

**TEXAS WINDSTORM INSURANCE ASSOCIATION
RESIDENTIAL PROPERTY RATE LEVEL REVIEW
2011**

August 2010

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INTRODUCTION

The Texas Windstorm Insurance Association (TWIA) has completed studies sufficient to support rate level indications for its residential coverages. This report documents the procedures and results of this analysis.

DISTRIBUTION AND USE

This report was prepared for internal use by the management of TWIA. A complete copy of the report may be submitted to the Texas Department of Insurance (TDI or Department) for use in the approval of a rate change. This report may also be provided to the TWIA actuarial committee. Use of this report for other than the stated purpose may not be proper and must be preceded by written authorization.

RELIANCE UPON DATA

The following data and information used in this analysis were prepared by TWIA and are the responsibility of TWIA's management:

- TWIA losses and loss adjustment expenses
- TWIA written and earned premiums
- History of rate changes impacting TWIA residential premium
- TWIA's statutory annual statements and insurance expense exhibits.

At the time of this analysis, some of the data was unaudited. The data was reviewed for reasonableness and consistency, and the TWIA written premium and paid loss data provided for this analysis were reconciled to TWIA's annual statements

In addition to TWIA's own data, we utilized insurance industry premium and loss data supplied by the TDI.

We also used the results of two different hurricane simulation models -- one prepared by Applied Insurance Research (AIR) and one model prepared by Risk Management Solutions (RMS). Both models utilized TWIA exposure data as of 12/31/09. TWIA has not directly verified the accuracy of these simulation models, but has relied on documentation provided directly by the modeling firms and submission documentation provided to the Florida Commission on Hurricane Loss Projection Methodology to comply with Actuarial Standard of Practice #38, "Using Models Outside the Actuary's Area of Expertise."

LIMITATIONS

The indicated rate level change as shown in this report represents a reasonable estimate of the rate level necessary to cover the TWIA's expected costs of providing residential wind/hail coverage. The actual costs of providing residential property coverage for a specific year may differ substantially from the indicated rate level range shown in this report. The possibility of this variability arises from the fact that the events covered by TWIA are inherently unpredictable from year to year. The indicated rate level is, however, our best estimate of the expected annual cost of providing residential wind/hail coverage.

This actuarial report provides professional input and guidance to TWIA; however, the final decision regarding implementation and actual rate level change is a management decision.

The attached exhibits should be considered an integral part of this report.

EXECUTIVE SUMMARY

This section provides a brief synopsis of the key findings and recommendations contained in our study.

1. We have estimated the indicated total rate level change using a combination of two different methodologies for projecting the expected hurricane portion of the indicated rate level. The indicated total rate level changes are shown in Exhibit 1 and the following table:

Indicated Rate Change: Long Term Hurricane Methodologies

Hurricane Projection Methodology	Indicated Rate Change
Actual Experience and Models Combined	+27%
Actual Industry Experience	+11%
Hurricane Simulation Models	+42%

The indicated rate change shown is based on a combination of actual industry experience and hurricane simulation models. The indications based on each of these methodologies alone are also shown for reference. All methodologies use a long-term approach to develop the hurricane portion of the indicated rate level.

The hurricane simulation models utilized are widely used for insurance company catastrophe management and ratemaking. Versions of these simulation models have undergone verification by and been approved by the Florida Commission on Hurricane Loss Projection Methodology.

2. The indicated rate level change includes different hurricane projection methodologies. The different methods were used because the actuarial methods used to incorporate hurricane losses into rate indications are still evolving. Traditionally, actuarial methods have been based on insurance industry hurricane loss experience. More recently, actuarial methods have incorporated the results of hurricane simulation models to minimize the weaknesses of the traditional approaches.

The method using actual industry experience relies on a more traditional approach and is based on 46 years of actual insurance industry premiums and losses and 159 years of actual hurricane experience. This method possesses the advantage of finding broader regulatory acceptance in many states (including Texas). The alternate method incorporates the results of hurricane simulation models. This has the advantage of minimizing many of the theoretical weaknesses of the traditional actuarial methodologies. The overall indication assigns equal weight to these hurricane projection methodologies.

3. The current rate indication is 1% more than the corresponding indication from the prior TWIA residential rate study. Minor changes in expenses are the primary reason for the slight increase.

Details on the key differences between the current and prior rate indications are described in the Analysis section of this report.

4. The indicated rate changes presented in this report reflect a separate provision for contributions to the catastrophe reserve trust fund. The provision for the catastrophe trust fund is 40% of TWIA premium. The 40% provision is necessary to rebuild the fund, which was completely depleted in order to pay losses associated with 2008 hurricanes. The provision has been increased from 15% to reflect a greater need for contributions and to retain the savings resulting from the decision not to purchase catastrophe reinsurance.

The provision for reinsurance expense is now 0% of TWIA premium. The provision is not currently necessary due to the decision not to purchase catastrophe reinsurance.

ACTUARIAL ANALYSIS

Overview of Analysis

The goal of the rate level adequacy review is to compare the current rate level to TWIA's expected costs for providing residential property insurance coverage. This comparison is achieved by estimating the projected loss, loss adjustment expense (LAE), and fixed expense ratio for a prospective accident year and then comparing this ratio to the "permissible" loss, LAE, and fixed expense ratio. The permissible ratio is the portion of premium remaining to pay loss, LAE, and fixed expenses after payment of TWIA variable expenses. If the projected ratio is higher than the permissible ratio, then a rate increase is indicated. If the projected ratio is lower than the permissible, then a rate decrease is indicated.

The steps employed to estimate the projected loss, LAE, and fixed expense ratio are as follows:

1. Adjust historical premium to the current rate level (to facilitate calculation of historical loss ratios at current rates).
2. Determine LAE factors to add projected LAE to projected loss.
3. Estimate the projected non-hurricane loss and LAE ratio.
4. Estimate the projected hurricane loss and LAE ratio.
5. Estimate the projected fixed expense ratio.
6. Sum the projected non-hurricane and hurricane loss ratios and the projected fixed expense ratio to obtain the projected total loss, LAE, and fixed expense ratio.

The steps employed to determine the permissible loss and LAE ratio are as follows:

- (a) Analyze historical variable expense to premium ratios to estimate the projected total variable expense ratio.
- (b) Subtract the projected total variable expense ratio from 1.00 to derive the variable permissible loss and LAE ratio.

Steps 1-5 and (a)-(b) are described in more detail in the remainder of this report.

Earned Premium at Current Rates

Historical industry and TWIA earned premium is adjusted to TWIA's current rate level. Earned premium at current rates for prior years permits the calculation of historical loss ratios at the current rate level.

Exhibit 10 shows the calculation of earned premium at current TWIA rates. Industry earned premium at current Texas Personal Lines Manual rates was provided by TDI/TICO. TWIA's residential rate level is currently 86.0% above the Texas Manual rate level (net of the 90% coverage differential adjustment). Historical TWIA written premium is adjusted to the current rate level and adjusted to an earned basis based on a uniform monthly earning assumption.

Loss Adjustment Expense Factors

In Exhibit 4, the historical ratio of LAE to loss is analyzed to develop LAE factors. Separate LAE factors are developed for hurricane and non-hurricane losses. The hurricane LAE factors are developed based on the LAE to loss ratio for years with hurricanes. The non-hurricane LAE factors are developed based on the ratio for years without hurricanes. TWIA statutory annual statement incurred loss and LAE data is utilized to derive these ratios.

The indicated LAE to loss ratios are shown in Exhibit 4, Sheet 1. For hurricane losses, the indicated LAE ratio of 0.158 is equal to the weighted average of the nine hurricane years included in the analysis. For non-hurricane losses, the indicated ratio of 0.362 is equal to the weighted average of the most recent 10 non-hurricane years included in the analysis.

The development of these LAE factors is necessary to add LAE to the projected hurricane and non-hurricane loss ratios. The development of these loss ratios is described in the following two sections.

Projected Non-Hurricane Loss and LAE Ratio

Exhibit 2 shows the development of the projected non-hurricane loss and LAE ratio. The loss portion of this ratio is estimated by comparing the indicated ultimate industry non-hurricane loss for accident years 2000-2009 to the earned premium at current TWIA rates for the same years.

The indicated ultimate non-hurricane loss for each year is based on actual industry paid loss as of 9/30/09, and the paid loss development method. LAE is then added to each year's ultimate loss through the non-hurricane LAE factor developed in Exhibit 4.

Paid loss development factors are selected based on the current average of all available years and prior selections. Given the positive skewness of the observed age-to-age development factors, a straight average may be more preferable than an average excluding the highest and lowest observation to avoid understating the expected development.

Each year's estimated ultimate loss and LAE is compared to the earned premium at present rates.

The resulting loss and LAE ratios are then trended forward to the expected prospective inflation level. The net trend factor is equal to a loss trend offset by a premium trend. The loss trend is calculated using industry-wide construction cost and consumer price indices. Premium trend is derived from historical changes in average earned premium at present rates. Both premiums and losses are trended to current levels by applying the actual, historical changes in the appropriate data. Future premium and loss trends are selected based on all available and relevant data. Because the selected trends are estimates of the future trend between the current and prospective earned and accident dates, and because they are not used to trend historical experience to current premium and loss levels, it may not be necessary to use experience only from periods where both premium and loss data are available.

The resulting loss and LAE ratios for each accident year from 2000-2009 form the basis for the indicated projected loss and LAE ratio. The indicated loss and LAE ratio equals the premium-weighted average ratio from the 2000-2009 accident period. This method gives greater weight to more recent years due to TWIA's growth. Given the greater credibility normally associated with more recent experience and the potentially significant change in TWIA's residential book of business due to the growth, this weighting may be more appropriate than a non-weighted average across all years.

The all-territory indicated loss and LAE ratio is then calculated as the weighted average of the territory loss and LAE ratios. TWIA 2009 written premium is used in the weighted average calculation.

Projected Hurricane Loss and LAE Ratio

Two different methods are used to develop the projected hurricane loss and LAE ratios. The first method is based on insurance industry and meteorological hurricane experience for the last 46 and 159 years, respectively. The other method is based on hurricane simulation models. The “46/159-year” method is utilized because the Texas Insurance Code required until recently the consideration of a 30-year minimum experience period. The simulation method is utilized because it minimizes many of the theoretical weaknesses of the historical method. These weaknesses include:

- A 46-year period is insufficient to measure long-term hurricane intensity.
- A 46-year period of insurance industry experience includes years where land use, population densities, construction techniques and materials, engineering techniques and building codes were different than today. These differences diminish the relevance of insurance data from several decades ago in evaluating today’s residential property rates.

Differences between the two methods are the result of expected variances in the frequency and severity of hurricanes, and fundamental differences between the aggregate historical industry exposures and current TWIA exposures. Because of the readily identifiable nature of hurricanes, there should be no double-counting or understatement of expected future losses resulting from the use of either method.

For each method, the projected hurricane loss ratio is estimated first. LAE is added to each loss ratio using the hurricane LAE factor developed in Exhibit 4. Each method’s development of the projected hurricane loss ratio is described as follows:

Actual 46/159-Year Industry Hurricane Experience

In Exhibit 6, Texas insurance industry seacoast dwelling extended coverage experience for the 1964-2009 period is used in the development of a projected hurricane loss ratio. For each year, insurance industry loss ratios at current rates are calculated using information provided by the TDI. For the years where sufficient detail is available (1980-2009), these loss ratios are adjusted to TWIA’s rate level and re-weighted based on the TWIA’s current premium distribution by territory within the seacoast area.

A projected hurricane loss ratio is developed from these 46 years of loss ratios by separating the 46 years into the thirteen hurricane years and thirty-three non-hurricane years. The 33 non-hurricane years are used to develop an estimated non-hurricane loss ratio.

Hurricane loss ratios are then estimated by subtracting the non-hurricane loss ratio from the total loss ratio in each of the thirteen hurricane years. An average hurricane loss ratio for hurricane years is calculated as the average of the thirteen hurricane loss ratios: 84.4%.

The 46-year period that underlies the selected hurricane loss ratio has experienced significantly fewer hurricanes than the long-term average. As shown in Exhibit 9, the annual hurricane frequency during this 46-year period is 0.304, while the annual frequency during the most recent 159-year period is 0.396. The 46-year period represents all years for which TWIA has been provided industry data by TDI. Because the expected frequency of hurricanes is unrelated to the availability of insurance industry data, there is no reason to use only the most recent 46-year period to estimate the expected frequency of hurricane activity. Given the relatively infrequent occurrence of hurricanes, the largest possible experience period should be considered in order to obtain the most credible result. The selected hurricane frequency is therefore set equal to the 159-year historical hurricane frequency. As shown in Exhibit 6, Sheet 1, multiplying the selected loss ratio for hurricane years by the selected hurricane frequency yields a projected hurricane loss ratio of 33.4%.

Hurricane Simulation Models

This projected hurricane loss ratio is determined based on the average result of two different hurricane simulation models. The models are AIR CLASIC/2 v11.0 and RMS RiskLink v9.0. Both models were run using exposure data provided by TWIA as of 12/31/2009. This exposure data included location-level detail including physical characteristics of each risk and all relevant coverages. Both models were run using historical (long-term) event rates and both results include loss amplification (demand surge) and exclude storm surge and loss adjustment expenses. The AIR and RMS models generated 4,511 and 3,342 unique events, respectively, with the following intensity ratings:

Saffir-Simpson Category	AIR	RMS
Category 0	0	210
Category 1	806	646
Category 2	1,325	393
Category 3	1,555	766
Category 4	718	1,044
Category 5	107	283

The intensity at first landfall is shown for AIR events. RMS event sets display multiple landfall intensities and locations. Events are shown with the intensity most relevant to Texas exposures. Events shown as Category 0 are storms with wind speeds less than hurricane thresholds at time of Texas landfall.

As shown in Exhibits 7 and 8, these models yield projected hurricane loss ratios of 52.2% and 36.8%. The average of these loss ratios is 44.5%.

Fixed Expenses and Variable Permissible Loss and LAE Ratio

Exhibit 11 shows the expense assumptions used to develop the projected fixed expense ratio and the variable permissible loss and LAE ratio. Fixed expenses include general expenses and the net cost of reinsurance. The sum of these projected expenses provides for a 3.8% fixed expense ratio. Variable expenses include commission, taxes, and catastrophe trust fund contribution. Subtracting these expenses from 100% yields a variable permissible loss and LAE ratio of 42.1%.

As stated above, the expenses include a provision for an annual contribution to the catastrophe reserve trust fund. The 40% provision for the trust fund contribution is intended to permit the redevelopment of the catastrophe reserve trust fund to reduce the potential for future year surcharges on coastal insurance policies and assessments to TWIA members.

Indicated Rate Change

Exhibit 1 summarizes the indicated rate change using a combination of the two hurricane loss ratio projection methods. The individual indications resulting from the use of each methodology are also shown for reference. The indicated rate change for each method is calculated by dividing the total projected loss, LAE, and fixed expense ratio by the variable permissible loss and LAE ratio. This method of calculating the indicated rate change assumes that TWIA's variable expenses vary proportionally with premium while the fixed expenses do not.

Data Issues

Reconciliation of Data to TWIA's Annual Statements

Exhibit 12 shows a reconciliation of the premium data provided by TWIA to TWIA's annual statement data. This reconciliation shows the differences between the two data sources. Differences of less than 1% exist for each year.

Key Differences Versus Prior Indications

The indicated rate changes shown in this report are 1% higher those shown in the prior (August 2010) study. The reasons for the higher indications are summarized in the following table.

Reconciliation of Current vs. Prior Indications

TEXAS WINDSTORM INSURANCE ASSOCIATION
Residential Property Rate Level Review
2011

Rate Indication/Reason for Change	Impact of Change	Rate Indication
<i>Previous Rate Indication (Combined Method)</i>		+26%
TWIA Rate Level	0%	
Change in Experience Period	+1%	
<i>Current Rate Indication (Combined Method)</i>	+1%	+27%

These reasons are discussed below:

TWIA Rate Level

The TWIA rate level is unchanged from the previous analysis.

Change in Experience Period

Using a more recent experience period increased the indicated rate change by 1 point. This is due to a slight increase in expenses.

FINANCIAL ANALYSIS

In recognition of recent changes to TWIA funding, a financial analysis was completed in order to determine whether projected net premium income would be sufficient to cover ongoing costs and the potentially sizable fixed premium income requirements of any public securities issued.

This analysis is shown on Exhibit 13. Projected written and earned premiums for 2011 are compared to projected ongoing costs, including non-catastrophe losses and loss adjustment expenses, general operating expenses, commissions, and premium taxes. This comparison is made assuming both current and proposed rate levels. The resulting net premium income is compared to current estimates of the net required premium and net debt service for \$1 billion in Class 1 public securities.

Current rate levels result in projected net premium income within the range of estimated costs. It is possible that current rate levels would result in insufficient net required premium in some estimated cost scenarios. Proposed rate levels would result in sufficient net required premium for the entire estimated cost range. Furthermore, the additional premiums would protect against possibly higher future costs in a changing interest rate environment and would mitigate future rate increases after the issuance of some or all of the available Class 1 public securities.

SUMMARY OF EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit Title or Purpose</u>
1	Summary of Indicated Rate Change
2	Projected Ultimate Non-Hurricane Loss & LAE Ratio
3	Paid Loss Development Factors and Premium and Loss Trend Analysis
4	Development of LAE Factor
5	Summary of Indicated Hurricane Loss & LAE Ratios
6	Development of Hurricane Loss Ratio – 45/158-Year Method
7	Hurricane Loss Ratio – AIR Model
8	Hurricane Loss Ratio – RMS Model
9	Texas Hurricanes 1899-2008
10	Earned Premium at Present Rates
11	Fixed Expenses and Variable Permissible Loss & LAE Ratios
12	Reconciliation of Premium Data to Annual Statement
13	Analysis of Current and Proposed Net Premium Income

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
 Summary of Indicated Rate Change
 By Method for Projecting Hurricane Loss & LAE

Exhibit 1

Hurricane Projection Method (1)	Indicated Loss & LAE Ratio		Fixed Expenses (4)	Total (5)	Variable Permissible LLAE Ratio (6)	Indicated Rate Change (7)
	Hurricane (2)	Non-Hurricane (3)				
Using Experience and Models	45.1%	4.4%	3.8%	53.3%	42.1%	+27%
Using Actual Industry Experience	38.7%	4.4%	3.8%	46.9%	42.1%	+11%
Using Hurricane Models	51.5%	4.4%	3.8%	59.7%	42.1%	+42%

- Notes:
- (2) Exhibit 5
 - (3) Exhibit 2, Sheet 1
 - (4) Exhibit 11
 - (5) = (2) + (3) + (4)
 - (6) Exhibit 11
 - (7) = (5) / (6) - 1

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
 Projected Ultimate Non-Hurricane Loss & LAE Ratio
 All Territory Weighted Average

Exhibit 2
 Sheet 1

Territory	2009 Written Premium		Indicated Non-Hurricane Loss & LAE Ratio
	Amount	Share	
(1)	(2)	(3)	(4)
Tier 1 - Territory 8	88,626,913	32.7%	4.3%
Tier 1 - Territory 9	48,795,554	18.0%	3.0%
Tier 1 - Territory 10	130,948,394	48.3%	4.8%
Tier 2	2,523,645	0.9%	11.3%
Total / Average	270,894,506	100.0%	4.4%

Notes:

- (2) TWIA data
- (3) = (2) / (2) Total
- (4) Exhibit 2, Sheet 2a - Sheet 2d

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 2
 Sheet 2a

Projected Ultimate Non-Hurricane Loss & LAE Ratio
 Tier 1 -- Territory 8 (Galveston County)

Accident Year Ending 9/30/xx	Ultimate Non-Hurricane Loss	LAE Factor	Net Trend Factor	Projected Non-Hurricane Loss & LAE	Earned Premium at Current TWIA Rate Level	Indicated Non-Hurricane Loss & LAE Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2000	324,948	0.362	0.704	311,576	23,118,325	1.3%
2001	1,947,817	0.362	0.740	1,963,166	29,871,963	6.6%
2002	10,059,284	0.362	0.750	10,275,559	32,874,657	31.3%
2003	1,672,549	0.362	0.866	1,972,758	43,652,980	4.5%
2004	732,491	0.362	0.858	855,986	53,122,489	1.6%
2005	5,021,209	0.362	0.845	5,778,859	60,451,769	9.6%
2006	815,376	0.362	0.852	946,182	64,805,060	1.5%
2007	1,386,756	0.362	0.924	1,745,216	87,383,403	2.0%
2008	576,312	0.362	0.932	731,561	109,774,784	0.7%
2009	2,624,873	0.362	0.961	3,435,649	152,519,459	2.3%
Total	25,161,615			28,016,512	657,574,889	4.3%

Notes:

- (2) Exhibit 2, Sheet 3a
- (3) Exhibit 4, Sheet 1
- (4) Exhibit 2 Sheet 5
- (5) = (2) * [1 + (3)] * (4)
- (6) Exhibit 10, Sheet 1a
- (7) = (5) / (6)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 2
Sheet 2b

Projected Ultimate Non-Hurricane Loss & LAE Ratio
Tier 1 -- Territory 9 (Nueces County)

Accident Year Ending 9/30/xx	Ultimate Non-Hurricane Loss	LAE Factor	Net Trend Factor	Projected Non-Hurricane Loss & LAE	Eamed Premium at Current TWIA Rate Level	Indicated Non-Hurricane Loss & LAE Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2000	485,581	0.362	0.704	465,598	15,332,664	3.0%
2001	1,394,445	0.362	0.740	1,405,433	16,236,089	8.7%
2002	1,227,528	0.362	0.750	1,253,920	17,457,733	7.2%
2003	2,226,916	0.362	0.866	2,626,630	22,899,572	11.5%
2004	570,447	0.362	0.858	666,622	26,419,901	2.5%
2005	754,057	0.362	0.845	867,837	28,429,536	3.1%
2006	624,609	0.362	0.852	724,811	29,738,093	2.4%
2007	835,318	0.362	0.924	1,051,238	43,692,793	2.4%
2008	625,511	0.362	0.932	794,014	59,911,290	1.3%
2009	302,055	0.362	0.961	395,354	86,236,008	0.5%
Total	9,046,467			10,251,457	346,353,679	3.0%

Notes:

- (2) Exhibit 2, Sheet 3b
- (3) Exhibit 4, Sheet 1
- (4) Exhibit 2 Sheet 5
- (5) = (2) * [1 + (3)] * (4)
- (6) Exhibit 10, Sheet 1b
- (7) = (5) / (6)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 2
Sheet 2c

Projected Ultimate Non-Hurricane Loss & LAE Ratio
Tier 1 -- Territory 10 (Other Tier 1)

Accident Year Ending 9/30/xx	Ultimate Non-Hurricane Loss	LAE Factor	Net Trend Factor	Projected Non-Hurricane Loss & LAE	Eamed Premium at Current TWIA Rate Level	Indicated Non-Hurricane Loss & LAE Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2000	3,332,580	0.362	0.704	3,195,438	27,249,549	11.7%
2001	2,426,814	0.362	0.740	2,445,937	28,023,952	8.7%
2002	5,925,066	0.362	0.750	6,052,455	31,057,953	19.5%
2003	8,019,872	0.362	0.866	9,459,375	38,139,198	24.8%
2004	991,604	0.362	0.858	1,158,784	44,208,487	2.6%
2005	2,868,583	0.362	0.845	3,301,423	49,695,391	6.6%
2006	1,809,593	0.362	0.852	2,099,895	57,510,664	3.7%
2007	4,573,733	0.362	0.924	5,755,988	106,138,912	5.4%
2008	1,826,254	0.362	0.932	2,318,218	164,315,080	1.4%
2009	1,574,072	0.362	0.961	2,060,275	238,592,220	0.9%
Total	33,348,171			37,847,788	784,931,406	4.8%

Notes:

- (2) Exhibit 2, Sheet 3c
- (3) Exhibit 4, Sheet 1
- (4) Exhibit 2 Sheet 5
- (5) = (2) * [1 + (3)] * (4)
- (6) Exhibit 10, Sheet 1c
- (7) = (5) / (6)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 2
Sheet 2d

Projected Ultimate Non-Hurricane Loss & LAE Ratio
Tier 2 -- (Territories 1 and 11)

Accident Year Ending 9/30/xx	Ultimate Non-Hurricane Loss	LAE Factor	Net Trend Factor	Projected Non-Hurricane Loss & LAE	Eamed Premium at Current TWIA Rate Level	Indicated Non-Hurricane Loss & LAE Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2000	9,518,422	0.362	0.704	9,126,720	66,628,907	13.7%
2001	23,544,631	0.362	0.740	23,730,163	57,760,741	41.1%
2002	7,950,367	0.362	0.750	8,121,300	61,100,198	13.3%
2003	7,302,129	0.362	0.866	8,612,803	69,908,444	12.3%
2004	3,752,996	0.362	0.858	4,385,736	73,410,117	6.0%
2005	3,849,910	0.362	0.845	4,430,823	76,521,849	5.8%
2006	4,931,669	0.362	0.852	5,722,827	83,567,933	6.8%
2007	4,974,067	0.362	0.924	6,259,804	97,125,843	6.4%
2008	8,708,731	0.362	0.932	11,054,724	97,641,602	11.3%
2009	7,911,923	0.362	0.961	10,355,774	131,441,699	7.9%
Total	82,444,845			91,800,674	815,107,333	11.3%

Notes:

- (2) Exhibit 2, Sheet 3d
- (3) Exhibit 4, Sheet 1
- (4) Exhibit 2 Sheet 5
- (5) = (2) * [1 + (3)] * (4)
- (6) Exhibit 10, Sheet 1d
- (7) = (5) / (6)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
 Projected Ultimate Non-Hurricane Loss
 Tier 1 -- Territory 8 (Galveston County)

Exhibit 2
 Sheet 3a

Accident Year	Industry Non-Hurricane Paid Loss	Development Factor	Ultimate Non-Hurricane Loss
(1)	(2)	(3)	(4)
2000	324,948	1.000	324,948
2001	1,947,817	1.000	1,947,817
2002	10,059,284	1.000	10,059,284
2003	1,672,549	1.000	1,672,549
2004	731,759	1.001	732,491
2005	5,011,187	1.002	5,021,209
2006	811,319	1.005	815,376
2007	1,368,960	1.013	1,386,756
2008	562,805	1.024	576,312
2009	2,308,595	1.137	2,624,873
Total	24,799,223		25,161,615

Notes:

- (2) Exhibit 2, Sheet 4a, as of 12/31/09
- (3) Exhibit 3, Sheet 1
- (4) = (2) * (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
 Projected Ultimate Non-Hurricane Loss
 Tier 1 -- Territory 9 (Nueces County)

Exhibit 2
 Sheet 3b

Accident Year	Industry Non-Hurricane Paid Loss	Development Factor	Ultimate Non-Hurricane Loss
(1)	(2)	(3)	(4)
2000	485,581	1.000	485,581
2001	1,394,445	1.000	1,394,445
2002	1,227,528	1.000	1,227,528
2003	2,226,916	1.000	2,226,916
2004	569,877	1.001	570,447
2005	752,552	1.002	754,057
2006	621,501	1.005	624,609
2007	824,598	1.013	835,318
2008	610,851	1.024	625,511
2009	265,660	1.137	302,055
Total	8,979,509		9,046,467

Notes:

- (2) Exhibit 2, Sheet 4b, as of 12/31/09
- (3) Exhibit 3, Sheet 1
- (4) = (2) * (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 2
 Sheet 3c

Projected Ultimate Non-Hurricane Loss
 Tier 1 -- Territory 10 (Other Tier 1)

Accident Year	Industry Non-Hurricane Paid Loss	Development Factor	Ultimate Non-Hurricane Loss
(1)	(2)	(3)	(4)
2000	3,332,580	1.000	3,332,580
2001	2,426,814	1.000	2,426,814
2002	5,925,066	1.000	5,925,066
2003	8,019,872	1.000	8,019,872
2004	990,613	1.001	991,604
2005	2,862,857	1.002	2,868,583
2006	1,800,590	1.005	1,809,593
2007	4,515,038	1.013	4,573,733
2008	1,783,451	1.024	1,826,254
2009	1,384,408	1.137	1,574,072
Total	33,041,289		33,348,171

Notes:

- (2) Exhibit 2, Sheet 4c, as of 12/31/09
- (3) Exhibit 3, Sheet 1
- (4) = (2) * (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
 Projected Ultimate Non-Hurricane Loss
 Tier 2 -- (Territories 1 and 11)

Exhibit 2
 Sheet 3d

Accident Year	Industry Non-Hurricane Paid Loss	Development Factor	Ultimate Non-Hurricane Loss
(1)	(2)	(3)	(4)
2000	9,518,422	1.000	9,518,422
2001	23,544,631	1.000	23,544,631
2002	7,950,367	1.000	7,950,367
2003	7,302,129	1.000	7,302,129
2004	3,749,247	1.001	3,752,996
2005	3,842,226	1.002	3,849,910
2006	4,907,133	1.005	4,931,669
2007	4,910,234	1.013	4,974,067
2008	8,504,620	1.024	8,708,731
2009	6,958,595	1.137	7,911,923
Total	81,187,604		82,444,845

Notes:

- (2) Exhibit 2, Sheet 4d, as of 12/31/09
- (3) Exhibit 3, Sheet 1
- (4) = (2) * (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 2
Sheet 4a

Summary of Industry Historical Paid Loss as of 12/31/09
Tier 1 -- Territory 8 (Galveston County)

Accident Year	<u>Paid Loss Excluding Expense</u>			Total
	(1)	(2)	(3)	
2000		324,948	0	324,948
2001		1,947,817	0	1,947,817
2002		10,059,284	0	10,059,284
2003		1,672,549	1,000,369	2,672,918
2004		731,759	0	731,759
2005		5,011,187	29,424,268	34,435,455
2006		811,319	0	811,319
2007		1,368,960	1,286,848	2,655,808
2008		562,805	473,948,966	474,511,771
2009		2,308,595	0	2,308,595
Total		24,799,223	505,660,451	530,459,674

Notes:

(2) Provided by TDI. Accident years ending 9/30/xx

(4) = (2) + (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 2
Sheet 4b

Summary of Industry Historical Paid Loss as of 12/31/09
Tier 1 -- Territory 9 (Nueces County)

Accident Year	<u>Paid Loss Excluding Expense</u>			Total
	(1)	(2)	(3)	
2000		485,581	0	485,581
2001		1,394,445	0	1,394,445
2002		1,227,528	0	1,227,528
2003		2,226,916	68,887	2,295,803
2004		569,877	0	569,877
2005		752,552	119,899	872,451
2006		621,501	0	621,501
2007		824,598	0	824,598
2008		610,851	700,173	1,311,024
2009		265,660	0	265,660
Total		8,979,509	888,959	9,868,468

Notes:

(2) Provided by TDI. Accident years ending 9/30/xx

(4) = (2) + (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 2
Sheet 4c

Summary of Industry Historical Paid Loss as of 12/31/09
Tier 1 -- Territory 10 (Other Tier 1)

Accident Year	Paid Loss Excluding Expense			Total
	Non-Hurricane (1)	Hurricane (2)	Hurricane (3)	
2000		3,332,580	0	3,332,580
2001		2,426,814	0	2,426,814
2002		5,925,066	0	5,925,066
2003		8,019,872	9,193,796	17,213,668
2004		990,613	0	990,613
2005		2,862,857	112,707,973	115,570,830
2006		1,800,590	0	1,800,590
2007		4,515,038	5,319,397	9,834,435
2008		1,783,451	457,567,860	459,351,311
2009		1,384,408	0	1,384,408
Total		33,041,289	584,789,026	617,830,315

Notes:

(2) Provided by TDI. Accident years ending 9/30/xx

(4) = (2) + (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 2
Sheet 4d

Summary of Industry Historical Paid Loss as of 12/31/09
Tier 2 -- (Territories 1 and 11)

Accident Year	Paid Loss Excluding Expense			Total
	Non-Hurricane (1)	Hurricane (2)	Hurricane (3)	
2000		9,518,422	0	9,518,422
2001		23,544,631	0	23,544,631
2002		7,950,367	0	7,950,367
2003		7,302,129	2,883,350	10,185,479
2004		3,749,247	0	3,749,247
2005		3,842,226	30,359,672	34,201,898
2006		4,907,133	0	4,907,133
2007		4,910,234	328,111	5,238,345
2008		8,504,620	325,792,409	334,297,029
2009		6,958,595	0	6,958,595
Total		81,187,604	359,363,542	440,551,146

Notes:

(2) Provided by TDI. Accident years ending 9/30/xx

(4) = (2) + (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Calculation of Net Trend Factors

Exhibit 2
Sheet 5

Year / Quarter	Average EPPR		
(1)	(2)		
		(3) Current Average Earned Date	7/1/2009
2001 / 3	805.01	(4) Current Average Accident Date	4/1/2009
2002 / 3	933.54	(5) Prospective Average Earned / Accident Date	1/1/2012
2003 / 3	980.07	(6) Premium Trend Length	2.500
2004 / 3	1,007.10	(7) Loss Trend Length	2.750
2005 / 3	1,066.70	(8) Selected Premium Trend	6.4%
2006 / 3	1,211.68	(9) Selected Loss Trend	4.3%
2007 / 3	1,244.16		
2008 / 3	1,260.17		
2008 / 4	1,257.85		

Accident Year	Current Premium Trend	Current Loss Trend	Prospective Premium Trend	Prospective Loss Trend	Net Trend Factor
(10)	(11)	(12)	(13)	(14)	(15)
2000	1.837	1.345	1.168	1.123	0.704
2001	1.714	1.320	1.168	1.123	0.740
2002	1.663	1.297	1.168	1.123	0.750
2003	1.434	1.292	1.168	1.123	0.866
2004	1.366	1.219	1.168	1.123	0.858
2005	1.329	1.169	1.168	1.123	0.845
2006	1.255	1.112	1.168	1.123	0.852
2007	1.105	1.062	1.168	1.123	0.924
2008	1.076	1.043	1.168	1.123	0.932
2009	1.000	1.000	1.168	1.123	0.961

Notes:

- (2) Exhibit 3, Sheet 2 (9)
- (3) Latest Year / Quarter Ending Date - 6 Months
- (4) Latest Accident Year Ending Date - 6 Months
- (5) Rate Effective Date + 12 Months
- (6) = (5) - (3)
- (7) = (5) - (4)
- (8) Exhibit 3, Sheet 2
- (9) Exhibit 3, Sheet 3a
- (11) = (2) Indexed to 2008 / 4
- (12) Exhibit 3, Sheet 3a
- (13) = [1 + (8)] ^ (6)
- (14) = [1 + (9)] ^ (7)
- (15) = [(12) * (14)] / [(11) * (13)]

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Paid Loss Development Factors
Statewide Industry Extended Coverage Dwelling Paid Loss

Exhibit 3
Sheet 1

Accident Year	<u>Months of Development</u>									
	15 (1)	27 (2)	39 (3)	51 (4)	63 (5)	75 (6)	87 (7)	99 (8)	111 (9)	111 (10)
2000		89,773	95,884	96,844	96,995	97,052	97,096	97,106	97,158	97,184
2001		66,532	76,918	77,752	78,124	78,242	78,270	78,350	78,374	78,379
2002		58,496	62,455	63,206	63,293	63,368	63,448	63,525	63,541	
2003		82,086	88,066	88,446	88,704	89,022	89,082	89,097		
2004		30,571	32,466	32,708	33,429	33,493	33,527			
2005		124,373	152,899	155,841	160,133	163,221				
2006		49,335	53,120	53,492	53,624					
2007		53,874	59,731	61,175						
2008		435,381	558,108							
2009		114,829								

Accident Year	<u>Development Factors</u>									
	15 - 27 (1)	27 - 39 (2)	39 - 51 (3)	51 - 63 (4)	63 - 75 (5)	75 - 87 (6)	87 - 99 (7)	99 - 111 (8)	111 - Ult (9)	111 - Ult (10)
2000		1.068	1.010	1.002	1.001	1.000	1.000	1.001	1.000	
2001		1.156	1.011	1.005	1.002	1.000	1.001	1.000	1.000	
2002		1.068	1.012	1.001	1.001	1.001	1.001	1.000		
2003		1.073	1.004	1.003	1.004	1.001	1.000			
2004		1.062	1.007	1.022	1.002	1.001				
2005		1.229	1.019	1.028	1.019					
2006		1.077	1.007	1.002						
2007		1.109	1.024							
2008		1.282								
Average		1.125	1.012	1.009	1.005	1.001	1.001	1.000	1.000	
Avg 5 Year		1.152	1.012	1.011	1.005	1.001	1.001	1.000	1.000	
Prior		1.096	1.009	1.007	1.001	1.001	1.000	1.000	1.000	1.000
Selected		1.111	1.011	1.008	1.003	1.001	1.001	1.000	1.000	1.000
Cumulative		1.137	1.024	1.013	1.005	1.002	1.001	1.000	1.000	1.000

Notes:
Provided by TICO. Accident years ending 9/30/xx

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Premium Trend Analysis
TWIA Residential Earned Premium at Present Rates

Year / Quarter	Policies In-Force	Annualized		On- Level Factors	Premium at Present Rates		Earned Premium at Present Rates		Exponential Fitted Trends			
		Earned In-Force	Written Premium		Written	Earned	Annualized	Average	All-Year	5-Year	4-Year	3-Year
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
2001 / 2	65,277		10,139,016	1.431	14,505,735	12,783,527						
2001 / 3	66,864		10,832,190	1.431	15,497,449	12,735,960						
2001 / 4	68,756		8,416,555	1.431	12,041,437	12,759,328						
2002 / 1	69,630		9,047,298	1.431	12,943,832	13,411,000	51,689,815					
2002 / 2	70,561	68,292	13,329,141	1.431	19,069,799	14,277,545	53,183,833	778.77	835.47			
2002 / 3	74,046	69,851	15,674,437	1.431	22,425,178	15,782,667	56,230,540	805.01	848.55			
2002 / 4	76,688	71,740	10,897,552	1.431	15,590,962	17,152,090	60,623,301	845.04	861.84			
2003 / 1	78,418	73,830	11,147,115	1.431	15,948,008	17,856,950	65,069,252	881.34	875.34			
2003 / 2	80,610	76,184	16,247,871	1.431	23,245,582	18,671,331	69,463,038	911.78	889.05			
2003 / 3	85,231	78,839	19,155,832	1.431	27,405,957	19,918,648	73,599,018	933.54	902.97			
2003 / 4	86,847	81,507	12,211,060	1.431	17,470,178	20,725,801	77,172,730	946.83	917.12			
2004 / 1	88,165	83,995	14,023,536	1.305	18,305,894	21,205,037	80,520,816	958.84	931.48			
2004 / 2	89,172	86,284	19,899,624	1.305	25,976,359	21,941,346	83,790,831	971.11	946.07			
2004 / 3	91,976	88,197	22,742,765	1.305	29,687,708	22,567,310	86,439,493	980.07	960.89			
2004 / 4	93,376	89,856	14,786,844	1.305	19,302,292	23,111,061	88,824,753	988.52	975.94			
2005 / 1	94,683	91,487	15,217,541	1.305	19,864,511	23,532,577	91,152,293	996.34	991.22	992.55		
2005 / 2	94,527	92,971	21,206,064	1.305	27,681,745	23,914,647	93,125,594	1,001.66	1,006.75	1,007.73		
2005 / 3	97,682	94,354	24,733,243	1.305	32,286,017	24,465,808	95,024,093	1,007.10	1,022.52	1,023.15		
2005 / 4	99,246	95,801	16,990,506	1.305	22,178,885	25,243,149	97,156,181	1,014.15	1,038.53	1,038.79		
2006 / 1	100,183	97,222	17,519,644	1.305	22,869,606	25,863,419	99,487,023	1,023.30	1,054.80	1,054.68	1,066.21	
2006 / 2	107,166	99,489	31,779,828	1.305	41,484,412	27,571,516	103,143,892	1,036.73	1,071.32	1,070.81	1,081.33	
2006 / 3	119,273	103,768	39,354,820	1.293	50,896,560	32,011,771	110,689,855	1,066.70	1,088.10	1,087.19	1,096.66	
2006 / 4	131,200	110,461	31,331,450	1.266	39,669,363	36,376,639	121,823,346	1,102.86	1,105.14	1,103.82	1,112.21	
2007 / 1	147,199	120,333	38,248,157	1.215	46,474,800	41,537,895	137,497,822	1,142.65	1,122.45	1,120.70	1,127.98	1,184.42
2007 / 2	167,806	133,790	58,685,458	1.215	71,307,878	48,435,012	158,361,318	1,183.66	1,140.03	1,137.84	1,143.97	1,192.75
2007 / 3	191,942	150,453	65,864,575	1.215	80,031,123	55,950,841	182,300,388	1,211.68	1,157.88	1,155.24	1,160.19	1,201.14
2007 / 4	200,945	168,255	41,078,648	1.215	49,914,090	61,082,530	207,006,279	1,230.31	1,176.02	1,172.91	1,176.64	1,209.59
2008 / 1	203,765	184,044	45,262,376	1.152	52,145,258	62,770,019	228,238,403	1,240.13	1,194.44	1,190.85	1,193.33	1,218.10
2008 / 2	206,997	196,013	67,936,202	1.123	76,292,355	64,055,006	243,858,397	1,244.09	1,213.15	1,209.06	1,210.25	1,226.67
2008 / 3	213,926	203,660	75,896,444	1.123	85,231,707	65,479,160	253,386,716	1,244.16	1,232.15	1,227.55	1,227.41	1,235.30
2008 / 4	201,805	206,516	44,084,553	1.123	49,506,953	65,760,153	258,084,339	1,249.61	1,251.44	1,246.33	1,244.81	1,243.99
2009 / 1	212,304	207,691	52,875,985	1.000	52,875,985	65,625,144	260,919,464	1,256.29	1,271.05	1,265.39	1,262.46	1,252.74
2009 / 2	212,879	209,493	80,774,997	1.000	80,774,997	66,468,490	263,332,948	1,257.00	1,290.95	1,284.74	1,280.36	1,261.55
2009 / 3	214,247	210,269	85,657,728	1.000	85,657,728	67,121,279	284,975,067	1,260.17	1,311.17	1,304.39	1,298.51	1,270.43
2009 / 4	214,603	211,909	51,585,796	1.000	51,585,796	67,334,131	266,549,045	1,257.85	1,331.71	1,324.34	1,316.92	1,279.36
(14) Average Annual Change									6.4%	6.3%	5.8%	2.8%
(15) Correlation Coefficient									95.3%	90.2%	81.5%	72.4%
(16) Selected Premium Trend												6.4%

- Notes:
- (2) Provided by TWIA
 - (3) Calculated from (2) using uniform quarterly earning assumption
 - (4) Provided by TWIA
 - (5) Cumulative effect of annual rate changes
 - (6) = (4) * (5) Indexed to 2008 / 4
 - (7) Calculated from (6) using uniform quarterly earning assumption
 - (8) = Sum of (7) for prior 4 quarters
 - (9) = (8) / (3)
 - (10) - (13) = (9) fitted to an exponential distribution
 - (14) Fitted average annual change
 - (15) Evaluates the predictability of the fitted curve
 - (16) Selected based on judgment

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Loss Trend Analysis
Summary of Indices and Calculation of Prospective Loss Costs

Exhibit 3
Sheet 3a

Calendar Year Ending 9/30/xx	Statewide Boeckh	Coastal Boeckh	Modified CPI	Weighted Average
(1)	(2)	(3)	(4)	(5)
1999	1.369	1.398	1.129	1.331
2000	1.333	1.351	1.107	1.290
2001	1.311	1.324	1.093	1.266
2002	1.281	1.293	1.095	1.244
2003	1.269	1.285	1.099	1.239
2004	1.187	1.198	1.080	1.169
2005	1.132	1.141	1.061	1.121
2006	1.071	1.075	1.037	1.066
2007	1.016	1.019	1.015	1.018
2008	1.000	1.000	1.000	1.000

Factors to Adjust For Prospective Loss Costs

(6) Fitted Trend	4.7%	5.0%	2.0%	4.3%
(7) Cost Factor	1.188	1.201	1.077	1.171

Notes:

- (2) = Exhibit 3, Sheet 3b trended forward to 9/30/2008
- (3) = Exhibit 3, Sheet 3c trended forward to 9/30/2008
- (4) = Exhibit 3, Sheet 3d
- (5) = 25% CPI and 75% Boeckh (most appropriate available by year)
- (6) = (2) - (5) fitted to an exponential curve using 5 years' data
- (7) = [1 + (6)] ^ 3.75 (trended from 4/1/2008 to 1/1/2012)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Loss Trend Analysis
Boeckh Residential Construction Index Trend (Statewide)

Calendar Year Ending	Texas Statewide Index	Fitted Trends		5 Years		4 Years		3 Years	
		All Years Linear	Exponential	Linear	Exponential	Linear	Exponential	Linear	Exponential
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
3/31/1999	1440.12	1372.01	1393.13						
6/30/1999	1447.38	1387.77	1406.11						
9/30/1999	1456.57	1403.53	1419.21						
12/31/1999	1468.61	1419.29	1432.43						
3/31/2000	1480.09	1435.06	1445.77						
6/30/2000	1489.04	1450.82	1459.24						
9/30/2000	1495.92	1466.58	1472.84						
12/31/2000	1498.42	1482.34	1486.56						
3/31/2001	1503.33	1498.10	1500.40						
6/30/2001	1510.93	1513.87	1514.38						
9/30/2001	1521.69	1529.63	1528.49						
12/31/2001	1534.91	1545.39	1542.73						
3/31/2002	1545.25	1561.15	1557.10						
6/30/2002	1552.90	1576.91	1571.61						
9/30/2002	1556.45	1592.68	1586.25						
12/31/2002	1553.48	1608.44	1601.02						
3/31/2003	1552.38	1624.20	1615.94						
6/30/2003	1558.58	1639.96	1630.99						
9/30/2003	1571.41	1655.72	1646.19						
12/31/2003	1595.89	1671.49	1661.52						
3/31/2004	1625.56	1687.25	1677.00	1641.89	1647.23				
6/30/2004	1652.06	1703.01	1692.62	1662.96	1666.34				
9/30/2004	1680.19	1718.77	1708.39	1684.04	1685.66				
12/31/2004	1705.73	1734.53	1724.31	1705.11	1705.21				
3/31/2005	1728.03	1750.30	1740.37	1726.18	1724.98	1735.44	1738.01		
6/30/2005	1748.11	1766.06	1756.58	1747.25	1744.99	1755.53	1756.77		
9/30/2005	1762.69	1781.82	1772.95	1768.32	1765.22	1775.62	1775.73		
12/31/2005	1780.52	1797.58	1789.46	1789.39	1785.70	1795.71	1794.89		
3/31/2006	1803.56	1813.34	1806.13	1810.46	1806.40	1815.80	1814.26	1832.04	1832.55
6/30/2006	1829.79	1829.11	1822.96	1831.53	1827.35	1835.89	1833.84	1849.82	1849.68
9/30/2006	1862.05	1844.87	1839.94	1852.60	1848.54	1855.98	1853.63	1867.61	1866.97
12/31/2006	1896.38	1860.63	1857.08	1873.67	1869.98	1876.07	1873.63	1885.40	1884.43
3/31/2007	1923.66	1876.39	1874.38	1894.74	1891.67	1896.16	1893.85	1903.19	1902.04
6/30/2007	1945.15	1892.15	1891.84	1915.81	1913.61	1916.25	1914.28	1920.98	1919.82
9/30/2007	1962.77	1907.92	1909.47	1936.88	1935.80	1936.34	1934.94	1938.76	1937.77
12/31/2007	1973.20	1923.68	1927.26	1957.95	1958.25	1956.42	1955.82	1956.55	1955.89
3/31/2008	1980.60	1939.44	1945.21	1979.03	1980.96	1976.51	1976.93	1974.34	1974.17
6/30/2008	1990.82	1955.20	1963.33	2000.10	2003.93	1996.60	1998.26	1992.13	1992.63
9/30/2008	1994.53	1970.96	1981.62	2021.17	2027.17	2016.69	2019.82	2009.91	2011.26
12/31/2008	1995.92	1986.73	2000.08	2042.24	2050.68	2036.78	2041.62	2027.70	2030.06
Annual Trend		3.2%	3.8%	4.1%	4.7%	3.9%	4.4%	3.5%	3.8%
R-Squared		0.947	0.959	0.978	0.974	0.959	0.955	0.909	0.903

Notes:

- (2) = Average Index for Austin, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Odessa, and San Antonio
- (3) - (10) = (2) fitted to linear and exponential distributions

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 3
 Sheet 3c

Loss Trend Analysis
 Boeckh Residential Construction Index Trend (Coastal)

Calendar Year Ending	Texas Coastal Index	Fitted Trends		5 Years		4 Years		3 Years	
		All Years Linear	Exponential	Linear	Exponential	Linear	Exponential	Linear	Exponential
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
3/31/1999	1420.38	1352.66	1375.54						
6/30/1999	1426.38	1369.11	1388.97						
9/30/1999	1433.52	1385.55	1402.52						
12/31/1999	1447.43	1352.66	1375.54						
3/31/2000	1461.89	1418.43	1430.02						
6/30/2000	1473.55	1434.88	1443.97						
9/30/2000	1483.85	1451.32	1458.06						
12/31/2000	1488.03	1467.76	1472.29						
3/31/2001	1493.15	1484.20	1486.65						
6/30/2001	1500.94	1500.65	1501.16						
9/30/2001	1513.63	1517.09	1515.80						
12/31/2001	1527.55	1533.53	1530.59						
3/31/2002	1539.11	1549.97	1545.52						
6/30/2002	1547.99	1566.42	1560.60						
9/30/2002	1550.72	1582.86	1575.83						
12/31/2002	1546.51	1599.30	1591.21						
3/31/2003	1543.29	1615.74	1606.73						
6/30/2003	1547.99	1632.19	1622.41						
9/30/2003	1559.86	1648.63	1638.24						
12/31/2003	1584.94	1665.07	1654.22						
3/31/2004	1616.44	1681.51	1670.36	1631.57	1637.55				
6/30/2004	1644.67	1697.95	1686.66	1653.72	1657.52				
9/30/2004	1672.98	1714.40	1703.11	1675.88	1677.74				
12/31/2004	1698.09	1730.84	1719.73	1698.03	1698.21				
3/31/2005	1720.35	1747.28	1736.51	1720.19	1718.93	1728.41	1731.32		
6/30/2005	1740.42	1763.72	1753.45	1742.35	1739.90	1749.70	1751.11		
9/30/2005	1756.55	1780.17	1770.56	1764.50	1761.12	1770.98	1771.12		
12/31/2005	1776.85	1796.61	1787.84	1786.66	1782.61	1792.27	1791.37		
3/31/2006	1803.22	1813.05	1805.28	1808.81	1804.36	1813.55	1811.84	1831.48	1832.16
6/30/2006	1831.27	1829.49	1822.89	1830.97	1826.37	1834.84	1832.55	1850.22	1850.16
9/30/2006	1865.04	1845.94	1840.68	1853.12	1848.65	1856.12	1853.50	1868.96	1868.33
12/31/2006	1900.04	1862.38	1858.64	1875.28	1871.20	1877.41	1874.69	1887.70	1886.68
3/31/2007	1925.97	1878.82	1876.77	1897.44	1894.03	1898.69	1896.11	1906.44	1905.22
6/30/2007	1947.53	1895.26	1895.08	1919.59	1917.14	1919.97	1917.79	1925.18	1923.94
9/30/2007	1966.27	1911.71	1913.57	1941.75	1940.52	1941.26	1939.71	1943.92	1942.84
12/31/2007	1977.64	1928.15	1932.24	1963.90	1964.20	1962.54	1961.88	1962.66	1961.92
3/31/2008	1985.12	1944.59	1951.10	1986.06	1988.16	1983.83	1984.30	1981.40	1981.19
6/30/2008	1998.87	1961.03	1970.13	2008.22	2012.41	2005.11	2006.98	2000.14	2000.66
9/30/2008	2004.56	1977.48	1989.35	2030.37	2036.97	2026.40	2029.92	2018.88	2020.31
12/31/2008	2009.06	1993.92	2008.76	2052.53	2061.81	2047.68	2053.12	2037.62	2040.16
Annual Trend		3.3%	4.0%	4.3%	5.0%	4.2%	4.7%	3.7%	4.0%
R-Squared		0.950	0.962	0.981	0.977	0.964	0.960	0.927	0.920

Notes:

- (2) = Average Index for Corpus Christi and Houston
- (5) - (10) = (2) fitted to linear and exponential distributions

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Loss Trend Analysis
Modified Consumer Price Index - External Trend

Calendar Year Ending	Modified CPI	Fitted Trends		5 Years		4 Years		3 Years	
		All Years Linear	Exponential	Linear	Exponential	Linear	Exponential	Linear	Exponential
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
9/30/1998	158.12	157.71	157.98						
12/31/1998	158.91	158.23	158.47						
3/31/1999	159.37	158.75	158.96						
6/30/1999	159.86	159.27	159.45						
9/30/1999	160.43	159.80	159.94						
12/31/1999	160.76	160.32	160.44						
3/31/2000	161.80	160.84	160.93						
6/30/2000	162.72	161.36	161.43						
9/30/2000	163.61	161.88	161.93						
12/31/2000	164.37	162.41	162.43						
3/31/2001	165.07	162.93	162.93						
6/30/2001	165.68	163.45	163.43						
9/30/2001	165.69	163.97	163.93						
12/31/2001	165.84	164.50	164.44						
3/31/2002	165.55	165.02	164.95						
6/30/2002	165.22	165.54	165.46						
9/30/2002	165.32	166.06	165.97						
12/31/2002	165.32	166.58	166.48						
3/31/2003	164.94	167.11	166.99						
6/30/2003	164.84	167.63	167.51						
9/30/2003	164.70	168.15	168.03						
12/31/2003	164.88	168.67	168.54						
3/31/2004	165.74	169.20	169.06	165.95	166.01				
6/30/2004	166.59	169.72	169.59	166.80	166.83				
9/30/2004	167.69	170.24	170.11	167.65	167.65				
12/31/2004	168.65	170.76	170.84	168.50	168.48				
3/31/2005	169.97	171.29	171.16	169.35	169.31	169.38	169.41		
6/30/2005	170.57	171.81	171.69	170.20	170.14	170.22	170.23		
9/30/2005	170.65	172.33	172.22	171.05	170.98	171.07	171.06		
12/31/2005	171.45	172.85	172.75	171.90	171.82	171.92	171.89		
3/31/2006	171.92	173.37	173.28	172.75	172.67	172.77	172.73	172.52	172.52
6/30/2006	172.99	173.90	173.82	173.60	173.52	173.62	173.57	173.40	173.39
9/30/2006	174.59	174.42	174.36	174.45	174.37	174.46	174.41	174.29	174.26
12/31/2006	175.51	174.94	174.89	175.30	175.23	175.31	175.26	175.18	175.14
3/31/2007	176.12	175.46	175.43	176.15	176.10	176.16	176.11	176.06	176.03
6/30/2007	177.26	175.99	175.98	177.00	176.96	177.01	176.97	176.95	176.92
9/30/2007	178.35	176.51	176.52	177.85	177.83	177.86	177.83	177.84	177.81
12/31/2007	179.24	177.03	177.06	178.71	178.71	178.71	178.69	178.73	178.71
3/31/2008	180.25	177.55	177.61	179.56	179.59	179.55	179.56	179.61	179.61
6/30/2008	180.62	178.07	178.16	180.41	180.47	180.40	180.43	180.50	180.52
9/30/2008	181.06	178.60	178.71	181.26	181.36	181.25	181.31	181.39	181.43
12/31/2008	181.11	179.12	179.26	182.11	182.26	182.10	182.19	182.28	182.34
Annual Trend		1.2%	1.2%	1.9%	2.0%	1.9%	2.0%	1.9%	2.0%
R-Squared		0.921	0.926	0.991	0.991	0.983	0.983	0.972	0.970

Notes:

- (2) = Weighted average of CPI for Lodging, Apparel, Furnishings, and Medical Care
- (3) - (10) = (2) fitted to linear and exponential distributions

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 4
 Sheet 1

Development of LAE factor Using TWIA Commercial + Residential Experience

Accident Year	Projected Ultimate Loss	Projected Ultimate LAE	Ultimate LAE to Loss Ratio	Hurricane Indicator
(1)	(2)	(3)	(4)	(5)
1977	72	132	1.833	
1978	129	147	1.140	
1979	1,423	488	0.343	
1980	12,911	1,318	0.102	H
1981	2,512	543	0.216	
1982	796	565	0.710	
1983	148,999	9,127	0.061	H
1984	999	324	0.324	
1985	512	297	0.580	
1986	881	505	0.573	H
1987	1,897	1,056	0.557	
1988	1,160	357	0.308	
1989	12,296	3,528	0.287	H
1990	335	225	0.672	
1991	1,217	729	0.599	
1992	489	554	1.133	
1993	3,375	1,375	0.407	
1994	679	507	0.747	
1995	2,977	903	0.303	
1996	1,166	582	0.499	
1997	2,964	1,343	0.453	
1998	22,401	4,732	0.211	
1999	8,773	2,388	0.272	H
2000	6,227	1,885	0.303	
2001	3,856	1,880	0.488	
2002	24,746	5,226	0.211	
2003	24,606	5,122	0.208	H
2004	5,162	1,468	0.284	
2005	153,494	19,977	0.130	H
2006	4,279	1,111	0.260	
2007	15,459	4,804	0.311	H
2008	1,689,222	279,468	0.165	H
2009	7,730	10,394	1.345	
All Years Total	2,163,744	363,060	0.168	
Hurricane Years Total	2,066,641	326,237	0.158	
Non-Hurricane Years				
Total	97,103	36,823	0.379	
10 Year	81,508	29,524	0.362	

Notes:

- (2) Exhibit 4, Sheet 2
- (3) Exhibit 4, Sheet 4
- (4) = (3) / (2)
- (5) "H" indicates hurricane year

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Ultimate Loss (TWIA All Lines)

Exhibit 4
Sheet 2

Accident Year	Incurred Loss at 12/31/09	Development Factor	Indicated Ultimate Loss
(1)	(2)	(3)	(4)
1977			72
1978			129
1979			1,423
1980			12,911
1981			2,512
1982			796
1983			148,999
1984			999
1985			512
1986			881
1987			1,897
1988			1,160
1989			12,296
1990			335
1991			1,217
1992			489
1993			3,375
1994			679
1995			2,977
1996			1,166
1997			2,964
1998			22,401
1999			8,773
2000			6,227
2001			3,856
2002			24,746
2003	24,606	1.000	24,606
2004	5,167	0.999	5,162
2005	154,576	0.993	153,494
2006	4,279	1.000	4,279
2007	15,537	0.995	15,459
2008	1,774,393	0.952	1,689,222
2009	8,267	0.935	7,730

Notes:

- (2) Exhibit 4, Sheet 3
- (3) Exhibit 4, Sheet 3
- (4) 2002 - 2009: (2) * (3); 1977 - 2001: from prior TWIA annual statements

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Incurred Loss Development Factors
TWIA Schedule P Incurred Loss (Including IBNR)

Accident Year	<u>Months of Development</u>							
	12 (1)	24 (2)	36 (3)	48 (4)	60 (5)	72 (6)	84 (7)	84 (8)
2000		6,745	6,994	6,342	6,256	6,259	6,259	6,227
2001		5,278	4,308	3,868	3,857	3,856	3,856	3,856
2002		29,984	25,765	24,534	24,555	25,642	24,746	24,746
2003		25,109	25,512	24,099	24,490	24,605	24,606	24,606
2004		4,828	5,438	5,169	5,167	5,169	5,167	
2005		164,811	157,442	152,243	153,502	154,576		
2006		4,471	4,616	4,507	4,279			
2007		16,446	15,813	15,537				
2008		1,902,481	1,774,393					
2009		8,267						

Accident Year	<u>Development Factors</u>							
	12 - 24 (1)	24 - 36 (2)	36 - 48 (3)	48 - 60 (4)	60 - 72 (5)	72 - 84 (6)	84 - Ult (7)	84 - Ult (8)
2000		1.037	0.907	0.986	1.000	1.000	0.995	
2001		0.816	0.898	0.997	1.000	1.000	1.000	
2002		0.859	0.952	1.001	1.044	0.965	1.000	
2003		1.016	0.945	1.016	1.005	1.000	1.000	
2004		1.126	0.951	1.000	1.000	1.000		
2005		0.955	0.967	1.008	1.007			
2006		1.032	0.976	0.949				
2007		0.962	0.983					
2008		0.933						
Average		0.971	0.947	0.994	1.009	0.993	0.999	
Avg x hi / lo		0.971	0.950	0.998	1.003	1.000	1.000	
Avg 3 Year		0.976	0.975	0.986	1.004	0.988	1.000	
Avg 5 Year		1.002	0.964	0.995	1.011	0.993	0.999	
Prior		0.991	0.950	1.003	1.009	0.994	1.000	1.000
Selected		0.982	0.957	0.995	1.007	0.994	0.999	1.000
Cumulative		0.935	0.952	0.995	1.000	0.993	0.999	1.000

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Ultimate LAE (TWIA All Lines)

Exhibit 4
Sheet 4

Accident Year	Incurred ALAE at 12/31/09	Development Factor	Indicated Ultimate ALAE	Incurred ULAE	Incurred LAE
(1)	(2)	(3)	(4)	(5)	(6)
1977					132
1978					147
1979					488
1980					1,318
1981					543
1982					565
1983					9,127
1984					324
1985				160	137
1986				270	235
1987				652	404
1988				235	122
1989				2,727	801
1990				119	106
1991				403	326
1992				270	284
1993				806	569
1994				192	315
1995				698	205
1996				355	227
1997				892	451
1998				3,920	812
1999				1,757	631
2000				1,209	676
2001				1,207	673
2002				3,643	1,583
2003	3,240	1.000		3,240	1,882
2004	845	0.997		842	626
2005	15,253	1.004		15,314	4,663
2006	879	1.009		887	224
2007	2,921	0.977		2,854	1,950
2008	139,787	1.006		140,626	138,842
2009	7,335	1.125		8,252	2,142

Notes:

- (2) Exhibit 4, Sheet 5
- (3) Exhibit 4, Sheet 5
- (4) 2002 - 2009: (2) * (3); 1986 - 2001: from TWIA's annual statements
- (5) From TWIA's annual statements
- (6) 1986 - 2009: (4) + (5); prior years from prior TWIA annual statements

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
 Incurred ALAE Development Factors
 TWIA Schedule P Incurred ALAE (Including IBNR)

Exhibit 4
 Sheet 5

Accident Year	<u>Months of Development</u>							
	12 (1)	24 (2)	36 (3)	48 (4)	60 (5)	72 (6)	84 (7)	
2000		942	1,272	1,255	1,175	1,223	1,223	1,209
2001		1,207	1,185	1,313	1,201	1,207	1,207	1,207
2002		3,179	3,139	3,297	3,349	3,501	3,843	3,643
2003		2,882	3,017	3,133	3,235	3,254	3,255	3,240
2004		814	837	839	844	847	845	
2005		12,902	16,742	18,549	16,151	15,253		
2006		704	891	899	879			
2007		2,660	3,107	2,921				
2008		167,316	139,787					
2009		7,335						

Accident Year	<u>Development Factors</u>							
	12 - 24 (1)	24 - 36 (2)	36 - 48 (3)	48 - 60 (4)	60 - 72 (5)	72 - 84 (6)	84 - Ult (7)	
2000		1.350	0.987	0.936	1.041	1.000	0.989	
2001		0.982	1.108	0.915	1.005	1.000	1.000	
2002		0.987	1.050	1.016	1.045	1.041	1.000	
2003		1.047	1.038	1.033	1.006	1.000	0.995	
2004		1.028	1.002	1.006	1.004	0.998		
2005		1.298	1.108	0.871	0.944			
2006		1.266	1.009	0.978				
2007		1.168	0.940					
2008		0.835						
Average		1.107	1.030	0.965	1.008	1.008	0.996	
Avg x hi / lo		1.111	1.032	0.970	1.014	1.000	0.998	
Avg 3 Year		1.090	1.019	0.951	0.985	1.013	0.998	
Avg 5 Year		1.119	1.020	0.981	1.001	1.008	0.996	
Prior		1.163	1.048	0.972	1.018	1.006	0.998	1.000
Selected		1.118	1.030	0.968	1.005	1.007	0.997	1.000
Cumulative		1.125	1.006	0.977	1.009	1.004	0.997	1.000

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Summary of Indicated Hurricane Loss & LAE Ratios

Exhibit 5

Basis for Hurricane Loss Ratio	Indicated Loss Ratio	LAE Factor	Indicated Loss & LAE Ratio
(1)	(2)	(3)	(4)
Industry Experience	33.4%	0.158	38.7%
<u>Hurricane Models</u>			
AIR Model	52.2%	0.158	60.4%
RMS Model	36.8%	0.158	42.6%
Average of Models	44.5%	0.158	51.5%

Notes:

(2) Exhibit 6 - Exhibit 8, Sheet 1

(3) Exhibit 4, Sheet 1

(4) = (2) * [1 + (3)]

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 6
Sheet 1

Industry Experience -- Residential Extended Coverage
1964 - 2009 -- Hurricane Years Only

Accident Year	Earned Premium at Current TWIA Rate Level	Incurred Loss Ratio
(1)	(2)	(3)
1968	24,147,878	46.3%
1970	24,633,399	84.4%
1971	24,548,527	92.6%
1980	41,694,882	74.8%
1983	74,060,784	397.8%
1986	93,752,184	8.6%
1989	102,499,062	6.9%
1990	97,785,703	18.6%
1999	120,157,281	12.5%
2003	174,600,194	25.7%
2005	215,098,545	132.3%
2007	334,340,951	5.9%
2008	431,842,756	311.9%
<hr/>		
(4) Simple Average Loss Ratio for Hurricane Years		93.7%
(5) Selected Non-Hurricane Loss Ratio		9.3%
(6) Average Hurricane Loss Ratio for Hurricane Years		84.4%
(7) Historical Hurricane Frequency		
(a) 46-Year (10/1/1963 - 9/30/2009)		0.304 (1 Hurricane Every 3.3 years)
(a) 159-Year (10/1/1850 - 9/30/2009)		0.396 (1 Hurricane Every 2.5 years)
Selected Frequency		0.396 (1 Hurricane Every 2.5 years)
(8) Indicated Hurricane Loss Ratio		33.4%

Notes:

- (2) Exhibit 6, Sheet 2. Accident years ending 9/30/xx
- (3) Exhibit 6, Sheet 2. Accident years ending 9/30/xx
- (4) = Average of (3)
- (5) Exhibit 6, Sheet 2
- (6) = (4) - (5)
- (7) Exhibit 9
- (8) = (6) * (7) Selected

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 6
 Sheet 2

Industry Experience -- Residential Extended Coverage
 1984 - 2009

Accident Year	Eamed Premium	Eamed Premium at CMR	Eamed Premium at Current TWIA Rate Level	Incurred Losses	Incurred Loss Ratio	Hurricane Indicator
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1984		8,694,859	16,172,438	1,278,741	7.9%	
1965		12,141,513	22,583,214	944,410	4.2%	
1966		13,011,528	24,201,442	1,178,131	4.9%	
1967		13,130,860	24,423,400	663,024	2.7%	
1968		12,982,730	24,147,878	11,171,683	46.3%	H
1969		12,499,176	23,248,467	3,218,757	13.8%	
1970		13,243,763	24,633,399	20,786,468	84.4%	H
1971	10,840,335	13,198,133	24,548,527	22,731,206	92.6%	H
1972	12,302,040	13,902,740	25,859,096	2,242,093	8.7%	
1973	12,935,382	12,724,690	23,667,923	4,933,261	20.8%	
1974	12,794,652	11,637,700	21,846,122	2,293,219	10.6%	
1975	13,633,616	12,392,309	23,049,695	3,062,897	13.3%	
1976	17,088,846	13,884,831	25,825,786	1,522,489	5.9%	
1977	23,843,216	17,474,220	32,502,049	972,383	3.0%	
1978	28,157,329	19,320,941	35,936,950	1,449,823	4.0%	
1979	32,867,536	21,563,567	40,108,235	3,940,899	9.8%	
1980	32,179,994	22,416,603	41,694,882		74.8%	H
1981	30,817,037	29,693,419	55,229,760		3.5%	
1982	28,140,159	32,398,474	60,261,159		2.1%	
1983	28,786,234	39,817,626	74,060,784		397.8%	H
1984	20,078,668	34,626,400	84,405,102		8.8%	
1985	30,043,452	53,801,222	100,070,271		3.7%	
1986	36,673,352	50,404,401	93,752,184		8.6%	H
1987	41,598,709	56,111,288	104,366,997		2.2%	
1988	45,044,392	60,442,614	112,423,262		9.7%	
1989	41,745,774	55,107,023	102,499,062		6.9%	H
1990	40,384,195	52,572,959	97,785,703		18.6%	H
1991	46,237,137	51,609,839	95,994,298		84.1%	
1992	44,512,572	47,494,523	88,339,811		6.9%	
1993	50,741,120	54,555,786	101,473,761		11.5%	
1994	57,584,585	50,529,338	93,984,567		6.9%	
1995	60,740,049	55,699,543	103,601,152		9.2%	
1996	71,865,572	59,002,880	109,745,357		5.2%	
1997	79,154,547	58,802,293	109,372,265		7.2%	
1998	80,238,260	66,452,061	123,600,831		31.5%	
1999	71,026,552	64,600,690	120,157,281		12.5%	H
2000	75,114,174	71,144,862	132,329,445		7.1%	
2001	74,726,401	70,910,078	131,892,745		8.3%	
2002	86,289,350	76,607,818	142,490,541		20.6%	
2003	112,200,741	93,871,073	174,600,194		25.7%	H
2004	123,050,217	106,000,535	197,160,994		2.0%	
2005	135,380,924	115,644,379	215,098,545		132.3%	H
2006	154,699,767	126,678,360	235,621,750		2.4%	
2007	219,914,305	179,753,199	334,340,951		5.9%	H
2008	289,558,186	232,065,998	431,842,756		311.9%	H
2009	327,306,121	327,306,121	608,789,386		1.1%	
Total / Average	2,699,895,498	2,617,924,965	4,869,340,417		34.0%	
Average of Non-Hurricane Years					10.4%	
Average of Non-Hurricane Years Excluding 1991 Selected					8.1%	
					9.3%	

Notes: (2), (3) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
 (4) 1980 - 2004: Sum of Exhibit 6, Sheet 4 - Sheet 7, (5); 1971 - 1979: (3) * 1.9
 (5) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
 (6) 1980 - 2004: Exhibit 6, Sheet 3; 1964 - 1979: (5) / (4)
 (7) "H" indicates occurrence of hurricane(s) during the time period (years ending 9/30/xx)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Industry Experience -- Residential Extended Coverage

Exhibit 6
Sheet 3

Accident Year	<u>Loss Ratios by Territory / Tier</u>					Weighted Loss Ratio
	Territory 8	Territory 9	Territory 10	Tier 2		
(1)	(2)	(3)	(4)	(5)	(6)	
1981		5.2%	2.0%	2.8%	7.1%	3.5%
1982		1.6%	2.0%	2.5%	4.5%	2.1%
1983		1026.5%	5.3%	122.7%	164.9%	397.8%
1984		2.6%	4.0%	14.5%	29.6%	8.8%
1985		1.4%	4.8%	4.7%	9.4%	3.7%
1986		1.1%	2.1%	16.0%	13.4%	8.6%
1987		0.6%	3.1%	2.8%	7.0%	2.2%
1988		5.6%	5.4%	14.1%	7.1%	9.7%
1989		6.6%	5.2%	7.5%	17.0%	6.9%
1990		36.4%	9.9%	9.7%	23.9%	18.6%
1991		90.0%	13.9%	107.5%	20.1%	84.1%
1992		1.9%	11.6%	8.2%	24.9%	6.9%
1993		15.8%	10.2%	8.6%	32.1%	11.5%
1994		4.3%	6.7%	8.7%	13.2%	6.9%
1995		4.6%	10.2%	11.3%	38.2%	9.2%
1996		2.4%	6.1%	6.6%	17.4%	5.2%
1997		3.2%	5.8%	10.3%	16.6%	7.2%
1998		32.2%	14.2%	37.8%	16.8%	31.5%
1999		3.6%	24.5%	14.1%	14.9%	12.5%
2000		1.4%	3.2%	12.2%	14.3%	7.1%
2001		6.5%	8.6%	8.7%	40.8%	8.3%
2002		30.6%	7.0%	19.1%	13.1%	20.6%
2003		6.1%	10.0%	45.1%	14.6%	25.7%
2004		1.4%	2.2%	2.2%	5.1%	2.0%
2005		57.0%	3.1%	233.1%	44.7%	132.3%
2006		1.3%	2.1%	3.2%	5.9%	2.4%
2007		3.0%	1.9%	9.3%	5.4%	5.9%
2008		488.4%	2.4%	307.1%	350.7%	311.9%
2009		1.8%	0.6%	0.7%	5.7%	1.1%
Average		63.6%	6.5%	36.2%	33.7%	39.8%

TWIA 2009 Written Premium by Territory / Tier

	Territory 8	Territory 9	Territory 10	Tier 2	Total
(7) Amount	88,626,913	48,795,554	130,948,394	2,523,845	270,894,506
(8) % Share	32.7%	18.0%	48.3%	0.9%	99.9%

Notes:

- (2) Exhibit 6, Sheet 4
- (3) Exhibit 6, Sheet 5
- (4) Exhibit 6, Sheet 6
- (5) Exhibit 6, Sheet 7
- (6) = Weighted average of (2) to (5), using (8)
- (7) Provided by TWIA
- (8) = (7) / (7) Total

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Industry Experience -- Residential Extended Coverage
Tier 1 -- Territory 8 (Galveston County)

Accident Year	Eamed Premium	Earned Premium at CMR	Factor to TWIA Rate Level	Earned Premium at Current TWIA Rate Level	Incurred Loss	Incurred Loss Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1981	3,358,441	3,858,373	1.860	7,176,574	373,017	5.2%
1982	2,947,993	4,084,797	1.860	7,560,522	117,400	1.6%
1983	4,317,605	6,227,127	1.860	11,582,456	118,889,570	1026.5%
1984	3,512,853	6,034,604	1.860	11,224,363	292,543	2.6%
1985	6,066,870	10,370,936	1.860	19,289,941	265,705	1.4%
1986	6,846,710	9,132,983	1.860	16,987,348	187,218	1.1%
1987	7,738,740	9,628,361	1.860	17,908,751	111,242	0.6%
1988	8,043,378	9,774,328	1.860	18,180,250	1,026,666	5.6%
1989	8,149,957	9,454,048	1.860	17,584,529	1,163,813	6.6%
1990	7,816,199	8,736,577	1.860	16,250,033	5,908,943	36.4%
1991	8,645,208	7,897,934	1.860	14,690,157	13,225,287	90.0%
1992	5,826,467	5,085,063	1.860	9,458,217	180,484	1.9%
1993	5,825,916	6,481,849	1.860	12,056,239	1,900,088	15.8%
1994	6,996,874	5,208,232	1.860	9,687,312	420,038	4.3%
1995	8,737,576	7,456,506	1.860	13,869,101	644,169	4.6%
1996	11,652,672	9,263,441	1.860	17,230,000	406,004	2.4%
1997	12,573,252	9,589,398	1.860	17,836,280	573,343	3.2%
1998	13,838,930	10,847,018	1.860	19,803,453	6,371,206	32.2%
1999	14,103,814	11,002,926	1.860	20,465,442	742,130	3.6%
2000	15,784,218	12,429,207	1.860	23,118,325	324,948	1.4%
2001	17,776,666	16,060,195	1.860	29,871,963	1,947,817	6.5%
2002	20,514,469	17,674,547	1.860	32,874,657	10,059,384	30.6%
2003	25,868,450	23,469,344	1.860	43,652,980	2,672,918	6.1%
2004	30,357,860	28,560,478	1.860	53,122,489	731,759	1.4%
2005	36,780,457	32,500,951	1.860	60,451,769	34,437,955	57.0%
2006	43,562,211	34,841,430	1.860	84,805,060	813,430	1.3%
2007	59,282,257	46,980,324	1.860	87,383,403	2,657,691	3.0%
2008	73,789,694	59,018,701	1.860	109,774,784	536,089,137	488.4%
2009	81,999,709	81,999,709	1.860	152,519,459	2,748,397	1.8%
Total	552,715,446			936,415,857	745,282,302	79.6%

Notes:

- (2) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (3) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (4) Provided by TDI
- (5) = (3) * (4)
- (6) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (7) = (6) / (5)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 6
Sheet 5

Industry Experience -- Residential Extended Coverage
Tier 1 -- Territory 9 (Nueces County)

Accident Year	Eamed Premium	Earned Premium at CMR	Factor to TWIA Rate Level	Earned Premium at Current TWIA Rate Level	Incurred Loss	Incurred Loss Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1981	2,545,487	2,924,404	1.860	5,439,391	109,799	2.0%
1982	2,223,376	3,065,671	1.860	5,702,148	111,420	2.0%
1983	2,331,938	3,838,053	1.860	7,138,779	377,010	5.3%
1984	1,632,317	3,340,038	1.860	6,212,471	249,086	4.0%
1985	2,505,564	5,259,116	1.860	9,781,956	467,721	4.8%
1986	2,977,992	4,759,698	1.860	8,853,038	189,449	2.1%
1987	3,639,667	5,763,454	1.860	10,720,024	335,212	3.1%
1988	3,971,251	6,271,084	1.860	11,664,216	626,491	5.4%
1989	3,702,536	5,649,263	1.860	10,507,629	550,215	5.2%
1990	3,519,306	5,212,712	1.860	9,695,644	955,271	9.9%
1991	4,065,190	5,305,063	1.860	9,867,417	1,367,254	13.9%
1992	3,907,712	5,425,702	1.860	10,091,806	1,170,578	11.6%
1993	4,552,395	6,951,483	1.860	12,929,758	1,312,776	10.2%
1994	5,710,806	6,826,341	1.860	12,696,994	856,369	6.7%
1995	6,908,552	8,191,045	1.860	15,235,344	1,552,987	10.2%
1996	8,568,168	9,344,285	1.860	17,380,370	1,061,115	6.1%
1997	8,425,344	8,165,988	1.860	15,188,738	882,561	5.8%
1998	8,803,621	8,677,461	1.860	16,140,077	2,289,890	14.2%
1999	8,465,256	8,293,153	1.860	15,425,265	3,778,386	24.5%
2000	8,437,094	8,243,368	1.860	15,332,684	485,581	3.2%
2001	8,894,552	8,729,080	1.860	16,236,089	1,394,445	8.6%
2002	10,534,795	9,385,878	1.860	17,457,733	1,227,528	7.0%
2003	13,881,847	12,311,598	1.860	22,899,572	2,295,803	10.0%
2004	15,458,506	14,204,248	1.860	26,419,901	569,877	2.2%
2005	17,471,846	15,284,697	1.860	28,429,536	872,451	3.1%
2006	19,888,512	15,988,222	1.860	29,738,093	621,501	2.1%
2007	29,704,042	23,490,749	1.860	43,692,793	822,969	1.9%
2008	40,565,108	32,210,371	1.860	59,911,290	1,422,286	2.4%
2009	46,363,445	46,363,445	1.860	86,236,008	537,058	0.6%
Total	299,656,025			557,024,744	28,493,089	5.1%

Notes:

- (2) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (3) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (4) Provided by TDI
- (5) = (3) * (4)
- (6) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (7) = (6) / (5)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Industry Experience – Residential Extended Coverage
Tier 1 – Territory 10 (Other Tier 1)

Exhibit 6
Sheet 6

Accident Year	Eamed Premium	Earned Premium at CMR	Factor to TWIA Rate Level	Earned Premium at Current TWIA Rate Level	Incurred Loss	Incurred Loss Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1981	6,414,566	7,369,429	1.860	13,707,138	383,360	2.8%
1982	5,695,062	7,852,554	1.860	14,605,750	361,294	2.5%
1983	5,888,781	9,615,868	1.860	17,885,514	21,953,626	122.7%
1984	3,924,651	7,935,696	1.860	14,760,395	2,135,063	14.5%
1985	5,808,825	12,170,263	1.860	22,636,689	1,055,065	4.7%
1986	6,993,722	11,249,089	1.860	20,923,306	3,338,312	16.0%
1987	7,677,374	12,151,616	1.860	22,602,006	634,637	2.8%
1988	8,284,768	13,092,195	1.860	24,351,483	3,434,130	14.1%
1989	7,733,295	11,985,656	1.860	22,293,320	1,670,422	7.5%
1990	7,568,146	11,610,421	1.860	21,595,383	2,095,151	9.7%
1991	8,287,605	11,226,028	1.860	20,880,412	22,444,044	107.5%
1992	8,059,407	10,602,362	1.860	19,720,393	1,625,108	8.2%
1993	8,448,603	11,154,197	1.860	20,746,806	1,776,572	8.6%
1994	9,743,293	10,097,147	1.860	18,780,693	1,637,915	8.7%
1995	10,745,995	11,531,960	1.860	21,449,446	2,416,675	11.3%
1996	13,294,968	12,440,310	1.860	23,138,977	1,520,229	6.6%
1997	15,708,220	13,420,617	1.860	24,962,348	2,569,544	10.3%
1998	16,168,136	14,656,539	1.860	27,261,163	10,312,506	37.8%
1999	14,452,667	13,951,240	1.860	25,949,306	3,655,754	14.1%
2000	14,453,385	14,650,295	1.860	27,249,549	3,332,690	12.2%
2001	15,173,521	15,066,841	1.860	28,023,952	2,428,314	8.7%
2002	17,843,905	16,697,824	1.860	31,057,953	5,929,666	19.1%
2003	23,423,208	20,504,945	1.860	38,139,198	17,213,668	45.1%
2004	27,306,202	23,768,004	1.860	44,208,487	990,613	2.2%
2005	31,012,304	26,717,952	1.860	49,695,391	115,817,335	233.1%
2006	36,545,725	30,919,712	1.860	57,510,684	1,835,590	3.2%
2007	69,945,120	57,063,931	1.860	106,138,912	9,885,027	9.3%
2008	110,187,567	88,341,441	1.860	184,315,080	504,587,604	307.1%
2009	128,275,387	128,275,387	1.860	238,592,220	1,595,986	0.7%
Total	845,084,408			1,183,181,935	748,635,900	63.3%

Notes:

- (2) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (3) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (4) Provided by TDI
- (5) = (3) * (4)
- (6) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (7) = (6) / (5)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 6
 Sheet 7

Industry Experience -- Residential Extended Coverage
 Tier 2 -- (Territories 1 and 11)

Accident Year	Eamed Premium	Eamed Premium at CMR	Factor to TWIA Rate Level	Earned Premium at Current TWIA Rate Level	Incurred Loss	Incurred Loss Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1981	18,498,543	15,541,213	1.860	28,906,656	2,055,581	7.1%
1982	17,273,728	17,415,451	1.860	32,392,739	1,472,069	4.5%
1983	16,247,909	20,136,578	1.860	37,454,035	61,752,490	164.9%
1984	11,008,847	17,316,061	1.860	32,207,873	9,535,536	29.6%
1985	15,662,193	26,000,906	1.860	48,361,685	4,532,749	9.4%
1986	19,854,927	25,262,630	1.860	46,988,492	6,306,903	13.4%
1987	22,542,928	28,567,858	1.860	53,136,216	3,739,010	7.0%
1988	24,744,994	31,305,007	1.860	58,227,313	4,139,098	7.1%
1989	22,159,987	28,018,056	1.860	52,113,584	8,884,751	17.0%
1990	21,480,544	27,013,249	1.860	50,244,643	11,997,188	23.9%
1991	25,239,134	27,180,813	1.860	50,556,312	10,178,608	20.1%
1992	26,718,987	26,381,395	1.860	49,069,395	12,221,034	24.9%
1993	31,914,206	29,968,257	1.860	55,740,958	17,910,197	32.1%
1994	35,133,612	28,397,617	1.860	52,819,568	6,968,697	13.2%
1995	34,347,927	28,520,033	1.860	53,047,261	20,240,594	38.2%
1996	38,349,764	27,954,844	1.860	51,996,010	9,046,495	17.4%
1997	42,447,731	27,626,290	1.860	51,384,899	8,514,675	16.6%
1998	41,427,572	32,471,042	1.860	60,396,138	10,127,907	16.8%
1999	34,004,815	31,353,370	1.860	58,317,268	8,681,201	14.9%
2000	36,439,477	35,821,993	1.860	66,628,907	9,523,607	14.3%
2001	32,881,662	31,054,162	1.860	57,760,741	23,559,271	40.8%
2002	37,396,181	32,849,569	1.860	61,100,198	8,002,995	13.1%
2003	49,027,236	37,585,185	1.860	69,908,444	10,181,009	14.6%
2004	49,927,849	39,467,805	1.860	73,410,117	3,738,542	5.1%
2005	50,116,517	41,140,779	1.860	76,521,849	34,201,898	44.7%
2006	54,703,319	44,928,996	1.860	83,567,933	4,907,133	5.9%
2007	60,982,886	52,218,195	1.860	97,125,843	5,242,015	5.4%
2008	65,015,817	52,495,485	1.860	97,841,602	342,395,560	350.7%
2009	70,667,580	70,667,580	1.860	131,441,699	7,468,837	5.7%
Total	1,006,216,672			1,738,468,378	667,525,650	38.4%

Notes:

- (2) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (3) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (4) Provided by TDI
- (5) = (3) * (4)
- (6) Provided by TDI. Accident years ending 9/30/xx as of 12/31/2009
- (7) = (6) / (5)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Hurricane Loss Ratio -- AIR Model

Exhibit 7
Sheet 1

County	TWIA Insured Values (000s) as of 3/31/09	Modeled Loss Cost	Expected Annual Hurricane Loss
(1)	(2)	(3)	(4)
Aransas	1,608,678	4.024	6,473,320
Brazoria	10,038,441	1.496	15,017,508
Calhoun	665,514	2.429	1,616,534
Cameron	2,567,830	1.771	4,547,627
Chambers	1,053,640	3.038	3,200,958
Galveston	16,059,596	3.905	62,712,722
Harris	640,733	4.157	2,663,527
Jefferson	4,609,974	1.203	5,545,799
Kenedy	1,416	1.348	1,909
Kleberg	193,709	0.748	144,894
Matagorda	661,812	3.069	2,031,101
Nueces	8,368,432	3.455	28,912,933
Refugio	67,401	1.623	109,392
San Patricio	1,587,764	3.301	5,241,209
Willacy	73,362	2.830	207,614
Total	48,198,302	2.872	138,427,047
(5) 2009 Earned Premium at Present Rates			264,975,067
(6) Indicated Hurricane Loss Ratio			52.2%

Notes:

- (2) Provided by TWIA
- (3) Exhibit 7, Sheet 2
- (4) = (2) * (3)
- (5) Exhibit 10, Sheet 2
- (6) = (4) Total / (5)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
AIR Simulated Hurricane Results

Exhibit 7
Sheet 2

County	TWIA Insured Values (000s) as of 12/31/09	Average Annual Modeled Loss	Modeled Loss Cost
(1)	(2)	(3)	(4)
Aransas	1,932,963	7,777,659	4.024
Brazoria	11,841,248	17,713,093	1.496
Calhoun	513,983	1,248,553	2.429
Cameron	2,955,780	5,235,627	1.771
Chambers	295,826	898,586	3.038
Galveston	18,223,248	71,154,835	3.905
Harris	1,776,371	7,384,123	4.157
Jefferson	5,443,756	6,548,881	1.203
Kenedy	2,004	2,702	1.348
Kleberg	225,756	168,847	0.748
Matagorda	762,617	2,340,804	3.069
Nueces	9,939,127	34,339,792	3.455
Refugio	82,208	133,426	1.623
San Patricio	2,000,399	6,602,749	3.301
Willacy	87,398	247,327	2.830
Total	56,082,684	161,797,004	2.885

Notes:

- (2) Provided by TWIA and Geo-coded by AIR
- (3) Provided by AIR
- (4) = (3) / (2)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Hurricane Loss Ratio -- RMS Model

Exhibit 8
Sheet 1

County	TWIA Insured Values (000s) as of 3/31/09	Modeled Loss Cost	Expected Annual Hurricane Loss
(1)	(2)	(3)	(4)
Aransas	1,608,678	2.888	4,645,862
Brazoria	10,038,441	1.214	12,186,667
Calhoun	665,514	3.387	2,254,096
Cameron	2,567,830	2.021	5,189,584
Chambers	1,053,640	1.117	1,176,916
Galveston	16,059,596	2.670	42,879,121
Harris	640,733	2.647	1,696,020
Jefferson	4,609,974	1.329	6,126,655
Kenedy	1,416	1.467	2,077
Kleberg	193,709	0.836	161,941
Matagorda	661,812	2.601	1,721,373
Nueces	8,368,432	1.961	16,410,495
Refugio	67,401	1.802	121,457
San Patricio	1,587,764	1.653	2,624,574
Willacy	73,362	2.642	193,822
Total	48,198,302	2.021	97,390,660
(5) 2009 Eamed Premium at Present Rates			264,975,067
(6) Indicated Hurricane Loss Ratio			36.8%

Notes:

- (2) Provided by TWIA
- (3) Exhibit 8, Sheet 2
- (4) = (2) * (3)
- (5) Exhibit 10, Sheet 2
- (6) = (4) Total / (5)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
RMS Simulated Hurricane Results

Exhibit 8
Sheet 2

County	TWIA Insured Values (000s) as of 12/31/09	Average Annual Modeled Loss	Modeled Loss Cost
(1)	(2)	(3)	(4)
Aransas	1,785,614	5,156,574	2.888
Brazoria	11,784,036	14,311,203	1.214
Calhoun	741,316	2,510,704	3.387
Cameron	2,955,780	5,973,175	2.021
Chambers	1,257,233	1,404,892	1.117
Galveston	18,262,724	48,765,675	2.670
Harris	837,914	2,217,691	2.647
Jefferson	5,458,665	7,255,130	1.329
Kenedy	2,004	2,939	1.467
Kleberg	225,756	188,649	0.836
Matagorda	762,077	1,982,518	2.601
Nueces	9,977,670	19,564,215	1.961
Refugio	81,367	146,657	1.802
San Patricio	1,902,439	3,144,684	1.653
Willacy	87,398	230,912	2.642
Total	56,121,993	112,855,618	2.011

Notes:

(2) Provided by TWIA and Geo-coded by RMS

(3) Provided by RMS

(4) = (3) / (2)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Texas Hurricanes 1850 - 2009

Exhibit 9

<u>Landfall</u>			<u>Landfall</u>		
Year	Month	Name	Year	Month	Name
(1)		(2)	(1)		(2)
1851	Jun		1929	Jun	
1854	Jun		1932	Aug	"Freeport"
1854	Sep	"Matagorda"	1933	Aug	
1865	Sep	"Sabine River-Lake Calcasieu"	1933	Sep	
1866	Jul		1934	Jul	
1867	Oct	"Galveston"	1936	Jun	
1869	Aug	"Lower Texas Coast"	1940	Aug	
1875	Sep		1941	Sep	
1879	Aug		1942	Aug	
1880	Aug		1942	Aug	
1882	Sep		1943	Jul	
1886	Jun		1945	Aug	
1886	Aug	"Indianola"	1947	Aug	
1886	Sep		1949	Oct	
1886	Oct		1957	Jun	Audrey
1887	Sep		1959	Jul	Debra
1888	Jun		1961	Sep	Carla
1891	Jul		1963	Sep	Cindy
1895	Aug		1967	Sep	Beulah
1897	Sep		1970	Aug	Celia
1900	Sep	"Galveston"	1971	Sep	Fem
1909	Jun		1980	Aug	Allen
1909	Jul	"Velasco"	1983	Aug	Alicia
1909	Aug		1986	Jun	Bonnie
1910	Sep		1989	Aug	Chantal
1912	Oct		1989	Oct	Jerry
1913	Jun		1999	Aug	Bret
1915	Aug	"Galveston"	2003	Jul	Claudette
1916	Aug		2005	Sep	Rita
1919	Sep		2007	Sep	Humberto
1921	Jun		2008	Jul	Dolly
			2008	Sep	Ike

Frequency	Date Period	Hurricanes	Period	Annual Frequency
46-Year	10/1/1963 - 9/30/2009	14	46	0.304
159-Year	10/1/1850 - 9/30/2009	63	159	0.396

Notes:
(1), (2) from NOAA Technical Memorandum NWS TPC-5, updated through 2007

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 10
Sheet 1a

Calculation of Industry Eamed Premium at Present Rate Level
Tier 1 -- Territory 8 (Galveston County)

Year	Eamed Premium at Current Manual Rates	Factor to TWIA Rate Level	Eamed Premium at Current Rate Level
(1)	(2)	(3)	(4)
2000	12,429,207	1.860	23,118,325
2001	16,060,195	1.860	29,871,963
2002	17,674,547	1.860	32,874,657
2003	23,469,344	1.860	43,652,980
2004	28,560,478	1.860	53,122,489
2005	32,500,951	1.860	60,451,769
2006	34,841,430	1.860	64,805,060
2007	46,980,324	1.860	87,383,403
2008	59,018,701	1.860	109,774,784
2009	81,999,709	1.860	152,519,459
Total	353,534,886		657,574,889

Notes:

- (2) Provided by TDI
- (3) Provided by TDI
- (4) = (2) * (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 10
Sheet 1b

Calculation of Industry Earned Premium at Present Rate Level
Tier 1 -- Territory 9 (Nueces County)

Year	Eamed Premium at Current Manual Rates	Factor to TWIA Rate Level	Eamed Premium at Current Rate Level
(1)	(2)	(3)	(4)
2000	8,243,368	1.860	15,332,664
2001	8,729,080	1.860	16,236,089
2002	9,385,878	1.860	17,457,733
2003	12,311,598	1.860	22,899,572
2004	14,204,248	1.860	26,419,901
2005	15,284,697	1.860	28,429,536
2006	15,988,222	1.860	29,738,093
2007	23,490,749	1.860	43,692,793
2008	32,210,371	1.860	59,911,290
2009	46,363,445	1.860	86,236,008
Total	186,211,656		346,353,679

Notes:

- (2) Provided by TDI
- (3) Provided by TDI
- (4) = (2) * (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 10
 Sheet 1c

Calculation of Industry Eamed Premium at Present Rate Level
 Tier 1 -- Territory 10 (Other Tier 1)

Year	Eamed Premium at Current Manual Rates	Factor to TWIA Rate Level	Eamed Premium at Current Rate Level
(1)	(2)	(3)	(4)
2000	14,650,295	1.860	27,249,549
2001	15,066,641	1.860	28,023,952
2002	16,697,824	1.860	31,057,953
2003	20,504,945	1.860	38,139,198
2004	23,768,004	1.860	44,208,487
2005	26,717,952	1.860	49,695,391
2006	30,919,712	1.860	57,510,664
2007	57,063,931	1.860	106,138,912
2008	88,341,441	1.860	164,315,080
2009	128,275,387	1.860	238,592,220
Total	422,006,132		784,931,406

Notes:

- (2) Provided by TDI
- (3) Provided by TDI
- (4) = (2) * (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 10
Sheet 1d

Calculation of Industry Earned Premium at Present Rate Level
Tier 2 -- (Territories 1 and 11)

Year	Eamed Premium at Current Manual Rates	Factor to TWIA Rate Level	Eamed Premium at Current Rate Level
(1)	(2)	(3)	(4)
2000	35,821,993	1.860	66,628,907
2001	31,054,162	1.860	57,760,741
2002	32,849,569	1.860	61,100,198
2003	37,585,185	1.860	69,908,444
2004	39,467,805	1.860	73,410,117
2005	41,140,779	1.860	76,521,849
2006	44,928,996	1.860	83,567,933
2007	52,218,195	1.860	97,125,843
2008	52,495,485	1.860	97,641,602
2009	70,667,580	1.860	131,441,699
Total	438,229,749		815,107,333

Notes:

(2) Provided by TDI

(3) Provided by TDI

(4) = (2) * (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review

Exhibit 10
 Sheet 2

Calculation of TWIA Earned Premium at Present Rate Level

Year	Earned Premium at Current Manual Rates	Factor to TWIA Rate Level	Eamed Premium at Current Rate Level
(1)	(2)	(3)	(4)
2000	27,861,402	1.793	49,964,143
2001	31,469,606	1.619	50,951,090
2002	39,171,030	1.436	56,230,540
2003	51,443,211	1.431	73,599,018
2004	62,068,944	1.393	86,439,493
2005	72,654,696	1.308	95,024,093
2006	84,811,009	1.305	110,689,855
2007	144,542,209	1.261	182,300,388
2008	212,382,667	1.193	253,386,716
2009	243,280,831	1.089	264,975,067
Total	969,685,605		1,223,560,403

Notes:

- (2) Provided by TWIA
- (3) Based on historical rate changes
- (4) = (2) * (3)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Fixed Expenses and Variable Permissible Loss & LAE Ratios

Exhibit 11

Expense Category	2007	2008	2009	Selected
(1) Direct Written Premium	\$315,139	\$331,058	\$382,342	
(2) Direct Earned Premium	264,890	321,937	357,906	
(3) Commission				
\$ Amount	50,402	52,946	61,149	
% of DWP	16.0%	16.0%	16.0%	16.0%
(4) Other Acquisition				
\$ Amount	\$0	\$0	\$0	
% of DWP	0.0%	0.0%	0.0%	0.0%
(5) General Expense				
Unadjusted \$ Amount	\$9,875	\$9,330	\$20,842	
Adjustments				
Contribution to Statutory Fund	0	0	0	
Adjusted \$ Amount	9,875	9,330	20,842	
% of DWP	3.1%	2.8%	5.5%	3.8%
(6) Taxes, Licenses & Fees				
\$ Amount	\$5,894	\$6,057	\$7,090	
% of DWP	1.9%	1.8%	1.9%	1.9%
(7) Reinsurance Expense				0.0%
(8) Total Fixed Expenses				3.8%
(9) Total Variable Expenses				17.9%
(10) Fund Contribution				40.0%
(11) Variable Permissible Loss & LAE Ratio				42.1%

Notes:

- (1) - (6) From TWIA's Statutory Annual Statements and Insurance Expense Exhibits
- (7) No longer purchased
- (8) = (5) + (7)
- (9) = (3) + (4) + (6)
- (10) Selected judgmentally to incorporate savings from lack of reinsurance purchase
- (11) = 100% - (9) - (10)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
Reconciliation of Premium Data to Annual Statement

Exhibit 12

Calendar Year	TWIA Provided Written Premium			Annual Statement Gross	
	Commercial	Residential	Total	Written Premium	Difference
(1)	(2)	(3)	(4)	(5)	(6)
1991	7,329,258	13,133,584	20,462,842	20,503,935	(41,093)
1992	6,107,171	5,357,578	11,464,749	11,495,409	(30,660)
1993	9,185,541	10,130,170	19,315,711	19,376,959	(61,248)
1994	10,672,677	15,758,330	26,431,007	26,510,501	(79,494)
1995	12,865,905	19,259,265	32,125,170	32,419,287	(294,117)
1996	15,640,660	24,504,127	40,144,787	40,358,575	(213,788)
1997	16,536,186	25,783,455	42,319,641	42,462,844	(143,203)
1998	16,558,977	27,833,800	44,392,777	44,410,914	(18,137)
1999	17,394,142	27,168,992	44,563,134	44,581,218	(18,084)
2000	17,945,617	30,064,713	48,010,330	48,012,426	(2,096)
2001	18,315,597	36,314,642	54,630,239	54,630,727	(488)
2002	24,019,182	48,948,428	72,967,610	72,967,831	(221)
2003	29,226,521	58,761,878	87,988,399	87,987,279	1,120
2004	31,037,241	71,452,769	102,490,010	102,384,351	105,659
2005	35,780,477	78,147,354	113,927,831	113,927,701	130
2006	76,847,921	119,985,742	196,833,663	196,833,235	428
2007	111,262,470	203,876,838	315,139,308	315,139,307	1
2008	97,869,242	233,179,575	331,048,817	331,057,645	(8,828)
2009	111,447,896	270,894,506	382,342,402	382,342,402	-
Total	666,042,681	1,320,555,746	1,986,598,427	1,987,402,546	(804,119)

Notes:

- (2), (3) Provided by TWIA, as of 12/31/2009
- (4) = (2) + (3)
- (5) Based on TWIA Annual Statements
- (6) = (4) - (5)

Texas Windstorm Insurance Association
Residential Property - Wind & Hail
Rate Level Review
 Analysis of Current and Proposed Net Premium Income

Exhibit 13

Premiums and Rate Components	<u>TWIA Indications at Current Rates</u>			<u>TWIA Indications at Proposed Rates</u>		
	Commercial	Residential	Total	Commercial	Residential	Total
(1) 2011 Written Premium	133,000,000	252,000,000	385,000,000	139,650,000	264,600,000	404,250,000
(2) 2011 Eamed Premium	130,000,000	245,000,000	375,000,000	133,250,000	251,125,000	384,375,000
(3) Non-Hurricane Loss & LAE Ratio	3.2%	4.4%	4.0%	3.1%	4.3%	3.9%
(4) General Expenses	3.8%	3.8%	3.8%	3.6%	3.6%	3.6%
(5) Commission	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
(6) Taxes, Licenses, & Fees	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
(7) Total Non-Catastrophe Expenses	33,021,000	65,464,000	98,485,000	34,211,350	67,719,400	101,930,750
(8) Net Premium Income			276,515,000			282,444,250

Estimated Costs for \$1 Billion Class 1 Bonds

(9) Net Required Premium	235,000,000 - 281,000,000
(10) Net Debt Service	157,000,000 - 187,000,000

Notes:

- (1) projected
- (2) projected
- (3) Exhibit 2, Sheet 1
- (4) Exhibit 11 (5)
- (5) Exhibit 11 (3)
- (6) Exhibit 11 (6)
- (7) = (1) * [(4) + (5) + (6)] + (2) * (3)
- (8) = (2) - (7)
- (9) from financial analysts, assuming Class 1 bond proceeds are taxable
- (10) from financial analysts, assuming Class 1 bond proceeds are taxable