

# Texas Windstorm Insurance Association

## FINREP Texas – Financial Reporting Insurance Forum

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September 20, 2023



# Agenda

- **TWIA Overview**
- **Focus on**
  1. **Who and what is TWIA and why care?**
  2. **How is TWIA Funded for a Hurricane**
  3. **Rates and rate filings**
  4. **Legislative updates from the recent 88<sup>th</sup> Session**
- **Questions**



# TWIA Overview

- **Established by Texas Legislature in 1971**

- Response to market constrictions on Texas coast after several hurricanes
- Governing statute is Texas Insurance Code, Chapter 2210

- **Residual Insurer of Last Resort**

- Provide adequate market for wind and hail insurance for the Texas coast
- Do not compete with private insurance market
- Operate like a regular insurer - collect premiums, issue policies, pay claims
- All property insurers authorized to write property insurance in Texas are members of TWIA

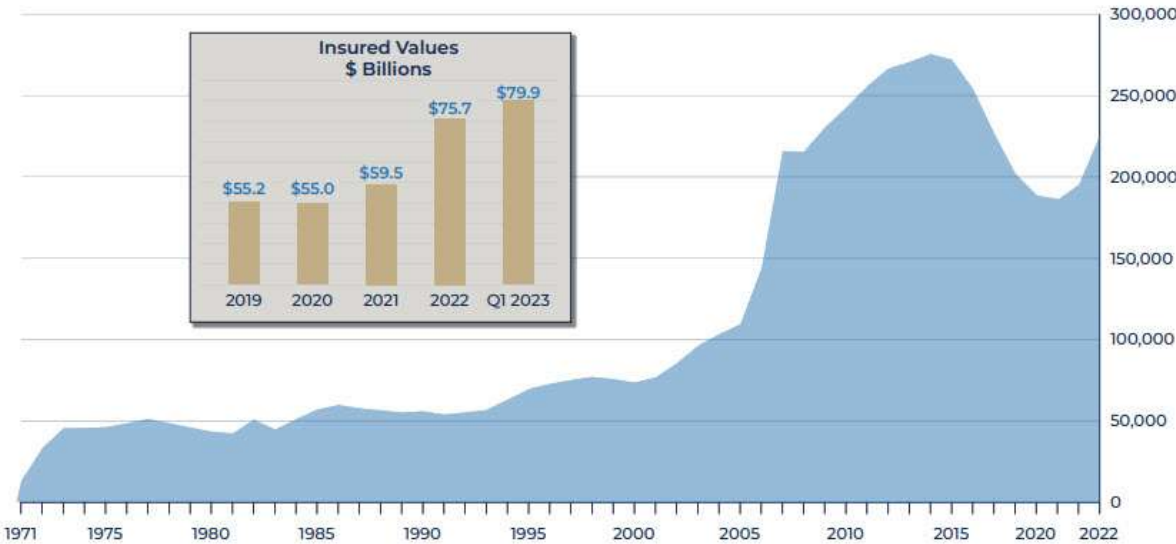
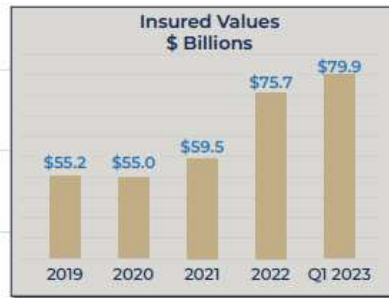
- **Operate as a Non-Profit**

- Annually deposit net gains into Catastrophe Reserve Trust Fund (CRTF)
- Do not receive Texas General Revenue Funds
- Not a State Agency



# TWIA – The “Mirror” of the Private Market

TWIA Policies in Force



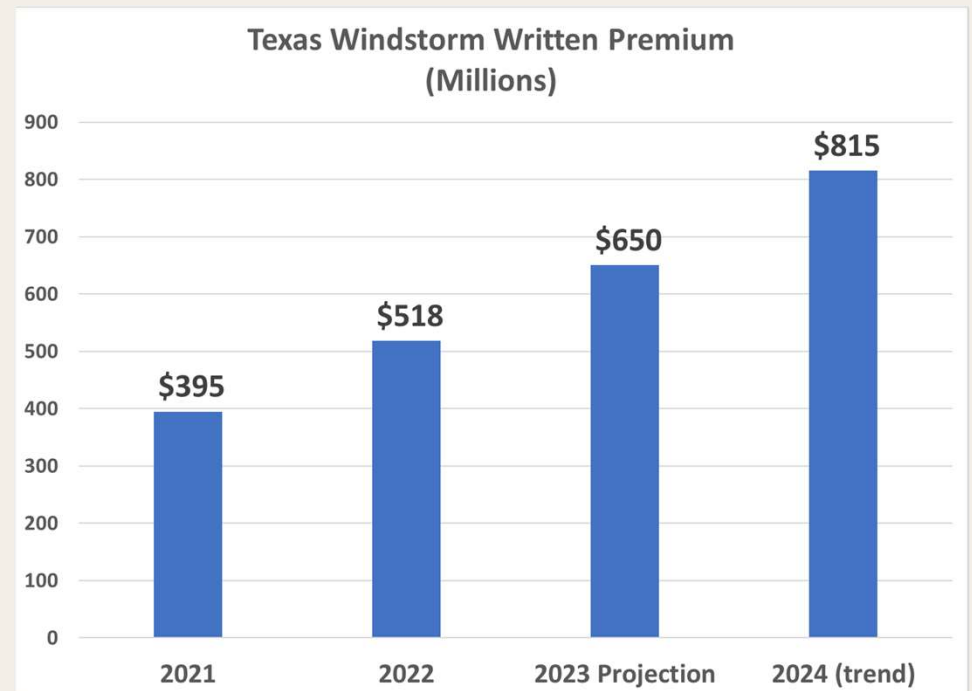
*TWIA's policy count reached an all-time high in 2014 with more than 275,000 policies issued by the Association. TWIA then saw a gradual decline in policy count and written premiums, attributed to increasing interest from the private insurance market in providing wind and hail coverage in the designated catastrophe area. In 2022, TWIA's policy count increased substantially as the Association issued policies to former Weston and FedNat (Maison) policyholders.*

- **As the private market expands, TWIA contracts and as the private market contracts, TWIA expands**
- **As of June 30, 2023, TWIA policies in force numbered 237,112 with insured building and contents coverage totaling \$86.2 billion**

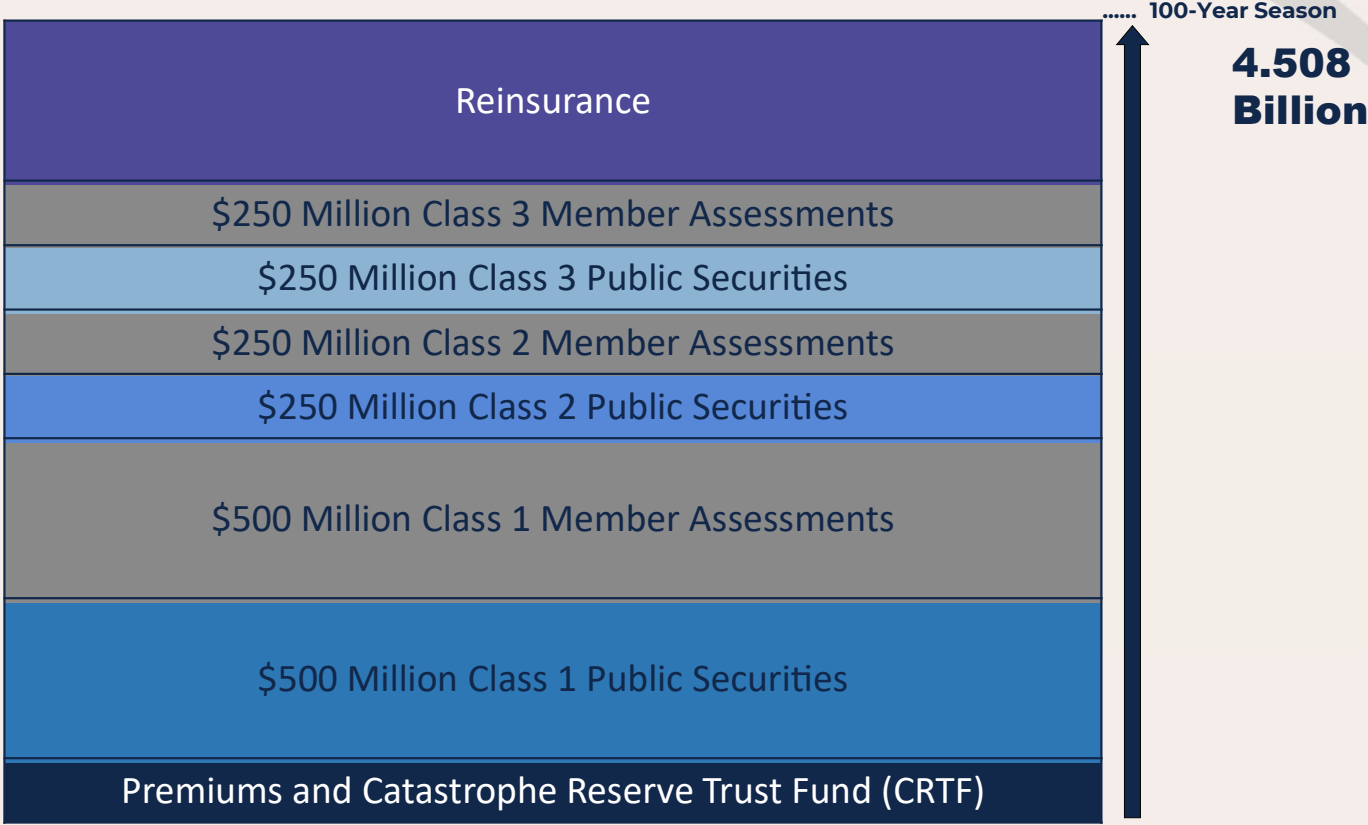


# TWIA Fast Facts

- **January – June 2023 written premiums are growing 33% over prior year**
- **Policies in force up 20%**
- **TWIA's total insured value (exposure) of \$86.2 billion up 37%**
- **TWIA has the 2nd most policies in force of the 36 residual market plans behind Citizens of Florida**



# TWIA Funding



# Reinsurance

- The 2023 reinsurance program, effective June 1, 2023, includes a combination of traditional reinsurance and catastrophe bonds
- 2023 Reinsurance Lineup:
  - \$500 million in newly-issued three-year catastrophe bond (Series 2023-1)
  - \$700 million in existing three-year catastrophe bonds (Series 2022-1 and Series 2021-1)
  - \$1.043 billion of traditional reinsurance with a one-year term

Cost of Reinsurance	2021	2022	2023 Initial
Limit Secured (Billions)	\$1.93	\$2.04	\$2.24
Gross Ceded Premium (Millions)	\$102.1	\$132.1	\$204.4
ROL (Rate on Line)	5.30%	6.50%	9.10%



# Member Company Assessments

- May be assessed up to \$1 billion in a catastrophe year to help fund TWIA losses
- May be assessed for reinsurance purchased above TWIA's minimum required funding level of a 100-Year storm season
- Members may not recoup assessments from surcharges or tax credits
- Percentage of participation in Association losses is calculated annually
  - Assessments based on how much company writes on the coast vs. the rest of the state
  - Credits applied for business written in TWIA's coverage area
  - Calculations posted on our website at [twia.org/member-company-participation/](http://twia.org/member-company-participation/)





# Catastrophe (CAT) Incident Response

- **The CAT Plan describes the activities TWIA conducts in preparation for, and in response to, a catastrophic incident**
- **Documents and demonstrates planning and mitigation efforts, deployment procedures, and continuous improvements initiatives**
- **CAT Plan Phases:**
  - Mitigation, Preparedness, Response, Recovery
- **Response Phase includes an outline of how we ensure adequate funds are available to pay claims in a timely manner**
  - \$500 million line of credit
  - Request CRTF funds from Comptroller
- **Available with our Annual Report on our website:**
  - [twia.org/about-us/financial-reports/](http://twia.org/about-us/financial-reports/)



# TWIA Rates

- **By law, TWIA rates must be reasonable, adequate, not unfairly discriminatory, and non-confiscatory as to any class of insurer**
- **TWIA must make an annual rate filing with TDI by August 15 each year**
- **All filings for a rate increases are subject to review/approval by Insurance Commissioner**
- **0% rate change for 2024 policies approved at August 2023 meeting**
- **5% rate increase in 2022**
- **No rate increase in 2019, 2020, 2021, 2023, and 2024**

## **Amount of all rate filings set by the TWIA Board**

- 2/3 Board vote required to file a rate increase
- No rate increase if there is a Board vacancy for 60 or more days
- Rate adequacy analyses considered by Board must be posted to TWIA's website 14 days prior to Board's rate filing vote
- In-person public comments must be accepted prior to Board's vote
- Written public comments accepted 11 days prior to Board's vote



# 2023 Legislation Impacting TWIA/TFPA

- **Senate Bill 2232**

- Allows TWIA to establish requirements for agents to sell TWIA policies

- **House Bill 3208**

- Requires TWIA to retain the entire annual premium on a policy cancelled early by a policyholder unless certain exceptions are met

- **House Bill 3310**

- Requires the Insurance Commissioner, with the advice of TWIA, to set deadlines for appraisals

## Texas FAIR Plan Association (TFPA)

- **House Bill 998**

- Allows the Insurance Commissioner to designate areas within 10 miles of TWIA's coverage area where property owners' associations would be eligible for TFPA coverage



**Questions?**

**Thank you!**

