



Texas Windstorm Insurance Association

***Presentation to the Legislative Oversight Board
November 3, 2011***

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Status and Updates

- TWIA Funding
- Claims Update
- Litigation Update
- HB 3 Implementation
- Additional Information



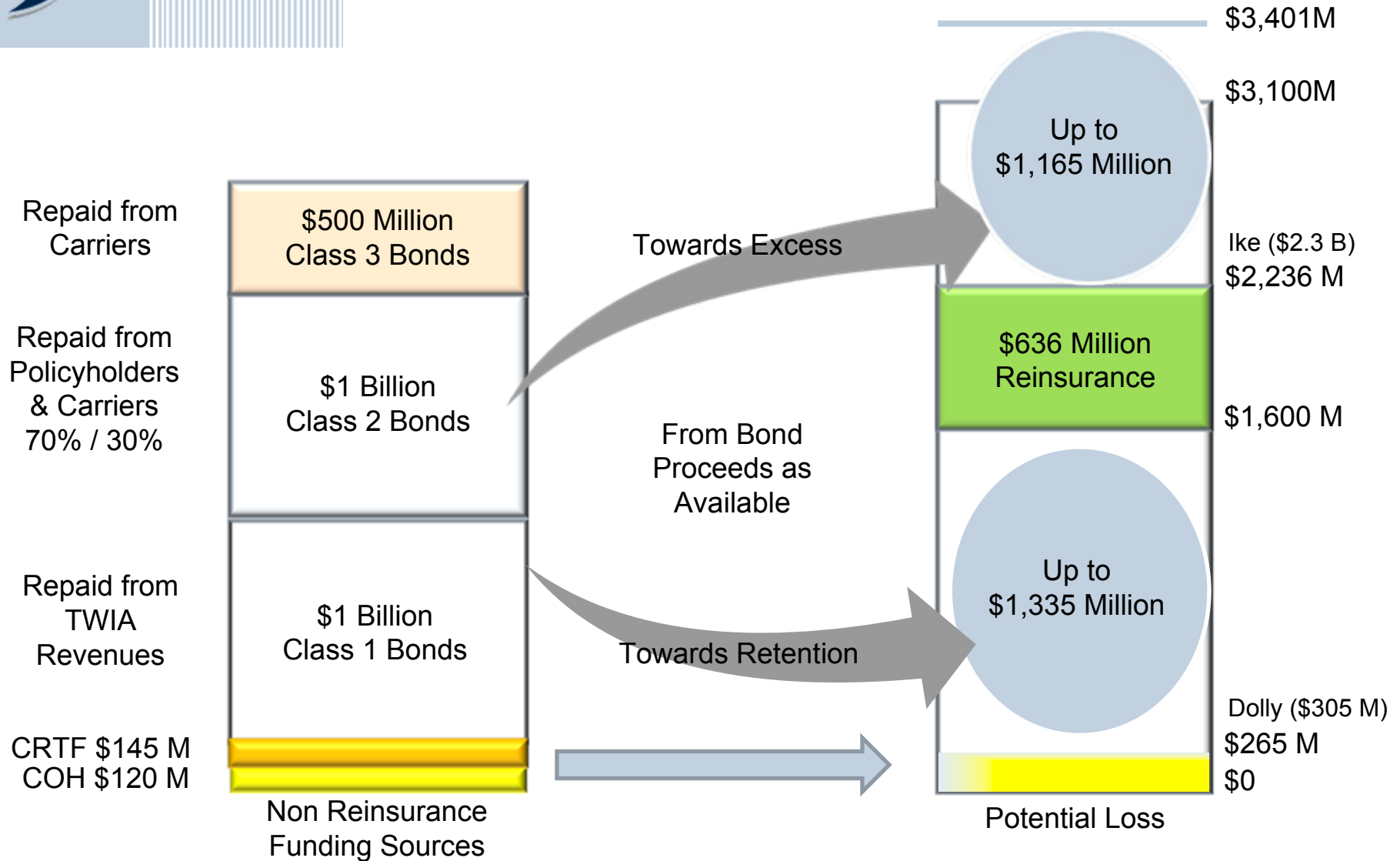
TWIA Funding

- Illustration of Funding
- Premiums and Other Revenue
- Catastrophe Reserve Trust Fund (CRTF)
- Reinsurance
- Public Securities (Pre- and Post-Event Bonds)

- Sources of Liquidity
 - Line of Credit
 - Commercial Paper



Illustration of Funding including Reinsurance





2011 Premium Revenue and CRTF Balance

- Despite incurred losses of \$98.6 million, TWIA has 2011 positive operating results of \$79.4 million as of September 30, 2011
- CRTF balance is currently \$145 million
- CRTF balance for the 2012 hurricane season is projected to be approximately \$250 - 275 million after the deposit of 2011 net gain from operations
- With no major storms, the CRTF is projected to grow by approximately \$200 - \$250 million per year



Rate Adequacy

- TWIA rates must be reasonable, adequate, not unfairly discriminatory, and non-confiscatory as to any class of insurer
- Rates must consider:
 - Past and prospective loss experience
 - Expenses of the association
 - Reasonable margin for profit and contingencies
 - Payment of public security obligations for Class 1 securities
- Rates will increase 5% for all policies effective January 1, 2012

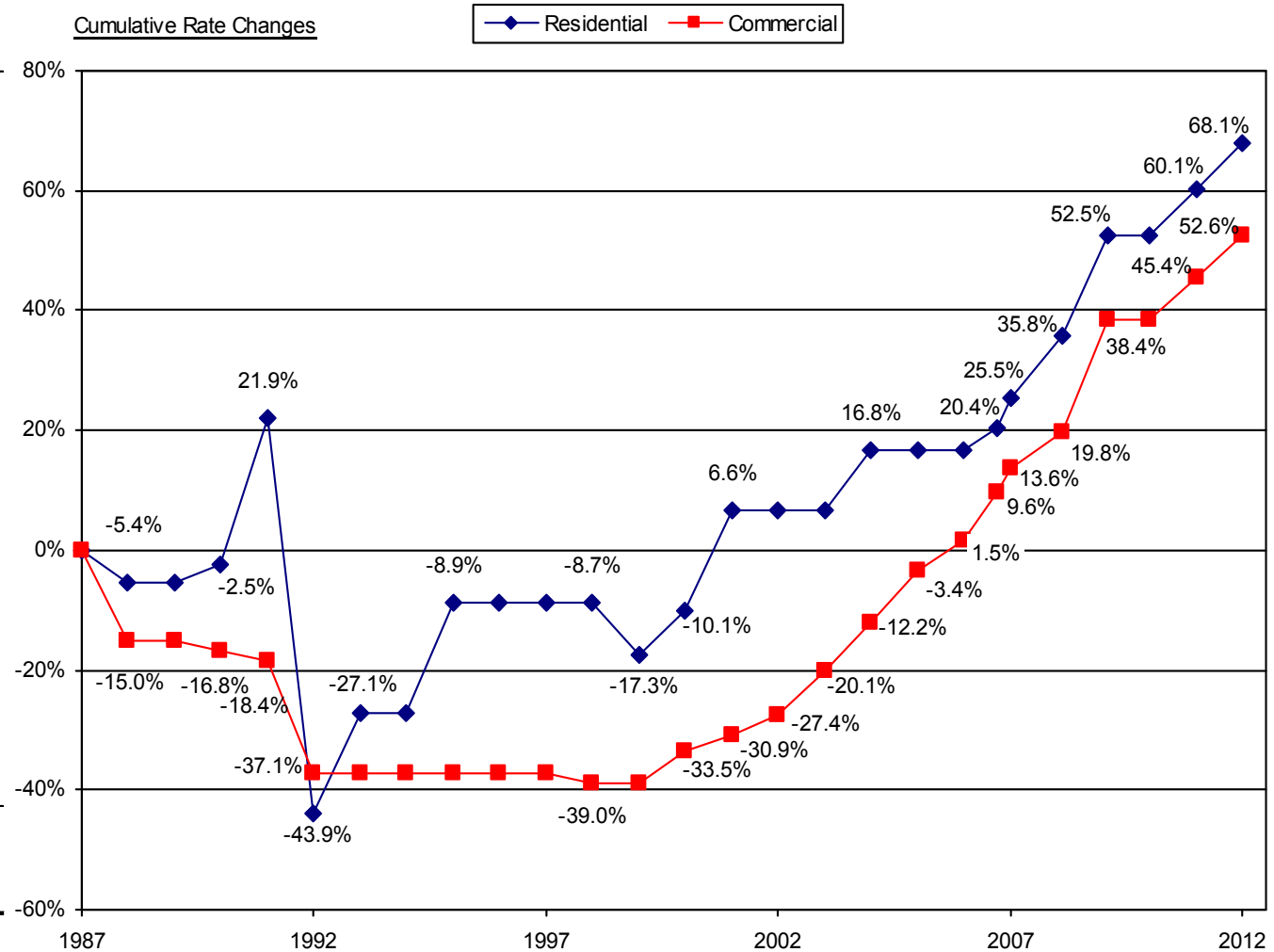


History of Rate Changes

History of Rate Changes

Year	Residential	Commercial
1988	-5.4%	-15.0%
1989	0.0%	0.0%
1990	3.1%	-2.1%
1991	25.0%	-2.0%
1992	-54.0%	-22.9%
1993	30.0%	0.0%
1994	0.0%	0.0%
1995	25.0%	0.0%
1996	0.0%	0.0%
1997	0.0%	0.0%
1998	0.2%	-3.0%
1999	-9.4%	0.0%
2000	8.7%	9.0%
2001	18.5%	4.0%
2002	0.0%	5.0%
2003	0.0%	10.0%
2004	9.6%	10.0%
2005	0.0%	10.0%
2006	0.0%	5.0%
2006 (Sep)	3.1%	8.0%
2007	4.2%	3.7%
2008 (Feb)	8.2%	5.4%
2009 (Feb)	12.3%	15.6%
2010	0.0%	0.0%
2011	5.0%	5.0%
2012	5.0%	5.0%
Cumulative	2.1%	1.7%
Annual Avg	-5.4%	-15.0%

Cumulative Rate Changes





Reinsurance

- In 2011, TWIA purchased catastrophe reinsurance for the first time since 2008
- The reinsurance provides coverage for \$636 million in losses in excess of \$1.6 billion per event
- Losses up to \$1.6 billion would be funded from premium revenues, the CRTF, and public securities
- Cost to purchase reinsurance in 2011 was approximately \$100 million, which will be paid in quarterly installments in 2011 and 2012
- TWIA is exploring its reinsurance options for the 2012 hurricane season



Public Securities

- Statute allows up to \$2.5 billion in public securities per catastrophe year
- Class 1 bonds may now be issued as pre- and/or post-event bonds
- §2210.6135 allows up to \$500 million to be issued as Class 2 bonds but repaid as Class 1 bonds if some or all of Class 1 bonds cannot be sold post-event
- Latest Developments:
 - TWIA board has approved resolutions for the Texas Public Finance Authority (TPFA) to begin preparatory work
 - No decision has been made on whether any public securities will be issued
 - A cost benefit analysis and approval by the Commissioner of Insurance are required before any bonds are issued



Sources of Liquidity

- Line of Credit
 - TWIA has obtained a \$200 million line of credit to provide immediate access to additional funds after a catastrophe

- Commercial Paper
 - TWIA is working with the Comptroller's office to establish a commercial paper program that could provide up to \$300 million in additional immediate funds
 - The Comptroller can only provide liquidity under the alternative funding option of § 2210.6136



Claims Update

- Hurricane Ike
- Hurricane Dolly
- Robstown Hailstorm



Hurricane Ike

September 2008

Class of Business	Reported Claims	Pending Claims	Percent Closed	Percent Reopened	Paid Losses	Case Reserves
Residential	87,959	2,359	97.3%	44.9%	1,472,308,804	130,758,655
Commercial	4,747	286	94.0%	46.6%	518,032,300	42,861,216
Mobile Home	134	1	99.3%	32.1%	755,932	83,500
No Policy	50	0	100.0%	8.0%	3,436	0
<hr/>						
Total	92,890	2,646	97.2%	45.0%	1,991,100,472	173,703,371

Notes: Paid losses include allocated loss adjustment expenses
Total estimate of Ike losses is \$2.3 billion, including unallocated loss adjustment expenses and IBNR

- New claims continue to be reported. Since June 30, 2011 there have been 29 new Ike claims filed
- TWIA has reopened 6,310 claims as a result of litigation



Hurricane Dolly

July 2008

Class of Business	Reported Claims	Pending Claims	Percent Closed	Percent Reopened	Paid Losses	Case Reserves
Residential	7,211	67	99.1%	23.3%	60,255,523	1,082,466
Commercial	1,039	38	96.3%	30.6%	229,237,154	9,291,749
Mobile Home	25	0	100.0%	20.0%	114,425	0
No Policy	91	0	100.0%	3.3%	1,036	0
Total	8,366	105	98.7%	24.0%	289,608,138	10,374,215

Notes: Paid losses include allocated loss adjustment expenses
Total estimate of Dolly losses is \$305 million, including IBNR

- Since June 30, 2011 there has been 1 new Dolly claim filed



Robstown Hailstorm

January 2011

Class of Business	Reported Claims	Pending Claims	Percent Closed	Percent Reopened	Paid Losses	Case Reserves
Residential	7,997	47	99.4%	24.6%	63,643,203	10,460,390
Commercial	418	8	98.1%	30.9%	13,642,853	3,691,347
Mobile Home	39	0	100.0%	12.8%	165,365	0
No Policy	7	0	100.0%	0.0%	271	0
Total	8,461	55	99.3%	24.8%	77,451,691	14,151,737

Notes: Paid losses include allocated loss adjustment expenses
Total estimate of Robstown losses is \$98 million, including IBNR



Litigation Update

- Legal costs
- Ike lawsuits
- Dolly lawsuits



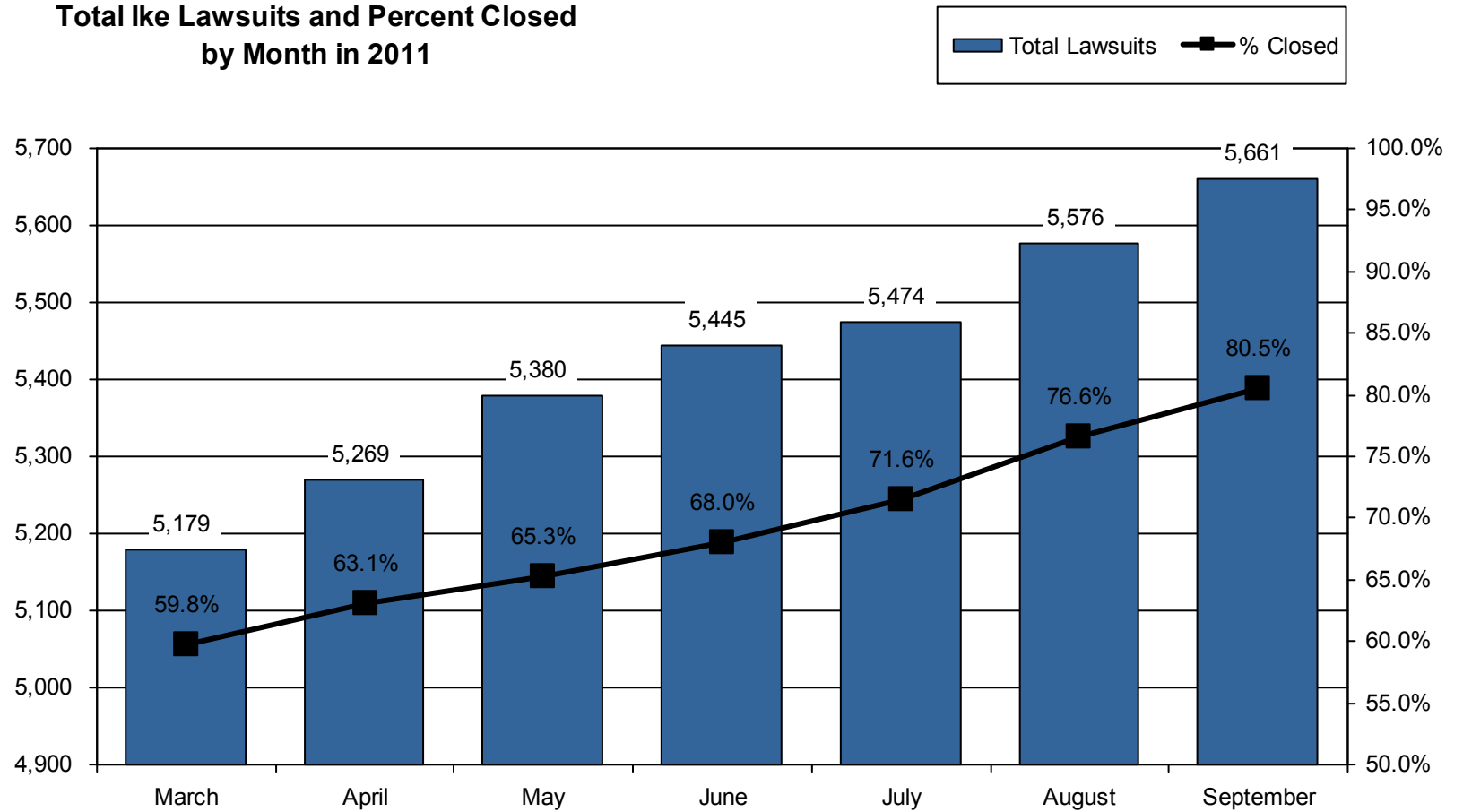
Legal Costs

- Since January 1, 2011, TWIA has paid \$16.8 million in legal costs defending Hurricane Ike and Dolly claims
- Legal costs since 2008 total \$55 million to defend hurricane litigation
- Legal costs have been paid from the same underlying revenue stream as other loss and loss adjustment expense payments: TWIA premiums, the CRTF, member assessments, and reinsurance recoveries
- To control future legal costs:
 - TWIA has contracted to perform an audit of all law firms
 - TWIA directly manages and oversees the actions of law firms
 - TWIA directly contracts with outside counsel



Ike Lawsuits

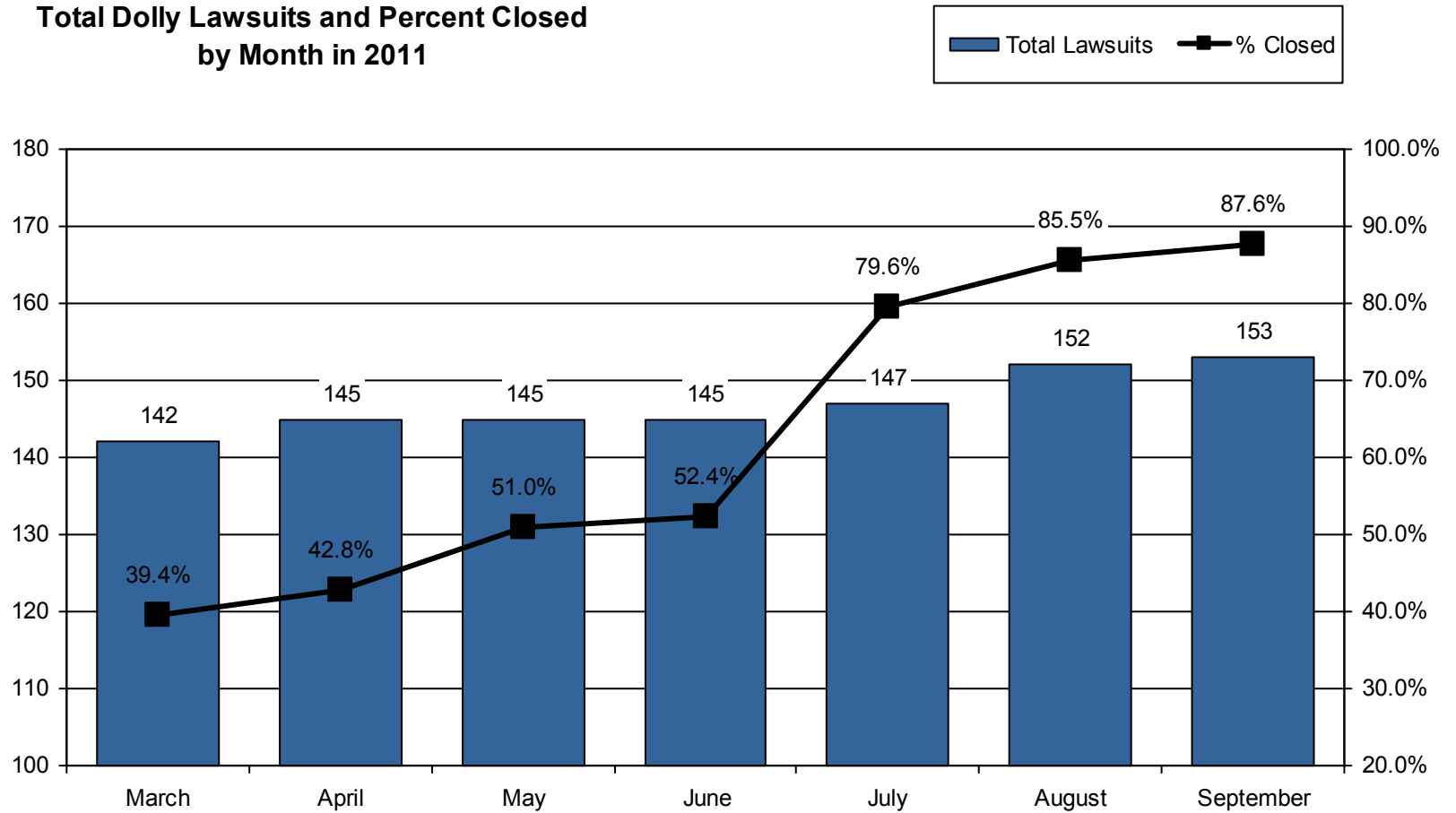
**Total Ike Lawsuits and Percent Closed
by Month in 2011**





Dolly Lawsuits

**Total Dolly Lawsuits and Percent Closed
by Month in 2011**





Implementation of HB 3

- New policy forms and endorsements
- Effect on existing claims litigation
- Changes to TWIA website
 - Summary of changes
 - HB 3 section of TWIA website
 - Visual guides to new claims and dispute processes:
 - Claims resolution
 - Appraisal process
 - Alternative dispute resolution
 - District court action
 - Arbitration
- Other compliance items



Policy Forms and Endorsements

- TWIA filed new policy forms and endorsements pursuant to HB 3
- All forms and endorsements approved by the Texas Department of Insurance on October 21, 2011
- New forms and endorsements effective for new and renewal policies issued on or after November 27, 2011
- Created with assistance from the Office of Public Insurance Counsel, a two-page Summary of Policy Changes is being included with all policies



Effect on Existing Claims Litigation

- 1 year deadline to file a claim applies to claims filed on policies issued on or after 9/28/2011
- For disputed claim decisions made on or after 9/28/2011 on policies issued before 11/27/2011, appraisal is required under the existing policy terms before any action may be brought, with mandatory abatement during appraisal
- For any cause of action that accrues on or after 9/28/2011 (regardless of the date the policy was issued), recovery under any cause of action is subject to HB3's limitation of damages:
 - Policy benefits for a covered loss, less prior payments
 - Prejudgment interest
 - Court costs
 - Reasonable and necessary attorney's fees
 - Consequential damages as provided under common law
 - "Additional damages" equal to an aggregate of unpaid policy benefit and consequential damages if the policyholder provides by clear and convincing evidence that TWIA intentionally mishandled the claim to the policyholder's detriment by conduct set out in §2210.576(d)



Website Changes

- A new section dedicated to HB 3 has been added to the TWIA website and includes:
 - HB 3 text and summary
 - Link to proposed rules
 - Summary of policy changes
 - Visual guides to the new claim and dispute processes
 - Alternative eligibility information
 - Link to send TWIA questions regarding HB 3
 - Information about TWIA meetings and the Public Information Act
- Future implementation will add:
 - Frequently Asked Questions related to HB 3
 - Copies of all new policy forms and endorsements
 - Posting of compensation information



HB 3 Section on TWIA Website

House Bill 3

New Legislation

- HB3 Full Text
- Summary
- Rules
- Policy Changes
- Claims & Disputes
- Alternative Eligibility Bulletin
- Alternative Eligibility Q & A

Meetings

Public Information Act

Official Notice

Aviso Oficial

**Email questions about
HB3 to:
HB3info@twia.org**

This part of the Texas Windstorm Insurance Association ("TWIA") website is dedicated to informing policyholders, agents, and other stakeholders about the changes to TWIA and the claims process resulting from the passage of House Bill 3 by the 82nd Legislature, 1st Called Special Session. It is important to know that the changes are occurring very quickly; the effective date of the new law is September 28, 2011. In addition, policy forms have been revised to reflect the changes to the law. These new policy forms will begin to be issued for new and renewal policies beginning November 27, 2011.

New Legislation ▶

This section of the website includes detailed information about House Bill 3, including a copy of the text of the bill and a summary of the bill's key sections. Also included in this section are documents intended to help you understand the significant changes. These documents include:

- an illustrative chart to show how the claims process works, timelines for filing and processing claims, and the various claim dispute processes;
- copies of any proposed or adopted rules including a link to the TDI website; and
- a summary of the policy changes.

Meetings ▶



Visual Guide to Claims Resolution

Claim is filed with TWIA not later than one year from the date of damage including any information related to the claim.

TWIA may, not later than the 30th day after a claim is filed, request in writing necessary information related to the claim from the claimant.

Not later than the 60th day after TWIA receives notice of the claim or the 60th day after receiving requested materials, whichever is later, TWIA must provide a written decision that:

TWIA accepts coverage for the claim in full.

TWIA informs claimant of amount to be paid on the accepted claim or partially accepted claim, and of the time limit to request appraisal.

TWIA must pay the claim not later than the 10th day after date of notice.

Claimant may request from TWIA a detailed summary of the manner in which TWIA determined the amount to pay. If the claimant accepts the amount, the decision is final pending the passage of 60 and / or 90 day deadlines. If the claimant disputes this amount paid, the claimant may seek appraisal under the policy. [SEE SLIDE ON THE APPRAISAL PROCESS.](#)

TWIA accepts coverage for the claim in part and denies coverage for the claim in part.

TWIA informs claimant of the portion of the claim which TWIA denies coverage including a detailed summary of the manner TWIA determined not to accept coverage and the time limit to provide notice of intent to bring a lawsuit.

If payment is conditioned on the performance of an act, TWIA must pay the claim not later than the 10th day after performance of the action.

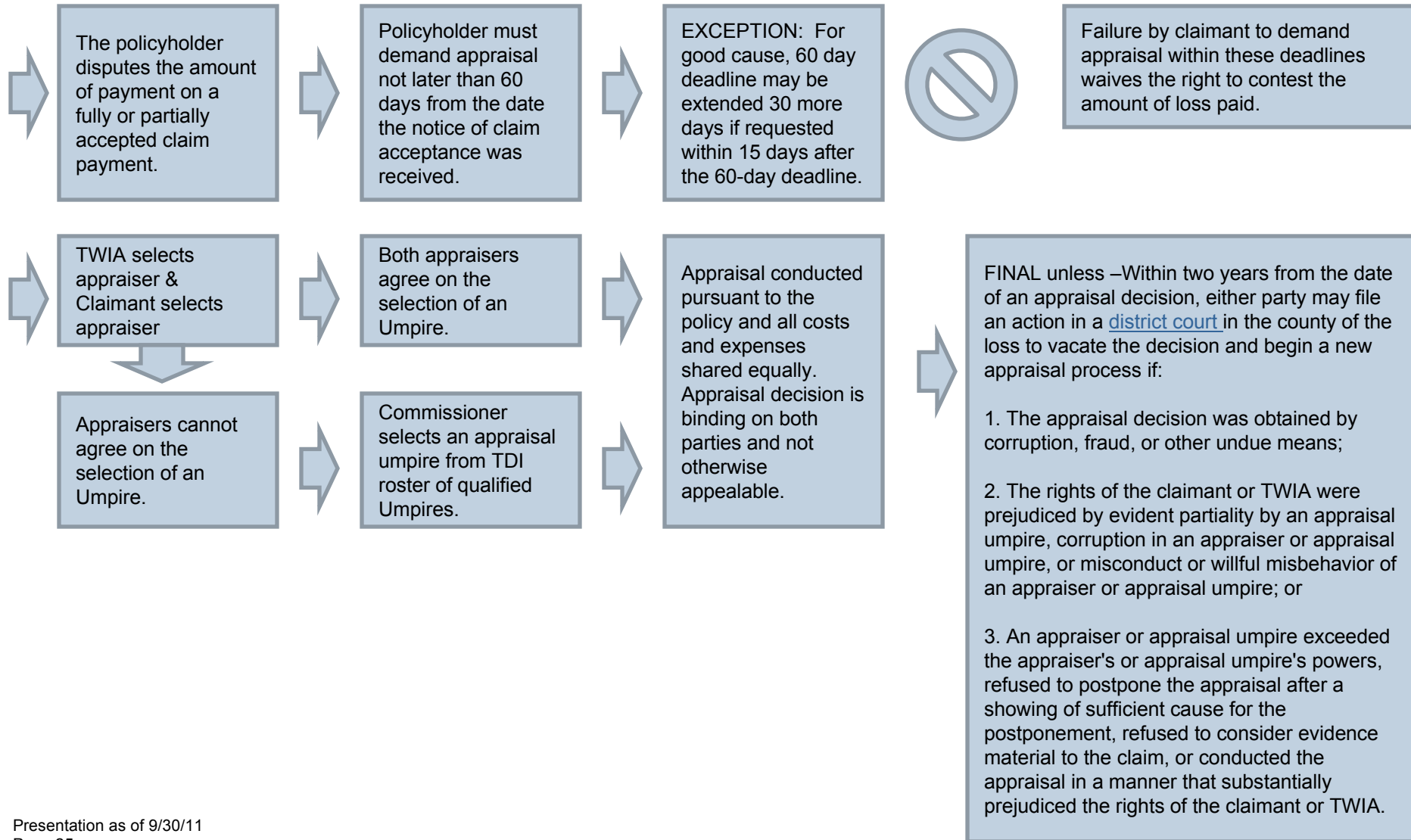
Not later than the second anniversary of the date the claimant receives a notice of denial or partial denial, claimant must provide notice to TWIA that the claimant intends to bring a lawsuit against TWIA concerning the partial or full denial of the claim. TWIA may require the claimant to submit the dispute to alternative dispute resolution (mediation or moderated settlement conference). [SEE SLIDE ON ALTERNATIVE DISPUTE RESOLUTION PROCESS.](#)

TWIA denies coverage for the claim in full.

TWIA required to provide a form to provide the notice of intent to bring a lawsuit.

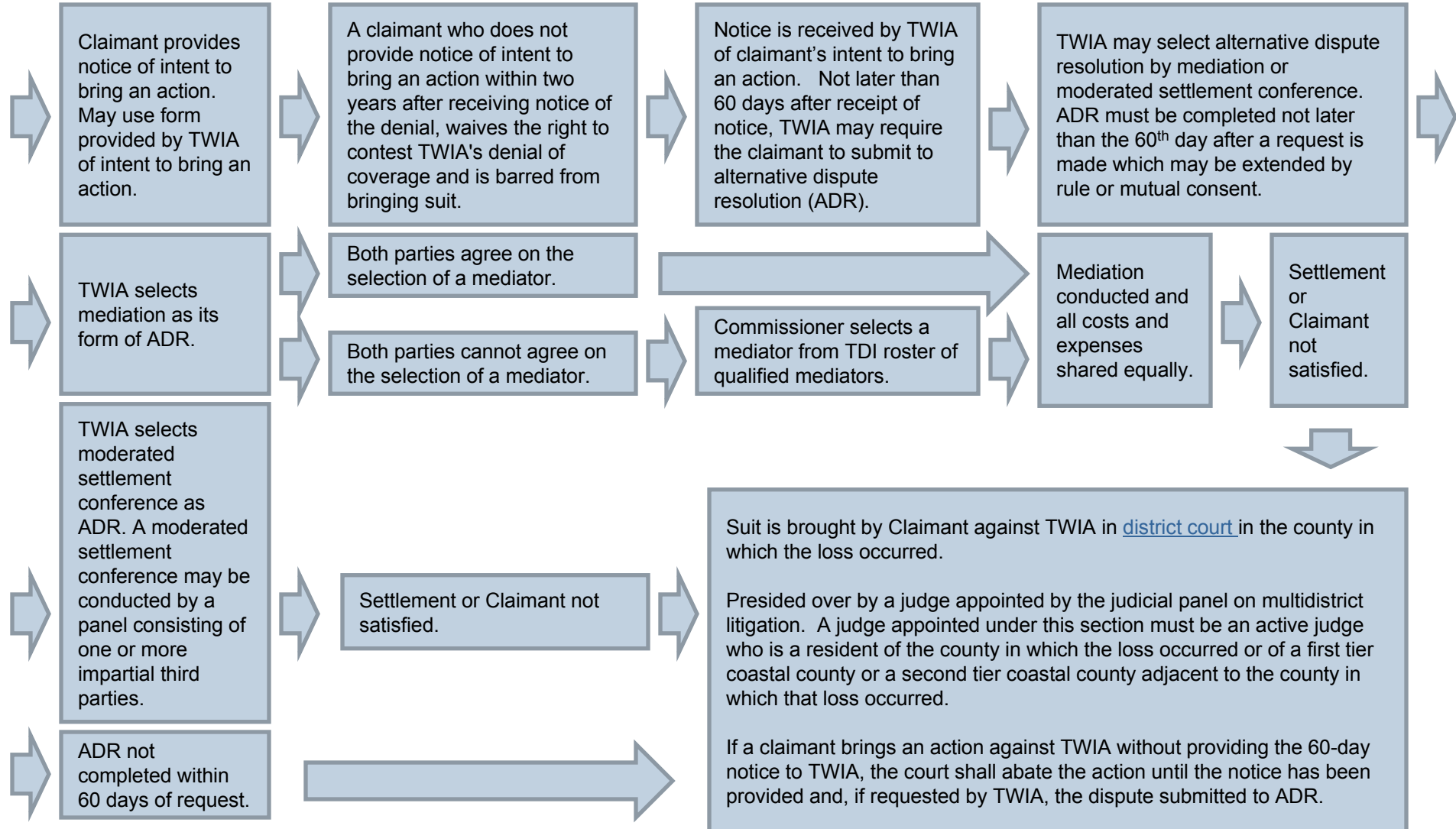


Visual Guide to Appraisal Process





Visual Guide to Alternative Dispute Resolution





Visual Guide to District Court Action

The only issues a claimant may raise in a suit brought against TWIA are whether TWIA's denial of coverage was proper, and what amount of the damages the claimant is entitled, if any.

A claimant that brings an action against TWIA may recover only the covered loss payable under the terms of TWIA policy minus the amount of loss already paid by TWIA; prejudgment interest from the first day after the date TWIA was or would have been required to pay an accepted claim or the accepted portion of a claim, at the prejudgment interest rate provided in Subchapter B, Chapter 304, Finance Code; and any court costs and reasonable and necessary attorney's fees.

There are no limitations on the amount of consequential damages that a claimant may recover under common law in an action against TWIA. In addition to consequential damages, a claimant may recover double damages if the claimant proves by clear and convincing evidence that TWIA mishandled the claimant's claim by intentionally:

Failing to meet the deadlines or timelines without good cause

Disregarding applicable guidelines published by the commissioner of insurance

Failing to provide written notice that a claim was accepted or rejected

Rejecting a claim without conducting a reasonable investigation

Denying coverage for a claim, if liability has become reasonably clear



Visual Guide to Arbitration

A person insured under Chapter 2210 may elect to purchase a binding arbitration endorsement in a form prescribed by the commissioner. Implementation – TBD.



Arbitration shall be conducted in the manner and under rules and deadlines prescribed by the commissioner. Implementation – TBD.



A person who elects to purchase an endorsement under this section must arbitrate any dispute involving an act, ruling, or decision of TWIA relating to the payment of, the amount of, or the denial of the claim.



TWIA may offer a premium discount or credit against a surcharge not to exceed 10 percent of the premium, if a person elects to purchase a binding arbitration endorsement.



Other Compliance Items

- New Code of Conduct adopted – Business Ethics and Conflict of Interest Policy
- October 28 TWIA board meeting was broadcast on the TWIA website



Additional Information

- General Overview
- 2011 Maximum Limits of Liability
- Liability In-Force 2000 - 2010
- Exposure Growth
- Total Exposure
- Statistical Report
- Distribution by County and Class of Business
- Residential Distribution by Amount of Insurance and Occupancy
- Non-Residential Distribution by Amount of Insurance and Class
- Catastrophe Modeling Results



General Overview

- The Texas Windstorm Insurance Association (TWIA), known as the Texas Catastrophe Property Insurance Association (TCPIA) until September 1, 1997, was established by the Texas Legislature in 1971 as a mechanism to provide wind and hail coverage to applicants unable to obtain insurance in the voluntary market. The Legislature's action was a response to market constrictions along the Texas Gulf Coast after several hurricanes.
- Since its inception, the legislature has made it clear that TWIA was to write limited coverage for wind and hail in order to provide for the "orderly economic growth of the Coastal counties." Persons who own businesses and/or residences in the following counties are eligible for coverage through TWIA: Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jefferson, Kennedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio, Willacy. In addition, portions of Harris County east of Highway 146 are also eligible.
- TWIA operates on a daily basis as an insurance company by issuing policies, collecting premiums and paying losses. Each calendar year the net gain from operation of the Association, if any, are transferred to a state-owned Catastrophe Reserve Trust Fund (CRTF). The State Controller holds the CRTF money in the name of the Texas Department of Insurance. These funds are to be used after a serious storm, or series of storms, to pay loss and loss adjustment expenses. Approximately \$470 million was available for the 2008 hurricane season. The fund in its entirety was used to pay claims related to Hurricane Dolly and Hurricane Ike.
- At present there is approximately \$145 million in the CRTF.
- *Pursuant to legislation adopted in 2009 and 2011, TWIA funding in excess of premiums and the CRTF is provided by up to \$2.5 billion in public securities per catastrophe year. These securities are repaid at various levels from TWIA premiums, catastrophe area surcharges, and assessments to TWIA member companies. TWIA may purchase reinsurance in addition to or in concert with this funding.*



2011 Maximum Limits of Liability

<u>Coverage</u>	<u>2011 Limits</u>
Dwellings and Individually Owned Townhouses and Corporeal Movable Property	\$1,773,000
Individually Owned Corporeal Movable Property in Apartments, Condominiums, or Townhouses	\$374,000
Commercial Buildings and Corporeal Movable Property	\$4,424,000
Governmental Buildings and Corporeal Movable Property	\$4,424,000

Pursuant to Texas Insurance Code §2210.502, maximum limits are adjusted annually as approved by the Commissioner of Insurance



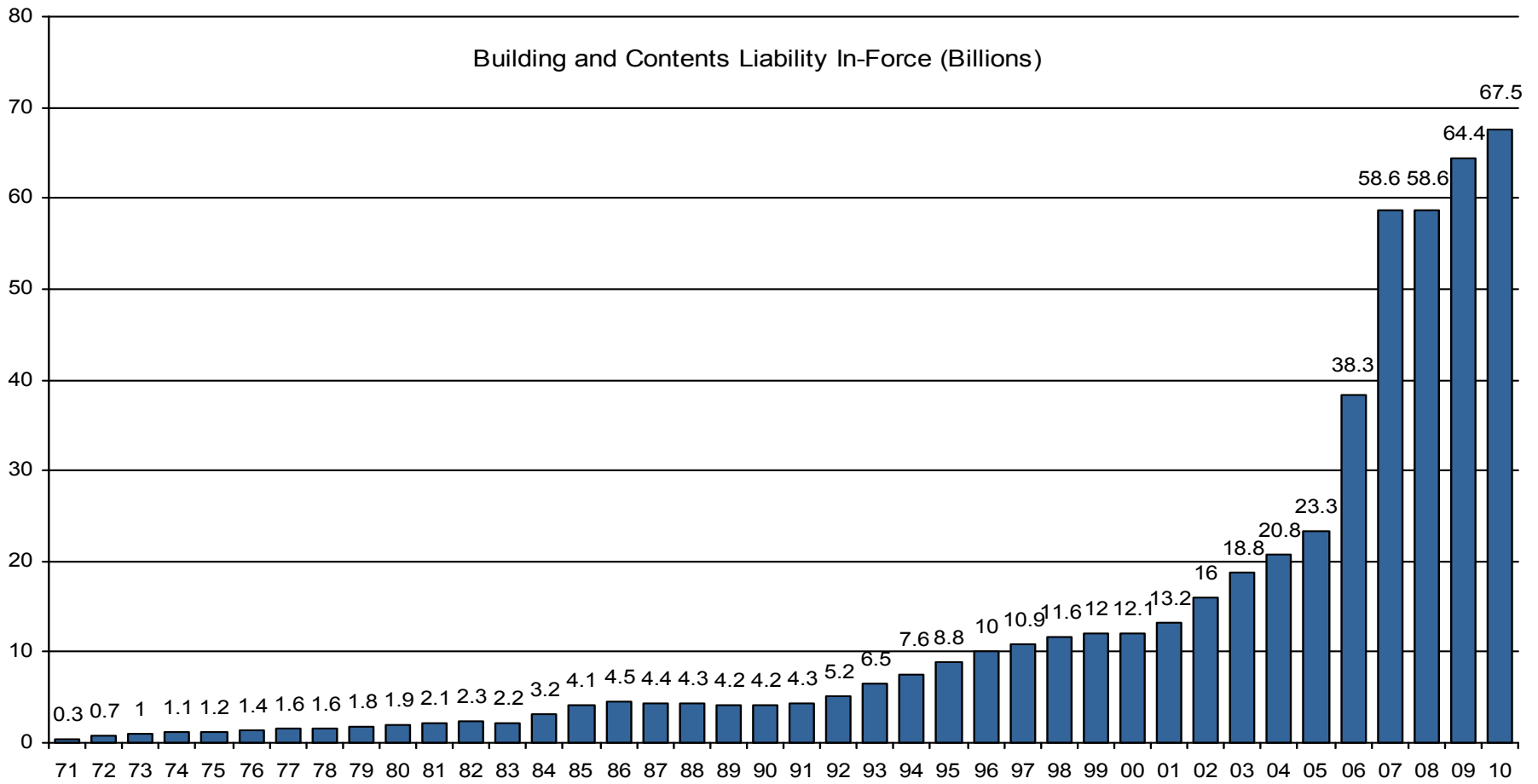
Liability In-Force 2000 – 2010

Year	Gross In-Force Liability	Percentage Change Over Prior Year
2000	12,052,604,254	0.67%
2001	13,249,406,793	9.93%
2002	16,003,048,280	20.78%
2003	18,824,457,208	17.63%
2004	20,796,655,763	10.48%
2005	23,263,934,405	11.86%
2006	38,313,022,160	64.69%
2007	58,641,546,243	53.06%
2008	58,585,060,464	-0.10%
2009	64,405,791,112	9.94%
2010	67,452,356,800	4.73%

Notes: Exposures shown are building and contents only



Historical Growth





Total Exposure

Evaluated as of 9/30/11

Buildings and Contents	\$70,071,003,188
Additional Living Expense	\$ 6,466,894,429
Business Income	<u>\$ 400,118,185</u>
Total	\$76,938,015,802



Statistical Report

Evaluated as of 9/30/11

County	Policies In-Force				Liability In-Force			
	at 9/30/10	at 9/30/11	# Gain	% Gain	at 9/30/10	at 9/30/11	# Gain	% Gain
Aransas	6,683	6,716	33	0.50	2,063,295,919	2,084,534,645	21,238,726	1.00
Brazoria	45,356	48,932	3,576	7.90	12,706,297,876	13,716,266,474	1,009,968,598	7.90
Calhoun	4,214	4,227	13	0.30	922,071,389	948,389,846	26,318,457	2.90
Cameron	17,189	17,644	455	2.60	4,870,915,326	4,860,363,734	-10,551,592	-0.20
Chambers	5,289	5,545	256	4.80	1,565,351,778	1,654,302,830	88,951,052	5.70
Galveston	67,643	68,715	1,072	1.60	21,044,256,008	21,384,036,108	339,780,100	1.60
Harris	3,073	3,332	259	8.40	848,810,361	934,156,269	85,345,908	10.10
Jefferson	28,447	32,459	4,012	14.10	6,958,002,211	7,820,988,858	862,986,647	12.40
Kenedy	23	21	-2	-8.70	8,763,122	5,207,515	-3,555,607	-40.60
Kleberg	1,445	1,459	14	1.00	417,593,848	340,820,517	-76,773,331	-18.40
Matagorda	4,610	5,042	432	9.40	999,246,844	1,085,033,325	85,786,481	8.60
Nueces	48,821	49,093	272	0.60	12,752,489,521	12,772,957,272	20,467,751	0.20
Refugio	460	453	-7	-1.50	123,400,998	123,316,169	-84,829	-0.10
San Patricio	8,488	8,531	43	0.50	2,159,011,540	2,203,646,269	44,634,729	2.10
Willacy	580	600	20	3.40	137,062,978	136,983,357	-79,621	-0.10
Total:	\$242,321	252,769	10,448	4.31	\$67,576,569,719	\$70,071,003,188	\$2,494,433,469	3.69

Notes: Exposures shown are building and contents only



Distribution By County and Class of Business

Evaluated as of 9/30/11

County	Policies In-Force				Exposures In-Force			
	Residential	Commercial	Governmental	Total	Residential	Commercial	Governmental	Total
Aransas	6,234	474	8	6,716	1,750,702,880	313,905,172	19,926,593	2,084,534,645
Brazoria	47,301	1,580	51	48,932	12,397,402,307	1,076,807,789	242,056,378	13,716,266,474
Calhoun	3,901	312	14	4,227	754,668,959	158,693,123	35,027,764	948,389,846
Cameron	16,234	1,371	39	17,644	2,971,050,954	1,597,217,208	292,095,572	4,860,363,734
Chambers	5,335	203	7	5,545	1,520,339,757	101,766,329	32,196,744	1,654,302,830
Galveston	65,502	3,149	64	68,715	17,814,745,852	3,015,858,829	553,431,427	21,384,036,108
Harris	3,201	131	0	3,332	831,852,409	102,303,860	0	934,156,269
Jefferson	30,659	1,770	30	32,459	6,419,715,872	1,312,917,756	88,355,230	7,820,988,858
Kenedy	19	1	1	21	3,722,957	842,244	642,314	5,207,515
Kleberg	1,347	107	5	1,459	239,485,789	66,097,002	35,237,726	340,820,517
Matagorda	4,709	318	15	5,042	898,906,513	158,125,858	28,000,954	1,085,033,325
Nueces	45,914	3,123	56	49,093	9,788,147,297	2,784,325,661	200,484,314	12,772,957,272
Refugio	399	46	8	453	76,466,117	26,690,801	20,159,251	123,316,169
San Patricio	8,046	461	24	8,531	1,831,434,070	310,740,569	61,471,630	2,203,646,269
Willacy	531	63	6	600	94,535,569	37,322,640	5,125,148	136,983,357
Total	239,332	13,110	327	252,769	57,393,177,302	11,063,614,841	1,614,211,045	70,071,003,188

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 Distribution By *AOI and Occupancy

Evaluated as of 9/30/11

*Amount of Insurance	Primary Residential Dwellings			Secondary Residential Dwellings		
	Dwellings	Total Exposure	Average Limits	Dwellings	Total Exposure	Average Limits
\$0 - \$25,000	411	7,589,000	18,465	2,265	35,296,000	15,583
\$25,001 - \$50,000	2,736	119,198,000	43,567	4,426	183,459,000	41,450
\$50,001 - \$75,000	10,784	709,462,000	65,788	7,608	488,813,000	64,250
\$75,001 - \$100,000	22,669	2,032,242,000	89,649	7,927	702,729,000	88,650
\$100,001 - \$125,000	26,290	2,999,718,000	114,101	5,865	666,227,000	113,594
\$125,001 - \$150,000	29,293	4,062,472,000	138,684	5,188	719,851,000	138,753
\$150,001 - \$175,000	25,020	4,085,526,000	163,290	3,712	604,768,000	162,922
\$175,001 - \$200,000	21,264	4,008,059,000	188,490	2,955	559,499,000	189,340
\$200,001 - \$225,000	13,165	2,798,489,000	212,570	1,650	352,358,000	213,550
\$225,001 - \$250,000	10,499	2,505,471,000	238,639	1,547	371,836,000	240,359
\$250,001 - \$300,000	12,186	3,347,951,000	274,737	1,671	463,981,000	277,667
\$300,001 - \$400,000	9,610	3,293,864,000	342,754	1,520	527,752,000	347,205
\$400,001 - \$500,000	3,069	1,361,744,000	443,709	679	306,875,000	451,951
\$500,001 - \$1,000,000	2,086	1,344,057,000	644,323	610	401,756,000	658,616
\$1,000,001 - \$1,500,000	188	228,790,000	1,216,968	78	95,012,000	1,218,103
\$1,500,001 - \$1,773,000	11	17,700,000	1,609,091	9	14,613,000	1,623,667
Total All Limits	189,281	32,922,332,000	173,934	47,710	6,494,825,000	136,131

Notes: Exposures shown are building only



Non-Residential Distribution By AOI and Class

Evaluated as of 9/30/11

Amount of Insurance	<u>Commercial Risks</u>			<u>Governmental Risks</u>		
	Structures	Total Exposure	Average Limits	Structures	Total Exposure	Average Limits
\$0 - \$25,000	2,540	30,028,000	11,822	921	8,621,000	9,360
\$25,001 - \$50,000	1,512	58,922,000	38,970	498	20,009,000	40,179
\$50,001 - \$75,000	1,272	82,281,000	64,686	242	14,736,000	60,893
\$75,001 - \$100,000	1,506	135,646,000	90,070	149	13,031,000	87,456
\$100,001 - \$150,000	2,698	345,687,000	128,127	228	28,664,000	125,719
\$150,001 - \$200,000	2,460	435,454,000	177,014	122	21,492,000	176,164
\$200,001 - \$250,000	1,990	453,227,000	227,752	103	23,313,000	226,340
\$250,001 - \$400,000	4,036	1,299,947,000	322,088	195	60,257,000	309,010
\$400,001 - \$500,000	1,601	726,747,000	453,933	82	37,096,000	452,390
\$500,001 - \$750,000	2,057	1,262,676,000	613,843	119	73,805,000	620,210
\$750,001 - \$1,000,000	960	831,068,000	865,696	104	91,475,000	879,567
\$1,000,001 - \$1,500,000	713	875,561,000	1,227,996	95	117,087,000	1,232,495
\$1,500,001 - \$2,000,000	351	617,901,000	1,760,402	51	88,608,000	1,737,412
\$2,000,001 - \$3,000,000	296	741,477,000	2,504,990	45	109,336,000	2,429,689
\$3,000,001 - \$4,000,000	198	707,722,000	3,574,354	51	181,465,000	3,558,137
\$4,000,001 - \$4,424,000	184	795,718,000	4,324,554	107	461,806,000	4,315,944
Total All Limits	24,374	9,400,062,000	385,659	3,112	1,350,801,000	434,062

Notes: Exposures shown are building only



Catastrophe Modeling Results

Probability	Return Period	<u>Average of AIR and RMS Models</u>		Percent Change
		As of 12/31/09	As of 12/31/10	
10.00%	10	\$461 Million	\$521 Million	13%
5.00%	20	\$1.0 Billion	\$1.2 Billion	15%
2.00%	50	\$2.3 Billion	\$2.7 Billion	15%
1.00%	100	\$3.8 Billion	\$4.4 Billion	17%
0.40%	250	\$5.9 Billion	\$6.8 Billion	14%
0.20%	500	\$7.4 Billion	\$9.6 Billion	30%
Average Annual Loss		\$216 Million	\$251 Million	16%
TWIA Modeled Limits		\$70.5 Billion	\$73.3 Billion	4%



Balance Sheet

Statutory Balance Sheet (000s omitted)

	9/30/11
Admitted Assets	
Cash and short term investments	\$ 475,742
Receivable from Texas FAIR Plan Association	171
Premiums receivable	315
Amounts recoverable from reinsurers	80,498
Other assets	309
Total Assets	\$ 557,035
Liabilities, Surplus and Other Funds	
Liabilities:	
Loss and loss adjustment expense	\$ 243,706
Underwriting expenses payable	1,746
Unearned premiums	144,056
Ceded reinsurance premiums payable, net of ceding commissions	57,938
Provision for reinsurance	15,141
Other liabilities	15,082
Statutory fund payable	79,365
Total Liabilities	\$ 557,035
Surplus and other funds	
Unassigned deficit	-
Total liabilities, surplus and other funds	\$ 557,035



Income Statement

**Statutory Income Statement
for the nine months ended September 30
(000s omitted)**

	2011
Direct Premiums Written	<u>\$ 321,260</u>
Premiums Earned:	
Direct Premiums Earned	\$ 291,119
Ceded Reinsurance Premiums	<u>(36,040)</u>
Net Premiums Earned	255,079
Deductions:	
Losses and Loss Expense Incurred	98,620
Operating Expenses	18,367
Commission Expense	42,868
Premium / Maintenance Tax	<u>6,898</u>
Total Deductions	166,753
Net Underwriting Gain or (Loss)	88,327
Investment and Other Income or (Expense):	<u>310</u>
Net Income (Loss)	<u>\$ 88,645</u>
Surplus (Deficit) Account:	
Beginning Surplus (Deficit)	\$ -
Net Income (Loss) After FIT	88,645
Change in nonadmitted assets	515
Change in Provision for Reinsurance	(9,795)
Statutory Fund Cost	<u>(79,365)</u>
Ending Surplus (Deficit)	<u>\$ -</u>