



Windstorm Insurance Legislative Oversight Board Meeting

November 1, 2012

**John W. Polak , CPCU
General Manager**

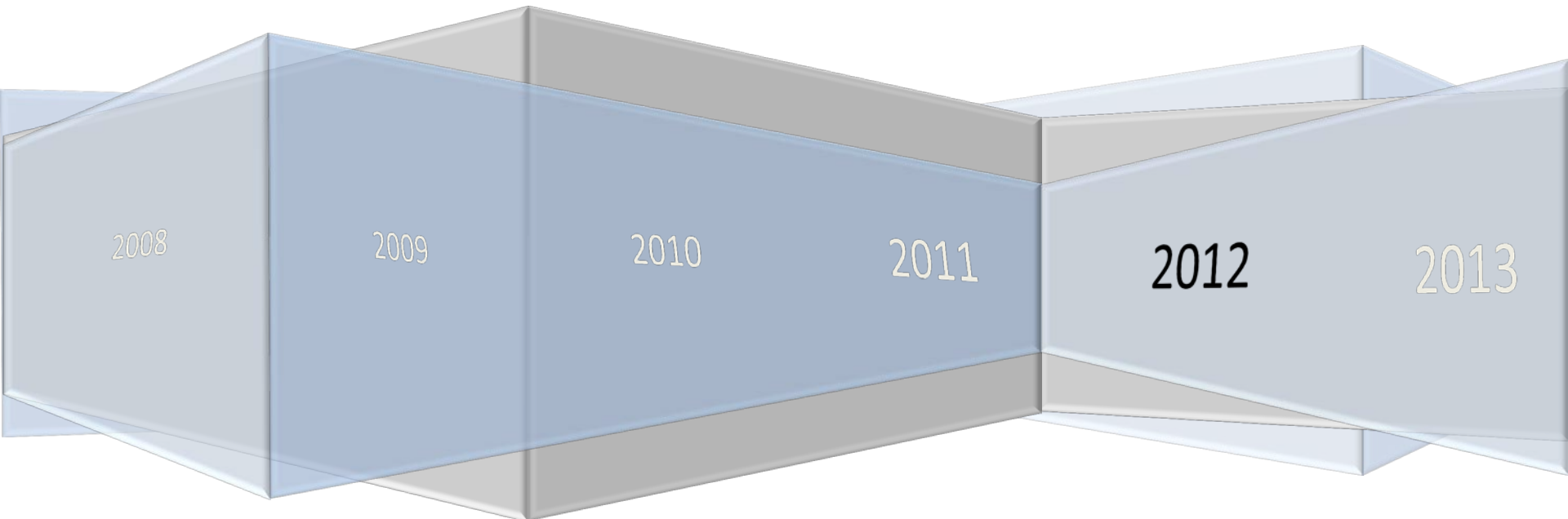




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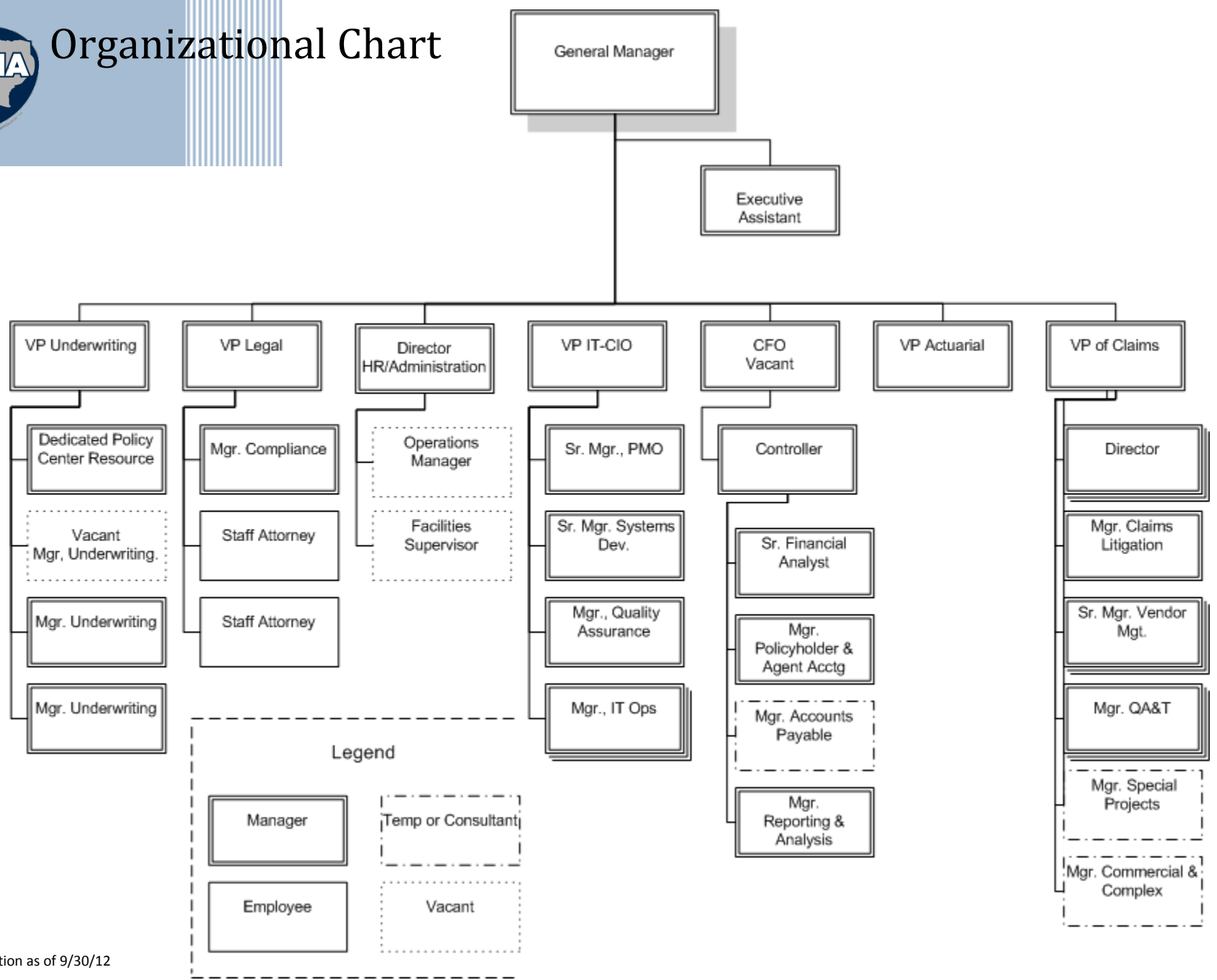


Executive Summary

- Operational Improvements
 - New Management Team
 - Competency & Experience
 - Controls for Finance, Claims & Compliance
 - HB 3 Implementation
- Financials & Exposures
- Ike Litigation



Organizational Chart





HB 3 Implementation

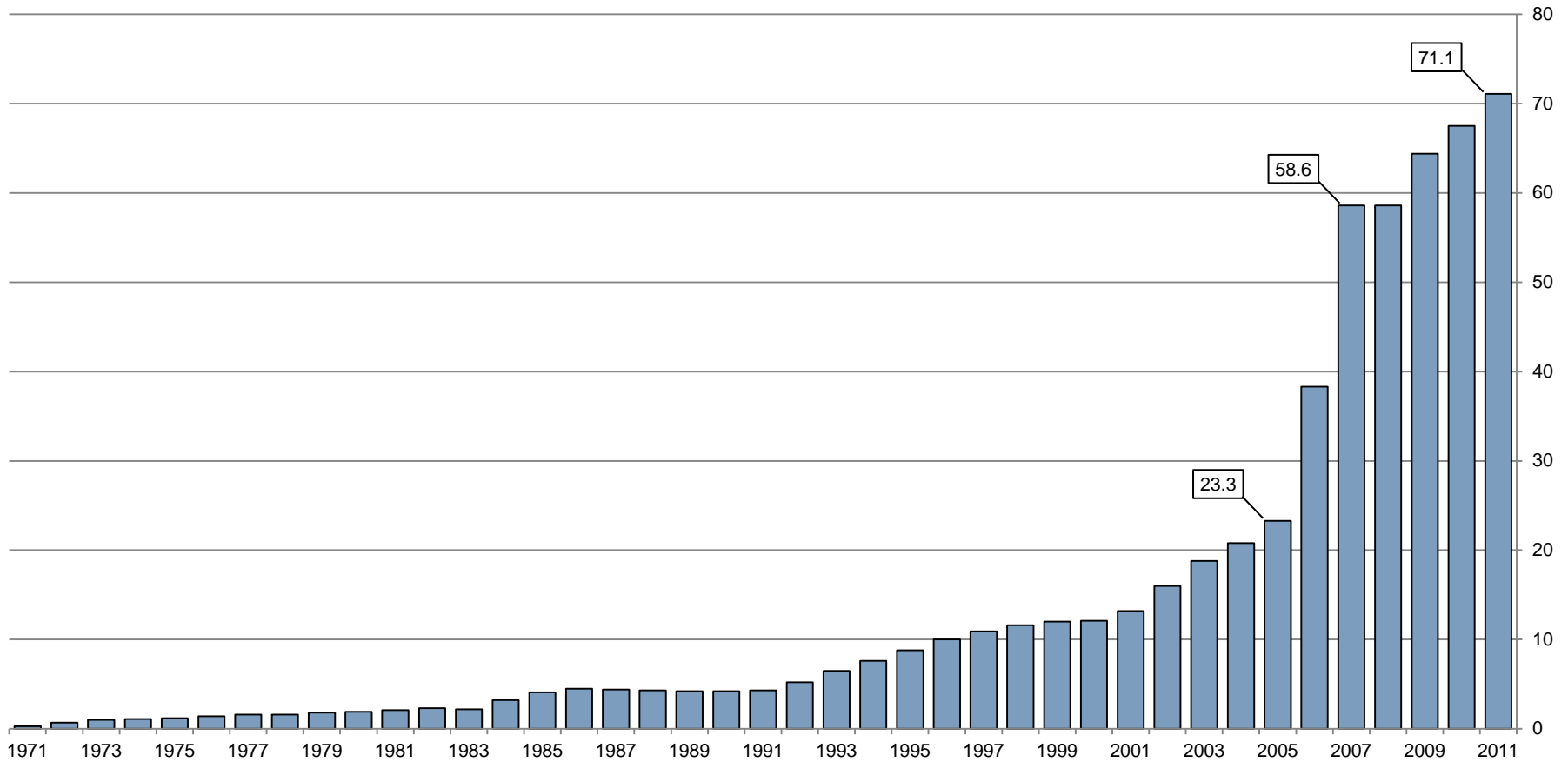
- Developed rules to implement HB 3 provisions regarding minimum retained premium and declination- January 8, 2012
- Implemented dispute resolution procedures necessary to implement HB 3
- Began funding the Ombudsman program
- Began broadcasting TWIA Board of Directors meetings - October 11, 2011
- Began issuing the bi-monthly report cards to the Board of Directors on November 30, 2011
- Developed and implemented a comprehensive catastrophe plan



Historical Growth

Exposures 1971 - 2011

Building and Contents Liability In-Force (\$Billions)

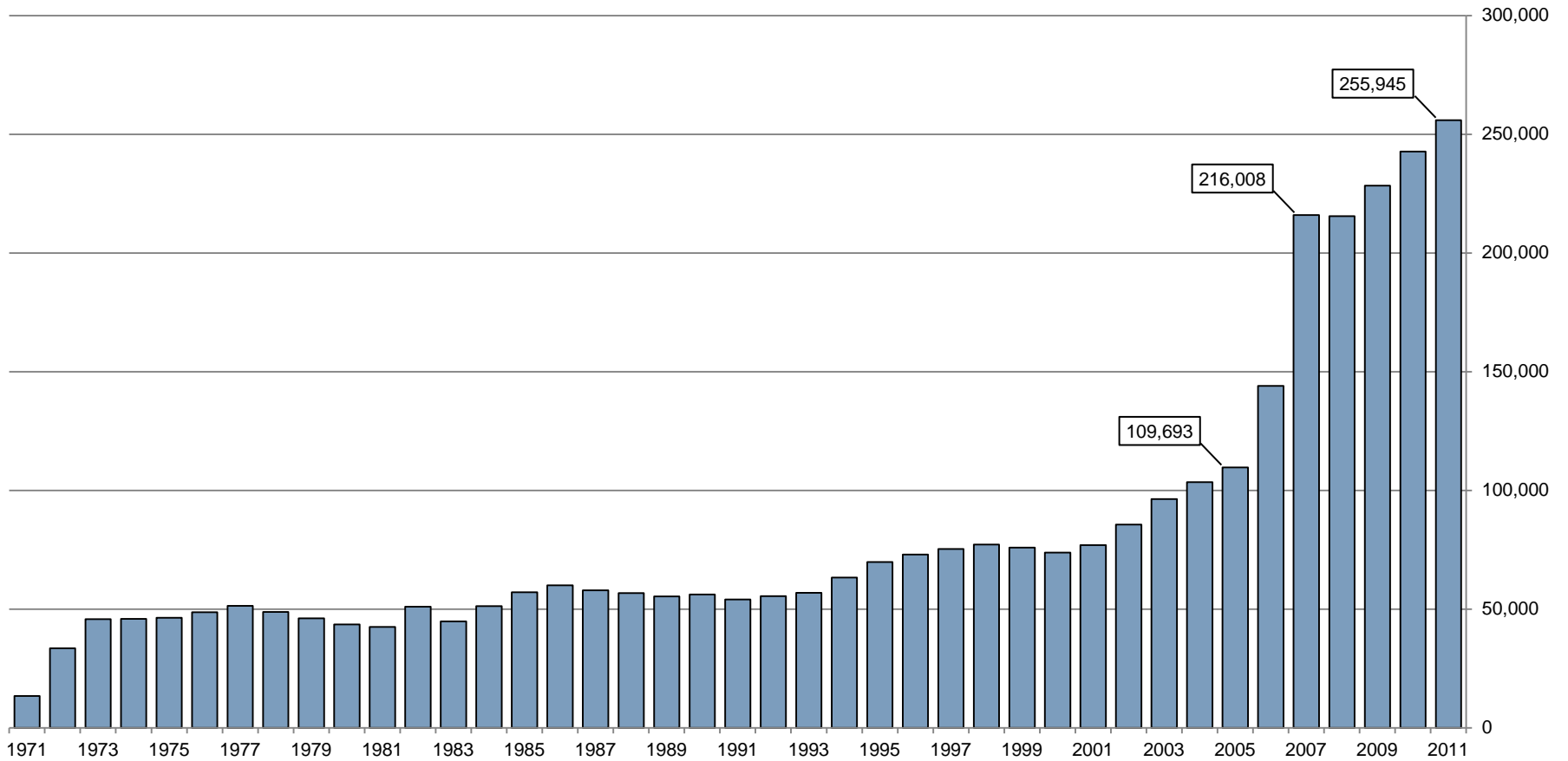




Historical Growth

Policies 1971 - 2011

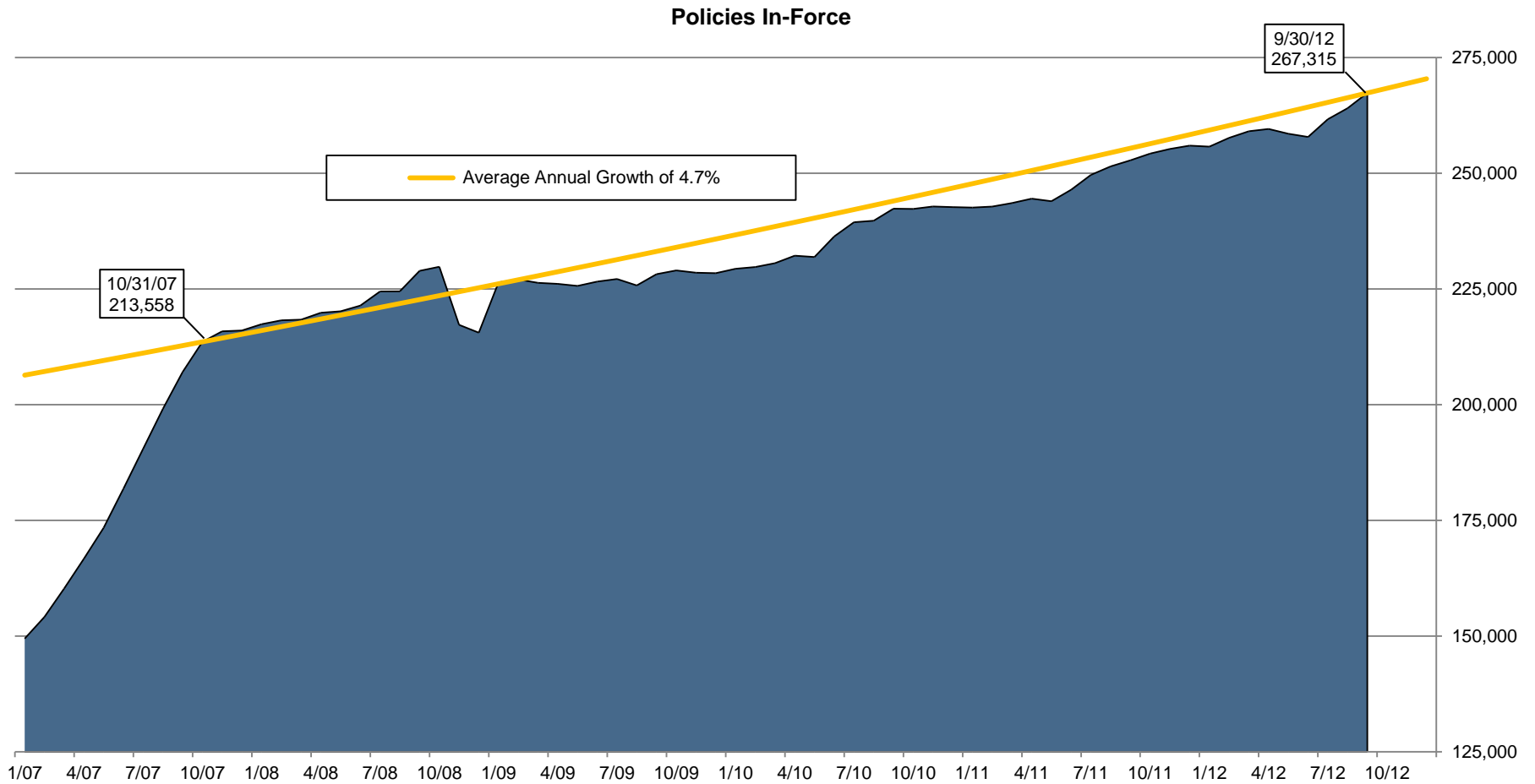
Policies In-Force





Historical Growth

Policies 2007 - 2012





Statistical Report

Evaluated as of 9/30/12

County	<u>Policies In-Force</u>		# Gain	% Gain	<u>Liability In-Force</u>		# Gain	% Gain
	at 9/30/11	at 9/30/12			at 9/30/11	at 9/30/12		
Aransas	6,716	6,835	119	1.80	2,084,534,645	2,157,041,710	72,507,065	3.50
Brazoria	48,932	51,795	2,863	5.90	13,716,266,474	14,542,775,224	826,508,750	6.00
Calhoun	4,227	4,246	19	0.40	948,389,846	966,958,326	18,568,480	2.00
Cameron	17,644	17,869	225	1.30	4,860,363,734	4,854,175,424	-6,188,310	-0.10
Chambers	5,545	5,933	388	7.00	1,654,302,830	1,753,472,859	99,170,029	6.00
Galveston	68,715	72,158	3,443	5.00	21,384,036,108	22,595,648,559	1,211,612,451	5.70
Harris	3,332	3,751	419	12.60	934,156,269	1,070,042,701	135,886,432	14.50
Jefferson	32,459	37,844	5,385	16.60	7,820,988,858	8,936,795,472	1,115,806,614	14.30
Kenedy	21	23	2	9.50	5,207,515	7,165,782	1,958,267	37.60
Kleberg	1,459	1,479	20	1.40	340,820,517	345,019,563	4,199,046	1.20
Matagorda	5,042	5,467	425	8.40	1,085,033,325	1,192,496,959	107,463,634	9.90
Nueces	49,093	50,247	1,154	2.40	12,772,957,272	13,343,390,020	570,432,748	4.50
Refugio	453	443	-10	-2.20	123,316,169	114,018,450	-9,297,719	-7.50
San Patricio	8,531	8,608	77	0.90	2,203,646,269	2,261,209,430	57,563,161	2.60
Willacy	600	617	17	2.80	136,983,357	131,637,293	-5,346,064	-3.90
Total:	252,769	267,315	14,546	5.75	70,071,003,188	74,271,847,772	4,200,844,584	6.00

Notes: Exposures shown are building and contents only



Distribution By County and Class of Business

Evaluated as of 9/30/12

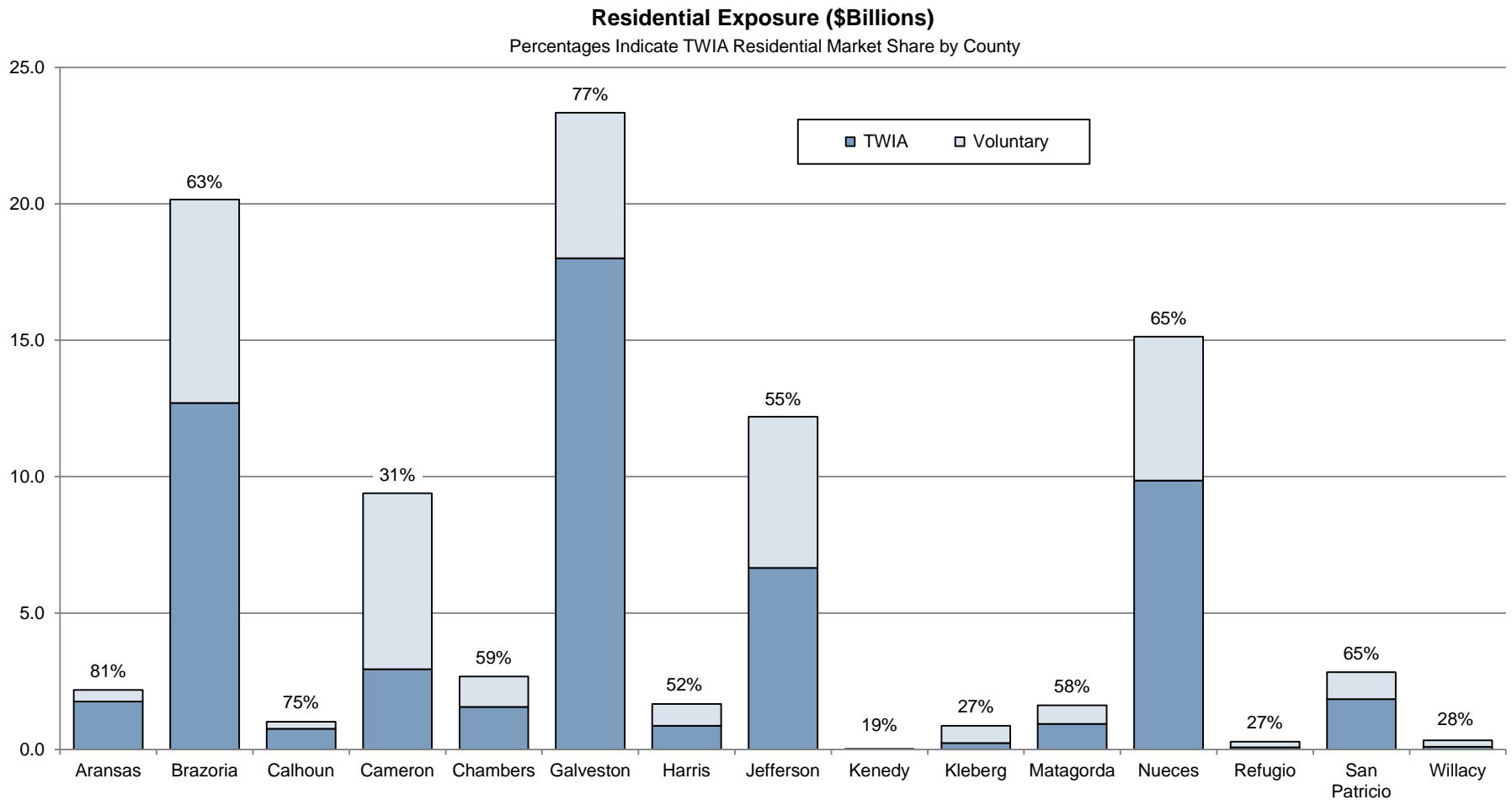
County	Policies In-Force			Total	Exposures In-Force			Total
	Residential	Commercial	Governmental		Residential	Commercial	Governmental	
Aransas	6,338	488	9	6,835	1,798,081,859	336,464,051	22,495,800	2,157,041,710
Brazoria	50,101	1,643	51	51,795	13,165,172,158	1,130,483,875	247,119,191	14,542,775,224
Calhoun	3,926	305	15	4,246	788,179,047	147,772,966	31,006,313	966,958,326
Cameron	16,519	1,315	35	17,869	3,042,333,648	1,568,605,193	243,236,583	4,854,175,424
Chambers	5,719	209	5	5,933	1,640,833,169	107,764,993	4,874,697	1,753,472,859
Galveston	68,941	3,153	64	72,158	18,782,034,783	3,103,598,977	710,014,799	22,595,648,559
Harris	3,612	136	3	3,751	951,783,506	117,830,702	428,493	1,070,042,701
Jefferson	36,068	1,749	27	37,844	7,591,769,874	1,266,989,023	78,036,575	8,936,795,472
Kenedy	22	0	1	23	6,483,468	0	682,314	7,165,782
Kleberg	1,362	112	5	1,479	243,279,269	61,638,983	40,101,311	345,019,563
Matagorda	5,138	316	13	5,467	1,024,026,893	146,133,404	22,336,662	1,192,496,959
Nueces	46,943	3,258	46	50,247	10,178,357,203	3,026,178,670	138,854,147	13,343,390,020
Refugio	386	50	7	443	79,330,813	27,706,415	6,981,222	114,018,450
San Patricio	8,132	445	31	8,608	1,897,347,299	295,327,195	68,534,936	2,261,209,430
Willacy	551	59	7	617	95,763,129	31,288,551	4,585,613	131,637,293
Total	253,758	13,237	320	267,315	61,284,776,118	11,367,783,000	1,619,288,654	74,271,847,772

Notes: Residential statistics include mobile homes
 Exposures shown are building and contents only
 Governmental policies are defined as those with at least one governmental item



Residential Market Share

Exposure by County as of 2011





Residential Distribution By AOI and Occupancy

Evaluated as of 9/30/12

Amount of Insurance	Primary Residential Dwellings			Secondary Residential Dwellings		
	Dwellings	Total Exposure	Average Limits	Dwellings	Total Exposure	Average Limits
\$0 - \$25,000	378	6,900,000	18,254	2,204	34,242,000	15,536
\$25,001 - \$50,000	2,387	104,309,000	43,699	4,369	181,372,000	41,513
\$50,001 - \$75,000	10,111	666,632,000	65,931	7,724	496,309,000	64,255
\$75,001 - \$100,000	22,754	2,045,361,000	89,890	8,699	772,688,000	88,825
\$100,001 - \$125,000	28,111	3,211,926,000	114,259	6,586	748,423,000	113,638
\$125,001 - \$150,000	31,852	4,420,587,000	138,785	5,993	832,689,000	138,944
\$150,001 - \$175,000	27,230	4,447,508,000	163,331	4,194	683,478,000	162,966
\$175,001 - \$200,000	23,091	4,352,353,000	188,487	3,410	644,858,000	189,108
\$200,001 - \$225,000	14,346	3,048,749,000	212,516	1,848	394,554,000	213,503
\$225,001 - \$250,000	11,270	2,689,788,000	238,668	1,791	430,678,000	240,468
\$250,001 - \$300,000	13,048	3,584,301,000	274,701	1,878	521,038,000	277,443
\$300,001 - \$400,000	10,367	3,554,265,000	342,844	1,757	609,479,000	346,886
\$400,001 - \$500,000	3,316	1,472,069,000	443,929	731	329,573,000	450,852
\$500,001 - \$1,000,000	2,204	1,415,924,000	642,434	702	460,291,000	655,685
\$1,000,001 - \$1,500,000	191	232,090,000	1,215,131	83	101,378,000	1,221,422
\$1,500,001 - \$1,773,000	14	22,286,000	1,591,857	10	16,508,000	1,650,800
Total All Limits	200,670	35,275,048,000	175,786	51,979	7,257,558,000	139,625

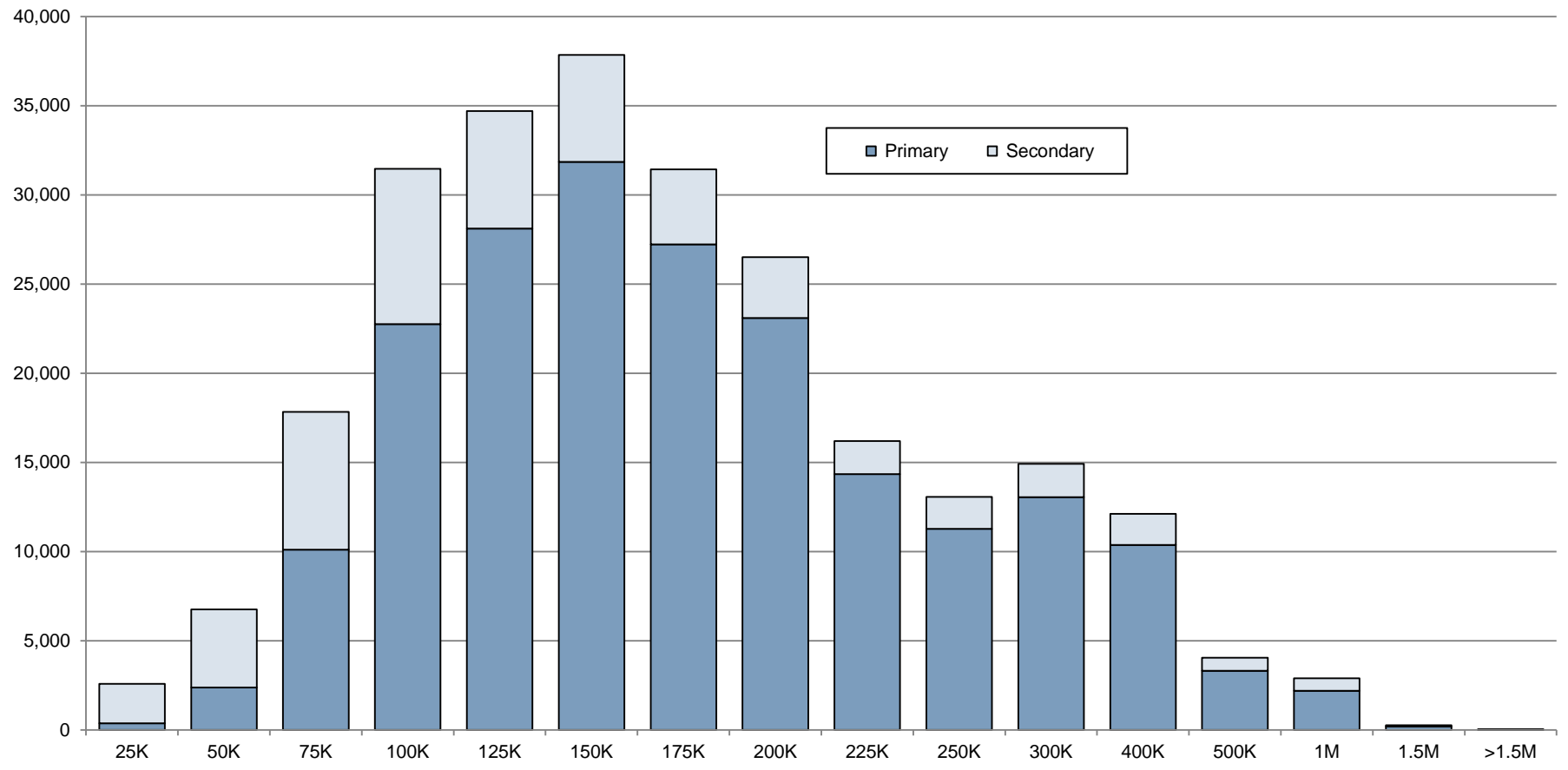
Notes: Exposures shown are building only



Residential Distribution By AOI and Occupancy

Evaluated as of 9/30/12

Residential Dwellings In-Force





Non-Residential Distribution By AOI and Class

Evaluated as of 9/30/12

Amount of Insurance	<u>Commercial Risks</u>			<u>Governmental Risks</u>		
	Structures	Total Exposure	Average Limits	Structures	Total Exposure	Average Limits
\$0 - \$25,000	2,444	29,523,000	12,080	950	9,201,000	9,685
\$25,001 - \$50,000	1,466	56,756,000	38,715	503	20,851,000	41,453
\$50,001 - \$75,000	1,246	80,243,000	64,400	217	13,377,000	61,645
\$75,001 - \$100,000	1,426	128,513,000	90,121	141	12,279,000	87,085
\$100,001 - \$150,000	2,586	330,079,000	127,641	219	27,714,000	126,548
\$150,001 - \$200,000	2,645	465,935,000	176,157	137	24,248,000	176,993
\$200,001 - \$300,000	3,860	965,707,000	250,183	207	51,863,000	250,546
\$300,001 - \$400,000	2,422	851,199,000	351,445	97	33,967,000	350,175
\$400,001 - \$500,000	1,714	774,325,000	451,765	82	37,539,000	457,793
\$500,001 - \$750,000	2,181	1,333,615,000	611,470	117	71,942,000	614,889
\$750,001 - \$1,000,000	1,021	886,651,000	868,414	105	92,200,000	878,095
\$1,000,001 - \$1,500,000	794	973,344,000	1,225,874	93	114,066,000	1,226,516
\$1,500,001 - \$2,000,000	390	684,492,000	1,755,108	56	98,228,000	1,754,071
\$2,000,001 - \$3,000,000	305	759,167,000	2,489,072	52	128,677,000	2,474,558
\$3,000,001 - \$4,000,000	211	752,087,000	3,564,393	51	180,433,000	3,537,902
\$4,000,001 - \$4,424,000	207	894,125,000	4,319,444	115	498,298,000	4,333,026
Total All Limits	24,918	9,965,761,000	399,942	3,142	1,414,883,000	450,313

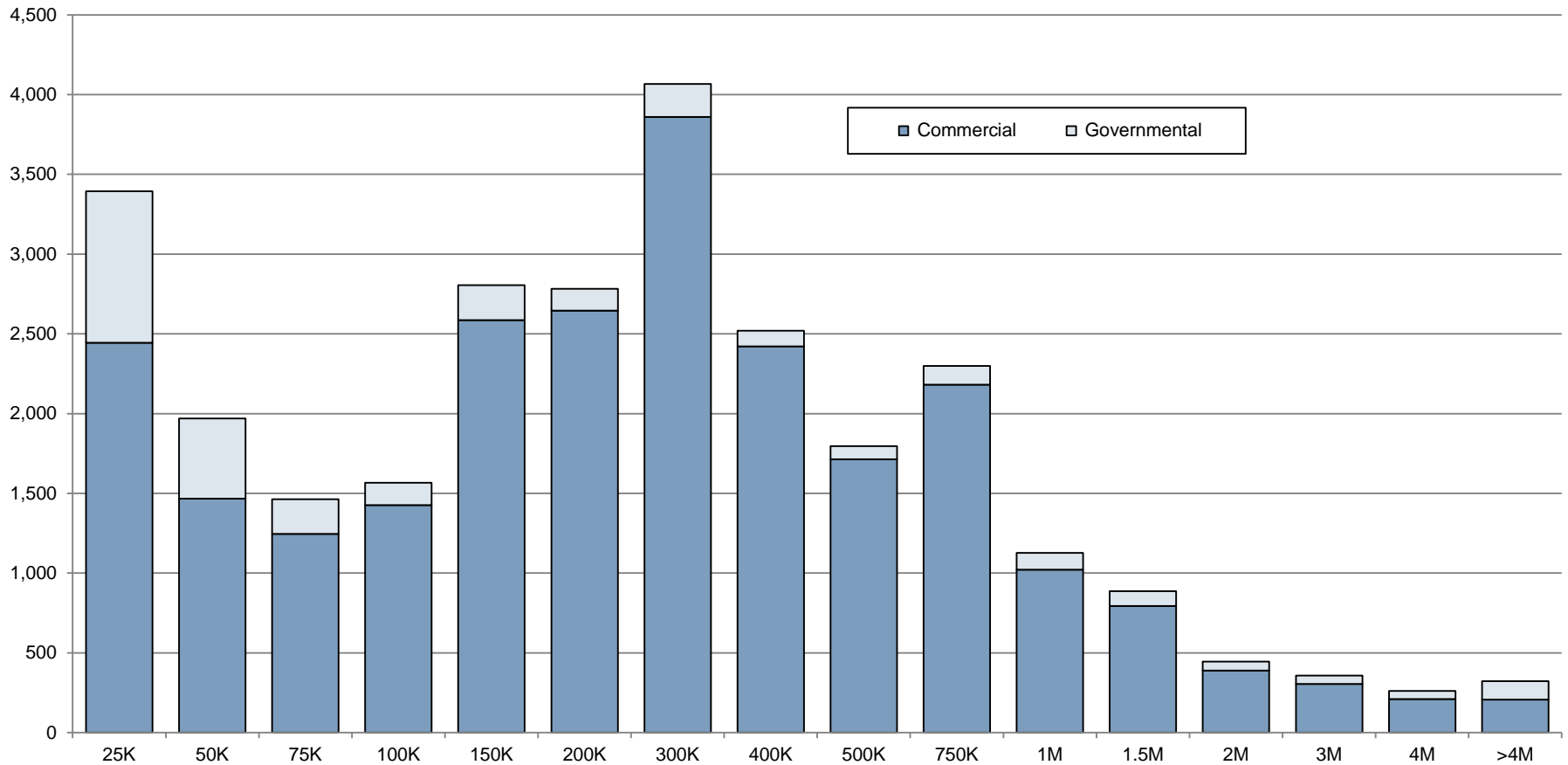
Notes: Exposures shown are building only



Non-Residential Distribution By AOI and Class

Evaluated as of 9/30/12

Non-Residential Risks In-Force





Windstorm Building Codes

Compliance and Loss Experience

TWIA Residential Structures Receiving Premium Credits For Compliance with Applicable Building Codes

County	% Structures Receiving Bldg Code Credits
Aransas	25.1%
Brazoria	30.8%
Calhoun	21.1%
Cameron	18.6%
Chambers	44.5%
Galveston	31.5%
Harris	18.1%
Jefferson	9.8%
Kenedy	26.1%
Kleberg	8.5%
Matagorda	13.4%
Nueces	18.9%
Refugio	12.5%
San Patricio	21.0%
Willacy	17.4%
All Counties	24.0%

Note: Evaluated as of 8/31/2012

Performance of Building Codes in TWIA Claims Resulting from Hurricane Ike

Building Code	Policies with Claims	Reduction in Claim Frequency	Average Reported Claim	Reduction in Claim Severity
International Residential Code *	44.9%	-36.8%	12,641	-36.7%
Windstorm Resistant Construction *	58.3%	-18.0%	17,132	-14.3%
Prior or None	71.1%		19,982	
All Building Codes	66.6%		19,130	

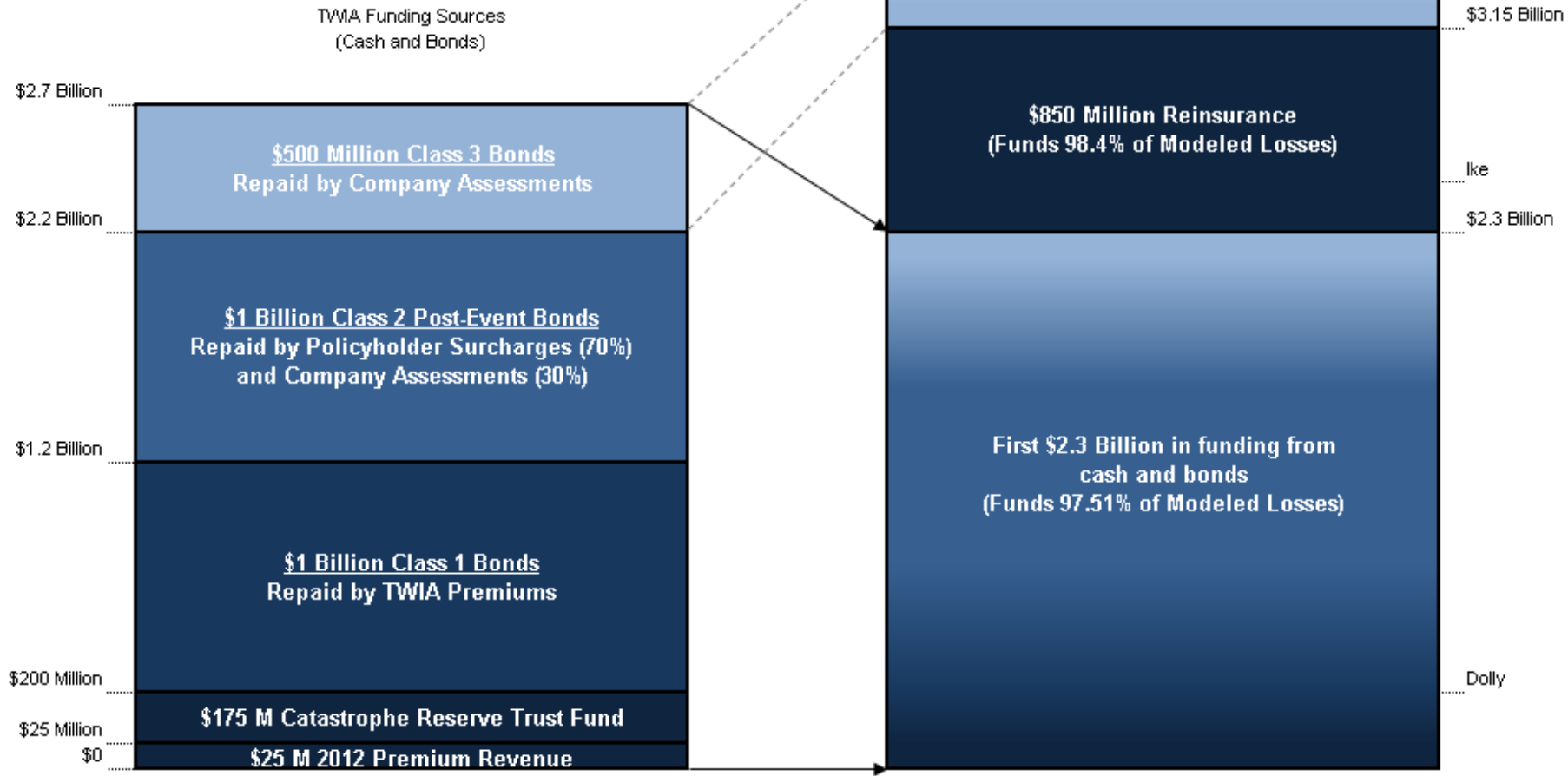
* Building Codes Eligible for Premium Credits

TWIA Policyholders Affected by A Waiver Program

	Type of Waiver Program
Grandfathered / No WPI-12 required	22,961 (Approval Waiver Program)
WPI-12 required	21,110 (Alternative Eligibility Waiver Program)
Total	44,071



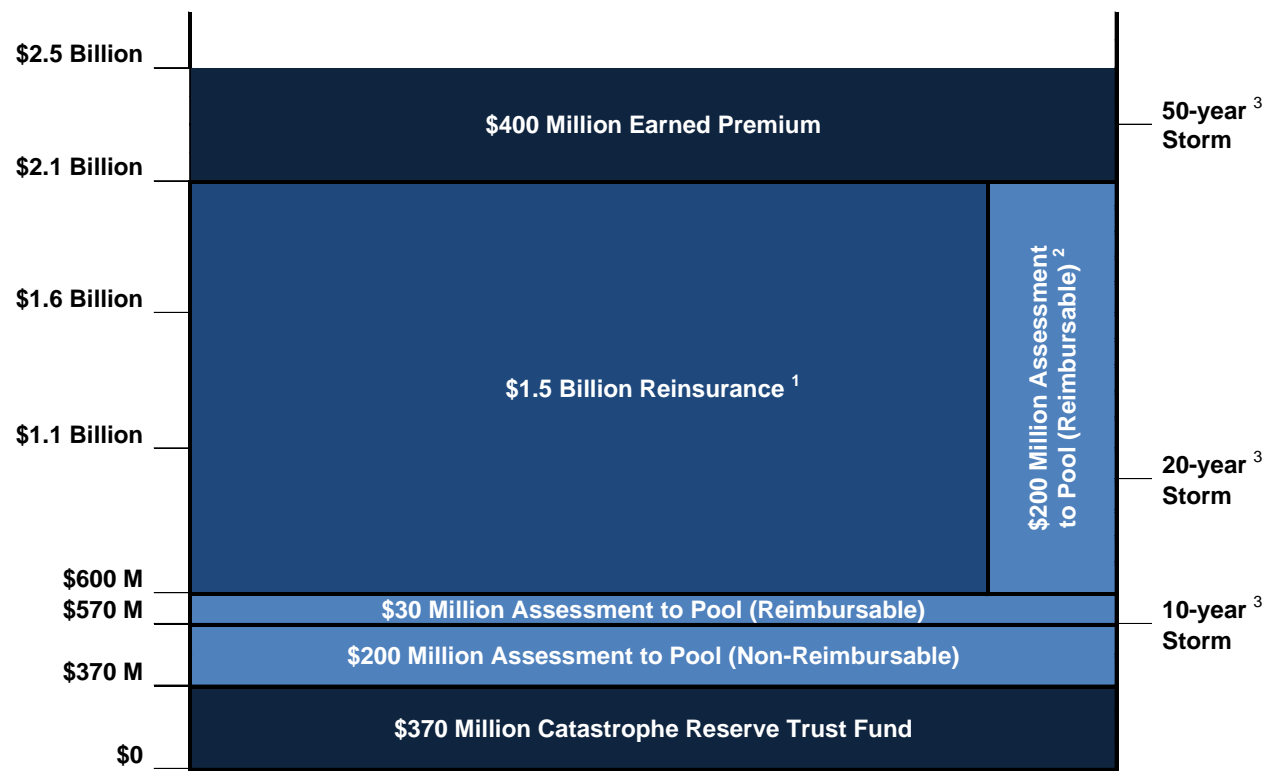
2012 Funding Including Reinsurance



Notes: Actual amounts of bond tranches are subject to marketability



TWIA Funding for Hurricane Ike



¹ Reinsurance recoveries reduced by \$200 million reinstatement premium
² \$200 million assessed to pay losses not covered by reinsurance
³ PML's based on average of AIR and RMS models as of 11/30/07



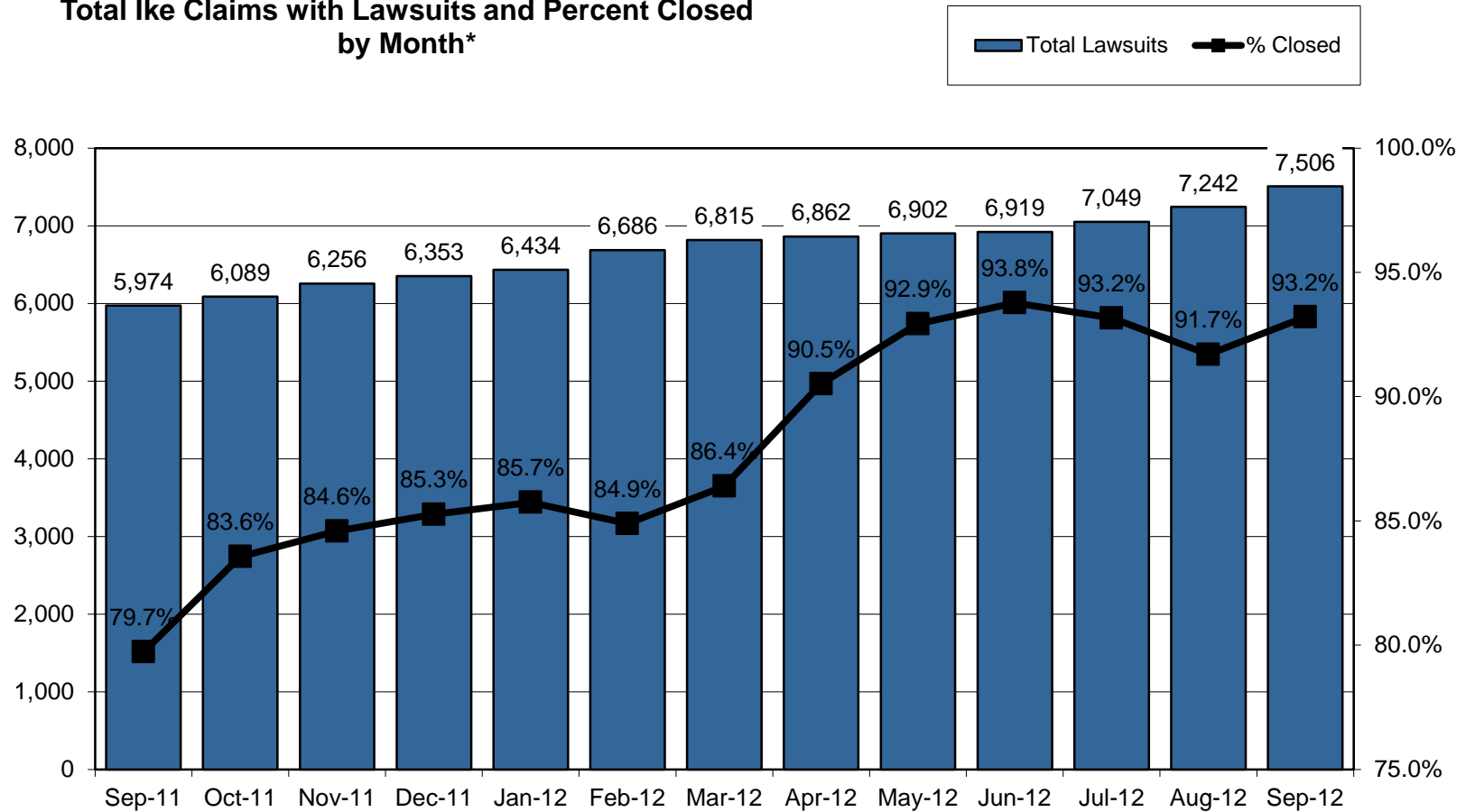
Financial Status of Catastrophe Reserve Trust Fund

<u>Month</u>	<u>Balance</u>	<u>Interest</u>	<u>Mgmt Fee</u>	<u>Misc</u>	TWIA <u>Dep/Wthdrwl</u>
<u>2012</u>	146,649,901.68				
Jan	147,095,599.99	6,762.31			438,936.00
Feb	147,494,735.48	9,029.49			390,106.00
Mar	147,962,563.17	12,619.69			455,208.00
Apr	148,545,155.28	11,223.11			571,369.00
May	149,120,436.79	14,363.51			560,918.00
Jun	174,491,410.85	15,842.33	(2,534.27)		25,357,666.00
Jul	175,325,172.28	17,710.28	(2,491.85)		818,543.00
Aug	176,199,700.07	16,796.28	(2,979.49)		860,711.00
Sep	177,163,391.14	21,792.07			941,899.00
Oct					
Nov					
Dec					
		126,139.07	(8,005.61)	0.00	30,395,356.00



Ike Lawsuits

Total Ike Claims with Lawsuits and Percent Closed by Month*

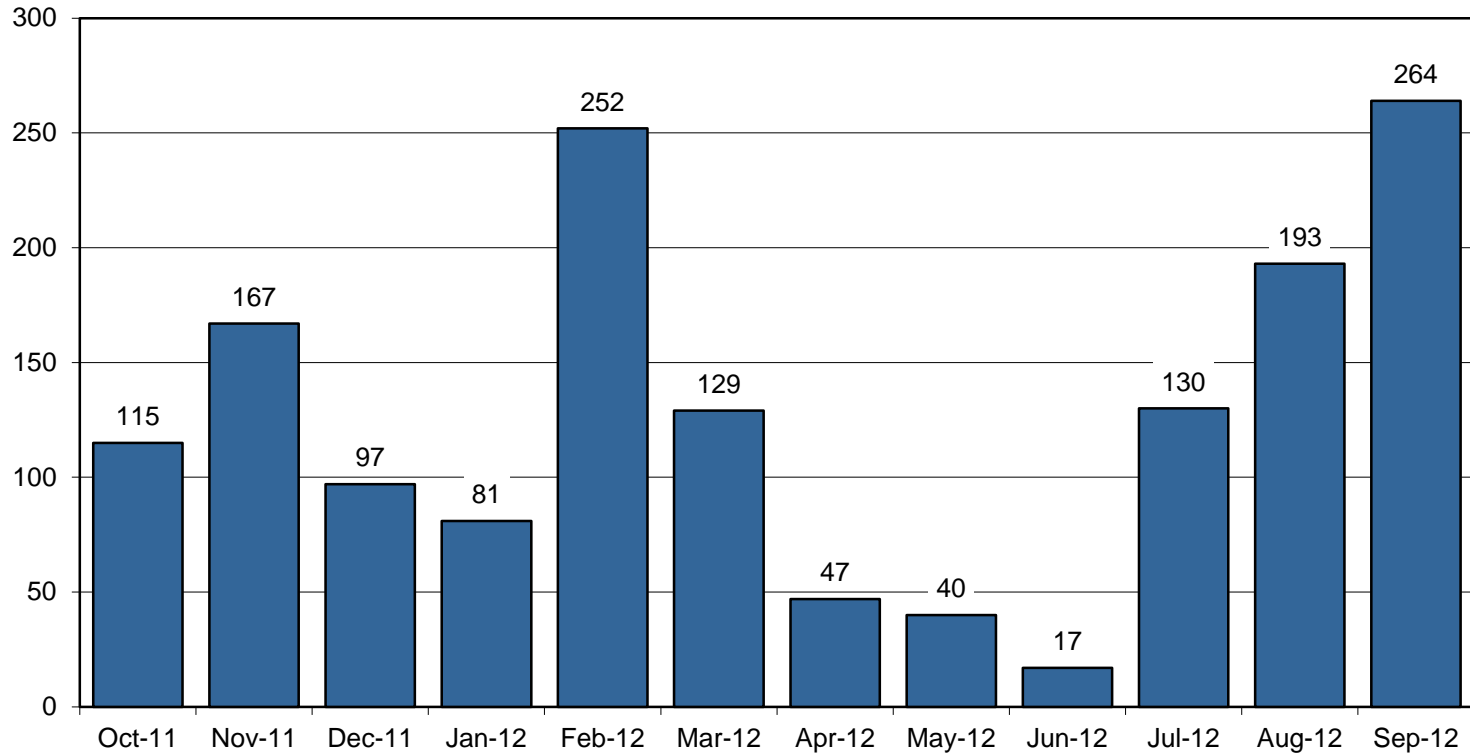


*Does not include approximately 2,000 claims with letters of attorney representation



Ike Lawsuits

New Ike Claims with Lawsuits by Month*



*Does not include claims with letters of attorney representation



Ike Lawsuit Trends

- Four year anniversary of Ike was September 13, 2012. This date represents the start of the application of the four-year statute of limitation for filing lawsuits on any open or closed Ike claims
- 587 claims with lawsuits filed in Q3 2012 (8.5% increase over prior quarter)
- Average claims with lawsuits filed per month for last 12 months = 128
- Average claims with lawsuits filed per month during Q3 2012 = 196
- 351 pending Ike claims with lawsuits



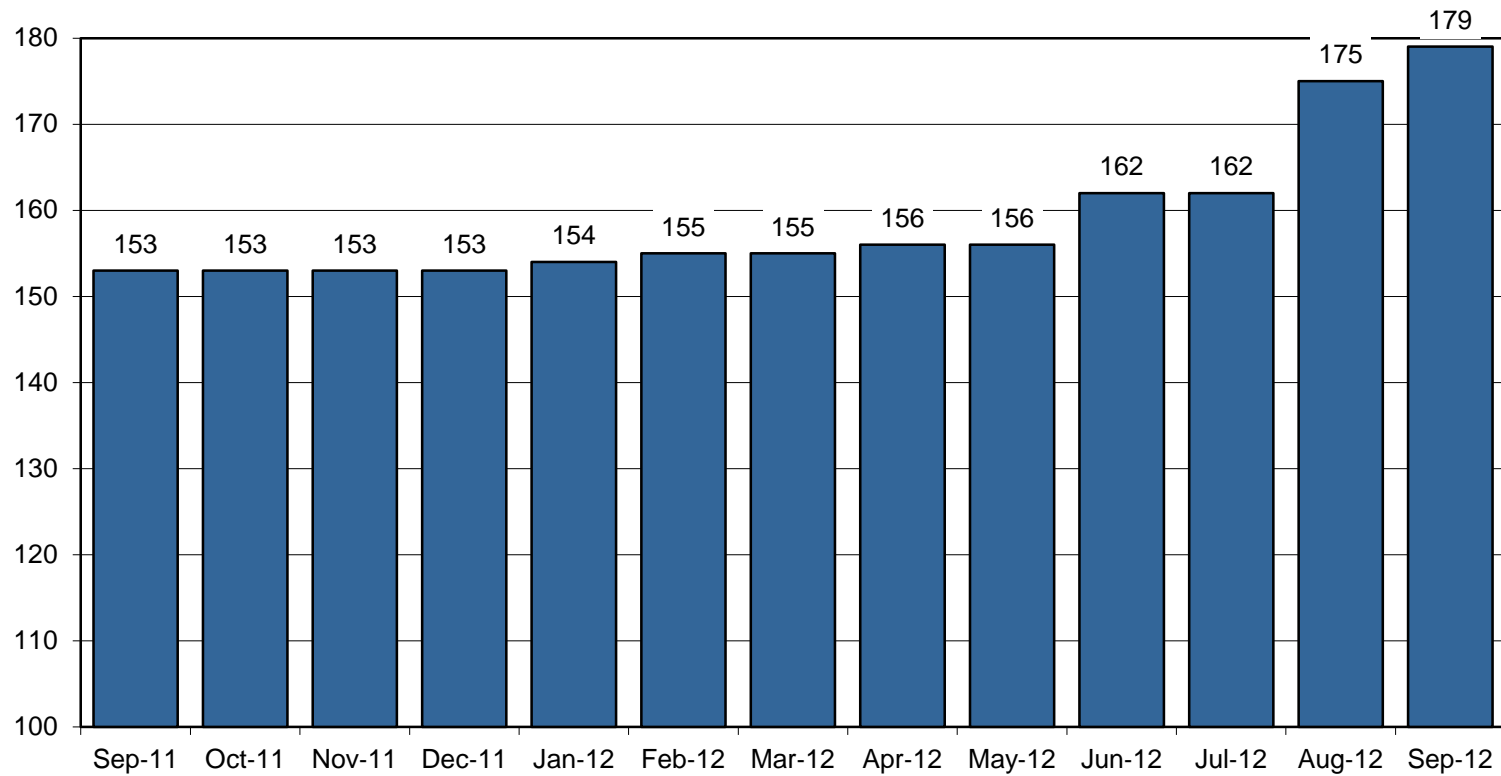
Ike Attorney Letter of Representation (LOR) Activity

- LOR claim = Attorney represented policyholder with no lawsuit filed on the claim
- 2,087 Ike LOR's received
- 1,493 or 71.5% settled
- 594 pending Ike LOR claims



Dolly Lawsuits

**Total Dolly Lawsuits
by Month***



*Does not include claims with letters of attorney representation



Legal Invoice Review

- In January 2011, new TWIA claims management implemented a review of legal invoices and issued new billing standards to outside counsel.
- By early June 2011, TWIA recovered \$235,878 from its own legal review initiative.
- On June 8, 2011, Commissioner Geeslin directed TWIA to hire an external firm with expertise in reviewing legal bills.
- In summer 2011, TWIA initially interviewed eight firms to conduct the review and narrowed the search to three firms. TWIA selected Legal Cost Control (“LCC”) and executed a contract on October 31, 2011.
- LCC began the retrospective review of legal invoices in January 2012. Between March and June 2012, LCC issued retrospective reports for seven law firms. Potential recoveries will be negotiated with each of the seven firms.
- A prospective review of legal invoices began with invoices submitted on or after March 1, 2012. Under the prospective review, approximately \$4.4 million in invoices have been reviewed with a net savings of \$130,000, or approximately 3%. Recovery rates are decreasing monthly as firms continue utilizing the TWIA billing guidelines.
- Outside firms are presently required to conform with TWIA billing guidelines developed with the assistance of LCC.