

No. 2024-8585

**Official Order
of the
Texas Commissioner of Insurance**

Date: 03/26/2024

Petition and Filing Numbers:

Tenant (HO-BT), S717891
Dwelling (TDP-1), S717892
Homeowners (HO-A), S717893
Condominium (HO-CONB), S717894
Petition No. P-1223-04

Subject Considered:

Rate Filings for the Texas Fair Access to Insurance Requirements Plan Association

General Remarks and Official Action Taken:

The subject of this order is the approval of proposed rate filings S717891, S717892, S717893, and S717894, as filed by the Texas Fair Access to Insurance Requirements Plan Association (FAIR Plan).

Background

Insurance Code Section 2211.056 requires the FAIR Plan to file with the commissioner of insurance proposed rates to be used in connection with the issuance of insurance policies or endorsements. Under this statute, the commissioner is required to approve or disapprove, in whole or in part, the proposed rates within 60 days of filing, with an additional 30-day extension upon written notice by the Texas Department of Insurance (TDI) to the FAIR Plan. This order addresses the proposed changes in the residential property insurance rates the FAIR Plan filed with TDI on December 28, 2023.

The original deadline for commissioner approval or disapproval was February 26, 2024, subject to the 30-day extension. TDI extended the deadline, by letter dated February 21,

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2024, to March 27, 2024. The FAIR Plan's proposed effective date for these new filings is August 1, 2024.

After considering the filings, the following findings of fact and conclusions of law are adopted.

Findings of Fact

1. The FAIR Plan is established under Insurance Code Section 2211.051 to deliver residential property insurance in designated areas in Texas, and it serves as the nonprofit association that performs the functions required by Insurance Code Section 2211.054, under the plan of operation adopted pursuant to Insurance Code Section 2211.054.
2. On December 28, 2023, the FAIR Plan filed residential property insurance rates for its tenant (HO-BT), dwelling (TDP-1), homeowners (HO-A), and condominium (HO-CONB) policy forms with TDI. TDI assigned filing numbers S717891, S717892, S717893, and S717894 to the tenant (HO-BT), dwelling (TDP-1), homeowners (HO-A), and condominium (HO-CONB) filings respectively.
3. In selecting its proposed rates, the FAIR Plan developed actuarial rate indications for each policy form and zone using the loss ratio method.
4. The rate indications include provisions for expected losses and expenses.
5. The provisions for expected losses consider the FAIR Plan's non-wind loss experience for the five-year period 2018–2022, non-catastrophe wind loss experience for the 10-year period 2013–2022, and catastrophe wind loss experience for the 16-year period 2007–2022. The provisions also consider modeled wind losses derived from hurricane and tornado/hail catastrophe models.
6. The provisions for expected loss adjustment expenses (LAE) consider the FAIR Plan's allocated loss adjustment expenses (ALAE) for the five-year period 2018–2022 and unallocated loss adjustment expenses (ULAE) for the 10-year period 2013–2022.
7. The provisions for other expected expenses consider the FAIR Plan's expenses related to commission, general expenses, taxes, licenses, and fees for the four-year period 2020–2023 and projected values for these expenses for 2024.

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8. The rate indications include a provision for the net cost of reinsurance, which reflects the actual cost of reinsurance net of the expected reduction in losses retained by the FAIR Plan.
9. The rate indications include a provision for the Stabilization Fund, which is intended to permit the development of surplus funds available to the FAIR Plan.
10. The rate indications consider the impact of previous rate changes, premium trend, loss development, and loss trend when using the FAIR Plan's historical premium and loss data to estimate prospective levels.
11. The rate indications consider the credibility of the experience in each zone. Partial credibility was assigned to zones with insufficient historical data to meet the credibility standard.
12. The rate changes proposed by the FAIR Plan reflect a cap of 10% on the indicated rate increases and -10% on the indicated rate decreases.
13. Limiting rate changes is a common actuarial practice that promotes rate stability.
14. The FAIR Plan's indicated and proposed rate changes in filing S717891 for its tenant (HO-BT) policy vary by zone as follows:

Zone	Tenant Indicated Change	Proposed Change
Central North – Greater Dallas/Ft. Worth	33.0%	10.0%
Central North – Remainder	1.7%	1.7%
Central South	8.2%	8.2%
North/Northwest	2.1%	2.1%
Seacoast – Tier 1	4.1%	4.1%
Seacoast – Tier 2	29.5%	10.0%
Overall Statewide Average	21.9%	8.4%

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15. The FAIR Plan's indicated and proposed rate changes in filing S717892 for fire coverage for its dwelling (TDP-1) policy do not vary by zone. The indicated and proposed rate changes for extended coverage, however, do vary by zone. The indicated and proposed changes for fire and extended coverage are as follows:

Dwelling – Fire

	<u>Indicated Change</u>	<u>Proposed Change</u>
Overall Statewide Average	38.5%	10.0%

Dwelling – Extended Coverage

<u>Zone</u>	<u>Indicated Change</u>	<u>Proposed Change</u>
Central North – Greater Dallas/Ft. Worth	47.4%	10.0%
Central North – Remainder	39.0%	10.0%
Central South	31.1%	10.0%
North/Northwest	25.4%	10.0%
Seacoast – Tier 1	-32.9%	-10.0%
Seacoast – Tier 2	10.7%	10.0%
Overall Statewide Average	12.0%	9.5%

16. The FAIR Plan's indicated and proposed rate changes in filing S717893 for its homeowners (HO-A) policy vary by zone as follows:

Homeowners

<u>Zone</u>	<u>Indicated Change</u>	<u>Proposed Change</u>
Central North – Greater Dallas/Ft. Worth	34.7%	10.0%
Central North – Remainder	16.6%	10.0%
Central South	28.5%	10.0%
North/Northwest	22.9%	10.0%
Seacoast – Tier 1	17.2%	10.0%
Seacoast – Tier 2	12.0%	10.0%
Overall Statewide Average	15.5%	10.0%

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17. The FAIR Plan's indicated and proposed rate changes in filing S717894 for its condominium (HO-CONB) policy vary by zone as follows:

Condominium		
<u>Zone</u>	<u>Indicated Change</u>	<u>Proposed Change</u>
Central North – Greater Dallas/Ft. Worth	55.7%	10.0%
Central North – Remainder	21.7%	10.0%
Central South	70.7%	10.0%
North/Northwest	50.3%	10.0%
Seacoast – Tier 1	53.6%	10.0%
Seacoast – Tier 2	47.6%	10.0%
Overall Statewide Average	49.5%	10.0%

Conclusions of Law

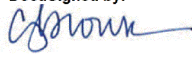
1. The commissioner has jurisdiction over this matter under Insurance Code Section 2211.056.
2. Insurance Code Section 2211.056(b) requires the FAIR Plan to set rates in an amount sufficient to (1) carry all claims to maturity, and (2) meet the expenses incurred in the writing and servicing of the business.
3. The proposed changes addressed in Findings of Fact Nos. 14–17 are consistent with Insurance Code Section 2211.056(b).

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Order

It is ordered that the proposed rates in filings S717891, S717892, S717893, and S717894 are approved, to be effective for new business and for renewal business August 1, 2024.

DocuSigned by:

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Cassie Brown
Commissioner of Insurance

Recommended and reviewed by:

DocuSigned by:

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Mark Worman, Deputy Commissioner

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Jessica Barta, General Counsel