

Texas Windstorm Insurance Association

Overview

Prepared by Texas Department of Insurance

August 10, 2012

For Quarter Ending 06/30/2012

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I. Background: The Texas Windstorm Insurance Association (“TWIA”)

A. Creation and Purpose

- TWIA was created by the Texas Legislature in 1971 to provide windstorm and hail coverage to those who are unable to obtain insurance from the voluntary insurance market.
- Until 1997, it was known as the Texas Catastrophe Property Insurance Association.
- TWIA was created in response to market conditions along the coast after Corpus Christi was hit by Hurricane Celia in 1970, causing \$500 million in losses.
- The public policy reasons for creating TWIA included ensuring the availability and affordability of insurance along the Texas Gulf Coast, thereby supporting general economic development of our coastal area and the State of Texas.
- The 81st and 82nd Texas Legislatures enacted House Bill (HB) 4409 and HB 3 which changed several aspects of the TWIA governing statute, including the composition of the board, funding structure, eligibility requirements, claims processes, and transparency in operations. HB 4409 also specified that TWIA is intended to serve as a residual insurer of last resort and not function in a manner as to be a competitor in the private market. HB 4409 became effective in part June 19, 2009. HB 3 became effective in part September 28, 2011.

Background: The Texas Windstorm Insurance Association (“TWIA”) (continued)

B. Coverage Area

- **First Tier Coastal Counties**

- TWIA provides windstorm and hail insurance in areas exposed to hurricanes and currently provides windstorm and hail coverage in the following 14 “first tier” Texas coastal counties:

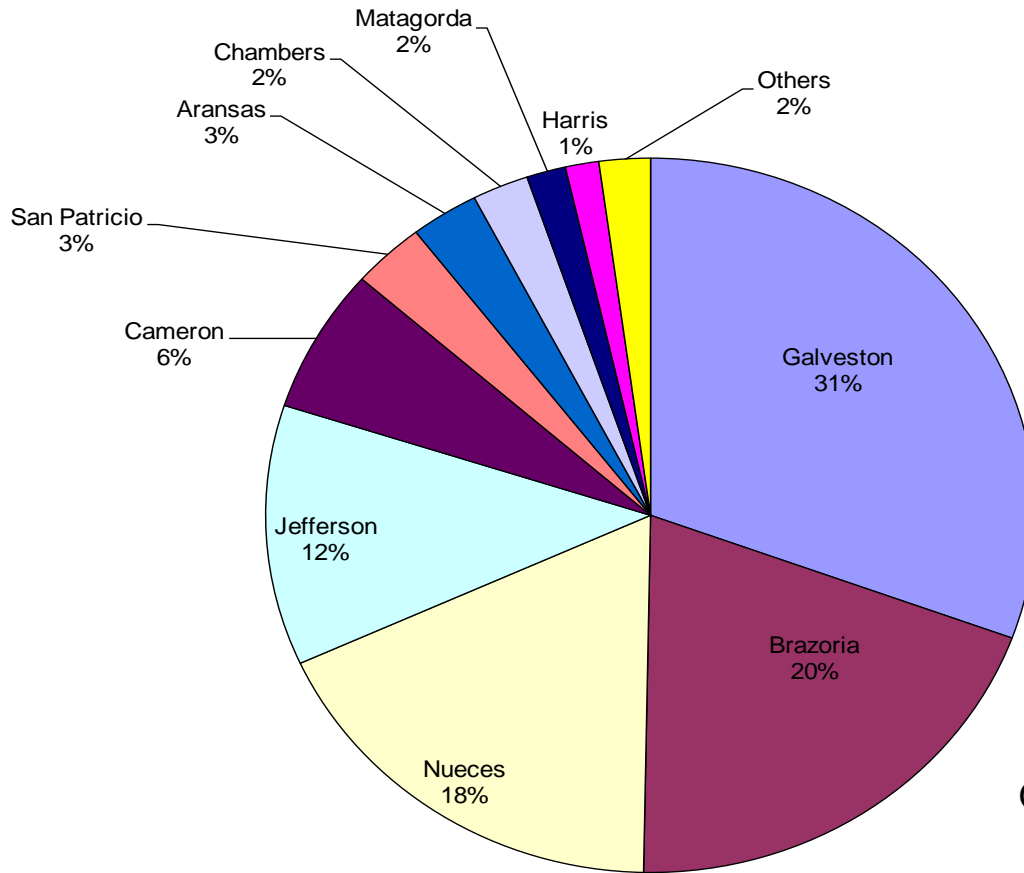
Aransas	Brazoria	Calhoun
Cameron	Chambers	Galveston
Jefferson	Kenedy	Kleberg
Matagorda	Nueces	Refugio
San Patricio	Willacy	

- **Portions of Harris County**

- TWIA also provides windstorm and hail coverage for risks that are east of State Highway 146 and that are located in the city limits of certain specifically designated communities in Harris County. These communities are Pasadena, Morgan’s Point, Shoreacres, Seabrook and La Porte.

Refer to Exhibit A on the next page which reflects TWIA’s primary exposures by county.

C. Top 10 Counties by the Amount of Direct Insurance in Force for Building and Contents



**Direct Insurance In Force
(Building & Contents)**

Galveston	\$21,938,115,754
Brazoria	\$14,136,266,431
Nueces	\$12,848,082,815
Jefferson	\$8,447,480,205
Cameron	\$4,682,035,567
San Patricio	\$2,195,071,075
Aransas	\$2,053,237,265
Chambers	\$1,698,417,175
Matagorda	\$1,182,207,257
Harris	\$1,007,414,443
Others	\$1,542,633,153
Total	\$71,730,961,140

Other Detail:

Calhoun	\$946,460,457
Kleberg	\$338,119,637
Willacy	\$135,866,845
Refugio	\$109,814,581
Kenedy	\$12,371,633
Sub-total	\$1,542,633,153

Data Source: Quarterly Statistical Report as of June 30, 2012 from Texas Windstorm Insurance Association

Background: The Texas Windstorm Insurance Association (“TWIA”) (continued)

D. Member Insurers

TWIA issues insurance policies like an insurance company; however, it also functions as a pooling mechanism.

- All property insurers licensed in Texas are required to become TWIA *members* as a condition of doing business in the State.
- An insurer that becomes a member that was not previously a member is not subject to participation in insured losses and operating expenses until the second anniversary of the date on which the insurer first becomes a member.

E. Loss Payment

Losses covered under TWIA policies are paid by premium and other revenue.

TWIA losses in excess of premium and other revenue are paid by the Catastrophe Reserve Trust Fund (CRTF), available reinsurance and public securities. (refer to page 37 for a detailed description of TWIA’s funding)

Background: The Texas Windstorm Insurance Association (“TWIA”) (continued)

F. Assessment History (Prior to Enactment of HB 4409)

TWIA has made four assessments to its member insurers to pay for excess losses resulting from a major loss event.

- An assessment of \$157 million to member insurers to pay for excess losses resulting from Hurricane Alicia, which struck Galveston Island in 1983. \$57 million of the assessment was subject to premium tax credits based on the statutory funding structure at the time.
- An assessment of \$100 million to member insurers to pay for excess losses resulting from Hurricane Rita, which struck the upper Texas coast in 2005 causing major damage in Jefferson, Chambers, and Galveston counties.
 - Corresponding assessments for each insurer group for the \$100 million assessed, ranged from \$2,954 to \$14,798,886.
- An assessment of \$100 million to member insurers to pay for excess losses resulting from Hurricane Dolly, which struck the lower Texas coast in July of 2008 causing major damage in Cameron and Willacy counties.
 - Corresponding assessments for each insurer group for the \$100 million assessed, ranged from \$500 to \$13,761,000.

**Background: The Texas Windstorm Insurance Association (“TWIA”)
(continued)**

- An assessment of \$430 million to member insurers to pay for excess losses resulting from Hurricane Ike, which struck the Texas coast in September of 2008 causing major damage in Brazoria, Chambers, Galveston, Harris, Jefferson, and Matagorda counties. \$230 million of the assessment is subject to premium tax credits based on the statutory funding structure in place prior to HB 4409.
 - Corresponding assessments for each insurer group for \$200 million of the assessed amount, ranged from \$2,000 to \$30,484,000.
 - Corresponding assessments for each insurer group for the remaining \$230 million of the assessed amount, ranged from \$2,300 to \$35,056,600.

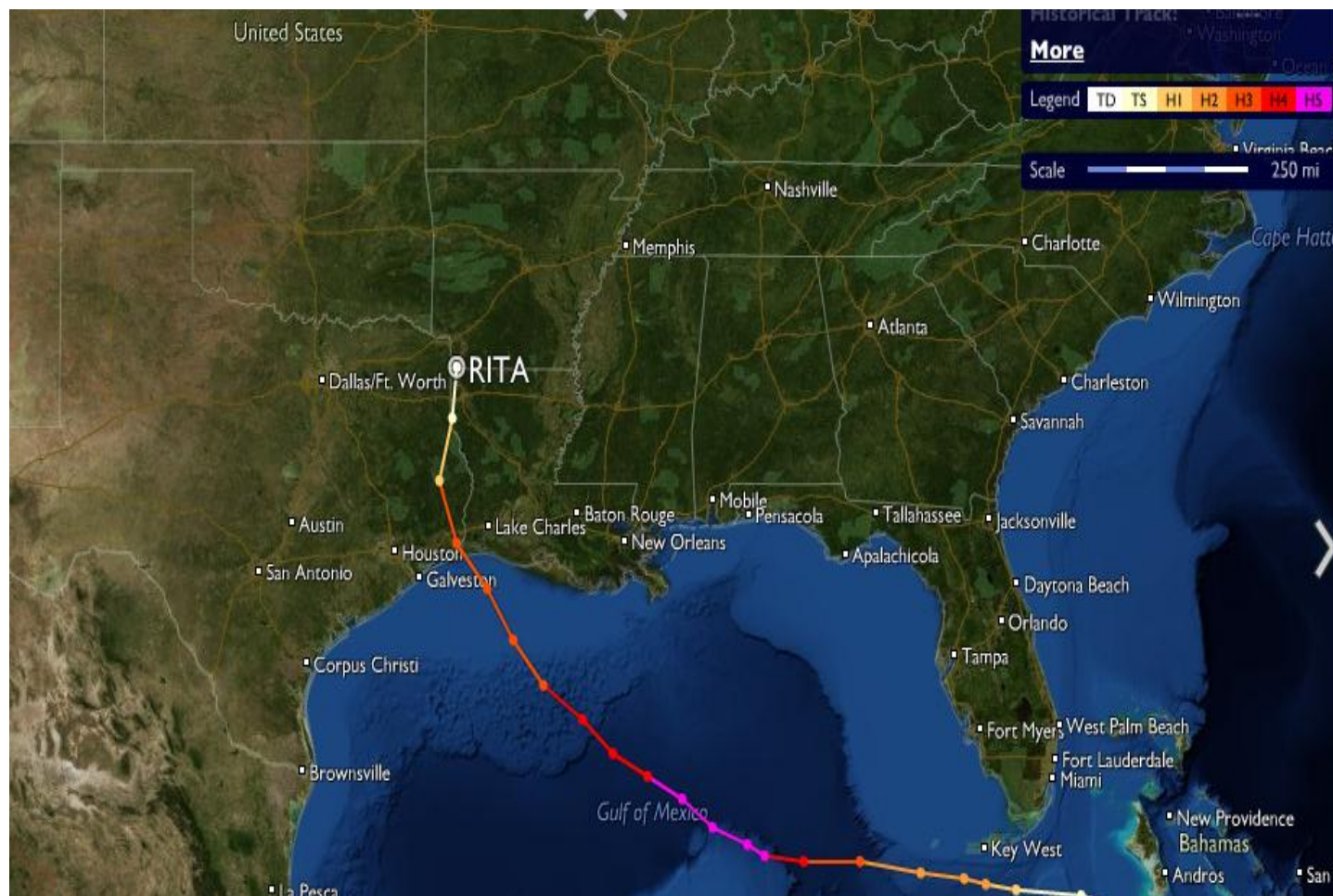
II. Hurricane Information

A. Hurricanes Impacting the State of Texas Since 2005

- **Exhibit B** reflects the path of Hurricane Rita on September 24, 2005.
- **Exhibit C** reflects the path of Hurricane Humberto on September 13, 2007.
- **Exhibit D** reflects the path of Hurricane Dolly on July 23, 2008.
- **Exhibit E** reflects the path of Hurricane Ike on September 13, 2008.
- **Exhibit F** reflects the path of Hurricane Alex on June 30, 2010.

Path of Hurricane Rita – September 24, 2005

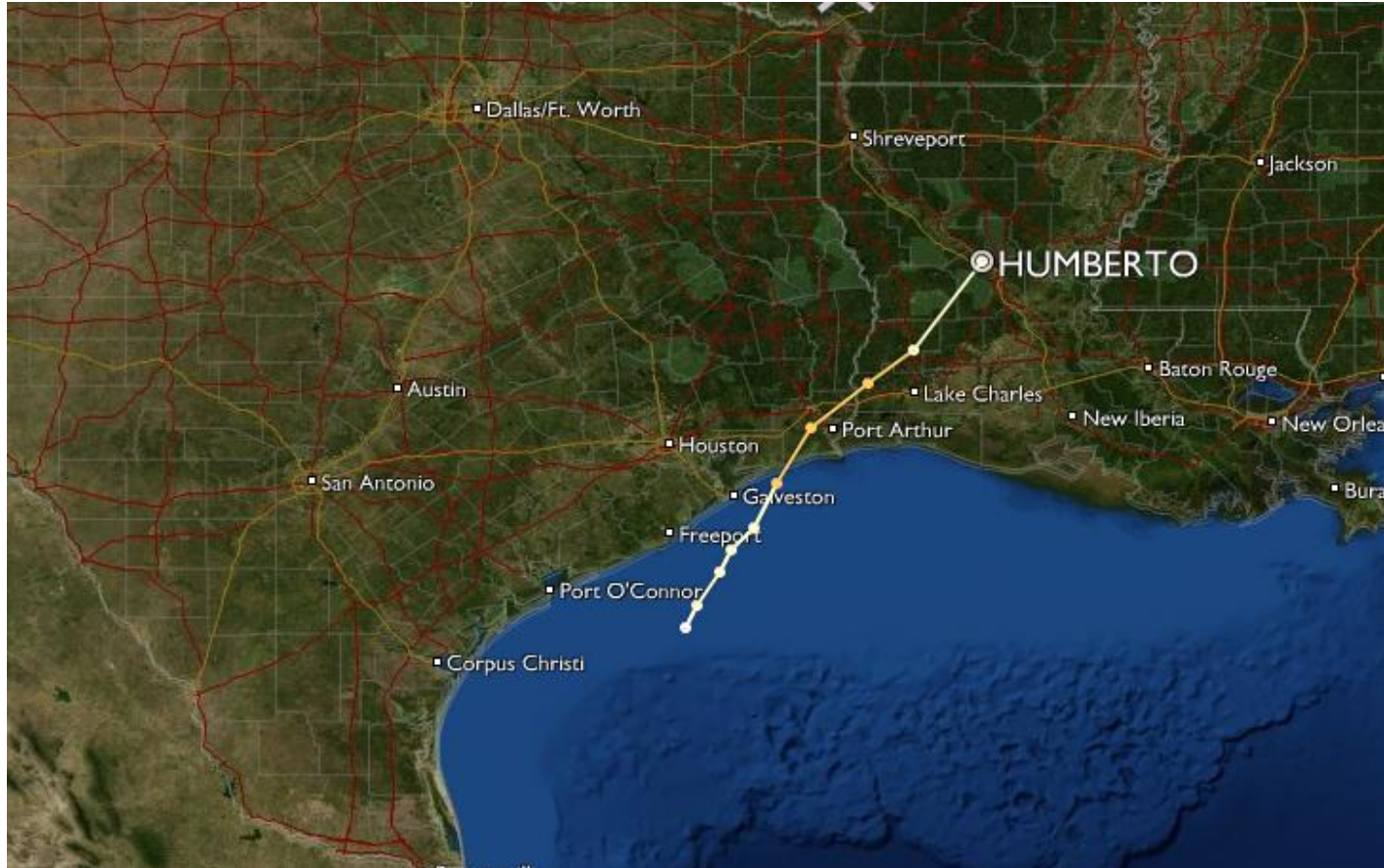
Exhibit B



Hurricane Rita made landfall between Sabine Pass, Texas and Johnsons Bayou, Louisiana on September 24, 2005, as a Category 3 hurricane with winds at 115 mph. Reported losses and loss adjustment expenses for Texas Windstorm Insurance Association were approximately \$160,000,000. Source: Texas Windstorm Insurance Association

Path of Hurricane Humberto – September 13, 2007

Exhibit C



Hurricane Humberto made landfall on High Island, TX on September 13, 2007, as a minimal Category 1 hurricane with 90 mph winds. Reported losses and loss adjustment expenses for Texas Windstorm Insurance Association were approximately \$11.7 million.

Source: Texas Windstorm Insurance Association

Path of Hurricane Dolly – July 23, 2008

Exhibit D



Hurricane Dolly made landfall on South Padre Island at 1:00 PM CDT, July 23, 2008, as a Category 2 hurricane with 100 mph winds. Hurricane Dolly is considered to be the most destructive hurricane to hit the Rio Grande Valley in 41 years. Reported losses and loss adjustment expenses for Texas Windstorm Insurance Association are estimated at \$310,000,000.

Source: Texas Windstorm Insurance Association

Path of Hurricane Ike – September 13, 2008

Exhibit E



Hurricane Ike made landfall on Galveston Island at 2:10AM CDT, September 13, 2008, as a strong Category 2 hurricane, with sustained winds of 110 mph. TWIA has received more than 92,800 claims. TWIA estimates losses and loss adjustment expenses to be \$2.3 billion.

Source: Texas Windstorm Insurance Association

Path of Hurricane Alex – June 30, 2010

Exhibit F



Hurricane Alex made landfall on the northeastern coast of Mexico on June 30, 2010, as a Category 2 hurricane, with sustained winds of 105 mph. TWIA has received 614 claims. TWIA estimates losses and loss adjustment expenses to be \$3.2 million.

Source: Texas Windstorm Insurance Association

Hurricane Information (continued)

B. Texas Historical Hurricanes 1900 – Present

- **Saffir/Simpson Category**

Area	Category Number					All	Major
	1	2	3	4	5	1, 2, 3, 4, 5	3, 4, 5
Texas	14	11	10	7	0	42	17

- **Number of Category 3, 4, or 5 Hurricanes Occurring by Month**

Area	June	July	August	September	October	November
Texas	1	1	8	7	0	0

- **Saffir/Simpson Scale**

Type	Category	Damage	Pressure	Winds	Summary
Depression	-	-	-	> 35	
Tropical Storm	-	-	-	39-73	
Hurricane	1	Minimal	> 28.94	74-95	Very dangerous winds will produce some damage.
Hurricane	2	Moderate	28.50 – 28.91	96-110	Extremely dangerous winds will cause extensive damage.
Hurricane	3	Extensive	27.91 – 28.47	111-130	Devastating damage will occur.
Hurricane	4	Extreme	27.17 – 27.88	131-155	Catastrophic damage will occur.
Hurricane	5	Catastrophic	< 27.17	> 155	Catastrophic damage will occur.

A storm surge scale is not available at this time, however, NOAA is working to enhance the analysis and predictions of storm surge.

III. Windstorm Insurance Coverage

A. Eligibility Requirements

An applicant for new or renewal coverage on a structure to be written through TWIA must comply with one of the following requirements:

- Inspection Process Regulations (refer to page 18); or
- Certificate of Compliance Approval Program (refer to page 20);
- Certificate of Compliance Transition Program (refer to page 21); or
- Alternative Eligibility Program (refer to page 22); **and**

The applicant must also comply with the following requirements to be eligible for coverage:

- **Declination:** Must have at least one declination of coverage from a licensed insurer that is writing new or renewal property insurance policies that provide windstorm and hail insurance coverage in the first tier coastal counties.

A declination may also be an offer of a policy that includes coverage for the perils of windstorm and hail that is not substantially equivalent to the coverage offered by TWIA. A policy is not substantially equivalent to a TWIA policy if the policy that is being offered does not provide the basic coverage(s) that the applicant is seeking.

- **Flood Insurance:** If the structure was constructed, altered, remodeled, or enlarged on or after September 1, 2009 and is located in Zone V, Zone VE or Zones V1-V30, the applicant must provide evidence of a flood insurance policy, if flood insurance is available through the National Flood Insurance Program. This requirement does not apply to repairs.
- **Underwriting:** Must comply with all other underwriting requirements for TWIA.

Windstorm Insurance Coverage (continued)

B. Inspection Process Regulations

- A homeowner, builder or agent can request inspection of a structure by contacting either the TDI Windstorm Inspection Division or a Texas Licensed Professional Engineer appointed by TDI.
- An "Application for Windstorm Building Inspection" (WPI-1) is required to initiate the inspection process.
- A TDI windstorm inspector or appointed engineer conducts necessary inspections to ensure compliance with applicable building specifications. Compliance with building specifications is required if the structure is to be insured by TWIA under the inspection process.
- Structures meeting building specifications are approved and a Certificate of Compliance (WPI-8) is issued by TDI to the requesting party.
 - Only TDI may issue a Certificate of Compliance which is evidence of insurability of the structure for coverage through TWIA.
 - Structures failing to meet building specifications are not certified by TDI and are not eligible for coverage through TWIA through the inspection process.

Windstorm Insurance Coverage (continued)

- The Certificate of Compliance is submitted to TWIA by an insurance agent and a policy for windstorm and hail coverage can be issued.
- Structures meeting recognized building codes or previously insured by a licensed insurance company prior to January 1, 1988 are grandfathered for eligibility.
- Additions, alterations, re-roofs, or other repairs to a structure must comply with required windstorm building code specifications (WPI-8) to continue to qualify for coverage through the TWIA.

Windstorm Insurance Coverage

(continued)

C. Certificate of Compliance Approval Program

- Approval process regulations were initially approved April 12, 2006. From April 12, 2006 to September 1, 2009, these regulations provided a mechanism for certain applicants and residential structures to be considered insurable for obtaining coverage through TWIA without a WPI-8. Policies issued under the approval process are subject to a 15% surcharge that is deposited into the CRTF.
- In accordance with HB 4409, a residential structure insured by TWIA as of September 1, 2009, may continue to be eligible for coverage through TWIA.
- The Approval Program provides that if each of the following conditions are satisfied, residential structures that otherwise are required to have a WPI-8 are subject to the approval process in lieu of the inspection process for determination of insurability with the TWIA and such properties are insurable without a WPI-8:
 - The residential structure must have been insured by TWIA under the approval process regulations and the structure continued to be eligible for that coverage on September 1, 2009.
 - The insured must comply with the mandatory building code requirement, effective June 19, 2009.
 - The insured must comply with the declination requirement.
 - If applicable, the insured must comply with the flood insurance requirement.
 - The insured must comply with all other underwriting requirements for TWIA.

Windstorm Insurance Coverage (continued)

D. Certificate of Compliance Transition Program

- The Certificate of Compliance Transition Program (Transition Program) provides a mechanism for certain residential structures to be insured by TWIA without a WPI-8.
- Certain residential structures may be insured by TWIA after September 1, 2009 through September 27, 2011, subject to the following conditions:
 - Within the twelve month period prior to the date of application the structure was insured under a property policy that provided windstorm and hail coverage;
 - The insurer that underwrote the policy discontinued providing windstorm and hail insurance under the policy or the insurer discontinued providing residential property coverage in the area the structure is located;
 - A 15% surcharge will be applied to the base premium rate for these structures;
 - The applicant complies with the mandatory building code requirement, effective June 19, 2009;
 - The applicant complies with the declination requirement;
 - If applicable, the applicant complies with the flood insurance requirement;
 - The applicant complies with all other underwriting requirements for TWIA; and
 - Structures insured through the Transition Program cannot be renewed after August 31, 2013 without the Alternative Certification (see page 22 for information on Alternative Certification).

Windstorm Insurance Coverage (continued)

E. Alternative Eligibility Program

- The Alternative Eligibility Program was created by HB 3, 82nd Legislative Session, and became effective September 28, 2011.
- This program allows residential structures constructed prior to June 19, 2009, to be insured by TWIA without a WPI-8.
- Residential property owners obtaining insurance through the Alternative Eligibility Program must obtain an Alternative Certification which is evidence that a qualifying structural component complies with the Windstorm Building Code.
- An Alternative Certification is not required to obtain coverage prior to August 31, 2012, but is required to renew coverage after August 31, 2013.
- An Alternative Certification is required for new applicants seeking coverage as of September 1, 2012.
- A 15% surcharge will be applied to the base premium rate for those structures.
- The residential property owner must comply with all other statutory and underwriting requirements for TWIA.

Windstorm Insurance Coverage (continued)

F. Approval Program, Transition Program & Alternative Eligibility Program (Additional Requirements)

- **Subsequent Additions, Alterations, Re-Roofs, or Other Repairs**

Consistent with the current requirements for TWIA insurability of structures qualifying for coverage through the inspection process, any subsequent additions, alterations, re-roofs, or other repairs to a structure that is insured with the TWIA through the Approval Program, Transition Program or Alternative Eligibility Program must also comply with required windstorm building code specifications for continued coverage from the TWIA.

- **Structures Not Eligible For Building Code Credits**

- All policies covering residential property that qualify under the Approval Program, the Transition Program and the Alternative Eligibility Program are issued at the applicable TWIA rate plus a 15% surcharge and are not eligible for credits for building code compliance under 28 TAC 5.4700.
- The credits for building code compliance range from 19% to 33% depending on where the risk is located and which building code the risk is constructed to meet. For example, a risk located in Inland I (Inland I includes specific areas of a county that is inland from the Intracoastal Canal and within 25 miles of the Texas Coast) that is constructed to meet the International Residential Building Code for Seaward (areas seaward of the Intracoastal Canal) risks would be eligible for a 31% credit.
- Please refer to Exhibit G for additional information on Building Code Credits.

G. Building Code Credits

Apply the factors listed below to the Modified EC Premium, independent of any other adjustments.

The following credits shall be provided to **dwelling policies** where the dwelling was constructed to, or exceeding the standards of the Building Code for Windstorm Resistant Construction or the International Residential Code /International Building Code as modified by the Texas Department of Insurance (TDI). The TDI will provide a form WPI-8, building code certificate of compliance, which will indicate the code to which the structure was built. Credits will be applied per the table below, with the IRC/IBC code credits applied to policies effective on or after September 1, 1998 as appropriate. **Retrofit credits** apply to homes built prior to September 1, 1998 or February 1, 2003 as applicable, and retro-fitted with exterior opening protections that meet the windborne debris criteria standards of either the Building Code for Windstorm Resistant Construction, the International Residential Code, or the International Building Code.

		WINDSTORM RESISTANT CONSTRUCTION EFFECTIVE 9/1/98		INT'L. RESIDENTIAL CODE & INT'L. BUILDING CODE EFFECTIVE 2/1/2003	
LOCATION OF RISK	BUILDING CODE STANDARD	DWELLING DISCOUNT	PERSONAL PROPERTY DISCOUNT	DWELLING DISCOUNT	PESONAL PROPERTY DISCOUNT
Seaward	Seaward	26%	20%	28%	23%
Inland I	Inland I	24%	19%	26%	21%
Inland I	Seaward	29%	23%	31%	25%
Inland II	Inland II	0%	0%	26%	20%
Inland II	Inland I	27%	21%	28%	23%
Inland II	Seaward	32%	25%	33%	28%
All designated catastrophe areas	Retrofit	10%	10%	10%	10%

IV. TDI's Windstorm Inspection Program

A. Overview

Because of the extent of damage caused by Hurricane Alicia in 1983, it became apparent that applicable building codes were not being enforced. Therefore, the Windstorm Inspection Program at TDI was created by HB 2012 effective January 1, 1988.

The Windstorm Inspection Program is responsible for determining compliance of structures located in the first tier coastal counties of Texas Gulf Coast and portions of Harris County, east of Highway 146. The Inspection Program has field offices located along the Texas Coast to provide inspection services upon request.

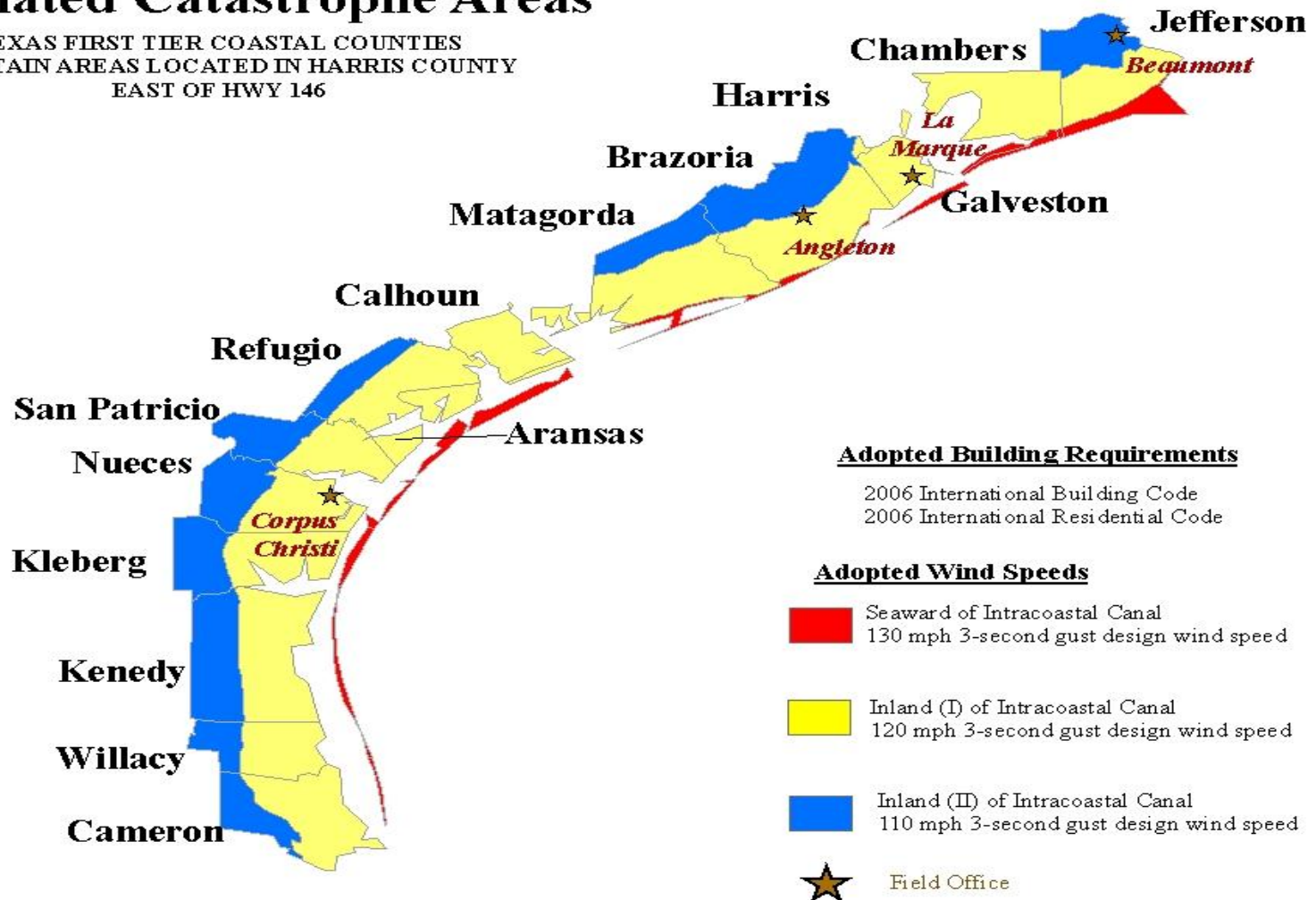
Refer to Exhibit H on the next page "Designated Catastrophe Areas"

TDI's Windstorm Inspection Program (continued)
B. Field Offices & Building Codes

Exhibit H

Designated Catastrophe Areas

TEXAS FIRST TIER COASTAL COUNTIES
 & CERTAIN AREAS LOCATED IN HARRIS COUNTY
 EAST OF HWY 146



TDI's Windstorm Inspection Program (continued)

C. Building Code for Windstorm Resistant Construction: Development, Implementation and Education

Damage from Florida's Hurricane Andrew in 1992 was key to the adoption of a new building code in Texas for the 1st tier counties along the Texas Gulf Coast.

After 5 years of research and development by TDI engineers and with the assistance of Texas Tech Engineering Department, the TDI adopted the new Texas Windstorm Insurance Association Building Code for Windstorm Resistant Construction. This code was based on a nationally recognized design standard, ASCE-7, and became effective September 1, 1998.

The Texas Windstorm Insurance Association Building Code was continually updated to provide the most current wind resistant design and construction methods.

In January 2003, the Department adopted the 2000 International Residential Code (IRC) and the 2000 International Building Code (IBC) as amended by the Texas Revisions as the building standards for windstorm resistant construction, to be effective February 1, 2003.

In July 2004, the Commissioner adopted the 2003 IRC and IBC as amended by the Texas Revisions which became effective January 1, 2005.

In July 2007, the Commissioner adopted the 2006 IRC and IBC as amended by the Texas Revisions which became effective January 1, 2008.

V. Operations of TWIA

A. Board of Directors (Board)

The Board consists of ten (10) members appointed by the Commissioner and includes:

- four representatives of the insurance industry;
- four members who reside in the first tier coastal counties, at least one of which must be a licensed property and casualty agent who is not a captive agent;
- one member must be a representative of an area that is not in the seacoast territory; and
- one member is a non-voting member that advises the Board regarding issues relating to the inspection process and must be a licensed engineer residing in a first tier coastal county.

B. General Information

- The day-to-day operations are directed by the Association's General Manager.
- TWIA operates somewhat like an insurance company.
- Policies are issued directly by TWIA.
- Normal claims and operating expenses are paid from premiums collected.

Operations of TWIA (continued)

C. Maximum Limits of Liability

The maximum limits of liability for policies are set by statute and subject to inflation indexed adjustments on an annual basis.

➤ Limits are as follows:

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

Operations of TWIA (continued)

D. Rates

Annual Rate Filings (Residential/Commercial)

- The Association must file proposed rates with TDI by August 15th of each year.
- Unless rates are file and use, the commissioner must
 - Provide interested persons an opportunity to review the filing, submit written comments, and to request additional supporting information related to the filing, and;
 - Approve or disapprove the filing by October 15th.
- Average rate change is capped at 10% higher or lower than the rate in effect on the date the filing is made.
- The rate for an individual rating class is capped at 15% higher or lower than the rate in effect on the date the filing is made.
- The caps can be removed, subject to notice and hearing, after a catastrophe(s) to ensure rate adequacy in the catastrophe area and availability of insurance outside the catastrophe area.

Other-Than-Annual Rate Filings (Residential/Commercial)

- The Association may also submit rate filings at any other time of the year.
- Unless rates are file and use, commissioner must approve or disapprove on or before the 30th day after date of filing.

Operations of TWIA (continued)

Rates are File and Use if:

- Filed 30 days in advance;
- Rate change is 5% or less of rate in effect on date filing made;
- Individual class rate change is less than 10% of rate in effect on date filing made; and
- For other than annual rate filings, the commissioner has not disapproved the filing in writing.

Rates are Prior Approval if:

- Rate change is greater than 5% of rate in effect on date filing made; and
- Individual class rate change greater than or equal to 10% of rate in effect on date filing made.

Operations of TWIA (continued)

E. Rate Change History

Year or Effective Date	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%
1/1/2003	0.0%	10.0%
1/1/2004	9.6%	10.0%
1/1/2005	0.0%	10.0%
1/1/2006	0.0%	5.0%
7/1/2006	3.1%	8.0%
1/1/2007	4.2%	3.7%
2/1/2008	8.2%	5.4%
2/1/2009	12.3%	15.6%
1/1/2011	5.0%	5.0%
1/1/2012	5.0%	5.0%

Notes:

- 1992 - Elimination of 400% beach / 25% inland surcharges
- 1993 - Addition of 30% to residential benchmark rates
- 2002 - Separation of residential rates from benchmark rates
- 2009 - 10% cap removed due to catastrophes

Note: In August 2009, the Association submitted a rate filing requesting a 10% increase in its residential and commercial rates. This filing was disapproved in October 2009 with the finding that some modest increase of less than the 10% increase may be more prudent and reasonable.

Operations of TWIA (continued)

F. Policy Forms

Policy Form, Endorsement, and Manual Rule Filings

- Policy forms, endorsements and manual rules are approved specifically for use by TWIA.
- TAC 5.4911 was adopted to establish a procedure to approve TWIA policy forms, endorsements, manual rules, and application forms. Requires submissions to be posted for public comment and allows for public hearing if requested.

G. Deductible Options

Residential Risks: Deductible options of \$100, \$250 or 1% are available unless an optional large deductible is selected.

NOTE: Adjustment percentages must be applied to calculate the rate for \$100 and \$250 deductibles.

Optional large deductibles of 1½%, 2%, 2 ½%, 3%, 4% or 5% are available and are subject to the appropriate premium credits.

Commercial Risks and Public Buildings: A per occurrence deductible of 1% per item applies, unless an optional 2% or 5% deductible is selected and the deductible percentages are subject to the appropriate premium credits.

VI. Statistical Information

A. Exposures, Policies, and Premiums Written

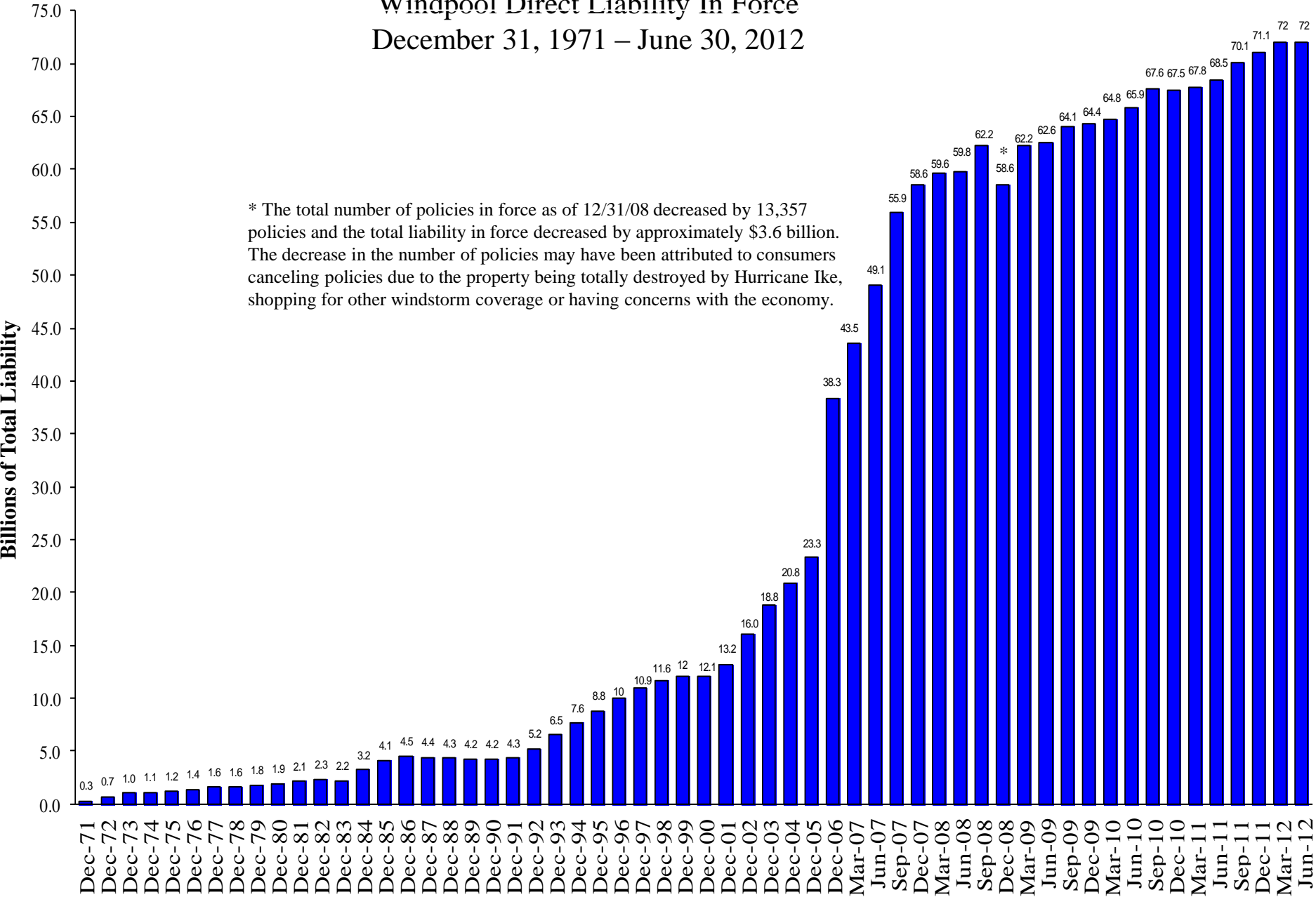
		As of 06/30/11	As of 06/30/12
Total Direct Liability in Force	Dwelling	\$55,825,365,235	\$59,125,566,231
	Mobile Home	\$31,811,175	\$38,555,366
	Non-Dwelling	<u>\$12,796,872,847</u>	<u>\$12,566,839,543</u>
	Total	\$67,765,703,690	\$71,730,961,140
Total Indirect Liability in Force	Dwelling (Additional Living Expense)	\$6,195,831,122	\$6,672,143,962
	Non-Dwelling (Business Income Total)	<u>\$417,485,730</u>	<u>\$381,228,140</u>
	Total	\$6,613,316,852	\$7,053,372,102
Total Policies in Force	Dwelling	229,549	244,010
	Mobile Home	692	823
	Non-Dwelling	<u>13,296</u>	<u>12,985</u>
	Total	243,537	257,818
Premiums Written on Policies in Force, Year to Date	Dwelling	\$57,747,806	\$159,829,336
	Mobile Home	\$131,713	\$465,295
	Non-Dwelling	<u>\$18,748,833</u>	<u>\$55,102,716</u>
	Total	\$76,628,352	\$215,397,347
Premiums Written During Quarter	Dwelling	\$57,747,806	\$93,651,011
	Mobile Home	\$131,713	\$304,608
	Non-Dwelling	<u>\$18,748,833</u>	<u>\$31,324,871</u>
	Total	\$76,628,352	\$93,651,011

Source: Quarterly Statistical Report as of 06/30/11 and 06/30/12 from Texas Windstorm Insurance Association.

Windpool Direct Liability In Force

December 31, 1971 – June 30, 2012

* The total number of policies in force as of 12/31/08 decreased by 13,357 policies and the total liability in force decreased by approximately \$3.6 billion. The decrease in the number of policies may have been attributed to consumers canceling policies due to the property being totally destroyed by Hurricane Ike, shopping for other windstorm coverage or having concerns with the economy.



Data Source: Quarterly Statistical Report as of June 30, 2012 from Texas Windstorm Insurance Association

Statistical Information (continued)

C. Residential Wind Market Share by County (2009 – 2011)

TEXAS WINDSTORM INSURANCE ASSOCIATION
2009-2011 RESIDENTIAL WIND MARKET SHARE BY COUNTY
(As measured by Insured Exposures for Dwelling and Contents)

County	2009*	2010*	2011
Aransas	81%	81%	81%
Brazoria	59%	61%	63%
Calhoun	74%	75%	75%
Cameron	30%	32%	31%
Chambers	51%	56%	59%
Galveston	78%	79%	77%
Harris ¹	48%	51%	52%
Jefferson	43%	47%	55%
Kenedy	13%	14%	19%
Kleberg	25%	29%	27%
Matagorda	44%	51%	58%
Nueces	65%	66%	65%
Refugio	26%	27%	27%
San Patricio	65%	65%	65%
Willacy	24%	29%	28%
Total Catastrophe Area	59%	61%	62%

*Corrected.

¹Only includes those portions of Harris County designated as a catastrophe area.

VII. Funding of Excess TWIA Losses

A. Funding

TWIA losses in excess of premiums and other revenue are funded as follows:

- Available reserves and available amounts in the Catastrophe Reserve Trust Fund (Balance as of 7/31/2012 - \$175,325,172.28)
- Up to \$1.0 billion in Class 1 public securities
- Up to \$1.0 billion in Class 2 public securities
- Up to \$500 million in Class 3 public securities

TWIA may purchase reinsurance to cover excess losses.

NOTE: Reinsurance program in effect June 1, 2011 through May 31, 2012: Reinsurance available in the amount of \$636 million in excess of a \$1.6 billion retention.

Public securities are paid by TWIA premiums, non-refundable premium surcharges to coastal property and casualty policyholders and member insurer assessments.

- Class 1 Public Securities, including up to \$1 billion in outstanding pre-event public securities
 - Paid by TWIA premiums
- Class 2 Public Securities
 - 70% paid by non-refundable premium surcharges to coastal property and casualty policyholders
 - 30% paid by insurer member assessments
- Class 3 Public Securities
 - Paid by insurer member assessments

Funding of Excess TWIA Losses (continued)

Member insurer assessments are indexed to an individual insurer's share of the overall Texas property insurance market.

The greater an insurer's share of the Texas market, the greater its potential for loss assessments.

Credits reduce loss assessments and are given if member insurers voluntarily write insurance in the areas where TWIA operates.

Member insurers may **not** credit assessment amounts paid under Class 2 or Class 3 public securities against premium taxes paid.

Currently, there is no funding for TWIA losses in excess of Class 3 public securities.

Funding of Excess TWIA Losses (continued)

B. Catastrophe Reserve Trust Fund (CRTF)

- The 73rd Legislature established the CRTF, effective September 1, 1993, as part of the State's plan to address catastrophic losses associated with a major windstorm.
- To fund the CRTF, TWIA deposits excess funds on an annual basis. Additionally, policyholder surcharges for structures insured under the Approval Program are deposited into the CRTF.
- The CRTF is a state fund to be held by the Comptroller outside the State Treasury on behalf of, and with legal title in TDI.
- The CRTF is designed to fund losses in excess of TWIA premiums and other revenue.
- If the CRTF is terminated by law, all assets of the CRTF revert to the State.

The initial balance of the CRTF in fiscal year 1995 was \$122,761,481.73. In September 2005, \$65 million was withdrawn from the CRTF to pay excess losses resulting from Hurricane Rita. Subsequently that year, TWIA returned \$30 million to the CRTF. On June 30, 2008, the balance of the CRTF was approximately \$468 million. \$100 million of the CRTF was used to pay excess losses resulting from Hurricane Dolly in July of 2008. The remainder of the fund was used to pay for excess losses resulting from Hurricane Ike in September of 2008, leaving a balance of \$0. The balance in the CRTF as of July 31, 2012 was \$175,325,172.28.