

May 8, 2013



Re: Open Records Request TWIA Reference ID # 



We received your open records request on April 24, 2013. Below is the information responsive to your request.

1. "What is the chance (percentage chance based on modeled losses expectations) of TWIA becoming insolvent (not enough funds to pay claims) based on only the current funds from operations and the \$180 million in the CRTF (Catastrophic Reserve Trust Fund)?"

Following are the modeled probabilities of TWIA incurring losses in excess of its funding for each source of funding, based on TWIA exposures as of 12/31/2012 as modeled by the AIR CLASIC/2 v14.0 model using historical event rates, including loss amplification and excluding storm surge.

Source of Funding	Amount	Cumulative Amount	Probability of Exceedence
Premiums and CRTF	\$200,000,000	\$200,000,000	17.4%
Class 1 Bonds	500,000,000	700,000,000	7.7%
Class 2 Bonds	1,000,000,000	1,700,000,000	3.2%
Class 3 Bonds	500,000,000	2,200,000,000	2.5%
Reinsurance	1,150,000,000	3,350,000,000	1.5%

2. "Any amount of funds expected from operations during the 2013 hurricane season that can be used for current claims?"

TWIA is currently in the process of finalizing its catastrophe funding for the 2013 hurricane season. The TWIA Board of Directors met on May 3, 2013 and voted to issue \$500 million in pre-event Class 1 public securities, in the form of a Bond Anticipation Note (BAN) similar to the note issued in 2012, and to purchase approximately \$1 billion in catastrophe reinsurance. Expected funding will be as follows, in order:

- TWIA available reserves and amounts in the CRTF, estimated approximately \$200 million
- \$500 million in pre-event Class 1 public securities (BAN)

**Texas Windstorm Insurance Association**

- \$1 billion in post-event Class 2 public securities
- \$500 million in post-event Class 3 public securities
- \$1.15 billion in reinsurance

As a result, total catastrophe funding is currently expected to be \$3.35 billion.

3. "Any re-insurance contract that will be purchased for the 2013 hurricane season?"

The TWIA Board of Directors voted at the May 3 meeting to purchase as much reinsurance as possible for a premium not to exceed \$106 million, the premium amount budgeted for 2013, and at an attachment point equal to all available funding, which would be \$2.2 billion if the proposed \$500 million BAN is issued or \$1.7 billion if the BAN is not issued. TWIA's reinsurance broker, Guy Carpenter, estimates that TWIA will be able to obtain between \$900 million and \$1.1 billion in reinsurance with these criteria.

4. "What is the current balance in the CRTF?"

As of 3/31/2013, the balance of the Catastrophe Reserve Trust Fund was \$180,129,340.22.

5. "What is the total loss reserves or loss expectation from the recent hailstorm in Hitchcock?"

TWIA has received over 4,000 claims associated with the severe weather that occurred on April 2, 2013 in the areas surrounding Santa Fe and Hitchcock, with over 90% now closed. TWIA has paid approximately \$43.6 million in losses and loss adjustment expenses with an additional \$7 million in outstanding reserves, which is within the budgeted amount for 2013 non-catastrophe losses.

Please let me know of any questions.

Best Regards,



Jennifer Armstrong  
Director of Compliance & Customer Service