

No. **2022-7328**

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

**Date: 05/19/2022**

*Petition and Filing Numbers:*

Homeowners (HO-A), P-0422-10, S701258

Dwelling (TDP-1), P-0422-13, S701259

Condominium (HO-CONB), P-0422-11, S701260

Tenant (HO-BT), P-0422-12, S701261

**Subject Considered:**

**2022 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 S701258, S701259, S701260, and S701261, as filed by the Texas Fair Access to Insurance Requirements 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. 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. This order addresses the proposed changes in the residential property insurance rates the FAIR Plan filed with the Texas Department of Insurance (TDI) on April 14, 2022.

The FAIR Plan filed initial proposed rate filings S698898, S698899, S698900, and S698901 on January 28, 2022. On February 22, 2022, TDI filed objections to these filings. On March 21, 2022, TDI sent notice to the FAIR Plan to extend the deadline for approval or disapproval as required by Section 2211.056(c). On April 1, 2022, the FAIR Plan withdrew

# 2022-7328

Commissioner's Order  
FAIR Plan 2022 Rate Filing  
May 13, 2022  
Page 2 of 6

its initial rate filings. On April 14, the FAIR Plan filed proposed rate filings S701258, S701259, S701260, and S701261, the filings addressed in this order. The deadline for Commissioner approval or disapproval is June 13, subject to a 30-day extension to July 13. The FAIR Plan's proposed effective date for these new filings is August 1, 2022.

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

## 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 April 14, 2022, the FAIR Plan 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 S701258, S701259, S701260, and S701261 to the homeowners (HO-A), dwelling (TDP-1), condominium (HO-CONB), and tenant (HO-BT) filings, respectively.
3. The FAIR Plan used its premium and loss data for five calendar/accident years spanning December 31, 2017, through December 31, 2021, to develop rate indications by zone.
4. The FAIR Plan averaged actual expenses incurred in 2018 through 2020 to develop its underwriting expense provision.
5. The FAIR Plan's indicated and proposed rate changes in filing S701258 for its homeowners (HO-A) policy vary by zone as follows:

# 2022-7328

Commissioner's Order  
FAIR Plan 2022 Rate Filing  
May 13, 2022  
Page 3 of 6

## Homeowners

<u>Zone</u>	<u>Indicated Change</u>	<u>Proposed Change</u>
Central North – Greater Dallas/Ft. Worth	31.4%	10.0%
Central North – Remainder	-4.0%	-4.0%
Central South	18.4%	10.0%
North/Northwest	20.9%	10.0%
Seacoast – Tier 1	11.9%	10.0%
Seacoast – Tier 2	6.9%	6.9%
Overall Statewide Average	10.1%	7.6%

6. The FAIR Plan's indicated and proposed rate changes in filing S701259 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

<u>Coverage</u>	<u>Zone</u>	<u>Indicated Change</u>	<u>Proposed Change</u>
Fire	Overall Statewide Average	0.7%	0.7%
Extended Coverage	Central North – Greater Dallas/Ft. Worth	54.8%	10.0%
Extended Coverage	Central North – Remainder	41.8%	10.0%
Extended Coverage	Central South	35.0%	10.0%
Extended Coverage	North/Northwest	27.6%	10.0%
Extended Coverage	Seacoast – Tier 1	-50.1%	-10.0%
Extended Coverage	Seacoast – Tier 2	16.2%	10.0%
Extended Coverage	Overall Statewide Average	17.2%	9.5%

7. The FAIR Plan's indicated and proposed rate changes in filing S701260 for its condominium (HO-CONB) policy vary by zone as follows:

# 2022-7328

Commissioner's Order  
FAIR Plan 2022 Rate Filing  
May 13, 2022  
Page 4 of 6

	Condominium	
<u>Zone</u>	<u>Indicated Change</u>	<u>Proposed Change</u>
Central North – Greater Dallas/Ft. Worth	12.7%	10.0%
Central North – Remainder	168.7%	10.0%
Central South North/Northwest	8.7%	8.7%
Seacoast – Tier 1	10.8%	10.0%
Seacoast – Tier 2	2.3%	2.3%
	11.5%	10.0%
Overall Statewide Average	10.4%	9.0%

8. The FAIR Plan's indicated and proposed rate changes in filing S701261 for its tenant (HO-BT) policy vary by zone as follows:

	Tenant	
<u>Zone</u>	<u>Indicated Change</u>	<u>Proposed Change</u>
Central North – Greater Dallas/Ft. Worth	14.0%	10.0%
Central North – Remainder	23.5%	10.0%
Central South North/Northwest	-7.6%	-7.6%
Seacoast – Tier 1	-4.0%	-4.0%
Seacoast – Tier 2	31.1%	10.0%
	16.6%	10.0%
Overall Statewide Average	18.0%	9.0%

9. The indicated rate changes vary by policy form and zone. The credibility and the magnitude of the wind provision affect the zone's indications.

# 2022-7328

Commissioner's Order  
FAIR Plan 2022 Rate Filing  
May 13, 2022  
Page 5 of 6


10. 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.
11. Limiting rate changes is a common actuarial practice that promotes rate stability.

## 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. 5–8 are consistent with Insurance Code Section 2211.056(b).

## Order

It is ordered that the proposed rates filings S701258, S701259, S701260, and S701261 are approved, to be effective for new business and for renewal business August 1, 2022.

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Cassie Brown  
Commissioner of Insurance

Recommended and reviewed by:

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Mark Worman, Deputy Commissioner

# 2022-7328

Commissioner's Order  
FAIR Plan 2022 Rate Filing  
May 13, 2022  
Page 6 of 6

DocuSigned by:

*James Person*

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James Person, General Counsel