



Legislative Requirement:

An Efficiency Audit of the Texas Windstorm Insurance Association

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State Auditor

October 15, 2026

Members of the Legislative Audit Committee:

The State Auditor's Office contracted with Weaver to conduct an efficiency audit of the Texas Windstorm Insurance Association (Association), as required by Texas Government Code, Section 327.002. Texas Government Code, Section 327.003, allows the State Auditor's Office to contract with an external auditor to conduct these audits.

Weaver determined that the Association could improve the efficiency of its depopulation programs¹ by clearly defining success criteria and annual targets for the programs, with input from its Board of Directors, and strengthening periodic reporting of results to help oversight entities assess the programs' performance.

Weaver did not identify any duplication, overlap, or conflict with other state agencies or misalignment between the Association's rules in the Texas Administrative Code and its statutory authority and mission.

The Association provided an implementation plan, which is presented on page 7 of the attached report. Overall, the Association agreed to implement Weaver's recommendations.

Sincerely,

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

cc: The Honorable Greg Abbott, Governor
Members of the Texas Windstorm Insurance Association Board of Directors
Mr. David Durden, General Manager, Texas Windstorm Insurance Association

¹ The depopulation programs provide Association policyholders with alternative options for wind and hail insurance in the private market.



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TEXAS GOVERNMENT EFFICIENCY AUDIT

An Efficiency Audit of the Texas Windstorm Insurance Association



Prepared under contract with the Texas State Auditor's Office

TWIA Efficiency Audit | October 2026



Executive Summary

To address the requirements in Texas Government Code, Section 327, under the authority of the Texas State Auditor's Office, Weaver and Tidwell, L.L.P. (Weaver) reviewed the Texas Windstorm Insurance Association's (TWIA or the Association) use of funding resources in the following areas: strategic planning, financial resources, operations, personal and real property, technology, staffing, and performance measures and reporting. This audit was conducted in accordance with Texas Government Code, Sections 327.

- **Background | p. 4**
- **Audit Objective | p. 8**

The audit identified one Opportunity for Efficiency related to TWIA's depopulation program, specifically how TWIA defines a successful depopulation outcome and how it reports depopulation results.

The audit did not identify duplication, overlap, or conflict between the Association's activities and those of other state programs.

Summary of Results:

Opportunities for Efficiency: Items that present efficiency opportunities that reside within the TWIA operating environment and that TWIA has the standing and authority to act upon.

Results at a Glance



Figure 1. Results at a Glance, Opportunities for Efficiency



Opportunities for Efficiency:

The Texas Windstorm Insurance Association has an opportunity to improve efficiency by:

- Defining more clearly what a successful depopulation outcome looks like and strengthening periodic depopulation reporting. TWIA should establish success criteria with its Board of Directors and, where appropriate, annual targets. TWIA should also present depopulation results in context, showing multi-year trends against those criteria together with the market conditions affecting carrier participation.

Summary of Management's Implementation Plan:

Auditors made recommendations to address the inefficiency identified during this audit (see Page 6). Management agreed with the recommendation and provided information on the planned implementation of the corrective action (see Management's Implementation Plan starting on Page 7).



Background

Texas Windstorm Insurance Association

The Texas Windstorm Insurance Association (TWIA or the Association) is the residual insurer of last resort for wind and hail coverage in 14 first-tier coastal counties and the portion of Harris County east of Highway 146. The Legislature created the Association in 1971 and TWIA operates under Texas Insurance Code, Chapter 2210. TWIA is a not-for-profit insurance company and does not receive state general revenue. It is funded through policyholder premiums, with catastrophe losses covered by the Catastrophe Reserve Trust Fund, member assessments, state financing arrangements, and reinsurance. Texas Insurance Code, Section 2210.002(b), expressly makes the Association subject to review under the Texas Sunset Act. A nine-member Board of Directors appointed by the Commissioner of Insurance governs the Association, composed of three members residing in the first-tier coastal counties, three residing outside the catastrophe area, and three insurance industry representatives.

Texas Insurance Code, Chapter 2210, Subchapter O, directs the Association to administer a depopulation program that encourages the transfer of Association policies to insurers through the voluntary market or assumption reinsurance. TWIA therefore administers the program through two channels, the *Assumption Reinsurance Depopulation Program* and the *Voluntary Market Depopulation Program*.

Texas Windstorm Insurance Association at a Glance		
Residual wind and hail market for the Texas coast, created by the Legislature in 1971		
⚖️ 9 Board Members Three coastal, three outside of catastrophe area, three industry representatives	🕒 233 Employees Active roster as of June 2026	★ 286,251 Policies in Force As of March 31, 2026
Exposure Profile Approximately \$127.1 billion in direct exposure as of March 31, 2026		
Coverage Area 14 first-tier coastal counties and part of Harris County east of Highway 146	Funding Sources Operations: Policyholder premiums, Losses: Catastrophe Reserve Trust Fund, member assessments, state financing arrangements, and reinsurance	Written Premium \$162.0 million through March 31, 2026; \$812.1 million projected for 2026
Depopulation Programs Assumption Reinsurance and Voluntary Market, authorized under Chapter 2210, Subchapter O		

Figure 2. Texas Windstorm Insurance Association organizational and program profile.



Detailed Audit Results

The detailed result of this audit is presented below as an Opportunity for Efficiency. The Appendix describes the resource and operational areas evaluated during the audit and the procedures Weaver performed within each area.

Opportunities for Efficiency:

OPPORTUNITY
1

TWIA Should Define Depopulation Program Success and Strengthen Depopulation Reporting

TWIA administers its depopulation program in two parts. Under the Assumption Reinsurance Depopulation Program, participating private carriers assume selected books of TWIA policies through annual rounds. Under the Voluntary Market Depopulation Program, which runs continuously, participating carriers authorized under program requirements make offers to individual TWIA policyholders, and each accepted offer moves that policy to the private market. Participation in both channels is elective. The Association administers the program, processes the transfers, and publishes the results, but the volume the program produces depends on decisions made by private carriers that TWIA does not control.

Since inception, the Voluntary Market Depopulation Program has bound 4,854 policies, while the Assumption Reinsurance Depopulation Program has transferred 16,051 policies across six completed rounds. The table below presents assumption round results by program year, as reported in the Association’s depopulation quarterly reports.

Program Year	Participating Carriers	Policies Selected	Agent-Approved Offers	Policies Assumed
2016-2017	4	102,171	18,047	11,164
2017-2018	3	109,356	3,091	1,634
2018-2019	2	75,039	3,967	2,080
2019-2020	2	64,380	1,866	1,002
2021-2022	1	32,318	210	125
2022-2023	1	31,959	79	46
2023-2024 through 2026-2027	0	None	None	None
Total policies assumed				16,051

Figure 3. Assumption Reinsurance Depopulation Program results by program year, as reported in the Association’s depopulation quarterly report for the first quarter of 2026. No round was conducted for the 2020-2021 program year.

Both programs remain open and administered, but neither has produced any movement of policies to the private market in recent years. Under the Voluntary Market Depopulation Program, the cumulative policies bound has remained unchanged at 4,854 in every quarterly report from December 31, 2022 through the quarter ended March 31, 2026. As of March 31, 2026, no carriers are approved to make active offers.



Under the Assumption Reinsurance Depopulation Program, the last round with carrier participation was Round 6, covering the 2022-2023 program year, which transferred 46 policies effective March 1, 2023. No carrier has submitted an application for rounds 7 through 10, covering program years 2023-2024 through 2026-2027.

The Association's published 2026-2028 Strategic Plan does not address depopulation, and depopulation does not appear in the Performance Measures by Department schedule or in the Operational Dashboard as of December 31, 2025. Depopulation is reported to the Board through a recurring statement within the quarterly financial report, supplemented by a dedicated underwriting agenda item when a round is active. Since program activity ceased, that reporting has consisted of a single recurring sentence noting that no carriers are registered to participate. Within this framework, TWIA can strengthen accountability for the depopulation program by working with the Board to define success, establish clear success criteria, and, where appropriate, set annual targets that reflect progress.

Board reporting is the primary vehicle by which TDI, TWIA's Board, and the public assess program performance. Our review of the depopulation performance data presented across the Association's annual reports, quarterly reports, and Board materials indicates that presentation of the program's results could be strengthened. Results are currently reported as cumulative counts at a point in time, without multi-year trends or the market context that would allow a reader to have more comprehensive data for better understanding.

In a coastal market where market conditions have limited carrier participation, several program years with no policy movement may reflect conditions outside of TWIA's control, though neither the market conditions nor TWIA's expectations for the program appear in the reports. Defining program success and reporting depopulation results in context would allow TWIA to demonstrate the program's performance. It would also give management, the Board, TDI, and the public an understanding of how the program is performing and what plans exist to improve its design, particularly when private-market conditions limit new activity.

Recommendations

TWIA should:

- Define success with the Board by establishing qualitative success criteria to benchmark and, where useful, annual targets that reflect realistic progress and carrier engagement in today's environment.
- Strengthen reporting by presenting multi-year depopulation trends against the defined criteria and/or measures, together with information on the market conditions affecting carrier participation.



- Revisit the program framework periodically as coastal market conditions change, so that the program's design continues to reflect what is achievable in the current coastal market.

Management Implementation Plan

Management appreciates the review and supports the efficiency opportunity identified. TWIA notes that while depopulation outcomes depend on voluntary participation by private insurers, agents, and policyholders, staff will recommend establishing success criteria with its Board of Directors. TWIA will also strengthen its reporting on depopulation efforts by making this information a more visible part of its quarterly report reviewed and discussed by the Board at its quarterly meetings, and where appropriate, provide depopulation information within the context of market conditions.

Implementation Date: December 2027

Responsible Party: Vice President of Legal & Compliance



APPENDIX

Objective, Scope, and Methodology

Objective

The objective of this efficiency audit was to assess whether the Texas Windstorm Insurance Association administers selected resources and operations efficiently, consistent with applicable requirements and recognized best practices.

Scope

The audit scope included the Association's administration of wind and hail insurance operations from calendar year 2022 through calendar year 2025, as well as its use of resources for governance, workforce, facilities, information technology, procurement, performance measurement, and reporting during that period. We reviewed depopulation program data from program inception through March 31, 2026. Internal control was not significant to the audit objectives.

Methodology

We conducted this performance audit from March 2026 through September 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The phased approach through which Weaver planned and performed this audit, Planning, Fieldwork, Validation, and Reporting, is illustrated above.

Addressing the Audit Objective

To gather the information necessary to perform the audit procedures, we:

- Interviewed and conducted walkthroughs with Association leadership, department heads, and process owners to gain an understanding of TWIA's functions, activities and processes.
- Identified the relevant criteria:
 - Texas Insurance Code, Chapter 2210, including Subchapter O (depopulation programs), Section 2210.107 (Board objectives and annual reporting), and Section 2210.002(b) (Sunset review).
 - The TWIA Plan of Operation, the Association's published 2026-2028 Strategic Plan, and the Association's departmental performance measures.



- Reviewed the Association's depopulation quarterly reports from the third quarter of 2022 through the first quarter of 2026, the 2025 Annual Report and the 2026 Annual Report covering the period June 1, 2025, through May 31, 2026. We also reviewed the Board of Directors and committee minutes from February 2023 through November 2025.
- Analyzed Association-provided workforce and contractor rosters, budget-to-actual records, reinsurance placement documentation and procurement records.

Procedures Performed by Resource Area

Weaver evaluated the resource and operational areas within the audit scope by performing the procedures described below within each area.

Strategic Planning

We evaluated the Association's published 2026-2028 Strategic Plan, its mission, goals, objectives, and reviewed whether the strategic framework aligned with the statutory purpose and Board objectives established by Texas Insurance Code, Chapter 2210. We also compared the Board's mission and responsibilities with those of other related state agencies for consistency.

Financial Resources

We evaluated the Association's administrative cost ratio, the economy of its reinsurance placement, budget-to-actual results, and cost by function using Association financial records, Board financial reports, and the 2025 reinsurance wrap-up documentation.

Operations

We evaluated the Association's underwriting, claims, and depopulation processes through walkthroughs and document review, and evaluated the relationship between TWIA and the Texas FAIR Plan Association, whose coverages are mutually exclusive with TWIA coverage by statute.

Personal and Real Property

We reviewed the Association's facilities footprint and utilization, including its office locations and the space supporting the Association's workforce.

Technology

We evaluated the Association's information technology spending, its use of information technology contractors, and the technology supporting policy administration and claims.



Staffing

We evaluated the Association's use of workforce resources, including the mix of employees and contractors by department, hiring and turnover data, and contractor conversion activity using the Association's workforce and contractor rosters.

Performance Measures and Reporting

We evaluated the design and accuracy of the Association's performance measures, the timeliness and sufficiency of its statutory reporting, and the depopulation results presented in the Association's quarterly reports, annual reports, and Board materials. This area produced the results reported above.

Data Reliability

The reliability of the data used to support each result was assessed. The data was determined to be sufficiently reliable for the objective. The following data sources were relied upon, and each was reconciled or reviewed as appropriate:

- The Association's depopulation quarterly reports for the third quarter of 2022 through the first quarter of 2026 were traced quarter-by-quarter for cumulative voluntary market policies bound, participating carriers, and round status. The quarterly reports for the first and second quarters of 2025 were not available in the records provided. The December 31, 2024 and September 30, 2025 quarterly reports each reflect 4,854 cumulative policies bound. Because the unavailable quarters fall between identical reported totals, there was no net change in cumulative policies bound during that period.
- The 2025 and 2026 TWIA Annual Reports were compared against the quarterly reports for cumulative program results, carrier participation by program year, and program inception dates.
- TWIA Board of Directors and committee minutes from February 2023 through November 2025 were reviewed for depopulation reporting to the Board and for round identification.
- The Association's published 2026-2028 Strategic Plan, the Performance Measures by Department schedule, and the Operational Dashboard as of December 31, 2025 were reviewed for depopulation objectives, measures and targets.
- The Association's workforce and contractor rosters as of June 12, 2026 were used to determine the active employee count presented in Figure 2.