	12.3%	1.238
1/1/2011	5.0%	1.103
1/1/2012	5.0%	1.050

<u>Written Premium</u>	<u>Historic Earned Premium in Cohort</u>					<u>On-Level Factor for Cohort</u>	<u>On-Level Earned Premium in Cohort</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1/1/06-6/30/06	17,765,336	-	-	-	-	1.439	25,567,333	-	-	-	-
7/1/06-12/31/06	54,103,977	-	-	-	-	1.396	75,523,573	-	-	-	-
1/1/07-1/31/08	88,786,840	124,561,461	1,253,827	-	-	1.340	118,941,721	166,866,559	1,679,667	-	-
2/1/08-1/31/09	-	87,149,675	146,965,640	1,108,968	-	1.238	-	107,900,667	181,959,261	1,373,021	-
2/1/09-12/31/10	-	-	103,561,739	272,990,636	153,819,751	1.103	-	-	114,176,817	300,972,177	169,586,275
1/1/11-12/31/11	-	-	-	-	143,256,412	1.050	-	-	-	-	150,419,233
							220,032,626	274,767,226	297,815,745	302,345,198	320,005,508

Notes:

Earned Premium based on data provided by TWIA.

On-Level Factors based on historical rate changes.

On-Level Earned Premium in Cohort equals Historic Earned Premium times On-Level Factor for Cohort

Texas Windstorm Insurance Association
 Residential Property Program (Non-Mobilehome)
 Statewide Rate Level Indication
 Incurred Loss and ALAE Development Factors
 Schedule P Accumulations
 All Lines of Business

Exhibit III
 Sheet 1

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	5,572	6,275	6,008	6,011	6,015	6,012	6,012	6,011
2005	158,122	172,032	168,726	169,555	169,829	170,046	170,213	
2006	4,995	5,507	5,406	5,158	5,199	5,136		
2007	19,026	18,938	18,454	18,514	18,322			
2008	1,898,030	1,741,081	2,487,108	2,388,168				
2009	15,018	14,550	10,772					
2010	15,175	18,395						
2011	90,962							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.126	0.957	1.000	1.001	1.000	1.000	1.000
2005	1.088	0.981	1.005	1.002	1.001	1.001	
2006	1.103	0.982	0.954	1.008	0.988		
2007	0.995	0.974	1.003	0.990			
2008	0.917	1.428	0.960				
2009	0.969	0.740					
2010	1.212						

All Year Average	1.059	1.010	0.984	1.000	0.996	1.001	1.000	
All Year - Hi/Low	1.056	0.974	0.988	1.002	1.000			
5 Year Average	1.039	1.021	0.984	1.000	0.996	1.001	1.000	
3 Year Average	1.033	1.047	0.972	1.000	0.996	1.001	1.000	
All Year - x 2008	1.082	0.927	0.991	1.000	0.996	1.001	1.000	
5 year - x 2008	1.073	0.927	0.991	1.000	0.996	1.001	1.000	
Selected	1.082	0.974	0.991	1.000	1.000	1.000	1.000	1.000
Cumulative	1.053	0.964	0.991	1.000	1.000	1.000	1.000	

Texas Windstorm Insurance Association
 Residential Property Program (Non-Mobilehome)
 Statewide Rate Level Indication
 Paid Loss and ALAE Development Factors
 Schedule P Accumulations
 All Lines of Business

Exhibit III
 Sheet 2

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	3,832	5,960	6,001	6,011	6,012	6,012	6,012	6,011
2005	96,549	159,379	165,808	167,249	169,511	170,028	170,085	
2006	4,057	5,082	5,120	5,118	5,121	5,136		
2007	13,953	16,797	17,705	18,489	18,043			
2008	922,309	1,566,929	2,140,197	2,277,630				
2009	8,556	12,583	9,772					
2010	10,732	14,828						
2011	77,392							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.555	1.007	1.002	1.000	1.000	1.000	1.000
2005	1.651	1.040	1.009	1.014	1.003	1.000	
2006	1.253	1.007	1.000	1.001	1.003		
2007	1.204	1.054	1.044	0.976			
2008	1.699	1.366	1.064				
2009	1.471	0.777					
2010	1.382						

All Year Average	1.459	1.042	1.024	0.998	1.002	1.000	1.000
All Year - Hi/Low	1.462	1.027	1.018	1.001	1.003		
5 Year Average	1.402	1.049	1.024	0.998	1.002	1.000	1.000
3 Year Average	1.517	1.066	1.036	0.997	1.002	1.000	1.000
All Year - x 2008	1.419	0.977	1.014	0.998	1.002	1.000	1.000
5 year - x 2008	1.392	0.977	1.014	0.998	1.002	1.000	1.000
Selected	1.419	1.027	1.014	1.000	1.000	1.000	1.000
Cumulative	1.458	1.041	1.014	1.000	1.000	1.000	1.000

Texas Windstorm Insurance Association
 Residential Property Program (Non-Mobilehome)
 Statewide Rate Level Indication
 Incurred Loss Development Factors
 Schedule P Accumulations
 All Lines of Business

Exhibit III
 Sheet 3

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	4,773	5,438	5,169	5,167	5,169	5,167	5,167	5,167
2005	145,590	157,311	152,198	153,427	154,576	154,793	154,985	5,167
2006	4,309	4,616	4,507	4,279	4,320	4,276		
2007	16,381	15,825	15,533	15,593	15,825			
2008	1,716,177	1,654,884	2,296,147	2,283,585				
2009	7,825	10,855	10,547					
2010	14,404	18,084						
2011	90,490							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.139	0.951	1.000	1.000	1.000	1.000	1.000
2005	1.081	0.967	1.008	1.007	1.001	1.001	
2006	1.071	0.976	0.949	1.010	0.990		
2007	0.966	0.982	1.004	1.015			
2008	0.964	1.387	0.995				
2009	1.387	0.972					
2010	1.255						

All Year Average	1.123	1.039	0.991	1.008	0.997	1.001	1.000	
All Year - Hi/Low	1.102	0.974	1.000	1.009	1.000			
5 Year Average	1.129	1.057	0.991	1.008	0.997	1.001	1.000	
3 Year Average	1.202	1.114	0.983	1.011	0.997	1.001	1.000	
All Year - x 2008	1.150	0.970	0.990	1.008	0.997	1.001	1.000	
5 year - x 2008	1.152	0.970	0.990	1.008	0.997	1.001	1.000	
Selected	1.150	0.970	0.990	1.008	0.997	1.001	1.000	1.000
Cumulative	1.115	0.960	0.998	1.005	0.997	1.001	1.000	

Texas Windstorm Insurance Association
 Residential Property Program (Non-Mobilehome)
 Statewide Rate Level Indication
 Paid Loss Development Factors
 Schedule P Accumulations
 All Lines of Business

Exhibit III
 Sheet 4

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	3,150	5,126	5,162	5,167	5,167	5,167	5,167	5,167
2005	87,016	145,189	150,675	151,996	154,258	154,775	154,858	5,167
2006	3,468	4,223	4,241	4,239	4,242	4,276		
2007	11,502	13,876	14,784	15,568	15,555			
2008	848,323	1,486,670	2,019,319	2,202,123				
2009	4,861	8,888	9,556					
2010	10,449	14,540						
2011	76,939							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.627	1.007	1.001	1.000	1.000	1.000	1.000
2005	1.669	1.038	1.009	1.015	1.003	1.001	
2006	1.218	1.004	1.000	1.001	1.008		
2007	1.206	1.065	1.053	0.999			
2008	1.752	1.358	1.091				
2009	1.828	1.075					
2010	1.392						

All Year Average	1.527	1.091	1.031	1.004	1.004	1.001	1.000	
All Year - Hi/Low	1.532	1.046	1.021	1.001	1.003			
5 Year Average	1.479	1.108	1.031	1.004	1.004	1.001	1.000	
3 Year Average	1.657	1.166	1.048	1.005	1.004	1.001	1.000	
All Year - x 2008	1.490	1.038	1.016	1.004	1.004	1.001	1.000	
5 year - x 2008	1.463	1.038	1.016	1.004	1.004	1.001	1.000	
Selected	1.490	1.038	1.016	1.004	1.004	1.001	1.000	1.000
Cumulative	1.546	1.054	1.020	1.007	1.004	1.001	1.000	

Texas Windstorm Insurance Association
 Residential Property Program (Non-Mobilehome)
 Statewide Rate Level Indication
 Adjusted Ultimate Non-Hurricane Loss and LAE

Exhibit III
 Sheet 5

<u>Accident Period</u>	Ultimate Non-Hurricane <u>Paid Loss</u> (1)	Selected <u>ALAE % of Loss</u> (2)	Selected <u>ULAE % of Loss and ALAE</u> (3)	Ultimate Non-Hurricane <u>Paid Loss & LAE</u> (4)
2007 (w Robstown at 1 in 12 year Event Distribution)	11,983,157	18.47%	3.52%	14,696,343
2008 (w Robstown at 1 in 12 year Event Distribution)	10,295,911	18.47%	3.52%	12,627,076
2009 (w Robstown at 1 in 12 year Event Distribution)	15,663,198	18.47%	3.52%	19,209,607
2010 (w Robstown at 1 in 12 year Event Distribution)	15,441,026	18.47%	3.52%	18,937,131
2011 (w Robstown at 1 in 12 year Event Distribution)	12,551,775	18.47%	3.52%	15,393,706
Total: (w Robstown at 1 in 12 year Event Distribution)	65,935,066			80,863,863

<u>Accident Period</u>	Ultimate Non-Hurricane <u>Incurred Loss</u> (1)	Selected <u>ALAE % of Loss</u> (2)	Selected <u>ULAE % of Loss and ALAE</u> (3)	Ultimate Non-Hurricane <u>Incurred Loss & LAE</u> (4)
2007 (w Robstown at 1 in 12 year Event Distribution)	10,583,344	18.47%	3.52%	12,979,589
2008 (w Robstown at 1 in 12 year Event Distribution)	8,972,104	18.47%	3.52%	11,003,537
2009 (w Robstown at 1 in 12 year Event Distribution)	14,989,895	18.47%	3.52%	18,383,857
2010 (w Robstown at 1 in 12 year Event Distribution)	15,221,022	18.47%	3.52%	18,667,315
2011 (w Robstown at 1 in 12 year Event Distribution)	11,524,992	18.47%	3.52%	14,134,441
Total: (w Robstown at 1 in 12 year Event Distribution)	61,291,356			75,168,740

Notes:

(1) = For 2007 - 2010 AY: (3) + (8) from Exhibit III, Sheet 6

$$(4) = [\{1 + (2)\} \times (1) \times \{1 + (3)\}]$$

(1) = For 2011 AY: (3) + (8) - (7) from Exhibit III, Sheet 6

(2) = From Exhibit IV, Sheet 2

(3) = From Exhibit IV, Sheet 1

Texas Windstorm Insurance Association
 Residential Property Program (Non-Mobilehome)
 Statewide Rate Level Indication
 Ultimate Non-Hurricane Loss and LAE

Exhibit III
 Sheet 6

<u>Accident Period</u>	<u>Non-Hurricane Paid Loss</u> (1)	<u>Paid Loss Development Factor</u> (2)	<u>Ultimate Non-Hurricane Paid Loss</u> (3)	<u>Selected ALAE % of Loss</u> (4)	<u>Selected ULAE % of Loss and ALAE</u> (5)	<u>Ultimate Non-Hurricane Paid Loss & LAE</u> (6)
2007	4,193,566	1.004	4,211,047	18.47%	3.52%	5,164,498
2008	2,505,186	1.007	2,523,801	18.47%	3.52%	3,095,231
2009	7,739,707	1.020	7,891,088	18.47%	3.52%	9,677,762
2010	7,275,008	1.054	7,668,916	18.47%	3.52%	9,405,286
2011	63,405,282	1.546	98,044,983	18.47%	3.52%	120,243,999
Total:	85,118,749		120,339,835			147,586,777
(7) 2011 Robstown Tornado	60,314,292	1.546	93,265,317			
(8) 2011 Robstown at 1 in 12 year Event			7,772,110			

<u>Accident Period</u>	<u>Non-Hurricane Incurred Loss</u> (1)	<u>Incurred Loss Development Factor</u> (2)	<u>Ultimate Non-Hurricane Incurred Loss</u> (3)	<u>Selected ALAE % of Loss</u> (4)	<u>Selected ULAE % of Loss and ALAE</u> (5)	<u>Ultimate Non-Hurricane Incurred Loss & LAE</u> (6)
2007	4,193,566	0.997	4,183,076	18.47%	3.52%	5,130,194
2008	2,559,102	1.005	2,571,836	18.47%	3.52%	3,154,143
2009	8,605,358	0.998	8,589,627	18.47%	3.52%	10,534,462
2010	9,186,885	0.960	8,820,755	18.47%	3.52%	10,817,920
2011	73,485,985	1.115	81,927,937	18.47%	3.52%	100,477,786
Total:	98,030,896		106,093,231			130,114,505
(7) 2011 Robstown Tornado	68,889,319	1.115	76,803,213			
(8) 2011 Robstown at 1 in 12 year Event			6,400,268			

Notes:
 (1) = From Exhibit IV, Sheet 2
 (2 Paid) = From Exhibit III, Sheet 4
 (2 Incurred) = From Exhibit III, Sheet 3
 (3) = (1) x (2)
 (4) = From Exhibit IV, Sheet 2
 (5) = From Exhibit IV, Sheet 1
 (6) = [{ 1 + (4) } x (3) x { 1 + (5) }]
 (7) = loss amounts associated with Robstown Tornado and Wind Event January 2011
 (8) = (7) / 12

Texas Windstorm Insurance Association
 Residential Property Program (Non-Mobilehome)
 Statewide Rate Level Indication
 Estimate of Unallocated LAE Provision
 All Programs

Exhibit IV
 Sheet 1

<u>Accident Period</u>	<u>Paid Loss and Allocated LAE</u> (1)	<u>Paid Unallocated LAE</u> (2)	<u>% Unallocated LAE</u> (3)
2002	28,371	1,591	5.61%
2003	27,844	1,890	6.79%
2004	6,011	628	10.45%
2005	170,085	5,522	3.25%
2006	5,136	224	4.36%
2007	18,043	2,148	11.90%
2008	2,277,630	110,553	4.85%
2009	9,772	250	2.56%
2010	14,828	52	0.35%
2011	77,392	965	1.25%
Total:	2,635,112	123,823	4.70%

(4) Selected % Unallocated LAE = **3.52%**

Notes:

- (1) = Accident period paid loss and allocated LAE for direct business for the entire company
 (2) = Accident period paid unallocated LAE for direct business for the entire company
 (3) = (2) / (1)
 (4) = (3) Total x 0.75 Adjustment Factor for recent law changes discussed in Actuarial Memorandum.

Texas Windstorm Insurance Association
 Residential Property Program (Non-Mobilehome)
 Statewide Rate Level Indication
 Estimate of Allocated LAE Provisions

<u>Accident Period</u>	<u>Non-Hurricane Paid Loss</u> (1)	<u>Non-Hurricane Paid Allocated LAE</u> (2)	<u>Paid Allocated LAE as a % of Paid Loss</u> (3)	<u>Non-Hurricane Incurred Loss</u> (4)	<u>Non-Hurricane Incurred Allocated LAE</u> (5)	<u>Incurred Allocated LAE as a % of Incurred Loss</u> (6)
2007	4,193,566	920,413	21.95%	4,193,566	920,413	21.95%
2008	2,505,186	736,038	29.38%	2,559,102	777,821	30.39%
2009	7,739,707	1,462,617	18.90%	8,605,358	1,649,172	19.16%
2010	7,275,008	2,305,305	31.69%	9,186,885	2,652,786	28.88%
2011	63,405,282	8,958,936	14.13%	73,485,985	9,377,138	12.76%
Total:	85,118,749	14,383,310	16.90%	98,030,896	15,377,331	15.69%
2011 (Ex Robstown)	3,090,990	787,258	25.47%	4,596,666	1,056,396	22.98%
Total (w 2011 Ex-Robstown)	24,804,457	6,211,632	25.04%	29,141,577	7,056,589	24.21%

(7) Selected Non-Hurricane Allocated LAE Provision = **18.47%**

<u>Accident Period</u>	<u>Hurricane Paid Loss</u> (1)	<u>Hurricane Paid Allocated LAE</u> (2)	<u>Paid Allocated LAE as a % of Paid Loss</u> (3)	<u>Hurricane Incurred Loss</u> (4)	<u>Hurricane Incurred Allocated LAE</u> (5)	<u>Incurred Allocated LAE as a % of Incurred Loss</u> (6)
2007	5,835,374	1,208,797	20.71%	6,080,374	1,400,851	23.04%
2008	1,459,806,293	140,816,435	9.65%	1,523,893,793	169,203,353	11.10%
2009	-	-	-	-	-	-
2010	1,411,762	440,427	31.20%	1,692,767	467,551	27.62%
2011	-	-	-	-	-	-
Total:	1,467,053,429	142,465,660	9.71%	1,531,666,933	171,071,755	11.17%

(7) Selected Hurricane Allocated LAE Provision = **7.83%**

Notes:
 (1), (2), (4), and (5) = Provided by TWIA
 (3) = (2) / (1)
 (6) = (5) / (4)
 (7) = average of (3) Total and (6) Total x 0.75 adjustment factor for recent law changes discussed in Actuarial Memorandum

Texas Windstorm Insurance Association
 Residential Property Program (Non-Mobilehome)
 Statewide Rate Level Indication
 Hurricane Catastrophe Provision

Exhibit V
 Sheet 1

<u>Model</u>	<u>Average Annual Loss</u> (1)	<u>On-Level Subject Premium</u> (2)	<u>Catastrophe Loss Allocated LAE Provision</u> (3)	<u>Catastrophe Loss Unallocated LAE Provision</u> (4)	<u>Projected Catastrophe Loss Allocated LAE</u> (5)	<u>Projected Catastrophe Loss Unallocated LAE</u> (6)
RMS	153,458,275	321,107,786	7.83%	3.52%	12,015,782	5,824,687
AIR	180,999,220	321,107,786	7.83%	3.52%	14,172,238	6,870,035

<u>Model</u>	<u>Projected Hurr Loss and LAE</u> (7)	<u>Projected Hurr Loss and LAE Ratio</u> (8)
RMS	171,298,744	53.35%
AIR	202,041,493	62.92%
Selected		58.13%

Notes:
 (1) = Based on 12/31/11 run of the AIR v 13.0 with demand surge, without storm surge and RMS v 11.0 with demand surge, without storm surge
 all modeling uses long term frequency assumptions
 (2) = 12/31/11 inforce premium brought to current level in Exhibit VII, Sheet 1
 (3) = From Exhibit IV, Sheet 2
 (4) = From Exhibit IV, Sheet 1
 (5) = (1) x (3)
 (6) = [(1) + (5)] x (4)
 (7) = (1) + (5) + (6)
 (8) = (7) / (2), Selected based on average of RMS and AIR

Texas Windstorm Insurance Association

All Programs
Statewide Rate Level Indication
2011-2012 Reinsurance Program
Reinsurance Expense Unrecoverable
XOL Reinsurance

Exhibit VI
Sheet 1

	Reinsurance <u>Premium</u>	Expected Reinstatement <u>Premium</u>	Reinsurance and Reinstatement <u>Premium</u>	Expected <u>Recoveries</u>	Unrecoverable <u>Costs</u>
<u>1st / 2nd Event Layers</u> 100% of \$636M x/s \$1,600M	\$ 108,120,000	\$ 3,278,437	\$ 111,398,437	\$ 19,497,568	\$ 91,900,869

Notes:

Expected Reinstatement Premium based on average reinstatement premiums from financial scenario analysis of AIR v 13 results.

Expected recoveries based on average ceded AAL analysis of AIR v 13 results

Texas Windstorm Insurance Association

All Programs

Statewide Rate Level Indication

2011-2012 Reinsurance Program

Unrecoverable Cost Allocation - XOL Coverage

Exhibit VI

Sheet 2

<u>Program</u>	<u>Ceded Average Annual Loss</u> (1)	<u>Percentage of Total Ceded Average Annual Loss</u> (2)	<u>Unrecoverable Cost Allocation</u> (3)	<u>Total OnLevel Subject Premium</u> (4)	<u>Unrecoverable Reinsurance Costs as Percentage of Premium</u> (5)
Commercial	\$ 4,319,903	22.2%	\$ 20,361,661	\$ 104,970,359	19.4%
Mobilehome	\$ 18,640	0.1%	\$ 87,858	\$ 978,942	9.0%
Residential	\$ 15,159,025	77.7%	\$ 71,451,350	\$ 321,107,786	22.3%
Total	\$ 19,497,568	100.0%	\$ 91,900,869	\$ 427,057,087	21.5%

Notes:

(1) = Based on 12/31/11 run of AIR v 13.0 with demand surge, without storm surge with allocation by storm by county and line of business

(2) = (1)/Total of (1)

(3) = Unrecoverable Costs From Exhibit VI, Sheet 1 x (2)

(4) = Inforce premium as of 12/31/2011, brought to current level as shown in Exhibit VII, Sheets 1

(5) = (3) / (4)

Texas Windstorm Insurance Association
Residential Property Program (Non-Mobilehome)
Statewide Rate Level Indication
On-Leveling of Inforce Premiums

Exhibit VII

Inforce Premiums as of 12/31/11

<u>In Force Premium</u>	<u>1/1/12 Rate Change</u>	<u>On-Level Premium</u>
(1)	(2)	(3)
305,816,939	5%	321,107,786

Notes:
(1) = Provided by TWIA
(2) = Based on historical rate change
(3) = (1) x (2)

Texas Windstorm Insurance Association
Residential Property Program (Non-Mobilehome)
Statewide Rate Level Indication
Expense Support
All Programs

Exhibit VIII

<u>Category</u>	<u>\$</u> <u>2009</u>	<u>\$</u> <u>2010</u>	<u>\$</u> <u>2011</u>	<u>%</u> <u>2009</u>	<u>%</u> <u>2010</u>	<u>%</u> <u>2011</u>
Written Premium	382,342	385,550	403,748			
Earned Premium	357,906	383,424	385,000			
Commissions	61,149	60,842	56,092	15.99%	15.78%	13.89%
Taxes, Licenses, and Fees	7,090	7,520	7,897	1.85%	1.95%	1.96%
Other Acq	-	-	-	0.00%	0.00%	0.00%
General Exp	20,842	17,922	17,601	5.82%	4.67%	4.57%
Total				23.67%	22.41%	20.42%

<u>Expense Provisions</u> <u>Category</u>	<u>Selected</u> <u>Residential</u>	<u>Selected</u> <u>Mobilehome</u>	<u>Selected</u> <u>Commercial</u>	<u>Assumed %</u> <u>Fixed</u>	<u>Selected</u> <u>Residential</u> <u>Fixed</u>	<u>Selected</u> <u>Residential</u> <u>Variable</u>	<u>Selected</u> <u>Mobilehome</u> <u>Fixed</u>	<u>Selected</u> <u>Mobilehome</u> <u>Variable</u>	<u>Selected</u> <u>Commercial</u> <u>Fixed</u>	<u>Selected</u> <u>Commercial</u> <u>Variable</u>
Commissions	16.00%	12.00%	16.00%	0%	0.00%	16.00%	0.00%	12.00%	0.00%	16.00%
Taxes, Licenses, and Fees	1.92%	1.92%	1.92%	0%	0.00%	1.92%	0.00%	1.92%	0.00%	1.92%
Other Acq	0.00%	0.00%	0.00%	0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Exp	4.25%	4.25%	4.25%	50%	2.12%	2.12%	2.12%	2.12%	2.12%	2.12%
Total	22.17%	18.17%	22.17%		2.12%	20.04%	2.12%	16.04%	2.12%	20.04%

Notes:

Information from Company

Selected Commissions for each program are based on those specified in the operating manual of the Company

General Expense provision is selected overall based on selected total expense provision, including recognition of return commissions in 2011 year, and selected Commissions, TLF, and Other Acquisition provisions

Texas Windstorm Insurance Association
Residential Property Program (Non-Mobilehome)
Statewide Rate Level Indication
Schedule P Reconciliation
All Programs

Exhibit IX

Premium Data

Calendar Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2001		\$ 50,016	
2002		\$ 72,851	
2003		\$ 80,876	
2004		\$ 94,972	
2005		\$ 112,216	
2006		\$ 149,188	
2007	\$ 258,121	\$ 264,890	\$ (6,769)
2008	\$ 313,422	\$ 321,937	\$ (8,515)
2009	\$ 359,129	\$ 357,906	\$ 1,223
2010	\$ 384,494	\$ 383,424	\$ 1,070
2011	\$ 402,855	\$ 385,000	\$ 17,855
Total:	\$ 1,718,022	\$ 1,713,157	\$ 4,865

Losses Paid

Accident Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2002	\$ 24,829	\$ 24,728	\$ 101
2003	\$ 24,609	\$ 24,605	\$ 4
2004	\$ 5,171	\$ 5,167	\$ 4
2005	\$ 154,880	\$ 154,858	\$ 22
2006	\$ 4,276	\$ 4,276	\$ (0)
2007	\$ 15,611	\$ 15,555	\$ 56
2008	\$ 2,202,851	\$ 2,202,123	\$ 728
2009	\$ 10,185	\$ 9,556	\$ 629
2010	\$ 14,543	\$ 14,540	\$ 3
2011	\$ 76,895	\$ 76,939	\$ (44)
Total:	\$ 2,533,851	\$ 2,532,347	\$ 1,504
Ex-2008	\$ 331,000	\$ 330,224	\$ 776

Losses Case

Accident Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2002	\$ -	\$ -	\$ -
2003	\$ -	\$ -	\$ -
2004	\$ -	\$ -	\$ -
2005	\$ 127	\$ 127	\$ 0
2006	\$ -	\$ -	\$ -
2007	\$ 270	\$ 270	\$ 0
2008	\$ 85,579	\$ 81,462	\$ 4,117
2009	\$ 991	\$ 991	\$ 0
2010	\$ 3,546	\$ 3,544	\$ 2
2011	\$ 13,702	\$ 13,551	\$ 151
Total:	\$ 104,216	\$ 99,945	\$ 4,271

LAE Paid

Accident Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2002	\$ 5,220	\$ 5,220	\$ 0
2003	\$ 5,121	\$ 5,121	\$ 0
2004	\$ 1,471	\$ 1,471	\$ 0
2005	\$ 20,209	\$ 20,209	\$ (0)
2006	\$ 1,110	\$ 1,110	\$ (0)
2007	\$ 4,902	\$ 4,902	\$ (0)
2008	\$ 290,233	\$ 290,234	\$ (1)
2009	\$ 2,056	\$ 2,056	\$ (0)
2010	\$ 3,549	\$ 3,554	\$ (5)
2011	\$ 11,326	\$ 11,326	\$ 0
Total:	\$ 345,197	\$ 345,203	\$ (6)

Notes:
Premium Data from Exhibit II, Sheet 2 for each program.
Paid and Case Loss amounts from Exhibit IV, Sheet 2 for each program.
Years prior to 2007 were compiled from database provided by the Company.
LAE Paid amounts from Exhibit IV, Sheets 1 and 2.
Years prior to 2007 were compiled from database provided by the Company.

Current Territory	Description	Commercial Max AAL	Commercial Min AAL	Commercial Avg AAL	Commercial Variance	Residential Max AAL	Residential Min AAL	Residential Avg AAL	Residential Variance	Mobilehome Max AAL	Mobilehome Min AAL	Mobilehome Avg AAL	Mobilehome Variance
		per \$1000 of TIV for any Zip Code (1)	per \$1000 of TIV for any Zip Code (2)	per \$1000 of TIV for any Zip Code (3)	of AAL/\$1000 TIV Within Territory (4)	per \$1000 of TIV for any Zip Code (5)	per \$1000 of TIV for any Zip Code (6)	per \$1000 of TIV for any Zip Code (7)	of AAL/\$1000 TIV Within Territory (8)	per \$1000 of TIV for any Zip Code (9)	per \$1000 of TIV for any Zip Code (10)	per \$1000 of TIV for any Zip Code (11)	of AAL/\$1000 TIV Within Territory (12)
1	Harris County	4.44	4.29	4.37	0.01	4.41	1.59	2.56	1.68	14.86	9.8	12.33	12.80
8,9,10	All Other	9.45	0.19	2.81	2.46	9.02	0.82	2.36	2.11	17.07	1.81	6.49	8.76

Proposed Territory	Description	Commercial Max AAL	Commercial Min AAL	Commercial Avg AAL	Commercial Variance	Residential Max AAL	Residential Min AAL	Residential Avg AAL	Residential Variance	Mobilehome Max AAL	Mobilehome Min AAL	Mobilehome Avg AAL	Mobilehome Variance
		per \$1000 of TIV for any Zip Code (1)	per \$1000 of TIV for any Zip Code (2)	per \$1000 of TIV for any Zip Code (3)	of AAL/\$1000 TIV Within Territory (4)	per \$1000 of TIV for any Zip Code (5)	per \$1000 of TIV for any Zip Code (6)	per \$1000 of TIV for any Zip Code (7)	of AAL/\$1000 TIV Within Territory (8)	per \$1000 of TIV for any Zip Code (9)	per \$1000 of TIV for any Zip Code (10)	per \$1000 of TIV for any Zip Code (11)	of AAL/\$1000 TIV Within Territory (12)
11	Aransas - All	4.51	3.99	4.24	0.07	3.39	0.92	2.62	1.33	8.38	6.79	7.79	0.75
21	Brazoria - Beach	4.84	2.40	3.62	2.98	5.74	2.13	3.94	6.52	9.25	6.08	7.67	5.02
22	Brazoria - Seacoast	3.51	1.99	2.75	0.19	2.53	0.94	1.99	0.17	8.06	4.89	6.51	1.14
23	Brazoria - Inland	1.94	1.42	1.71	0.05	2.47	0.90	1.26	0.29	5.79	4.78	5.32	0.20
31	Calhoun - Beach	5.65	2.63	4.14	4.56	5.93	2.60	4.00	2.98	13.77	6.33	9.25	15.77
32	Calhoun - Seacoast	3.63	3.34	3.49	0.04	3.73	2.17	3.00	0.61	6.99	6.99	6.99	-
41	Cameron - Beach	4.83	1.78	3.60	2.58	3.85	1.23	2.59	1.72	10.25	3.50	7.30	11.92
42	Cameron - Seacoast	2.49	0.19	1.49	0.31	1.74	0.85	1.18	0.08	5.17	2.77	3.52	0.87
51	Chambers - Beach	4.26	4.26	4.26	-	2.71	2.71	2.71	-	7.56	7.56	7.56	-
52	Chambers - Seacoast	2.70	2.14	2.33	0.05	2.33	1.05	1.84	0.28	8.49	5.89	7.48	1.94
53	Chambers - Inland	1.84	1.45	1.59	0.03	1.76	1.31	1.50	0.04	5.06	3.84	4.60	0.29
61	Galveston - Beach	9.45	5.56	7.63	2.79	9.02	4.51	7.02	2.71	17.07	12.13	15.00	6.57
62	Galveston - Seacoast	6.10	3.17	4.34	1.22	5.87	2.28	3.62	1.67	13.57	6.88	10.06	5.51
63	Galveston - Inland	2.82	1.96	2.43	0.15	1.96	1.18	1.63	0.09	6.74	5.58	6.03	0.34
71	Harris - Bay	4.44	4.29	4.37	0.01	4.41	3.44	3.93	0.47	14.86	9.80	12.33	12.80
72	Harris - Inland	0.00	0.00	-	-	1.69	1.59	1.64	0.00	0.00	0.00	-	-
81	Jefferson - Beach	4.00	4.00	4.00	-	3.28	3.28	3.28	-	11.17	11.17	11.17	-
82	Jefferson - Seacoast	3.92	2.33	3.00	0.34	3.49	1.70	2.32	0.60	8.41	4.27	5.85	5.02
83	Jefferson - Inland	2.32	1.60	1.95	0.04	2.12	1.01	1.46	0.10	5.00	4.30	4.61	0.12
91	Kenedy - All	1.71	1.71	1.71	-	2.12	1.67	1.90	0.10	2.85	2.85	2.85	-
101	Kleberg - All	1.59	1.56	1.58	0.00	1.51	1.34	1.43	0.01	4.74	3.09	3.92	1.36
111	Matagorda - Beach	5.02	3.34	3.84	0.62	4.39	2.67	3.47	0.39	10.40	7.41	8.91	4.47
112	Matagorda - Seacoast	3.17	1.66	2.43	0.35	2.83	1.64	1.99	0.16	6.84	4.45	5.71	1.44
121	Nueces - Beach	5.86	1.20	3.37	4.89	4.33	3.31	3.83	0.33	11.58	7.24	9.41	9.42
122	Nueces - Seacoast	4.40	2.22	3.17	0.60	3.74	1.25	2.84	0.64	5.95	5.50	5.73	0.10
123	Nueces - Inland 1	2.78	1.98	2.26	0.11	2.69	1.28	2.01	0.27	4.89	1.81	3.70	1.94
124	Nueces - Inland 2	1.54	1.25	1.42	0.01	1.50	0.82	1.19	0.07	3.26	2.96	3.11	0.05
131	Refugio - Beach	3.47	3.07	3.27	0.08	3.00	2.59	2.80	0.08	6.57	6.57	6.57	-
132	Refugio - Seacoast	2.84	1.51	2.08	0.47	2.30	1.65	1.87	0.14	4.74	3.57	4.16	0.68
141	San Patricio - Beach	3.51	2.22	2.88	0.45	2.97	1.85	2.48	0.30	7.29	6.93	7.11	0.06
142	San Patricio - Seacoast	1.98	1.15	1.50	0.13	1.68	0.96	1.33	0.10	4.59	2.29	3.63	1.01
151	Willacy - Beach	2.94	2.94	2.94	-	3.35	3.35	3.35	-	6.23	6.23	6.23	-
152	Willacy - Seacoast	1.70	1.11	1.33	0.07	1.64	1.01	1.34	0.05	9.67	9.67	9.67	-

Notes:
All results based on AIR v 13.0 with demand surge, excluding storm surge.
(1), (5), (9) = maximum AAL per \$1000 of TIV in any individual zip code area within the defined territory
(2), (6), (10) = minimum AAL per \$1000 of TIV in any individual zip code area within the defined territory
(3), (7), (11) = average AAL per \$1000 of TIV for all individual zip code area within the defined territory
(4), (8), (12) = variance of AAL per \$1000 of TIV rates by zip code for all individual zip code area within the defined territory

Territory	5 AYs	5 AYs	5 AYs	Selected	Selected	5 AYs	5 AYs	Ult Non-Hurr	Credibility	Ult Non-Hurr	Credibility	Reinsurance	Non-Reins	Var.	Indicated	Rebalanced
	Combined	Combined	Ult Non-Hurr			Ult Non-Hurr	Ending 12/31/11									
	EHY	CRI_EP	Loss	ALAE % of Loss	L&LAE % of Loss and ALAE	L&LAE	L&LAE Ratio			L&LAE Ratio	by Territory	by Territory	Expense	Expense		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
11	29,300	49,415,391	846,589	18.5%	3.5%	1,038,271	2.1%	29.8%	2.4%	2.3%	65.6%	20.9%	2.1%	20.0%	13.7%	17.9%
21	24,368	26,222,525	2,488,125	18.5%	3.5%	3,051,478	11.6%	27.2%	2.4%	4.9%	84.7%	14.0%	2.1%	20.0%	32.4%	37.3%
22	82,854	101,145,282	1,814,349	18.5%	3.5%	2,225,148	2.2%	50.1%	2.4%	2.3%	46.0%	14.0%	2.1%	20.0%	-19.3%	-16.3%
23	92,823	135,129,984	2,097,237	18.5%	3.5%	2,572,086	1.9%	53.0%	2.4%	2.2%	26.0%	14.0%	2.1%	20.0%	-44.6%	-42.5%
31	7,018	8,831,165	48,709	18.5%	3.5%	59,737	0.7%	14.6%	2.4%	2.2%	92.7%	5.9%	2.1%	20.0%	28.7%	33.5%
32	12,300	13,143,090	206,903	18.5%	3.5%	253,750	1.9%	19.3%	2.4%	2.3%	61.0%	5.9%	2.1%	20.0%	-10.8%	-7.5%
41	28,027	36,121,614	915,192	18.5%	3.5%	1,122,407	3.1%	29.1%	2.4%	2.6%	60.0%	9.7%	2.1%	20.0%	-6.8%	-3.3%
42	39,887	40,545,141	866,068	18.5%	3.5%	1,062,161	2.6%	34.8%	2.4%	2.5%	25.6%	9.7%	2.1%	20.0%	-50.1%	-48.2%
51	3,219	4,286,852	39,577	18.5%	3.5%	48,538	1.1%	9.9%	2.4%	2.3%	55.3%	10.1%	2.1%	20.0%	-12.7%	-9.5%
52	15,254	21,966,859	38,351	18.5%	3.5%	47,034	0.2%	21.5%	2.4%	2.0%	45.6%	10.1%	2.1%	20.0%	-25.3%	-22.5%
53	2,791	3,869,106	68,011	18.5%	3.5%	83,410	2.2%	9.2%	2.4%	2.4%	34.7%	10.1%	2.1%	20.0%	-38.4%	-36.1%
61	93,996	160,145,062	1,653,826	18.5%	3.5%	2,028,280	1.3%	53.4%	2.4%	1.8%	138.2%	34.6%	2.1%	20.0%	121.0%	129.2%
62	103,957	128,834,925	2,853,349	18.5%	3.5%	3,499,395	2.7%	56.1%	2.4%	2.6%	77.6%	34.6%	2.1%	20.0%	46.2%	51.6%
63	120,268	188,925,747	2,579,076	18.5%	3.5%	3,163,022	1.7%	60.4%	2.4%	2.0%	37.1%	34.6%	2.1%	20.0%	-5.1%	-1.6%
71	13,610	13,407,969	1,323,114	18.5%	3.5%	1,622,688	12.1%	20.3%	2.4%	4.4%	127.3%	74.5%	2.1%	20.0%	160.6%	170.3%
72	165	117,594	2,356	18.5%	3.5%	2,889	2.5%	2.2%	2.4%	2.4%	48.5%	74.5%	2.1%	20.0%	59.5%	65.5%
81	206	246,535	913	18.5%	3.5%	1,119	0.5%	2.5%	2.4%	2.4%	61.9%	13.5%	2.1%	20.0%	0.0%	3.7%
82	70,780	83,672,968	1,911,438	18.5%	3.5%	2,344,219	2.8%	46.3%	2.4%	2.6%	50.5%	13.5%	2.1%	20.0%	-14.0%	-10.8%
83	45,587	63,642,793	907,201	18.5%	3.5%	1,112,607	1.7%	37.2%	2.4%	2.2%	28.5%	13.5%	2.1%	20.0%	-42.1%	-39.9%
91	128	85,717	0	18.5%	3.5%	0	0.0%	2.0%	2.4%	2.4%	39.9%	5.7%	2.1%	20.0%	-37.3%	-34.9%
101	6,295	6,616,147	517,258	18.5%	3.5%	634,374	9.6%	13.8%	2.4%	3.4%	27.4%	5.9%	2.1%	20.0%	-51.4%	-49.6%
111	7,973	8,700,426	155,131	18.5%	3.5%	190,256	2.2%	15.5%	2.4%	2.4%	68.7%	16.2%	2.1%	20.0%	11.9%	16.1%
112	12,435	13,774,395	369,311	18.5%	3.5%	452,929	3.3%	19.4%	2.4%	2.6%	55.6%	16.2%	2.1%	20.0%	-4.2%	-0.7%
121	43,195	67,583,262	916,392	18.5%	3.5%	1,123,878	1.7%	36.2%	2.4%	2.2%	77.5%	21.8%	2.1%	20.0%	29.6%	34.4%
122	120,287	146,822,506	3,035,931	18.5%	3.5%	3,723,317	2.5%	60.4%	2.4%	2.5%	51.4%	21.8%	2.1%	20.0%	-2.7%	0.9%
123	35,889	33,693,011	1,234,389	18.5%	3.5%	1,513,876	4.5%	33.0%	2.4%	3.1%	41.9%	21.8%	2.1%	20.0%	-13.7%	-10.5%
124	6,237	6,234,944	196,523	18.5%	3.5%	241,019	3.9%	13.7%	2.4%	2.6%	27.1%	21.8%	2.1%	20.0%	-32.9%	-30.4%
131	799	879,057	25,080	18.5%	3.5%	30,758	3.5%	4.9%	2.4%	2.5%	52.0%	8.6%	2.1%	20.0%	-18.5%	-15.4%
132	1,155	1,389,407	15,616	18.5%	3.5%	19,151	1.4%	5.9%	2.4%	2.4%	33.8%	8.6%	2.1%	20.0%	-41.4%	-39.2%
141	32,125	38,642,296	721,318	18.5%	3.5%	884,636	2.3%	31.2%	2.4%	2.4%	52.5%	17.1%	2.1%	20.0%	-7.4%	-3.9%
142	6,934	7,275,069	168,184	18.5%	3.5%	206,263	2.8%	14.5%	2.4%	2.5%	31.6%	17.1%	2.1%	20.0%	-33.4%	-30.9%
151	1,423	1,654,825	17,004	18.5%	3.5%	20,853	1.3%	6.6%	2.4%	2.4%	61.3%	7.7%	2.1%	20.0%	-8.1%	-4.7%
152	1,136	1,049,786	105,747	18.5%	3.5%	129,689	12.4%	5.9%	2.4%	3.0%	27.4%	7.7%	2.1%	20.0%	-49.7%	-47.9%
Total:	1,062,420	1,414,071,451	28,138,269			34,509,241	2.4%	100.0%		2.4%	58.1%	22.3%	2.1%	20.0%	6.1%	10.1%

Notes:
(1) From Company. Around 600 EHY without accurate geographic coding.
(2), (3) From Exhibit XIV, Sheets 1-5
(4) From Statewide Exhibit IV, Sheet 2
(5) From Statewide Exhibit IV, Sheet 1
(6) = (3) x [1 + (4)] x [1 + (5)]
(7) = (6) / (2)
(8) = Min [SQRT((1) / 330,000) , 1]
(9) = (7) Total
(10) = [(8) x (7)] + [(1 - (8)) x (9)]
(11) From Exhibit XII
(12) From Exhibit XIII
(13), (14) From Statewide Exhibit I, Sheet 1
(15) = [(10) + (11) + (12) + (13)] / [1 - (14)] - 1
(16 Total) From Statewide Exhibit I, Sheet 1
(16) = [1 + (16 Total)] / [1 + (15 Total)] x [1 + (15)] - 1

Territory	12/31/2011 RMS v 11.0 AAL (1)	12/31/2011 AIR v 13.0 AAL (2)	ALAE Provision (3)	ULAE Provision (4)	12/31/2011 RMS v 11.0 AAL & LAE (5)	12/31/2011 AIR v 13.0 AAL & LAE (6)	12/31/2011 Avg Modeled AAL & LAE (7)	On-Level 12/31/2011 IF Prem (8)	Hurr LR by Territory (9)
11	5,106,070	7,256,659	7.8%	3.5%	5,699,682	8,100,291	6,899,987	10,517,925	65.6%
21	4,345,648	4,373,454	7.8%	3.5%	4,850,856	4,881,895	4,866,375	5,743,292	84.7%
22	9,803,091	9,984,884	7.8%	3.5%	10,942,761	11,145,688	11,044,225	24,007,443	46.0%
23	8,884,823	7,155,780	7.8%	3.5%	9,917,738	7,987,684	8,952,711	34,424,866	26.0%
31	1,588,168	1,701,598	7.8%	3.5%	1,772,803	1,899,419	1,836,111	1,980,474	92.7%
32	1,686,905	1,369,841	7.8%	3.5%	1,883,018	1,529,094	1,706,056	2,798,160	61.0%
41	4,092,902	4,036,422	7.8%	3.5%	4,568,727	4,505,681	4,537,204	7,556,730	60.0%
42	2,175,326	1,770,886	7.8%	3.5%	2,428,221	1,976,763	2,202,492	8,617,262	25.6%
51	546,750	502,052	7.8%	3.5%	610,313	560,418	585,365	1,059,175	55.3%
52	2,344,137	2,460,880	7.8%	3.5%	2,616,657	2,746,972	2,681,815	5,886,347	45.6%
53	309,372	309,489	7.8%	3.5%	345,338	345,469	345,404	996,659	34.7%
61	32,802,367	44,962,072	7.8%	3.5%	36,615,844	50,189,190	43,402,517	31,408,760	138.2%
62	16,445,641	20,772,682	7.8%	3.5%	18,357,548	23,187,634	20,772,591	26,780,012	77.6%
63	14,301,991	14,024,437	7.8%	3.5%	15,964,685	15,654,864	15,809,775	42,563,501	37.1%
71	3,013,251	4,484,302	7.8%	3.5%	3,363,560	5,005,629	4,184,595	3,286,293	127.3%
72	7,609	4,927	7.8%	3.5%	8,494	5,500	6,997	14,426	48.5%
81	50,286	21,130	7.8%	3.5%	56,132	23,587	39,859	64,384	61.9%
82	9,898,746	10,791,102	7.8%	3.5%	11,049,536	12,045,634	11,547,585	22,870,983	50.5%
83	4,607,560	3,923,628	7.8%	3.5%	5,143,217	4,379,774	4,761,495	16,715,976	28.5%
91	15,731	8,156	7.8%	3.5%	17,560	9,104	13,332	33,377	39.9%
101	410,740	303,074	7.8%	3.5%	458,492	338,308	398,400	1,452,231	27.4%
111	1,281,669	1,098,120	7.8%	3.5%	1,430,671	1,225,783	1,328,227	1,932,410	68.7%
112	1,837,767	1,917,403	7.8%	3.5%	2,051,419	2,140,312	2,095,866	3,766,889	55.6%
121	8,593,704	11,332,544	7.8%	3.5%	9,592,775	12,650,022	11,121,398	14,343,044	77.5%
122	11,585,080	17,828,423	7.8%	3.5%	12,931,916	19,901,087	16,416,502	31,960,990	51.4%
123	2,726,237	2,953,803	7.8%	3.5%	3,043,179	3,297,201	3,170,190	7,558,635	41.9%
124	371,867	273,471	7.8%	3.5%	415,099	305,263	360,181	1,330,342	27.1%
131	107,003	80,537	7.8%	3.5%	119,443	89,900	104,672	201,213	52.0%
132	98,342	76,960	7.8%	3.5%	109,775	85,907	97,841	289,738	33.8%
141	3,570,817	4,532,322	7.8%	3.5%	3,985,947	5,059,232	4,522,590	8,619,741	52.5%
142	514,813	377,288	7.8%	3.5%	574,663	421,150	497,906	1,576,623	31.6%
151	201,657	177,911	7.8%	3.5%	225,100	198,594	211,847	345,744	61.3%
152	65,059	52,474	7.8%	3.5%	72,623	58,575	65,599	239,801	27.4%
Total:	153,391,130	180,918,710			171,223,793	201,951,624	186,587,709	320,943,446	58.1%

Notes:

(1) = from 12/31/2011 run of RMS v 11.0 with long term frequency, no storm surge, with demand surge.

Around \$67,000 of RMS modeled AAL on policies without accurate geographic coding

(2) = from 12/31/2011 run of AIR 13.0 with long term frequency, no storm surge, with demand surge

Around \$80,500 of AIR modeled AAL on policies without accurate geographic coding

(3) , (4) = from Exhibit V Sheet 1

(5) = (1) x [1 + (3)] x [1 + (4)]

(6) = (2) x [1 + (3)] x [1 + (4)]

(7) = average of (5) and (6)

(8) = from Company. Around \$163,500 of inforce premium without accurate geographic coding.

(9) = (7) / (8)

Texas Windstorm Insurance Association
 Residential Property Program (Non-Mobilehome)
 Net Cost of Reinsurance Provisions by Territory

Exhibit XIII
 Sheet 1

<u>Territory</u>	<u>County</u>	Net Cost of <u>Reinsurance</u> (1)
11	Aransas	20.9%
21	Brazoria	14.0%
22	Brazoria	14.0%
23	Brazoria	14.0%
31	Calhoun	5.9%
32	Calhoun	5.9%
41	Cameron	9.7%
42	Cameron	9.7%
51	Chambers	10.1%
52	Chambers	10.1%
53	Chambers	10.1%
61	Galveston	34.6%
62	Galveston	34.6%
63	Galveston	34.6%
71	Harris	74.5%
72	Harris	74.5%
81	Jefferson	13.5%
82	Jefferson	13.5%
83	Jefferson	13.5%
91	Kenedy	5.7%
101	Kleberg	5.9%
111	Matagorda	16.2%
112	Matagorda	16.2%
121	Nueces	21.8%
122	Nueces	21.8%
123	Nueces	21.8%
124	Nueces	21.8%
131	Refugio	8.6%
132	Refugio	8.6%
141	San Patricio	17.1%
142	San Patricio	17.1%
151	Willacy	7.7%
152	Willacy	7.7%

Total:

Notes:
 (1) = from Exhibit XIII, Sheet 2

Texas Windstorm Insurance Association
Residential Property Program (Non-Mobilehome)
Net Cost of Reinsurance Provisions by County

Total Ceded AAL: 19,497,568
Total Unrecoverable Cost of Reinsurance: 91,900,869

County	(1)				(2)			
	% of Ceded AAL Commercial	% of Ceded AAL Mobilehome	% of Ceded AAL Residential	% of Ceded AAL Total:	\$ of Unrecoverable Cost Commercial	\$ of Unrecoverable Cost Mobilehome	\$ of Unrecoverable Cost Residential	\$ of Unrecoverable Cost Total:
Aransas	0.5%	0.0%	2.4%	2.9%	466,592	15,849	2,198,059	2,680,500
Brazoria	1.4%	0.0%	9.8%	11.3%	1,309,424	14,498	9,014,972	10,338,893
Calhoun	0.1%	0.0%	0.3%	0.4%	74,192	1,807	281,135	357,134
Cameron	1.2%	0.0%	1.7%	2.9%	1,131,024	1,946	1,574,575	2,707,544
Chambers	0.1%	0.0%	0.9%	1.0%	128,010	7,430	800,979	936,418
Galveston	12.5%	0.0%	37.9%	50.5%	11,473,849	33,001	34,859,736	46,366,586
Harris	0.2%	0.0%	2.7%	2.9%	229,159	2,344	2,459,126	2,690,629
Jefferson	1.3%	0.0%	5.8%	7.1%	1,197,605	2,188	5,367,299	6,567,092
Kenedy	0.0%	0.0%	0.0%	0.0%	1,774	31	1,977	3,782
Kleberg	0.0%	0.0%	0.1%	0.1%	44,184	215	85,418	129,817
Matagorda	0.2%	0.0%	1.0%	1.2%	166,616	1,894	923,942	1,092,452
Nueces	4.1%	0.0%	13.1%	17.3%	3,797,435	2,968	12,055,398	15,855,801
Refugio	0.0%	0.0%	0.0%	0.1%	10,287	353	42,064	52,704
San Patricio	0.3%	0.0%	1.9%	2.2%	318,723	3,075	1,741,618	2,063,416
Willacy	0.0%	0.0%	0.0%	0.1%	12,788	259	45,052	58,098
Total:	22.2%	0.1%	77.7%	100.0%	20,361,661	87,858	71,451,350	91,900,869

County	(3)				(4)			
	OL IF Prem Commercial	OL IF Prem Mobilehome	OL IF Prem Residential	Total:	Net Cost of Reins Commercial	Net Cost of Reins Mobilehome	Net Cost of Reins Residential	Net Cost of Reins Total:
Aransas	3,156,184	122,907	10,540,394	13,819,485	14.8%	12.9%	20.9%	19.4%
Brazoria	11,517,275	168,757	64,188,372	75,874,404	11.4%	8.6%	14.0%	13.6%
Calhoun	1,890,423	130,788	4,793,255	6,814,466	3.9%	1.4%	5.9%	5.2%
Cameron	12,578,616	49,631	16,173,992	28,802,239	9.0%	3.9%	9.7%	9.4%
Chambers	1,249,030	84,266	7,942,181	9,275,477	10.2%	8.8%	10.1%	10.1%
Galveston	31,383,317	249,615	100,752,650	132,385,582	36.6%	13.2%	34.6%	35.0%
Harris	878,422	6,721	3,300,719	4,185,862	26.1%	34.9%	74.5%	64.3%
Jefferson	12,830,616	40,786	39,651,343	52,522,745	9.3%	5.4%	13.5%	12.5%
Kenedy	58,041	1,838	34,643	94,522	3.1%	1.7%	5.7%	4.0%
Kleberg	1,158,558	8,515	1,453,532	2,620,605	3.8%	2.5%	5.9%	5.0%
Matagorda	1,877,652	29,515	5,699,299	7,606,466	8.9%	6.4%	16.2%	14.4%
Nueces	22,487,220	44,607	55,303,200	77,835,027	16.9%	6.7%	21.8%	20.4%
Refugio	254,599	8,190	490,951	753,740	4.0%	4.3%	8.6%	7.0%
San Patricio	3,221,147	25,360	10,196,911	13,443,418	9.9%	12.1%	17.1%	15.3%
Willacy	430,062	7,456	585,545	1,023,063	3.0%	3.5%	7.7%	5.7%
Total:	104,971,162	978,952	321,106,987	427,057,101	19.4%	9.0%	22.3%	21.5%

Notes:
(1) = distribution of ceded AAL by county and LOB based on AIR v 13 storm set with loss by LOB and County
(2) = (1) x Total Unrecoverable Cost of Reinsurance
(3) = from Company
(4) = (2) / (3)

Texas Windstorm Insurance Association
Residential Property Program (Non-Mobilehome)
Territory Experience Development

Exhibit XIV
Sheet 1

Territory	1/1/2007 to 12/31/2007		1/1/2007 to 12/31/2007		PLDM		1/1/2007 to 12/31/2007	
	Non-Hurr Incurred	ILD 60-Month	Indicated Ultimate	Non-Hurr Paid	60-Month LDF	Indicated Ultimate	Selected Ult Non-Hurr	On-Level EP
	<u>Loss</u> (1)	<u>LDF</u> (2)	<u>Loss</u> (3)	<u>Loss</u> (4)	<u>LDF</u> (5)	<u>Loss</u> (6)	<u>Loss</u> (7)	<u>EP</u> (8)
11	90,930	0.997	90,702	90,930	1.004	91,309	91,005	8,043,948
21	2,132,153	0.997	2,126,819	2,132,153	1.004	2,141,041	2,133,930	4,170,435
22	147,010	0.997	146,642	147,010	1.004	147,623	147,133	14,092,118
23	51,409	0.997	51,280	51,409	1.004	51,623	51,452	17,757,911
31	19,914	0.997	19,864	19,914	1.004	19,997	19,930	1,501,700
32	10,527	0.997	10,501	10,527	1.004	10,571	10,536	2,038,939
41	1,421	0.997	1,418	1,421	1.004	1,427	1,422	5,542,995
42	13,308	0.997	13,274	13,308	1.004	13,363	13,319	5,620,173
51	0	0.997	0	0	1.004	0	0	605,711
52	0	0.997	0	0	1.004	0	0	2,603,821
53	8,377	0.997	8,356	8,377	1.004	8,412	8,384	468,652
61	484,379	0.997	483,167	484,379	1.004	486,398	484,782	32,575,008
62	120,944	0.997	120,641	120,944	1.004	121,448	121,045	22,551,057
63	180,641	0.997	180,189	180,641	1.004	181,394	180,791	28,990,397
71	41,640	0.997	41,536	41,640	1.004	41,814	41,675	2,216,838
72	0	0.997	0	0	1.004	0	0	29,648
81	0	0.997	0	0	1.004	0	0	41,810
82	111,732	0.997	111,452	111,732	1.004	112,197	111,825	10,395,409
83	27,273	0.997	27,205	27,273	1.004	27,386	27,296	8,084,955
91	0	0.997	0	0	1.004	0	0	8,986
101	134,960	0.997	134,623	134,960	1.004	135,523	135,073	916,294
111	7,348	0.997	7,330	7,348	1.004	7,379	7,354	1,316,364
112	30,509	0.997	30,433	30,509	1.004	30,636	30,535	1,853,267
121	174,648	0.997	174,211	174,648	1.004	175,376	174,793	12,223,372
122	216,722	0.997	216,180	216,722	1.004	217,626	216,903	22,530,358
123	66,797	0.997	66,630	66,797	1.004	67,076	66,853	4,995,972
124	15,570	0.997	15,532	15,570	1.004	15,635	15,583	897,332
131	0	0.997	0	0	1.004	0	0	129,838
132	0	0.997	0	0	1.004	0	0	195,291
141	51,816	0.997	51,687	51,816	1.004	52,032	51,859	5,897,443
142	41,367	0.997	41,264	41,367	1.004	41,540	41,402	1,106,889
151	11,339	0.997	11,310	11,339	1.004	11,386	11,348	282,782
152	0	0.997	0	0	1.004	0	0	166,966
Total:	4,192,733		4,182,245	4,192,733		4,210,211	4,196,228	219,852,683

Notes:	(6) = (4) x (5)
(1), (4) = Provided by Company. Around \$800 of losses without accurate geographic coding.	(7) = average of (3) and (6)
(2), (5) = From Exhibit III, Sheet 6	(8) = from Company. Around \$180,000 of Earned Premium without accurate geographic coding.
(3) = (1) x (2)	

Territory	1/1/2008 to	ILD 48-Month	ILD	1/1/2008 to	PLD 48-Month	PLD	Selected Ult Non-Hurr	1/1/2008 to
	12/31/2008		Indicated	12/31/2008		Indicated		12/31/2008
	Non-Hurr Incurred <u>Loss</u> (1)		Ultimate <u>Loss</u> (3)	Non-Hurr Paid <u>Loss</u> (4)		Ultimate <u>Loss</u> (6)		On-Level <u>EP</u> (8)
11	36,514	1.005	36,695	36,514	1.007	36,785	36,740	10,037,616
21	46,048	1.005	46,277	43,632	1.007	43,956	45,117	5,156,104
22	143,940	1.005	144,656	143,940	1.007	145,009	144,833	19,761,946
23	138,900	1.005	139,591	137,400	1.007	138,421	139,006	25,230,769
31	0	1.005	0	0	1.007	0	0	1,690,516
32	12,334	1.005	12,395	12,334	1.007	12,426	12,410	2,707,500
41	34,550	1.005	34,722	34,550	1.007	34,807	34,764	7,357,433
42	73,321	1.005	73,685	73,321	1.007	73,865	73,775	8,872,487
51	9,387	1.005	9,434	9,387	1.007	9,457	9,445	787,856
52	12,948	1.005	13,012	12,948	1.007	13,044	13,028	3,765,068
53	990	1.005	995	990	1.007	997	996	703,658
61	129,156	1.005	129,799	129,156	1.007	130,116	129,957	32,142,905
62	168,074	1.005	168,910	168,074	1.007	169,323	169,116	24,698,132
63	167,015	1.005	167,846	167,015	1.007	168,256	168,051	35,653,025
71	470,540	1.005	472,881	470,540	1.007	474,036	473,458	2,355,041
72	0	1.005	0	0	1.007	0	0	27,313
81	907	1.005	912	907	1.007	914	913	48,535
82	441,055	1.005	443,250	441,055	1.007	444,332	443,791	15,919,149
83	159,485	1.005	160,279	109,485	1.007	110,299	135,289	12,134,749
91	0	1.005	0	0	1.007	0	0	10,152
101	789	1.005	793	789	1.007	795	794	1,262,592
111	7,957	1.005	7,996	7,957	1.007	8,016	8,006	1,816,941
112	25,557	1.005	25,684	25,557	1.007	25,747	25,716	2,684,064
121	21,036	1.005	21,140	21,036	1.007	21,192	21,166	12,628,140
122	268,968	1.005	270,306	268,968	1.007	270,966	270,636	29,367,619
123	121,252	1.005	121,856	121,252	1.007	122,153	122,005	6,592,706
124	17,934	1.005	18,024	17,934	1.007	18,068	18,046	1,201,066
131	0	1.005	0	0	1.007	0	0	170,601
132	0	1.005	0	0	1.007	0	0	299,300
141	27,526	1.005	27,663	27,526	1.007	27,731	27,697	7,546,526
142	13,228	1.005	13,293	13,228	1.007	13,326	13,310	1,437,464
151	0	1.005	0	0	1.007	0	0	296,217
152	9,208	1.005	9,254	9,208	1.007	9,276	9,265	206,980
Total:	2,558,617		2,571,349	2,504,702		2,523,313	2,547,331	274,570,169

Notes:	(6) = (4) x (5)
(1), (4) = Provided by Company. Around \$500 of losses without accurate geographic coding.	(7) = average of (3) and (6)
(2), (5) = From Exhibit III, Sheet 6	(8) = from Company. Around \$200,000 of Earned Premium without accurate geographic coding.
(3) = (1) x (2)	

Texas Windstorm Insurance Association
Residential Property Program (Non-Mobilehome)
Territory Experience Development

Exhibit XIV
Sheet 3

Territory	1/1/2009 to	ILD 36-Month LDF	ILD Indicated	1/1/2009 to	PLD 36-Month LDF	PLD Indicated	Selected Ult Non-Hurr Loss	1/1/2009 to
	12/31/2009		Ultimate	12/31/2009		Ultimate		On-Level
	Non-Hurr Incurred Loss (1)		Loss (3)	Non-Hurr Paid Loss (4)		Loss (6)		EP (8)
11	80,935	0.998	80,787	79,014	1.020	80,559	80,673	10,375,803
21	68,133	0.998	68,008	67,351	1.020	68,668	68,338	5,552,874
22	676,613	0.998	675,376	658,127	1.020	670,999	673,188	21,545,147
23	1,142,659	0.998	1,140,570	957,746	1.020	976,479	1,058,524	28,636,303
31	8,626	0.998	8,610	4,774	1.020	4,867	6,739	1,809,348
32	21,821	0.998	21,781	21,821	1.020	22,248	22,015	2,791,964
41	106,446	0.998	106,252	105,245	1.020	107,304	106,778	7,796,895
42	123,371	0.998	123,146	116,156	1.020	118,427	120,787	8,903,624
51	3,221	0.998	3,215	3,221	1.020	3,284	3,250	855,358
52	14,873	0.998	14,846	14,873	1.020	15,164	15,005	4,581,403
53	19,367	0.998	19,331	19,367	1.020	19,746	19,538	821,367
61	676,713	0.998	675,476	566,105	1.020	577,177	626,327	32,278,475
62	1,929,623	0.998	1,926,096	1,639,374	1.020	1,671,439	1,798,767	26,941,260
63	1,224,806	0.998	1,222,568	1,204,149	1.020	1,227,701	1,225,134	39,821,173
71	559,097	0.998	558,075	558,436	1.020	569,358	563,717	2,815,560
72	2,335	0.998	2,331	2,335	1.020	2,381	2,356	27,386
81	0	0.998	0	0	1.020	0	0	27,880
82	310,369	0.998	309,802	307,106	1.020	313,112	311,457	18,075,925
83	282,435	0.998	281,919	278,966	1.020	284,423	283,171	13,487,857
91	0	0.998	0	0	1.020	0	0	10,164
101	165,374	0.998	165,071	164,381	1.020	167,596	166,334	1,409,008
111	1,865	0.998	1,861	1,865	1.020	1,901	1,881	1,806,806
112	191,656	0.998	191,306	183,177	1.020	186,759	189,033	2,767,737
121	119,413	0.998	119,195	111,025	1.020	113,197	116,196	13,982,928
122	436,643	0.998	435,845	414,495	1.020	422,602	429,223	30,990,095
123	266,608	0.998	266,121	94,656	1.020	96,508	181,314	7,090,861
124	39,725	0.998	39,652	37,661	1.020	38,398	39,025	1,387,911
131	10,205	0.998	10,186	10,205	1.020	10,404	10,295	186,706
132	11,327	0.998	11,307	11,327	1.020	11,549	11,428	298,997
141	29,419	0.998	29,365	27,425	1.020	27,961	28,663	8,396,448
142	26,772	0.998	26,724	25,762	1.020	26,266	26,495	1,583,630
151	1,615	0.998	1,612	1,615	1.020	1,647	1,629	366,508
152	53,292	0.998	53,194	51,948	1.020	52,964	53,079	212,659
Total:	8,605,358		8,589,627	7,739,707		7,891,088	8,240,358	297,636,060

Notes:
(1), (4) = Provided by Company. (6) = (4) x (5)
(2), (5) = From Exhibit III, Sheet 6 (7) = average of (3) and (6)
(3) = (1) x (2) (8) = from Company. Around \$180,000 of Earned Premium
without accurate geographic coding.

Texas Windstorm Insurance Association
Residential Property Program (Non-Mobilehome)
Territory Experience Development

Exhibit XIV
Sheet 4

Territory	1/1/2010 to	ILD 24-Month	ILD	1/1/2010 to	PLD 24-Month	PLD	Selected Ult Non-Hurr	1/1/2010 to
	12/31/2010		Indicated	12/31/2010		Indicated		12/31/2010
	Non-Hurr Incurred <u>Loss</u> (1)		Ultimate <u>Loss</u> (3)	Non-Hurr Paid <u>Loss</u> (4)		Ultimate <u>Loss</u> (6)		On-Level <u>EP</u> (8)
11	584,476	0.960	561,183	389,661	1.054	410,760	485,971	10,252,029
21	168,587	0.960	161,868	152,068	1.054	160,302	161,085	5,627,423
22	554,435	0.960	532,339	498,962	1.054	525,979	529,159	22,389,818
23	323,656	0.960	310,757	266,566	1.054	280,999	295,878	30,035,195
31	20,541	0.960	19,722	19,784	1.054	20,855	20,288	1,860,778
32	73,408	0.960	70,482	63,375	1.054	66,807	68,644	2,775,628
41	729,572	0.960	700,496	679,969	1.054	716,786	708,641	7,666,801
42	729,036	0.960	699,981	408,370	1.054	430,481	565,231	8,408,140
51	6,678	0.960	6,412	4,839	1.054	5,101	5,756	1,001,113
52	6,297	0.960	6,046	6,297	1.054	6,638	6,342	5,175,492
53	439	0.960	422	439	1.054	463	442	895,899
61	311,343	0.960	298,935	293,509	1.054	309,401	304,168	31,328,367
62	436,439	0.960	419,045	165,380	1.054	174,335	296,690	27,214,237
63	490,724	0.960	471,167	353,501	1.054	372,641	421,904	41,192,730
71	198,155	0.960	190,258	198,155	1.054	208,884	199,571	2,820,355
72	0	0.960	0	0	1.054	0	0	16,727
81	0	0.960	0	0	1.054	0	0	58,792
82	456,728	0.960	438,526	263,510	1.054	277,778	358,152	18,351,510
83	129,919	0.960	124,741	116,642	1.054	122,958	123,849	13,738,602
91	0	0.960	0	0	1.054	0	0	17,133
101	206,966	0.960	198,718	170,169	1.054	179,383	189,050	1,434,103
111	102,789	0.960	98,692	85,982	1.054	90,637	94,665	1,801,771
112	75,355	0.960	72,352	63,730	1.054	67,180	69,766	2,872,975
121	574,556	0.960	551,658	511,548	1.054	539,245	545,452	14,143,812
122	1,580,411	0.960	1,517,426	1,377,345	1.054	1,451,922	1,484,674	31,715,928
123	715,154	0.960	686,652	542,689	1.054	572,073	629,363	7,314,205
124	100,788	0.960	96,771	93,548	1.054	98,614	97,692	1,349,666
131	8,256	0.960	7,927	8,256	1.054	8,703	8,315	191,099
132	4,904	0.960	4,709	3,479	1.054	3,667	4,188	300,979
141	448,785	0.960	430,899	405,195	1.054	427,135	429,017	8,105,390
142	72,894	0.960	69,989	64,394	1.054	67,881	68,935	1,560,411
151	3,998	0.960	3,838	3,998	1.054	4,214	4,026	350,749
152	29,223	0.960	28,058	21,273	1.054	22,425	25,241	208,472
Total:	9,144,511		8,780,069	7,232,633		7,624,247	8,202,158	302,176,329

Notes:

(1), (4) = Provided by Company. Around \$42,000 of losses without accurate geographic coding.

(2), (5) = From Exhibit III, Sheet 6

(3) = (1) x (2)

(6) = (4) x (5)

(7) = average of (3) and (6)

(8) = from Company. Around \$170,000 of Earned Premium without accurate geographic coding.

Territory	1/1/2011 to	ILD 12-Month	ILD	1/1/2011 to	PLD 12-Month	PLD	Selected Ult Non-Hurr	1/1/2011 to
	12/31/2011		Indicated	12/31/2011		Indicated		12/31/2011
	Non-Hurr Incurred <u>Loss</u> (1)		Ultimate <u>Loss</u> (3)	Non-Hurr Paid <u>Loss</u> (4)		Ultimate <u>Loss</u> (6)		On-Level <u>EP</u> (8)
11	140,666	1.115	156,825	95,435	1.546	147,573	152,199	10,705,996
21	66,465	1.115	74,100	55,104	1.546	85,209	79,654	5,715,689
22	276,356	1.115	308,103	214,685	1.546	331,972	320,037	23,356,253
23	452,568	1.115	504,559	388,144	1.546	600,195	552,377	33,469,806
31	2,240	1.115	2,497	651	1.546	1,006	1,752	1,968,823
32	80,538	1.115	89,790	62,604	1.546	96,806	93,298	2,829,058
41	65,712	1.115	73,260	34,866	1.546	53,914	63,587	7,757,491
42	86,112	1.115	96,004	58,144	1.546	89,909	92,957	8,740,716
51	17,504	1.115	19,515	14,703	1.546	22,735	21,125	1,036,815
52	3,860	1.115	4,303	2,360	1.546	3,649	3,976	5,841,074
53	31,644	1.115	35,279	27,176	1.546	42,022	38,651	979,530
61	93,160	1.115	103,862	73,285	1.546	113,322	108,592	31,820,308
62	392,327	1.115	437,397	322,096	1.546	498,065	467,731	27,430,238
63	500,228	1.115	557,693	393,642	1.546	608,698	583,196	43,268,422
71	34,007	1.115	37,913	33,287	1.546	51,472	44,693	3,200,175
72	0	1.115	0	0	1.546	0	0	16,520
81	0	1.115	0	0	1.546	0	0	69,519
82	875,021	1.115	975,542	256,663	1.546	396,884	686,213	20,930,977
83	319,833	1.115	356,575	206,049	1.546	318,618	337,597	16,196,630
91	0	1.115	0	0	1.546	0	0	39,283
101	27,544	1.115	30,708	13,778	1.546	21,306	26,007	1,594,150
111	37,602	1.115	41,921	28,797	1.546	44,529	43,225	1,958,544
112	43,707	1.115	48,728	38,670	1.546	59,797	54,262	3,596,352
121	61,308	1.115	68,351	31,830	1.546	49,219	58,785	14,605,010
122	557,473	1.115	621,515	418,720	1.546	647,475	634,495	32,218,505
123	203,379	1.115	226,743	157,126	1.546	242,967	234,855	7,699,267
124	21,981	1.115	24,506	18,009	1.546	27,847	26,177	1,398,969
131	4,862	1.115	5,420	4,862	1.546	7,518	6,469	200,814
132	0	1.115	0	0	1.546	0	0	294,840
141	163,999	1.115	182,839	119,848	1.546	185,323	184,081	8,696,488
142	20,380	1.115	22,721	8,643	1.546	13,364	18,043	1,586,675
151	0	1.115	0	0	1.546	0	0	358,567
152	16,192	1.115	18,052	11,815	1.546	18,270	18,161	254,708
Total:	4,596,666		5,124,724	3,090,990		4,779,665	4,952,195	319,836,210

Notes:	
(1), (4) = Provided by Company. Does not include 2011 Robstown event.	(6) = (4) x (5)
(2), (5) = From Exhibit III, Sheet 6	(7) = average of (3) and (6)
(3) = (1) x (2)	(8) = from Company. Around \$170,000 of Earned Premium without accurate geographic coding.

Texas Windstorm Insurance Association

2012 Rate and Structure Review

Commercial Property Program

Statewide and Territorial Analysis

Texas Windstorm Insurance Association
Commercial Property Program
 Statewide Rate Level Indication

Exhibit I
 Sheet 1

<u>AY</u>	<u>On-Level EP</u> (1)	<u>PLDM Ult Non-Hurr Loss and LAE</u> (2)	<u>ILD M Ult Non-Hurr Loss and LAE</u> (3)	<u>Selected Ult Non-Hurr Loss and LAE</u> (4)	<u>Non-Hurr Ult Loss & LAE Ratio</u> (5)	<u>AY Weights</u> (6)
1/1/2007 - 12/31/2007	135,371,325	3,364,151	3,196,710	3,280,430	2.42%	10.0%
1/1/2008 - 12/31/2008	134,010,198	3,171,412	3,028,747	3,100,080	2.31%	15.0%
1/1/2009 - 12/31/2009	130,539,547	4,707,672	4,627,448	4,667,560	3.58%	20.0%
1/1/2010 - 12/31/2010	121,723,880	7,605,907	8,233,219	7,919,563	6.51%	25.0%
<u>1/1/2011 - 12/31/2011</u>	<u>113,279,937</u>	<u>2,310,343</u>	<u>2,100,718</u>	<u>2,205,531</u>	<u>1.95%</u>	<u>30.0%</u>
Total:	634,924,886	21,159,485	21,186,843	21,173,164	3.33%	3.52%

(7) Weighted Non-Hurr L&LAE Ratio = 3.52%

(8) Credibility = 74.50%

(9) Complement of Credibility = 4.84%

(10) Credibility weighted Loss Ratio = 3.85%

(11) Hurricane Loss Ratio = 55.83%

(12) Projected Loss Ratio = 59.68%

(13) Fixed Expense Provision = 2.12%

(14) Net Cost of Reinsurance Expense Provision = 19.40%

(15) Variable Expense Provision = 20.04%

(16) Rate Level Indication = **1.56%**

Notes:

(1) = from Exhibit II, Sheet 2

(2) & (3) = from Exhibit III, Sheet 5

(4) = average of (2) & (3)

(5) = (4) / (1)

(6) = Based on common industry time weightings for five accident year ratemaking.

This measure recognizes that more recent information is more predictive than older information in the ratemaking process.

(7) = (5) weighted by (6)

(8) = from Exhibit II, sheet 1

(9) = Observed Loss Ratio for all programs

(10) = (7) x (8) + [1 - (8)] x (9)

(11) = from Exhibit V Sheet 1

(12) = (10) + (11)

(13) & (15) = from Exhibit VIII Sheet 1

(14) = from Exhibit VI, Sheet 2

(16) = [(12) + (13) + (14)] / [1 - (15)] - 1

Texas Windstorm Insurance Association
Commercial Property Program
Statewide Rate Level Indication
Calculation of Statewide Credibility Factors

Exhibit II
Sheet 1

Calculation of Statewide Credibility Factor

(1) Full Coverage Earned House Years	183,154
(2) Full Credibility Standard	330,000
(3) Credibility As it Regards Exposures	74.50%

Notes:

- (1) Provided by the Company
- (2) = Based on ISO Full Credibility Standard for EC Perils
- (3) = $\min [\text{Sqrt}(\text{Total of (1) / (2)}), 1]$

Texas Windstorm Insurance Association

Commercial Property Program
 Statewide Rate Level Indication
 Calculation of On-Level Earned Premium

Exhibit II
 Sheet 2

	Rate Level Change Commercial	Cumulative On- Level Factor Commercial
7/1/2006	8.0%	1.504
1/1/2007	3.7%	1.393
2/1/2008	5.4%	1.343
2/1/2009	15.6%	1.274
1/1/2011	5.0%	1.103
1/1/2012	5.0%	1.050

<u>Written Premium</u>	<u>2007</u>	<u>Historic Earned Premium in Cohort</u>				<u>On-Level Factor for Cohort</u>	<u>2007</u>	<u>On-Level Earned Premium in Cohort</u>				<u>2011</u>
		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>			<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
1/1/06-6/30/06	19,821,283	-	-	-	-	1.504	29,820,253	-	-	-	-	-
7/1/06-12/31/06	38,547,920	-	-	-	-	1.393	53,697,832	-	-	-	-	-
1/1/07-1/31/08	38,601,027	72,558,801	725,477	-	-	1.343	51,853,240	97,469,141	974,542	-	-	-
2/1/08-1/31/09	-	28,671,121	73,567,488	4,628,085	-	1.274	-	36,541,057	93,761,028	5,898,448	-	-
2/1/09-12/31/10	-	-	32,475,262	105,057,081	59,843,158	1.103	-	-	35,803,977	115,825,432	65,977,082	-
1/1/11-12/31/11	-	-	-	-	45,050,338	1.050	-	-	-	-	47,302,855	-
							135,371,325	134,010,198	130,539,547	121,723,880	113,279,937	

Notes:

Earned Premium based on data provided by TWIA.

On-Level Factors based on historical rate changes.

On-Level Earned Premium in Cohort equals Historic Earned Premium times On-Level Factor for Cohort

Texas Windstorm Insurance Association
Commercial Property Program
Statewide Rate Level Indication
Incurred Loss and ALAE Development Factors
Schedule P Accumulations
All Lines of Business

Exhibit III
Sheet 1

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	5,572	6,275	6,008	6,011	6,015	6,012	6,012	6,011
2005	158,122	172,032	168,726	169,555	169,829	170,046	170,213	
2006	4,995	5,507	5,406	5,158	5,199	5,136		
2007	19,026	18,938	18,454	18,514	18,322			
2008	1,898,030	1,741,081	2,487,108	2,388,168				
2009	15,018	14,550	10,772					
2010	15,175	18,395						
2011	90,962							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.126	0.957	1.000	1.001	1.000	1.000	1.000
2005	1.088	0.981	1.005	1.002	1.001	1.001	
2006	1.103	0.982	0.954	1.008	0.988		
2007	0.995	0.974	1.003	0.990			
2008	0.917	1.428	0.960				
2009	0.969	0.740					
2010	1.212						

All Year Average	1.059	1.010	0.984	1.000	0.996	1.001	1.000	
All Year - Hi/Low	1.056	0.974	0.988	1.002	1.000			
5 Year Average	1.039	1.021	0.984	1.000	0.996	1.001	1.000	
3 Year Average	1.033	1.047	0.972	1.000	0.996	1.001	1.000	
All Year - x 2008	1.082	0.927	0.991	1.000	0.996	1.001	1.000	
5 year - x 2008	1.073	0.927	0.991	1.000	0.996	1.001	1.000	
Selected	1.082	0.974	0.991	1.000	1.000	1.000	1.000	1.000
Cumulative	1.053	0.964	0.991	1.000	1.000	1.000	1.000	

Texas Windstorm Insurance Association
Commercial Property Program
Statewide Rate Level Indication
Paid Loss and ALAE Development Factors
Schedule P Accumulations
All Lines of Business

Exhibit III
Sheet 2

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	3,832	5,960	6,001	6,011	6,012	6,012	6,012	6,011
2005	96,549	159,379	165,808	167,249	169,511	170,028	170,085	
2006	4,057	5,082	5,120	5,118	5,121	5,136		
2007	13,953	16,797	17,705	18,489	18,043			
2008	922,309	1,566,929	2,140,197	2,277,630				
2009	8,556	12,583	9,772					
2010	10,732	14,828						
2011	77,392							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.555	1.007	1.002	1.000	1.000	1.000	1.000
2005	1.651	1.040	1.009	1.014	1.003	1.000	
2006	1.253	1.007	1.000	1.001	1.003		
2007	1.204	1.054	1.044	0.976			
2008	1.699	1.366	1.064				
2009	1.471	0.777					
2010	1.382						

All Year Average	1.459	1.042	1.024	0.998	1.002	1.000	1.000
All Year - Hi/Low	1.462	1.027	1.018	1.001	1.003		
5 Year Average	1.402	1.049	1.024	0.998	1.002	1.000	1.000
3 Year Average	1.517	1.066	1.036	0.997	1.002	1.000	1.000
All Year - x 2008	1.419	0.977	1.014	0.998	1.002	1.000	1.000
5 year - x 2008	1.392	0.977	1.014	0.998	1.002	1.000	1.000
Selected	1.419	1.027	1.014	1.000	1.000	1.000	1.000
Cumulative	1.458	1.041	1.014	1.000	1.000	1.000	1.000

Texas Windstorm Insurance Association
Commercial Property Program
Statewide Rate Level Indication
Incurred Loss Development Factors
Schedule P Accumulations
All Lines of Business

Exhibit III
Sheet 3

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	4,773	5,438	5,169	5,167	5,169	5,167	5,167	5,167
2005	145,590	157,311	152,198	153,427	154,576	154,793	154,985	5,167
2006	4,309	4,616	4,507	4,279	4,320	4,276		
2007	16,381	15,825	15,533	15,593	15,825			
2008	1,716,177	1,654,884	2,296,147	2,283,585				
2009	7,825	10,855	10,547					
2010	14,404	18,084						
2011	90,490							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.139	0.951	1.000	1.000	1.000	1.000	1.000
2005	1.081	0.967	1.008	1.007	1.001	1.001	
2006	1.071	0.976	0.949	1.010	0.990		
2007	0.966	0.982	1.004	1.015			
2008	0.964	1.387	0.995				
2009	1.387	0.972					
2010	1.255						

All Year Average	1.123	1.039	0.991	1.008	0.997	1.001	1.000	
All Year - Hi/Low	1.102	0.974	1.000	1.009	1.000			
5 Year Average	1.129	1.057	0.991	1.008	0.997	1.001	1.000	
3 Year Average	1.202	1.114	0.983	1.011	0.997	1.001	1.000	
All Year - x 2008	1.150	0.970	0.990	1.008	0.997	1.001	1.000	
5 year - x 2008	1.152	0.970	0.990	1.008	0.997	1.001	1.000	
Selected	1.150	0.970	0.990	1.008	0.997	1.001	1.000	1.000
Cumulative	1.115	0.960	0.998	1.005	0.997	1.001	1.000	

Texas Windstorm Insurance Association
Commercial Property Program
Statewide Rate Level Indication
Paid Loss Development Factors
Schedule P Accumulations
All Lines of Business

Exhibit III
Sheet 4

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	3,150	5,126	5,162	5,167	5,167	5,167	5,167	5,167
2005	87,016	145,189	150,675	151,996	154,258	154,775	154,858	5,167
2006	3,468	4,223	4,241	4,239	4,242	4,276		
2007	11,502	13,876	14,784	15,568	15,555			
2008	848,323	1,486,670	2,019,319	2,202,123				
2009	4,861	8,888	9,556					
2010	10,449	14,540						
2011	76,939							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.627	1.007	1.001	1.000	1.000	1.000	1.000
2005	1.669	1.038	1.009	1.015	1.003	1.001	
2006	1.218	1.004	1.000	1.001	1.008		
2007	1.206	1.065	1.053	0.999			
2008	1.752	1.358	1.091				
2009	1.828	1.075					
2010	1.392						

All Year Average	1.527	1.091	1.031	1.004	1.004	1.001	1.000	
All Year - Hi/Low	1.532	1.046	1.021	1.001	1.003			
5 Year Average	1.479	1.108	1.031	1.004	1.004	1.001	1.000	
3 Year Average	1.657	1.166	1.048	1.005	1.004	1.001	1.000	
All Year - x 2008	1.490	1.038	1.016	1.004	1.004	1.001	1.000	
5 year - x 2008	1.463	1.038	1.016	1.004	1.004	1.001	1.000	
Selected	1.490	1.038	1.016	1.004	1.004	1.001	1.000	1.000
Cumulative	1.546	1.054	1.020	1.007	1.004	1.001	1.000	

Texas Windstorm Insurance Association
Commercial Property Program
Statewide Rate Level Indication
Adjusted Ultimate Non-Hurricane Loss and LAE

Exhibit III
Sheet 5

<u>Accident Period</u>	Ultimate Non-Hurricane <u>Paid Loss</u> (1)	Selected <u>ALAE % of Loss</u> (2)	Selected <u>ULAE % of Loss and ALAE</u> (3)	Ultimate Non-Hurricane <u>Paid Loss & LAE</u> (4)
2007 (w Robstown at 1 in 12 year Event Distribution)	2,976,780	9.17%	3.52%	3,364,151
2008 (w Robstown at 1 in 12 year Event Distribution)	2,806,234	9.17%	3.52%	3,171,412
2009 (w Robstown at 1 in 12 year Event Distribution)	4,165,599	9.17%	3.52%	4,707,672
2010 (w Robstown at 1 in 12 year Event Distribution)	6,730,112	9.17%	3.52%	7,605,907
2011 (w Robstown at 1 in 12 year Event Distribution)	2,044,315	9.17%	3.52%	2,310,343
Total: (w Robstown at 1 in 12 year Event Distribution)	18,723,040			21,159,485

<u>Accident Period</u>	Ultimate Non-Hurricane <u>Incurred Loss</u> (1)	Selected <u>ALAE % of Loss</u> (2)	Selected <u>ULAE % of Loss and ALAE</u> (3)	Ultimate Non-Hurricane <u>Incurred Loss & LAE</u> (4)
2007 (w Robstown at 1 in 12 year Event Distribution)	2,828,619	9.17%	3.52%	3,196,710
2008 (w Robstown at 1 in 12 year Event Distribution)	2,679,997	9.17%	3.52%	3,028,747
2009 (w Robstown at 1 in 12 year Event Distribution)	4,094,613	9.17%	3.52%	4,627,448
2010 (w Robstown at 1 in 12 year Event Distribution)	7,285,191	9.17%	3.52%	8,233,219
2011 (w Robstown at 1 in 12 year Event Distribution)	1,858,828	9.17%	3.52%	2,100,718
Total: (w Robstown at 1 in 12 year Event Distribution)	18,747,248			21,186,843

Notes:

(1) = For 2007 - 2010 AY: (3) + (8) from Exhibit III, Sheet 6

$$(4) = [\{1 + (2)\} \times (1) \times \{1 + (3)\}]$$

(1) = For 2011 AY: (3) + (8) - (7) from Exhibit III, Sheet 6

(2) = From Exhibit IV, Sheet 2

(3) = From Exhibit IV, Sheet 1

Texas Windstorm Insurance Association
Commercial Property Program
Statewide Rate Level Indication
Ultimate Non-Hurricane Loss and LAE

Exhibit III
Sheet 6

<u>Accident Period</u>	<u>Non-Hurricane Paid Loss</u> (1)	<u>Paid Loss Development Factor</u> (2)	<u>Ultimate Non-Hurricane Paid Loss</u> (3)	<u>Selected ALAE % of Loss</u> (4)	<u>Selected ULAE % of Loss and ALAE</u> (5)	<u>Ultimate Non-Hurricane Paid Loss & LAE</u> (6)
2007	1,281,078	1.004	1,286,418	9.17%	3.52%	1,453,821
2008	1,107,642	1.007	1,115,873	9.17%	3.52%	1,261,082
2009	2,427,753	1.020	2,475,238	9.17%	3.52%	2,797,342
2010	4,780,887	1.054	5,039,750	9.17%	3.52%	5,695,577
2011	13,346,699	1.546	20,638,295	9.17%	3.52%	23,323,973
Total:	22,944,060		30,555,573			34,531,795
(7) 2011 Robstown Tornado	13,117,799	1.546	20,284,342			
(8) 2011 Robstown at 1 in 12 year Event			1,690,362			

<u>Accident Period</u>	<u>Non-Hurricane Incurred Loss</u> (1)	<u>Incurred Loss Development Factor</u> (2)	<u>Ultimate Non-Hurricane Incurred Loss</u> (3)	<u>Selected ALAE % of Loss</u> (4)	<u>Selected ULAE % of Loss and ALAE</u> (5)	<u>Ultimate Non-Hurricane Incurred Loss & LAE</u> (6)
2007	1,281,078	0.997	1,277,873	9.17%	3.52%	1,444,164
2008	1,123,659	1.005	1,129,251	9.17%	3.52%	1,276,201
2009	2,548,525	0.998	2,543,866	9.17%	3.52%	2,874,902
2010	5,972,469	0.960	5,734,445	9.17%	3.52%	6,480,673
2011	16,967,803	1.115	18,917,037	9.17%	3.52%	21,378,726
Total:	27,893,534		29,602,472			33,454,666
(7) 2011 Robstown Tornado	16,691,467	1.115	18,608,956			
(8) 2011 Robstown at 1 in 12 year Event			1,550,746			

<u>Notes:</u>		
(1) = From Exhibit IV, Sheet 2	(4) = From Exhibit IV, Sheet 2	(8) = (7) / 12
(2 Paid) = From Exhibit III, Sheet 4	(5) = From Exhibit IV, Sheet 1	
(2 Incurred) = From Exhibit III, Sheet 3	(6) = [{1 + (4)} x (3) x {1 + (5)}]	
(3) = (1) x (2)	(7) = loss amounts associated with Robstown Tornado and Wind Event January 2011	

Texas Windstorm Insurance Association
Commercial Property Program
Statewide Rate Level Indication
Estimate of Unallocated LAE Provision
All Programs

Exhibit IV
Sheet 1

<u>Accident Period</u>	<u>Paid Loss and Allocated LAE</u> (1)	<u>Paid Unallocated LAE</u> (2)	<u>% Unallocated LAE</u> (3)
2002	28,371	1,591	5.61%
2003	27,844	1,890	6.79%
2004	6,011	628	10.45%
2005	170,085	5,522	3.25%
2006	5,136	224	4.36%
2007	18,043	2,148	11.90%
2008	2,277,630	110,553	4.85%
2009	9,772	250	2.56%
2010	14,828	52	0.35%
2011	77,392	965	1.25%
Total:	2,635,112	123,823	4.70%

(4) Selected % Unallocated LAE = **3.52%**

Notes:

(1) = Accident period paid loss and allocated LAE for direct business for the entire company

(2) = Accident period paid unallocated LAE for direct business for the entire company

(3) = (2) / (1)

(4) = (3) Total x 0.75 Adjustment Factor for recent law changes discussed in Actuarial Memorandum.

Texas Windstorm Insurance Association
Commercial Property Program
Statewide Rate Level Indication
Estimate of Allocated LAE Provisions

Exhibit IV
Sheet 2

<u>Accident Period</u>	<u>Non-Hurricane Paid Loss</u> (1)	<u>Non-Hurricane Paid Allocated LAE</u> (2)	<u>Paid Allocated LAE as a % of Paid Loss</u> (3)	<u>Non-Hurricane Incurred Loss</u> (4)	<u>Non-Hurricane Incurred Allocated LAE</u> (5)	<u>Incurred Allocated LAE as a % of Incurred Loss</u> (6)
2007	1,281,078	133,942	10.46%	1,281,078	133,942	10.46%
2008	1,107,642	167,098	15.09%	1,123,659	167,098	14.87%
2009	2,427,753	329,247	13.56%	2,548,525	372,420	14.61%
2010	4,780,887	494,791	10.35%	5,972,469	626,889	10.50%
2011	13,346,699	1,370,979	10.27%	16,967,803	1,412,229	8.32%
Total:	22,944,060	2,496,059	10.88%	27,893,534	2,712,579	9.72%
2011 (Ex Robstown)	228,900	68,415	29.89%	276,336	78,415	28.38%
Total (w 2011 Ex-Robstown)	9,826,260	1,193,495	12.15%	11,202,068	1,378,765	12.31%

(7) Selected Non-Hurricane Allocated LAE Provision = **9.17%**

<u>Accident Period</u>	<u>Hurricane Paid Loss</u> (1)	<u>Hurricane Paid Allocated LAE</u> (2)	<u>Paid Allocated LAE as a % of Paid Loss</u> (3)	<u>Hurricane Incurred Loss</u> (4)	<u>Hurricane Incurred Allocated LAE</u> (5)	<u>Incurred Allocated LAE as a % of Incurred Loss</u> (6)
2007	4,287,705	487,874	11.38%	4,312,705	510,653	11.84%
2008	738,678,566	37,835,245	5.12%	760,100,573	41,015,101	5.40%
2009	-	-		-	-	
2010	1,061,712	246,211	23.19%	1,223,594	299,353	24.47%
2011	-	-		-	-	
Total:	744,027,983	38,569,330	5.18%	765,636,871	41,825,107	5.46%

(7) Selected Hurricane Allocated LAE Provision = **3.99%**

Notes:
(1), (2), (4), and (5) = Provided by TWIA
(3) = (2) / (1)
(6) = (5) / (4)
(7) = average of (3) Total and (6) Total x 0.75 adjustment factor for recent law changes discussed in Actuarial Memorandum

Texas Windstorm Insurance Association
 Commercial Property Program
 Statewide Rate Level Indication
 Hurricane Catastrophe Provision

Exhibit V
 Sheet 1

<u>Model</u>	<u>Average Annual Loss</u> (1)	<u>On-Level Subject Premium</u> (2)	<u>Catastrophe Loss Allocated LAE Provision</u> (3)	<u>Catastrophe Loss Unallocated LAE Provision</u> (4)	<u>Projected Catastrophe Loss Allocated LAE</u> (5)	<u>Projected Catastrophe Loss Unallocated LAE</u> (6)
RMS	56,362,271	104,970,359	3.99%	3.52%	2,250,258	2,063,161
AIR	52,514,356	104,970,359	3.99%	3.52%	2,096,631	1,922,307

<u>Model</u>	<u>Projected Hurr Loss and LAE</u> (7)	<u>Projected Hurr Loss and LAE Ratio</u> (8)
RMS	60,675,690	57.80%
AIR	56,533,293	53.86%
Selected		55.83%

Notes:
 (1) = Based on 12/31/11 run of the AIR v 13.0 with demand surge, without storm surge and RMS v 11.0 with demand surge, without storm surge
 all modeling uses long term frequency assumptions
 (2) = 12/31/11 inforce premium brought to current level in Exhibit VII, Sheet 1
 (3) = From Exhibit IV, Sheet 2
 (4) = From Exhibit IV, Sheet 1
 (5) = (1) x (3)
 (6) = [(1) + (5)] x (4)
 (7) = (1) + (5) + (6)
 (8) = (7) / (2), Selected based on average of RMS and AIR

Texas Windstorm Insurance Association

All Programs
Statewide Rate Level Indication
2011-2012 Reinsurance Program
Reinsurance Expense Unrecoverable
XOL Reinsurance

Exhibit VI
Sheet 1

	Reinsurance Premium	Expected Reinstatement Premium	Reinsurance and Reinstatement Premium	Expected Recoveries	Unrecoverable Costs
<u>1st / 2nd Event Layers</u> 100% of \$636M x/s \$1,600M	\$ 108,120,000	\$ 3,278,437	\$ 111,398,437	\$ 19,497,568	\$ 91,900,869

Notes:

Expected Reinstatement Premium based on average reinstatement premiums from financial scenario analysis of AIR v 13 results.
Expected recoveries based on average ceded AAL analysis of AIR v 13 results

Texas Windstorm Insurance Association

All Programs

Statewide Rate Level Indication

2011-2012 Reinsurance Program

Unrecoverable Cost Allocation - XOL Coverage

Exhibit VI

Sheet 2

<u>Program</u>	<u>Ceded Average Annual Loss</u> (1)	<u>Percentage of Total Ceded Average Annual Loss</u> (2)	<u>Unrecoverable Cost Allocation</u> (3)	<u>Total OnLevel Subject Premium</u> (4)	<u>Unrecoverable Reinsurance Costs as Percentage of Premium</u> (5)
Commercial	\$ 4,319,903	22.2%	\$ 20,361,661	\$ 104,970,359	19.4%
Mobilehome	\$ 18,640	0.1%	\$ 87,858	\$ 978,942	9.0%
Residential	\$ 15,159,025	77.7%	\$ 71,451,350	\$ 321,107,786	22.3%
Total	\$ 19,497,568	100.0%	\$ 91,900,869	\$ 427,057,087	21.5%

Notes:

(1) = Based on 12/31/11 run of AIR v 13.0 with demand surge, without storm surge with allocation by storm by county and line of business

(2) = (1)/Total of (1)

(3) = Unrecoverable Costs From Exhibit VI, Sheet 1 x (2)

(4) = Inforce premium as of 12/31/2011, brought to current level as shown in Exhibit VII Sheets 1

(5) = (3) / (4)

Texas Windstorm Insurance Association

Exhibit VII

Commercial Property Program
Statewide Rate Level Indication
On-Leveling of Inforce Premiums

Inforce Premiums as of 12/31/11

<u>In Force Premium</u>	<u>1/1/12 Rate Change</u>	<u>On-Level Premium</u>
(1)	(2)	(3)
99,971,770	5%	104,970,359

Notes:
(1) = Provided by TWIA
(2) = Based on historical rate change
(3) = (1) x (2)

Texas Windstorm Insurance Association

Exhibit VIII

Commercial Property Program
 Statewide Rate Level Indication
 Expense Support
 All Programs

<u>Category</u>	<u>\$</u> <u>2009</u>	<u>\$</u> <u>2010</u>	<u>\$</u> <u>2011</u>	<u>%</u> <u>2009</u>	<u>%</u> <u>2010</u>	<u>%</u> <u>2011</u>
Written Premium	382,342	385,550	403,748			
Earned Premium	357,906	383,424	385,000			
Commissions	61,149	60,842	56,092	15.99%	15.78%	13.89%
Taxes, Licenses, and Fees	7,090	7,520	7,897	1.85%	1.95%	1.96%
Other Acq	-	-	-	0.00%	0.00%	0.00%
General Exp	20,842	17,922	17,601	5.82%	4.67%	4.57%
Total				23.67%	22.41%	20.42%

Expense Provisions

<u>Category</u>	<u>Selected</u> <u>Residential</u>	<u>Selected</u> <u>Mobilehome</u>	<u>Selected</u> <u>Commercial</u>	<u>Assumed %</u> <u>Fixed</u>	<u>Selected</u> <u>Residential</u> <u>Fixed</u>	<u>Selected</u> <u>Residential</u> <u>Variable</u>	<u>Selected</u> <u>Mobilehome</u> <u>Fixed</u>	<u>Selected</u> <u>Mobilehome</u> <u>Variable</u>	<u>Selected</u> <u>Commercial</u> <u>Fixed</u>	<u>Selected</u> <u>Commercial</u> <u>Variable</u>
Commissions	16.00%	12.00%	16.00%	0%	0.00%	16.00%	0.00%	12.00%	0.00%	16.00%
Taxes, Licenses, and Fees	1.92%	1.92%	1.92%	0%	0.00%	1.92%	0.00%	1.92%	0.00%	1.92%
Other Acq	0.00%	0.00%	0.00%	0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Exp	4.25%	4.25%	4.25%	50%	2.12%	2.12%	2.12%	2.12%	2.12%	2.12%
Total	22.17%	18.17%	22.17%		2.12%	20.04%	2.12%	16.04%	2.12%	20.04%

Notes:

Information from Company

Selected Commissions for each program are based on those specified in the operating manual of the Company

General Expense provision is selected overall based on selected total expense provision, including recognition of return commissions in 2011 year, and selected Commissions, TLF, and Other Acquisition provisions

Texas Windstorm Insurance Association
Commercial Property Program
Statewide Rate Level Indication
Schedule P Reconciliation
All Programs

Exhibit IX

Premium Data

Calendar Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2001		\$ 50,016	
2002		\$ 72,851	
2003		\$ 80,876	
2004		\$ 94,972	
2005		\$ 112,216	
2006		\$ 149,188	
2007	\$ 258,121	\$ 264,890	\$ (6,769)
2008	\$ 313,422	\$ 321,937	\$ (8,515)
2009	\$ 359,129	\$ 357,906	\$ 1,223
2010	\$ 384,494	\$ 383,424	\$ 1,070
2011	\$ 402,855	\$ 385,000	\$ 17,855
Total:	\$ 1,718,022	\$ 1,713,157	\$ 4,865

Losses Paid

Accident Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2002	\$ 24,829	\$ 24,728	\$ 101
2003	\$ 24,609	\$ 24,605	\$ 4
2004	\$ 5,171	\$ 5,167	\$ 4
2005	\$ 154,880	\$ 154,858	\$ 22
2006	\$ 4,276	\$ 4,276	\$ (0)
2007	\$ 15,611	\$ 15,555	\$ 56
2008	\$ 2,202,851	\$ 2,202,123	\$ 728
2009	\$ 10,185	\$ 9,556	\$ 629
2010	\$ 14,543	\$ 14,540	\$ 3
2011	\$ 76,895	\$ 76,939	\$ (44)
Total:	\$ 2,533,851	\$ 2,532,347	\$ 1,504
Ex-2008	\$ 331,000	\$ 330,224	\$ 776

Losses Case

Accident Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2002	\$ -	\$ -	\$ -
2003	\$ -	\$ -	\$ -
2004	\$ -	\$ -	\$ -
2005	\$ 127	\$ 127	\$ 0
2006	\$ -	\$ -	\$ -
2007	\$ 270	\$ 270	\$ 0
2008	\$ 85,579	\$ 81,462	\$ 4,117
2009	\$ 991	\$ 991	\$ 0
2010	\$ 3,546	\$ 3,544	\$ 2
2011	\$ 13,702	\$ 13,551	\$ 151
Total:	\$ 104,216	\$ 99,945	\$ 4,271

LAE Paid

Accident Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2002	\$ 5,220	\$ 5,220	\$ 0
2003	\$ 5,121	\$ 5,121	\$ 0
2004	\$ 1,471	\$ 1,471	\$ 0
2005	\$ 20,209	\$ 20,209	\$ (0)
2006	\$ 1,110	\$ 1,110	\$ (0)
2007	\$ 4,902	\$ 4,902	\$ (0)
2008	\$ 290,233	\$ 290,234	\$ (1)
2009	\$ 2,056	\$ 2,056	\$ (0)
2010	\$ 3,549	\$ 3,554	\$ (5)
2011	\$ 11,326	\$ 11,326	\$ 0
Total:	\$ 345,197	\$ 345,203	\$ (6)

Notes:
Premium Data from Exhibit II, Sheet 2 for each program.
Paid and Case Loss amounts from Exhibit IV, Sheet 2 for each program.
Years prior to 2007 were compiled from database provided by the Company.
LAE Paid amounts from Exhibit IV, Sheets 1 and 2.
Years prior to 2007 were compiled from database provided by the Company.

Current Territory	Description	Commercial Max AAL	Commercial Min AAL	Commercial Avg AAL	Commercial Variance	Residential Max AAL	Residential Min AAL	Residential Avg AAL	Residential Variance	Mobilehome Max AAL	Mobilehome Min AAL	Mobilehome Avg AAL	Mobilehome Variance
		per \$1000 of TIV for any Zip Code (1)	per \$1000 of TIV for any Zip Code (2)	per \$1000 of TIV for any Zip Code (3)	of AAL/\$1000 TIV Within Territory (4)	per \$1000 of TIV for any Zip Code (5)	per \$1000 of TIV for any Zip Code (6)	per \$1000 of TIV for any Zip Code (7)	of AAL/\$1000 TIV Within Territory (8)	per \$1000 of TIV for any Zip Code (9)	per \$1000 of TIV for any Zip Code (10)	per \$1000 of TIV for any Zip Code (11)	of AAL/\$1000 TIV Within Territory (12)
1	Harris County	4.44	4.29	4.37	0.01	4.41	1.59	2.56	1.68	14.86	9.8	12.33	12.80
8,9,10	All Other	9.45	0.19	2.81	2.46	9.02	0.82	2.36	2.11	17.07	1.81	6.49	8.76

Proposed Territory	Description	Commercial Max AAL	Commercial Min AAL	Commercial Avg AAL	Commercial Variance	Residential Max AAL	Residential Min AAL	Residential Avg AAL	Residential Variance	Mobilehome Max AAL	Mobilehome Min AAL	Mobilehome Avg AAL	Mobilehome Variance
		per \$1000 of TIV for any Zip Code (1)	per \$1000 of TIV for any Zip Code (2)	per \$1000 of TIV for any Zip Code (3)	of AAL/\$1000 TIV Within Territory (4)	per \$1000 of TIV for any Zip Code (5)	per \$1000 of TIV for any Zip Code (6)	per \$1000 of TIV for any Zip Code (7)	of AAL/\$1000 TIV Within Territory (8)	per \$1000 of TIV for any Zip Code (9)	per \$1000 of TIV for any Zip Code (10)	per \$1000 of TIV for any Zip Code (11)	of AAL/\$1000 TIV Within Territory (12)
11	Aransas - All	4.51	3.99	4.24	0.07	3.39	0.92	2.62	1.33	8.38	6.79	7.79	0.75
21	Brazoria - Beach	4.84	2.40	3.62	2.98	5.74	2.13	3.94	6.52	9.25	6.08	7.67	5.02
22	Brazoria - Seacoast	3.51	1.99	2.75	0.19	2.53	0.94	1.99	0.17	8.06	4.89	6.51	1.14
23	Brazoria - Inland	1.94	1.42	1.71	0.05	2.47	0.90	1.26	0.29	5.79	4.78	5.32	0.20
31	Calhoun - Beach	5.65	2.63	4.14	4.56	5.93	2.60	4.00	2.98	13.77	6.33	9.25	15.77
32	Calhoun - Seacoast	3.63	3.34	3.49	0.04	3.73	2.17	3.00	0.61	6.99	6.99	6.99	-
41	Cameron - Beach	4.83	1.78	3.60	2.58	3.85	1.23	2.59	1.72	10.25	3.50	7.30	11.92
42	Cameron - Seacoast	2.49	0.19	1.49	0.31	1.74	0.85	1.18	0.08	5.17	2.77	3.52	0.87
51	Chambers - Beach	4.26	4.26	4.26	-	2.71	2.71	2.71	-	7.56	7.56	7.56	-
52	Chambers - Seacoast	2.70	2.14	2.33	0.05	2.33	1.05	1.84	0.28	8.49	5.89	7.48	1.94
53	Chambers - Inland	1.84	1.45	1.59	0.03	1.76	1.31	1.50	0.04	5.06	3.84	4.60	0.29
61	Galveston - Beach	9.45	5.56	7.63	2.79	9.02	4.51	7.02	2.71	17.07	12.13	15.00	6.57
62	Galveston - Seacoast	6.10	3.17	4.34	1.22	5.87	2.28	3.62	1.67	13.57	6.88	10.06	5.51
63	Galveston - Inland	2.82	1.96	2.43	0.15	1.96	1.18	1.63	0.09	6.74	5.58	6.03	0.34
71	Harris - Bay	4.44	4.29	4.37	0.01	4.41	3.44	3.93	0.47	14.86	9.80	12.33	12.80
72	Harris - Inland	0.00	0.00	-	-	1.69	1.59	1.64	0.00	0.00	0.00	-	-
81	Jefferson - Beach	4.00	4.00	4.00	-	3.28	3.28	3.28	-	11.17	11.17	11.17	-
82	Jefferson - Seacoast	3.92	2.33	3.00	0.34	3.49	1.70	2.32	0.60	8.41	4.27	5.85	5.02
83	Jefferson - Inland	2.32	1.60	1.95	0.04	2.12	1.01	1.46	0.10	5.00	4.30	4.61	0.12
91	Kenedy - All	1.71	1.71	1.71	-	2.12	1.67	1.90	0.10	2.85	2.85	2.85	-
101	Kleberg - All	1.59	1.56	1.58	0.00	1.51	1.34	1.43	0.01	4.74	3.09	3.92	1.36
111	Matagorda - Beach	5.02	3.34	3.84	0.62	4.39	2.67	3.47	0.39	10.40	7.41	8.91	4.47
112	Matagorda - Seacoast	3.17	1.66	2.43	0.35	2.83	1.64	1.99	0.16	6.84	4.45	5.71	1.44
121	Nueces - Beach	5.86	1.20	3.37	4.89	4.33	3.31	3.83	0.33	11.58	7.24	9.41	9.42
122	Nueces - Seacoast	4.40	2.22	3.17	0.60	3.74	1.25	2.84	0.64	5.95	5.50	5.73	0.10
123	Nueces - Inland 1	2.78	1.98	2.26	0.11	2.69	1.28	2.01	0.27	4.89	1.81	3.70	1.94
124	Nueces - Inland 2	1.54	1.25	1.42	0.01	1.50	0.82	1.19	0.07	3.26	2.96	3.11	0.05
131	Refugio - Beach	3.47	3.07	3.27	0.08	3.00	2.59	2.80	0.08	6.57	6.57	6.57	-
132	Refugio - Seacoast	2.84	1.51	2.08	0.47	2.30	1.65	1.87	0.14	4.74	3.57	4.16	0.68
141	San Patricio - Beach	3.51	2.22	2.88	0.45	2.97	1.85	2.48	0.30	7.29	6.93	7.11	0.06
142	San Patricio - Seacoast	1.98	1.15	1.50	0.13	1.68	0.96	1.33	0.10	4.59	2.29	3.63	1.01
151	Willacy - Beach	2.94	2.94	2.94	-	3.35	3.35	3.35	-	6.23	6.23	6.23	-
152	Willacy - Seacoast	1.70	1.11	1.33	0.07	1.64	1.01	1.34	0.05	9.67	9.67	9.67	-

Notes:
All results based on AIR v 13.0 with demand surge, excluding storm surge.
(1), (5), (9) = maximum AAL per \$1000 of TIV in any individual zip code area within the defined territory
(2), (6), (10) = minimum AAL per \$1000 of TIV in any individual zip code area within the defined territory
(3), (7), (11) = average AAL per \$1000 of TIV for all individual zip code area within the defined territory
(4), (8), (12) = variance of AAL per \$1000 of TIV rates by zip code for all individual zip code area within the defined territory

Territory	5 AYs	5 AYs	5 AYs	Selected ALAE % of Loss	Selected ULAE % of Loss and ALAE	5 AYs	5 AYs	Ult Non-Hurr L&LAE Ratio	Credibility	Ult Non-Hurr L&LAE Ratio	Credibility Weighted Ult Non-Hurr L&DCCF Ratio	Reinsurance Expense by Territory	Non-Reins Fixed Expense	Var. Expense	Indicated Change	Rebalanced Indicated Change
	Combined EHY	Combined CRLI_FP	Ult Non-Hurr Loss			Ult Non-Hurr L&LAE	Ending 12/31/11 Ult Non-Hurr L&LAE Ratio									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
11	6,349	16,414,250	93,743	9.2%	3.5%	105,942	0.6%	13.9%	1.9%	1.7%	55.2%	14.8%	2.1%	20.0%	-7.7%	-5.5%
21	3,324	10,371,386	388,345	9.2%	3.5%	438,881	4.2%	10.0%	1.9%	2.1%	53.0%	11.4%	2.1%	20.0%	-14.2%	-12.1%
22	10,766	38,892,771	155,372	9.2%	3.5%	175,590	0.5%	18.1%	1.9%	1.6%	36.8%	11.4%	2.1%	20.0%	-35.1%	-33.5%
23	3,789	19,514,810	25,368	9.2%	3.5%	28,669	0.1%	10.7%	1.9%	1.7%	19.5%	11.4%	2.1%	20.0%	-56.6%	-55.6%
31	1,134	2,719,152	120,421	9.2%	3.5%	136,092	5.0%	5.9%	1.9%	2.1%	54.6%	3.9%	2.1%	20.0%	-21.6%	-19.7%
32	2,724	8,287,127	6,733	9.2%	3.5%	7,609	0.1%	9.1%	1.9%	1.7%	43.4%	3.9%	2.1%	20.0%	-36.0%	-34.5%
41	12,243	46,245,086	2,282,843	9.2%	3.5%	2,579,911	5.6%	19.3%	1.9%	2.6%	74.5%	9.0%	2.1%	20.0%	10.4%	13.0%
42	12,919	47,306,643	927,461	9.2%	3.5%	1,048,152	2.2%	19.8%	1.9%	2.0%	21.5%	9.0%	2.1%	20.0%	-56.8%	-55.8%
51	736	2,104,926	0	9.2%	3.5%	0	0.0%	4.7%	1.9%	1.8%	55.7%	10.2%	2.1%	20.0%	-12.6%	-10.6%
52	1,777	4,936,845	3,709	9.2%	3.5%	4,192	0.1%	7.3%	1.9%	1.8%	30.1%	10.2%	2.1%	20.0%	-44.7%	-43.4%
53	155	275,951	0	9.2%	3.5%	0	0.0%	2.2%	1.9%	1.9%	20.9%	10.2%	2.1%	20.0%	-56.0%	-55.0%
61	15,059	78,197,707	1,154,938	9.2%	3.5%	1,305,231	1.7%	21.4%	1.9%	1.8%	117.4%	36.6%	2.1%	20.0%	97.5%	102.1%
62	13,571	50,280,506	1,107,498	9.2%	3.5%	1,251,618	2.5%	20.3%	1.9%	2.0%	55.0%	36.6%	2.1%	20.0%	19.7%	22.5%
63	7,430	27,274,833	83,408	9.2%	3.5%	94,262	0.3%	15.0%	1.9%	1.7%	33.1%	36.6%	2.1%	20.0%	-8.2%	-6.0%
71	1,818	5,158,095	190,557	9.2%	3.5%	215,354	4.2%	7.4%	1.9%	2.1%	60.6%	26.1%	2.1%	20.0%	13.7%	16.4%
72	2	1,982	0	9.2%	3.5%	0	0.0%	0.2%	1.9%	1.9%	23.0%	26.1%	2.1%	20.0%	0.0%	2.4%
81	95	426,166	0	9.2%	3.5%	0	0.0%	1.7%	1.9%	1.9%	40.8%	9.3%	2.1%	20.0%	-32.3%	-30.7%
82	13,889	49,744,753	106,874	9.2%	3.5%	120,781	0.2%	20.5%	1.9%	1.6%	38.3%	9.3%	2.1%	20.0%	-35.9%	-34.3%
83	9,882	32,792,622	98,626	9.2%	3.5%	111,460	0.3%	17.3%	1.9%	1.6%	24.7%	9.3%	2.1%	20.0%	-52.8%	-51.7%
91	53	333,388	0	9.2%	3.5%	0	0.0%	1.3%	1.9%	1.9%	19.3%	3.1%	2.1%	20.0%	-67.0%	-66.3%
101	2,553	8,397,648	194,337	9.2%	3.5%	219,626	2.6%	8.8%	1.9%	2.0%	23.1%	3.8%	2.1%	20.0%	-61.2%	-60.3%
111	1,537	4,020,075	1,752	9.2%	3.5%	1,980	0.0%	6.8%	1.9%	1.8%	41.9%	8.9%	2.1%	20.0%	-31.6%	-30.0%
112	2,319	6,755,228	5,318	9.2%	3.5%	6,010	0.1%	8.4%	1.9%	1.7%	35.9%	8.9%	2.1%	20.0%	-39.2%	-37.7%
121	9,971	30,816,333	1,567,087	9.2%	3.5%	1,771,014	5.7%	17.4%	1.9%	2.6%	84.2%	16.9%	2.1%	20.0%	32.3%	35.4%
122	27,819	91,131,750	998,401	9.2%	3.5%	1,128,323	1.2%	29.0%	1.9%	1.7%	46.1%	16.9%	2.1%	20.0%	-16.4%	-14.4%
123	8,534	20,944,004	464,096	9.2%	3.5%	524,489	2.5%	16.1%	1.9%	2.0%	31.9%	16.9%	2.1%	20.0%	-33.8%	-32.2%
124	1,435	3,679,646	35,246	9.2%	3.5%	39,832	1.1%	6.6%	1.9%	1.8%	17.4%	16.9%	2.1%	20.0%	-52.2%	-51.1%
131	133	100,282	0	9.2%	3.5%	0	0.0%	2.0%	1.9%	1.9%	30.3%	4.0%	2.1%	20.0%	-52.1%	-50.9%
132	744	1,977,587	760	9.2%	3.5%	859	0.0%	4.7%	1.9%	1.8%	23.5%	4.0%	2.1%	20.0%	-60.6%	-59.7%
141	5,759	14,754,891	496,230	9.2%	3.5%	560,805	3.8%	13.2%	1.9%	2.1%	36.7%	9.9%	2.1%	20.0%	-36.4%	-34.9%
142	2,895	5,809,749	64,096	9.2%	3.5%	72,437	1.2%	9.4%	1.9%	1.8%	19.3%	9.9%	2.1%	20.0%	-58.5%	-57.5%
151	314	629,751	0	9.2%	3.5%	0	0.0%	3.1%	1.9%	1.8%	38.8%	3.0%	2.1%	20.0%	-42.8%	-41.5%
152	1,006	2,246,113	12,298	9.2%	3.5%	13,898	0.6%	5.5%	1.9%	1.8%	16.6%	3.0%	2.1%	20.0%	-70.6%	-69.9%
Total:	182,733	632,542,060	10,585,515			11,963,017	1.9%	74.4%		1.9%	55.9%	19.4%	2.1%	20.0%	-0.8%	1.6%

Notes:
(1) From Company. Around 400 EHY without accurate geographic coding.
(2), (3) From Exhibit XIV, Sheets 1-5
(4) From Statewide Exhibit IV, Sheet 2
(5) From Statewide Exhibit IV, Sheet 1
(6) = (3) x [1 + (4)] x [1 + (5)]
(7) = (6) / (2)
(8) = Min [SQRT(1) / 330,000] , 1
(9) = (7) Total
(10) = [(8) x (7)] + [(1 - (8)) x (9)]
(11) From Exhibit XII
(12) From Exhibit XIII
(13), (14) From Statewide Exhibit I, Sheet 1
(15) = [(10) + (11) + (12) + (13)] / [1 - (14)] - 1
(16 Total) From Statewide Exhibit I, Sheet 1
(16) = [1 + (16 Total)] / [1 + (15 Total)] x [1 + (15)] - 1

Territory	12/31/2011 RMS v 11.0 AAL (1)	12/31/2011 AIR v 13.0 AAL (2)	ALAE Provision (3)	ULAE Provision (4)	12/31/2011 RMS v 11.0 AAL & LAE (5)	12/31/2011 AIR v 13.0 AAL & LAE (6)	12/31/2011 Avg Modeled AAL & LAE (7)	On-Level 12/31/2011 IF Prem (8)	Hurr LR by Territory (9)
11	1,451,457	1,782,932	4.0%	3.5%	1,562,538	1,919,381	1,740,959	3,154,282	55.2%
21	1,141,378	866,724	4.0%	3.5%	1,228,728	933,055	1,080,891	2,038,475	53.0%
22	2,657,761	1,807,247	4.0%	3.5%	2,861,160	1,945,556	2,403,358	6,531,018	36.8%
23	726,189	342,803	4.0%	3.5%	781,764	369,038	575,401	2,947,782	19.5%
31	300,059	222,879	4.0%	3.5%	323,023	239,936	281,479	515,858	54.6%
32	682,095	420,563	4.0%	3.5%	734,296	452,748	593,522	1,367,439	43.4%
41	6,114,026	4,126,744	4.0%	3.5%	6,581,934	4,442,565	5,512,249	7,396,934	74.5%
42	1,302,836	764,889	4.0%	3.5%	1,402,543	823,426	1,112,984	5,181,682	21.5%
51	304,623	198,752	4.0%	3.5%	327,936	213,963	270,949	486,618	55.7%
52	255,046	146,904	4.0%	3.5%	274,565	158,147	216,356	719,709	30.1%
53	10,577	6,020	4.0%	3.5%	11,386	6,481	8,933	42,703	20.9%
61	15,046,030	19,156,555	4.0%	3.5%	16,197,506	20,622,611	18,410,059	15,686,988	117.4%
62	5,347,243	5,017,904	4.0%	3.5%	5,756,469	5,401,925	5,579,197	10,146,729	55.0%
63	2,105,581	1,302,841	4.0%	3.5%	2,266,721	1,402,548	1,834,635	5,549,600	33.1%
71	506,386	482,774	4.0%	3.5%	545,140	519,720	532,430	878,422	60.6%
72	0	0	4.0%	3.5%	0	0	0	0	23.0%
81	20,174	6,551	4.0%	3.5%	21,718	7,053	14,385	35,261	40.8%
82	3,374,475	2,646,829	4.0%	3.5%	3,632,725	2,849,392	3,241,058	8,466,577	38.3%
83	1,240,506	744,441	4.0%	3.5%	1,335,442	801,413	1,068,427	4,328,778	24.7%
91	13,676	7,136	4.0%	3.5%	14,723	7,682	11,202	58,041	19.3%
101	355,029	142,704	4.0%	3.5%	382,200	153,625	267,912	1,158,558	23.1%
111	314,096	209,182	4.0%	3.5%	338,133	225,190	281,662	672,374	41.9%
112	460,994	342,564	4.0%	3.5%	496,274	368,780	432,527	1,205,278	35.9%
121	4,485,674	4,356,334	4.0%	3.5%	4,828,963	4,689,726	4,759,345	5,652,755	84.2%
122	5,574,133	5,483,697	4.0%	3.5%	6,000,723	5,903,366	5,952,045	12,908,628	46.1%
123	1,078,738	735,155	4.0%	3.5%	1,161,294	791,417	976,356	3,058,899	31.9%
124	99,554	47,999	4.0%	3.5%	107,173	51,673	79,423	457,505	17.4%
131	5,123	3,379	4.0%	3.5%	5,515	3,637	4,576	15,105	30.3%
132	68,069	36,505	4.0%	3.5%	73,278	39,298	56,288	239,494	23.5%
141	859,884	805,992	4.0%	3.5%	925,691	867,675	896,683	2,441,909	36.7%
142	184,628	94,861	4.0%	3.5%	198,758	102,120	150,439	778,933	19.3%
151	58,021	27,687	4.0%	3.5%	62,461	29,806	46,133	118,902	38.8%
152	62,534	33,504	4.0%	3.5%	67,320	36,068	51,694	311,160	16.6%
Total:	56,206,594	52,371,049			60,508,099	56,379,019	58,443,559	104,552,396	55.9%

Notes:

(1) = from 12/31/2011 run of RMS v 11.0 with long term frequency, no storm surge, with demand surge.
Around \$156,000 of RMS modeled AAL on policies without accurate geographic coding

(2) = from 12/31/2011 run of AIR v 13.0 with long term frequency, no storm surge, with demand surge
Around \$143,000 of AIR modeled AAL on policies without accurate geographic coding

(3) , (4) = from Exhibit V Sheet 1

(5) = (1) x [1 + (3)] x [1 + (4)]

(6) = (2) x [1 + (3)] x [1 + (4)]

(7) = average of (5) and (6)

(8) = from Company. Around \$419,000 of inforce premium without accurate geographic coding.

(9) = (7) / (8). For Territory 72, ratio is calculated using relationship to territory 71 observed in Residential (non-mobilehome program) of 38%.

Texas Windstorm Insurance Association
Commercial Property Program
Net Cost of Reinsurance Provisions by Territory

Exhibit XIII
Sheet 1

<u>Territory</u>	<u>County</u>	Net Cost of <u>Reinsurance</u> (1)
11	Aransas	14.8%
21	Brazoria	11.4%
22	Brazoria	11.4%
23	Brazoria	11.4%
31	Calhoun	3.9%
32	Calhoun	3.9%
41	Cameron	9.0%
42	Cameron	9.0%
51	Chambers	10.2%
52	Chambers	10.2%
53	Chambers	10.2%
61	Galveston	36.6%
62	Galveston	36.6%
63	Galveston	36.6%
71	Harris	26.1%
72	Harris	26.1%
81	Jefferson	9.3%
82	Jefferson	9.3%
83	Jefferson	9.3%
91	Kenedy	3.1%
101	Kleberg	3.8%
111	Matagorda	8.9%
112	Matagorda	8.9%
121	Nueces	16.9%
122	Nueces	16.9%
123	Nueces	16.9%
124	Nueces	16.9%
131	Refugio	4.0%
132	Refugio	4.0%
141	San Patricio	9.9%
142	San Patricio	9.9%
151	Willacy	3.0%
152	Willacy	3.0%

Total:

Notes:
(1) = from Exhibit XIII, Sheet 2

Total Ceded AAL: 19,497,568
Total Unrecoverable Cost of Reinsurance: 91,900,869

County	(1)				(2)			
	% of Ceded AAL Commercial	% of Ceded AAL Mobilehome	% of Ceded AAL Residential	% of Ceded AAL Total:	\$ of Unrecoverable Cost Commercial	\$ of Unrecoverable Cost Mobilehome	\$ of Unrecoverable Cost Residential	\$ of Unrecoverable Cost Total:
Aransas	0.5%	0.0%	2.4%	2.9%	466,592	15,849	2,198,059	2,680,500
Brazoria	1.4%	0.0%	9.8%	11.3%	1,309,424	14,498	9,014,972	10,338,893
Calhoun	0.1%	0.0%	0.3%	0.4%	74,192	1,807	281,135	357,134
Cameron	1.2%	0.0%	1.7%	2.9%	1,131,024	1,946	1,574,575	2,707,544
Chambers	0.1%	0.0%	0.9%	1.0%	128,010	7,430	800,979	936,418
Galveston	12.5%	0.0%	37.9%	50.5%	11,473,849	33,001	34,859,736	46,366,586
Harris	0.2%	0.0%	2.7%	2.9%	229,159	2,344	2,459,126	2,690,629
Jefferson	1.3%	0.0%	5.8%	7.1%	1,197,605	2,188	5,367,299	6,567,092
Kenedy	0.0%	0.0%	0.0%	0.0%	1,774	31	1,977	3,782
Kleberg	0.0%	0.0%	0.1%	0.1%	44,184	215	85,418	129,817
Matagorda	0.2%	0.0%	1.0%	1.2%	166,616	1,894	923,942	1,092,452
Nueces	4.1%	0.0%	13.1%	17.3%	3,797,435	2,968	12,055,398	15,855,801
Refugio	0.0%	0.0%	0.0%	0.1%	10,287	353	42,064	52,704
San Patricio	0.3%	0.0%	1.9%	2.2%	318,723	3,075	1,741,618	2,063,416
Willacy	0.0%	0.0%	0.0%	0.1%	12,788	259	45,052	58,098
Total:	22.2%	0.1%	77.7%	100.0%	20,361,661	87,858	71,451,350	91,900,869

County	(3)				(4)			
	OL IF Prem Commercial	OL IF Prem Mobilehome	OL IF Prem Residential	Total:	Net Cost of Reins Commercial	Net Cost of Reins Mobilehome	Net Cost of Reins Residential	Net Cost of Reins Total:
Aransas	3,156,184	122,907	10,540,394	13,819,485	14.8%	12.9%	20.9%	19.4%
Brazoria	11,517,275	168,757	64,188,372	75,874,404	11.4%	8.6%	14.0%	13.6%
Calhoun	1,890,423	130,788	4,793,255	6,814,466	3.9%	1.4%	5.9%	5.2%
Cameron	12,578,616	49,631	16,173,992	28,802,239	9.0%	3.9%	9.7%	9.4%
Chambers	1,249,030	84,266	7,942,181	9,275,477	10.2%	8.8%	10.1%	10.1%
Galveston	31,383,317	249,615	100,752,650	132,385,582	36.6%	13.2%	34.6%	35.0%
Harris	878,422	6,721	3,300,719	4,185,862	26.1%	34.9%	74.5%	64.3%
Jefferson	12,830,616	40,786	39,651,343	52,522,745	9.3%	5.4%	13.5%	12.5%
Kenedy	58,041	1,838	34,643	94,522	3.1%	1.7%	5.7%	4.0%
Kleberg	1,158,558	8,515	1,453,532	2,620,605	3.8%	2.5%	5.9%	5.0%
Matagorda	1,877,652	29,515	5,699,299	7,606,466	8.9%	6.4%	16.2%	14.4%
Nueces	22,487,220	44,607	55,303,200	77,835,027	16.9%	6.7%	21.8%	20.4%
Refugio	254,599	8,190	490,951	753,740	4.0%	4.3%	8.6%	7.0%
San Patricio	3,221,147	25,360	10,196,911	13,443,418	9.9%	12.1%	17.1%	15.3%
Willacy	430,062	7,456	585,545	1,023,063	3.0%	3.5%	7.7%	5.7%
Total:	104,971,162	978,952	321,106,987	427,057,101	19.4%	9.0%	22.3%	21.5%

Notes:
(1) = distribution of ceded AAL by county and LOB based on AIR v 13 storm set with loss by LOB and County
(2) = (1) x Total Unrecoverable Cost of Reinsurance
(3) = from Company
(4) = (2) / (3)

Territory	1/1/2007 to	ILD 60-Month LDF	ILD Indicated Ultimate Loss	1/1/2007 to	PLD 60-Month LDF	PLD Indicated Ultimate Loss	Selected Ult Non-Hurr Loss	1/1/2007 to
	12/31/2007		12/31/2007	12/31/2007		12/31/2007		
	Non-Hurr Incurred Loss (1)		Ultimate Loss (3)	Non-Hurr Paid Loss (4)		Ultimate Loss (6)		On-Level EP (8)
11	9,171	0.997	9,148	9,171	1.004	9,209	9,179	3,033,145
21	374,610	0.997	373,672	374,610	1.004	376,171	374,922	2,054,730
22	0	0.997	0	0	1.004	0	0	8,103,879
23	0	0.997	0	0	1.004	0	0	3,759,840
31	0	0.997	0	0	1.004	0	0	541,976
32	6,727	0.997	6,710	6,727	1.004	6,755	6,733	1,994,760
41	0	0.997	0	0	1.004	0	0	9,224,751
42	1,378	0.997	1,375	1,378	1.004	1,384	1,379	13,188,653
51	0	0.997	0	0	1.004	0	0	405,700
52	3,706	0.997	3,697	3,706	1.004	3,721	3,709	1,159,759
53	0	0.997	0	0	1.004	0	0	55,532
61	55,247	0.997	55,109	55,247	1.004	55,477	55,293	15,787,183
62	0	0.997	0	0	1.004	0	0	8,805,225
63	23,172	0.997	23,114	23,172	1.004	23,269	23,192	5,274,308
71	0	0.997	0	0	1.004	0	0	1,507,222
72	0	0.997	0	0	1.004	0	0	1,982
81	0	0.997	0	0	1.004	0	0	158,271
82	14,865	0.997	14,828	14,865	1.004	14,927	14,877	11,130,228
83	0	0.997	0	0	1.004	0	0	8,202,353
91	0	0.997	0	0	1.004	0	0	23,945
101	191,108	0.997	190,630	191,108	1.004	191,905	191,267	1,589,194
111	0	0.997	0	0	1.004	0	0	879,072
112	5,313	0.997	5,300	5,313	1.004	5,335	5,318	1,278,344
121	128,661	0.997	128,339	128,661	1.004	129,197	128,768	5,700,665
122	293,362	0.997	292,628	293,362	1.004	294,585	293,607	19,957,588
123	16,959	0.997	16,916	16,959	1.004	17,030	16,973	4,720,304
124	10,455	0.997	10,429	10,455	1.004	10,499	10,464	871,513
131	0	0.997	0	0	1.004	0	0	26,987
132	760	0.997	758	760	1.004	763	760	430,028
141	136,164	0.997	135,824	136,164	1.004	136,732	136,278	2,968,016
142	0	0.997	0	0	1.004	0	0	1,397,455
151	0	0.997	0	0	1.004	0	0	146,822
152	9,420	0.997	9,396	9,420	1.004	9,459	9,428	452,656
Total:	1,281,078		1,277,873	1,281,078		1,286,418	1,282,146	134,832,087

Notes:
(1), (4) = Provided by Company. (6) = (4) x (5)
(2), (5) = From Exhibit III, Sheet 6 (7) = average of (3) and (6)
(3) = (1) x (2) (8) = from Company. Around \$540,000 of Earned Premium
without accurate geographic coding.

Territory	1/1/2008 to	ILD 48-Month	ILD	1/1/2008 to	PLD 48-Month	PLD	Selected Ult Non-Hurr	1/1/2008 to
	12/31/2008		Indicated	12/31/2008		Indicated		12/31/2008
	Non-Hurr Incurred <u>Loss</u> (1)		Ultimate <u>Loss</u> (3)	Non-Hurr Paid <u>Loss</u> (4)		Ultimate <u>Loss</u> (6)		On-Level <u>EP</u> (8)
11	0	1.005	0	0	1.007	0	0	3,491,055
21	12,480	1.005	12,542	12,480	1.007	12,573	12,557	1,999,327
22	88,903	1.005	89,346	88,903	1.007	89,564	89,455	8,780,496
23	0	1.005	0	0	1.007	0	0	4,296,408
31	0	1.005	0	0	1.007	0	0	657,051
32	0	1.005	0	0	1.007	0	0	2,123,966
41	0	1.005	0	0	1.007	0	0	9,748,656
42	221,696	1.005	222,800	205,680	1.007	207,208	215,004	10,899,031
51	0	1.005	0	0	1.007	0	0	474,170
52	0	1.005	0	0	1.007	0	0	1,123,025
53	0	1.005	0	0	1.007	0	0	64,230
61	36,083	1.005	36,262	36,083	1.007	36,351	36,306	13,743,618
62	384,427	1.005	386,340	384,427	1.007	387,283	386,811	8,497,248
63	14,910	1.005	14,984	14,910	1.007	15,021	15,002	5,111,770
71	46,999	1.005	47,233	46,999	1.007	47,349	47,291	867,636
72	0	1.005	0	0	1.007	0	0	0
81	0	1.005	0	0	1.007	0	0	99,966
82	17,807	1.005	17,895	17,807	1.007	17,939	17,917	10,696,065
83	3,945	1.005	3,964	3,945	1.007	3,974	3,969	8,824,533
91	0	1.005	0	0	1.007	0	0	59,932
101	3,051	1.005	3,066	3,051	1.007	3,074	3,070	2,285,549
111	0	1.005	0	0	1.007	0	0	897,394
112	0	1.005	0	0	1.007	0	0	1,348,334
121	4,557	1.005	4,580	4,557	1.007	4,591	4,586	5,891,414
122	255,466	1.005	256,737	255,466	1.007	257,364	257,050	19,662,139
123	7,447	1.005	7,484	7,447	1.007	7,502	7,493	4,839,683
124	11,804	1.005	11,863	11,804	1.007	11,892	11,877	808,878
131	0	1.005	0	0	1.007	0	0	15,190
132	0	1.005	0	0	1.007	0	0	479,226
141	12,454	1.005	12,516	12,454	1.007	12,547	12,531	3,542,283
142	1,630	1.005	1,638	1,630	1.007	1,642	1,640	1,279,298
151	0	1.005	0	0	1.007	0	0	125,407
152	0	1.005	0	0	1.007	0	0	763,019
Total:	1,123,659		1,129,251	1,107,642		1,115,873	1,122,562	133,496,001

Notes:
(1), (4) = Provided by Company. (6) = (4) x (5)
(2), (5) = From Exhibit III, Sheet 6 (7) = average of (3) and (6)
(3) = (1) x (2) (8) = from Company. Around \$510,000 of Earned Premium
without accurate geographic coding.

Territory	1/1/2009 to	ILD 36-Month	ILD	1/1/2009 to	PLD 36-Month	PLD	Selected Ult Non-Hurr	1/1/2009 to
	12/31/2009		Indicated	12/31/2009		Indicated		12/31/2009
	Non-Hurr Incurred		Ultimate Loss	Non-Hurr Paid		Ultimate Loss		On-Level EP
	<u>Loss</u>	<u>LDF</u>	<u>Loss</u>	<u>Loss</u>	<u>LDF</u>	<u>Loss</u>	<u>Loss</u>	<u>EP</u>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
11	37,412	0.998	37,343	37,412	1.020	38,143	37,743	3,354,492
21	0	0.998	0	0	1.020	0	0	2,146,392
22	82,320	0.998	82,169	48,712	1.020	49,665	65,917	6,911,954
23	25,145	0.998	25,099	25,145	1.020	25,637	25,368	4,155,910
31	0	0.998	0	0	1.020	0	0	462,808
32	0	0.998	0	0	1.020	0	0	1,328,013
41	22,036	0.998	21,996	14,233	1.020	14,512	18,254	11,109,603
42	13,734	0.998	13,709	12,985	1.020	13,239	13,474	10,244,093
51	0	0.998	0	0	1.020	0	0	402,245
52	0	0.998	0	0	1.020	0	0	1,000,602
53	0	0.998	0	0	1.020	0	0	55,317
61	933,246	0.998	931,540	924,000	1.020	942,073	936,806	15,788,851
62	202,016	0.998	201,647	177,016	1.020	180,478	191,062	10,458,206
63	0	0.998	0	0	1.020	0	0	5,498,284
71	27,203	0.998	27,153	27,203	1.020	27,735	27,444	907,530
72	0	0.998	0	0	1.020	0	0	0
81	0	0.998	0	0	1.020	0	0	64,333
82	17,490	0.998	17,458	17,490	1.020	17,833	17,646	9,762,523
83	20,714	0.998	20,676	20,714	1.020	21,119	20,898	5,624,470
91	0	0.998	0	0	1.020	0	0	102,106
101	0	0.998	0	0	1.020	0	0	1,682,608
111	0	0.998	0	0	1.020	0	0	783,810
112	0	0.998	0	0	1.020	0	0	1,441,197
121	312,020	0.998	311,450	302,124	1.020	308,033	309,741	6,155,601
122	307,255	0.998	306,693	304,876	1.020	310,839	308,766	20,217,007
123	347,209	0.998	346,575	347,209	1.020	354,000	350,287	4,389,393
124	0	0.998	0	0	1.020	0	0	948,011
131	0	0.998	0	0	1.020	0	0	21,199
132	0	0.998	0	0	1.020	0	0	349,223
141	158,023	0.998	157,734	125,932	1.020	128,395	143,065	2,974,550
142	0	0.998	0	0	1.020	0	0	1,215,684
151	0	0.998	0	0	1.020	0	0	119,048
152	0	0.998	0	0	1.020	0	0	383,088
Total:	2,505,823		2,501,243	2,385,051		2,431,701	2,466,472	130,058,153

Notes:	
(1), (4) = Provided by Company. Around \$43,000 of losses without accurate geographic coding.	(6) = (4) x (5)
(2), (5) = From Exhibit III, Sheet 6	(7) = average of (3) and (6)
(3) = (1) x (2)	(8) = from Company. Around \$480,000 of Earned Premium without accurate geographic coding.

Territory	1/1/2010 to	ILD 24-Month	ILD	1/1/2010 to	PLD 24-Month	PLD	Selected Ult Non-Hurr	1/1/2010 to
	12/31/2010		Indicated	12/31/2010		Indicated		12/31/2010
	Non-Hurr Incurred <u>Loss</u> (1)		Ultimate <u>Loss</u> (3)	Non-Hurr Paid <u>Loss</u> (4)		Ultimate <u>Loss</u> (6)		On-Level <u>EP</u> (8)
11	54,614	0.960	52,438	39,087	1.054	41,203	46,821	3,271,016
21	860	0.960	826	860	1.054	906	866	2,081,310
22	0	0.960	0	0	1.054	0	0	7,484,991
23	0	0.960	0	0	1.054	0	0	3,987,131
31	119,783	0.960	115,009	119,370	1.054	125,833	120,421	553,427
32	0	0.960	0	0	1.054	0	0	1,481,940
41	2,457,229	0.960	2,359,299	1,978,706	1.054	2,085,844	2,222,572	8,131,585
42	751,588	0.960	721,634	638,976	1.054	673,574	697,604	6,971,665
51	0	0.960	0	0	1.054	0	0	486,525
52	0	0.960	0	0	1.054	0	0	873,674
53	0	0.960	0	0	1.054	0	0	56,354
61	201,438	0.960	193,410	50,566	1.054	53,304	123,357	16,231,926
62	522,771	0.960	501,936	522,771	1.054	551,076	526,506	11,797,299
63	0	0.960	0	0	1.054	0	0	5,920,799
71	115,000	0.960	110,417	115,000	1.054	121,227	115,822	884,586
72	0	0.960	0	0	1.054	0	0	0
81	0	0.960	0	0	1.054	0	0	62,639
82	48,549	0.960	46,614	48,549	1.054	51,178	48,896	9,370,692
83	150,905	0.960	144,891	905	1.054	954	72,923	5,434,548
91	0	0.960	0	0	1.054	0	0	76,402
101	0	0.960	0	0	1.054	0	0	1,350,049
111	2,043	0.960	1,962	1,464	1.054	1,543	1,752	797,947
112	0	0.960	0	0	1.054	0	0	1,281,946
121	1,111,483	0.960	1,067,186	879,422	1.054	927,038	997,112	6,907,053
122	84,514	0.960	81,146	76,085	1.054	80,205	80,676	17,214,052
123	90,472	0.960	86,867	87,102	1.054	91,818	89,342	3,578,650
124	14,373	0.960	13,800	11,391	1.054	12,008	12,904	588,830
131	0	0.960	0	0	1.054	0	0	18,237
132	0	0.960	0	0	1.054	0	0	383,935
141	219,595	0.960	210,843	187,705	1.054	197,868	204,356	2,518,563
142	20,651	0.960	19,828	16,327	1.054	17,211	18,519	1,064,120
151	0	0.960	0	0	1.054	0	0	114,568
152	2,850	0.960	2,736	2,850	1.054	3,004	2,870	322,815
Total:	5,968,718		5,730,843	4,777,136		5,035,796	5,383,320	121,299,273

Notes:	
(1), (4) = Provided by Company. Around \$3,700 of losses without accurate geographic coding.	(6) = (4) x (5)
(2), (5) = From Exhibit III, Sheet 6	(7) = average of (3) and (6)
(3) = (1) x (2)	(8) = from Company. Around \$420,000 of Earned Premium without accurate geographic coding.

Territory	1/1/2011 to 12/31/2011	ILD 12-Month LDF	ILD Indicated Ultimate	1/1/2011 to 12/31/2011	PLD 12-Month LDF	PLD Indicated Ultimate	Selected Ult Non-Hurr Loss	1/1/2011 to 12/31/2011
	Non-Hurr Incurred Loss (1)		Loss (3)	Non-Hurr Paid Loss (4)		Loss (6)		On-Level EP (8)
11	0	1.115	0	0	1.546	0	0	3,264,542
21	0	1.115	0	0	1.546	0	0	2,089,628
22	0	1.115	0	0	1.546	0	0	7,611,450
23	0	1.115	0	0	1.546	0	0	3,315,521
31	0	1.115	0	0	1.546	0	0	503,891
32	0	1.115	0	0	1.546	0	0	1,358,448
41	41,059	1.115	45,776	24,742	1.546	38,258	42,017	8,030,490
42	0	1.115	0	0	1.546	0	0	6,003,200
51	0	1.115	0	0	1.546	0	0	336,286
52	0	1.115	0	0	1.546	0	0	779,785
53	0	1.115	0	0	1.546	0	0	44,518
61	3,864	1.115	4,308	1,321	1.546	2,043	3,175	16,646,129
62	3,206	1.115	3,574	1,722	1.546	2,662	3,118	10,722,528
63	33,980	1.115	37,884	33,980	1.546	52,544	45,214	5,469,672
71	0	1.115	0	0	1.546	0	0	991,121
72	0	1.115	0	0	1.546	0	0	0
81	0	1.115	0	0	1.546	0	0	40,957
82	11,476	1.115	12,794	1,476	1.546	2,282	7,538	8,785,244
83	1,500	1.115	1,672	0	1.546	0	836	4,706,718
91	0	1.115	0	0	1.546	0	0	71,003
101	0	1.115	0	0	1.546	0	0	1,490,248
111	0	1.115	0	0	1.546	0	0	661,852
112	0	1.115	0	0	1.546	0	0	1,405,407
121	96,623	1.115	107,723	94,442	1.546	146,037	126,880	6,161,599
122	51,581	1.115	57,507	38,218	1.546	59,097	58,302	14,080,965
123	0	1.115	0	0	1.546	0	0	3,415,973
124	0	1.115	0	0	1.546	0	0	462,414
131	0	1.115	0	0	1.546	0	0	18,669
132	0	1.115	0	0	1.546	0	0	335,175
141	0	1.115	0	0	1.546	0	0	2,751,479
142	33,048	1.115	36,844	33,000	1.546	51,029	43,936	853,192
151	0	1.115	0	0	1.546	0	0	123,906
152	0	1.115	0	0	1.546	0	0	324,535
Total:	276,336		308,081	228,900		353,953	331,017	112,856,546

Notes:	(6) = (4) x (5)
(1), (4) = Provided by Company. Does not include 2011 Robstown event.	(7) = average of (3) and (6)
(2), (5) = From Exhibit III, Sheet 6	(8) = from Company. Around \$400,000 of Earned Premium
(3) = (1) x (2)	without accurate geographic coding.

Texas Windstorm Insurance Association

2012 Rate and Structure Review

Mobilehome Program

Statewide and Territorial Analysis

Texas Windstorm Insurance Association
Residential Property Program (Mobilehome)
 Statewide Rate Level Indication

Exhibit I
 Sheet 1

<u>AY</u>	<u>On-Level EP</u> (1)	<u>PLDM Ult Non-Hurr Loss and LAE</u> (2)	<u>ILDM Ult Non-Hurr Loss and LAE</u> (3)	<u>Selected Ult Non-Hurr Loss and LAE</u> (4)	<u>Non-Hurr Ult Loss & LAE Ratio</u> (5)	<u>AY Weights</u> (6)
1/1/2007 - 12/31/2007	683,869	39,172	32,814	35,993	5.26%	10.0%
1/1/2008 - 12/31/2008	624,198	23,506	17,257	20,381	3.27%	15.0%
1/1/2009 - 12/31/2009	685,763	45,229	44,794	45,011	6.56%	20.0%
1/1/2010 - 12/31/2010	781,933	40,425	32,570	36,498	4.67%	25.0%
<u>1/1/2011 - 12/31/2011</u>	<u>954,073</u>	<u>32,922</u>	<u>23,736</u>	<u>28,329</u>	<u>2.97%</u>	<u>30.0%</u>
Total:	3,729,836	181,254	151,171	166,213	4.46%	4.39%

(7) Weighted Non-Hurr L&LAE Ratio = 4.39%

(8) Credibility = 9.50%

(9) Complement of Credibility = 4.84%

(10) Credibility weighted Loss Ratio = 4.80%

(11) Hurricane Loss Ratio = 34.79%

(12) Projected Loss Ratio = 39.58%

(13) Fixed Expense Provision = 2.12%

(14) Net Cost of Reinsurance Expense Provision = 9.00%

(15) Variable Expense Provision = 20.04%

(16) Rate Level Indication = **-36.58%**

Notes:

(1) = from Exhibit II, Sheet 2

(2) & (3) = from Exhibit III, Sheet 5

(4) = average of (2) & (3)

(5) = (4) / (1)

(6) = Based on common industry time weightings for five accident year ratemaking.

This measure recognizes that more recent information is more predictive than older information in the ratemaking process.

(7) = (5) weighted by (6)

(8) = from Exhibit II, Sheet 1

(9) = Observed Loss Ratio for all programs

(10) = (7) x (8) + [1 - (8)] x (9)

(11) = from Exhibit V Sheet 1

(12) = (10) + (11)

(13) & (15) = from Exhibit VIII Sheet 1

(14) = from Exhibit VI, Sheet 2

(16) = [(12) + (13) + (14)] / [1 - (15)] - 1

Texas Windstorm Insurance Association
Residential Property Program (Mobilehome)
Statewide Rate Level Indication
Calculation of Statewide Credibility Factors

Exhibit II
Sheet 1

Calculation of Statewide Credibility Factor

(1) Full Coverage Earned House Years	2,980
(2) Full Credibility Standard	330,000
(3) Credibility As it Regards Exposures	9.50%

Notes:

- (1) Provided by the Company
- (2) = Based on ISO Full Credibility Standard for EC Perils
- (3) = $\min [\text{Sqrt}(\text{Total of (1) / (2)}, 1]$

Texas Windstorm Insurance Association

Residential Property Program (Mobilehome)

Statewide Rate Level Indication

Calculation of On-Level Earned Premium

Exhibit II

Sheet 2

	Rate Level Change Residential	Cumulative On- Level Factor Residential
7/1/2006	3.1%	1.439
1/1/2007	4.2%	1.396
2/1/2008	8.2%	1.340
2/1/2009	12.3%	1.238
1/1/2011	5.0%	1.103
1/1/2012	5.0%	1.050

<u>Written Premium</u>	<u>2007</u>	<u>Historic Earned Premium in Cohort</u>			<u>2011</u>	<u>On-Level Factor for Cohort</u>	<u>2007</u>	<u>On-Level Earned Premium in Cohort</u>			<u>2011</u>
		<u>2008</u>	<u>2009</u>	<u>2010</u>				<u>2008</u>	<u>2009</u>	<u>2010</u>	
1/1/06-6/30/06	109,096	-	-	-	-	1.439	157,008	-	-	-	-
7/1/06-12/31/06	175,334	-	-	-	-	1.396	244,748	-	-	-	-
1/1/07-1/31/08	210,590	277,294	860	-	-	1.340	282,113	371,472	1,152	-	-
2/1/08-1/31/09	-	204,122	345,236	1,695	-	1.238	-	252,725	427,439	2,099	-
2/1/09-12/31/10	-	-	233,263	707,332	459,586	1.103	-	-	257,172	779,834	506,693
1/1/11-12/31/11	-	-	-	-	426,076	1.050	-	-	-	-	447,380
							683,869	624,198	685,763	781,933	954,073

Notes:

Earned Premium based on data provided by TWIA.

On-Level Factors based on historical rate changes.

On-Level Earned Premium in Cohort equals Historic Earned Premium times On-Level Factor for Cohort

Texas Windstorm Insurance Association
 Residential Property Program (Mobilehome)
 Statewide Rate Level Indication
 Incurred Loss and ALAE Development Factors
 Schedule P Accumulations
 All Lines of Business

Exhibit III
 Sheet 1

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	5,572	6,275	6,008	6,011	6,015	6,012	6,012	6,011
2005	158,122	172,032	168,726	169,555	169,829	170,046	170,213	
2006	4,995	5,507	5,406	5,158	5,199	5,136		
2007	19,026	18,938	18,454	18,514	18,322			
2008	1,898,030	1,741,081	2,487,108	2,388,168				
2009	15,018	14,550	10,772					
2010	15,175	18,395						
2011	90,962							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.126	0.957	1.000	1.001	1.000	1.000	1.000
2005	1.088	0.981	1.005	1.002	1.001	1.001	
2006	1.103	0.982	0.954	1.008	0.988		
2007	0.995	0.974	1.003	0.990			
2008	0.917	1.428	0.960				
2009	0.969	0.740					
2010	1.212						

All Year Average	1.059	1.010	0.984	1.000	0.996	1.001	1.000	
All Year - Hi/Low	1.056	0.974	0.988	1.002	1.000			
5 Year Average	1.039	1.021	0.984	1.000	0.996	1.001	1.000	
3 Year Average	1.033	1.047	0.972	1.000	0.996	1.001	1.000	
All Year - x 2008	1.082	0.927	0.991	1.000	0.996	1.001	1.000	
5 year - x 2008	1.073	0.927	0.991	1.000	0.996	1.001	1.000	
Selected	1.082	0.974	0.991	1.000	1.000	1.000	1.000	1.000
Cumulative	1.053	0.964	0.991	1.000	1.000	1.000	1.000	

Texas Windstorm Insurance Association
 Residential Property Program (Mobilehome)
 Statewide Rate Level Indication
 Paid Loss and ALAE Development Factors
 Schedule P Accumulations
 All Lines of Business

Exhibit III
 Sheet 2

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	3,832	5,960	6,001	6,011	6,012	6,012	6,012	6,011
2005	96,549	159,379	165,808	167,249	169,511	170,028	170,085	
2006	4,057	5,082	5,120	5,118	5,121	5,136		
2007	13,953	16,797	17,705	18,489	18,043			
2008	922,309	1,566,929	2,140,197	2,277,630				
2009	8,556	12,583	9,772					
2010	10,732	14,828						
2011	77,392							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.555	1.007	1.002	1.000	1.000	1.000	1.000
2005	1.651	1.040	1.009	1.014	1.003	1.000	
2006	1.253	1.007	1.000	1.001	1.003		
2007	1.204	1.054	1.044	0.976			
2008	1.699	1.366	1.064				
2009	1.471	0.777					
2010	1.382						

All Year Average	1.459	1.042	1.024	0.998	1.002	1.000	1.000
All Year - Hi/Low	1.462	1.027	1.018	1.001	1.003		
5 Year Average	1.402	1.049	1.024	0.998	1.002	1.000	1.000
3 Year Average	1.517	1.066	1.036	0.997	1.002	1.000	1.000
All Year - x 2008	1.419	0.977	1.014	0.998	1.002	1.000	1.000
5 year - x 2008	1.392	0.977	1.014	0.998	1.002	1.000	1.000
Selected	1.419	1.027	1.014	1.000	1.000	1.000	1.000
Cumulative	1.458	1.041	1.014	1.000	1.000	1.000	1.000

Texas Windstorm Insurance Association
 Residential Property Program (Mobilehome)
 Statewide Rate Level Indication
 Incurred Loss Development Factors
 Schedule P Accumulations
 All Lines of Business

Exhibit III
 Sheet 3

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	4,773	5,438	5,169	5,167	5,169	5,167	5,167	5,167
2005	145,590	157,311	152,198	153,427	154,576	154,793	154,985	5,167
2006	4,309	4,616	4,507	4,279	4,320	4,276		
2007	16,381	15,825	15,533	15,593	15,825			
2008	1,716,177	1,654,884	2,296,147	2,283,585				
2009	7,825	10,855	10,547					
2010	14,404	18,084						
2011	90,490							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.139	0.951	1.000	1.000	1.000	1.000	1.000
2005	1.081	0.967	1.008	1.007	1.001	1.001	
2006	1.071	0.976	0.949	1.010	0.990		
2007	0.966	0.982	1.004	1.015			
2008	0.964	1.387	0.995				
2009	1.387	0.972					
2010	1.255						

All Year Average	1.123	1.039	0.991	1.008	0.997	1.001	1.000	
All Year - Hi/Low	1.102	0.974	1.000	1.009	1.000			
5 Year Average	1.129	1.057	0.991	1.008	0.997	1.001	1.000	
3 Year Average	1.202	1.114	0.983	1.011	0.997	1.001	1.000	
All Year - x 2008	1.150	0.970	0.990	1.008	0.997	1.001	1.000	
5 year - x 2008	1.152	0.970	0.990	1.008	0.997	1.001	1.000	
Selected	1.150	0.970	0.990	1.008	0.997	1.001	1.000	1.000
Cumulative	1.115	0.960	0.998	1.005	0.997	1.001	1.000	

Texas Windstorm Insurance Association
 Residential Property Program (Mobilehome)
 Statewide Rate Level Indication
 Paid Loss Development Factors
 Schedule P Accumulations
 All Lines of Business

Exhibit III
 Sheet 4

<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
2004	3,150	5,126	5,162	5,167	5,167	5,167	5,167	5,167
2005	87,016	145,189	150,675	151,996	154,258	154,775	154,858	5,167
2006	3,468	4,223	4,241	4,239	4,242	4,276		
2007	11,502	13,876	14,784	15,568	15,555			
2008	848,323	1,486,670	2,019,319	2,202,123				
2009	4,861	8,888	9,556					
2010	10,449	14,540						
2011	76,939							

<u>Age to Age</u>	<u>12 - 24</u>	<u>24 - 36</u>	<u>36 - 48</u>	<u>48 - 60</u>	<u>60 - 72</u>	<u>72 - 84</u>	<u>84 - 96</u>
2004	1.627	1.007	1.001	1.000	1.000	1.000	1.000
2005	1.669	1.038	1.009	1.015	1.003	1.001	
2006	1.218	1.004	1.000	1.001	1.008		
2007	1.206	1.065	1.053	0.999			
2008	1.752	1.358	1.091				
2009	1.828	1.075					
2010	1.392						

All Year Average	1.527	1.091	1.031	1.004	1.004	1.001	1.000	
All Year - Hi/Low	1.532	1.046	1.021	1.001	1.003			
5 Year Average	1.479	1.108	1.031	1.004	1.004	1.001	1.000	
3 Year Average	1.657	1.166	1.048	1.005	1.004	1.001	1.000	
All Year - x 2008	1.490	1.038	1.016	1.004	1.004	1.001	1.000	
5 year - x 2008	1.463	1.038	1.016	1.004	1.004	1.001	1.000	
Selected	1.490	1.038	1.016	1.004	1.004	1.001	1.000	1.000
Cumulative	1.546	1.054	1.020	1.007	1.004	1.001	1.000	

Texas Windstorm Insurance Association
 Residential Property Program (Mobilehome)
 Statewide Rate Level Indication
 Adjusted Ultimate Non-Hurricane Loss and LAE

Exhibit III
 Sheet 5

<u>Accident Period</u>	Ultimate Non-Hurricane <u>Paid Loss</u> (1)	Selected <u>ALAE % of Loss</u> (2)	Selected <u>ULAE % of Loss and ALAE</u> (3)	Ultimate Non-Hurricane <u>Paid Loss & LAE</u> (4)
2007 (w Robstown at 1 in 12 year Event Distribution)	31,075	21.77%	3.52%	39,172
2008 (w Robstown at 1 in 12 year Event Distribution)	18,647	21.77%	3.52%	23,506
2009 (w Robstown at 1 in 12 year Event Distribution)	35,880	21.77%	3.52%	45,229
2010 (w Robstown at 1 in 12 year Event Distribution)	32,069	21.77%	3.52%	40,425
2011 (w Robstown at 1 in 12 year Event Distribution)	26,117	21.77%	3.52%	32,922
Total: (w Robstown at 1 in 12 year Event Distribution)	143,788			181,254

<u>Accident Period</u>	Ultimate Non-Hurricane <u>Incurred Loss</u> (1)	Selected <u>ALAE % of Loss</u> (2)	Selected <u>ULAE % of Loss and ALAE</u> (3)	Ultimate Non-Hurricane <u>Incurred Loss & LAE</u> (4)
2007 (w Robstown at 1 in 12 year Event Distribution)	26,031	21.77%	3.52%	32,814
2008 (w Robstown at 1 in 12 year Event Distribution)	13,690	21.77%	3.52%	17,257
2009 (w Robstown at 1 in 12 year Event Distribution)	35,535	21.77%	3.52%	44,794
2010 (w Robstown at 1 in 12 year Event Distribution)	25,838	21.77%	3.52%	32,570
2011 (w Robstown at 1 in 12 year Event Distribution)	18,830	21.77%	3.52%	23,736
Total: (w Robstown at 1 in 12 year Event Distribution)	119,923			151,171

Notes:
 (1) = For 2007 - 2010 AY: (3) from Exhibit III Sheet 6 + (8)
 (1) = For 2011 AY: (3) from Exhibit III Sheet 6 + (8) - (7)
 (2) = From Exhibit IV, Sheet 2
 (3) = From Exhibit IV, Sheet 1
 (4) = [{1 + (2)} x (1) x {1 + (3)}]

Texas Windstorm Insurance Association
 Residential Property Program (Mobilehome)
 Statewide Rate Level Indication
 Ultimate Non-Hurricane Loss and LAE

Exhibit III
 Sheet 6

<u>Accident Period</u>	<u>Non-Hurricane Paid Loss</u> (1)	<u>Paid Loss Development Factor</u> (2)	<u>Ultimate Non-Hurricane Paid Loss</u> (3)	<u>Selected ALAE % of Loss</u> (4)	<u>Selected ULAE % of Loss and ALAE</u> (5)	<u>Ultimate Non-Hurricane Paid Loss & LAE</u> (6)
2007	13,259	1.004	13,314	21.77%	3.52%	16,784
2008	880	1.007	886	21.77%	3.52%	1,117
2009	17,771	1.020	18,119	21.77%	3.52%	22,840
2010	13,573	1.054	14,308	21.77%	3.52%	18,036
2011	143,234	1.546	221,487	21.77%	3.52%	279,200
Total:	188,717		268,114			337,977
(7) 2011 Robstown Tornado	137,831	1.546	213,131			
(8) 2011 Robstown at 1 in 12 year Event			17,761			

<u>Accident Period</u>	<u>Non-Hurricane Incurred Loss</u> (1)	<u>Incurred Loss Development Factor</u> (2)	<u>Ultimate Non-Hurricane Incurred Loss</u> (3)	<u>Selected ALAE % of Loss</u> (4)	<u>Selected ULAE % of Loss and ALAE</u> (5)	<u>Ultimate Non-Hurricane Incurred Loss & LAE</u> (6)
2007	13,259	0.997	13,226	21.77%	3.52%	16,672
2008	880	1.005	884	21.77%	3.52%	1,115
2009	22,771	0.998	22,729	21.77%	3.52%	28,652
2010	13,573	0.960	13,032	21.77%	3.52%	16,428
2011	143,234	1.115	159,689	21.77%	3.52%	201,299
Total:	193,717		209,561			264,166
(7) 2011 Robstown Tornado	137,831	1.115	153,665			
(8) 2011 Robstown at 1 in 12 year Event			12,805			

<u>Notes:</u>		
(1) = From Exhibit IV, Sheet 2	(4) = From Exhibit IV, Sheet 2	(8) = (7) / 12
(2 Paid) = From Exhibit III, Sheet 4	(5) = From Exhibit IV, Sheet 1	
(2 Incurred) = From Exhibit III, Sheet 3	(6) = [{1 + (4)} x (3) x {1 + (5)}]	
(3) = (1) x (2)	(7) = loss amounts associated with Robstown Tornado and Wind Event January 2011	

Texas Windstorm Insurance Association
 Residential Property Program (Mobilehome)
 Statewide Rate Level Indication
 Estimate of Unallocated LAE Provision
 All Programs

Exhibit IV
 Sheet 1

<u>Accident Period</u>	<u>Paid Loss and Allocated LAE</u> (1)	<u>Paid Unallocated LAE</u> (2)	<u>% Unallocated LAE</u> (3)
2002	28,371	1,591	5.61%
2003	27,844	1,890	6.79%
2004	6,011	628	10.45%
2005	170,085	5,522	3.25%
2006	5,136	224	4.36%
2007	18,043	2,148	11.90%
2008	2,277,630	110,553	4.85%
2009	9,772	250	2.56%
2010	14,828	52	0.35%
2011	77,392	965	1.25%
Total:	2,635,112	123,823	4.70%
		(4) Selected % Unallocated LAE =	3.52%

Notes:

- (1) = Accident period paid loss and allocated LAE for direct business for the entire company
 (2) = Accident period paid unallocated LAE for direct business for the entire company
 (3) = (2) / (1)
 (4) = (3) Total x 0.75 Adjustment Factor for recent law changes discussed in Actuarial Memorandum.

Texas Windstorm Insurance Association
 Residential Property Program (Mobilehome)
 Statewide Rate Level Indication
 Estimate of Allocated LAE Provisions

<u>Accident Period</u>	<u>Non-Hurricane Paid Loss</u> (1)	<u>Non-Hurricane Paid Allocated LAE</u> (2)	<u>Paid Allocated LAE as a % of Paid Loss</u> (3)	<u>Non-Hurricane Incurred Loss</u> (4)	<u>Non-Hurricane Incurred Allocated LAE</u> (5)	<u>Incurred Allocated LAE as a % of Incurred Loss</u> (6)
2007	13,259	2,389	18.02%	13,259	2,389	18.02%
2008	880	310	35.26%	880	310	35.26%
2009	17,771	13,326	74.99%	22,771	13,672	60.04%
2010	13,573	8,815	64.95%	13,573	8,815	64.95%
2011	143,234	30,485	21.28%	143,234	30,485	21.28%
Total:	188,717	55,326	29.32%	193,717	55,672	28.74%
2011 (Ex Robstown)	5,404	2,146	39.71%	5,404	2,146	39.71%
Total (w 2011 Ex-Robstown)	50,887	26,987	53.03%	55,887	27,333	48.91%

(7) Selected Non-Hurricane Allocated LAE Provision = **21.77%**

<u>Accident Period</u>	<u>Hurricane Paid Loss</u> (1)	<u>Hurricane Paid Allocated LAE</u> (2)	<u>Paid Allocated LAE as a % of Paid Loss</u> (3)	<u>Hurricane Incurred Loss</u> (4)	<u>Hurricane Incurred Allocated LAE</u> (5)	<u>Incurred Allocated LAE as a % of Incurred Loss</u> (6)
2007	-	-		-	-	
2008	752,287	119,060	15.83%	752,287	119,060	15.83%
2009	-	-		-	-	
2010	-	498		-	498	
2011	-	-		-	-	
Total:	752,287	119,557	15.89%	752,287	119,557	15.89%

(7) Selected Hurricane Allocated LAE Provision = **11.92%**

Notes:
 (1), (2), (4), and (5) = Provided by TWIA
 (3) = (2) / (1)
 (6) = (5) / (4)
 (7) = average of (3) Total and (6) Total x 0.75 adjustment factor for recent law changes discussed in Actuarial Memorandum

Texas Windstorm Insurance Association
 Residential Property Program (Mobilehome)
 Statewide Rate Level Indication
 Hurricane Catastrophe Provision

Exhibit V
 Sheet 1

<u>Model</u>	<u>Average Annual Loss</u> (1)	<u>On-Level Subject Premium</u> (2)	<u>Catastrophe Loss Allocated LAE Provision</u> (3)	<u>Catastrophe Loss Unallocated LAE Provision</u> (4)	<u>Projected Catastrophe Loss Allocated LAE</u> (5)	<u>Projected Catastrophe Loss Unallocated LAE</u> (6)
RMS	305,205	978,942	11.92%	3.52%	36,379	12,024
AIR	282,665	978,942	11.92%	3.52%	33,692	11,136

<u>Model</u>	<u>Projected Hurr Loss and LAE</u> (7)	<u>Projected Hurr Loss and LAE Ratio</u> (8)
RMS	353,608	36.12%
AIR	327,493	33.45%
Selected		34.79%

Notes:

- (1) = Based on 12/31/11 run of the AIR v 13.0 with demand surge, without storm surge and RMS v 11.0 with demand surge, without storm surge
 all modeling uses long term frequency assumptions
 (2) = 12/31/11 inforce premium brought to current level in Exhibit VII, Sheet 1
 (3) = From Exhibit IV, Sheet 2
 (4) = From Exhibit IV, Sheet 1
 (5) = (1) x (3)
 (6) = [(1) + (5)] x (4)
 (7) = (1) + (5) + (6)
 (8) = (7) / (2), Selected based on average of RMS and AIR

Texas Windstorm Insurance Association
 All Programs
 Statewide Rate Level Indication
 2011-2012 Reinsurance Program
 Reinsurance Expense Unrecoverable
 XOL Reinsurance

Exhibit VI
 Sheet 1

	Reinsurance Premium	Expected Reinstatement Premium	Reinsurance and Reinstatement Premium	Expected Recoveries	Unrecoverable Costs
<u>1st / 2nd Event Layers</u>					
100% of \$636M x/s \$1,600M	\$ 108,120,000	\$ 3,278,437	\$ 111,398,437	\$ 19,497,568	\$ 91,900,869

Notes:
 Expected Reinstatement Premium based on average reinstatement premiums from financial scenario analysis of AIR v 13 results.
 Expected recoveries based on average ceded AAL analysis of AIR v 13 results

Texas Windstorm Insurance Association

All Programs

Statewide Rate Level Indication

2011-2012 Reinsurance Program

Unrecoverable Cost Allocation - XOL Coverage

Exhibit VI

Sheet 2

<u>Program</u>	<u>Ceded Average Annual Loss</u> (1)	<u>Percentage of Total Ceded Average Annual Loss</u> (2)	<u>Unrecoverable Cost Allocation</u> (3)	<u>Total OnLevel Subject Premium</u> (4)	<u>Unrecoverable Reinsurance Costs as Percentage of Premium</u> (5)
Commercial	\$ 4,319,903	22.2%	\$ 20,361,661	\$ 104,970,359	19.4%
Mobilehome	\$ 18,640	0.1%	\$ 87,858	\$ 978,942	9.0%
Residential	\$ 15,159,025	77.7%	\$ 71,451,350	\$ 321,107,786	22.3%
Total	\$ 19,497,568	100.0%	\$ 91,900,869	\$ 427,057,087	21.5%

Notes:

(1) = Based on 12/31/11 run of AIR v 13.0 with demand surge, without storm surge with allocation by storm by county and line of business

(2) = (1)/Total of (1)

(3) = Unrecoverable Costs From Exhibit VI, Sheet 1 x (2)

(4) = Inforce premium as of 12/31/2011, brought to current level as shown in Exhibit VII Sheets 1

(5) = (3) / (4)

Texas Windstorm Insurance Association

Exhibit VII

Residential Property Program (Mobilehome)
Statewide Rate Level Indication
On-Leveling of Inforce Premiums

Inforce Premiums as of 12/31/11

<u>In Force Premium</u>	<u>1/1/12 Rate Change</u>	<u>On-Level Premium</u>
(1)	(2)	(3)
932,326	5%	978,942

Notes:
 (1) = Provided by TWIA
 (2) = Based on historical rate change
 (3) = (1) x (2)

Texas Windstorm Insurance Association

Exhibit VIII

Residential Property Program (Mobilehome)

Statewide Rate Level Indication

Expense Support

All Programs

<u>Category</u>	<u>\$</u> <u>2009</u>	<u>\$</u> <u>2010</u>	<u>\$</u> <u>2011</u>	<u>%</u> <u>2009</u>	<u>%</u> <u>2010</u>	<u>%</u> <u>2011</u>
Written Premium	382,342	385,550	403,748			
Earned Premium	357,906	383,424	385,000			
Commissions	61,149	60,842	56,092	15.99%	15.78%	13.89%
Taxes, Licenses, and Fees	7,090	7,520	7,897	1.85%	1.95%	1.96%
Other Acq	-	-	-	0.00%	0.00%	0.00%
General Exp	20,842	17,922	17,601	5.82%	4.67%	4.57%
Total				23.67%	22.41%	20.42%

Expense Provisions

<u>Category</u>	<u>Selected</u> <u>Residential</u>	<u>Selected</u> <u>Mobilehome</u>	<u>Selected</u> <u>Commercial</u>	<u>Assumed %</u> <u>Fixed</u>	<u>Selected</u> <u>Residential</u> <u>Fixed</u>	<u>Selected</u> <u>Residential</u> <u>Variable</u>	<u>Selected</u> <u>Mobilehome</u> <u>Fixed</u>	<u>Selected</u> <u>Mobilehome</u> <u>Variable</u>	<u>Selected</u> <u>Commercial</u> <u>Fixed</u>	<u>Selected</u> <u>Commercial</u> <u>Variable</u>
Commissions	16.00%	12.00%	16.00%	0%	0.00%	16.00%	0.00%	12.00%	0.00%	16.00%
Taxes, Licenses, and Fees	1.92%	1.92%	1.92%	0%	0.00%	1.92%	0.00%	1.92%	0.00%	1.92%
Other Acq	0.00%	0.00%	0.00%	0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Exp	4.25%	4.25%	4.25%	50%	2.12%	2.12%	2.12%	2.12%	2.12%	2.12%
Total	22.17%	18.17%	22.17%		2.12%	20.04%	2.12%	16.04%	2.12%	20.04%

Notes:

Information from Company

Selected Commissions for each program are based on those specified in the operating manual of the Company

General Expense provision is selected overall based on selected total expense provision, including recognition of return commissions in 2011 year, and selected Commissions, TLF, and Other Acquisition provisions

Texas Windstorm Insurance Association
Residential Property Program (Mobilehome)
Statewide Rate Level Indication
Schedule P Reconciliation
All Programs

Exhibit IX

Premium Data

Calendar Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2001		\$ 50,016	
2002		\$ 72,851	
2003		\$ 80,876	
2004		\$ 94,972	
2005		\$ 112,216	
2006		\$ 149,188	
2007	\$ 258,121	\$ 264,890	\$ (6,769)
2008	\$ 313,422	\$ 321,937	\$ (8,515)
2009	\$ 359,129	\$ 357,906	\$ 1,223
2010	\$ 384,494	\$ 383,424	\$ 1,070
2011	\$ 402,855	\$ 385,000	\$ 17,855
Total:	\$ 1,718,022	\$ 1,713,157	\$ 4,865

Losses Paid

Accident Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2002	\$ 24,829	\$ 24,728	\$ 101
2003	\$ 24,609	\$ 24,605	\$ 4
2004	\$ 5,171	\$ 5,167	\$ 4
2005	\$ 154,880	\$ 154,858	\$ 22
2006	\$ 4,276	\$ 4,276	\$ (0)
2007	\$ 15,611	\$ 15,555	\$ 56
2008	\$ 2,202,851	\$ 2,202,123	\$ 728
2009	\$ 10,185	\$ 9,556	\$ 629
2010	\$ 14,543	\$ 14,540	\$ 3
2011	\$ 76,895	\$ 76,939	\$ (44)
Total:	\$ 2,533,851	\$ 2,532,347	\$ 1,504
Ex-2008	\$ 331,000	\$ 330,224	\$ 776

Losses Case

Accident Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2002	\$ -	\$ -	\$ -
2003	\$ -	\$ -	\$ -
2004	\$ -	\$ -	\$ -
2005	\$ 127	\$ 127	\$ 0
2006	\$ -	\$ -	\$ -
2007	\$ 270	\$ 270	\$ 0
2008	\$ 85,579	\$ 81,462	\$ 4,117
2009	\$ 991	\$ 991	\$ 0
2010	\$ 3,546	\$ 3,544	\$ 2
2011	\$ 13,702	\$ 13,551	\$ 151
Total:	\$ 104,216	\$ 99,945	\$ 4,271

LAE Paid

Accident Year	TWIA Provided (000s)	Annual Statement (000s)	Difference
2002	\$ 5,220	\$ 5,220	\$ 0
2003	\$ 5,121	\$ 5,121	\$ 0
2004	\$ 1,471	\$ 1,471	\$ 0
2005	\$ 20,209	\$ 20,209	\$ (0)
2006	\$ 1,110	\$ 1,110	\$ (0)
2007	\$ 4,902	\$ 4,902	\$ (0)
2008	\$ 290,233	\$ 290,234	\$ (1)
2009	\$ 2,056	\$ 2,056	\$ (0)
2010	\$ 3,549	\$ 3,554	\$ (5)
2011	\$ 11,326	\$ 11,326	\$ 0
Total:	\$ 345,197	\$ 345,203	\$ (6)

Notes:
Premium Data from Exhibit II, Sheet 2 for each program.
Paid and Case Loss amounts from Exhibit IV, Sheet 2 for each program.
Years prior to 2007 were compiled from database provided by the Company.
LAE Paid amounts from Exhibit IV, Sheets 1 and 2.
Years prior to 2007 were compiled from database provided by the Company.

Current Territory	Description	Commercial Max AAL per \$1000 of TIV for any Zip Code (1)	Commercial Min AAL per \$1000 of TIV for any Zip Code (2)	Commercial Avg AAL per \$1000 of TIV for any Zip Code (3)	Commercial Variance of AAL/\$1000 TIV Within Territory (4)	Residential Max AAL per \$1000 of TIV for any Zip Code (5)	Residential Min AAL per \$1000 of TIV for any Zip Code (6)	Residential Avg AAL per \$1000 of TIV for any Zip Code (7)	Residential Variance of AAL/\$1000 TIV Within Territory (8)	Mobilehome Max AAL per \$1000 of TIV for any Zip Code (9)	Mobilehome Min AAL per \$1000 of TIV for any Zip Code (10)	Mobilehome Avg AAL per \$1000 of TIV for any Zip Code (11)	Mobilehome Variance of AAL/\$1000 TIV Within Territory (12)
1	Harris County	4.44	4.29	4.37	0.01	4.41	1.59	2.56	1.68	14.86	9.8	12.33	12.80
8,9,10	All Other	9.45	0.19	2.81	2.46	9.02	0.82	2.36	2.11	17.07	1.81	6.49	8.76

Proposed Territory	Description	Commercial Max AAL per \$1000 of TIV for any Zip Code (1)	Commercial Min AAL per \$1000 of TIV for any Zip Code (2)	Commercial Avg AAL per \$1000 of TIV for any Zip Code (3)	Commercial Variance of AAL/\$1000 TIV Within Territory (4)	Residential Max AAL per \$1000 of TIV for any Zip Code (5)	Residential Min AAL per \$1000 of TIV for any Zip Code (6)	Residential Avg AAL per \$1000 of TIV for any Zip Code (7)	Residential Variance of AAL/\$1000 TIV Within Territory (8)	Mobilehome Max AAL per \$1000 of TIV for any Zip Code (9)	Mobilehome Min AAL per \$1000 of TIV for any Zip Code (10)	Mobilehome Avg AAL per \$1000 of TIV for any Zip Code (11)	Mobilehome Variance of AAL/\$1000 TIV Within Territory (12)
11	Aransas - All	4.51	3.99	4.24	0.07	3.39	0.92	2.62	1.33	8.38	6.79	7.79	0.75
21	Brazoria - Beach	4.84	2.40	3.62	2.98	5.74	2.13	3.94	6.52	9.25	6.08	7.67	5.02
22	Brazoria - Seacoast	3.51	1.99	2.75	0.19	2.53	0.94	1.99	0.17	8.06	4.89	6.51	1.14
23	Brazoria - Inland	1.94	1.42	1.71	0.05	2.47	0.90	1.26	0.29	5.79	4.78	5.32	0.20
31	Calhoun - Beach	5.65	2.63	4.14	4.56	5.93	2.60	4.00	2.98	13.77	6.33	9.25	15.77
32	Calhoun - Seacoast	3.63	3.34	3.49	0.04	3.73	2.17	3.00	0.61	6.99	6.99	6.99	-
41	Cameron - Beach	4.83	1.78	3.60	2.58	3.85	1.23	2.59	1.72	10.25	3.50	7.30	11.92
42	Cameron - Seacoast	2.49	0.19	1.49	0.31	1.74	0.85	1.18	0.08	5.17	2.77	3.52	0.87
51	Chambers - Beach	4.26	4.26	4.26	-	2.71	2.71	2.71	-	7.56	7.56	7.56	-
52	Chambers - Seacoast	2.70	2.14	2.33	0.05	2.33	1.05	1.84	0.28	8.49	5.89	7.48	1.94
53	Chambers - Inland	1.84	1.45	1.59	0.03	1.76	1.31	1.50	0.04	5.06	3.84	4.60	0.29
61	Galveston - Beach	9.45	5.56	7.63	2.79	9.02	4.51	7.02	2.71	17.07	12.13	15.00	6.57
62	Galveston - Seacoast	6.10	3.17	4.34	1.22	5.87	2.28	3.62	1.67	13.57	6.88	10.06	5.51
63	Galveston - Inland	2.82	1.96	2.43	0.15	1.96	1.18	1.63	0.09	6.74	5.58	6.03	0.34
71	Harris - Bay	4.44	4.29	4.37	0.01	4.41	3.44	3.93	0.47	14.86	9.80	12.33	12.80
72	Harris - Inland	0.00	0.00	-	-	1.69	1.59	1.64	0.00	0.00	0.00	-	-
81	Jefferson - Beach	4.00	4.00	4.00	-	3.28	3.28	3.28	-	11.17	11.17	11.17	-
82	Jefferson - Seacoast	3.92	2.33	3.00	0.34	3.49	1.70	2.32	0.60	8.41	4.27	5.85	5.02
83	Jefferson - Inland	2.32	1.60	1.95	0.04	2.12	1.01	1.46	0.10	5.00	4.30	4.61	0.12
91	Kenedy - All	1.71	1.71	1.71	-	2.12	1.67	1.90	0.10	2.85	2.85	2.85	-
101	Kleberg - All	1.59	1.56	1.58	0.00	1.51	1.34	1.43	0.01	4.74	3.09	3.92	1.36
111	Matagorda - Beach	5.02	3.34	3.84	0.62	4.39	2.67	3.47	0.39	10.40	7.41	8.91	4.47
112	Matagorda - Seacoast	3.17	1.66	2.43	0.35	2.83	1.64	1.99	0.16	6.84	4.45	5.71	1.44
121	Nueces - Beach	5.86	1.20	3.37	4.89	4.33	3.31	3.83	0.33	11.58	7.24	9.41	9.42
122	Nueces - Seacoast	4.40	2.22	3.17	0.60	3.74	1.25	2.84	0.64	5.95	5.50	5.73	0.10
123	Nueces - Inland 1	2.78	1.98	2.26	0.11	2.69	1.28	2.01	0.27	4.89	1.81	3.70	1.94
124	Nueces - Inland 2	1.54	1.25	1.42	0.01	1.50	0.82	1.19	0.07	3.26	2.96	3.11	0.05
131	Refugio - Beach	3.47	3.07	3.27	0.08	3.00	2.59	2.80	0.08	6.57	6.57	6.57	-
132	Refugio - Seacoast	2.84	1.51	2.08	0.47	2.30	1.65	1.87	0.14	4.74	3.57	4.16	0.68
141	San Patricio - Beach	3.51	2.22	2.88	0.45	2.97	1.85	2.48	0.30	7.29	6.93	7.11	0.06
142	San Patricio - Seacoast	1.98	1.15	1.50	0.13	1.68	0.96	1.33	0.10	4.59	2.29	3.63	1.01
151	Willacy - Beach	2.94	2.94	2.94	-	3.35	3.35	3.35	-	6.23	6.23	6.23	-
152	Willacy - Seacoast	1.70	1.11	1.33	0.07	1.64	1.01	1.34	0.05	9.67	9.67	9.67	-

Notes:
All results based on AIR v 13.0 with demand surge, excluding storm surge.
(1), (5), (9) = maximum AAL per \$1000 of TIV in any individual zip code area within the defined territory
(2), (6), (10) = minimum AAL per \$1000 of TIV in any individual zip code area within the defined territory
(3), (7), (11) = average AAL per \$1000 of TIV for all individual zip code area within the defined territory
(4), (8), (12) = variance of AAL per \$1000 of TIV rates by zip code for all individual zip code area within the defined territory

Territory	5 AYs	5 AYs	5 AYs	Selected ALAE % of Loss	Selected ULAE % of Loss and ALAE	5 AYs	5 AYs	Ult Non-Hurr L&LAE Ratio	Credibility	Ult Non-Hurr L&LAE Ratio	Credibility Weighted Ult Non-Hurr L&DCCF Ratio	Hurr LR by Territory	Reinsurance Expense by Territory	Non-Reins Fixed Expense	Var. Expense	Indicated Change	Rebalanced Indicated Change
	Combined EHY	Combined CRLI_FP	Ult Non-Hurr Loss			Ult Non-Hurr L&LAE	Ending 12/31/11 Ult Non-Hurr L&LAE Ratio										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
11	469	661,067	10,489	21.8%	3.5%	13,222	2.0%	3.8%	1.9%	1.9%	35.8%	12.9%	2.1%	20.0%	-34.1%	-30.0%	
21	29	34,305	0	21.8%	3.5%	0	0.0%	0.9%	1.9%	1.9%	32.9%	8.6%	2.1%	20.0%	-43.2%	-39.7%	
22	112	150,456	0	21.8%	3.5%	0	0.0%	1.8%	1.9%	1.8%	28.0%	8.6%	2.1%	20.0%	-49.3%	-46.2%	
23	124	173,484	4,336	21.8%	3.5%	5,466	3.2%	1.9%	1.9%	1.9%	24.1%	8.6%	2.1%	20.0%	-54.0%	-51.2%	
31	334	486,697	3,260	21.8%	3.5%	4,109	0.8%	3.2%	1.9%	1.8%	52.2%	1.4%	2.1%	20.0%	-28.0%	-23.6%	
32	117	147,943	875	21.8%	3.5%	1,103	0.7%	1.9%	1.9%	1.9%	29.8%	1.4%	2.1%	20.0%	-56.0%	-53.3%	
41	144	163,973	1,287	21.8%	3.5%	1,622	1.0%	2.1%	1.9%	1.9%	30.9%	3.9%	2.1%	20.0%	-51.4%	-48.4%	
42	53	60,347	2,854	21.8%	3.5%	3,598	6.0%	1.3%	1.9%	1.9%	17.3%	3.9%	2.1%	20.0%	-68.4%	-66.4%	
51	46	69,635	0	21.8%	3.5%	0	0.0%	1.2%	1.9%	1.9%	33.3%	8.8%	2.1%	20.0%	-42.3%	-38.8%	
52	278	174,527	0	21.8%	3.5%	0	0.0%	2.9%	1.9%	1.8%	35.4%	8.8%	2.1%	20.0%	-39.7%	-36.0%	
53	10	10,060	0	21.8%	3.5%	0	0.0%	0.6%	1.9%	1.9%	21.1%	8.8%	2.1%	20.0%	-57.5%	-54.9%	
61	9	26,185	0	21.8%	3.5%	0	0.0%	0.5%	1.9%	1.9%	34.0%	13.2%	2.1%	20.0%	-35.9%	-32.0%	
62	460	530,344	1,378	21.8%	3.5%	1,737	0.3%	3.7%	1.9%	1.8%	47.4%	13.2%	2.1%	20.0%	-19.3%	-14.3%	
63	113	151,832	0	21.8%	3.5%	0	0.0%	1.8%	1.9%	1.8%	28.4%	13.2%	2.1%	20.0%	-43.0%	-39.5%	
71	12	13,605	0	21.8%	3.5%	0	0.0%	0.6%	1.9%	1.9%	57.6%	34.9%	2.1%	20.0%	20.7%	28.1%	
72	0	0	0	21.8%	3.5%	0	0.0%	0.0%	1.9%	1.9%	21.9%	34.9%	2.1%	20.0%	0.0%	6.1%	
81	29	112,799	0	21.8%	3.5%	0	0.0%	0.9%	1.9%	1.9%	27.0%	5.4%	2.1%	20.0%	-54.6%	-51.8%	
82	11	22,136	0	21.8%	3.5%	0	0.0%	0.6%	1.9%	1.9%	21.9%	5.4%	2.1%	20.0%	-61.0%	-58.6%	
83	11	16,724	2,654	21.8%	3.5%	3,346	20.0%	0.6%	1.9%	2.0%	20.0%	5.4%	2.1%	20.0%	-63.1%	-60.9%	
91	5	10,580	0	21.8%	3.5%	0	0.0%	0.4%	1.9%	1.9%	12.6%	1.7%	2.1%	20.0%	-77.2%	-75.8%	
101	56	78,018	0	21.8%	3.5%	0	0.0%	1.3%	1.9%	1.9%	15.7%	2.5%	2.1%	20.0%	-72.3%	-70.6%	
111	79	99,312	8,249	21.8%	3.5%	10,398	10.5%	1.6%	1.9%	2.0%	37.8%	6.4%	2.1%	20.0%	-39.5%	-35.8%	
112	20	19,033	0	21.8%	3.5%	0	0.0%	0.8%	1.9%	1.9%	27.5%	6.4%	2.1%	20.0%	-52.5%	-49.6%	
121	164	167,699	707	21.8%	3.5%	891	0.5%	2.2%	1.9%	1.8%	31.0%	6.7%	2.1%	20.0%	-48.0%	-44.8%	
122	17	14,058	0	21.8%	3.5%	0	0.0%	0.7%	1.9%	1.9%	25.0%	6.7%	2.1%	20.0%	-55.4%	-52.7%	
123	43	53,748	6,182	21.8%	3.5%	7,793	14.5%	1.1%	1.9%	2.0%	17.4%	6.7%	2.1%	20.0%	-64.7%	-62.6%	
124	17	16,070	91	21.8%	3.5%	114	0.7%	0.7%	1.9%	1.9%	14.2%	6.7%	2.1%	20.0%	-68.9%	-67.0%	
131	14	30,246	5,184	21.8%	3.5%	6,535	21.6%	0.7%	1.9%	2.0%	29.0%	4.3%	2.1%	20.0%	-53.2%	-50.3%	
132	8	16,922	0	21.8%	3.5%	0	0.0%	0.5%	1.9%	1.9%	18.3%	4.3%	2.1%	20.0%	-66.7%	-64.6%	
141	106	97,754	0	21.8%	3.5%	0	0.0%	1.8%	1.9%	1.8%	31.1%	12.1%	2.1%	20.0%	-41.0%	-37.3%	
142	30	44,970	7,893	21.8%	3.5%	9,950	22.1%	1.0%	1.9%	2.1%	17.0%	12.1%	2.1%	20.0%	-58.3%	-55.7%	
151	41	55,094	0	21.8%	3.5%	0	0.0%	1.1%	1.9%	1.9%	27.5%	3.5%	2.1%	20.0%	-56.3%	-53.6%	
152	9	8,934	0	21.8%	3.5%	0	0.0%	0.5%	1.9%	1.9%	42.7%	3.5%	2.1%	20.0%	-37.3%	-33.5%	
Total:	2,970	3,718,557	55,440			69,886	1.9%	9.5%		1.9%	34.8%	9.0%	2.1%	20.0%	-40.3%	-36.6%	

Notes:
(1) From Company. Around 10 EHY without accurate geographic coding.
(2), (3) From Exhibit XIV, Sheets 1-5
(4) From Statewide Exhibit IV, Sheet 2
(5) From Statewide Exhibit IV, Sheet 1
(6) = (3) x [1 + (4)] x [1 + (5)]
(7) = (6) / (2)
(8) = Min [SQRT((1) / 330,000), 1]
(9) = (7) Total
(10) = {(8) x (7)} + {[1 - (8)] x (9)}
(11) From Exhibit XII
(12) From Exhibit XIII
(13), (14) From Statewide Exhibit I, Sheet 1
(15) = [(10) + (11) + (12) + (13)] / [1 - (14)] - 1
(16 Total) From Statewide Exhibit I, Sheet 1
(16) = [1 + (16 Total)] / [1 + (15 Total)] x [1 + (15)] - 1

Territory	12/31/2011	12/31/2011	ALAE Provision	ULAE Provision	12/31/2011	12/31/2011	12/31/2011	On-Level	Hurr LR by Territory
	RMS v 11.0	AIR v 13.0			RMS v 11.0	AIR v 13.0	Avg Modeled	12/31/2011	
	<u>AAL</u>	<u>AAL</u>			<u>AAL & LAE</u>	<u>AAL & LAE</u>	<u>AAL & LAE</u>	<u>IF Prem</u>	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
11	33,031	42,980	11.9%	3.5%	38,270	49,796	44,033	122,907	35.8%
21	7,183	6,342	11.9%	3.5%	8,322	7,347	7,835	23,846	32.9%
22	25,946	19,925	11.9%	3.5%	30,061	23,085	26,573	94,951	28.0%
23	11,676	8,589	11.9%	3.5%	13,528	9,952	11,740	48,647	24.1%
31	46,109	49,766	11.9%	3.5%	53,421	57,658	55,539	106,336	52.2%
32	6,927	5,379	11.9%	3.5%	8,025	6,232	7,129	23,901	29.8%
41	9,301	7,745	11.9%	3.5%	10,776	8,973	9,874	31,911	30.9%
42	3,075	2,218	11.9%	3.5%	3,563	2,569	3,066	17,720	17.3%
51	8,328	7,263	11.9%	3.5%	9,648	8,414	9,031	27,092	33.3%
52	13,716	13,462	11.9%	3.5%	15,891	15,597	15,744	44,421	35.4%
53	2,678	1,975	11.9%	3.5%	3,102	2,288	2,695	12,753	21.1%
61	3,102	2,790	11.9%	3.5%	3,594	3,232	3,413	10,028	34.0%
62	62,813	58,924	11.9%	3.5%	72,775	68,269	70,522	148,862	47.4%
63	25,594	18,874	11.9%	3.5%	29,653	21,867	25,760	90,725	28.4%
71	4,301	2,384	11.9%	3.5%	4,983	2,762	3,872	6,721	57.6%
72	0	0	11.9%	3.5%	0	0	0	0	21.9%
81	6,829	4,104	11.9%	3.5%	7,912	4,755	6,333	23,489	27.0%
82	2,017	1,554	11.9%	3.5%	2,337	1,801	2,069	9,464	21.9%
83	1,609	1,095	11.9%	3.5%	1,865	1,269	1,567	7,833	20.0%
91	251	148	11.9%	3.5%	290	171	231	1,838	12.6%
101	1,475	830	11.9%	3.5%	1,709	962	1,335	8,515	15.7%
111	7,637	6,064	11.9%	3.5%	8,848	7,025	7,936	20,976	37.8%
112	2,260	1,800	11.9%	3.5%	2,618	2,085	2,352	8,539	27.5%
121	4,763	6,441	11.9%	3.5%	5,518	7,463	6,490	20,970	31.0%
122	635	443	11.9%	3.5%	735	513	624	2,498	25.0%
123	2,357	1,521	11.9%	3.5%	2,731	1,762	2,246	12,913	17.4%
124	1,256	758	11.9%	3.5%	1,455	878	1,167	8,226	14.2%
131	1,056	835	11.9%	3.5%	1,224	967	1,096	3,780	29.0%
132	824	571	11.9%	3.5%	955	662	808	4,410	18.3%
141	4,177	5,012	11.9%	3.5%	4,840	5,807	5,323	17,108	31.1%
142	1,492	935	11.9%	3.5%	1,729	1,083	1,406	8,252	17.0%
151	1,766	1,148	11.9%	3.5%	2,046	1,330	1,688	6,143	27.5%
152	495	472	11.9%	3.5%	573	547	560	1,313	42.7%
Total:	304,677	282,344			352,996	327,121	340,058	977,088	34.8%

Notes:

(1) = from 12/31/2011 run of RMS v 11.0 with long term frequency, no storm surge, with demand surge.
Around \$500 of RMS modeled AAL on policies without accurate geographic coding

(2) = from 12/31/2011 run of AIR v 13.0 with long term frequency, no storm surge, with demand surge
Around \$300 of AIR modeled AAL on policies without accurate geographic coding

(3) , (4) = from Exhibit V Sheet 1

(5) = (1) x [1 + (3)] x [1 + (4)]

(6) = (2) x [1 + (3)] x [1 + (4)]

(7) = average of (5) and (6)

(8) = from Company. Around \$1,900 of inforce premium without accurate geographic coding.

(9) = (7) / (8). For Territory 72, ratio is calculated using relationship to territory 71 observed in Residential (non-mobilehome program) of 38%.

Texas Windstorm Insurance Association
 Residential Property Program (Mobilehome)
 Net Cost of Reinsurance Provisions by Territory

Exhibit XIII
 Sheet 1

<u>Territory</u>	<u>County</u>	Net Cost of <u>Reinsurance</u> (1)
11	Aransas	12.9%
21	Brazoria	8.6%
22	Brazoria	8.6%
23	Brazoria	8.6%
31	Calhoun	1.4%
32	Calhoun	1.4%
41	Cameron	3.9%
42	Cameron	3.9%
51	Chambers	8.8%
52	Chambers	8.8%
53	Chambers	8.8%
61	Galveston	13.2%
62	Galveston	13.2%
63	Galveston	13.2%
71	Harris	34.9%
72	Harris	34.9%
81	Jefferson	5.4%
82	Jefferson	5.4%
83	Jefferson	5.4%
91	Kenedy	1.7%
101	Kleberg	2.5%
111	Matagorda	6.4%
112	Matagorda	6.4%
121	Nueces	6.7%
122	Nueces	6.7%
123	Nueces	6.7%
124	Nueces	6.7%
131	Refugio	4.3%
132	Refugio	4.3%
141	San Patricio	12.1%
142	San Patricio	12.1%
151	Willacy	3.5%
152	Willacy	3.5%

Total:

Notes:
 (1) = from Exhibit XIII, Sheet 2

Texas Windstorm Insurance Association
Residential Property Program (Mobilehome)
Net Cost of Reinsurance Provisions by County

Total Ceded AAL: 19,497,568
Total Unrecoverable Cost of Reinsurance: 91,900,869

County	(1)				(2)			
	% of Ceded AAL Commercial	% of Ceded AAL Mobilehome	% of Ceded AAL Residential	% of Ceded AAL Total:	\$ of Unrecoverable Cost Commercial	\$ of Unrecoverable Cost Mobilehome	\$ of Unrecoverable Cost Residential	\$ of Unrecoverable Cost Total:
Aransas	0.5%	0.0%	2.4%	2.9%	466,592	15,849	2,198,059	2,680,500
Brazoria	1.4%	0.0%	9.8%	11.3%	1,309,424	14,498	9,014,972	10,338,893
Calhoun	0.1%	0.0%	0.3%	0.4%	74,192	1,807	281,135	357,134
Cameron	1.2%	0.0%	1.7%	2.9%	1,131,024	1,946	1,574,575	2,707,544
Chambers	0.1%	0.0%	0.9%	1.0%	128,010	7,430	800,979	936,418
Galveston	12.5%	0.0%	37.9%	50.5%	11,473,849	33,001	34,859,736	46,366,586
Harris	0.2%	0.0%	2.7%	2.9%	229,159	2,344	2,459,126	2,690,629
Jefferson	1.3%	0.0%	5.8%	7.1%	1,197,605	2,188	5,367,299	6,567,092
Kenedy	0.0%	0.0%	0.0%	0.0%	1,774	31	1,977	3,782
Kleberg	0.0%	0.0%	0.1%	0.1%	44,184	215	85,418	129,817
Matagorda	0.2%	0.0%	1.0%	1.2%	166,616	1,894	923,942	1,092,452
Nueces	4.1%	0.0%	13.1%	17.3%	3,797,435	2,968	12,055,398	15,855,801
Refugio	0.0%	0.0%	0.0%	0.1%	10,287	353	42,064	52,704
San Patricio	0.3%	0.0%	1.9%	2.2%	318,723	3,075	1,741,618	2,063,416
Willacy	0.0%	0.0%	0.0%	0.1%	12,788	259	45,052	58,098
Total:	22.2%	0.1%	77.7%	100.0%	20,361,661	87,858	71,451,350	91,900,869

County	(3)				(4)			
	OL IF Prem Commercial	OL IF Prem Mobilehome	OL IF Prem Residential	Total:	Net Cost of Reins Commercial	Net Cost of Reins Mobilehome	Net Cost of Reins Residential	Net Cost of Reins Total:
Aransas	3,156,184	122,907	10,540,394	13,819,485	14.8%	12.9%	20.9%	19.4%
Brazoria	11,517,275	168,757	64,188,372	75,874,404	11.4%	8.6%	14.0%	13.6%
Calhoun	1,890,423	130,788	4,793,255	6,814,466	3.9%	1.4%	5.9%	5.2%
Cameron	12,578,616	49,631	16,173,992	28,802,239	9.0%	3.9%	9.7%	9.4%
Chambers	1,249,030	84,266	7,942,181	9,275,477	10.2%	8.8%	10.1%	10.1%
Galveston	31,383,317	249,615	100,752,650	132,385,582	36.6%	13.2%	34.6%	35.0%
Harris	878,422	6,721	3,300,719	4,185,862	26.1%	34.9%	74.5%	64.3%
Jefferson	12,830,616	40,786	39,651,343	52,522,745	9.3%	5.4%	13.5%	12.5%
Kenedy	58,041	1,838	34,643	94,522	3.1%	1.7%	5.7%	4.0%
Kleberg	1,158,558	8,515	1,453,532	2,620,605	3.8%	2.5%	5.9%	5.0%
Matagorda	1,877,652	29,515	5,699,299	7,606,466	8.9%	6.4%	16.2%	14.4%
Nueces	22,487,220	44,607	55,303,200	77,835,027	16.9%	6.7%	21.8%	20.4%
Refugio	254,599	8,190	490,951	753,740	4.0%	4.3%	8.6%	7.0%
San Patricio	3,221,147	25,360	10,196,911	13,443,418	9.9%	12.1%	17.1%	15.3%
Willacy	430,062	7,456	585,545	1,023,063	3.0%	3.5%	7.7%	5.7%
Total:	104,971,162	978,952	321,106,987	427,057,101	19.4%	9.0%	22.3%	21.5%

Notes:
(1) = distribution of ceded AAL by county and LOB based on AIR v 13 storm set with loss by LOB and County
(2) = (1) x Total Unrecoverable Cost of Reinsurance
(3) = from Company
(4) = (2) / (3)

Territory	1/1/2007 to	ILD 60-Month LDF	ILD Indicated Ultimate	1/1/2007 to	PLD 60-Month LDF	PLD Indicated Ultimate	Selected Ult Non-Hurr Loss	1/1/2007 to
	12/31/2007		Loss	12/31/2007		Loss		12/31/2007
	Non-Hurr Incurred		Loss	Non-Hurr Paid		Loss		On-Level EP
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
11	8,456	0.997	8,435	8,456	1.004	8,492	8,463	127,469
21	0	0.997	0	0	1.004	0	0	541
22	0	0.997	0	0	1.004	0	0	9,483
23	0	0.997	0	0	1.004	0	0	63,745
31	0	0.997	0	0	1.004	0	0	95,212
32	0	0.997	0	0	1.004	0	0	36,796
41	0	0.997	0	0	1.004	0	0	42,911
42	0	0.997	0	0	1.004	0	0	7,891
51	0	0.997	0	0	1.004	0	0	3,983
52	0	0.997	0	0	1.004	0	0	30,758
53	0	0.997	0	0	1.004	0	0	507
61	0	0.997	0	0	1.004	0	0	4,810
62	1,377	0.997	1,373	1,377	1.004	1,383	1,378	88,324
63	0	0.997	0	0	1.004	0	0	10,785
71	0	0.997	0	0	1.004	0	0	1,132
72	0	0.997	0	0	1.004	0	0	0
81	0	0.997	0	0	1.004	0	0	0
82	0	0.997	0	0	1.004	0	0	2,840
83	0	0.997	0	0	1.004	0	0	1,142
91	0	0.997	0	0	1.004	0	0	2,402
101	0	0.997	0	0	1.004	0	0	19,030
111	3,426	0.997	3,417	3,426	1.004	3,440	3,429	16,507
112	0	0.997	0	0	1.004	0	0	3,238
121	0	0.997	0	0	1.004	0	0	38,065
122	0	0.997	0	0	1.004	0	0	2,435
123	0	0.997	0	0	1.004	0	0	9,538
124	0	0.997	0	0	1.004	0	0	1,795
131	0	0.997	0	0	1.004	0	0	5,376
132	0	0.997	0	0	1.004	0	0	4,655
141	0	0.997	0	0	1.004	0	0	25,973
142	0	0.997	0	0	1.004	0	0	6,464
151	0	0.997	0	0	1.004	0	0	13,630
152	0	0.997	0	0	1.004	0	0	1,959
Total:	13,259		13,226	13,259		13,314	13,270	679,396

Notes:
(1), (4) = Provided by Company. (6) = (4) x (5)
(2), (5) = From Exhibit III, Sheet 6 (7) = average of (3) and (6)
(3) = (1) x (2) (8) = from Company. Around \$4,500 of Earned Premium
without accurate geographic coding.

Territory	1/1/2008 to 12/31/2008	ILD 48-Month	ILD Indicated Ultimate	1/1/2008 to 12/31/2008	PLD 48-Month	PLD Indicated Ultimate	Selected Ult Non-Hurr	1/1/2008 to 12/31/2008
	Non-Hurr Incurred <u>Loss</u> (1)	<u>LDF</u> (2)	<u>Loss</u> (3)	Non-Hurr Paid <u>Loss</u> (4)	<u>LDF</u> (5)	<u>Loss</u> (6)	<u>Loss</u> (7)	On-Level <u>EP</u> (8)
11	0	1.005	0	0	1.007	0	0	138,710
21	0	1.005	0	0	1.007	0	0	1,973
22	0	1.005	0	0	1.007	0	0	9,686
23	0	1.005	0	0	1.007	0	0	25,405
31	0	1.005	0	0	1.007	0	0	89,311
32	0	1.005	0	0	1.007	0	0	29,334
41	0	1.005	0	0	1.007	0	0	30,690
42	0	1.005	0	0	1.007	0	0	9,224
51	0	1.005	0	0	1.007	0	0	9,600
52	0	1.005	0	0	1.007	0	0	25,116
53	0	1.005	0	0	1.007	0	0	0
61	0	1.005	0	0	1.007	0	0	3,470
62	0	1.005	0	0	1.007	0	0	96,773
63	0	1.005	0	0	1.007	0	0	7,869
71	0	1.005	0	0	1.007	0	0	542
72	0	1.005	0	0	1.007	0	0	0
81	0	1.005	0	0	1.007	0	0	768
82	0	1.005	0	0	1.007	0	0	62
83	0	1.005	0	0	1.007	0	0	1,324
91	0	1.005	0	0	1.007	0	0	2,198
101	0	1.005	0	0	1.007	0	0	17,119
111	0	1.005	0	0	1.007	0	0	20,228
112	0	1.005	0	0	1.007	0	0	2,685
121	0	1.005	0	0	1.007	0	0	29,051
122	0	1.005	0	0	1.007	0	0	2,834
123	0	1.005	0	0	1.007	0	0	9,581
124	0	1.005	0	0	1.007	0	0	2,182
131	0	1.005	0	0	1.007	0	0	3,934
132	0	1.005	0	0	1.007	0	0	4,057
141	0	1.005	0	0	1.007	0	0	22,622
142	880	1.005	884	880	1.007	886	885	10,645
151	0	1.005	0	0	1.007	0	0	11,301
152	0	1.005	0	0	1.007	0	0	2,139
Total:	880		884	880		886	885	620,433

Notes:
 (1), (4) = Provided by Company. (6) = (4) x (5)
 (2), (5) = From Exhibit III, Sheet 6 (7) = average of (3) and (6)
 (3) = (1) x (2) (8) = from Company. Around \$3,700 of Earned Premium
 without accurate geographic coding.

Territory	1/1/2009 to 12/31/2009	ILD 36-Month LDF	ILD Indicated Ultimate	1/1/2009 to 12/31/2009	PLD 36-Month LDF	PLD Indicated Ultimate	Selected Ult Non-Hurr Loss	1/1/2009 to 12/31/2009
	Non-Hurr Incurred Loss (1)		Loss (3)	Non-Hurr Paid Loss (4)		Loss (5)		Loss (6)
11	0	0.998	0	0	1.020	0	0	136,310
21	0	0.998	0	0	1.020	0	0	2,648
22	0	0.998	0	0	1.020	0	0	11,416
23	0	0.998	0	0	1.020	0	0	17,492
31	5,758	0.998	5,747	758	1.020	773	3,260	94,420
32	529	0.998	528	529	1.020	539	534	29,585
41	58	0.998	58	58	1.020	59	59	27,212
42	0	0.998	0	0	1.020	0	0	11,245
51	0	0.998	0	0	1.020	0	0	11,219
52	0	0.998	0	0	1.020	0	0	30,912
53	0	0.998	0	0	1.020	0	0	0
61	0	0.998	0	0	1.020	0	0	1,661
62	0	0.998	0	0	1.020	0	0	120,774
63	0	0.998	0	0	1.020	0	0	13,915
71	0	0.998	0	0	1.020	0	0	2,724
72	0	0.998	0	0	1.020	0	0	0
81	0	0.998	0	0	1.020	0	0	17,549
82	0	0.998	0	0	1.020	0	0	3,202
83	0	0.998	0	0	1.020	0	0	2,553
91	0	0.998	0	0	1.020	0	0	2,184
101	0	0.998	0	0	1.020	0	0	15,794
111	4,778	0.998	4,769	4,778	1.020	4,872	4,820	22,091
112	0	0.998	0	0	1.020	0	0	3,233
121	0	0.998	0	0	1.020	0	0	41,041
122	0	0.998	0	0	1.020	0	0	2,377
123	4,460	0.998	4,452	4,460	1.020	4,547	4,500	11,830
124	90	0.998	90	90	1.020	92	91	3,431
131	5,139	0.998	5,129	5,139	1.020	5,239	5,184	7,241
132	0	0.998	0	0	1.020	0	0	2,794
141	0	0.998	0	0	1.020	0	0	15,973
142	1,959	0.998	1,956	1,959	1.020	1,998	1,977	9,827
151	0	0.998	0	0	1.020	0	0	10,385
152	0	0.998	0	0	1.020	0	0	1,592
Total:	22,771		22,729	17,771		18,119	20,424	684,631

Notes:
(1), (4) = Provided by Company.
(2), (5) = From Exhibit III, Sheet 6
(3) = (1) x (2)
(6) = (4) x (5)
(7) = average of (3) and (6)
(8) = from Company. Around \$1,000 of Earned Premium without accurate geographic coding.

Territory	1/1/2010 to	ILD 24-Month	ILD Indicated Ultimate	1/1/2010 to	PLD 24-Month	PLD Indicated Ultimate	Selected Ult Non-Hurr	1/1/2010 to
	12/31/2010			12/31/2010				12/31/2010
	Non-Hurr Incurred <u>Loss</u> (1)			LDF (2)				Non-Hurr Paid <u>Loss</u> (4)
11	2,011	0.960	1,931	2,011	1.054	2,120	2,026	125,025
21	0	0.960	0	0	1.054	0	0	9,104
22	0	0.960	0	0	1.054	0	0	44,766
23	0	0.960	0	0	1.054	0	0	25,622
31	0	0.960	0	0	1.054	0	0	102,080
32	339	0.960	325	339	1.054	357	341	25,590
41	1,219	0.960	1,171	1,219	1.054	1,285	1,228	30,947
42	0	0.960	0	0	1.054	0	0	14,478
51	0	0.960	0	0	1.054	0	0	18,015
52	0	0.960	0	0	1.054	0	0	39,937
53	0	0.960	0	0	1.054	0	0	2,009
61	0	0.960	0	0	1.054	0	0	4,285
62	0	0.960	0	0	1.054	0	0	88,816
63	0	0.960	0	0	1.054	0	0	41,963
71	0	0.960	0	0	1.054	0	0	2,781
72	0	0.960	0	0	1.054	0	0	0
81	0	0.960	0	0	1.054	0	0	58,537
82	0	0.960	0	0	1.054	0	0	6,430
83	2,635	0.960	2,530	2,635	1.054	2,778	2,654	5,072
91	0	0.960	0	0	1.054	0	0	1,953
101	0	0.960	0	0	1.054	0	0	10,735
111	0	0.960	0	0	1.054	0	0	19,874
112	0	0.960	0	0	1.054	0	0	3,519
121	702	0.960	674	702	1.054	740	707	32,275
122	0	0.960	0	0	1.054	0	0	3,800
123	1,671	0.960	1,604	1,671	1.054	1,761	1,683	12,475
124	0	0.960	0	0	1.054	0	0	3,804
131	0	0.960	0	0	1.054	0	0	7,992
132	0	0.960	0	0	1.054	0	0	2,330
141	0	0.960	0	0	1.054	0	0	15,024
142	4,996	0.960	4,797	4,996	1.054	5,266	5,031	8,972
151	0	0.960	0	0	1.054	0	0	11,319
152	0	0.960	0	0	1.054	0	0	1,784
Total:	13,573		13,032	13,573		14,308	13,670	781,311

Notes:
(1), (4) = Provided by Company. (6) = (4) x (5)
(2), (5) = From Exhibit III, Sheet 6 (7) = average of (3) and (6)
(3) = (1) x (2) (8) = from Company. Around \$600 of Earned Premium
without accurate geographic coding.

Territory	1/1/2011 to	ILD 12-Month	ILD Indicated Ultimate	1/1/2011 to	PLD 12-Month	PLD Indicated Ultimate	Selected Ult Non-Hurr	1/1/2011 to
	12/31/2011			12/31/2011				12/31/2011
	Non-Hurr Incurred Loss			Non-Hurr Paid Loss				On-Level EP
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
11	0	1.115	0	0	1.546	0	0	133,553
21	0	1.115	0	0	1.546	0	0	20,040
22	0	1.115	0	0	1.546	0	0	75,106
23	3,259	1.115	3,633	3,259	1.546	5,039	4,336	41,219
31	0	1.115	0	0	1.546	0	0	105,674
32	0	1.115	0	0	1.546	0	0	26,638
41	0	1.115	0	0	1.546	0	0	32,214
42	2,145	1.115	2,391	2,145	1.546	3,317	2,854	17,509
51	0	1.115	0	0	1.546	0	0	26,817
52	0	1.115	0	0	1.546	0	0	47,806
53	0	1.115	0	0	1.546	0	0	7,543
61	0	1.115	0	0	1.546	0	0	11,960
62	0	1.115	0	0	1.546	0	0	135,656
63	0	1.115	0	0	1.546	0	0	77,300
71	0	1.115	0	0	1.546	0	0	6,425
72	0	1.115	0	0	1.546	0	0	0
81	0	1.115	0	0	1.546	0	0	35,944
82	0	1.115	0	0	1.546	0	0	9,601
83	0	1.115	0	0	1.546	0	0	6,634
91	0	1.115	0	0	1.546	0	0	1,843
101	0	1.115	0	0	1.546	0	0	15,339
111	0	1.115	0	0	1.546	0	0	20,612
112	0	1.115	0	0	1.546	0	0	6,358
121	0	1.115	0	0	1.546	0	0	27,267
122	0	1.115	0	0	1.546	0	0	2,611
123	0	1.115	0	0	1.546	0	0	10,324
124	0	1.115	0	0	1.546	0	0	4,859
131	0	1.115	0	0	1.546	0	0	5,702
132	0	1.115	0	0	1.546	0	0	3,085
141	0	1.115	0	0	1.546	0	0	18,163
142	0	1.115	0	0	1.546	0	0	9,063
151	0	1.115	0	0	1.546	0	0	8,459
152	0	1.115	0	0	1.546	0	0	1,461
Total:	5,404		6,024	5,404		8,356	7,190	952,785

Notes:	
(1), (4) = Provided by Company. Does not include 2011 Robstown event.	(6) = (4) x (5)
(2), (5) = From Exhibit III, Sheet 6	(7) = average of (3) and (6)
(3) = (1) x (2)	(8) = from Company. Around \$1,000 of Earned Premium without accurate geographic coding.

Texas Windstorm Insurance Association

2012 Rate and Structure Review

Appendices

A through I

5 Year Scenarios	Rate Change Scenarios										
	-20%	-10%	0%	5%	10%	15%	20%	25%	30%	40%	50%
Class 1 Bonds -											
Average Size Over All Scenarios	328,502,014	304,056,908	282,353,350	272,234,596	262,590,262	253,425,711	244,673,664	236,231,744	228,176,071	213,403,131	200,384,097
Probability of Issuance	39.7%	36.3%	33.9%	32.9%	31.7%	30.6%	29.9%	29.1%	28.2%	26.2%	24.4%
Average Size of Issuance	827,878,060	837,391,650	832,164,309	828,720,231	828,621,844	827,647,652	819,402,758	810,678,599	810,284,343	815,138,008	820,573,697
Class 2 Bonds -											
Average Size Over All Scenarios	139,585,540	131,927,429	125,155,475	122,117,658	119,235,092	116,474,012	113,883,088	111,397,748	109,052,613	104,705,655	100,720,157
Probability of Issuance	18.5%	17.2%	16.0%	15.6%	15.1%	14.6%	14.3%	13.9%	13.5%	12.8%	12.3%
Average Size of Issuance	756,561,190	766,574,251	781,245,162	785,322,558	792,259,749	796,675,866	797,500,620	800,271,181	805,410,729	818,012,933	818,863,065
Class 3 Bonds -											
Average Size Over All Scenarios	45,536,667	43,971,127	42,456,230	41,719,686	41,040,815	40,358,835	39,694,280	39,081,738	38,498,321	37,383,520	36,334,565
Probability of Issuance	9.7%	9.4%	9.1%	9.0%	8.8%	8.7%	8.5%	8.3%	8.2%	7.9%	7.7%
Average Size of Issuance	468,484,228	469,275,635	466,039,849	464,067,703	466,372,894	466,037,355	465,895,305	468,605,969	470,064,967	471,418,911	470,046,114
XS of Class 3 Bonds -											
Average Size Over All Scenarios	285,129,273	278,410,520	271,868,210	268,642,421	265,447,664	262,318,013	259,214,444	256,147,517	253,106,745	247,187,963	241,434,210
Probability of Exceedence	7.8%	7.6%	7.4%	7.3%	7.1%	7.1%	7.0%	6.9%	6.9%	6.7%	6.5%
Average Size of Exceedence	3,646,154,392	3,658,482,525	3,683,851,088	3,695,218,993	3,722,968,635	3,715,552,588	3,703,063,489	3,696,212,371	3,684,232,098	3,700,418,609	3,720,095,693
Average Ceded AAL -											
Average Size Over All Scenarios	18,982,981	18,982,981	18,982,981	18,982,981	18,982,981	18,982,981	18,982,981	18,982,981	18,982,981	18,982,981	18,982,981
Probability of Cession	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%
Average Size of Cession	115,468,251	115,468,251	115,468,251	115,468,251	115,468,251	115,468,251	115,468,251	115,468,251	115,468,251	115,468,251	115,468,251
Average Reinstatement Premiums -											
Average Size Over All Scenarios	3,175,595	3,175,595	3,175,595	3,175,595	3,175,595	3,175,595	3,175,595	3,175,595	3,175,595	3,175,595	3,175,595
Probability of Payment	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%
Average Size of Payment	19,316,268	19,316,268	19,316,268	19,316,268	19,316,268	19,316,268	19,316,268	19,316,268	19,316,268	19,316,268	19,316,268
Net Results -											
Probability of Surplus at End of Period	67.9%	71.2%	73.9%	75.0%	76.3%	77.4%	78.7%	80.3%	81.5%	83.5%	85.1%
Probability of Deficit Between \$0 and \$0.5B	8.3%	7.2%	7.4%	7.5%	7.2%	6.8%	6.3%	5.4%	4.7%	3.7%	3.4%
Probability of Deficit Between \$0.5B and \$1.0B	7.2%	6.4%	4.7%	4.1%	3.7%	3.7%	3.4%	3.2%	3.1%	2.9%	2.4%
Probability of Deficit Between \$1.0B and \$2.0B	6.6%	5.8%	5.1%	4.8%	4.6%	4.2%	3.8%	3.5%	3.2%	2.6%	2.3%
Probability of Deficit Between \$2.0B and \$3.0B	2.7%	2.4%	2.3%	2.2%	2.2%	2.2%	2.1%	2.0%	2.0%	2.1%	2.0%
Probability of Deficit Between \$3.0B and \$4.0B	2.0%	1.9%	1.9%	1.7%	1.6%	1.5%	1.5%	1.5%	1.5%	1.3%	1.2%
Probability of Deficit Greater than \$4.0B	5.3%	5.0%	4.7%	4.6%	4.5%	4.4%	4.3%	4.1%	4.1%	3.9%	3.8%

10 Year Scenarios	Rate Change Scenarios											
	-20%	-10%	0%	5%	10%	15%	20%	25%	30%	40%	50%	
Class 1 Bonds -												
Average Size Over All Scenarios	610,196,354	546,589,983	491,965,417	467,556,218	444,902,268	423,802,256	404,406,577	386,452,109	369,872,348	340,020,771	314,225,449	
Probability of Issuance	56.6%	51.7%	47.6%	45.7%	43.8%	42.0%	40.5%	39.2%	37.7%	34.9%	32.4%	
Average Size of Issuance	1,078,847,868	1,058,052,618	1,034,627,586	1,023,546,887	1,016,222,631	1,009,052,991	998,534,757	986,350,456	981,354,067	973,434,787	970,430,665	
Class 2 Bonds -												
Average Size Over All Scenarios	268,251,399	247,617,738	230,277,605	222,746,003	215,755,192	209,200,810	202,974,935	196,994,166	191,247,400	180,839,544	171,771,326	
Probability of Issuance	31.1%	28.7%	26.3%	25.3%	24.4%	23.5%	22.8%	22.1%	21.4%	20.0%	19.0%	
Average Size of Issuance	863,099,740	863,080,300	877,248,019	881,115,520	885,694,549	889,837,556	891,413,856	892,183,721	895,352,995	904,197,718	906,444,995	
Class 3 Bonds -												
Average Size Over All Scenarios	89,104,935	85,116,585	81,191,112	79,149,245	77,211,059	75,299,424	73,452,314	71,755,972	70,223,532	67,138,393	64,123,059	
Probability of Issuance	18.0%	17.0%	16.3%	16.0%	15.6%	15.2%	14.9%	14.5%	14.1%	13.5%	13.0%	
Average Size of Issuance	495,853,839	499,510,478	496,885,631	494,373,797	495,260,157	494,090,707	492,307,738	495,894,761	497,686,264	498,799,352	493,254,300	
XS of Class 3 Bonds -												
Average Size Over All Scenarios	587,158,647	565,085,847	543,718,854	533,388,715	523,283,587	513,415,972	503,721,696	494,203,547	484,830,367	466,793,767	449,566,721	
Probability of Exceedence	15.0%	14.5%	13.7%	13.4%	13.1%	12.8%	12.6%	12.4%	12.2%	11.6%	11.1%	
Average Size of Exceedence	3,917,002,314	3,910,628,699	3,957,196,897	3,980,512,801	3,985,404,319	4,004,804,771	4,007,332,504	3,998,410,575	3,987,091,831	4,020,618,148	4,061,126,654	
Average Ceded AAL -												
Average Size Over All Scenarios	19,692,839	19,692,839	19,692,839	19,692,839	19,692,839	19,692,839	19,692,839	19,692,839	19,692,839	19,692,839	19,692,839	
Probability of Cession	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	
Average Size of Cession	62,876,241	62,876,241	62,876,241	62,876,241	62,876,241	62,876,241	62,876,241	62,876,241	62,876,241	62,876,241	62,876,241	
Average Reinstatement Premiums -												
Average Size Over All Scenarios	3,278,437	3,278,437	3,278,437	3,278,437	3,278,437	3,278,437	3,278,437	3,278,437	3,278,437	3,278,437	3,278,437	
Probability of Payment	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	
Average Size of Payment	10,467,550	10,467,550	10,467,550	10,467,550	10,467,550	10,467,550	10,467,550	10,467,550	10,467,550	10,467,550	10,467,550	
Net Results -												
Probability of Surplus at End of Period	55.9%	62.8%	67.7%	69.9%	72.2%	74.0%	75.7%	77.3%	78.8%	81.0%	82.8%	
Probability of Deficit Between \$0 and \$0.5B	9.3%	7.0%	6.2%	5.7%	4.9%	4.7%	4.2%	3.7%	3.1%	2.6%	2.5%	
Probability of Deficit Between \$0.5B and \$1.0B	6.8%	5.7%	4.7%	4.1%	3.8%	3.1%	2.9%	2.6%	2.5%	2.3%	1.7%	
Probability of Deficit Between \$1.0B and \$2.0B	8.8%	7.1%	5.7%	5.4%	4.9%	4.5%	4.2%	4.0%	3.8%	3.4%	3.1%	
Probability of Deficit Between \$2.0B and \$3.0B	5.0%	4.3%	3.9%	3.6%	3.4%	3.3%	3.1%	2.9%	2.6%	2.4%	2.1%	
Probability of Deficit Between \$3.0B and \$4.0B	3.4%	3.2%	2.6%	2.5%	2.4%	2.3%	2.2%	2.1%	1.9%	1.7%	1.6%	
Probability of Deficit Greauer than \$4.0B	10.9%	9.9%	9.2%	8.8%	8.5%	8.1%	7.7%	7.5%	7.3%	6.7%	6.1%	

5 Year Scenarios	Rate Change Scenarios											
	<u>-20%</u>	<u>-10%</u>	<u>0%</u>	<u>5%</u>	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>40%</u>	<u>50%</u>	
Class 1 Bonds -												
Average Size Over All Scenarios	265,655,897	249,803,941	235,053,654	228,254,216	221,926,695	215,909,629	210,185,676	204,729,596	199,466,580	189,608,124	180,702,269	
Probability of Issuance	31.4%	29.7%	28.1%	27.1%	26.2%	25.6%	24.7%	24.1%	23.6%	22.3%	21.0%	
Average Size of Issuance	846,577,110	842,225,021	835,597,775	841,955,796	845,757,221	845,047,473	849,578,319	849,500,400	845,914,250	850,642,099	860,486,997	
Class 2 Bonds -												
Average Size Over All Scenarios	138,305,073	132,665,119	127,503,806	125,064,948	122,709,071	120,429,277	118,240,846	116,126,844	114,128,631	110,337,159	106,727,693	
Probability of Issuance	16.4%	15.4%	14.9%	14.5%	14.3%	14.0%	13.7%	13.4%	13.1%	12.6%	12.2%	
Average Size of Issuance	841,271,733	859,230,046	856,880,419	861,922,455	859,909,397	860,823,993	861,813,746	865,971,993	869,882,856	872,920,559	874,817,157	
Class 3 Bonds -												
Average Size Over All Scenarios	49,536,354	48,078,723	46,705,859	45,986,042	45,279,575	44,574,276	43,882,489	43,215,049	42,546,672	41,199,254	39,976,159	
Probability of Issuance	10.4%	10.0%	9.8%	9.6%	9.5%	9.3%	9.2%	9.1%	9.0%	8.7%	8.4%	
Average Size of Issuance	476,769,529	479,349,185	478,053,827	478,522,809	477,632,648	477,752,153	478,022,755	475,936,667	475,381,813	476,291,954	474,776,241	
XS of Class 3 Bonds -												
Average Size Over All Scenarios	308,550,310	301,016,875	293,732,220	290,205,634	286,737,622	283,332,626	279,966,268	276,640,933	273,366,181	267,005,987	260,824,552	
Probability of Exceedence	8.7%	8.4%	8.2%	8.0%	7.9%	7.7%	7.7%	7.6%	7.4%	7.2%	7.0%	
Average Size of Exceedence	3,558,827,101	3,575,022,269	3,582,100,238	3,636,662,084	3,643,425,952	3,660,628,242	3,654,912,114	3,654,437,685	3,684,180,334	3,698,143,864	3,720,749,677	
Average Ceded AAL -												
Average Size Over All Scenarios	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Probability of Cession	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Average Size of Cession	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Average Reinstatement Premiums -												
Average Size Over All Scenarios	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Probability of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Average Size of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Net Results -												
Probability of Surplus at End of Period	76.6%	78.9%	80.6%	81.5%	82.2%	83.0%	83.7%	84.4%	85.0%	85.8%	86.8%	
Probability of Deficit Between \$0 and \$0.5B	5.4%	4.8%	4.4%	3.9%	3.6%	3.2%	3.1%	2.8%	2.7%	2.6%	2.5%	
Probability of Deficit Between \$0.5B and \$1.0B	3.7%	3.1%	2.7%	2.6%	2.6%	2.6%	2.4%	2.4%	2.3%	2.1%	1.8%	
Probability of Deficit Between \$1.0B and \$2.0B	4.7%	4.3%	3.8%	3.7%	3.5%	3.2%	3.0%	2.8%	2.5%	2.2%	2.1%	
Probability of Deficit Between \$2.0B and \$3.0B	2.2%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	1.9%	2.0%	2.0%	1.8%	
Probability of Deficit Between \$3.0B and \$4.0B	1.9%	1.9%	1.8%	1.7%	1.6%	1.5%	1.4%	1.5%	1.5%	1.4%	1.2%	
Probability of Deficit Greater than \$4.0B	5.4%	5.0%	4.7%	4.6%	4.6%	4.4%	4.3%	4.2%	4.1%	3.9%	3.8%	

10 Year Scenarios	Rate Change Scenarios											
	-20%	-10%	0%	5%	10%	15%	20%	25%	30%	40%	50%	
Class 1 Bonds -												
Average Size Over All Scenarios	461,547,662	424,581,143	391,812,697	377,094,973	363,417,464	350,540,802	338,453,442	326,959,030	316,106,621	296,401,293	278,592,199	
Probability of Issuance	44.1%	41.4%	38.9%	37.4%	36.1%	35.0%	33.9%	32.9%	32.0%	30.0%	28.3%	
Average Size of Issuance	1,046,118,907	1,026,798,411	1,008,267,363	1,008,005,810	1,006,417,790	1,000,401,832	998,977,100	995,309,072	989,379,096	987,017,292	984,424,730	
Class 2 Bonds -												
Average Size Over All Scenarios	250,562,556	236,237,993	223,236,909	217,202,627	211,387,882	205,874,475	200,686,187	195,763,989	191,031,517	182,147,223	173,914,780	
Probability of Issuance	26.8%	24.9%	23.7%	23.1%	22.5%	21.9%	21.3%	20.7%	20.2%	19.2%	18.3%	
Average Size of Issuance	934,934,911	949,128,138	941,530,618	941,493,831	939,084,328	939,208,372	940,863,510	943,895,798	943,831,608	949,177,816	948,281,241	
Class 3 Bonds -												
Average Size Over All Scenarios	91,588,289	87,396,223	83,566,391	81,715,934	79,871,671	78,054,052	76,259,718	74,543,029	72,827,211	69,438,104	66,332,947	
Probability of Issuance	18.1%	17.3%	16.5%	16.2%	15.8%	15.5%	15.1%	14.8%	14.5%	13.9%	13.3%	
Average Size of Issuance	506,292,364	505,472,661	505,238,157	505,355,190	505,837,055	503,249,853	504,029,861	502,650,226	501,910,481	501,358,150	500,248,467	
XS of Class 3 Bonds -												
Average Size Over All Scenarios	604,379,154	581,271,318	559,369,468	548,764,639	538,466,769	528,382,219	518,433,502	508,712,356	499,330,330	481,250,780	464,066,879	
Probability of Exceedence	15.5%	14.8%	14.1%	13.8%	13.5%	13.2%	12.9%	12.6%	12.3%	11.8%	11.3%	
Average Size of Exceedence	3,909,308,886	3,922,208,623	3,955,936,829	3,985,218,872	4,003,470,399	4,015,062,452	4,006,441,285	4,027,809,630	4,049,718,818	4,088,791,670	4,092,300,521	
Average Ceded AAL -												
Average Size Over All Scenarios	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Probability of Cession	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Average Size of Cession	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Average Reinstatement Premiums -												
Average Size Over All Scenarios	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Probability of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Average Size of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Net Results -												
Probability of Surplus at End of Period	70.4%	73.6%	76.5%	77.9%	79.1%	80.1%	81.0%	81.9%	82.6%	84.0%	85.7%	
Probability of Deficit Between \$0 and \$0.5B	4.7%	4.3%	3.5%	3.0%	2.7%	2.5%	2.3%	2.1%	2.2%	2.1%	1.4%	
Probability of Deficit Between \$0.5B and \$1.0B	3.8%	3.1%	2.5%	2.3%	2.1%	2.2%	2.4%	2.1%	1.7%	1.7%	1.7%	
Probability of Deficit Between \$1.0B and \$2.0B	4.9%	4.6%	3.8%	3.8%	3.8%	3.5%	3.1%	3.2%	3.1%	2.7%	2.4%	
Probability of Deficit Between \$2.0B and \$3.0B	3.7%	3.2%	3.3%	3.1%	2.7%	2.5%	2.4%	2.3%	2.2%	1.9%	1.8%	
Probability of Deficit Between \$3.0B and \$4.0B	2.8%	2.4%	2.2%	2.1%	2.0%	1.9%	1.8%	1.8%	1.6%	1.5%	1.4%	
Probability of Deficit Greauer than \$4.0B	9.7%	9.0%	8.2%	7.9%	7.6%	7.4%	7.1%	6.8%	6.5%	6.1%	5.6%	

5 Year Scenarios	Rate Change Scenarios											
	-20%	-10%	0%	5%	10%	15%	20%	25%	30%	40%	50%	
Class 1 Bonds -												
Average Size Over All Scenarios	301,148,356	277,948,027	257,211,080	247,528,482	238,273,442	229,330,767	220,765,291	212,714,689	205,265,532	191,616,409	179,411,499	
Probability of Issuance	37.2%	34.3%	31.8%	30.7%	29.8%	29.1%	28.0%	26.9%	25.8%	24.1%	22.5%	
Average Size of Issuance	810,191,972	811,053,480	809,858,564	807,070,368	799,039,041	789,434,653	787,322,721	791,938,529	794,986,568	795,749,205	797,030,203	
Class 2 Bonds -												
Average Size Over All Scenarios	123,640,141	116,554,733	110,217,127	107,441,556	104,888,275	102,469,050	100,162,387	97,951,819	95,886,412	92,014,254	88,398,848	
Probability of Issuance	16.7%	15.6%	14.3%	13.7%	13.3%	13.0%	12.7%	12.3%	12.0%	11.5%	11.1%	
Average Size of Issuance	741,247,849	748,104,833	771,828,623	784,817,797	789,821,346	789,437,980	790,547,649	794,418,646	797,723,890	799,428,789	796,386,016	
Class 3 Bonds -												
Average Size Over All Scenarios	39,295,578	37,989,951	36,854,730	36,311,215	35,780,952	35,255,941	34,731,263	34,214,292	33,694,269	32,668,674	31,574,011	
Probability of Issuance	8.5%	8.1%	7.8%	7.7%	7.6%	7.5%	7.3%	7.2%	7.2%	6.9%	6.8%	
Average Size of Issuance	460,135,574	469,011,742	471,288,101	470,962,580	469,566,306	470,706,826	473,177,976	475,859,420	470,590,351	470,730,169	467,763,127	
XS of Class 3 Bonds -												
Average Size Over All Scenarios	231,154,558	225,140,366	219,268,199	216,391,219	213,555,986	210,747,008	207,991,639	205,315,986	202,690,583	197,547,479	192,662,643	
Probability of Exceedence	6.9%	6.7%	6.5%	6.5%	6.4%	6.3%	6.2%	6.1%	6.0%	5.7%	5.6%	
Average Size of Exceedence	3,354,928,268	3,365,326,846	3,352,724,762	3,344,531,980	3,347,272,503	3,339,889,190	3,338,549,579	3,382,470,945	3,366,953,203	3,441,593,703	3,465,155,457	
Average Ceded AAL -												
Average Size Over All Scenarios	17,043,590	17,043,590	17,043,590	17,043,590	17,043,590	17,043,590	17,043,590	17,043,590	17,043,590	17,043,590	17,043,590	
Probability of Cession	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	
Average Size of Cession	114,233,179	114,233,179	114,233,179	114,233,179	114,233,179	114,233,179	114,233,179	114,233,179	114,233,179	114,233,179	114,233,179	
Average Reinstatement Premiums -												
Average Size Over All Scenarios	2,860,855	2,860,855	2,860,855	2,860,855	2,860,855	2,860,855	2,860,855	2,860,855	2,860,855	2,860,855	2,860,855	
Probability of Payment	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	
Average Size of Payment	19,174,634	19,174,634	19,174,634	19,174,634	19,174,634	19,174,634	19,174,634	19,174,634	19,174,634	19,174,634	19,174,634	
Net Results -												
Probability of Surplus at End of Period	70.0%	73.2%	75.8%	77.1%	78.4%	79.4%	80.5%	82.1%	83.2%	85.1%	86.6%	
Probability of Deficit Between \$0 and \$0.5B	8.3%	7.1%	7.3%	7.2%	6.6%	6.4%	6.0%	5.0%	4.5%	3.8%	3.4%	
Probability of Deficit Between \$0.5B and \$1.0B	6.6%	6.1%	4.6%	4.1%	3.9%	3.7%	3.4%	3.1%	2.9%	2.3%	1.8%	
Probability of Deficit Between \$1.0B and \$2.0B	6.3%	5.3%	4.6%	4.0%	3.7%	3.3%	3.0%	3.0%	2.8%	2.6%	2.5%	
Probability of Deficit Between \$2.0B and \$3.0B	2.6%	2.5%	2.2%	2.3%	2.3%	2.2%	2.2%	2.1%	2.0%	1.8%	1.7%	
Probability of Deficit Between \$3.0B and \$4.0B	1.9%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	1.2%	1.1%	1.1%	1.1%	
Probability of Deficit Greater than \$4.0B	4.4%	4.1%	3.9%	3.9%	3.8%	3.7%	3.7%	3.5%	3.5%	3.2%	3.0%	

10 Year Scenarios	Rate Change Scenarios											
	-20%	-10%	0%	5%	10%	15%	20%	25%	30%	40%	50%	
Class 1 Bonds -												
Average Size Over All Scenarios	555,452,144	494,483,550	442,446,567	419,255,028	397,734,262	378,001,902	360,008,928	343,395,843	328,044,346	300,732,914	277,021,640	
Probability of Issuance	53.4%	48.8%	44.5%	42.8%	41.0%	39.4%	37.7%	36.2%	34.6%	32.1%	29.9%	
Average Size of Issuance	1,039,977,803	1,012,870,851	994,261,949	980,254,917	969,847,018	960,126,751	956,199,013	949,394,091	948,105,047	937,446,741	925,255,980	
Class 2 Bonds -												
Average Size Over All Scenarios	235,509,002	217,116,532	201,785,456	194,998,814	188,698,102	182,759,504	177,095,319	171,814,935	166,959,517	157,881,640	149,210,414	
Probability of Issuance	28.4%	25.8%	23.4%	22.3%	21.6%	20.9%	20.3%	19.5%	18.9%	17.9%	17.1%	
Average Size of Issuance	830,133,950	842,189,806	861,962,648	873,259,355	875,629,244	873,194,001	872,820,694	879,748,771	881,518,039	882,020,334	874,109,047	
Class 3 Bonds -												
Average Size Over All Scenarios	78,086,405	74,094,782	70,415,014	68,729,367	67,089,369	65,428,665	63,841,221	62,236,938	60,614,131	57,584,524	54,747,982	
Probability of Issuance	15.9%	15.0%	14.3%	13.9%	13.6%	13.3%	12.9%	12.6%	12.4%	11.8%	11.2%	
Average Size of Issuance	491,109,467	492,979,257	494,140,447	495,168,353	495,124,498	493,428,844	494,509,845	493,161,161	489,613,337	487,591,229	488,821,268	
XS of Class 3 Bonds -												
Average Size Over All Scenarios	474,270,193	454,813,150	436,031,828	426,945,255	418,107,682	409,462,085	401,004,420	392,806,893	384,835,495	369,429,802	354,885,023	
Probability of Exceedence	13.3%	12.7%	12.2%	11.9%	11.5%	11.3%	11.0%	10.7%	10.4%	9.9%	9.5%	
Average Size of Exceedence	3,563,262,153	3,592,520,931	3,588,739,329	3,590,792,729	3,635,718,977	3,623,558,279	3,638,878,580	3,671,092,460	3,686,163,747	3,739,168,037	3,739,568,210	
Average Ceded AAL -												
Average Size Over All Scenarios	17,699,382	17,699,382	17,699,382	17,699,382	17,699,382	17,699,382	17,699,382	17,699,382	17,699,382	17,699,382	17,699,382	
Probability of Cession	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	
Average Size of Cession	62,081,311	62,081,311	62,081,311	62,081,311	62,081,311	62,081,311	62,081,311	62,081,311	62,081,311	62,081,311	62,081,311	
Average Reinstatement Premiums -												
Average Size Over All Scenarios	2,955,163	2,955,163	2,955,163	2,955,163	2,955,163	2,955,163	2,955,163	2,955,163	2,955,163	2,955,163	2,955,163	
Probability of Payment	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	
Average Size of Payment	10,365,355	10,365,355	10,365,355	10,365,355	10,365,355	10,365,355	10,365,355	10,365,355	10,365,355	10,365,355	10,365,355	
Net Results -												
Probability of Surplus at End of Period	58.7%	65.6%	70.9%	73.1%	75.0%	76.9%	78.6%	79.9%	81.2%	83.1%	85.2%	
Probability of Deficit Between \$0 and \$0.5B	9.3%	7.5%	5.9%	5.3%	4.8%	4.2%	3.6%	3.2%	2.9%	2.7%	2.0%	
Probability of Deficit Between \$0.5B and \$1.0B	6.7%	5.4%	4.2%	3.6%	3.3%	2.9%	2.8%	2.7%	2.3%	2.1%	1.9%	
Probability of Deficit Between \$1.0B and \$2.0B	8.2%	6.5%	5.3%	4.9%	4.7%	4.4%	4.0%	3.8%	3.7%	3.0%	2.7%	
Probability of Deficit Between \$2.0B and \$3.0B	4.7%	4.0%	3.8%	3.4%	3.0%	2.8%	2.7%	2.6%	2.3%	2.1%	1.8%	
Probability of Deficit Between \$3.0B and \$4.0B	3.2%	2.7%	2.3%	2.3%	2.1%	2.0%	1.8%	1.7%	1.7%	1.6%	1.4%	
Probability of Deficit Greauer than \$4.0B	9.3%	8.4%	7.7%	7.4%	7.1%	6.8%	6.5%	6.2%	6.0%	5.4%	5.1%	

Texas Windstorm Insurance Association
 Indications Under Various Profit & Contingencies Assumptions
 Statewide

Appendix D
 Sheet 1

<u>Program</u>	12/31/2011 On-Level <u>Inforce Premium</u>	<u>"Traditional" Actuarial Indication</u>			
		<u>Profit and Contingencies Assumption</u>			
		<u>0%</u>	<u>5%</u>	<u>10%</u>	<u>20%</u>
Residential (Non-Mobilehome)	321,107,786	10.10%	17.44%	25.84%	46.82%
Commercial	104,970,359	1.56%	8.33%	16.08%	35.44%
Mobilehome	978,942	-36.58%	-32.35%	-27.52%	-15.43%
Total:	427,057,087	7.89%	15.09%	23.31%	43.88%

Texas Windstorm Insurance Association
Indications Under Various Profit & Contingencies Assumptions
Residential (Non-Mobilehome) - Territorial

Appendix D
 Sheet 2

Territory	Description	12/31/2011 On-Level Inforce Premium	Rebalanced Indicated Change			
			Profit and Contingencies Assumption			
			0%	5%	10%	20%
11	Aransas - All	10,517,925	17.9%	25.8%	34.8%	57.3%
21	Brazoria - Beach	5,743,292	37.3%	46.5%	56.9%	83.1%
22	Brazoria - Seacoast	24,007,443	-16.3%	-10.8%	-4.4%	11.6%
23	Brazoria - Inland	34,424,866	-42.5%	-38.7%	-34.3%	-23.3%
31	Calhoun - Beach	1,980,474	33.5%	42.4%	52.5%	78.0%
32	Calhoun - Seacoast	2,798,160	-7.5%	-1.3%	5.7%	23.3%
41	Cameron - Beach	7,556,730	-3.3%	3.1%	10.5%	28.9%
42	Cameron - Seacoast	8,617,262	-48.2%	-44.8%	-40.8%	-30.9%
51	Chambers - Beach	1,059,175	-9.5%	-3.4%	3.5%	20.7%
52	Chambers - Seacoast	5,886,347	-22.5%	-17.4%	-11.4%	3.3%
53	Chambers - Inland	996,659	-36.1%	-31.8%	-26.9%	-14.8%
61	Galveston - Beach	31,408,760	129.2%	144.5%	162.0%	205.7%
62	Galveston - Seacoast	26,780,012	51.6%	61.7%	73.3%	102.2%
63	Galveston - Inland	42,563,501	-1.6%	4.9%	12.4%	31.2%
71	Harris - Bay	3,286,293	170.3%	188.3%	208.9%	260.4%
72	Harris - Inland	14,426	65.5%	76.5%	89.1%	120.7%
81	Jefferson - Beach	64,384	3.7%	10.6%	18.5%	38.3%
82	Jefferson - Seacoast	22,870,983	-10.8%	-4.9%	1.9%	18.9%
83	Jefferson - Inland	16,715,976	-39.9%	-35.9%	-31.3%	-19.9%
91	Kenedy - All	33,377	-34.9%	-30.6%	-25.6%	-13.2%
101	Kleberg - All	1,452,231	-49.6%	-46.2%	-42.4%	-32.8%
111	Matagorda - Beach	1,932,410	16.1%	23.8%	32.6%	54.8%
112	Matagorda - Seacoast	3,766,889	-0.7%	6.0%	13.5%	32.5%
121	Nueces - Beach	14,343,044	34.4%	43.4%	53.6%	79.3%
122	Nueces - Seacoast	31,960,990	0.9%	7.6%	15.3%	34.6%
123	Nueces - Inland 1	7,558,635	-10.5%	-4.6%	2.3%	19.3%
124	Nueces - Inland 2	1,330,342	-30.4%	-25.8%	-20.5%	-7.2%
131	Refugio - Beach	201,213	-15.4%	-9.8%	-3.3%	12.8%
132	Refugio - Seacoast	289,738	-39.2%	-35.2%	-30.6%	-19.0%
141	San Patricio - Beach	8,619,741	-3.9%	2.5%	9.8%	28.1%
142	San Patricio - Seacoast	1,576,623	-30.9%	-26.3%	-21.0%	-7.8%
151	Willacy - Beach	345,744	-4.7%	1.6%	8.9%	27.1%
152	Willacy - Seacoast	239,801	-47.9%	-44.4%	-40.4%	-30.5%
Total:			10.1%	17.4%	25.8%	46.8%

Texas Windstorm Insurance Association
Indications Under Various Profit & Contingencies Assumptions
Commercial - Territorial

Appendix D
 Sheet 3

Territory	Description	12/31/2011 On-Level Inforce Premium	Rebalanced Indicated Change			
			Profit and Contingencies Assumption			
			0%	5%	10%	20%
11	Aransas - All	3,154,282	-5.5%	0.8%	8.0%	26.0%
21	Brazoria - Beach	2,038,475	-12.1%	-6.3%	0.4%	17.2%
22	Brazoria - Seacoast	6,531,018	-33.5%	-29.1%	-24.0%	-11.3%
23	Brazoria - Inland	2,947,782	-55.6%	-52.6%	-49.2%	-40.7%
31	Calhoun - Beach	515,858	-19.7%	-14.4%	-8.3%	7.0%
32	Calhoun - Seacoast	1,367,439	-34.5%	-30.1%	-25.1%	-12.6%
41	Cameron - Beach	7,396,934	13.0%	20.5%	29.1%	50.7%
42	Cameron - Seacoast	5,181,682	-55.8%	-52.8%	-49.4%	-41.0%
51	Chambers - Beach	486,618	-10.6%	-4.6%	2.2%	19.3%
52	Chambers - Seacoast	719,709	-43.4%	-39.6%	-35.3%	-24.5%
53	Chambers - Inland	42,703	-55.0%	-52.0%	-48.6%	-40.0%
61	Galveston - Beach	15,686,988	102.1%	115.6%	131.0%	169.6%
62	Galveston - Seacoast	10,146,729	22.5%	30.7%	40.0%	63.4%
63	Galveston - Inland	5,549,600	-6.0%	0.2%	7.4%	25.3%
71	Harris - Bay	878,422	16.4%	24.1%	33.0%	55.2%
72	Harris - Inland	0	2.4%	9.2%	17.0%	36.5%
81	Jefferson - Beach	35,261	-30.7%	-26.1%	-20.8%	-7.6%
82	Jefferson - Seacoast	8,466,577	-34.3%	-30.0%	-24.9%	-12.4%
83	Jefferson - Inland	4,328,778	-51.7%	-48.4%	-44.7%	-35.5%
91	Kenedy - All	58,041	-66.3%	-64.0%	-61.4%	-55.0%
101	Kleberg - All	1,158,558	-60.3%	-57.6%	-54.6%	-47.0%
111	Matagorda - Beach	672,374	-30.0%	-25.4%	-20.0%	-6.7%
112	Matagorda - Seacoast	1,205,278	-37.7%	-33.6%	-28.8%	-17.0%
121	Nueces - Beach	5,652,755	35.4%	44.4%	54.8%	80.6%
122	Nueces - Seacoast	12,908,628	-14.4%	-8.7%	-2.2%	14.1%
123	Nueces - Inland 1	3,058,899	-32.2%	-27.7%	-22.6%	-9.6%
124	Nueces - Inland 2	457,505	-51.1%	-47.8%	-44.1%	-34.8%
131	Refugio - Beach	15,105	-50.9%	-47.7%	-43.9%	-34.6%
132	Refugio - Seacoast	239,494	-59.7%	-57.0%	-53.9%	-46.3%
141	San Patricio - Beach	2,441,909	-34.9%	-30.5%	-25.5%	-13.1%
142	San Patricio - Seacoast	778,933	-57.5%	-54.7%	-51.5%	-43.4%
151	Willacy - Beach	118,902	-41.5%	-37.5%	-33.1%	-21.9%
152	Willacy - Seacoast	311,160	-69.9%	-67.9%	-65.6%	-59.8%
Total:			1.6%	8.3%	16.1%	35.4%

Texas Windstorm Insurance Association
Indications Under Various Profit & Contingencies Assumptions
Mobilehome - Territorial

Appendix D
 Sheet 4

Territory	Description	12/31/2011 On-Level Inforce Premium	Rebalanced Indicated Change			
			Profit and Contingencies Assumption			
			0%	5%	10%	20%
11	Aransas - All	122,907	-30.0%	-25.3%	-20.0%	-6.7%
21	Brazoria - Beach	23,846	-39.7%	-35.7%	-31.1%	-19.6%
22	Brazoria - Seacoast	94,951	-46.2%	-42.6%	-38.5%	-28.2%
23	Brazoria - Inland	48,647	-51.2%	-48.0%	-44.2%	-34.9%
31	Calhoun - Beach	106,336	-23.6%	-18.5%	-12.6%	1.9%
32	Calhoun - Seacoast	23,901	-53.3%	-50.2%	-46.6%	-37.7%
41	Cameron - Beach	31,911	-48.4%	-45.0%	-41.1%	-31.2%
42	Cameron - Seacoast	17,720	-66.4%	-64.2%	-61.6%	-55.2%
51	Chambers - Beach	27,092	-38.8%	-34.7%	-30.0%	-18.3%
52	Chambers - Seacoast	44,421	-36.0%	-31.7%	-26.9%	-14.7%
53	Chambers - Inland	12,753	-54.9%	-51.9%	-48.5%	-39.9%
61	Galveston - Beach	10,028	-32.0%	-27.4%	-22.2%	-9.3%
62	Galveston - Seacoast	148,862	-14.3%	-8.6%	-2.1%	14.3%
63	Galveston - Inland	90,725	-39.5%	-35.5%	-30.8%	-19.3%
71	Harris - Bay	6,721	28.1%	36.6%	46.4%	70.8%
72	Harris - Inland	0	6.1%	13.2%	21.3%	41.6%
81	Jefferson - Beach	23,489	-51.8%	-48.6%	-44.9%	-35.7%
82	Jefferson - Seacoast	9,464	-58.6%	-55.8%	-52.6%	-44.7%
83	Jefferson - Inland	7,833	-60.9%	-58.3%	-55.3%	-47.8%
91	Kenedy - All	1,838	-75.8%	-74.2%	-72.4%	-67.7%
101	Kleberg - All	8,515	-70.6%	-68.6%	-66.3%	-60.7%
111	Matagorda - Beach	20,976	-35.8%	-31.5%	-26.6%	-14.3%
112	Matagorda - Seacoast	8,539	-49.6%	-46.3%	-42.4%	-32.8%
121	Nueces - Beach	20,970	-44.8%	-41.1%	-36.9%	-26.4%
122	Nueces - Seacoast	2,498	-52.7%	-49.5%	-45.9%	-36.9%
123	Nueces - Inland 1	12,913	-62.6%	-60.1%	-57.2%	-50.1%
124	Nueces - Inland 2	8,226	-67.0%	-64.8%	-62.3%	-56.0%
131	Refugio - Beach	3,780	-50.3%	-47.0%	-43.2%	-33.7%
132	Refugio - Seacoast	4,410	-64.6%	-62.3%	-59.6%	-52.8%
141	San Patricio - Beach	17,108	-37.3%	-33.1%	-28.4%	-16.4%
142	San Patricio - Seacoast	8,252	-55.7%	-52.8%	-49.4%	-40.9%
151	Willacy - Beach	6,143	-53.6%	-50.5%	-47.0%	-38.2%
152	Willacy - Seacoast	1,313	-33.5%	-29.0%	-24.0%	-11.3%
Total:			-36.6%	-32.4%	-27.5%	-15.4%

On January 9th, 2011, a powerful squall line moved across South Texas near Corpus Christie. The event caused widespread wind damage from strong straight line winds in excess of 60 mph in several locations. The event also spawned a long track EF-1 tornado that caused damage along a path in excess of 20 miles. This was the first January tornado in South Texas since 1950.

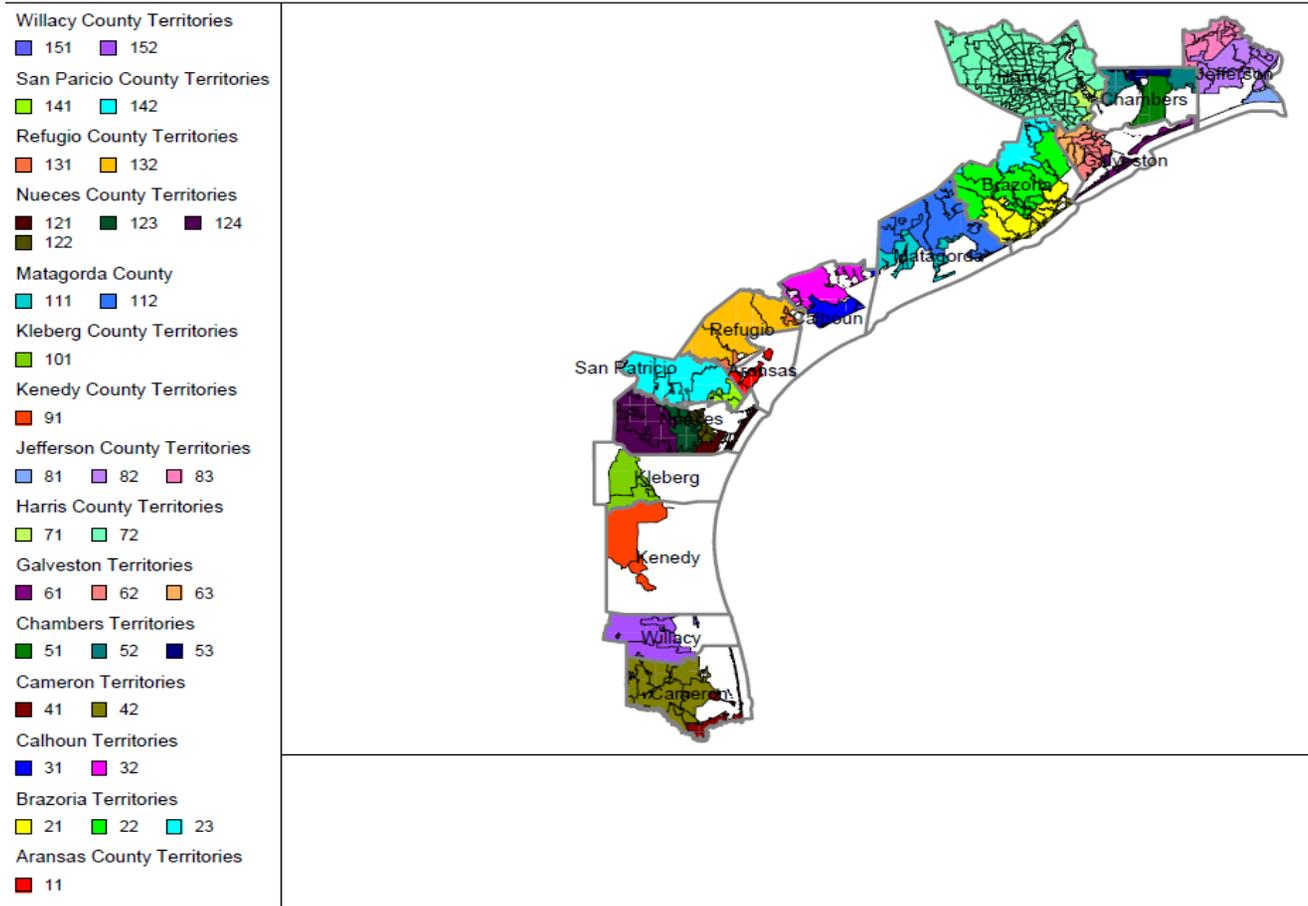
The event caused significant losses to TWIA totaling more than \$70 million in loss payments. The inclusion of all losses from this event in the 5 year experience period would cause material bias in our indications due to the irregularity of this type of event. In the table below, we have included historic tornado information from NOAA to help analyze the nature of this event. We assume that the only non-hurricane events that could cause this level of losses for TWIA would be severe wind events that occur in the counties of Brazoria, Nueces, or Galveston counties (the largest counties by TIV in the Company). The NOAA data below shows the historic tornado activity from 1950 through 2010, in these counties by storm track length (in miles) and F-Scale. Based on this data, we estimate that the Robstown event is around a 1 in 12 year event. This is based on similar or stronger storms in these counties with storm tracks over 15 miles long. Adjustments to the loss amounts from this event are made in Exhibit III, Sheet 5.

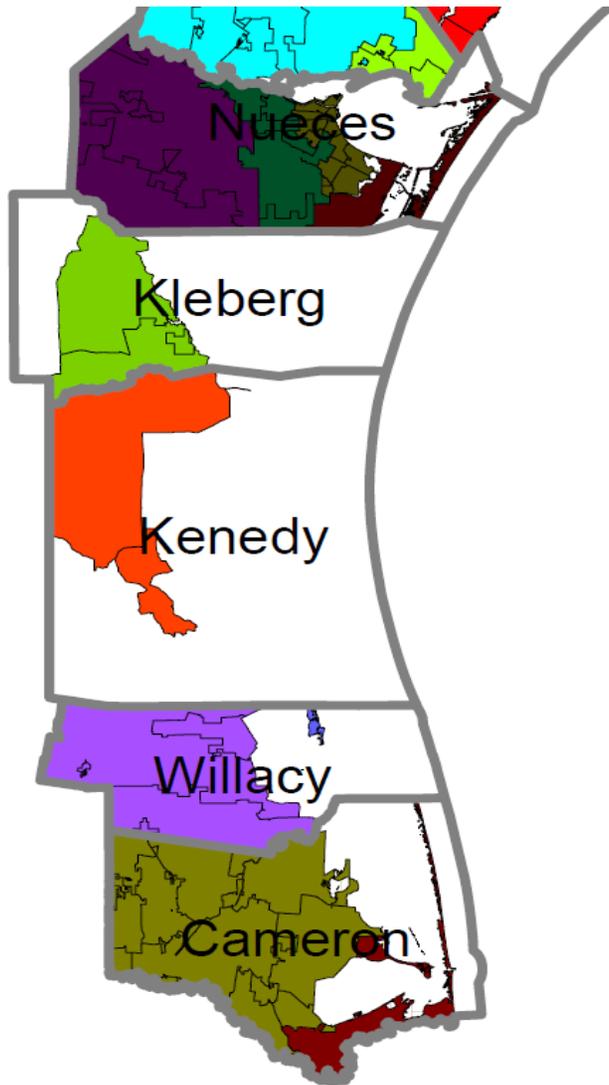
Track Length (mi)	Unknown	0	F-Scale Strength			
			1	2	3	4
<1mi	10	130	52	5	1	0
1-5mi	0	20	26	10	5	1
5-10mi	0	2	2	5	0	0
10-15mi	1	0	1	1	1	0
15-20mi	0	0	2	2	0	0
20-25mi	0	0	0	0	0	0
>25mi	0	0	1	0	0	0

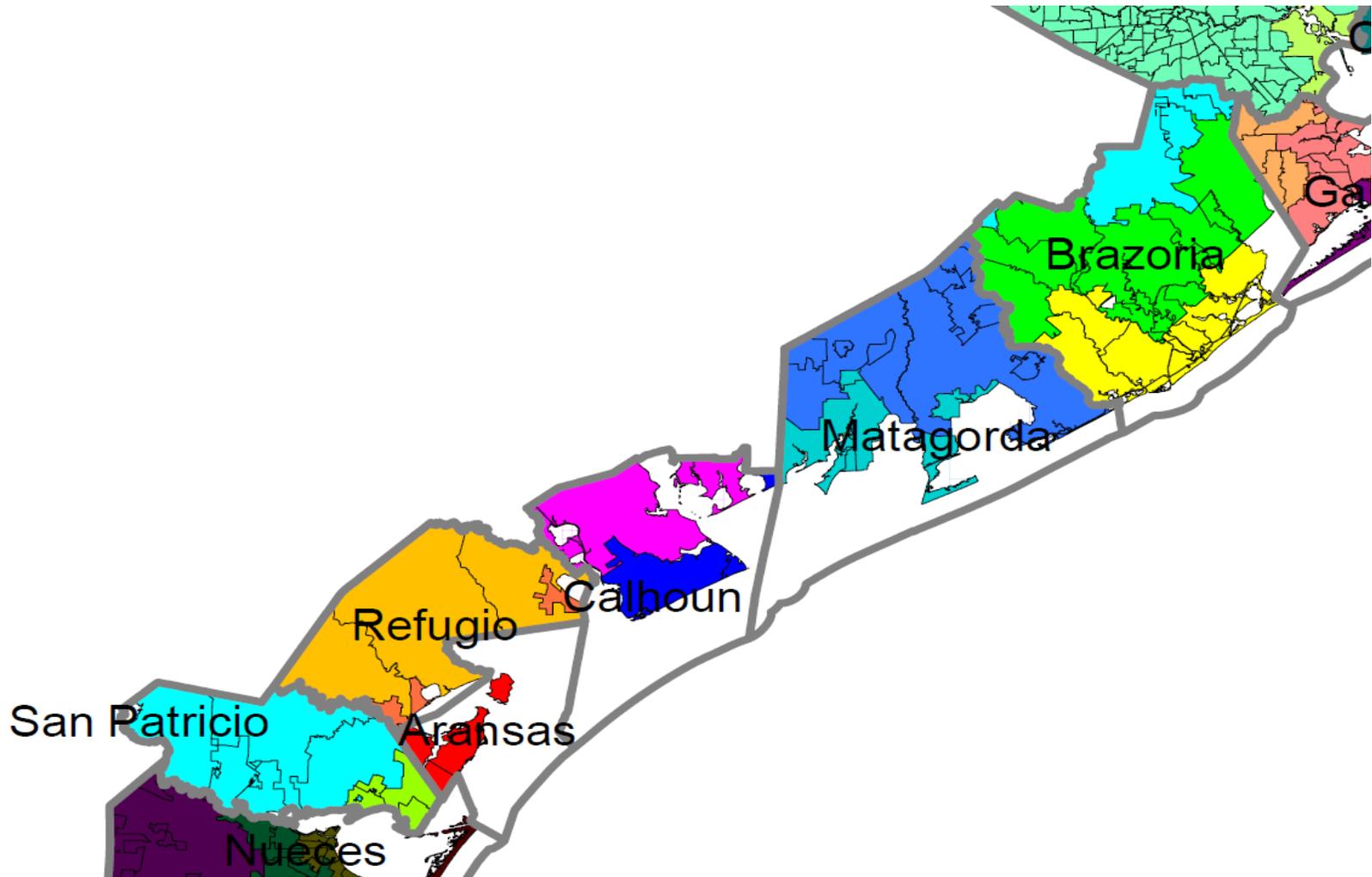
Total Years Observed: 60
 Event Characteristics: EF-1, with Track of 15+ miles
 # Similar Events: 5
 Probability per Year: 8.3%
 Return Period in Years: 12

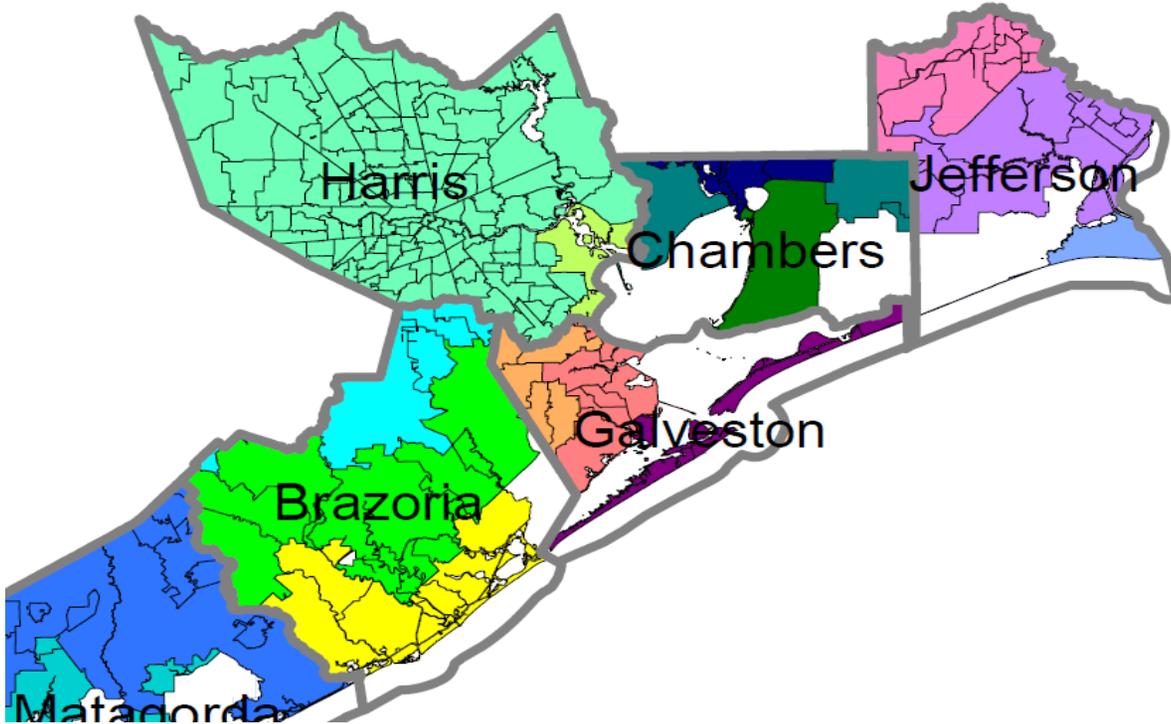
Texas Windstorm Insurance Association
 Redefined Territory Set

Appendix F









Texas Windstorm Insurance Association
 Redefined Territory Set
 Mapping of Each County and Zip Code

County	Zip	Type	Territorial Definition
Aransas	78358	Pobox	11
Aransas	78381	Pobox	11
Aransas	78336	standard	11
Aransas	78382	standard	11
Aransas	78390	standard	11
Brazoria	77431	Pobox	22
Brazoria	77463	Pobox	22
Brazoria	77512	Pobox	22
Brazoria	77516	Pobox	22
Brazoria	77542	Pobox	21
Brazoria	77588	Pobox	23
Brazoria	77047	standard	23
Brazoria	77422	standard	21
Brazoria	77430	standard	22
Brazoria	77444	standard	23
Brazoria	77480	standard	22
Brazoria	77486	standard	22
Brazoria	77511	standard	22
Brazoria	77515	standard	22
Brazoria	77531	standard	22
Brazoria	77534	standard	22
Brazoria	77541	standard	21
Brazoria	77546	standard	23
Brazoria	77566	standard	22
Brazoria	77577	standard	22
Brazoria	77578	standard	23
Brazoria	77581	standard	23
Brazoria	77583	standard	23
Brazoria	77584	standard	23
Calhoun	77978	Pobox	32
Calhoun	77982	Pobox	31
Calhoun	77465	standard	31
Calhoun	77979	standard	32
Calhoun	77983	standard	31
Calhoun	77990	standard	32

County	Zip	Type	Territorial Definition
Cameron	78522	Pobox	42
Cameron	78523	Pobox	42
Cameron	78535	Pobox	42
Cameron	78551	Pobox	42
Cameron	78553	Pobox	42
Cameron	78567	Pobox	42
Cameron	78568	Pobox	42
Cameron	78592	Pobox	42
Cameron	78520	standard	42
Cameron	78521	standard	41
Cameron	78526	standard	42
Cameron	78550	standard	42
Cameron	78552	standard	42
Cameron	78559	standard	42
Cameron	78566	standard	42
Cameron	78575	standard	42
Cameron	78578	standard	41
Cameron	78583	standard	42
Cameron	78586	standard	42
Cameron	78593	standard	42
Cameron	78597	standard	41
Chambers	77580	Pobox	52
Chambers	77661	Pobox	52
Chambers	77514	standard	51
Chambers	77520	standard	52
Chambers	77521	standard	53
Chambers	77523	standard	52
Chambers	77535	standard	53
Chambers	77560	standard	53
Chambers	77575	standard	53
Chambers	77597	standard	53
Chambers	77622	standard	52
Chambers	77665	standard	52

Texas Windstorm Insurance Association
 Redefined Territory Set
 Mapping of Each County and Zip Code

<u>County</u>	<u>Zip</u>	<u>Type</u>	<u>Territorial Definition</u>
Galveston	77549	Pobox	63
Galveston	77552	Pobox	61
Galveston	77553	Pobox	61
Galveston	77574	Pobox	63
Galveston	77592	Pobox	62
Galveston	77617	Pobox	61
Galveston	77650	Pobox	61
Galveston	77510	standard	63
Galveston	77511	standard	63
Galveston	77517	standard	63
Galveston	77518	standard	62
Galveston	77539	standard	62
Galveston	77546	standard	63
Galveston	77550	standard	61
Galveston	77551	standard	61
Galveston	77554	standard	61
Galveston	77563	standard	62
Galveston	77565	standard	62
Galveston	77568	standard	62
Galveston	77573	standard	63
Galveston	77590	standard	62
Galveston	77591	standard	62
Galveston	77623	standard	61
Galveston	77555	Unique	61
Harris	77571	standard	71
Harris	77586	standard	71
Harris	77520	standard	71
Harris	77523	standard	71
Harris	All Other Areas		72

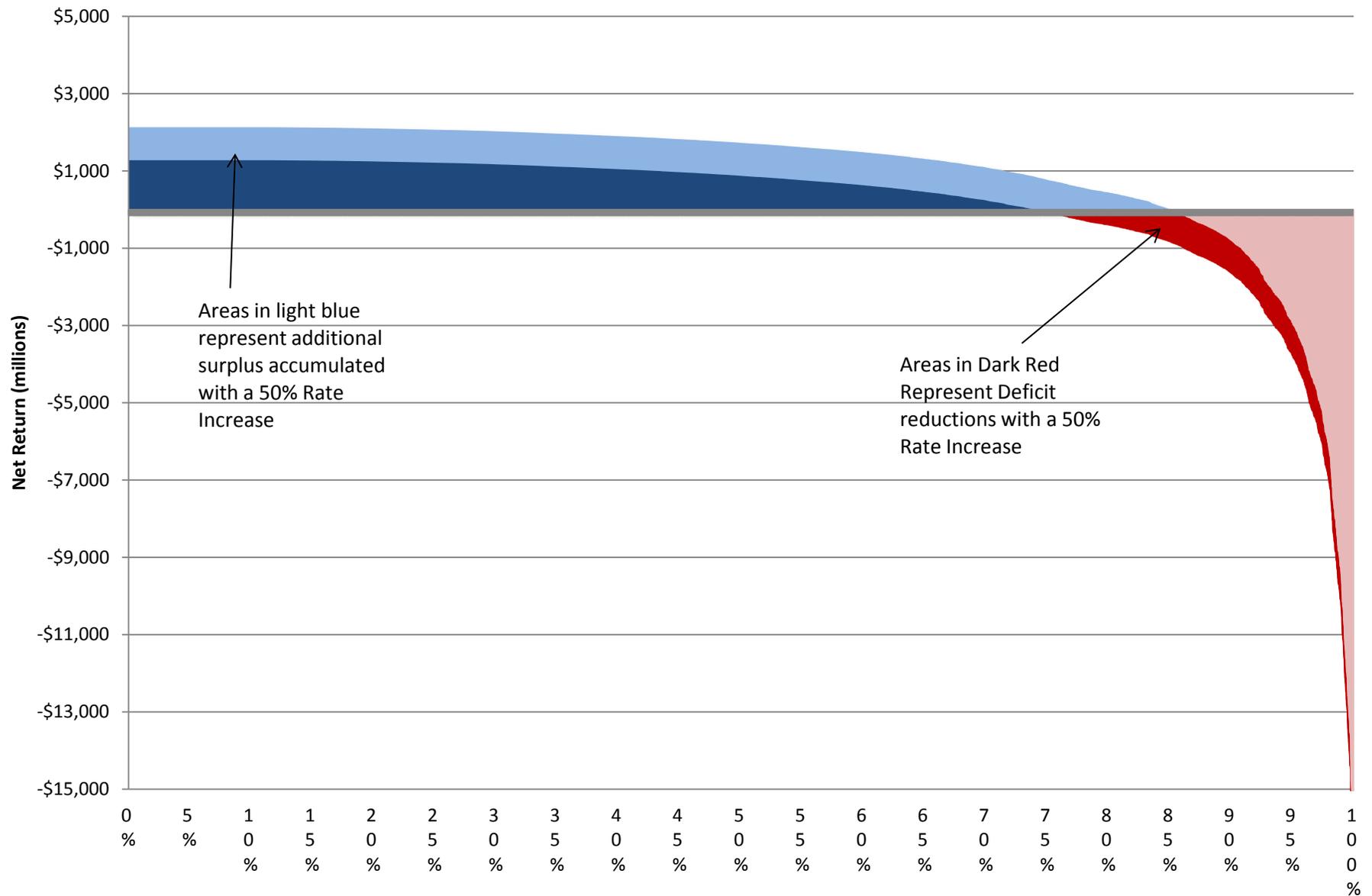
<u>County</u>	<u>Zip</u>	<u>Type</u>	<u>Territorial Definition</u>
Jefferson	77613	Pobox	83
Jefferson	77629	Pobox	83
Jefferson	77641	Pobox	82
Jefferson	77643	Pobox	82
Jefferson	77704	Pobox	83
Jefferson	77710	Pobox	82
Jefferson	77720	Pobox	83
Jefferson	77725	Pobox	83
Jefferson	77726	Pobox	83
Jefferson	77709	Pobox	83
Jefferson	77619	standard	82
Jefferson	77622	standard	82
Jefferson	77627	standard	82
Jefferson	77640	standard	82
Jefferson	77642	standard	82
Jefferson	77651	standard	82
Jefferson	77655	standard	81
Jefferson	77665	standard	82
Jefferson	77701	standard	83
Jefferson	77702	standard	83
Jefferson	77703	standard	83
Jefferson	77705	standard	82
Jefferson	77706	standard	83
Jefferson	77707	standard	83
Jefferson	77708	standard	83
Jefferson	77713	standard	83
Kenedy	All Areas		91
Kleberg	All Areas		101

Texas Windstorm Insurance Association
 Redefined Territory Set
 Mapping of Each County and Zip Code

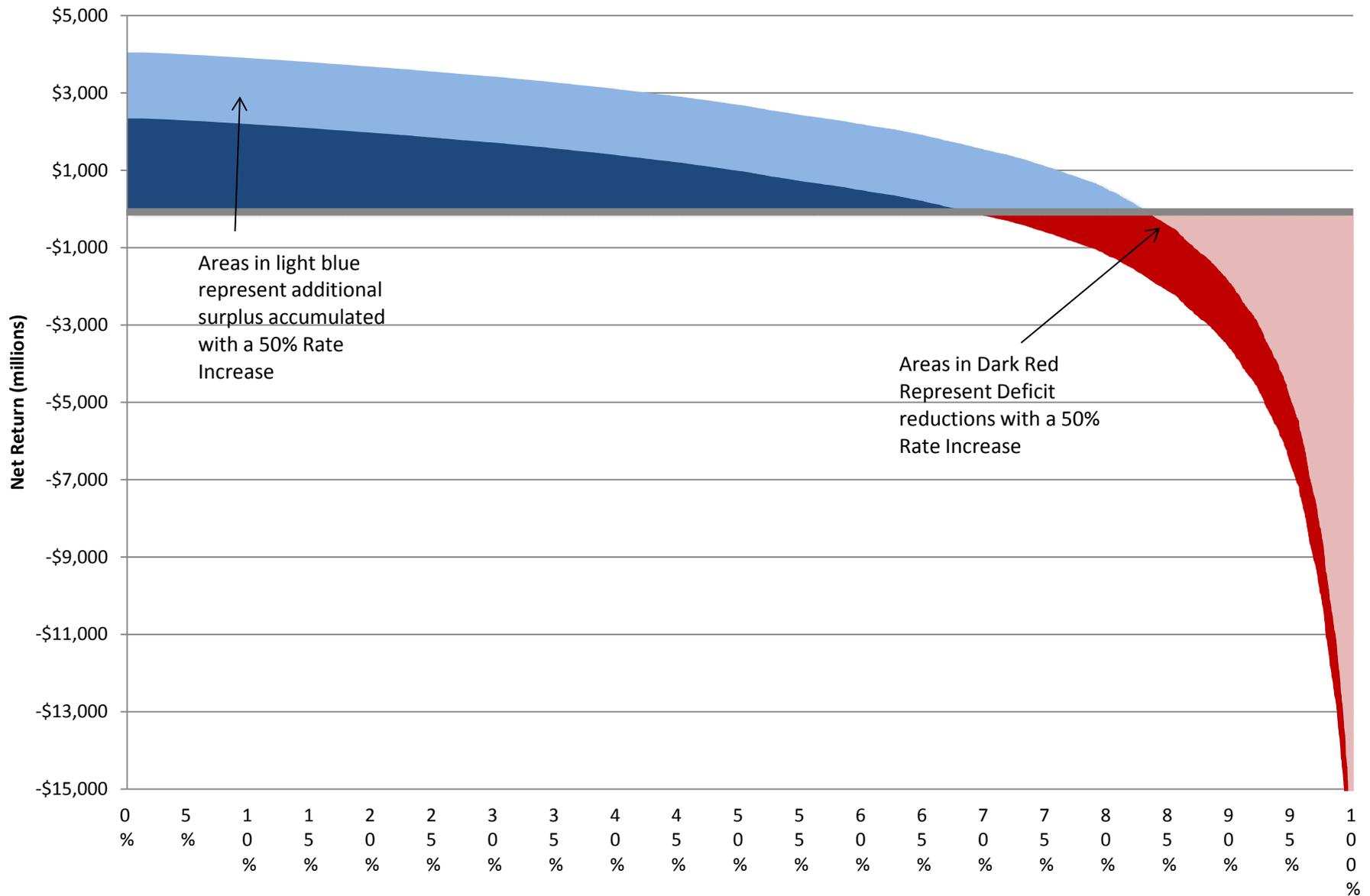
County	Zip	Type	Territorial Definition
Matagorda	77404	Pobox	112
Matagorda	77415	Pobox	112
Matagorda	77419	Pobox	112
Matagorda	77428	Pobox	111
Matagorda	77440	Pobox	111
Matagorda	77456	Pobox	112
Matagorda	77457	Pobox	111
Matagorda	77458	Pobox	112
Matagorda	77414	standard	112
Matagorda	77420	standard	112
Matagorda	77465	standard	111
Matagorda	77468	standard	112
Matagorda	77480	standard	112
Matagorda	77482	standard	112
Matagorda	77483	standard	111
Nueces	78339	Pobox	124
Nueces	78347	Pobox	123
Nueces	78351	Pobox	124
Nueces	78403	Pobox	122
Nueces	78426	Pobox	123
Nueces	78427	Pobox	122
Nueces	78460	Pobox	123
Nueces	78463	Pobox	122
Nueces	78465	Pobox	122
Nueces	78466	Pobox	122
Nueces	78467	Pobox	123
Nueces	78468	Pobox	122
Nueces	78469	Pobox	122
Nueces	78472	Pobox	122
Nueces	78480	Pobox	121
Nueces	78330	standard	124
Nueces	78332	standard	124
Nueces	78343	standard	124
Nueces	78373	standard	121
Nueces	78374	standard	122
Nueces	78380	standard	124
Nueces	78383	standard	124
Nueces	78401	standard	122
Nueces	78402	standard	122

County	Zip	Type	Territorial Definition
Nueces	78404	standard	122
Nueces	78405	standard	122
Nueces	78406	standard	123
Nueces	78407	standard	122
Nueces	78408	standard	122
Nueces	78409	standard	123
Nueces	78410	standard	123
Nueces	78411	standard	122
Nueces	78412	standard	122
Nueces	78413	standard	122
Nueces	78414	standard	122
Nueces	78415	standard	123
Nueces	78416	standard	122
Nueces	78417	standard	123
Nueces	78418	standard	121
Nueces	78419	standard	121
Refugio	77950	Pobox	131
Refugio	77990	standard	132
Refugio	78340	standard	131
Refugio	78377	standard	132
Refugio	78393	standard	132
San Patricio	78335	Pobox	141
San Patricio	78352	Pobox	142
San Patricio	78359	Pobox	141
San Patricio	78336	standard	141
San Patricio	78362	standard	141
San Patricio	78368	standard	142
San Patricio	78370	standard	142
San Patricio	78374	standard	141
San Patricio	78387	standard	142
San Patricio	78390	standard	142
Willacy	78561	Pobox	152
Willacy	78590	Pobox	152
Willacy	78594	Pobox	152
Willacy	78598	Pobox	151
Willacy	78569	standard	152
Willacy	78580	standard	152

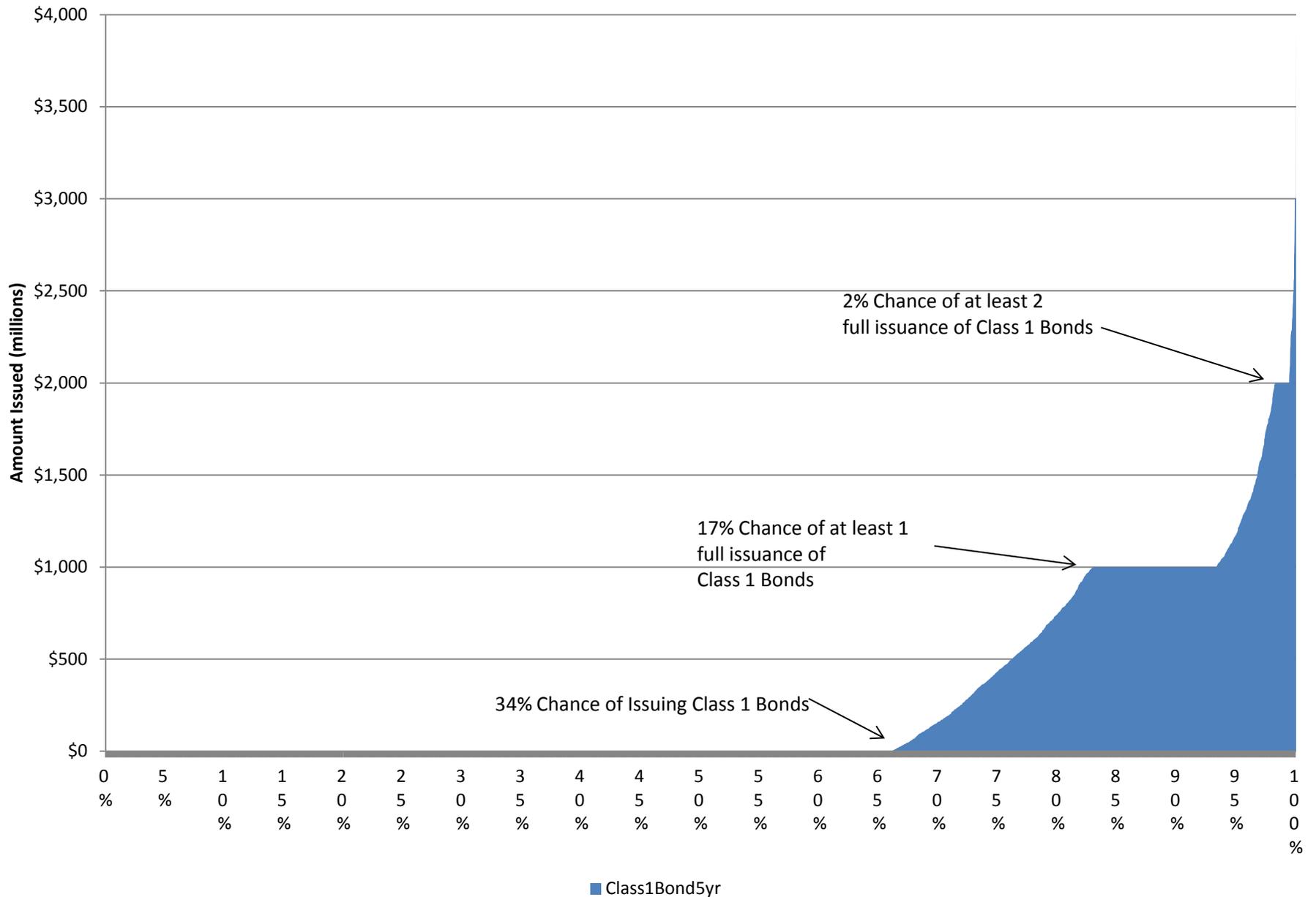
Suplus (Blue) / Deficit (Red) Graphs - 5 Year Scenarios



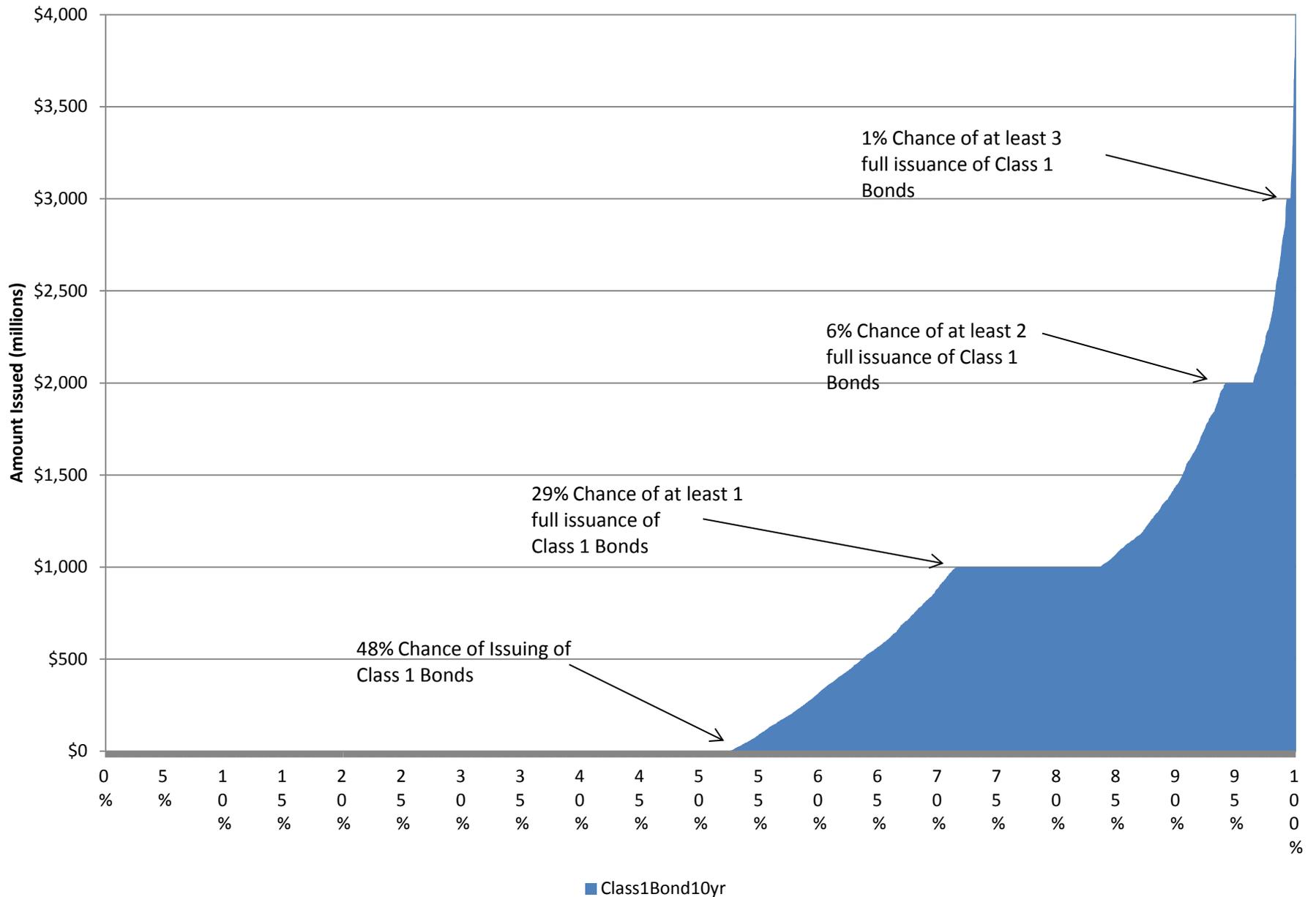
Suplus (Blue) / Deficit (Red) Graphs - 10 Year Scenarios



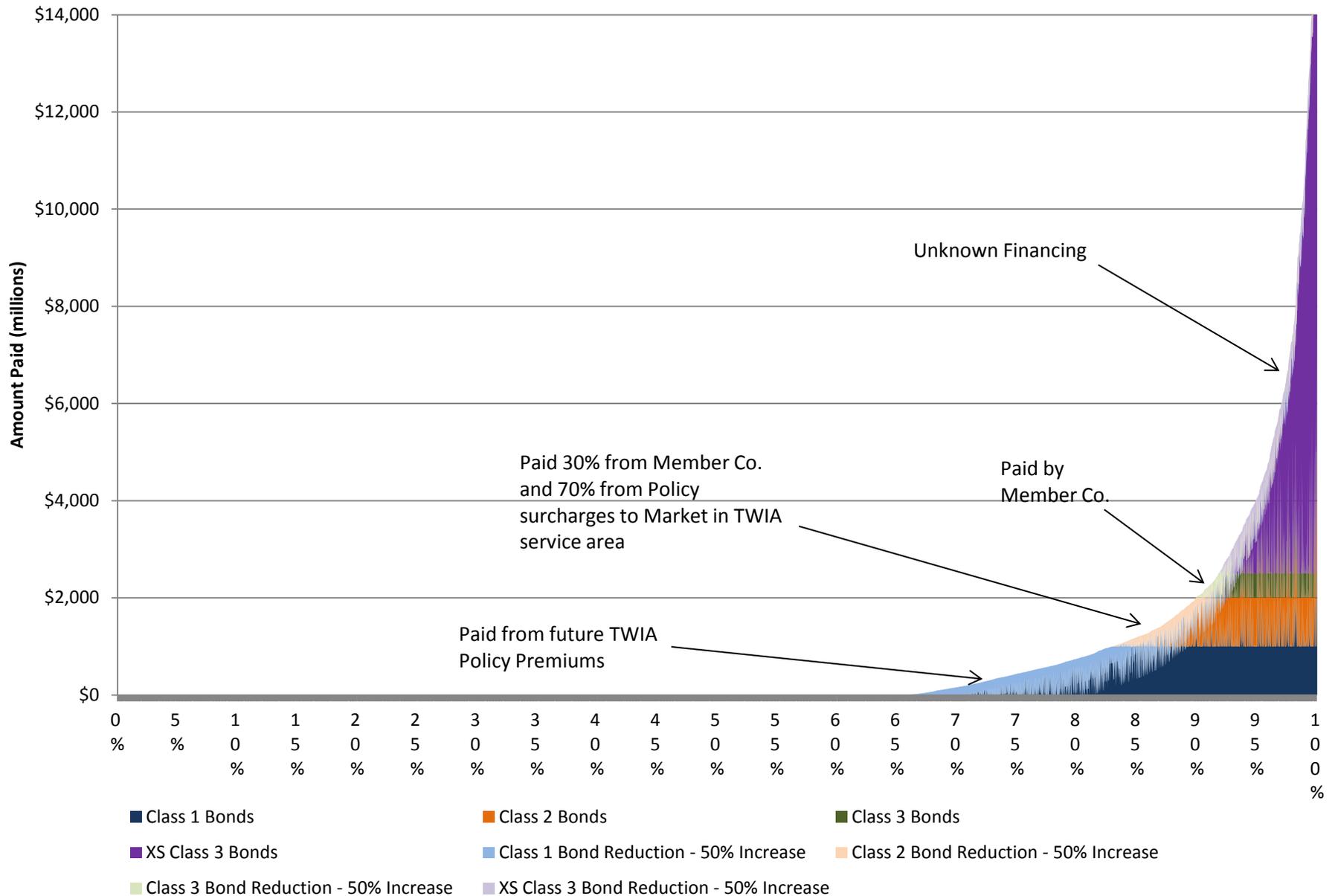
Class 1 Bond Debt Probability Curve - 5 Year Scenarios



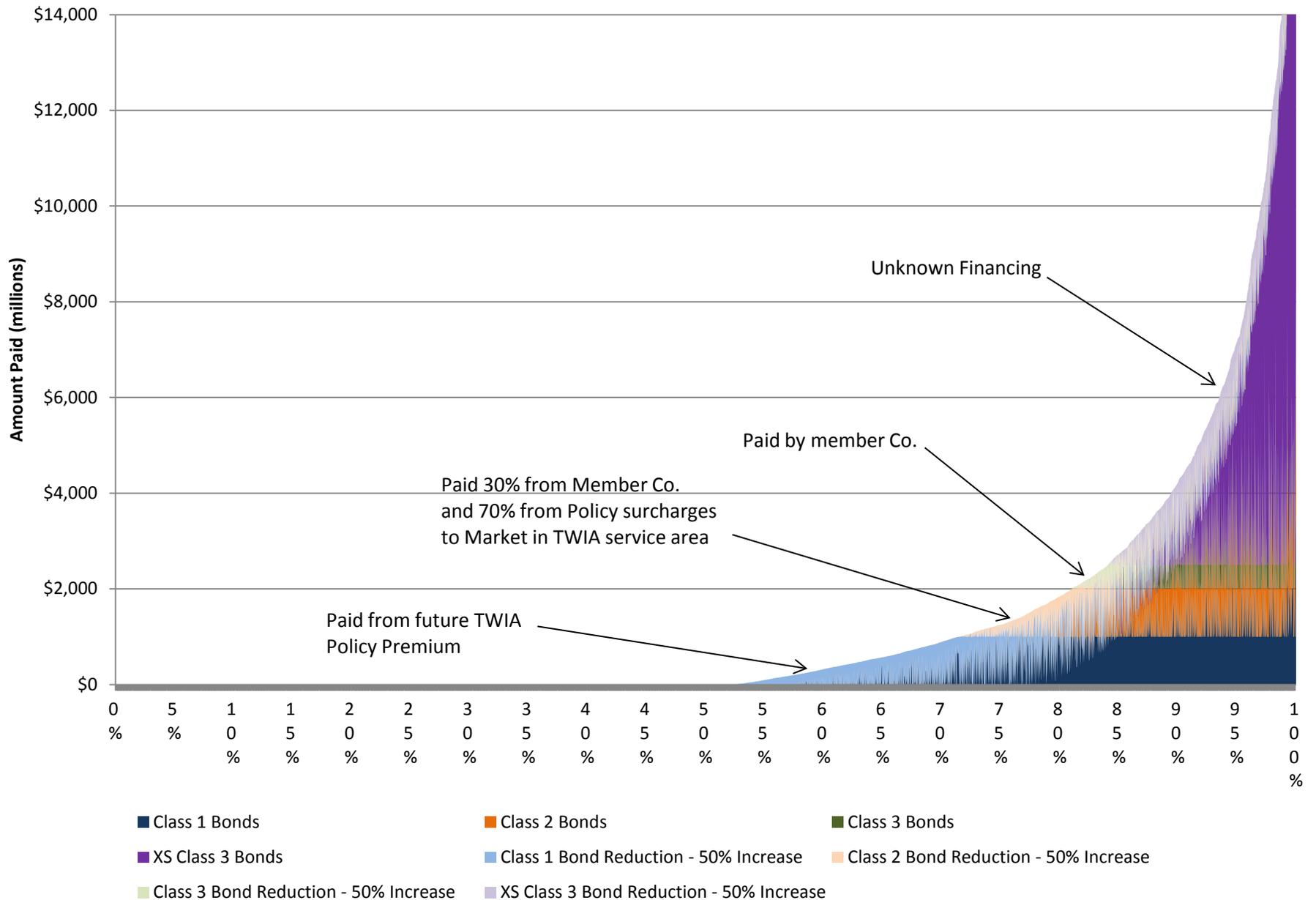
Class 1 Bond Debt Probability Curve - 10 Year Scenarios



Deficit Funding Graph- 5 Year Scenarios



Deficit Funding Graph- 10 Year Scenarios



Texas Windstorm Insurance Association
Bond Financing Scenarios

The tables below attempt to quantify the total cost of issuance of the full amount of Class 1 Bonds under varying transaction cost assumptions and varying interest rate assumptions. In all instance, we have assumed annual payments, with payment occurring at the end of each year, with no interim payments, and the load amortized over fourteen years. The first table below shows the total cost under the various assumptions. For instance, the cost of issuing \$1 billion of bonds, with 2% transaction costs, and a 5% interest rate assumption would cost \$1,442,622,284 over the 14 year period.

The second table below shows the number of years required to payback the total costs using the expected "free premium" (assuming no rate changes or additional catastrophes). This figure is intended to address how many subsequent years of surplus would have to be accumulated to pay for the bond issuance, assuming no additional rate change or catastrophe.

The third table below shows the rate increase necessary to cover the total cost of the bond issuance. This figure would show the increase needed to provide for financing the bond debt during the 14 year period and provide for continued Cat Fund buildup at the current rate. This calculation assumes that policy volume would be constant throughout the 14 year period.

Bond Amount	1,000,000,000
Amortization Period	14
Payments	14

Total Cost - Interest and Principal	Issuance Costs (% of Principle)		
	Interest Rate Assumption	2%	5%
5%	\$1,442,622,284.00	\$1,485,052,351.00	\$1,513,339,062.00
8%	\$1,732,119,058.00	\$1,783,063,737.00	\$1,817,026,855.00
10%	\$1,938,456,068.00	\$1,995,469,481.00	\$2,033,478,424.00
12%	\$2,154,441,394.00	\$2,217,807,318.00	\$2,260,051,267.00
15%	\$2,494,551,635.00	\$2,567,920,801.00	\$2,616,833,578.00

# of Years of "Free Premium" Used	Issuance Costs (% of Principle)			
	Interest Rate Assumption	2%	5%	7%
Assuming no Rate Change				
5%	7.1	7.3	7.4	
8%	8.5	8.7	8.9	
10%	9.5	9.8	10.0	
12%	10.6	10.9	11.1	
15%	12.2	12.6	12.8	

Rate Change Needed to Cover Pymt	Issuance Costs (% of Principle)		
	Interest Rate Assumption	2%	5%
5%	24%	25%	25%
8%	29%	30%	30%
10%	32%	33%	34%
12%	36%	37%	38%
15%	42%	43%	44%