

Texas FAIR Plan Association

Overview

Prepared by Texas Department of Insurance

July 2, 2020

For Quarter Ending March 31, 2020

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I. Background: The Texas FAIR Plan Association (FAIR Plan) (Insurance Code Chapter 2211)

A. Creation and Purpose

- In 1995 the Texas Legislature provided statutory authority for the creation of a Fair Access to Insurance Requirements Plan to address residential property insurance availability problems in underserved areas.
- Due to a residential property insurance availability problem sparked in part by growing mold claims and water damage claims, the Commissioner implemented the Texas FAIR Plan Association (FAIR Plan) in December 2002.

B. Member Insurers

- The FAIR Plan issues insurance policies like an insurance company; however, it also functions as a pooling mechanism that allocates losses back to the insurance industry.
- Member insurers are all insurers that are licensed to write property insurance and that write residential property insurance in Texas. All member insurers must participate in the writings and losses of the FAIR Plan.

Background: The Texas FAIR Plan Association (FAIR Plan) ***(continued)***

C. Policy Types and Exposure

FAIR Plan provides residential property insurance to consumers throughout the state and currently offers coverage through the:

- HO-A, Homeowner Policy;
- TDP-1, Dwelling Policy;
- HO-CONB, Condominium Policy; and
- HO-BT, Tenant Policy.

Refer to Exhibits A, B, and C, which reflect current FAIR Plan policies in force, a history of Harris County policies in force, and current FAIR Plan exposure in force.

D. Top 10 Counties Policies in Force

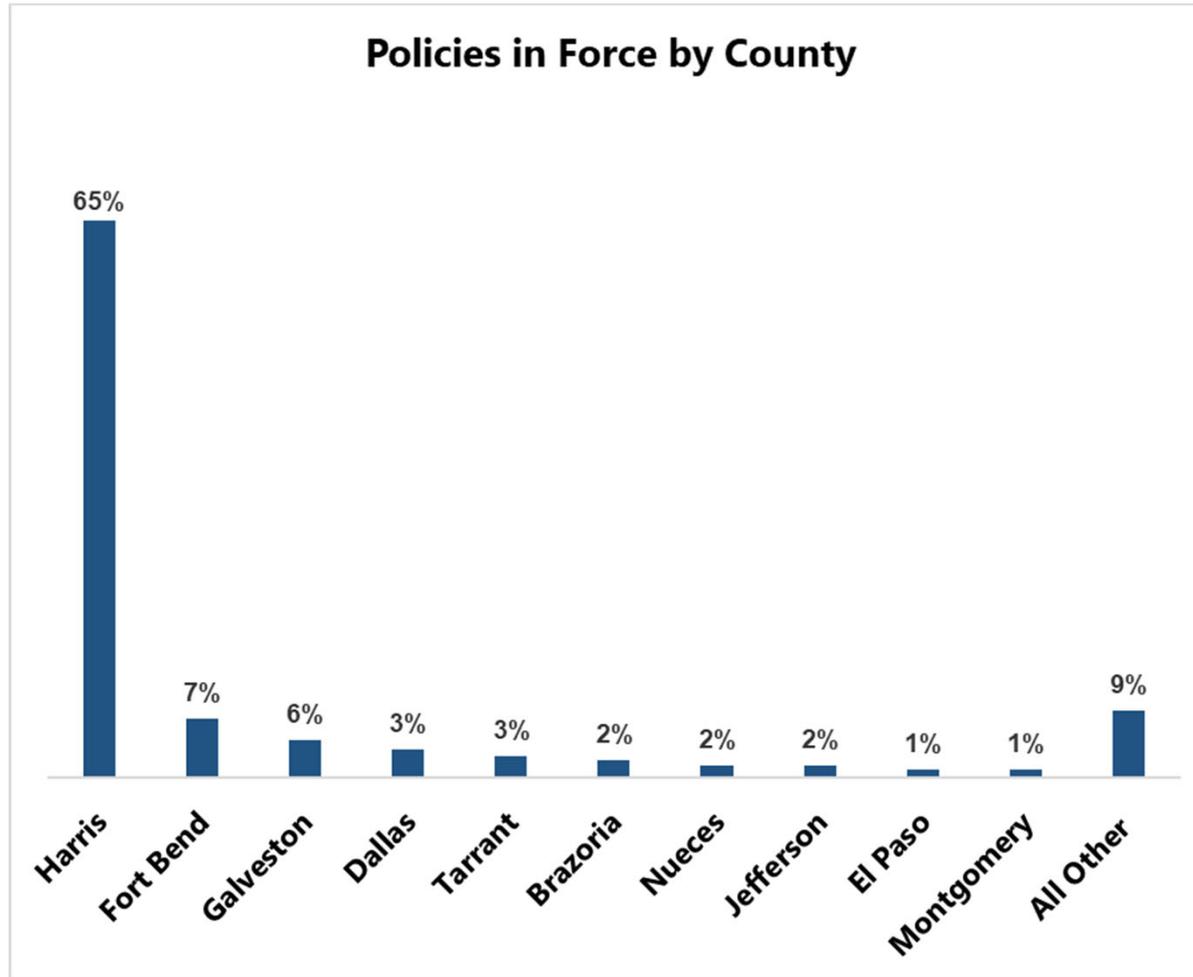


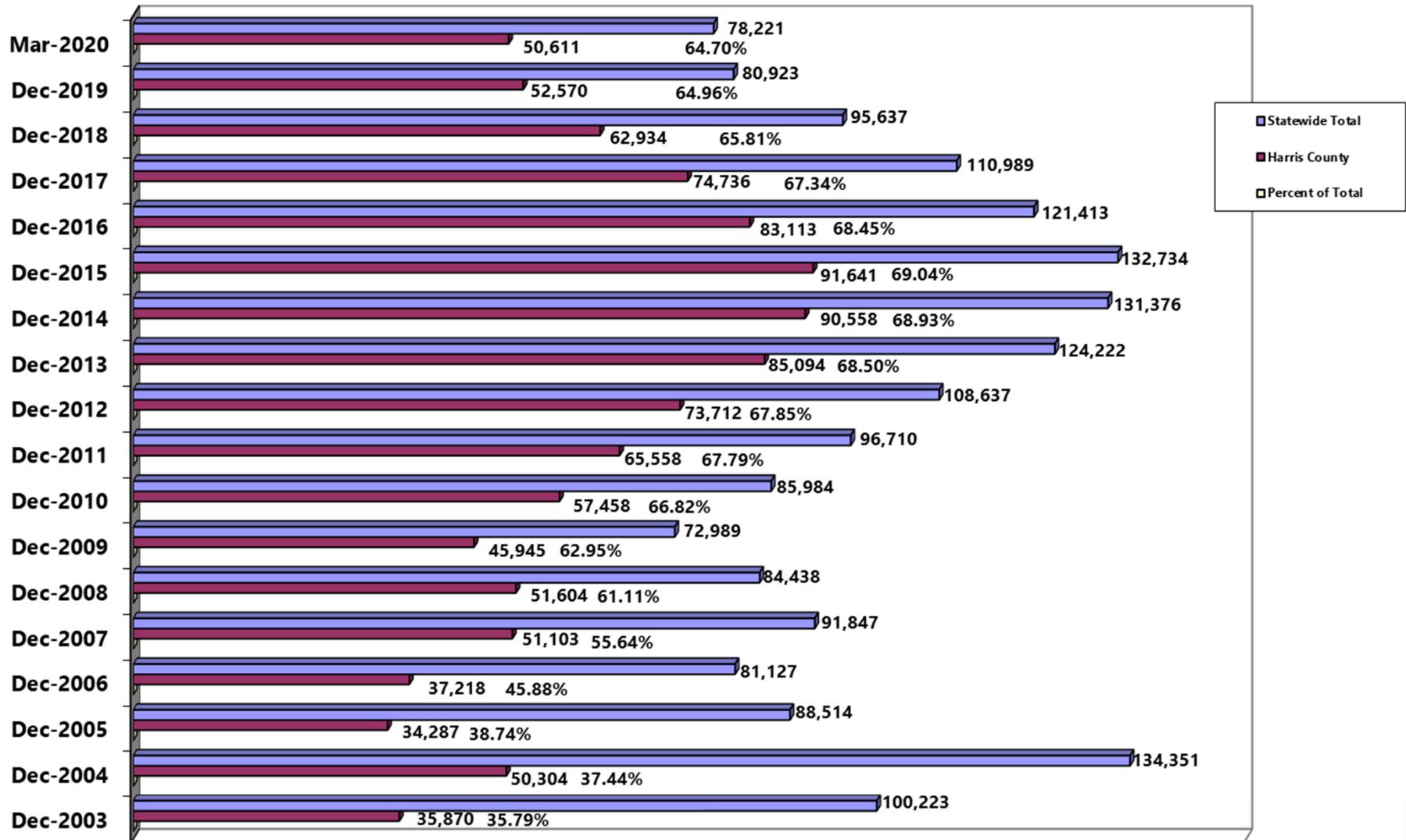
Exhibit A

County	Policies in Force
Harris	50,611
Fort Bend	5,336
Galveston	4,467
Dallas	2,712
Tarrant	2,059
Brazoria	1,842
Nueces	1,368
Jefferson	1,197
El Paso	1,087
Montgomery	834
All Other	6,708
Total	78,221

Data Source: Liability Report as of 3/31/2020
 from Texas FAIR Plan Association
 (all forms combined)

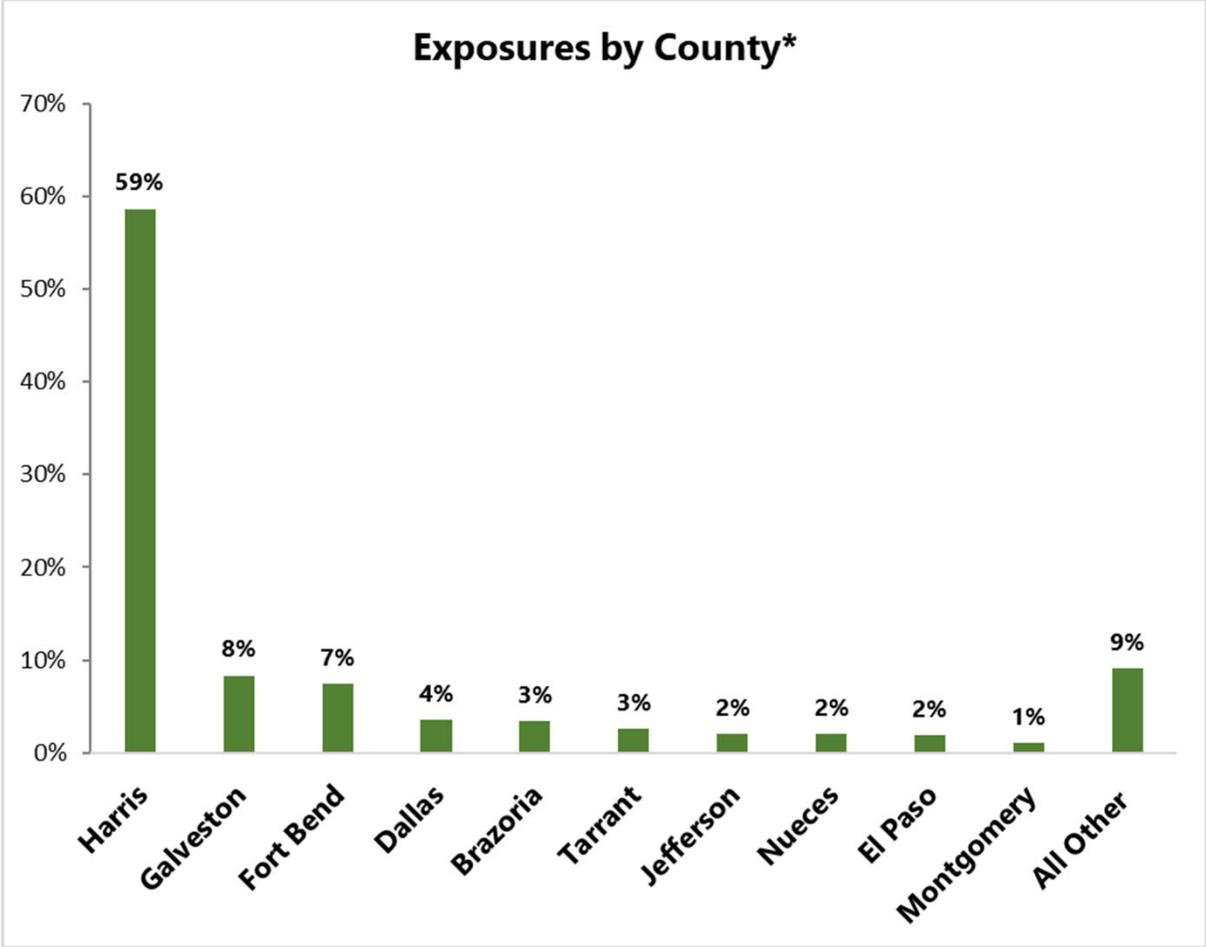
E. Harris County Policies in Force

Exhibit B



	Dec-2003	Dec-2004	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Dec-2009	Dec-2010	Dec-2011	Dec-2012	Dec-2013	Dec-2014	Dec-2015	Dec-2016	Dec-2017	Dec-2018	Dec-2019	Mar-2020
Statewide Total	100,223	134,351	88,514	81,127	91,847	84,438	72,989	85,984	96,710	108,637	124,222	131,376	132,734	121,413	110,989	95,637	80,923	78,221
Harris County	35,870	50,304	34,287	37,218	51,103	51,604	45,945	57,458	65,558	73,712	85,094	90,558	91,641	83,113	74,736	62,934	52,570	50,611
Percent of Total	35.79%	37.44%	38.74%	45.88%	55.64%	61.11%	62.95%	66.82%	67.79%	67.85%	68.50%	68.93%	69.04%	68.45%	67.34%	65.81%	64.96%	64.70%

F. Top 10 Counties by Exposure in Force



*Rounded to reflect whole percentages

**Exposure includes Dwelling, Contents, and Loss of Use coverages.

Exhibit C

County	Exposures (in Billions)
Harris	\$ 7.77
Galveston	\$ 1.11
Fort Bend	\$ 0.98
Dallas	\$ 0.47
Brazoria	\$ 0.46
Tarrant	\$ 0.34
Jefferson	\$ 0.27
Nueces	\$ 0.26
El Paso	\$ 0.24
Montgomery	\$ 0.14
All Other	\$ 1.21
Total**	\$ 13.3

Data Source: Liability Report as of 3/31/2020
 from Texas FAIR Plan Association
 (all forms combined)

II. Hurricane Information

A. Hurricanes Impacting Texas Since 2005

Hurricane		Date of Landfall	Location of Landfall	Reported Claims	Reported Losses
Rita	Cat 3	9/24/2005	Between Sabine Pass, TX, and Johnsons Bayou, LA	1,459	\$8,800,000
Dolly	Cat 2	7/23/2008	South Padre Island, TX	200	\$823,556
Ike	Cat 2	9/13/2008	Galveston Island, TX	23,827*	\$316,120,810**
Harvey	<u>First Landfall:</u> Cat 4	<u>First Landfall:</u> 8/25/2017	<u>First Landfall:</u> San Jose Island, TX	16,018 (as of 3/31/20)	\$85,000,000*** (as of 3/31/20)
	<u>Second Landfall:</u> Cat 4	<u>Second Landfall:</u> 8/25/2017	<u>Second Landfall:</u> Near Rockport and Fulton, TX		
	<u>Third Landfall:</u> Tropical Storm	<u>Third Landfall:</u> 8/30/2017	<u>Third Landfall:</u> Cameron, LA		

*Data reported as of March 31, 2020.

**Estimated losses for Hurricane Ike.

***Estimated losses for Hurricane Harvey

Refer to Exhibit D, which reflects the path of Hurricane Rita on September 24, 2005.

Refer to Exhibit E, which reflects the path of Hurricane Dolly on July 23, 2008.

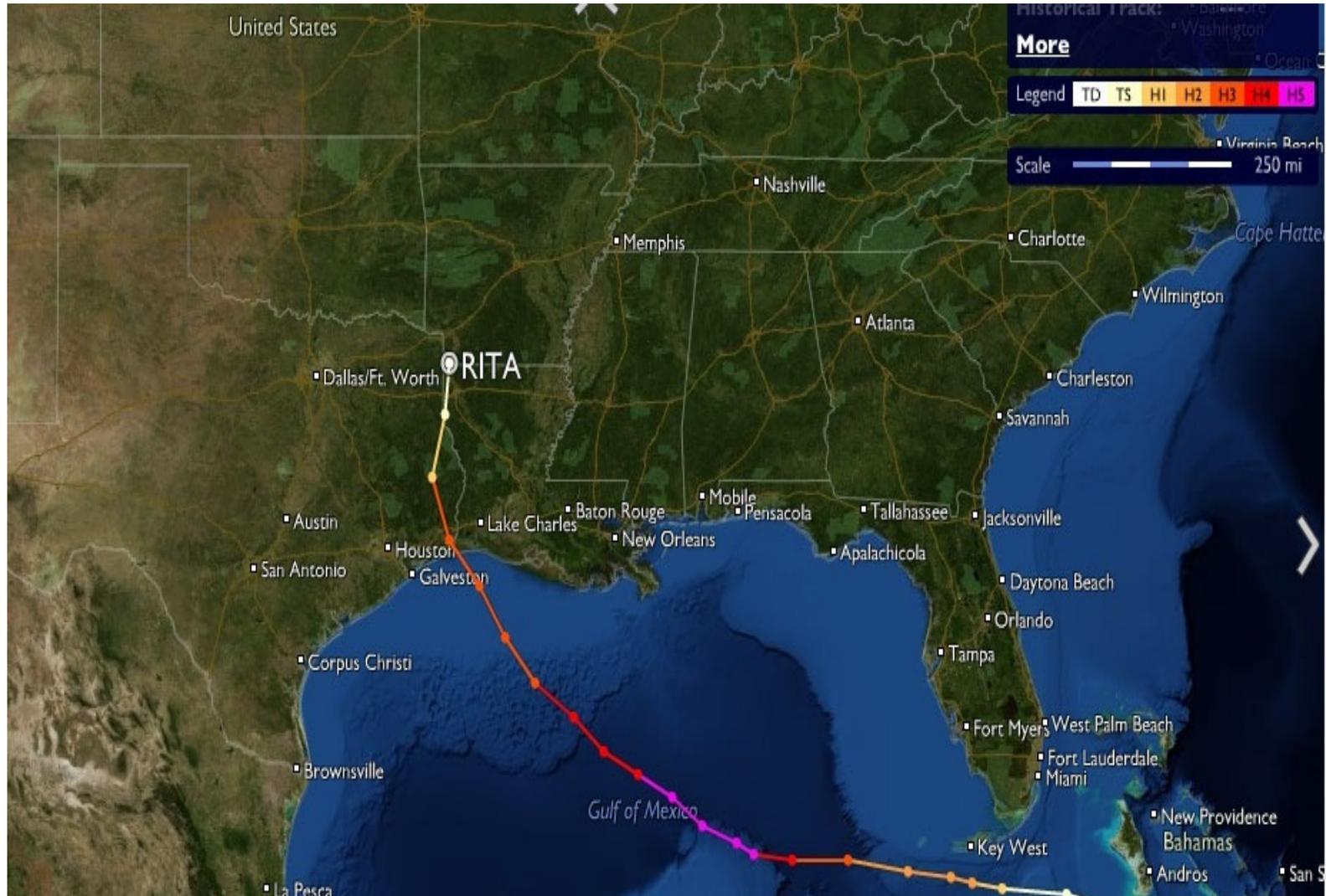
Refer to Exhibit F, which reflects the path of Hurricane Ike on September 13, 2008.

Refer to Exhibit G, which reflects the path of Hurricane Harvey on August 25, 2017.

Note: Hurricane Humberto made landfall on High Island, TX on September 13, 2007, Tropical Storm Edouard made landfall east of Galveston, TX on August 5, 2008, Hurricane Alex made landfall in northern Mexico on June 30, 2010, and Tropical Storm Hermine made landfall between northern Mexico and Brownsville, TX on September 6, 2010. Reported losses for FAIR Plan had very little impact and data relating to these storms is not included in this report.

Exhibit D

Path of Hurricane Rita – September 24, 2005



Hurricane Rita made landfall between Sabine Pass, TX and Johnsons Bayou, LA on September 24, 2005, as a Category 3 hurricane with winds at 115 mph. Reported losses and loss adjustment expense for FAIR Plan were approximately \$8,800,000.

Source: Texas FAIR Plan Association

Exhibit E

Path of Hurricane Dolly – July 23, 2008



Hurricane Dolly made landfall on South Padre Island at 1:00 PM CDT, July 23, 2008, as a Category 2 hurricane with 100 mph winds. Hurricane Dolly is considered to be the most destructive hurricane to hit the Rio Grande Valley in 41 years. FAIR Plan estimates reported losses and loss adjustment expenses to be \$823,556.

Source: Texas FAIR Plan Association

Exhibit F

Path of Hurricane Ike – September 13, 2008

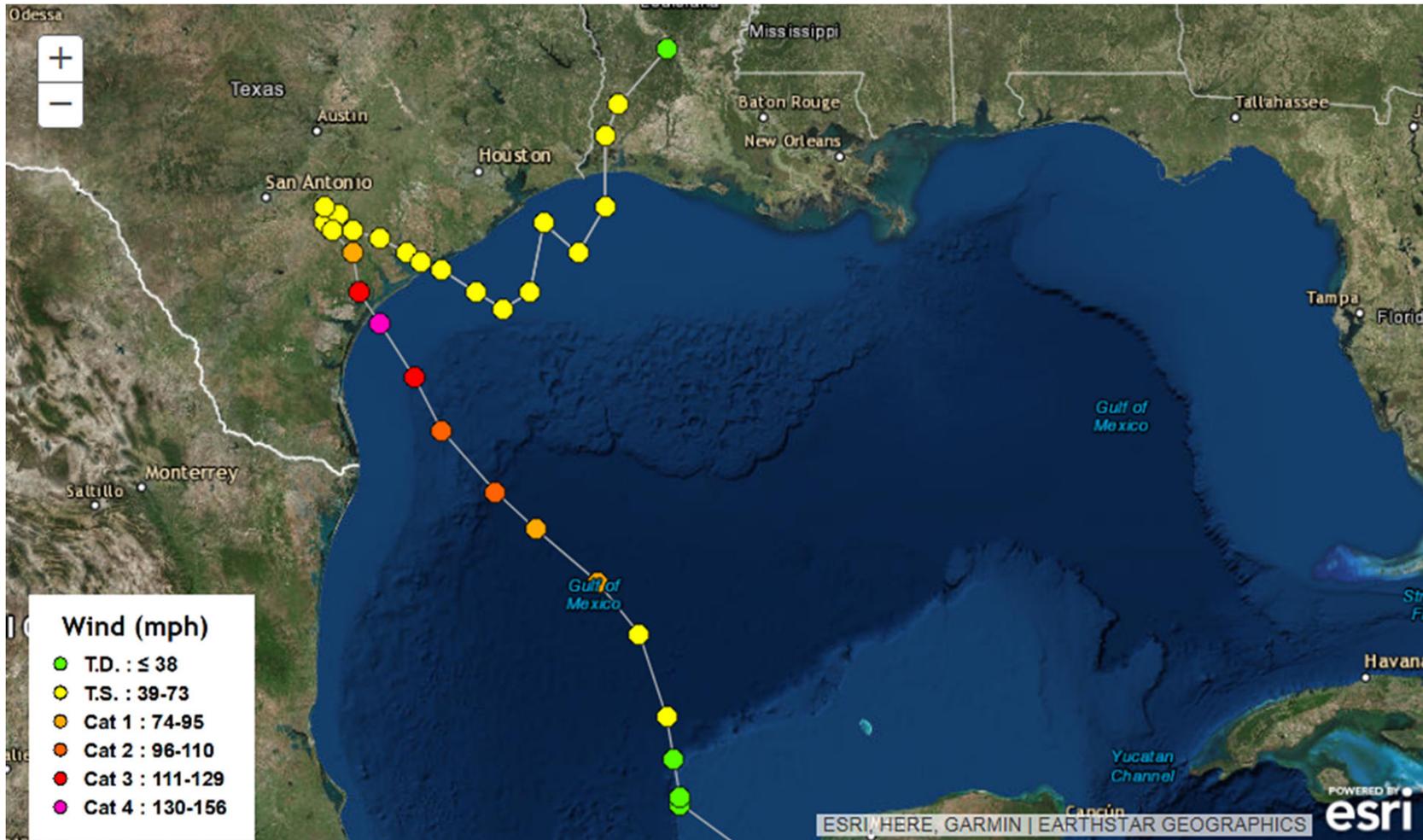


Hurricane Ike made landfall on Galveston Island at 2:10 AM CDT, September 13, 2008, as a strong Category 2 hurricane, with sustained winds of 110 mph. FAIR Plan received 23,827 claims and estimated its losses and loss adjustment expenses to be \$316.1 million.

Source: Texas FAIR Plan Association

Exhibit G

Path of Hurricane Harvey – August 25, 2017



Hurricane Harvey made landfall on San Jose Island and then near the Rockport and Fulton, TX area around 10 PM CDT, August 25, 2017, as a Category 4 hurricane, with sustained winds of 130 mph. Harvey made its final landfall near Cameron, LA on August 30, 2017, as a tropical storm. As of March 31, 2020, FAIR Plan received 16,018* claims and estimates its losses and loss adjustment expenses to be \$85 million.

*This count excludes unverified or no policy in force claims for Texas FAIR Plan Association.
Source: Texas FAIR Plan Association and National Weather Service

III. Insurance Coverage

A. Eligibility Requirements

- Consumers who have been declined residential property insurance by at least two insurance companies licensed to write and actually writing residential property insurance in Texas may apply for coverage.
- In addition, to be eligible, consumers may not have received a valid offer of comparable residential property insurance from an insurance company licensed in Texas. This does not include offers from surplus lines insurers.
- Coverage must be obtained through an authorized licensed Texas agent. Any agent licensed to write property and casualty insurance in Texas can be authorized by the FAIR Plan to submit applications.
- The FAIR Plan provides limited coverage for one and two family dwellings, townhouse units, and condominium units that are owner occupied and that meet its underwriting standards.
- The FAIR Plan also provides limited coverage for other residential property – i.e., for one and two family rental dwellings, including contents and personal property of tenants living in rental dwellings.

Insurance Coverage *(continued)*

B. FAIR Plan Coverage by Policy Type

FAIR Plan policies provide coverage for damage caused by:

PERIL	HO-A	TDP-1*	CONDO	TENANT
Fire	✓	✓	✓	✓
Lightning	✓	✓	✓	✓
Sudden and Accidental Damage from Smoke	✓	✓	✓	✓
Windstorm, Hurricane and Hail**	✓	✓	✓	✓
Explosion	✓	✓	✓	✓
Aircraft	✓	✓	✓	✓
Vehicles	✓	✓	✓	✓
Vandalism and Malicious Mischief	✓	✓	✓	✓
Riot and Civil Commotion	✓	✓	✓	✓
Theft	✓	N/A	✓	✓
Liability	✓	N/A	✓	✓

*TDP-1 policies must provide coverage for the perils of fire and lightning. Coverage for additional perils is optional.

**In accordance with Insurance Code Section 2211.156, FAIR Plan may not provide windstorm, hurricane, and hail coverage for property located in the designated catastrophe area consisting of 14 coastal counties and a portion of Harris County located east of State Highway 146 and within the city limits of Pasadena, Morgan's Point, Shoreacres, Seabrook, and LaPorte. A policy written by the FAIR Plan on such property must have a Windstorm, Hurricane, and Hail Exclusion Agreement attached to the policy. Consumers in a designated catastrophe area may purchase windstorm, hurricane, and hail insurance on insurable property through the Texas Windstorm Insurance Association.

Insurance Coverage (*continued*)

C. Loss Settlement Provisions

HO-A		TDP-1	
Dwelling	Provides actual cash value coverage, which is replacement cost minus depreciation.	Dwelling	Provides actual cash value coverage, which is replacement cost minus depreciation.
	For an additional premium, the HO-A may be endorsed to provide replacement cost coverage for the dwelling.		Replacement cost coverage is not available on the TDP-1.
Contents	Provides 50% of the dwelling amount of insurance for household contents. The insured may increase this percentage to 60% or 70% for an additional premium.	Contents	Provides coverage for household contents at selected limits up to a maximum of 50% of the dwelling amount of insurance.
	For an additional premium, the HO-A may be endorsed to provide replacement cost coverage for household contents.		Replacement cost coverage is not available on the TDP-1.
Deductibles*	1% or 2%	Deductibles*	1% or 2% N/A for fire or lightning losses.

* An insured with 4 or more claims (excluding glass claims) within the preceding 3 years is not eligible for the 1% optional deductible.

Insurance Coverage (*continued*)

D. Policy Term and Renewals

- Policies are issued for a term of one year, subject to underwriting standards. However, every two years the insured must reapply for residential property insurance in the voluntary market.
- The insured is eligible for a renewal policy with FAIR Plan if:
 - the insured is declined residential property insurance by at least two insurance companies licensed to write and actually writing residential property insurance in Texas, and
 - the insured does not receive a valid offer of comparable residential property insurance from an insurance company licensed in Texas, not including surplus lines insurers.

IV. Operations of the FAIR Plan

A. Governing Committee

The FAIR Plan is governed by an 11 member Governing Committee composed of:

- five insurance company members appointed by the Commissioner;
- four public members appointed by the Commissioner; and
- two general property and casualty agents appointed by the Commissioner.

Operations of the FAIR Plan (*continued*)

B. General Information

- The day-to-day operations are directed by the FAIR Plan's General Manager.
- The FAIR Plan operates somewhat like an insurance company and issues policies directly to the consumer.
- Normal claims and operating expenses are paid from premiums collected.

Operations of the FAIR Plan (*continued*)

C. Maximum Limits of Liability

The maximum limits of liability on policies are set forth in the plan of operation. The following coverage limits are available, where applicable:

- Dwelling – up to \$ 1,000,000 maximum
- Other Structures – 10% of Dwelling coverage amount
- Personal Property – HO-A, 50%, 60%, or 70% of Dwelling coverage amount; TDP-1, optional coverage up to 50% of Dwelling coverage amount; Condo and Tenant policies, up to \$500,000 maximum
- Liability – \$100,000 or \$300,000 limit
- Medical Payments – \$5,000 limit
- Loss of Use – 10% of Dwelling coverage; 20% of Personal Property coverage amount on Condo and Tenant policies

V. Statistical Information

Exhibit H

A. Exposures, Policies, and Premium Written

In Force *Exposure	
HO-A	\$8,397,628,187
TDP-1	\$4,551,420,157
HO-CONB	\$246,085,718
HO-BT	\$62,495,040
TOTAL	\$13,257,629,102

Policies In Force	
HO-A	33,032
TDP-1	39,110
HO-CONB	3,577
HO-BT	2,502
TOTAL	78,221

*Exposure includes Dwelling, Contents, and Loss of Use coverages.

All Forms Combined Year End Written Premium as of 12/31/2019 - \$85,367,779	
Year to Date Written Premium as of 3/31/2020	
HO-A	\$11,274,276
TDP-1	\$7,646,596
HO-CONB	\$297,293
HO-BT	\$82,260
TOTAL	\$19,300,425

Data Source: Liability Reports as of 12/31/2019 and 3/31/2020 from Texas FAIR Plan Association

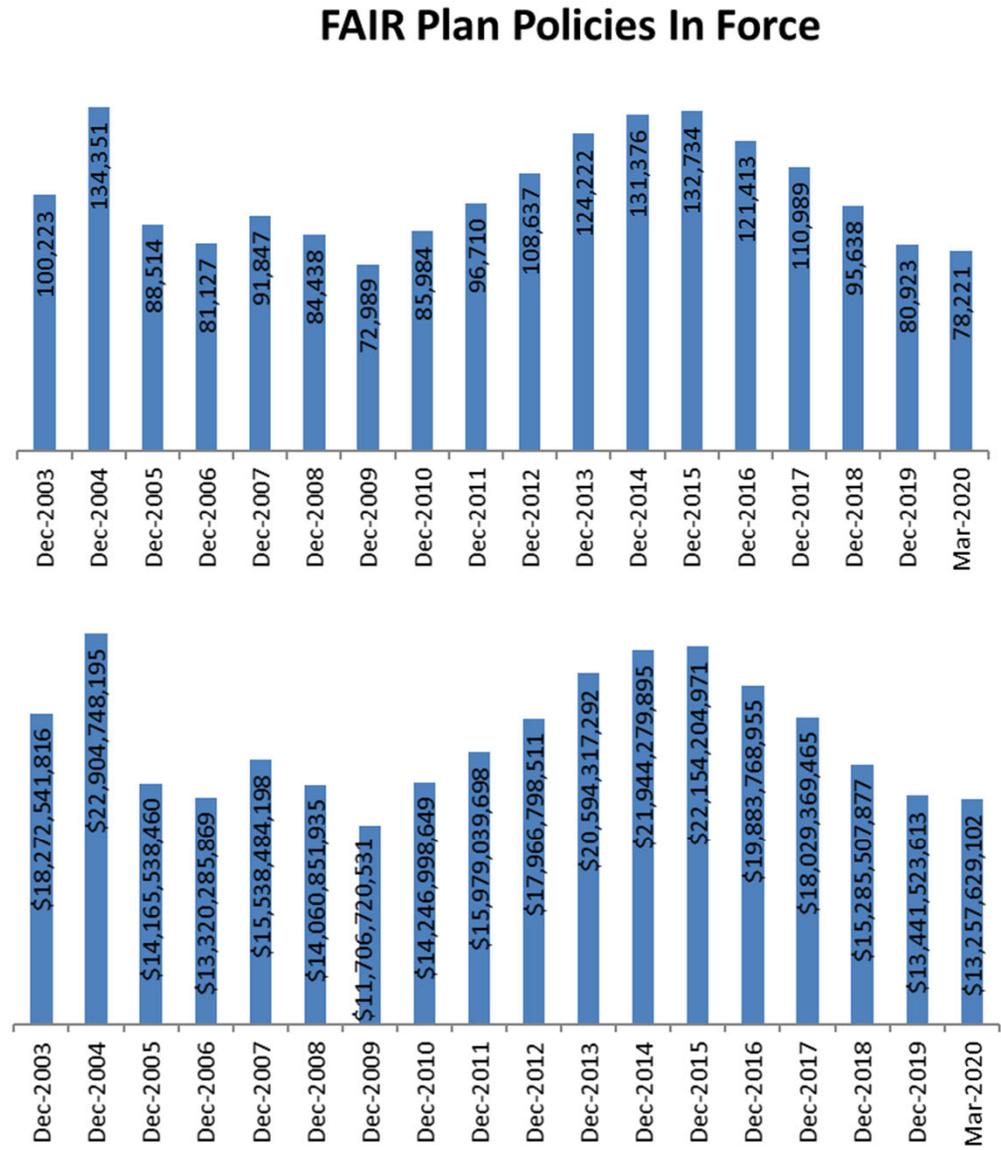
Statistical Information (continued)

B. Historical Policy Count and Exposure

Exhibit I

Historical Data 2003-2020		
Year	Policy Count	In Force Exposure*
Dec-2003	100,223	\$ 18,272,541,816
Dec-2004	134,351	\$ 22,904,748,195
Dec-2005	88,514	\$ 14,165,538,460
Dec-2006	81,127	\$ 13,320,285,869
Dec-2007	91,847	\$ 15,538,484,198
Dec-2008	84,438	\$ 14,060,851,935
Dec-2009	72,989	\$ 11,706,720,531
Dec-2010	85,984	\$ 14,246,998,649
Dec-2011	96,710	\$ 15,979,039,698
Dec-2012	108,637	\$ 17,966,798,511
Dec-2013	124,222	\$ 20,594,317,292
Dec-2014	131,376	\$ 21,944,279,895
Dec-2015	132,734	\$ 22,154,204,971
Dec-2016	121,413	\$ 19,883,768,955
Dec-2017	110,989	\$ 18,029,369,465
Dec-2018	95,638	\$ 15,285,507,877
Dec-2019	80,923	\$ 13,441,523,613
Mar-2020	78,221	\$ 13,257,629,102

*Exposure includes Dwelling, Contents, and Loss of Use coverages.



Data Source: Liability Report as of 3/31/2020
from Texas FAIR Plan Association
(all forms combined)

Statistical Information (continued)

C. Policies in Force by Type of Policy

Exhibit J

HO-A	
County	Policy Count
Harris	17,746
Galveston	3,111
Brazoria	1,366
Fort Bend	1,361
Dallas	1,293
Tarrant	1,109
Jefferson	910
El Paso	907
Nueces	732
Bexar	442
All Others	4,055
Total	33,032

TDP-1	
County	Policy Count
Harris	28,792
Fort Bend	3,789
Dallas	1,236
Tarrant	893
Galveston	723
Brazoria	399
Nueces	360
Montgomery	337
Jefferson	251
Bexar	238
All Others	2,092
Total	39,110

HO-CONB	
County	Policy Count
Harris	2,540
Galveston	269
Nueces	244
Dallas	125
Fort Bend	89
Cameron	72
Bexar	34
Travis	34
Brazos	34
Montgomery	21
All Others	115
Total	3,577

HO-BT	
County	Policy Count
Harris	1,533
Galveston	364
Fort Bend	97
Brazoria	63
Dallas	58
Tarrant	51
Montgomery	43
Nueces	32
Travis	30
Bexar	28
All Others	203
Total	2,502

Statewide policy count: 78,221

Data Source: Liability Report as of 03/31/2020, from Texas FAIR Plan Association

Statistical Information *(continued)*

D. Rates

The FAIR Plan must file any proposed rate change with the Texas Department of Insurance for approval prior to use.

E. Rate Filing History

Description	Overall Rate Change	Effective Date
Homeowners	Initial Filing	12/20/2002
Dwelling, Tenants, and Condo	Initial Filing	5/26/2003
Homeowners	3.90%	3/1/2007
Homeowners	10.70%	11/1/2008
Homeowners	4.80%	9/1/2010
Dwelling – Fire coverage	5.00%	9/1/2010
Dwelling – Extended coverage	4.60%	9/1/2010
Homeowners	14.70%	1/1/2012
Dwelling – Fire Coverage	15.00%	1/1/2012
Dwelling – Extended Coverage	12.20%	1/1/2012
Homeowners	16.70%	7/1/2013
Dwelling – Fire Coverage	21.80%	7/1/2013
Dwelling – Extended Coverage	20.60%	7/1/2013
Homeowners	7.00%	4/1/2016
Dwelling – Fire Coverage	10.00%	4/1/2016
Dwelling – Extended Coverage	6.50%	4/1/2016
Homeowners	4.20%	6/1/2017
Dwelling – Fire Coverage	5.30%	6/1/2017
Dwelling – Extended Coverage	6.20%	6/1/2017
Homeowners	8.10%	New 10/1/18; Renewal 11/1/18
Dwelling – Fire	4.10%	New 10/1/18; Renewal 11/1/18
Dwelling – Extended Coverage	9.50%	New 10/1/18; Renewal 11/1/18
Tenants	6.70%	New 10/1/18; Renewal 11/1/18 *
Condominiums	6.90%	New 10/1/18; Renewal 11/1/18 *

*First rate change since initial filing

Statistical Information *(continued)*

Note: The FAIR Plan made a rate filing on August 18, 2009, requesting a 19.5 percent increase for the Homeowners (HO-A) policy and a 20.0 percent increase for the Fire and Extended Coverage (TDP-1) policy. The filing was disapproved by Commissioner's Order 09-0924, effective November 16, 2009.

F. Policy Forms

- Policy forms and endorsements offered by the FAIR Plan are approved by the Commissioner.
- The FAIR Plan currently offers coverage through the HO-A, TDP-1, HO-CONB, and HO-BT policies, as illustrated on Page 16.

Funding of Excess FAIR Plan Losses *(continued)*

B. Funding Structure

Excess losses will be funded in the following order:

- \$40 million retention and drop down coverage for a second event to be paid from funds available to the FAIR Plan or by assessments.
 - Second event coverage – \$10 million retention.
- Losses in excess of the \$40 million retention to be paid from reinsurance totaling \$535 million. (Reinsurance program effective July 1, 2018.)
- Losses in excess of the \$40 million retention and the \$535 million in reinsurance to be paid from the following sources:
 - *Member assessment – unlimited*

VI. Funding of Excess FAIR Plan Losses

A. Funding

- If FAIR Plan incurs a deficit, it shall—at the direction of the Commissioner—either request the issuance of public securities or assess participating insurers. Insurance Code Section 2211.104.
 - *Assessments for losses are based on an individual insurer's share of the overall Texas residential property market.*
 - *Service fees associated with the issuance of public securities are determined by the Commissioner.*
- To recoup an assessment or service fee, an insurer may charge a premium surcharge on every property insurance policy it issues insuring property in Texas.
- In March 2018, FAIR Plan assessed participating insurers \$54.9 million for FAIR Plan's 2016 and 2017 deficits.
- FAIR Plan has never requested that public securities be issued.