

WHAT IS TWIA?

The Texas Windstorm Insurance Association (TWIA) was created by the Texas legislature in 1971 to provide wind and hail insurance for Texas Gulf Coast property owners (those living in the 14 "Tier 1" counties). TWIA is intended to be the insurer of last resort, and property owners have to receive two declinations from private market insurers before TWIA issues a policy, which provides coverage for wind and hail losses only.

RECENT LEGISLATIVE ACTION

HB 769, passed in 2021, prohibits the TWIA Board from voting on rates if there is a vacancy on the TWIA Board of Directors.

HB 769 also prohibits TWIA from purchasing reinsurance from an insurer or broker involved in the execution of a catastrophe model which they rely on for determining PML for the period covered by the reinsurance or adopting rates.

REINSURANCE ISSUES

After passage of HB 1900 in 2019, TWIA's purchase of reinsurance above its minimum required funding level (1:100 PML) must be paid for by an assessment on member insurers.

How is TWIA Funded for Catastrophes?

Statute provides a combination of public securities and member company assessments totaling \$2 billion.

The private market is subject to \$1 billion in assessments to help pay TWIA losses.

Statute requires total funding in an amount not less than the probable maximum loss (PML) for a catastrophe year with a probability of one in 100.

Reinsurance can only be placed on top of the statutory funding sources.

TWIA RATES

The TWIA Board of Directors sets rates subject to review by the Texas Department of Insurance. TWIA rates have not increased since 2017.

In August 2021, the Board voted for a 5% rate increase for commercial and residential policies and submitted that increase to TDI.

Prior to that August 2021 vote, TWIA actuaries determined rates are inadequate for the risks they insure - by 39% for residential coverage and 46% for commercial coverage.

Low reserves shift responsibility for paying coastal losses to **all** Texas insureds through company assessments, and to coastal residents through policy surcharges to repay public securities.

Reinsurance
\$250 Million Class 3 Member Assessments
\$250 Million Class 3 Public Securities
\$250 Million Class 2 Member Assessments
\$250 Million Class 2 Public Securities
\$500 Million Class 1 Member Assessments
\$500 Million Class 1 Public Securities
Premiums and CRTF