

Financial Statements  
and Other Financial Information

**Texas Property and Casualty Insurance Guaranty Association**

*Years ended December 31, 2025 and 2024  
with Report of Independent Auditors*



Texas Property and Casualty Insurance Guaranty Association

Financial Statements  
and Other Financial Information

*Years ended December 31, 2025 and 2024*

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## **Report of Independent Auditors**

Board of Directors

Texas Property and Casualty Insurance Guaranty Association

### ***Opinion***

We have audited the financial statements of Texas Property and Casualty Insurance Guaranty Association (the Association), which comprise the balance sheets as of December 31, 2025 and 2024, the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

***Auditor's Responsibilities for the Audit of the Financial Statements (continued)***

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Financial Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of general and administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tampa, Florida  
March 16, 2026

*Thomas Howell Ferguson P.C.*

Texas Property and Casualty Insurance Guaranty Association

Balance Sheets

	<b>December 31,</b>	<b>December 31,</b>
	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 101,271,186	\$ 112,241,359
Investments	458,122,130	429,396,829
Accrued interest income	3,625,492	3,427,896
Property and equipment, net	233,334	280,137
Collateral from securities lending	176,170,410	92,485,293
Other assets	1,179,788	1,440,717
<b>Total assets</b>	<b>\$ 740,602,340</b>	<b>\$ 639,272,231</b>
<b>Liabilities and equity</b>		
<b>Liabilities:</b>		
Unpaid losses	\$ 219,262,333	\$ 253,075,003
Unpaid loss adjustment expenses	9,548,676	11,441,791
Return premium payable	2,581	1,282,499
Payable for securities	1,735,672	3,008,578
Accounts payable and accrued expenses	2,267,170	2,460,691
Excess estate distributions	34,623,011	38,030,877
Obligations under securities lending	176,170,410	92,485,293
<b>Total liabilities</b>	<b>443,609,853</b>	<b>401,784,732</b>
Equity	296,992,487	237,487,499
<b>Total liabilities and equity</b>	<b>\$ 740,602,340</b>	<b>\$ 639,272,231</b>

See accompanying notes.

Texas Property and Casualty Insurance Guaranty Association

Statements of Comprehensive Income

	<b>Year ended December 31, 2025</b>	<b>Year ended December 31, 2024</b>
<b>Revenues:</b>		
Estate distributions	\$ 24,422,390	\$ 76,370,948
Assessments	-	(622,594)
<b>Total revenues</b>	<u>24,422,390</u>	<u>75,748,354</u>
<b>Expenses:</b>		
Losses paid	22,821,936	43,103,840
Loss adjustment expenses paid	5,426,611	11,634,628
Change in reserves for unpaid losses and loss adjustment expenses	(35,705,787)	(52,737,764)
Subrogation and salvage recoveries	(1,753,593)	(1,333,715)
Returned premium	(194,209)	200,470
General and administrative expenses	7,238,362	7,679,109
<b>Total expenses</b>	<u>(2,166,680)</u>	<u>8,546,568</u>
Net investment income	19,548,467	16,981,627
Net realized capital losses	(725,832)	(3,370,706)
<b>Net income</b>	45,411,705	80,812,707
<b>Other comprehensive income:</b>		
Unrealized holding gains on available-for-sale securities	14,093,283	557,758
<b>Total comprehensive income</b>	<u>\$ 59,504,988</u>	<u>\$ 81,370,465</u>

*See accompanying notes.*

Texas Property and Casualty Insurance Guaranty Association

Statements of Changes in Equity

*Years ended December 31, 2025 and 2024*

	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total</b>
Balance as of December 31, 2023	\$ 170,997,904	\$ (14,880,870)	\$ 156,117,034
Net income	80,812,707	-	80,812,707
Other comprehensive income	-	557,758	557,758
<b>Balance as of December 31, 2024</b>	251,810,611	(14,323,112)	237,487,499
Net income	45,411,705	-	45,411,705
Other comprehensive income	-	14,093,283	14,093,283
<b>Balance as of December 31, 2025</b>	<u>\$ 297,222,316</u>	<u>\$ (229,829)</u>	<u>\$ 296,992,487</u>

*See accompanying notes.*

Texas Property and Casualty Insurance Guaranty Association

Statements of Cash Flows

	<b>Year ended December 31, 2025</b>	<b>Year ended December 31, 2024</b>
<b>Operating activities</b>		
Net income	\$ 45,411,705	\$ 80,812,707
<b>Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:</b>		
Depreciation and amortization	52,733	83,197
Net realized capital losses	725,834	3,370,706
<b>Changes in operating assets and liabilities:</b>		
Assessments receivable	-	1,572,317
Accrued interest income	(197,596)	(181,735)
Other assets	260,929	(872,243)
Unpaid losses and loss adjustment expenses	(35,705,787)	(52,737,764)
Return premium payable	(1,279,917)	(221,325)
Accounts payable and accrued expenses	(193,521)	728,402
Excess estate distributions	(3,407,866)	(3,350,117)
<b>Net cash and cash equivalents provided by operating activities</b>	<u>5,666,514</u>	<u>29,204,145</u>
<b>Investing activities</b>		
Purchases of property and equipment	(5,930)	(150,511)
Purchases of investments	(139,341,682)	(171,568,719)
Proceeds from sales and maturities of investments	122,710,925	159,213,319
<b>Net cash and cash equivalents used in investing activities</b>	<u>(16,636,687)</u>	<u>(12,505,911)</u>
Net (decrease) increase in cash and cash equivalents	(10,970,173)	16,698,234
Cash and cash equivalents at beginning of year	112,241,359	95,543,125
<b>Cash and cash equivalents at end of year</b>	<u>\$ 101,271,186</u>	<u>\$ 112,241,359</u>

See accompanying notes.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**1. Organization and Significant Accounting Policies**

Texas Property and Casualty Insurance Guaranty Association (the Association) is a nonprofit organization formed under the Texas Property and Casualty Insurance Guaranty Act (the Act). The Association was formed to protect holders of covered claims, contracts of reinsurance, assumption of liabilities, or other insurance-related items arising from insolvent insurance companies within the state of Texas.

Membership in the Association is mandatory for any insurance company authorized in the state of Texas to transact any kind of insurance business to which the Act applies. Membership assessments are made by the board of directors of the Association based on estimates of amounts necessary to provide funds to carry out the purpose of the Act with respect to impaired insurers. Any amount in excess of obligations and continuing expenses of the Association may be refunded by an equitable method at the discretion of the board of directors. If the maximum assessment and the Association's other assets are insufficient in a year to make all necessary payments, the money available shall be prorated, and the Association shall pay the unpaid portion as soon as money becomes available.

**a. Basis of Accounting**

The financial statements of the Association are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

**b. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**1. Organization and Significant Accounting Policies (continued)**

**c. Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits with financial institutions and deposits in highly-liquid money market funds with original maturities of three months or less.

**d. Excess Estate Distributions**

Excess estate distributions represent distributions from receiverships in excess of losses and loss adjustment expenses paid for the specific estate. These distributions are used to fund future losses and loss adjustment expense payments.

**e. Investments**

Investments consist of fixed-maturity securities and are classified as either held-to-maturity, available-for-sale, or trading. The Association currently classifies all fixed-maturity securities as available-for-sale and reports them at fair value, with subsequent changes in value, other than impairments, reflected as unrealized investment gains and losses credited or charged directly to accumulated other comprehensive loss included in equity. Realized gains and losses on investments included in the results of operations are determined using the specific-identification method.

**f. Credit Risk**

The Association's credit risk consists primarily in its cash and cash equivalents and investments.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**1. Organization and Significant Accounting Policies (continued)**

**f. Credit Risk (continued)**

*Cash and cash equivalents*

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per FDIC-insured financial institution. Bank account balances, at times, may exceed federally-insured limits. The Association has not experienced any credit losses in its cash and cash equivalents and management has not established any allowance for credit losses, against the Association's cash and cash equivalents, at December 31, 2025 and 2024.

*Investments*

All investment transactions have exposure to credit losses to the extent that a counterparty may default on an obligation to the Association. Credit risk is a consequence of carrying investment positions. To manage credit risk, management focuses primarily on higher-quality, fixed-maturity securities, reviews the credit strength of all entities in which the Association invests, limits the Association's exposure in any one security, and monitors portfolio quality, considering credit ratings assigned by recognized credit-rating organizations.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**1. Organization and Significant Accounting Policies (continued)**

**f. Credit Risk (continued)**

Management periodically evaluates investments in fixed-maturity securities with unrealized losses to determine if declines in fair value are credit losses. The general types of information considered in making that determination include credit ratings of the issuer and the security, market interest rates, coupon rate of the security, and the Association's ability and management's intent to hold the security before recovery or maturity. For fixed-maturity securities with unrealized losses that management intends to sell, or for which it is probable that the Association will have to sell before recovery or maturity, the unrealized losses are recognized as impairment losses in net income. Fixed-maturity securities with unrealized losses that management intends to hold and believes that it is not probable that the Association will be required to sell before recovery or maturity are evaluated for the existence of credit losses. A credit loss is incurred when the present value of the expected cash flows is less than the security's amortized cost. If such credit losses exist, an allowance for credit losses is established against the amortized cost of fixed-maturity securities with a corresponding charge to net income. Subsequent changes in the allowance for credit losses are recorded in net income. Losses related to non-credit factors, such as changes in interest rates or market conditions, are reflected as a component of accumulated other comprehensive loss. The Association has not experienced any impairment or credit losses in its investments and management has not established any allowance for credit losses, against the Association's investments, at December 31, 2025 and 2024.

Management has elected to not measure an allowance for credit losses related to accrued investment income as any uncollectible amount is charged to interest income.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**1. Organization and Significant Accounting Policies (continued)**

**g. Securities Lending Arrangements**

The Association engages in transactions where certain securities in its portfolio are loaned to other institutions, generally for a short period of time. The Association enters into securities lending transactions and recognizes the collateral received and the corresponding liability to return the collateral. Cash received for collateral is reinvested in a fund managed by Northern Trust that consists of various short-term investments (primarily certificates of deposit and commercial paper). Noncash collateral consists of various Federal National Mortgage Association mortgage-backed securities.

**h. Property and Equipment**

The Association's policy is to depreciate or amortize the cost of property and equipment over the estimated useful lives of the assets using the straight-line method. The cost of leasehold improvements is amortized over the shorter of the estimated useful life of the asset at inception or the remaining lease term. The cost of maintenance and repairs is charged to expenses when incurred.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**1. Organization and Significant Accounting Policies (continued)**

**i. Unpaid Losses and Loss Adjustment Expenses**

Unpaid losses and loss adjustment expenses (LAE) represent the estimated ultimate net cost of all unpaid reported and unreported losses and LAE. Once a member insurer becomes insolvent and is declared insolvent, the Association becomes responsible for processing its covered losses. The unpaid losses and LAE are estimated using past experience and statistical analysis. These estimates are based upon the facts in each case and the Association's experience with similar cases. Establishing amounts for losses and LAE is an estimation process. Many factors can ultimately affect the final settlement of a loss and, therefore, the amount that is needed in establishing the liability. Although considerable variability is inherent in such estimates, management believes the unpaid losses and LAE are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are reflected in current operations as the need for such adjustments becomes apparent.

**j. Return Premium Payable**

The Association is obligated to pay the unearned premium liabilities of insolvent insurers, which is reflected as return premium payable on the balance sheets.

**k. Member Assessments**

The Association can fund its operations by assessing its member insurers and by then seeking reimbursement from the assets of the estate of the insolvent member insurer. There are two classes of assessment that may be made against member insurers: Class A (Administrative) and Class B (Insolvency).

Class A assessments are made for the purpose of meeting general operating and administrative costs and expenses (e.g., general overhead expenses and covered loss adjustment expenses).

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**1. Organization and Significant Accounting Policies (continued)**

**k. Member Assessments (continued)**

Class B assessments are made against solvent member insurers in order to provide the funds needed that enable the Association to fulfill its statutory obligations to protect Texas residents against loss due to failure in performance of contractual obligations (covered loss payments) due to the insolvency of a member insurer.

Assessments are determined by the Association's Board of Directors and are made in the proportion that the net direct written premiums of the insurer for the calendar year preceding the assessment bear to the net direct written premiums of all member insurers for that year. The Association did not issue any assessments in 2025 or 2024.

The Association recognizes assessment revenue when assessed to the members of the Association.

**l. Distributions**

Distributions from receiverships are recognized when received by the Association to the extent they are not in excess of cumulative losses and LAE paid for the specific estate (excess estate distributions).

Distributions receivable represent losses and LAE made on behalf of receiverships for which a distribution has not been received. Due to the inherent uncertainty related to the collection of distributions receivable, management established an allowance equal to the balance of distributions receivable at December 31, 2025 and 2024. Management writes off a distribution receivable and its related allowance when a receivership is closed by the state. Repayments of distributions receivable are recorded as revenue when received from receiverships.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**1. Organization and Significant Accounting Policies (continued)**

**m. Comprehensive Income**

Comprehensive income includes unrealized gains and losses on investments in fixed-maturity securities classified as available-for-sale and is included as a component of equity.

**n. Income Taxes**

The Association is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The Association is also exempt from payment of all fees and taxes levied by the State of Texas or any of its subdivisions except taxes levied on real and personal property.

**o. Fair Value of Financial Instruments**

The fair value of financial instruments represents estimates of fair values at a specific point in time determined by management using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and significant judgment in the interpretation of current market data. Therefore, the fair values presented are not necessarily indicative of amounts the Association could realize or settle currently.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**1. Organization and Significant Accounting Policies (continued)**

**o. Fair Value of Financial Instruments (continued)**

The level in the fair value hierarchy within which fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the hierarchy are as follows:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability at the measurement date.

Management utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**1. Organization and Significant Accounting Policies (continued)**

**p. Leases**

Management determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Association obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Management also considers whether service arrangements include the right to control the use of an asset.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Management uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease term includes options to extend or terminate the lease when it is reasonably certain that management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. ROU assets are included in other assets and lease liabilities are included in accounts payable and accrued expenses on the balance sheets.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred. There were no variable lease costs in 2025 or 2024.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

Years ended December 31, 2025 and 2024

**1. Organization and Significant Accounting Policies (continued)**

**p. Leases (continued)**

Management has made elections to account for lease and non-lease components in contracts as a single lease component and to apply the short-term lease exemption to all classes of underlying assets.

**q. Subsequent Events**

The Association has evaluated subsequent events through March 16, 2026, the date the financial statements were available to be issued. During the period from December 31, 2025 to March 16, 2026, the Association did not have any material recognizable subsequent events.

**2. Investments**

The amortized cost and fair value of fixed-maturity securities at December 31 were as follows (in thousands):

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>2025</b>				
U.S. Government and government agencies	\$ 267,767	\$ 2,121	\$ (2,107)	\$ 267,781
States and political subdivisions	43,362	192	(840)	42,714
Corporate	93,922	1,457	(1,007)	94,372
Asset-backed	53,301	857	(903)	53,255
	<u>\$ 458,352</u>	<u>\$ 4,627</u>	<u>\$ (4,857)</u>	<u>\$ 458,122</u>

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

Years ended December 31, 2025 and 2024

**2. Investments (continued)**

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>2024</b>				
U.S. Government and government agencies	\$ 251,078	\$ 168	\$ (7,964)	\$ 243,282
States and political subdivisions	47,705	17	(2,160)	45,562
Corporate	87,626	279	(2,795)	85,110
Asset-backed	57,313	136	(2,007)	55,442
	<u>\$ 443,722</u>	<u>\$ 600</u>	<u>\$ (14,926)</u>	<u>\$ 429,396</u>

A summary of the aggregate fair values of fixed-maturity securities with unrealized losses segregated by time period in an unrealized loss position at December 31 is as follows (in thousands):

	<b>Less than 12 months</b>		<b>12 months are greater</b>		<b>Total</b>	
	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>
<b>2025</b>						
U.S. Government and government agencies	\$ (146)	\$ 33,987	\$ (1,961)	\$ 69,343	\$ (2,107)	\$ 103,330
States and political subdivisions	(12)	1,744	(828)	29,439	(840)	31,183
Corporate	(26)	2,223	(981)	28,054	(1,007)	30,277
Asset-backed	(5)	3,358	(898)	10,955	(903)	14,313
	<u>\$ (189)</u>	<u>\$ 41,312</u>	<u>\$ (4,668)</u>	<u>\$ 137,791</u>	<u>\$ (4,857)</u>	<u>\$ 179,103</u>

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

Years ended December 31, 2025 and 2024

**2. Investments (continued)**

	Less than 12 months		12 months are greater		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
<b>2024</b>						
U.S. Government and government agencies	\$ (1,796)	\$ 83,913	\$ (6,168)	\$ 128,476	\$ (7,964)	\$ 212,389
States and political subdivisions	(142)	6,345	(2,018)	36,878	(2,160)	43,223
Corporate	(288)	16,639	(2,507)	48,646	(2,795)	65,285
Asset-backed	(211)	19,455	(1,796)	22,051	(2,007)	41,506
	<u>\$ (2,437)</u>	<u>\$ 126,352</u>	<u>\$ (12,489)</u>	<u>\$ 236,051</u>	<u>\$ (14,926)</u>	<u>\$ 362,403</u>

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The amortized cost and fair value of the Association's fixed-maturity securities at December 31, 2025, by contractual maturity, were as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	\$ 26,477	\$ 27,205
Due after one year through five years	221,090	220,616
Due after five years through ten years	157,152	156,733
Due after ten years	332	313
Asset-backed	53,301	53,255
<b>Total</b>	<u>\$ 458,352</u>	<u>\$ 458,122</u>

Proceeds from sales and maturities of investments during 2025 were \$122,710,925 with gross realized gains of \$539,031 and gross realized losses of \$1,264,863. Proceeds from sales and maturities of investments during 2024 were \$159,213,319 with gross realized gains of \$402,848 and gross realized losses of \$3,773,554.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

Years ended December 31, 2025 and 2024

**2. Investments (continued)**

Investment income is comprised of the following for the years ended December 31 (in thousands):

	<b>2025</b>		<b>2024</b>
Fixed-maturity securities	\$ 16,973	\$	15,373
Cash and cash equivalents	310		252
Income from securities lending	2,797		1,867
<b>Total investment income</b>	<b>20,080</b>		<b>17,492</b>
Less investment expenses	532		510
<b>Net investment income</b>	<b>\$ 19,548</b>	<b>\$</b>	<b>16,982</b>

**3. Fair Value Measurements**

The fair value estimates presented herein are based on unit prices provided by a third-party pricing service. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been revalued for purposes of these financial statements, and current estimates of fair value may differ significantly from the amounts presented herein.

The carrying values of cash and cash equivalents, accrued investment income, and accounts payable and accrued expenses approximate their fair value.

Investments that are measured at fair value using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

Years ended December 31, 2025 and 2024

**3. Fair Value Measurements (continued)**

The following tables present the fair value hierarchy of investments at December 31 on a recurring basis (in thousands):

<b>2025</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Government and government agencies	\$ 267,781	\$ -	\$ 267,781	\$ -
States and political subdivisions	42,714	-	42,714	-
Corporate	94,372	-	94,372	-
Asset-backed	53,255	-	53,255	-
Securities lending collateral	174,089	-	174,089	-
	632,211	-	632,211	-
Securities lending collateral fund at NAV	2,082	-	-	-
<b>Total investments</b>	<b>\$ 634,293</b>	<b>\$ -</b>	<b>\$ 632,211</b>	<b>\$ -</b>

<b>2024</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Government and government agencies	\$ 243,282	\$ -	\$ 243,282	\$ -
States and political subdivisions	45,562	-	45,562	-
Corporate	85,110	-	85,110	-
Asset-backed	55,442	-	55,442	-
Securities lending collateral	83,613	-	83,613	-
	513,009	-	513,009	-
Securities lending collateral fund at NAV	8,873	-	-	-
<b>Total investments</b>	<b>\$ 521,882</b>	<b>\$ -</b>	<b>\$ 513,009</b>	<b>\$ -</b>

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

Years ended December 31, 2025 and 2024

**3. Fair Value Measurements (continued)**

The Association had no assets or liabilities measured at fair value in the Level 3 category at December 31, 2025 and 2024.

Securities categorized as Level 2 were valued using a market approach. Valuations were based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities) or can be corroborated by observable market data.

During 2025 and 2024, the Association had no event or circumstance change that would cause an instrument to be transferred between levels.

Fair values generally represent quoted market value prices for securities traded in the public marketplace or analytically-determined values using bid or closing prices for securities not traded in the public marketplace.

**4. Property and Equipment**

Property and equipment consisted of the following at December 31 (in thousands):

	<b>2025</b>	<b>2024</b>
Furniture and fixtures	\$ 254	\$ 254
Computer equipment and software	1,258	1,284
Leasehold improvements	27	27
	<hr/> 1,539	<hr/> 1,565
Less accumulated depreciation	1,306	1,285
	<hr/> <hr/> \$ 233	<hr/> <hr/> \$ 280

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

Years ended December 31, 2025 and 2024

**4. Property and Equipment (continued)**

Depreciation and amortization expense totaled \$52,733 and \$83,197 for the years ended December 31, 2025 and 2024, respectively.

**5. Membership Assessments**

The Association is authorized by the Texas Insurance Code, Chapter 462, Subchapter D, to assess member insurers in amounts necessary to pay both claims and administrative expenses of the Association. The Association's current annual assessment ability, using the applicable 2024 premium information available from the Texas Department of Insurance and the Texas Comptroller's Office, is as follows (in thousands):

	<b>Premium Base</b>	<b>Assessment Capability</b>
<b>Line of business:</b>		
Automobile	\$ 42,947,949	\$ 858,959
Other lines	40,694,748	813,895
Workers' compensation	2,916,769	58,335
	<u>\$ 86,559,466</u>	<u>\$ 1,731,189</u>

In the event of a natural disaster or other catastrophic event, management may apply to the governor of Texas for authority to assess each member insurer that writes insurance coverage, other than motor vehicle or workers' compensation coverage, an additional amount not to exceed 2 percent of the insurer's net direct written premium for the preceding calendar year.

In the event that management believes the liabilities related to previous assessments have been successfully settled, refunds of prior member assessments will be redistributed back to members based upon the percentage of the member's original assessment. Refund assessments redistributed to members were \$622,594 during 2024 (none in 2025).

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**6. Unpaid Losses and LAE**

Management establishes a liability for unpaid losses and LAE on claims of insured losses. These liabilities are based on management's estimates of the ultimate cost to settle all claims incurred. The establishment of appropriate liabilities is an inherently uncertain process. Changes in prior year liability estimates, which may be material, are reflected in the results of operations in the period such changes are determined to be needed.

Activity for 2025 and 2024 in the liability for loss and LAE reserves for known insolvent insurers is summarized as follows (in thousands):

	<b>2025</b>	<b>2024</b>
Balance at beginning of year	\$ 264,517	\$ 317,255
<b>Losses and LAE incurred related to:</b>		
Current year	3,843	10,316
Prior years	(11,300)	(8,316)
<b>Total incurred</b>	(7,457)	2,000
<b>Losses and LAE paid related to:</b>		
Current year	943	4,537
Prior years	27,306	50,201
<b>Total paid</b>	28,249	54,738
<b>Balance at end of year</b>	<u>\$ 228,811</u>	<u>\$ 264,517</u>

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

Years ended December 31, 2025 and 2024

**6. Unpaid Losses and LAE (continued)**

The liability for unpaid losses and LAE consists of estimates to settle losses of insolvent insurers. Once a member insurer becomes insolvent and is designated as impaired by the commissioner of insurance, the Association becomes responsible for processing its covered losses. Claim files from the insolvent company are forwarded to the Association for claim handling and adjusting. Losses and LAE incurred attributable to insured events of prior years developed approximately \$(11,300,000) and \$(8,316,000) in 2025 and 2024, respectively, as a result of member insurer insolvencies designated as impaired by the commissioner of insurance and reestimation. Reestimation changes are generally a result of ongoing analysis of loss development. Original estimates are adjusted as additional information becomes known regarding individual claims. Management believes the Association has, or has access to, sufficient resources to fulfill the Association's responsibilities with respect to member insurer insolvencies.

As indicated in Note 5, the Association has the authority to assess members as necessary in subsequent years to meet its responsibility to pay claims of impaired companies. Assessment ability and recorded unpaid losses and LAE at December 31, 2025, were as follows (in thousands):

<b>Line of business</b>	<b>Unpaid Losses and LAE</b>	<b>Annual Assessment Capability</b>
Automobile	\$ 5,776	\$ 858,959
Other lines	10,448	813,895
Workers' compensation	190,639	58,335
LAE (Annual Assessment Capability Not Limited)	21,948	-
	\$ 228,811	\$ 1,731,189

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**7. Employee Benefit Plans**

The Association sponsors a 401(k) plan that is open to all employees. The plan provides for the Association to match a portion of the employee's contributions based on a percentage of salary contributed by participants in the plan and may also contribute a discretionary amount for profit sharing. The Association's total contributions to the plan totaled \$264,113 and \$263,738 for the years ended December 31, 2025 and 2024, respectively.

**8. Concentrations**

Most of the Association's assessment and distribution revenue is derived from the insurance industry in the state of Texas. At December 31, 2025 and 2024, all of the Association's assessments and distributions receivable are from companies that are operating, or have operated, in Texas.

**9. Securities Lending**

The Association participates in a securities lending program with Northern Trust, its custodian, primarily for its U.S. Treasury and agency obligations. These securities are loaned in exchange for collateral, which can be in the form of cash, U.S. Treasury securities, or Federal National Mortgage Association mortgage-backed securities. Collateral under the securities lending program is maintained at a minimum of 102 percent of the market value of the securities loaned. Both the collateral and the securities loaned are marked to market on a daily basis so that all loaned securities are more than fully collateralized at all times. Collateral received is invested in a segregated account managed by Northern Trust. The agreement term is indefinite; however, the Association may terminate a loan at any time, whereby Northern Trust shall deliver equivalent securities to the Association within (a) the customary delivery period for such securities, (b) five business days, or (c) the time negotiated for such delivery by the Association and Northern Trust, whichever period is least, and the Association shall concurrently therewith deliver collateral identical to the collateral provided by Northern Trust.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**9. Securities Lending (continued)**

Although the Association's securities lending activities are collateralized as described above and the terms of the securities lending agreement with Northern Trust require Northern Trust to comply with government rules and regulations related to the lending securities held by the Association, the securities lending program involves both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize its loan upon a sudden material change in the fair value of the loaned securities or the collateral, or that Northern Trust's investment of collateral received from the borrowers of the Association's securities may be subject to unfavorable market fluctuations. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

At December 31, 2025 and 2024, the fair value of securities loaned in the portfolio was \$171,584,411 and \$90,069,130, respectively. At December 31, 2025 and 2024, collateral held for securities lending was \$176,170,410 and \$92,485,293, respectively. Noncash collateral received, primarily in the form of Federal National Mortgage Association mortgage-backed securities, was \$174,088,893 and \$83,612,648 at December 31, 2025 and 2024, respectively. Cash collateral received was \$2,081,517 and \$8,872,645 at December 31, 2025 and 2024, respectively, which was reinvested in a fund held by Northern Trust. This fund consists of various short-term investments (primarily certificates of deposit and commercial paper). The value of the collateral held and a corresponding liability to return the collateral have been reported on the accompanying balance sheets. The collateral can only be accessed in the event that the institution borrowing the securities is in default under the lending agreement. As a result of these restrictions, the securities lending activities are considered to be noncash investing and financing activities.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**10. Distributions**

Distributions receivable consist of losses and LAE adjustment expenses paid on behalf of impaired insurers in excess of estate distributions received. Excess estate distributions consist of distributions received in excess of losses and LAE paid. An allowance is made for all distributions receivable. Any repayments of distributions to the Association are recorded as revenue when received. Distributions receivable by line of business at December 31 were as follows (in thousands):

	<b>2025</b>	<b>2024</b>
Administrative	\$ 34,514	\$ 33,203
Automobile	66,495	66,153
Other lines	196,119	198,418
Workers' compensation	197,781	190,531
	<u>494,909</u>	<u>488,305</u>
Less Allowance	(494,909)	(488,305)
<b>Net distributions receivable</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

*Years ended December 31, 2025 and 2024*

**10. Distributions (continued)**

The following table shows collections (in thousands) on the distributions receivable over the last 10 years. Collections on the distributions receivable include distributions and subrogation and salvage recoveries, which are reported separately on the statements of comprehensive income. The variability of collection by year is significant and is affected by the composition of open estates at the balance sheet date. It is also difficult to estimate collectible amounts in a given year; as a result, management elected to establish an allowance equal to the distribution receivable balance.

	<b>Receivable at Beginning of Year</b>	<b>Distributions/ Recoveries</b>	<b>Percentage (%)</b>
2025	\$ 488,305	\$ 26,176	5.4
2024	507,005	77,705	15.3
2023	436,776	39,865	9.1
2022	339,380	28,825	8.5
2021	310,463	10,592	3.4
2020	301,663	12,652	4.2
2019	328,599	51,198	15.6
2018	313,527	18,294	5.8
2017	291,362	19,566	6.7
2016	269,532	22,747	8.4

**11. Commitments and Contingencies**

During the ordinary course of business, the Association is involved in various litigation. The ultimate outcome of such litigation is uncertain. However, management and legal counsel are of the opinion that any resulting unfavorable outcomes would have minimal adverse economic impact on the Association.

Texas Property and Casualty Insurance Guaranty Association

Notes to the Financial Statements

Years ended December 31, 2025 and 2024

**12. Lease**

The Association leases office space under an operating lease agreement. Lease cost is recognized on a straight-line basis over the lease term. Lease expense for 2025 and 2024 was approximately \$517,000 and \$766,000, respectively.

Supplemental information related to the lease is as follows at December 31, 2025:

**Operating Lease:**

Operating lease ROU asset (in thousands)	\$ 1,128
Operating lease liability (in thousands)	\$ 1,302
Weighted-average remaining lease term:	5 years
Weighted-average discount rate:	3.51%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liability recognized on the balance sheet at December 31, 2025, are as follows:

<b>Year</b>	
2026	\$ 298
2027	307
2028	315
2029	323
2030	165
Thereafter	-
<b>Total lease payments</b>	<u>1,408</u>
Less imputed interest	106
<b>Total present value of lease liability</b>	<u><u>\$ 1,302</u></u>

## Other Financial Information

Texas Property and Casualty Insurance Guaranty Association

Schedules of General and Administrative Expenses

	Year ended December 31, 2025	Year ended December 31, 2024
Employment expenses	\$ 5,381,493	\$ 5,347,891
Employee relations	16,312	9,544
Education and staff development	48,497	49,121
Contract labor	94,936	151,678
Legal fees	77,264	118,732
Audit fees	95,727	79,583
Consulting Fees	2,310	29,450
Leasehold improvements	7,762	7,448
Office rent and overhead	516,515	766,415
Insurance - general	125,873	135,499
Furniture and equipment	4,858	99,888
Equipment rental	26,875	35,113
Computer systems	469,552	443,493
Telephone and telecommunications	35,337	37,090
Office supplies	15,478	19,138
Postage	30,848	35,826
Printing	6,321	6,128
Travel expenses	12,809	17,571
Professional meetings	17,617	6,427
Reference materials	8,282	13,000
Subscriptions and professional dues	186,457	182,450
Property taxes	4,506	4,427
Depreciation and amortization expense	52,733	83,197
	<hr/>	<hr/>
Total general and administrative expenses	<u>\$ 7,238,362</u>	<u>\$ 7,679,109</u>

*See report of independent auditors.*