Texas FAIR Plan Association
Overview

Prepared by Texas Department of Insurance

August 9, 2023
For Quarter Ending June 30, 2023
# Table of Contents

**Background**
- Creation and Purpose ............................................. 4
- Member Insurers .................................................... 4
- Policy Types ....................................................... 5
- Top 10 Counties Policies in Force ................................. 6
- Top 10 Counties by Exposure in Force ............................ 7
- Harris County Policies in Force .................................. 8

**Hurricane Information**
- Historical Hurricanes 1900-Present ............................ 9
- Notable Hurricanes Since 2005 .................................. 10

**Coverage**
- Eligibility Requirements .......................................... 15
- Coverage by Policy Type .......................................... 16
- Loss Settlement Provisions ........................................ 17
- Policy Terms and Renewals ........................................ 18
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations</strong></td>
<td></td>
</tr>
<tr>
<td>Governing Committee</td>
<td>19</td>
</tr>
<tr>
<td>General Information</td>
<td>20</td>
</tr>
<tr>
<td>Maximum Limits of Liability</td>
<td>21</td>
</tr>
<tr>
<td><strong>Statistical Information</strong></td>
<td></td>
</tr>
<tr>
<td>Exposures, Policies, and Premium Written</td>
<td>22</td>
</tr>
<tr>
<td>Historical Policy Count and Exposure</td>
<td>23</td>
</tr>
<tr>
<td>Policies in Force by Type of Policy</td>
<td>24</td>
</tr>
<tr>
<td><strong>Rates</strong></td>
<td></td>
</tr>
<tr>
<td>Rate Filing History</td>
<td>25</td>
</tr>
<tr>
<td><strong>Funding of Excess FAIR Plan Losses</strong></td>
<td></td>
</tr>
<tr>
<td>Funding</td>
<td>27</td>
</tr>
<tr>
<td>Funding Chart</td>
<td>28</td>
</tr>
</tbody>
</table>
Background

The Texas FAIR Plan Association (FAIR Plan)

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.

Member Insurers

• 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 FAIR Plan.
Background

Policy Types

FAIR Plan provides residential property coverage statewide.

Policy forms and endorsements offered by FAIR Plan are approved by the Commissioner.

The following policy types are offered.

- HO-A, Homeowner Policy;
- TDP-1, Dwelling Policy;
- HO-CONB, Condominium Policy; and
- HO-BT, Tenant Policy.
Top 10 Counties by Policies in Force

**Policies in Force***

<table>
<thead>
<tr>
<th>County</th>
<th>Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harris</td>
<td>40,905</td>
</tr>
<tr>
<td>Fort Bend</td>
<td>4,640</td>
</tr>
<tr>
<td>Galveston</td>
<td>4,487</td>
</tr>
<tr>
<td>Brazoria</td>
<td>2,039</td>
</tr>
<tr>
<td>Dallas</td>
<td>1,823</td>
</tr>
<tr>
<td>Jefferson</td>
<td>1,450</td>
</tr>
<tr>
<td>El Paso</td>
<td>1,401</td>
</tr>
<tr>
<td>Tarrant</td>
<td>1,353</td>
</tr>
<tr>
<td>Nueces</td>
<td>1,113</td>
</tr>
<tr>
<td>Montgomery</td>
<td>731</td>
</tr>
<tr>
<td>All other</td>
<td>6,091</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66,033</strong></td>
</tr>
</tbody>
</table>

*Rounded to reflect whole percentages

Data Source: Texas FAIR Plan Association Liability Report (all forms combined) Liability Report as of June 30, 2023
**Top 10 Counties by Exposure in Force**

Data Source: Texas FAIR Plan Association Liability Report (all forms combined) as of June 30, 2023

<table>
<thead>
<tr>
<th>County</th>
<th>Exposures**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harris</td>
<td>$7.39</td>
</tr>
<tr>
<td>Galveston</td>
<td>$1.38</td>
</tr>
<tr>
<td>Fort Bend</td>
<td>$1.00</td>
</tr>
<tr>
<td>Brazoria</td>
<td>$0.63</td>
</tr>
<tr>
<td>Jefferson</td>
<td>$0.40</td>
</tr>
<tr>
<td>El Paso</td>
<td>$0.37</td>
</tr>
<tr>
<td>Dallas</td>
<td>$0.34</td>
</tr>
<tr>
<td>Nueces</td>
<td>$0.25</td>
</tr>
<tr>
<td>Tarrant</td>
<td>$0.24</td>
</tr>
<tr>
<td>Montgomery</td>
<td>$0.15</td>
</tr>
<tr>
<td>All other</td>
<td>$1.31</td>
</tr>
<tr>
<td><strong>Total</strong>*</td>
<td><strong>$13.45</strong></td>
</tr>
</tbody>
</table>

*Rounded to reflect whole percentages

**Exposures entered in billions

***Exposures include dwelling, contents, and loss of use coverages

Data Source: Texas FAIR Plan Association Liability Report (all forms combined) as of June 30, 2023
Harris County Policies in Force

Data Source: Texas FAIR Plan Association Liability Report (all forms combined) as of June 30, 2023
## Hurricane Information

### Historical Hurricanes 1900-Present

<table>
<thead>
<tr>
<th>Month</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 3, 4, and 5 Hurricanes By Month*</td>
<td>1</td>
<td>1</td>
<td>10</td>
<td>8</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saffir/Simpson Category*</td>
<td>19</td>
<td>12</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

*As of December 2021

### Saffir/Simpson Scale

<table>
<thead>
<tr>
<th>Type</th>
<th>Category</th>
<th>Damage</th>
<th>Pressure</th>
<th>Winds</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depression</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>&lt;38</td>
<td></td>
</tr>
<tr>
<td>Tropical Storm</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39-73</td>
<td></td>
</tr>
<tr>
<td>Hurricane 1</td>
<td>1</td>
<td>Minimal</td>
<td>&gt; 28.94</td>
<td>74-95</td>
<td>Very dangerous winds will produce some damage.</td>
</tr>
<tr>
<td>Hurricane 2</td>
<td>2</td>
<td>Extensive</td>
<td>28.50 - 28.91</td>
<td>96-110</td>
<td>Extremely dangerous winds will cause extensive damage.</td>
</tr>
<tr>
<td>Hurricane 3</td>
<td>3</td>
<td>Extensive</td>
<td>27.91 - 28.47</td>
<td>111-129</td>
<td>Devastating damage will occur.</td>
</tr>
<tr>
<td>Hurricane 4</td>
<td>4</td>
<td>Extreme</td>
<td>27.17 - 27.88</td>
<td>130-156</td>
<td>Catastrophic damage will occur.</td>
</tr>
<tr>
<td>Hurricane 5</td>
<td>5</td>
<td>Catastrophic</td>
<td>&lt; 27.17</td>
<td>&gt; 157</td>
<td>Catastrophic damage will occur.</td>
</tr>
</tbody>
</table>

National Hurricane Center and Central Pacific Hurricane Center.

A storm surge scale is not available. NOAA is working to enhance the analysis and predictions of storm surge.
# Hurricane Information

## Notable Hurricanes Since 2005

<table>
<thead>
<tr>
<th>Name</th>
<th>Date</th>
<th>Category</th>
<th>Loss and Loss Adjustment Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rita</td>
<td>September 23, 2005</td>
<td>3</td>
<td>$8.8 Million</td>
</tr>
<tr>
<td>Dolly</td>
<td>July 23, 2008</td>
<td>2</td>
<td>Less than $1 Million</td>
</tr>
<tr>
<td>Ike</td>
<td>September 13, 2008</td>
<td>2</td>
<td>$316 Million</td>
</tr>
<tr>
<td>Harvey</td>
<td>August 25, 2017</td>
<td>4</td>
<td>$85 Million</td>
</tr>
<tr>
<td>Nicholas</td>
<td>September 14, 2021</td>
<td>1</td>
<td>$3.75 Million</td>
</tr>
</tbody>
</table>
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 $8.8 million.

Source: Texas FAIR Plan Association

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. FAIR Plan received 200 claims and estimated losses and loss adjustment expenses of approximately $824,000.

Source: Texas FAIR Plan Association
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 losses and loss adjustment expenses of $316.1 million.

Source: Texas FAIR Plan Association
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. FAIR Plan received 16,029* 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
Hurricane Nicholas made landfall on the Matagorda Peninsula on September 14, 2021, as a Category 1 hurricane with maximum sustained wind speeds of 75 mph. FAIR received 771 claims.

Source: Texas FAIR Plan Association
Source: National Oceanic and Atmospheric Administration (NOAA)
Insurance Coverage

Eligibility Requirements

• Consumers who have been declined residential property insurance by at least two insurance companies licensed to write and writing residential property insurance in Texas may apply for coverage.

• In addition, 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 FAIR Plan to submit applications.

• 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.

• 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

## Coverage by Policy Type

FAIR Plan policies provide coverage for damage caused by:

<table>
<thead>
<tr>
<th>Peril</th>
<th>HO-A</th>
<th>TDP-1*</th>
<th>Condo</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lightning</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Sudden and Accidental Damage from Smoke</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Wind and Hail**</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Explosion</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Aircraft</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Vehicles</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Vandalism and Malicious Mischief</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Riot and Civil Commotion</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Theft</td>
<td>✓</td>
<td><strong>N/A</strong></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Liability</td>
<td>✓</td>
<td><strong>N/A</strong></td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

*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 and hail coverage for property located in the designated catastrophe area consisting of 14 coastal counties and portions of Harris County located east of State Highway 146 and within the city limits of Pasadena, Morgan's Point, Shoreacres, Seabrook, and LaPorte.

Policies written in the catastrophe area must have a Windstorm and Hail Exclusion Agreement attached. Consumers in a designated catastrophe area may purchase windstorm and hail insurance on insurable property through the Texas Windstorm Insurance Association.
## Insurance Coverage

### Loss Settlement Provisions

<table>
<thead>
<tr>
<th></th>
<th>HO-A</th>
<th>TDP-1</th>
</tr>
</thead>
</table>
| **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. | Provides actual cash value coverage, which is replacement cost minus depreciation.  
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.  
For an additional premium, the HO-A may be endorsed to provide replacement cost coverage for household contents. | Provides coverage for household contents at selected limits up to a maximum of 50% of the dwelling amount of insurance.  
Replacement cost coverage is not available on the TDP-1. |
| **Deductibles** | 1% or 2%                                                             | 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

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 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.
Operations

Governing Committee

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

General Information

- The day-to-day operations are directed by FAIR Plan’s General Manager.
- 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

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 per person/$25,000 per occurrence
- Loss of Use – 10% of Dwelling coverage; 20% of Personal Property coverage amount on Condo and Tenant policies
## Statistical Information

### Exposures, Policies, and Premium Written

<table>
<thead>
<tr>
<th>In Force *Exposure</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HO-A</td>
<td>$9,029,240,868</td>
</tr>
<tr>
<td>TDP-1</td>
<td>$4,179,900,541</td>
</tr>
<tr>
<td>HO-CONB</td>
<td>$202,761,240</td>
</tr>
<tr>
<td>HO-BT</td>
<td>$40,438,320</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$13,452,340,969</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Policies In Force</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HO-A</td>
<td>29,530</td>
</tr>
<tr>
<td>TDP-1</td>
<td>32,246</td>
</tr>
<tr>
<td>HO-CONB</td>
<td>2,608</td>
</tr>
<tr>
<td>HO-BT</td>
<td>1,649</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>66,033</strong></td>
</tr>
</tbody>
</table>

*Includes Dwelling, Contents and Loss of Use Coverages

---

<p>| All Forms Combined Year End Written Premium as of 12/31/2022 - $76,880,876 |</p>
<table>
<thead>
<tr>
<th>Year to Date Written Premium as of 06/30/2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>HO-A</td>
</tr>
<tr>
<td>TDP-1</td>
</tr>
<tr>
<td>HO-CONB</td>
</tr>
<tr>
<td>HO-BT</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

*Data Source: Liability Reports as of 12/31/2022 and 06/30/2023 from Texas FAIR Plan Association.*

*Data is rounded to whole dollars.*
**Statistical Information**

**Historical Policy Count and Exposure**

<table>
<thead>
<tr>
<th>Year</th>
<th>Policy Count</th>
<th>In Force Exposure*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-2003</td>
<td>100,223</td>
<td>$18,272,541,816</td>
</tr>
<tr>
<td>Dec-2004</td>
<td>134,351</td>
<td>$22,904,748,195</td>
</tr>
<tr>
<td>Dec-2005</td>
<td>88,514</td>
<td>$14,165,538,460</td>
</tr>
<tr>
<td>Dec-2006</td>
<td>81,127</td>
<td>$13,320,285,869</td>
</tr>
<tr>
<td>Dec-2007</td>
<td>91,847</td>
<td>$15,538,484,198</td>
</tr>
<tr>
<td>Dec-2008</td>
<td>84,438</td>
<td>$14,060,851,935</td>
</tr>
<tr>
<td>Dec-2009</td>
<td>72,989</td>
<td>$11,706,720,531</td>
</tr>
<tr>
<td>Dec-2010</td>
<td>85,984</td>
<td>$14,246,998,649</td>
</tr>
<tr>
<td>Dec-2011</td>
<td>96,710</td>
<td>$15,979,039,698</td>
</tr>
<tr>
<td>Dec-2012</td>
<td>108,637</td>
<td>$17,966,798,511</td>
</tr>
<tr>
<td>Dec-2013</td>
<td>124,222</td>
<td>$20,594,317,292</td>
</tr>
<tr>
<td>Dec-2014</td>
<td>131,376</td>
<td>$21,944,279,895</td>
</tr>
<tr>
<td>Dec-2015</td>
<td>132,734</td>
<td>$22,154,204,971</td>
</tr>
<tr>
<td>Dec-2016</td>
<td>121,413</td>
<td>$19,883,768,955</td>
</tr>
<tr>
<td>Dec-2017</td>
<td>110,989</td>
<td>$18,029,369,465</td>
</tr>
<tr>
<td>Dec-2018</td>
<td>95,637</td>
<td>$15,285,507,877</td>
</tr>
<tr>
<td>Dec-2019</td>
<td>80,923</td>
<td>$13,441,523,613</td>
</tr>
<tr>
<td>Dec-2020</td>
<td>73,713</td>
<td>$12,618,291,115</td>
</tr>
<tr>
<td>Dec-2021</td>
<td>66,512</td>
<td>$11,471,201,139</td>
</tr>
<tr>
<td>Dec-2022</td>
<td>61,452</td>
<td>$11,301,744,485</td>
</tr>
<tr>
<td>June-2023</td>
<td>66,033</td>
<td>$13,452,340,969</td>
</tr>
</tbody>
</table>

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

Data Source: Texas FAIR Plan Association Liability Report (all forms combined) as of 06/30/2023
## Statistical Information

### Policies in Force by Type of Policy

<table>
<thead>
<tr>
<th>HO-A</th>
<th>County</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harris</td>
<td>14,691</td>
<td></td>
</tr>
<tr>
<td>Galveston</td>
<td>3,291</td>
<td></td>
</tr>
<tr>
<td>Brazoria</td>
<td>1,556</td>
<td></td>
</tr>
<tr>
<td>Fort Bend</td>
<td>1,230</td>
<td></td>
</tr>
<tr>
<td>El Paso</td>
<td>1,193</td>
<td></td>
</tr>
<tr>
<td>Jefferson</td>
<td>1,117</td>
<td></td>
</tr>
<tr>
<td>Dallas</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td>Tarrant</td>
<td>720</td>
<td></td>
</tr>
<tr>
<td>Nueces</td>
<td>660</td>
<td></td>
</tr>
<tr>
<td>Montgomery</td>
<td>409</td>
<td></td>
</tr>
<tr>
<td>All others</td>
<td>3,863</td>
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**Statewide policy count: 66,033**

Data Source: Texas FAIR Plan Association Liability Report as of 06/30/23
Note: 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.
Funding of Excess FAIR Plan Losses

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 in Texas.
• In March 2018, FAIR Plan assessed participating insurers $54.9 million for it’s 2016 and 2017 deficits.
• FAIR Plan has never requested that public securities be issued.
Funding of Excess FAIR Plan Losses

Funding

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 FAIR Plan or by assessments.

  ➢ Second event coverage – $10 million retention.

- Losses in excess of the $40 million retention to be paid from $325 million in reinsurance. (Reinsurance program effective July 1, 2023.)

- Losses in excess of the $40 million retention and the $325 million in reinsurance to be paid from the following sources:

  ➢ Member assessment – unlimited
Funding of Excess FAIR Plan Losses
2023 Funding Chart

Fair’s 2023 reinsurance program, in effect July 1, 2023, through June 30, 2024.

Chart source: FAIR Plan