

March/April

2012

Interim Report Card



May 30, 2012

May 22, 2012

To: Michael Gerik, Chairman
Georgia R. Neblett, Vice-Chairman
Alice H. Gannon, Secretary/Treasurer
Richard Clifton Craig
Steven Lawrence Elbert
William David Franklin, Sr.
Ron Lawson
Michael O'Malley
Edward James Sherlock


Re: *Bi-monthly Interim Report - Section 2210.107(b)*

House Bill 3 became effective on September 28, 2011, and pursuant to Tex. Ins. Code, Section 2210.107(b), please find the bi-monthly interim report ("Interim Report Card") evaluating the extent to which the Texas Windstorm Insurance Association ("TWIA" or "Association") has met the objectives described by Section 2210.107(a) for the two-month period immediately preceding the date of the report (March and April 2012).

This is the fourth interim report card. The performance comments reflect the past two months. The Annual Report due June 1, 2012 includes these performance comments as part of the evaluation of performance over the annual period as proscribed in HB 3.

Should you have any questions, please feel free to contact me at (512) 899-4949.

Sincerely,



John W. Polak, CPCU
Interim General Manager

About This Report

In 2011, the 82nd Texas Legislature, 1st Called Special Session, passed House Bill 3 (“HB 3”), modifying various aspects of the operations of the Texas Windstorm Insurance Association (“TWIA”). Amendments to Tex. Ins. Code, Section 2210.107 directed TWIA to report bi-monthly to the TWIA Board of Directors and annually to the commissioner, the legislative oversight board, the governor, the lieutenant governor, and the speaker of the house of representatives to the extent that TWIA met the objectives in Section 2210.107(a). This interim report card has been developed to satisfy these reporting requirements.

The primary objectives of the board of directors are to ensure that the board and TWIA:

- (1) operate in accordance with this chapter, the plan of operation, and commissioner rules;
- (2) comply with sound insurance principles;
- (3) meet all standards imposed under this chapter;
- (4) establish a code of conduct and performance standards for association employees and persons with which the association contracts; and
- (5) establish, and adhere to terms of, an annual evaluation of association management necessary to achieve the statutory purpose, board objectives, and any performance or enterprise risk management objectives established by the board.

Sources of Data

The measures presented in this report card were created using data gathered from a variety of sources:

- Planning and expense data from the 2011/2012 TWIA Budget
- Statutory and GASB Accounting statements
- Claim and premium data from the TWIA Data warehouse
- Regulatory Filings with the Texas Department of Insurance

Executive Summary

This interim report card is intended to inform the TWIA Board of Directors how effectively the Association has complied with the requirements of 2210.107. These interim report cards will be provided every 60 days as required by statute and will culminate in an Annual Report Card published no later than June 1, 2012.

The initial report cards established the standards of performance for the Association to be reported against in subsequent report cards. Additional standards have been and will continue to be added as appropriate as other parts of this section become effective and as approved by the Board of Directors. Each interim report card will serve as a snapshot in time of Association compliance with the standards with respect to each of the objectives. The Annual Report Card will contain additional detail and the appropriate statutory documents in the Appendix.

While there are initiatives which are not yet complete, the Association believes it is in full material compliance with all current standards of performance as outlined, the details of which are outlined in each of the following sections. Incomplete initiatives include aspects of TWIA's Operations Improvement Plan that have future due dates and therefore are not yet completed, and some vacancies that have not yet been filled. There are also TWIA initiatives associated with the implementation of House Bill 3 which have target dates that are dependent upon actions of other agencies.

This is the fourth interim report card to be issued by TWIA since the enactment of House Bill 3.



OBJECTIVE ONE:

Operate in accordance with Chapter 2210, the plan of operation, and commission rules

This objective encompasses all the statutory requirements in TWIA's enabling statute, Chapter 2210, all the administrative rules in its plan of operation under Title 28 Texas Administrative Code, Chapter 5, Subchapter E, and other administrative rules adopted by the commissioner applicable to TWIA.

Compliance under Chapter 2210

Texas Open Meetings Act

Section 2210.105 states that, except for an emergency meeting, the association shall notify the department not later than the 11th day before the date of a meeting of the board of directors or of the members of the association; and not later than the seventh day before the date of a meeting of the board of directors, post notice of the meeting on TWIA's and TDI's website. Section 2210.105 requires, except for a closed meeting authorized by Subchapter D, Chapter 551, Government Code (Texas Open Meetings Act), a meeting of the board of directors or of the members of the association is open to the commissioner or the commissioner's designated representative; and the public. Section 2210.105 requires that TWIA broadcast live on its Internet website, all meetings of the board of directors, other than closed meetings, and maintain on its Internet website an archive of meetings of the board of directors. A recording of a meeting must be maintained in the archive on the website up to the second anniversary of the broadcast. Section 2210.108 provides, except as specifically provided by Chapter 2210 or another law, TWIA is subject to Chapter 551, the Texas Open Meetings Act.

A meeting of the Actuarial and Underwriting Committee meeting was broadcast from the TWIA website on April 20, 2012, to discuss funding, reinsurance, rating, and underwriting topics. Posting for the meeting was in compliance with all requirements. Archives of all the meetings are currently found on TWIA's website.

Public Information Act

Section 2210.108 provides, except as specifically provided by Chapter 2210 or another law, TWIA's applicability to Chapter 552, the Texas Public Information Act. TWIA receives and responds to requests in accordance with the Public Information Act ("the Act"). For the first

four months of 2012 and compared to the same time frame in 2011, the following requests have been received, withdrawn, or referred to the Office of the Attorney General for a decision under the Public Information Act:

Description	YTD 4/30/2011	YTD 4/30/2012
Total Requests Received	39	57
Number of Requests Withdrawn	0	4
Number of Requests Sent to OAG	6	0

Board Composition

The composition of the board of directors is established in Section 2210.102. Steven Lawrence Elbert was named to the board of directors on March 14, 2012, as a first tier coastal county representative who is also an insurance agent. There is still one vacant position for a coastal representative on the board. TWIA is seeking nominations from the insurance industry for candidates to fill the position currently held by Alice Gannon. Under the Plan of Operation, she will continue to serve until she is reappointed or replaced by the Commissioner. Here is the current composition of the board of directors:

- Richard Clifton Craig - Public Member from Non-Seacoast Territory
- William David Franklin, Sr. - Non-voting Member, Licensed Engineer
- Alice H. Gannon, Secretary/Treasurer - Member of the Insurance Industry
- Michael Gerik, Chairman - Member of the Insurance Industry
- Edward James Sherlock III - Public Member & Agent from Tier 1 County
- Ron Lawson - Member of the Insurance Industry
- Georgia R. Neblett, Vice-Chairman - Public Member from Tier 1 County
- Steven Lawrence Elbert - Public Member & Agent from Tier 1 County
- Michael O'Malley - Member of the Insurance Industry

Surcharge for Noncompliant Structures

Section 2210.259 allows for an annual fifteen percent premium surcharge to be assessed on a policy covering a noncompliant residential structure that has been approved for insurability under the approval process. Surcharges collected must be deposited in the catastrophe reserve trust fund (“CRTF”). TWIA deposited \$455,000 and \$571,000 into the CRTF, in March and April 2012, respectively. The balance of the CRTF at the end of April was \$148,545,000.

Policies in Force

Under Section 2210.203, if the association determines that the property for which an application for initial insurance coverage is made is insurable property, the association, on payment of the premium, shall direct the issuance of an insurance policy as provided by the plan of operation. A

policy issued is for a one-year term, and a policy may be renewed annually on application for renewal as long as the property continues to be insurable property. Below are charts illustrating the number of policies in force, direct liability of those policies, and written premiums from those policies.

Policies in Force:

Policy Type	As of 4/30/11	As of 4/30/12	Change
Mobile Home	698	821	17.62%
Residential	230,447	245,420	6.50%
Commercial	13,347	13,305	-0.31%
Totals	244,492	259,546	6.16%

Direct Liability:

Policy Type	As of 4/30/11	As of 4/30/12	Change
Mobile Home	\$30,963,902	\$38,140,143	23.18%
Residential	\$55,221,071,050	\$59,325,981,890	7.43%
Commercial	\$12,764,227,518	\$12,796,552,516	0.25%
Totals	\$68,016,262,470	\$72,160,674,549	6.09%

Written Premium:

Policy Type	As of 4/30/11	As of 4/30/12	Change
Mobile Home	\$206,511	\$250,162	21.14%
Residential	\$82,493,500	\$92,687,790	12.36%
Commercial	\$25,140,379	\$32,485,632	29.22%
Totals	\$107,840,390	\$125,423,584	16.30%

House Bill 3 (“HB 3”) as enacted by the 82nd Legislature, 1st Called Special Session, became effective on September 28, 2011. TWIA continues to implement HB 3 based on the implementation plan. The following actions have been taken since the last Report Card:

House Bill 3 Implementation
Actions from March 1 –April 30, 2012

Date	Action	Section of Chapter 2210	Status
2/29/12	File Annual Statement with the Texas Department of Insurance (“TDI”) and the State Auditor's Office (“SAO”)	2210.054(a)	<input checked="" type="checkbox"/> TDI 3/1/12 SAO 3/6/12

3/31/12* ¹	Development of simplified renewal process that allows for the acceptance of an application for renewal coverage, and payment of premiums, from an agent or insured person.	2210.202(b)	In development
3/31/12	TWIA issues bi-monthly report card to board of directors on meeting the five primary board objectives (Report Card) for January-February 2012 timeframe.	2210.107	<input checked="" type="checkbox"/>
5/1/12	TWIA shall transfer to the ombudsman program money in the amount equal to the amount of the budget adopted by the commissioner.	2210.582	<input checked="" type="checkbox"/> Paid in March 2012

House Bill 3 Implementation
Future Actions – May 2012 onward

Date	Action	Section of Chapter 2210	Status
5/31/12*	TWIA in cooperation with the Texas Public Finance Authority to have a public securities program in place for 2012 hurricane season.	Subchapter M., 2210.601-2210.620	
5/31/12	TWIA issues bi-monthly report card to board of directors on meeting five primary board objectives (Report Card) for March-April 2012 timeframe.	2210.107	
6/1/12	TWIA issues annual report card to board on meeting the five primary board objectives in the 12-month period preceding the date of the report (Report Card). Filed with Commissioner, legislative oversight board, the governor, lieutenant governor, and speaker.	2210.107	
6/1/12	If TWIA does not purchase reinsurance, the board shall submit a report to the Commissioner, the governor, and legislative leadership containing a plan for paying losses of \$2.5 billion or more.	2210.453	
6/1/12	The board shall submit a catastrophe plan to the Commissioner, the governor, and legislative leadership covering the date the plan is submitted and ending on May 31, 2013.	2210.455	
7/31/12	TWIA issues bi-monthly report card to	2210.107	

¹ All prospective deadlines are established in statute except those entries noted with an asterisk (*).

	board of directors on meeting the five primary board objectives (Report Card) for May-June 2012 timeframe.		
9/30/12	TWIA issues bi-monthly report card to board of directors on meeting the five primary board objectives (Report Card) for July-August 2012 timeframe.	2210.107	
11/30/12	TWIA issues bi-monthly report card to board of directors on meeting the five primary board objectives (Report Card) for September-October 2012 timeframe.	2210.107	
12/31/12*	Implementation of simplified renewal process.	2210.202(b)	
12/31/12	Board submits its Biennium Report to the commissioner, legislative committees, and the Sunset Advisory Commission, a written report relating to the operations of the association during the preceding biennium. The report must include: (1) any proposed changes in the laws relating to regulation of the association and a statement of the reasons for the changes; and (2) any information regarding association operations or procedures that is requested by the department to be addressed in the report.	2210.0025	
12/31/12	The Biennium Report will contain the results of a joint study between TWIA and TDI regarding the efficiency and effectiveness of a single adjuster program, and will include a study by TDI regarding the feasibility of TWIA writing policies directly.	HB 3, Section 61.	

Compliance with the Plan of Operation

TWIA provided comments to the TDI regarding several proposed rules to the Plan of Operation. TWIA's submissions included comments to the following proposals:

- Informal Working Draft and Request for Comments on Rules Relating to TWIA's Alternative Dispute Resolution Process.

- Informal Working Draft and Request for Comments on Rules Relating to TWIA Alternative Eligibility Program.
- Informal Working Draft and Request for Comments on Rules Texas Windstorm Insurance Association Expert Panel Rule.
- Informal Working Draft and Request for Comments on Rules Relating to TWIA's Appraisal Process and Appraisal Umpire Evaluation and Selection Process.

Compliance with Rules and Other Statutes

Written Complaint Procedures

Under Section 542.005, TWIA is required to maintain a record of complaints. TWIA also maintains a complaint log in compliance with Title 28 Texas Administrative Code, Section 21.2504. Summaries of the complaints are listed below. Texas Department of Insurance complaints refer to inquiries filed with TDI and forwarded to TWIA for resolution. Written complaints refer to unsolicited written communications received by TWIA from any source primarily expressing a grievance.

Written Complaints by Function

Except for one complaint, our initial response for all complaints falls within our compliance requirement of 10 days. Average days open in the tables below reflects the time between receipt of the complaint and the final disposition or resolution.

CLAIM HANDLING

SOURCE	YTD 4/30/2011		YTD 4/30/2012	
	Received	Avg Days Open (in days)	Received	Avg Days Open (in days)
TDI APPEALS	4	5	1	42
TDI CORRESPONDENCE	7	1	3	14
LEGISLATIVE	7	4	0	-
POLICYHOLDER	15	8	8	4
TOTAL	33	5	17	8

UNDERWRITING

SOURCE	YTD 4/30/2011		YTD 4/30/2012	
	Received	Avg Days Open (in days)	Received	Avg Days Open (in days)
TDI APPEALS	4	6	6	5
TDI COMPLAINTS	12	5	3	3
LEGISLATIVE	1	1	0	-
POLICYHOLDER	1	7	3	13 ²
TOTAL	18	5	11	7

POLICYHOLDER SERVICES

SOURCE	YTD 4/30/2011		YTD 4/30/2012	
	Received	Avg Days Open (in days)	Received	Avg Days Open (in days)
TDI APPEALS	0	-	0	-
TDI COMPLAINTS	0	-	5	6
LEGISLATIVE	0	-	1	7
POLICYHOLDER	0	-	3	4
TOTAL	0	-	9	8

Compliance Reporting

Pursuant to Section 701.051, not later than the 30th day after the date TWIA makes the determination or reasonably suspects that a fraudulent insurance act has been or is about to be committed in this state, TWIA:

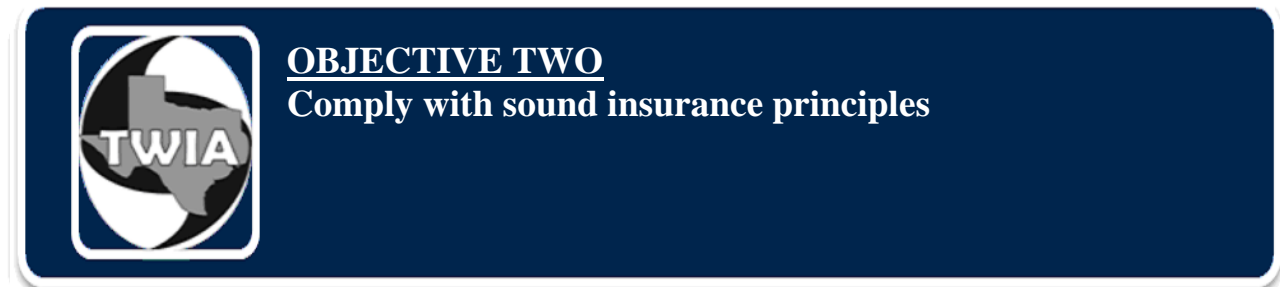
² One response on one written complaint from a policyholder fell outside our guidelines for a 10-day response.

(1) shall report the information in writing to the insurance fraud unit of the department, in the format prescribed by the fraud unit or by the National Association of Insurance Commissioners; and

(2) may also report the information to another authorized governmental agency.

Under Section 101.301, when TWIA is investigating or adjusting a loss or claim, TWIA shall immediately report to the department an insurance policy or contract that has been entered into by an insurer that is not authorized to transact the insurance in this state. For example, this may include the actions of an individual acting as an unlicensed public insurance adjuster or unlicensed agent when they perform certain acts regulated by the Insurance Code or administrative rules. The following compliance complaints have been filed by TWIA with TDI in January and February of this year.

Description	YTD 4/30/2011	YTD 4/30/2012
Reports Filed with TDI Fraud	9	15
Reports Filed with TDI Enforcement	4	12
Reports Filed with DA	0	0



Risk Management

An audit of the Association by the State Auditor’s Office (SAO) is currently underway. The field work has been completed and we are awaiting the draft report over the next several weeks.

We continue to implement controls to address findings in our recently completed KPMG IT Security audit.

We have updated our Catastrophe Plan to improve our capacity to respond promptly and effectively to catastrophe claims situations.

We have reviewed and revised our Claims Settlement Authorities to to improve our operational controls

in this area.

A meeting of the TWIA Actuarial & Underwriting Committee was held April 20 to discuss funding, reinsurance, rating, and underwriting topics. The Committee voted to make four recommendations to the TWIA Board of Directors:

- That TWIA pursue the issuance of a Bond Anticipation Note that could provide an additional \$500 million in funding for the 2012 hurricane season,
- That TWIA purchase as much reinsurance as possible above a \$2.3 billion retention for up to \$100 million in reinsurance premium,
- That TWIA file two separate rate changes, the first implementing territorial rating with an overall increase of 4.7% and 1.7% for residential and commercial policies, respectively, and the second for an overall 5% increase to both residential and commercial policies, and
- That TWIA add additional questions to its application pursuant to a Texas Department of Insurance request.

Catastrophe Funding

TWIA staff met with representatives from the Texas Public Finance Authority and TDI to continue preparatory work on the issuance of public securities, including a Bond Anticipation Note. TPFA prepared information for the TWIA Actuarial & Underwriting Committee including an overview of the various funding options authorized for TWIA and their costs and availability.

Planning for Reinsurance Purchase

TWIA staff worked with Guy Carpenter to create renewal submission exhibits and obtain quotes from leading reinsurers in preparation for the TWIA reinsurance contract's June 1 renewal. Guy Carpenter provided a summary of reinsurance market conditions, TWIA model results, and projected reinsurance pricing to the TWIA Actuarial & Underwriting Committee. Reinsurance will be placed pending the final decision of the TWIA Board of Directors at its May meeting.

Actuarial Services Project on Rates and Territories

At the direction of the Commissioner we engaged Merlino & Associates (“Merlino”) to produce an independent review of our rate adequacy and current rating structure. Their actuarial report summarizes their review of TWIA rates and territories. Overall rate indications were +47% and +35% for residential and commercial policies, respectively, assuming a Catastrophe Reserve Trust Fund contribution consistent with prior filings. Indications by territory varied significantly, from -60% to +260%. Merlino continues to review other rate structures and will prepare a rate filing pending the final decision of the TWIA Board of Directors at its May meeting.

Quarterly Reserve Review

TWIA reserves were reviewed as of March 31, 2012. The analysis indicated a small increase to prior years as a result of the most recent quarter’s development. The ultimate estimate for Hurricane Ike increased approximately \$43 million to \$2.4 billion due to continued litigation. Hurricane Dolly remained at \$305 million. There is still a material risk of adverse development from both of these events due to the extreme variability associated with litigation.

Financials

The chart below illustrates TWIA’s most recent statutory income statement.

TEXAS WINDSTORM INSURANCE ASSOCIATION			
Statutory Income Statement (000's omitted)			
	for the four months ended April		
	Actuals -		Variance -
	2012	Budget - 2012	2012
Direct Premiums Written:			
	\$	\$	\$
Direct	123,106	115,000	8,106
Ceded	0	0	0
Net	123,106	115,000	8,106
Premiums Earned:			
	\$	\$	\$
Direct	137,589	134,259	3,330
Ceded	(36,125)	(36,040)	(85)

Net	101,464	98,219	3,245
Deductions:			
Direct Losses and LAE Incurred	73,446	15,638	57,808
Ceded Losses and LAE Incurred	0	0	0
Operating Expenses	7,658	13,153	(5,495)
Commission Expense	19,646	18,392	1,254
Ceding commissions / brokerage	0	0	0
Premium / Maintenance Tax	2,477	2,565	(88)
Total Deductions	103,227	49,748	53,479
Net Underwriting Gain or (Loss)	(1,763)	48,471	(50,234)
Other Income or (Expense):			
Net Investment Income	130	100	30
Minimum Retained Earned Premium	(108)	83	(191)
Other	0	0	0
Total Other Income or (Expense)	22	183	(161)
Net Income (Loss)	<u>\$ (1,741)</u>	<u>\$ 48,654</u>	<u>\$ (50,395)</u>
Surplus (Deficit) Account:			
Beginning Surplus (Deficit)	0	0	0
Net Income (Loss)	(1,741)	48,654	(50,395)
Change in Provision for Reinsurance	1,848	1,055	793
Change in nonadmitted assets & deferred taxes	(1,848)	(905)	(943)
Other	0	0	0
Statutory Fund Cost	0	(48,804)	48,804
Ending Surplus (Deficit)	<u>\$ (1,741)</u>	<u>\$ 0</u>	<u>\$ (1,741)</u>
Key Operating Ratios:			
Direct:			
Loss & LAE Ratio	53.4%	11.6%	41.7%
UW Expense Ratio:			
Acquisition	18.0%	18.2%	-0.3%
Non Acquisition	5.6%	9.8%	-4.2%
UW Expense Ratio	23.5%	28.0%	-4.5%
Combined Ratio	76.9%	39.7%	37.2%

Net:			
Loss & LAE Ratio	72.4%	15.9%	56.5%
UW Expense Ratio:			
Acquisition	24.4%	24.9%	-0.5%
Non Acquisition	7.5%	13.4%	-5.8%
UW Expense Ratio	31.9%	38.3%	-6.4%
Combined Ratio	104.3%	54.2%	50.1%
for the one month ended April			
	Actuals -	Budget - 2012	Variance -
	2012		2012
Direct Premiums Written:			
	\$	\$	\$
Direct	35,324	33,000	2,324
Ceded	0	0	0
Net	35,324	33,000	2,324
Premiums Earned:			
	\$	\$	\$
Direct	34,438	33,791	647
Ceded	(9,031)	(9,010)	(21)
Net	25,407	24,781	626
Deductions:			
Direct Losses and LAE Incurred	25,000	2,856	22,144
Ceded Losses and LAE Incurred	0	0	0
Operating Expenses	2,015	2,841	(826)
Commission Expense	5,679	5,278	401
Ceding commissions / brokerage	0	0	0
Premium / Maintenance Tax	637	649	(12)
Total Deductions	33,331	11,624	21,707
Net Underwriting Gain or (Loss)	(7,924)	13,157	(21,081)
Other Income or (Expense):			
Net Investment Income	36	25	11
Minimum Retained Earned Premium	3	21	(18)
Other	0	0	0
Total Other Income or (Expense)	40	46	(6)

Net Income (Loss)	\$ (7,884)	\$ 13,203	\$ (21,087)
Surplus (Deficit) Account:			
Beginning Surplus (Deficit)	0	0	0
Net Income (Loss)	(7,884)	13,203	(21,087)
Change in Provision for Reinsurance	0	0	0
Change in nonadmitted assets & deferred taxes	722	649	73
Other	0	0	0
Statutory Fund Cost	5,421	(13,852)	19,273
Ending Surplus (Deficit)	\$ (1,741)	\$ 0	\$ (1,741)
Key Operating Ratios:			
Direct:			
Loss & LAE Ratio	72.6%	8.5%	64.1%
UW Expense Ratio:			
Acquisition	17.9%	18.0%	-0.1%
Non Acquisition	5.9%	8.4%	-2.6%
UW Expense Ratio	23.7%	26.4%	-2.6%
Combined Ratio	96.3%	34.8%	61.5%
Net:			
Loss & LAE Ratio	98.4%	11.5%	86.9%
UW Expense Ratio:			
Acquisition	24.2%	24.5%	-0.3%
Non Acquisition	7.9%	11.5%	-3.5%
UW Expense Ratio	32.2%	36.0%	-3.8%
Combined Ratio	130.6%	47.5%	83.1%



OBJECTIVE THREE:
Meet all standards imposed under Chapter 2210.

Rate Adequacy

TWIA continues to monitor its rate adequacy. A five percent rate increase on both commercial and residential policies becomes effective on January 1, 2012. At the direction of the Commissioner of Insurance, TWIA issued a Request for Proposal (“RFP”) to retain a consulting actuarial firm to provide an independent review of TWIA’s rate need and structure. TWIA selected a firm, Merlinos & Associates, Inc. (“Merlinos”), on January 26, 2012, with the goal of having a rate analysis delivered in time to file for any recommended rate change to be effective July 1, 2012. Merlinos produced an actuarial report summarizing their review of TWIA rates and territories. Overall rate indications were +47% and +35% for residential and commercial policies, respectively, assuming a Catastrophe Reserve Trust Fund contribution consistent with prior filings. Indications by territory varied significantly, from -60% to +260%. Merlinos continues to review other rate structures and will prepare a rate filing pending the final decision of the TWIA Board of Directors at its May meeting.



OBJECTIVE FOUR:
Establish a code of conduct and performance standards for association employees and persons with which the association tracts

TWIA continues to monitor employees and persons with association contracts for compliance with the code of conduct and performance standards.



OBJECTIVE FIVE:

Establish, and adhere to terms of annual evaluation of association management necessary to achieve the statutory purpose, board objectives, and any performance or enterprise risk management objectives established by the board

Beginning January 1, 2012, TWIA's annual budget is based upon department level budgets for which department management and their staffs are accountable. Individual performance standards have been established for each position within the organization that reflects that accountability as well as objective measurable standards appropriate to the individual employees responsibilities. These budgets have been reviewed and have been approved by the Board at its December meeting. The Finance department is preparing budget conformance reports at the department level to monitor performance beginning with first quarter results.

Risk Management Objectives have been established in the form of Business Continuity planning, Catastrophe Claims planning, Reinsurance and other funding mechanisms to effectively manage the financial and human resources of the organization in meeting its established purpose.

All TWIA staff will be evaluated against a new set of performance standards including objective performance measures based upon their department and their individual role within their department. The General Manager has reviewed individual 2011 performance along with the 2012 expectations and objectives with each member of the senior staff. Each department head is accountable for his or her individual budgets and these measures will comprise a portion of their standard of performance against which they will be evaluated on an annual basis. Staff within each of these departments will have similar, although not identical, objective measures against which to measure and evaluate performance.

Salary and Performance Evaluation documents have been amended to reflect these accountabilities. The results and standards presented in this interim annual report card reflect TWIA's 2012 Budget Plan, TWIA's Operations Improvement Plan, statutory changes enacted by HB3, and the TWIA Legislation Implementation Plan, which was developed by TWIA in cooperative meetings with the Texas Department of Insurance. Underlying documents contained in the Operations Improvement Plan such as the Business Continuity and Catastrophe Claims Plan also contribute to the standards and results reported in the annual report card.