

No. **2021-6801**

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

Date: 04/22/2021

Petitions and Filing Numbers:

Homeowners (HO-A), P-0121-02; S687914
Dwelling (TDP-1), P-0121-05; S687915
Tenant (HO-BT), P-0121-04; S687918
Condominium (HO-CONB), P-0121-03; S687917

Subject Considered:

**2021 Rate Filings for the Texas Fair Access to Insurance Requirements Plan
Association**

The subject of this order is the approval of proposed rate filings S687914, S687915, S687917, and S687918, as filed by the Texas Fair Access to Insurance Requirements (FAIR Plan) Association.

Background

Insurance Code Section 2211.056 requires the FAIR Plan Association to file proposed rates to be used in connection with the issuance of insurance policies or endorsements with the Commissioner of Insurance. 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 allowed upon notice to the FAIR Plan Association. This order addresses the proposed changes in the residential property insurance rates the FAIR Plan Association filed with the Texas Department of Insurance (TDI) on January 22, 2021. On March 18, 2021, TDI sent notice to the FAIR Plan Association to extend the deadline for approval or disapproval as required by Section 2211.056(c).

After considering the filing, TDI adopts the following findings of fact and conclusions of law.

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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. The FAIR Plan Association is the nonprofit association established under Insurance Code Section 2211.054 to issue residential property insurance.
2. On January 22, 2021, the FAIR Plan Association filed residential property insurance rates for its homeowners (HO-A), dwelling (TDP-1), tenant (HO-BT), and condominium (HO-CONB) policy forms with TDI. TDI assigned filing numbers S687914, S687915, S687918, and S687917 to the homeowners (HO-A), dwelling (TDP-1), tenant (HO-BT), and condominium (HO-CONB) filings, respectively.
3. The FAIR Plan Association used its premium and loss data for five calendar/accident years ending December 31, 2015, through December 31, 2019, to develop rate indications by zone.
4. The FAIR Plan Association averaged actual expenses incurred in 2017 through 2019 to develop its expense provision.
5. The FAIR Plan Association's indicated and proposed rate changes in filing S687914 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	50.3%	10.0%
Central North – Remainder	11.5%	10.0%
Central South North/Northwest	18.5%	10.0%
Seacoast – Tier 1	28.3%	10.0%
Seacoast – Tier 2	27.3%	10.0%
	9.5%	9.5%
Overall Statewide Average	15.1%	9.6%

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6. The FAIR Plan Association's indicated and proposed rate changes in filing S687915 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 as follows:

Dwelling		<u>Indicated</u>	<u>Proposed</u>
<u>Coverage</u>	<u>Zone</u>	<u>Change</u>	<u>Change</u>
Fire	Overall Statewide Average	6.8%	6.8%
Extended Coverage	Central North – Greater Dallas/Ft. Worth	67.3%	10.0%
Extended Coverage	Central North – Remainder	47.1%	10.0%
Extended Coverage	Central South	37.6%	10.0%
Extended Coverage	North/Northwest	21.4%	10.0%
Extended Coverage	Seacoast – Tier 1	-49.1%	-10.0%
Extended Coverage	Seacoast – Tier 2	18.7%	10.0%
Extended Coverage	Overall Statewide Average	20.1%	9.5%

7. The FAIR Plan Association's indicated and proposed rate changes in filing S687918 for its tenant (HO-BT) policy vary by zone as follows:

Tenant		<u>Indicated</u>	<u>Proposed</u>
<u>Zone</u>		<u>Change</u>	<u>Change</u>
Central North – Greater Dallas/Ft. Worth		19.3%	10.0%
Central North – Remainder		32.1%	10.0%
Central South		3.0%	3.0%
North/Northwest		4.6%	4.6%
Seacoast – Tier 1		39.1%	10.0%
Seacoast – Tier 2		25.7%	10.0%
Overall Statewide Average		26.3%	9.5%

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8. The FAIR Plan Association's indicated and proposed rate changes in filing S687917 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	21.9%	10.0%
Central North – Remainder	137.7%	10.0%
Central South	16.8%	10.0%
North/Northwest	26.8%	10.0%
Seacoast – Tier 1	4.1%	4.1%
Seacoast – Tier 2	23.2%	10.0%
Overall Statewide Average	20.5%	9.2%

9. The indicated rate changes vary by policy form and zone. The credibility and the magnitude of the wind provision affects the zone's indications.
10. The rate changes proposed by the FAIR Plan Association reflect a cap of 10% on the indicated rate increases and -10% on the indicated rate decreases.
11. Limiting rate changes is a common actuarial practice that promotes rate stability.
12. The Commissioner notified the FAIR Plan Association of TDI's extension of the period to approve or disapprove the rates for an additional 30 days under Section 2211.056(c).

Conclusions of Law

1. The Commissioner has jurisdiction over this matter under Insurance Code Section 2211.056.

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2. Insurance Code Section 2211.056(b) requires the FAIR Plan Association 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 numbers 5–8 are consistent with Insurance Code Section 2211.056(b).

Order

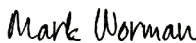
It is ordered that the proposed rates filings S687914, S687915, S687917, and S687918 are approved, to be effective for new business and for renewal business August 1, 2021.

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Doug Slape
Chief Deputy Commissioner
Tex. Gov't Code § 601.002
Commissioner's Order No. 2018-5528

Recommended by:

DocuSigned by:

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Mark Worman, Deputy Commissioner

Reviewed by:

DocuSigned by:

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Matt Diamond, Staff Attorney