

No. 2025-9253

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

**Date: 04/11/2025**

*Petition and Filing Numbers:*

Homeowners, S726970

Dwelling, S726971

Condominium, S726972

Tenants, S726973

Petition No. P-0125-04

**Subject Considered:**

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 S726970, S726971, S726972, and S726973, as filed by the Texas Fair Access to Insurance Requirements Plan 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. Under this statute, 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 upon written notice by the Texas Department of Insurance (TDI) to the FAIR Plan. This order addresses the proposed changes in the residential property insurance rates the FAIR Plan filed with TDI on January 13, 2025.

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The original deadline for commissioner approval or disapproval was March 14, 2025, subject to the 30-day extension. TDI extended the deadline, by letter dated March 6, 2025, to April 14, 2025.

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 underserved areas in Texas and it serves as the nonprofit association that performs the functions that Insurance Code Section 2211.054 requires, under the plan of operation adopted under that section.
2. On January 13, 2025, the FAIR Plan filed residential property insurance rates for its Homeowners, Dwelling, Condominium, and Tenants policy forms with TDI. TDI assigned filing numbers S726970, S726971, S726972, and S726973 to the Homeowners, Dwelling, Condominium, and Tenants filings, respectively.
3. The FAIR Plan filings contained:
  - a. proposed rate changes for the forms listed in Finding of Fact No. 2;
  - b. proposed changes to the FAIR Plan's deductible options for its Homeowners and Dwelling policies for new and renewal business; and
  - c. proposed rate credits for the existing and proposed new deductible options for Homeowners and Dwelling policies.

## Proposed Rate Changes

4. The filings included actuarial rate indications to support the proposed rate changes. There are separate rate indications for each policy form and geographic zone.
5. The FAIR Plan developed the rate indications using the loss ratio method, which compares the estimated percentage of each premium dollar needed to cover future losses, loss adjustment expenses (LAE), and other fixed expenses to the amount of each premium dollar that is available to pay for such costs.

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6. The rate indications included estimates of the following costs: wind losses and LAE; non-wind losses and LAE; reinsurance; commission expenses; general expenses; and taxes, licenses, and fees. The rate indications also included a provision for the Stabilization Fund, which is intended to permit the development of surplus funds available to the FAIR Plan.
7. The rate changes proposed by the FAIR Plan reflect a cap of +25% on the indicated rate increases and -25% on the indicated rate decreases.
8. Limiting rate changes is a common practice in insurance rate setting and helps promote rate stability.
9. In response to objections from TDI, the FAIR Plan revised the general expense provision and loss trending method used in the rate indications, then revised the proposed rate changes to reflect the revised indications, maintaining the cap of +25% on the indicated rate increases and -25% on the indicated rate decreases.
10. The FAIR Plan's revised indicated and proposed rate changes in filing S726970 for its Homeowners policy vary by zone as follows:

## Homeowners

<b><u>Zone</u></b>	<b><u>Indicated Change</u></b>	<b><u>Proposed Change</u></b>
Central North – Greater Dallas/Ft. Worth	25.5%	25.0%
Central North – Remainder	2.9%	2.9%
Central South	14.9%	14.9%
North/Northwest	11.7%	11.7%
Seacoast – Tier 1	-14.9%	-14.9%
Seacoast – Tier 2	11.9%	11.9%
Overall Statewide Average	10.8%	10.8%

11. The FAIR Plan's revised indicated and proposed rate changes in filing S726971 for fire coverage for its Dwelling policy do not vary by zone. The revised indicated and proposed rate changes for extended coverage, however, do vary by zone. The revised indicated and proposed changes for fire and extended coverage are as follows:

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## Dwelling – Fire

	<u>Indicated Change</u>	<u>Proposed Change</u>
Overall Statewide Average	11.7%	11.7%

## Dwelling – Extended Coverage

<u>Zone</u>	<u>Indicated Change</u>	<u>Proposed Change</u>
Central North – Greater Dallas/Ft. Worth	105.9%	25.0%
Central North – Remainder	88.8%	25.0%
Central South	75.2%	25.0%
North/Northwest	52.9%	25.0%
Seacoast – Tier 1	-35.6%	-25.0%
Seacoast – Tier 2	35.4%	25.0%
Overall Statewide Average	39.5%	24.7%

12. The FAIR Plan's revised indicated and proposed rate changes in filing S726972 for its Condominium policy vary by zone as follows:

## Condominium

<u>Zone</u>	<u>Indicated Change</u>	<u>Proposed Change</u>
Central North – Greater Dallas/Ft. Worth	2.4%	2.4%
Central North – Remainder	-9.8%	-9.8%
Central South	15.4%	15.4%
North/Northwest	-6.9%	-6.9%
Seacoast – Tier 1	-5.4%	-5.4%
Seacoast – Tier 2	9.2%	9.2%
Overall Statewide Average	7.4%	7.4%

13. The FAIR Plan's revised indicated and proposed rate changes in filing S726973 for its Tenants policy vary by zone as follows:

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	<b>Tenants</b>	
<b><u>Zone</u></b>	<b><u>Indicated</u></b> <b><u>Change</u></b>	<b><u>Proposed</u></b> <b><u>Change</u></b>
Central North – Greater Dallas/Ft. Worth	-13.1%	-13.1%
Central North – Remainder	-19.2%	-19.2%
Central South	-19.1%	-19.1%
North/Northwest	-19.6%	-19.6%
Seacoast – Tier 1	-20.9%	-20.9%
Seacoast – Tier 2	0.3%	0.3%
Overall Statewide Average	-6.7%	-6.7%

14. TDI actuarial staff concluded that there is a sound actuarial basis for the revised proposed rate changes.
15. TDI actuarial staff concluded that the revised proposed rate changes are consistent with Insurance Code Section 2211.056.

## **Proposed Deductible Option Changes**

16. The proposed deductible changes would remove the 1% deductible option; make the 2% deductible option the new minimum and default deductible; and add deductible options of 3%, 4%, and 5%.
17. TDI has instructed the FAIR Plan to submit the proposed changes to the deductible options in an underwriting guidelines filing for the commissioner to approve or disapprove under 28 Texas Administrative Code (TAC) Section 5.9916.

## **Proposed Deductible Credits**

18. The proposed deductible credits for Homeowners and Dwelling policies vary by the amount of insurance on the policy. For Homeowners policies, there are separate credits for wind/hail and all other perils.
19. The filings included a relativity analysis to support the proposed deductible credits for the existing and proposed new deductible options.

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20. The FAIR Plan developed the relativity analysis using a loss elimination ratio approach, which estimates the losses that are eliminated going from one deductible to a higher one.
21. In response to objections from TDI, the FAIR Plan revised an adjustment used in the relativity analysis, then revised the proposed deductible credits to reflect the revised indicated credits.
22. TDI actuarial staff concluded that there is a sound actuarial basis for the revised proposed deductible credits.
23. TDI actuarial staff concluded that the revised proposed deductible credits are consistent with Insurance Code Section 2211.056.

### 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 rate changes addressed in Findings of Fact Nos. 4–15 are consistent with Insurance Code Section 2211.056(b).
4. The proposed deductible credits addressed in Findings of Fact Nos. 18–23 are consistent with Insurance Code Section 2211.056(b).
5. The FAIR Plan must file the proposed changes to the deductible options in an underwriting guidelines filing under 28 TAC Section 5.9916 and receive commissioner approval before it may implement the changes.

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## Order

It is ordered that the proposed rate changes in filings S726970, S726971, S726972, and S726973 are approved, to be effective for new and renewal business August 1, 2025.

It is ordered that the proposed Homeowners and Dwelling deductible credits in filings S726970 and S726971 are approved. The proposed changes to the deductible options are not approved in this order.

Signed by:  
  
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Cassie Brown  
Commissioner of Insurance

Recommended and reviewed by:

Signed by:  
  
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Mark Worman, Deputy Commissioner

Signed by:  
  
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Jessica Barta, General Counsel