



FAIR Plan Governing Committee Quarterly Meeting – February 24, 2025

The Governing Committee of the Texas FAIR Plan Association (TFPA) held its quarterly meeting in Galveston and virtually via Zoom on February 24. The meeting materials can be found [here](#).

Update on Member Assessments

At the August 5, 2024, meeting, the TFPA Governing Committee authorized staff to submit a filing to TDI requesting a member assessment in the amount of \$57.655 million dollars. That amount consisted of two components: 1. \$17.655 million related to the deficit for the calendar year ended December 31, 2023. 2. \$40 million for the projected retained loss related to Hurricane Beryl which struck in July 2024. On November 7, 2024, Commissioner Brown approved the FAIR Plan to proceed with the \$17.655 million assessment for the 2023 deficit and left the \$40 million amount under further review. The assessment letters were mailed to member companies on December 16, 2024, and TFPA reported that slightly over \$17.5 million has been collected as of February 7, 2025.

Since the \$40 million assessment (second assessment) request from last year is still officially under review, the Governing Committee has the option to revise the original request and submit an updated request based on final 2024 year-end numbers. The ending deficit as of December 31, 2024, was \$60.069 million. **The Governing Committee approved a motion to revise the request and submit a request for approval of a \$60.069 million assessment to participating insurers. The assessment would use 2024 participation numbers.**

TDI will review the submission and confirm that the request matches the information in our 2024 annual statutory statement that will be filed on or before March 1, 2025.

As a reminder Section 2211.104, Insurance Code provides that member companies may recoup the assessment over a three-year period by imposing a premium surcharge on every property insurance policy insuring property in this state that the insurer issues.

Operational Highlights

As of December 31, 2024:

- Policies In-Force (PIF)- 113.9K (up from 72.6K last year at this time)
- Total Insured Value (TIV) - \$32.9 billion (up from \$16.3 billion last year at this time)
- Claims reported- 16,933
- Incurred loss and LAE- \$120.4 million

The operational dashboard can be found on page 14 of the meeting materials.

TFPA Growth

TFPA staff reported a 57% increase in policies, rising from 72,626 on December 31, 2023, to 113,860 on December 31, 2024. During the same period, exposure grew by 102%, increasing from \$16.3 billion to \$33 billion.

Staff observed that the pace of growth is accelerating, particularly in non-coastal areas. While policy numbers are increasing outside coastal regions, Harris County remains the highest concentration area, experiencing more policy growth than any other location in the state, even if not in percentage terms.

Update on Annual Rate Filing

At its December 9, 2024, meeting, the Governing Committee voted to file for the full actuarial rate indications for all policy forms, limited to no more than a 25% change in any territory, and to update its deductible options, eliminating the 1% deductible and adding 3%, 4%, and 5% options. The filing was made January 13, 2025, with a proposed effective date of August 1, 2025. This filing is under review by TDI, and TFPA staff noted they have been going back and forth with the TDI actuary but do not have any indications that there is a cause for concern.

By statute, TDI has 60 days to approve or disapprove the filed rates, with an option to extend this period to 90 days at its discretion. A decision is expected by mid-March unless TDI exercises the extension, in which case it would be due by mid-April.

2025 Funding and Reinsurance

After a presentation from reinsurance broker Gallagher Re, the TFPA Governing Board unanimously approved a plan for the 2025 hurricane season reinsurance purchase. **The Board directed TFPA staff to secure coverage with an \$800 million attachment point, a \$60 million retention, and an RPP purchase on Layer 1 for a second event.** Additionally, the Committee voted to cap reinsurance spending at the \$130 million currently budgeted, requiring staff to seek further approval if costs exceed this amount. The Board also authorized flexibility in placement, allowing reinsurance to be secured through either the traditional market or catastrophe bond market, depending on what best serves the association.

Notably, the \$800 million is a lower attachment point than the 1:100 PML of \$888 million. This decision followed a discussion amongst Committee members on the implications of not using a 1:100 PML. Governing Committee member, John Miletti raised the topic, expressing challenges in finding viable options for reinsuring up to the 1:100 event due to TFPA's financial constraints. There was discussion about past storms and whether the 1:100 PML threshold has ever been met or exceeded. TFPA staff responded that it has not, highlighting that Hurricane Ike was the largest loss in the association's history and it did not reach the threshold.

Financial

- **Direct Written Premium:** Direct written premium as of December 2024, was \$237.3 million (compared to \$113.5 million in December 2023).
- **Reinsurance Costs:** The TFPA 2024-2025 reinsurance program was placed through broker Gallagher Re and was effective July 1, 2024. The program provides coverage of \$518 million in excess of a \$40 million initial retention and includes coverage that reduces the net retention to \$10 million for a second event. Reinstatement premium protection was also purchased to cover 90.3% of the cost to reinstate the first \$210 million of reinsurance limit. Gross ceded premium for the 2024/25 reinsurance program totaled \$92.5 million which includes \$1.7 million of reinstatement premium associated with Hurricane Beryl. This total reflects an overall rate-on-line (ROL) of 12.7% compared to 11.2% ROL for the 2023/24 program. The net cost of the

reinsurance program after ceding commission was \$84.8 million. Ceded premiums are earned on a pro-rata basis over the term of the reinsurance coverage.

- **Loss and Loss Adjustment Expense Incurred:** Year-to-date Direct losses and LAE totaled \$183.9 million, up from \$47.3 million last year at this time.
- **Commission & Premium Taxes:** Commission expense was \$27.1 million (up from \$12.5 million last year at this time). Premium taxes year-to-date were \$4.1 million (compared to \$2 million last year at this time).
- **Surplus/Deficit:** The Association's beginning 2024 deficit of \$17.7 million increased to \$60.1 million as of December 31, 2024, due primarily to the year-to-date net loss of \$42.9 million.

Claims Update

- As of February 2, 2025, TFPA 10,170 claims resulting from Hurricane Beryl and have paid out a little over \$81 million in Hurricane Beryl Claims.
- Committee members asked about the potential stabilization of repair costs. Staff responded that Verisk is monitoring growth in these expenses, noting that tariffs will have an impact. Additionally, they highlighted that prices for materials such as paint and concrete are on the rise, which had not been observed previously.
- TFPA staff reported an increase in high-value properties experiencing significant losses, noting that in January, they recorded one fire claim per day for the FAIR Plan.

Communications and Legislative Affairs Update

General Manager David Durden provided an update on the interim report recommendations from the House State Affairs and House Insurance committees. He also noted that they continue to work with TDI on finalizing the development of forms related to FAIR Plan property owners' association policies as required by HB 998 and that they understand TDI has received two petitions for areas to be designated as underserved by the private market for this coverage. These petitions are all in the Clear Lake area.

The next meeting of TFPA will be May 5, 2025, in Austin. TFPA is looking at dates to move their December board meeting to November to follow more of a quarterly schedule.