

No. 2020-6312

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

Date: 4/9/2020

Petitions and Filing Numbers:

Homeowners (HO-A), P-1219-17; S674637

Dwelling (TDP-1), P-1219-18 S674652

Tenant (HO-BT), P-1219-19; S674651

Condominium (HO-CONB), P-1219-20; S674649

Subject Considered:

Order Superseding Commissioner Order 2020-6288 related to 2019 Rate Filings for the Texas Fair Access to Insurance Requirements Plan Association

General remarks and official action taken:

Insurance Code Section 2211.056 requires the Texas Fair Access to Insurance Requirements Plan Association (FAIR Plan) 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. The FAIR Plan filed proposed changes in its residential property insurance rates with the Texas Department of Insurance (TDI) on December 20, 2019. On February 11, 2020, notice was sent to the FAIR Plan to extend the deadline for approval or disapproval as required by Section 2211.056(c). On March 19, 2020, Commissioner Order 2020-6288 was issued, approving the FAIR Plan's proposed rate changes.

This order supersedes Commissioner Order 2020-6288 and postpones the effective date of the new FAIR Plan rates in filings S674637, S674652, S674651, and S674649 from May 1, 2020 to August 1, 2020.

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. The FAIR Plan Association is the nonprofit association established under Insurance Code Section 2211.054 to issue residential property insurance.
2. On December 20, 2019, 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 S674637, S674652, S674651, and S674649 to the homeowners (HO-A), dwelling (TDP-1), tenant (HO- BT), and condominium (HO-CONB) filings, respectively.
3. On March 19, 2020, the Commissioner approved the FAIR Plan 2019 proposed rates for homeowners, dwelling, tenant, and condominium policy forms in Commissioner Order 2020-6288. The effective date for the new rates was May 1, 2020.

Rate Indications

4. The FAIR Plan Association used its premium and loss data for five calendar/accident years ending December 31, 2014, through December 31, 2018, to develop rate indications by zone.
5. The FAIR Plan Association averaged actual expenses incurred in 2016 through 2018 to develop its expense provision.
6. The FAIR Plan Association's indicated and proposed rate changes in filing S674637 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 - Dallas/Ft. Worth	39.2%	10.0%
Central North - Remainder	15.8%	10.0%
Central South	13.3%	10.0%
North/Northwest	31.3%	10.0%
Seacoast - Tier 1	22.7%	10.0%

Seacoast - Tier 2	7.3%	7.3%
Overall Statewide Average	11.5%	7.9%

7. The FAIR Plan Association's indicated and proposed rate changes in filing S674652 for its dwelling (TDP-1) policy are the same statewide for fire but vary by zone for extended coverage 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	-1.2%	-1.2%
Extended Coverage	Central North - Dallas/Ft. Worth	50.9%	10.0%
Extended Coverage	Central North - Remainder	44.0%	10.0%
Extended Coverage	Central South	19.7%	10.0%
Extended Coverage	North/Northwest	26.3%	10.0%
Extended Coverage	Seacoast - Tier 1	-56.9%	-10.0%
Extended Coverage	Seacoast - Tier 2	11.0%	10.0%
Extended Coverage	Overall Statewide Average	11.7%	9.5%

8. The FAIR Plan Association's indicated and proposed rate changes in filing S674651 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 - Dallas/Ft. Worth		18.5%	10.0%
Central North - Remainder		36.6%	10.0%
Central South		2.6%	2.6%
North/Northwest		5.6%	5.6%
Seacoast - Tier 1		38.9%	10.0%
Seacoast - Tier 2		25.9%	10.0%

Overall Statewide Average 25.9% 9.4%

9. The FAIR Plan Association's indicated and proposed rate changes in filing S674649 for its condominium (HO-CONB) policy vary by zone as follows:

Zone	Condominium	
	<u>Indicated Change</u>	<u>Proposed Change</u>
Central North - Dallas/Ft. Worth	25.0%	10.0%
Central North - Remainder	138.1%	10.0%
Central South	18.1%	10.0%
North/Northwest	2.9%	2.9%
Seacoast - Tier 1	4.5%	4.5%
Seacoast - Tier 2	30.4%	10.0%
Overall Statewide Average	25.9%	9.2%

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

11. 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.

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

Impact of Coronavirus

13. On March 13, 2020, Governor Greg Abbott issued a statewide disaster declaration due to the COVID-19 pandemic. The effect of the global pandemic has contributed to a dramatic rise in unemployment in the state. Governor Abbott has issued several orders during this period to assist citizens during this period when employment levels have reached historically high levels.

14. The rates adopted in Commissioner Order 2020-6288 could result in an increase in the majority of residential property insurance premiums across the state during this uncertain economic period.
15. A change in the effective date for the approved rates in Commissioner Order 2020-6288 from May 1, 2020, to August 1, 2020, will help address the impact of the coronavirus epidemic by maintaining the current rates through the summer.

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 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 Insurance Code requires the FAIR Plan Association's rates to be reasonable and sufficient to carry all claims to maturity and meet the expenses incurred in writing and servicing the business.
4. The Commissioner notified the FAIR Plan of TDI's intention to extend the period to approve or disapprove the rates for an additional 30 days under Section 2211.056(c).
5. The proposed changes addressed in findings of fact numbers 6 - 12 are consistent with Insurance Code Section 2211.056(b).
6. The proposed rates were timely approved by Commissioner Order 2020-6288 on March 19, 2020, with an effective date for new and renewal business of May 1, 2020.
7. The impact of the coronavirus pandemic warrants changing the effective date for the approved rates as set in Commissioner Order 2020-6288 from May 1, 2020, to August 1, 2020.

ORDER

It is ordered that the proposed rates and fees in filings S674637, S674652, S674651, and S674649 are approved, to be effective for new business and for renewal business August 1, 2020. This order supersedes Commissioner Order 2020-6288.

Kent C. Sullivan
Commissioner of Insurance

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Chief Deputy Commissioner
Commissioner Order No. 12-0018

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