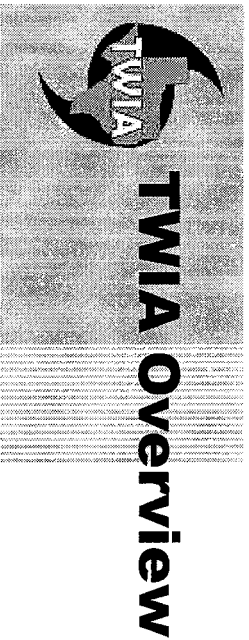


# Texas Windstorm Insurance Association Texas FAIR Plan Association

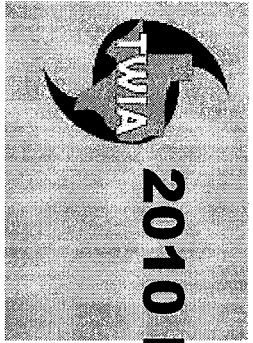
Updated as of 7/31/2010

James W. Oliver  
General Manager

Phone: (512) 899-4949  
Fax: (512) 899-4952  
joliver@twia.org  
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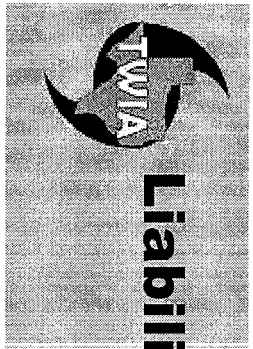
- The Texas Windstorm Insurance Association (TWIA), known as the Texas Catastrophe Property Insurance Association (TCPIA) until September 1, 1997, was established by the Texas Legislature in 1971 as a mechanism to provide wind and hail coverage to applicants unable to obtain insurance in the voluntary 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. All calendar-year earnings (profits) 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 \$74 million in the CRTF.
- *Pursuant to legislation adopted in 2009, TWIA funding in excess of premiums and the CRTF is provided by up to \$2.5 billion in public securities. 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.*



# 2010 Maximum Limits of Liability

<u>Coverage</u>	<u>2010 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

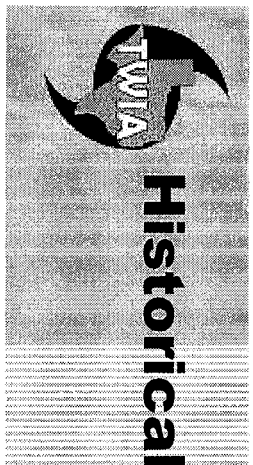
Pursuant to Texas Insurance Code §2210.502, maximum limits are adjusted annually as approved by the Commissioner of Insurance



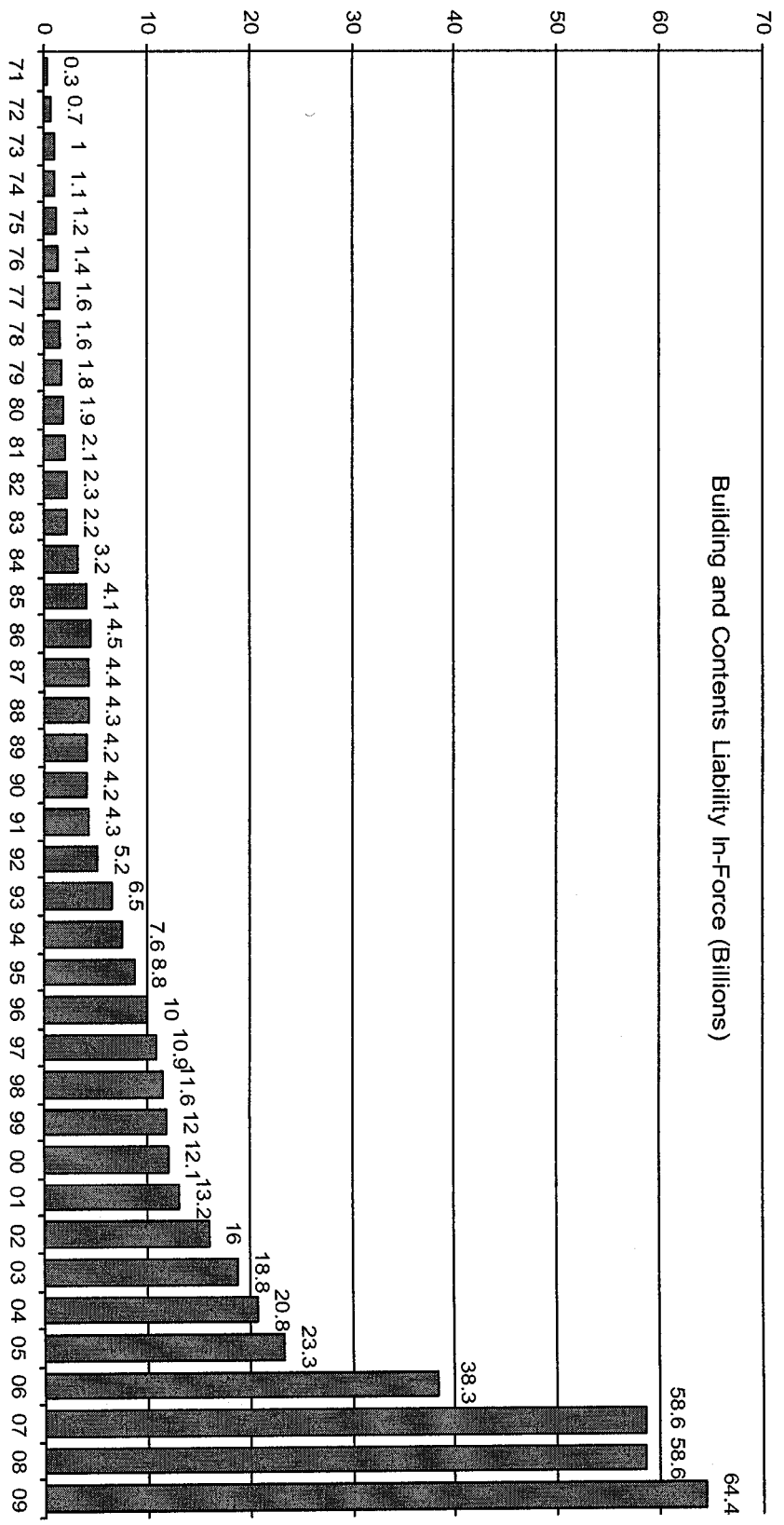
# Liability In-Force 2000 - 2009

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%

Notes: Exposures shown are building and contents only



# Historical Growth





**Total Exposure**  
Evaluated as of 7/31/10

Buildings and Contents	\$66,500,320,472
Additional Living Expense	\$ 6,022,754,283
Business Income	<u>\$ 429,131,075</u>
Total	\$72,952,205,830



# Statistical Report

Evaluated as of 7/31/10

County	Policies In-Force				Liability In-Force			
	at 7/31/09	at 7/31/10	# Gain	% Gain	at 7/31/09	at 7/31/10	# Gain	% Gain
Aransas	6,564	6,651	87	1.30	2,008,621,845	2,047,048,285	38,426,440	1.90
<b>Brazoria</b>	<b>41,849</b>	<b>44,806</b>	<b>2,957</b>	<b>7.10</b>	<b>11,440,356,188</b>	<b>12,457,834,269</b>	<b>1,017,478,081</b>	<b>8.90</b>
Calhoun	4,059	4,165	106	2.60	865,297,392	907,426,924	42,129,532	4.90
Cameron	16,240	16,911	671	4.10	5,030,555,125	4,767,123,321	-263,431,804	-5.20
Chambers	4,235	5,154	919	21.70	1,233,649,047	1,552,933,618	319,284,571	25.90
<b>Galveston</b>	<b>64,727</b>	<b>67,161</b>	<b>2,434</b>	<b>3.80</b>	<b>19,252,880,712</b>	<b>20,738,337,648</b>	<b>1,485,456,936</b>	<b>7.70</b>
Harris	2,740	2,985	245	8.90	727,314,304	809,386,069	82,071,765	11.30
<b>Jefferson</b>	<b>25,574</b>	<b>27,762</b>	<b>2,188</b>	<b>8.60</b>	<b>6,307,448,681</b>	<b>6,792,848,832</b>	<b>485,400,151</b>	<b>7.70</b>
Kenedy	22	23	1	4.50	11,233,004	8,434,686	-2,798,318	-24.90
Kleberg	1,259	1,403	144	11.40	425,160,111	411,112,131	-14,047,980	-3.30
Matagorda	4,060	4,499	439	10.80	874,159,245	978,250,689	104,091,444	11.90
Nueces	46,685	48,434	1,749	3.70	12,607,948,339	12,650,597,371	42,649,032	0.30
Refugio	426	450	24	5.60	115,182,048	125,361,783	10,179,735	8.80
San Patricio	8,199	8,423	224	2.70	2,092,949,804	2,122,841,707	29,891,903	1.40
Willacy	497	570	73	14.70	143,105,072	130,783,139	-12,321,933	-8.60
<b>Total:</b>	<b>227,136</b>	<b>239,397</b>	<b>12,261</b>	<b>5.40</b>	<b>63,135,860,917</b>	<b>66,500,320,472</b>	<b>3,364,459,555</b>	<b>5.33</b>

Notes: Exposures shown are building and contents only



# Distribution By County and Class of Business

## Evaluated as of 7/31/10

County	Policies In-Force			Total	Exposures In-Force			Total
	Residential	Commercial	Governmental		Residential	Commercial	Governmental	
Aransas	6,147	496	8	6,651	1,693,452,778	334,939,683	18,655,824	2,047,048,285
Brazoria	43,163	1,594	49	44,806	11,189,457,256	1,067,132,557	201,244,456	12,457,834,269
Calhoun	3,834	315	16	4,165	719,931,124	144,834,952	42,660,848	907,426,924
Cameron	15,414	1,451	46	16,911	2,844,561,958	1,593,269,663	329,291,700	4,767,123,321
Chambers	4,938	208	8	5,154	1,380,736,178	113,574,838	58,622,602	1,552,933,618
Galveston	63,815	3,264	82	67,161	17,159,535,661	2,842,970,294	735,831,693	20,738,337,648
Harris	2,850	134	1	2,985	718,556,993	90,683,907	145,169	809,386,069
Jefferson	25,825	1,901	36	27,762	5,249,704,554	1,450,608,853	92,535,425	6,792,848,832
Kenedy	21	0	2	23	2,622,921	40,000	5,771,765	8,434,686
Kleberg	1,270	124	9	1,403	231,065,589	75,243,432	104,803,110	411,112,131
Matagorda	4,136	346	17	4,499	759,049,602	171,561,665	47,639,422	978,250,689
Nueces	44,988	3,386	60	48,434	9,427,373,674	2,962,684,864	260,538,833	12,650,597,371
Refugio	393	48	9	450	76,774,142	26,326,001	22,261,640	125,361,783
San Patricio	7,921	478	24	8,423	1,752,764,041	313,018,776	57,058,890	2,122,841,707
Willacy	506	56	8	570	91,009,824	19,805,257	19,968,058	130,783,139
<b>Total</b>	<b>225,221</b>	<b>13,799</b>	<b>377</b>	<b>239,397</b>	<b>53,296,596,295</b>	<b>11,206,694,743</b>	<b>1,997,029,434</b>	<b>66,500,320,472</b>

**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



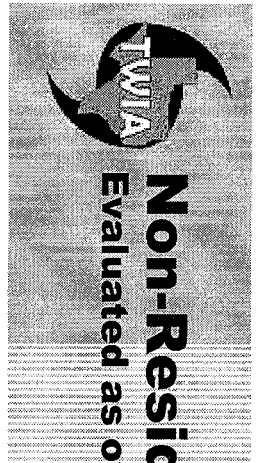


# Residential Distribution By AOI and Occupancy

Evaluated as of 7/31/10

Amount of Insurance	Primary Residential Dwellings			Secondary Residential Dwellings		
	Dwellings	Total Exposure	Average Limits	Dwellings	Total Exposure	Average Limits
\$0 - \$25,000	450	8,397,000	18,660	2,366	37,206,000	15,725
\$25,001 - \$50,000	3,033	131,522,000	43,364	4,445	182,983,000	41,166
\$50,001 - \$75,000	11,090	729,174,000	65,751	7,177	460,500,000	64,163
\$75,001 - \$100,000	22,348	2,002,767,000	89,617	7,431	657,255,000	88,448
\$100,001 - \$125,000	25,493	2,908,015,000	114,071	5,130	582,355,000	113,519
\$125,001 - \$150,000	27,580	3,822,660,000	138,603	4,647	644,267,000	138,641
\$150,001 - \$175,000	23,280	3,800,366,000	163,246	3,132	509,894,000	162,801
\$175,001 - \$200,000	19,699	3,712,667,000	188,470	2,445	463,498,000	189,570
\$200,001 - \$225,000	11,851	2,519,412,000	212,591	1,416	302,419,000	213,573
\$225,001 - \$250,000	9,621	2,295,493,000	238,592	1,267	304,830,000	240,592
\$250,001 - \$300,000	11,096	3,046,832,000	274,588	1,452	403,101,000	277,618
\$300,001 - \$400,000	8,806	3,016,824,000	342,587	1,456	503,260,000	345,646
\$400,001 - \$500,000	2,766	1,228,294,000	444,069	609	275,488,000	452,361
\$500,001 - \$1,000,000	1,945	1,255,598,000	645,552	536	353,678,000	659,847
\$1,000,001 - \$1,500,000	157	190,597,000	1,213,994	69	84,807,000	1,229,087
\$1,500,001 - \$1,773,000	9	14,522,000	1,613,556	9	14,795,000	1,643,889
<b>Total All Limits</b>	<b>179,224</b>	<b>30,683,140,000</b>	<b>171,200</b>	<b>43,587</b>	<b>5,780,336,000</b>	<b>132,616</b>

Notes: Exposures shown are building only

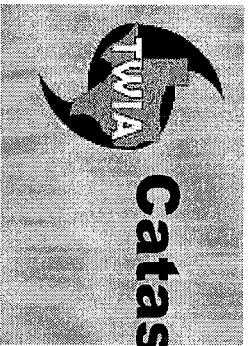


# Non-Residential Distribution By AOI and Class

## Evaluated as of 7/31/10

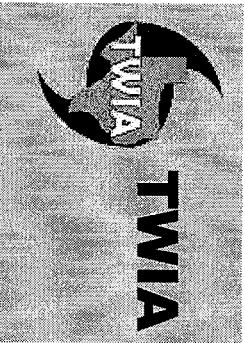
Amount of Insurance	Commercial Risks			Governmental Risks		
	Structures	Exposure	Average Limits	Structures	Exposure	Average Limits
\$0 - \$25,000	2,891	35,096,000	12,140	994	8,741,000	8,794
\$25,001 - \$50,000	1,717	67,486,000	39,305	632	25,303,000	40,036
\$50,001 - \$75,000	1,427	92,163,000	64,585	302	18,338,000	60,722
\$75,001 - \$100,000	1,702	153,995,000	90,479	185	16,237,000	87,768
\$100,001 - \$150,000	3,026	388,327,000	128,330	259	31,971,000	123,440
\$150,001 - \$200,000	2,713	482,415,000	177,816	162	28,535,000	176,142
\$200,001 - \$250,000	2,188	499,930,000	228,487	117	26,372,000	225,402
\$250,001 - \$400,000	4,450	1,430,062,000	321,362	224	69,454,000	310,063
\$400,001 - \$500,000	1,614	732,149,000	453,624	104	47,025,000	452,163
\$500,001 - \$750,000	2,121	1,303,558,000	614,596	158	98,994,000	626,544
\$750,001 - \$1,000,000	903	783,002,000	867,112	118	104,091,000	882,127
\$1,000,001 - \$1,500,000	761	929,779,000	1,221,786	129	156,607,000	1,214,008
\$1,500,001 - \$2,000,000	354	616,973,000	1,742,862	74	128,897,000	1,741,851
\$2,000,001 - \$3,000,000	284	707,691,000	2,491,870	66	160,588,000	2,433,152
\$3,000,001 - \$4,000,000	201	720,565,000	3,584,900	71	252,922,000	3,562,282
\$4,000,001 - \$4,424,000	162	694,325,000	4,285,957	135	575,800,000	4,265,185
<b>Total All Limits</b>	<b>26,514</b>	<b>9,637,516,000</b>	<b>363,488</b>	<b>3,730</b>	<b>1,749,875,000</b>	<b>469,135</b>

Notes: Exposures shown are building only

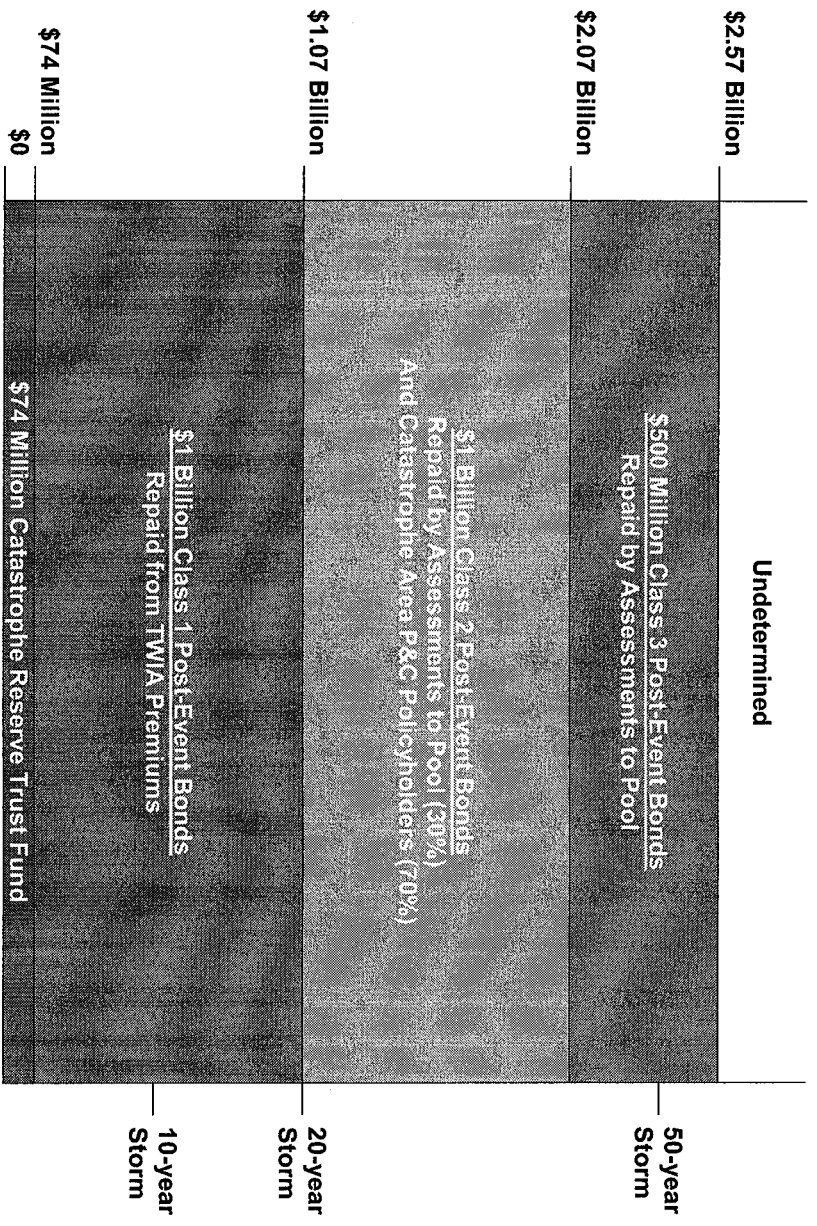


# Catastrophe Modeling Results

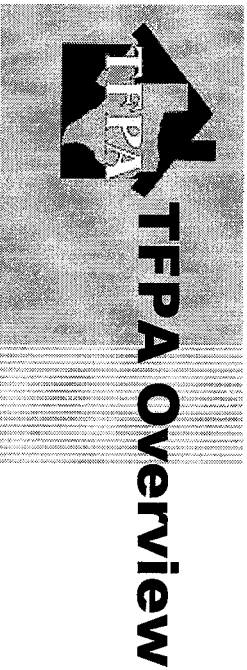
Probability	Return Period	Average of AIR and RMS Models		Percent Change
		As of 12/31/08	As of 12/31/09	
10.00%	10	\$466 Million	\$461 Million	-1%
5.00%	20	\$1.0 Billion	\$1.0 Billion	1%
2.00%	50	\$2.3 Billion	\$2.3 Billion	3%
1.00%	100	\$3.6 Billion	\$3.8 Billion	4%
0.40%	250	\$5.7 Billion	\$5.9 Billion	5%
0.20%	500	\$7.1 Billion	\$7.4 Billion	4%
Average Annual Loss		\$213 Million	\$216 Million	1%
TWIA Modeled Limits		\$63.7 Billion	\$70.5 Billion	11%



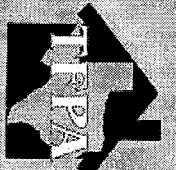
# TWIA 2010 Funding



PML's based on average of AIR and RMS models as of 12/31/09



- The Texas FAIR Plan Association was established by the Texas legislature in 1997. An actual need for the FAIR Plan did not occur until 2002 when Insurance Commissioner Jose Montemayor activated the FAIR Plan for the entire State of Texas to write homeowners policies during the “mold crisis”. In 2002 many insurance companies had decided not to write homeowners policies. The FAIR Plan was initiated in order to provide a market for persons who had been declined by two or more insurance companies for coverage. The FAIR Plan grew rapidly in 2002, 2003 and 2004. As the problems in the homeowners market eased in 2005, policy counts began to fall back.
- At its high point in 2005, the FAIR Plan wrote 134,000 policies throughout the State of Texas. At its low point in 2006, the FAIR Plan wrote 78,000 policies. In the second half of 2006 the FAIR Plan began to grow again because homeowners markets tightened in the first- and second-tier counties. In particular, a need developed in Harris and Ft. Bend Counties. Policy counts continue to reduce in most areas of the state except in some first- and second-tier counties. Overall, policy counts are declining.



# Statistical Report

## Evaluated as of 7/31/10

County	Policies In-Force		Annual Growth		Liability In-Force		Annual Growth	
	7/31/09	7/31/10	Actual	%	7/31/09	7/31/10	Actual	%
Harris	44,771	54,084	9,313	20.80%	7,054,337,597	8,728,588,157	1,674,250,560	23.73%
Fort Bend	4,588	5,255	667	14.54%	911,183,691	1,037,168,246	125,984,555	13.83%
Dallas	4,839	4,199	(640)	(13.23%)	713,815,109	622,078,865	(91,736,244)	(12.85%)
Tarrant	3,218	3,019	(199)	(6.18%)	480,630,006	462,160,887	(18,469,119)	(3.84%)
Galveston	2,614	2,571	(43)	(1.64%)	541,634,770	539,885,634	(1,749,136)	(0.32%)
Nueces	1,535	1,458	(77)	(5.02%)	215,421,452	206,073,487	(9,347,965)	(4.34%)
Bexar	1,442	1,207	(235)	(16.30%)	181,785,149	159,358,236	(22,426,913)	(12.34%)
Hidalgo	1,330	1,100	(230)	(17.29%)	179,757,857	143,836,095	(35,921,762)	(19.98%)
Brazoria	959	1,060	101	10.53%	202,167,622	220,011,321	17,843,699	8.83%
Montgomery	570	686	116	20.35%	82,226,844	111,330,164	29,103,320	35.39%
El Paso	659	682	23	3.49%	104,949,113	117,754,380	12,805,267	12.20%
Jefferson	620	658	38	6.13%	95,475,758	110,229,871	14,754,113	15.45%
Texas	612	568	(44)	(7.19%)	91,180,907	87,632,745	(3,548,162)	(3.89%)
Calhoun	379	409	30	7.92%	72,588,924	79,537,595	6,948,671	9.57%
Collin	438	378	(60)	(13.70%)	85,507,413	77,951,388	(7,556,025)	(8.84%)
Denton	387	359	(28)	(7.24%)	72,930,630	72,967,540	36,910	0.05%
Cameron	275	287	12	4.36%	47,930,741	49,948,940	2,018,199	4.21%
Orange	313	236	(77)	(24.60%)	47,169,776	31,928,182	(15,241,594)	(32.31%)
Johnson	264	229	(35)	(13.26%)	40,657,306	37,694,741	(2,962,565)	(7.29%)
Aransas	225	219	(6)	(2.67%)	52,023,706	50,510,514	(1,513,192)	(2.91%)
Matagorda	169	187	18	10.65%	32,203,752	35,647,292	3,443,540	10.69%
Chambers	132	181	49	37.12%	30,623,879	42,418,960	11,795,081	38.52%
Victoria	196	144	(52)	(26.53%)	26,301,202	20,860,531	(5,440,671)	(20.69%)
Liberty	124	125	1	0.81%	17,477,017	14,612,907	(2,864,110)	(16.39%)
Hardin	171	120	(51)	(29.82%)	26,566,593	19,519,752	(7,046,841)	(26.53%)
Top 25 Counties	70,830	79,421	8,591	12.13%	11,406,546,814	13,079,706,430	1,673,159,616	14.67%
All Other Counties	2,803	2,687	(116)	(4.14%)	408,403,508	411,187,216	2,783,708	0.68%
Statewide Total	73,633	82,108	8,475	11.51%	11,814,950,322	13,490,893,646	1,675,943,324	14.18%