



P&C MARKET REPORT

2024

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Message from the Executive Director

On behalf of the Insurance Council of Texas (ICT) staff and board of directors, we are pleased to present the 2024 State of the Texas Property & Casualty Insurance Market Report. This report highlights the current market conditions, trends, and challenges impacting the industry and the state's economy.

With 1,162 groups and 3,086 companies writing property and casualty insurance in Texas, the market remains highly competitive and offers policyholders a diverse range of coverage options and pricing. The Texas market continued to grow, with close to \$75 billion in direct written premiums. Growth varied among the various lines and personal auto continued to lead the way with more than \$31 billion in premiums. To further demonstrate the growth of the Texas market, insurance taxes are now the fifth largest source of tax revenue for Texas with over \$4 billion in insurance taxes as of the end of the state's 2023 fiscal year.

Concurrently, losses continue to increase year after year, with over \$45 billion in losses in 2023, a 21% increase from 2022. Multiple severe weather events in 2023, along with inflationary pressures, increased costs to repair and replace homes and vehicles, higher reinsurance costs, and legal system abuse all factored into rising loss totals.

These challenges are not unique to Texas but unlike other states, we are not experiencing multiple market withdrawals or limited private market options for consumers. The Texas economy and population continue to grow creating new opportunities for companies looking to offer new products in all lines. With that growth, however, there is also increasing risk in a state with multiple severe weather catastrophes. At the time this report was being prepared, we have had wildfires in the Texas panhandle, hailstorms, severe wind, and storm events across all parts of Texas, and a very early hurricane made landfall in the coastal bend area resulting in an estimated \$3 billion in insured losses. These events have already sparked concern about additional pressure on rates and questions about potential mitigation and resilience strategies in the future.

ICT is proud to serve this industry and the people of Texas. We are committed to keeping you informed and advocating for a strong and stable Texas property and casualty insurance industry. We hope you find this report insightful and valuable. Please contact us with any questions.



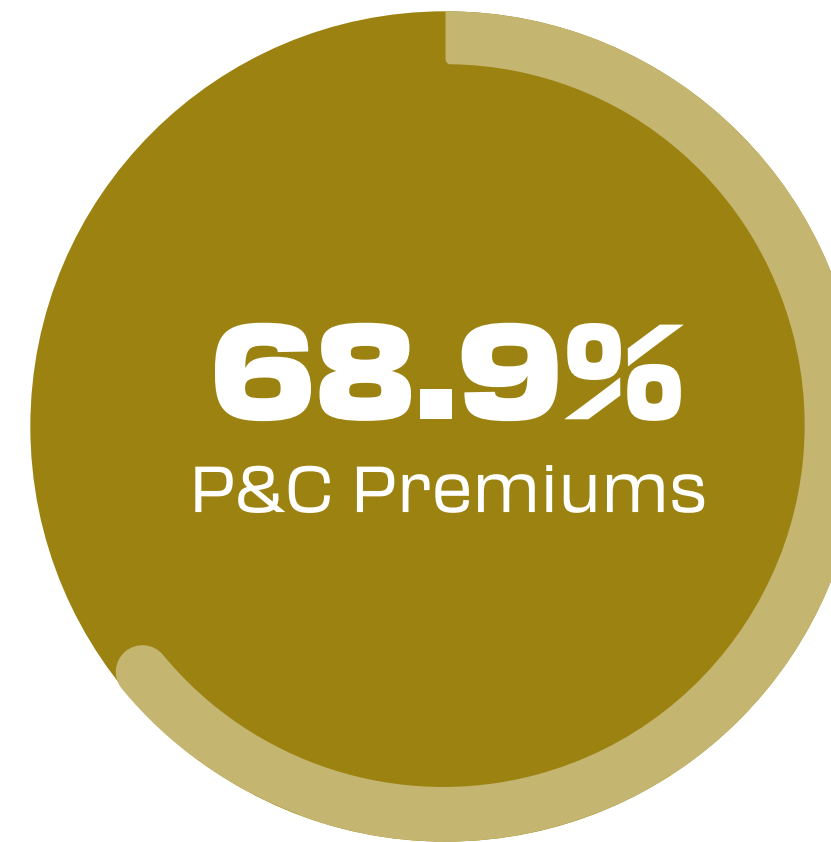
Albert Betts
Executive Director,
Insurance Council of Texas

Industry Overview and Impact

Growth in Property and Casualty Insurance



In 2023 the United States, Property and Casualty (P&C) insurance direct written premiums amounted to **\$964 billion**. This is up from \$876 billion in 2022.



P&C premiums in the United States **grew by 68.9%** from 2013 to 2023.

Texas as a Key Contributor

Texas ranks as the second-largest state for P&C direct written premiums, reflecting its substantial role in the U.S. insurance market. With **\$74.3 billion** in premiums for 2023, up from \$66.3 billion in premiums for 2022 (a 12% increase), Texas demonstrates significant growth and competitiveness in the P&C sector, following California and surpassing Florida.



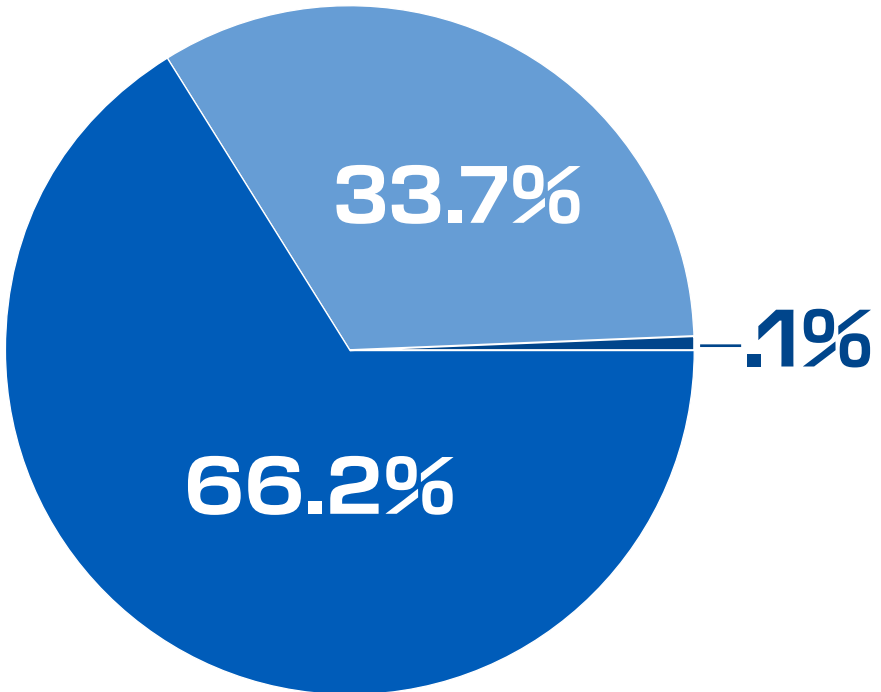


Distribution of P&C Insurance

Breakdown by line of business in 2022:

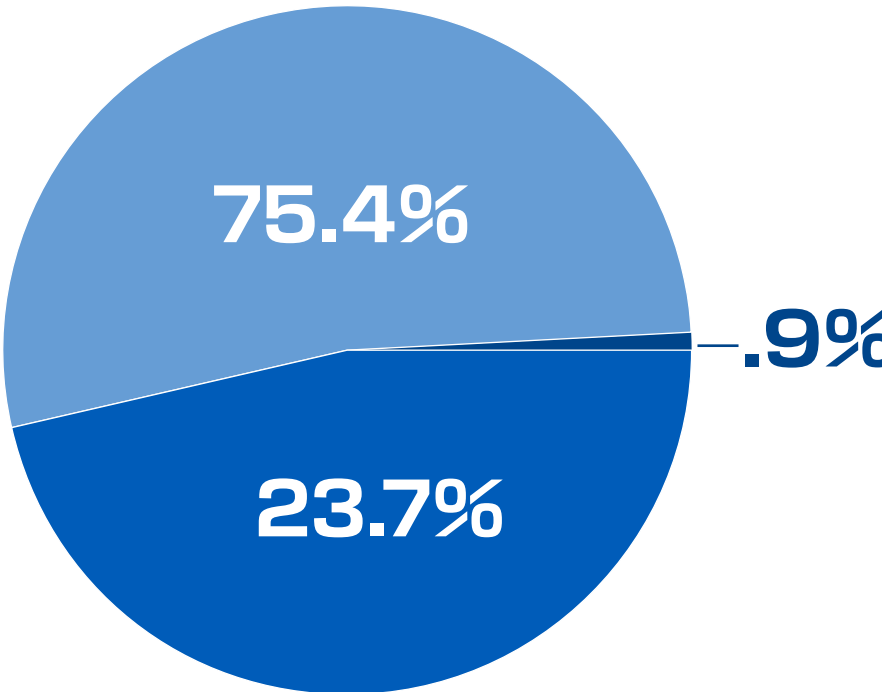
Personal Lines

■ Agency ■ Direct ■ Other



Commercial Lines

■ Agency ■ Direct ■ Other



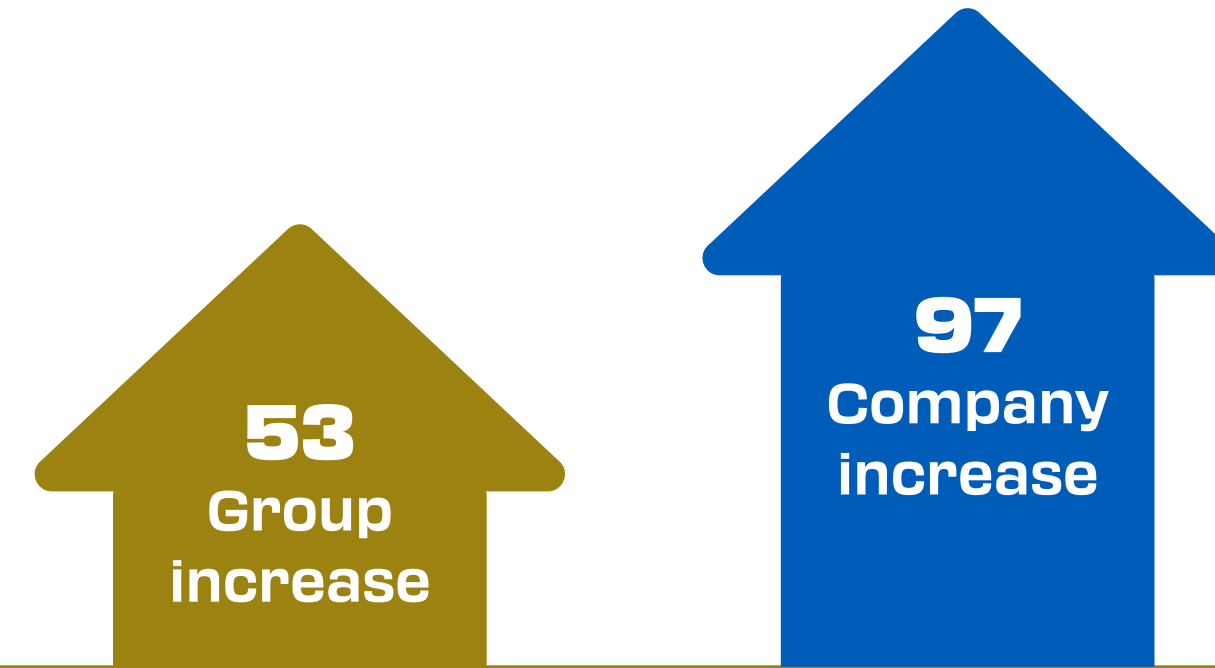
Key Insight: From 2018 to 2022, the distribution channel for all Property & Casualty lines shifted by nearly three percentage points in favor of agency writers, increasing their share to 53.3%.

* For this analysis, 'agency writers' encompass insurers distributing through independent agencies, brokers, general agents, and managing general agents. 'Direct writers' include insurers distributing through the internet, exclusive/captive agents, direct response channels, and affinity groups.

Texas Market Overview

The Texas insurance market remained competitive in 2023, with an increase in both the number of groups and companies engaged in writing property and casualty insurance.

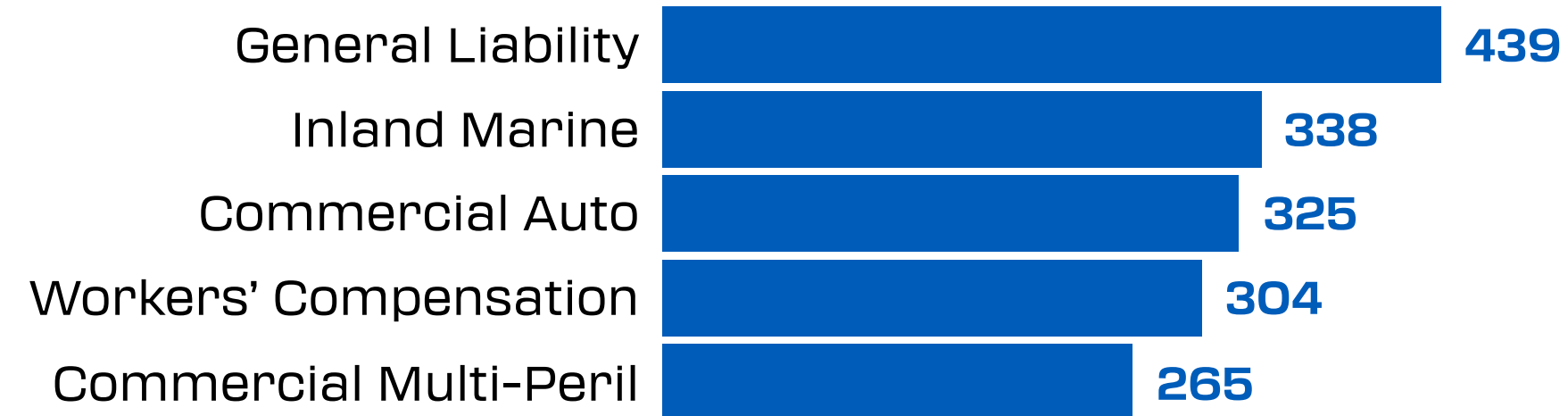
- **1,162** groups up from **1,109** groups in 2022
- **3,086** companies operating up from **2,989** companies in 2022



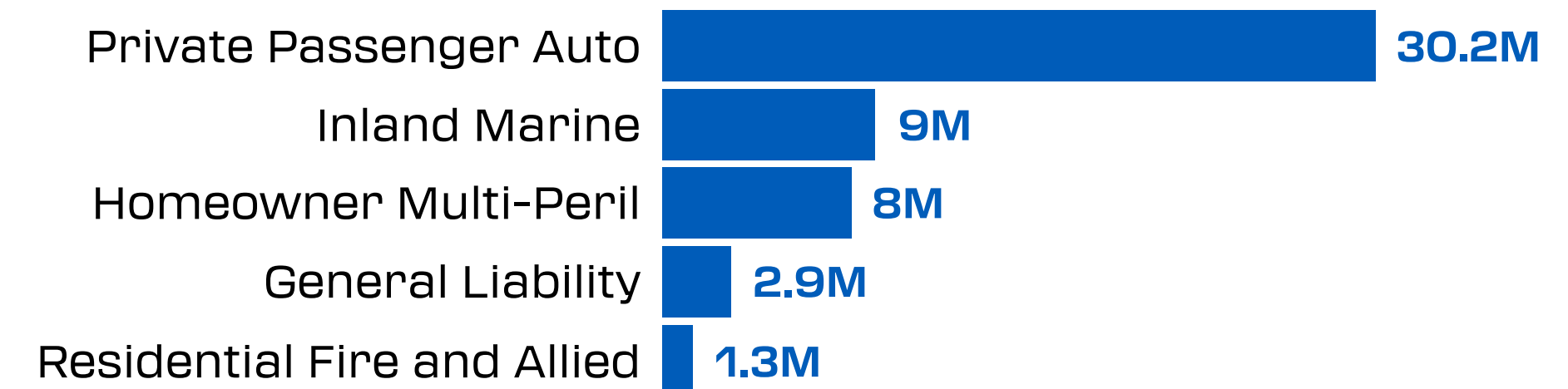
Texas continues to be a hub for domestic insurance companies remaining number one in the nation.

- 212 domestic insurance companies in 2022 up from 202 in 2021

Top Five Lines of Insurance Based on Number of Companies Writing Policies



Top Five Lines of Insurance Based on Number of Policies Written



54.4 million policies representing a 7.7% increase since 2020

Overall, the total number of policies written in Texas in 2022 reached 54,398,856, underscoring the extensive reach and impact of the insurance industry within the state's economy and beyond.

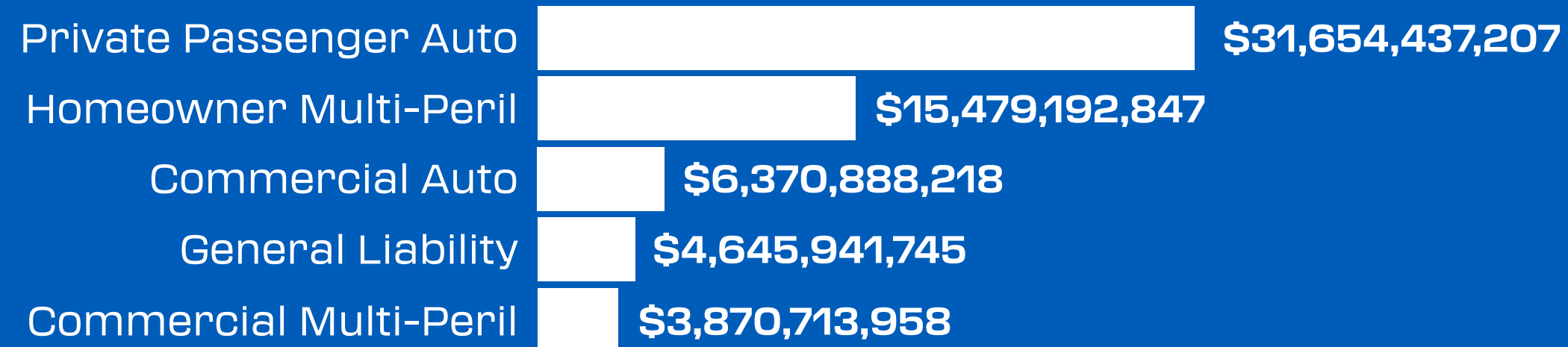
Premiums in Texas

Direct written premiums for property and casualty in Texas increased by 12% from 2022 to 2023.

Total Direct Written Premiums

- **2022:** \$66,315,856,597
- **2023:** \$74,322,468,515

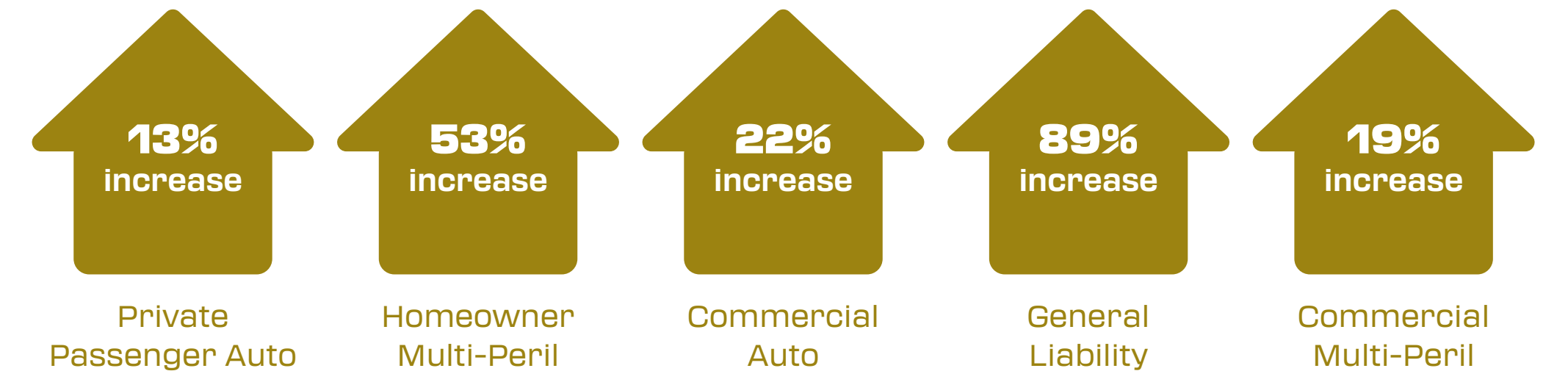
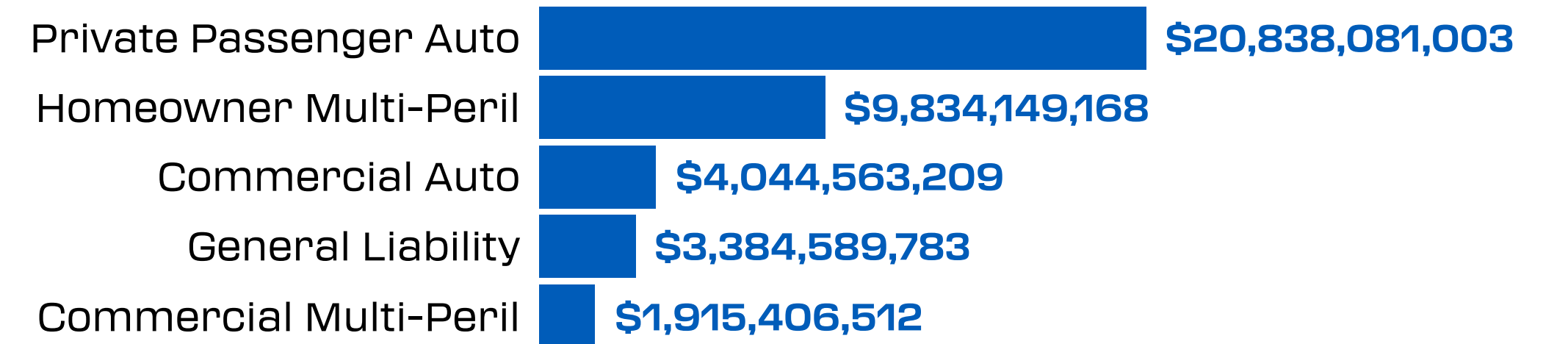
Top Five Direct Written Premiums by Lines of Insurance in 2023



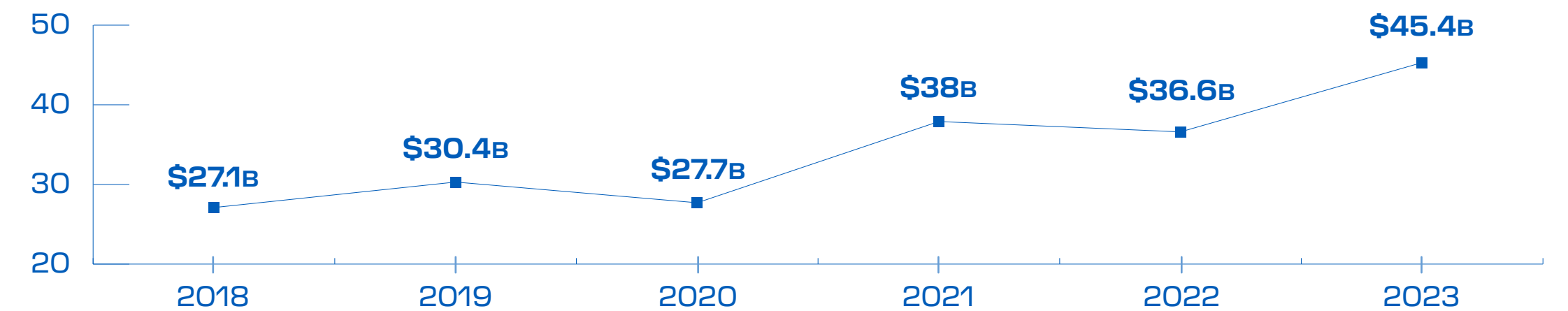
Losses in Texas

Direct losses in 2023 totaled \$45,390,046,152. This is a **21% increase** from 2022.

Historical Losses: Top Five Direct Losses by Line for 2023



Direct Losses in Texas 2018-2023





Industry Issues Spotlight: Inflation, Rising Cost, and Rate Impact

The insurance industry is grappling with rising costs, leading to substantial increases in premiums. Factors contributing to this include:

- **Inflation**
- **Changing driving habits**
- **More frequent and severe natural disasters**
- **Litigation costs**
- **Higher reinsurance expenses**

These dynamics are posing challenges for insurers and policyholders alike. Moving forward, it will be crucial to inform regulators and lawmakers about market conditions, inflationary pressures, increased losses, reinsurance costs, and legal issues. Moreover, exploring strategies to mitigate risks and enhance resilience will be increasingly important.

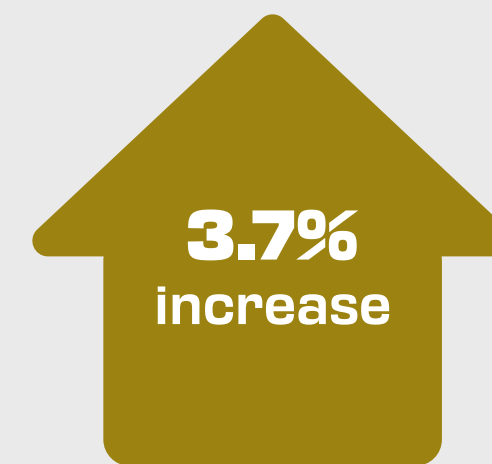


Cost of Goods and Services

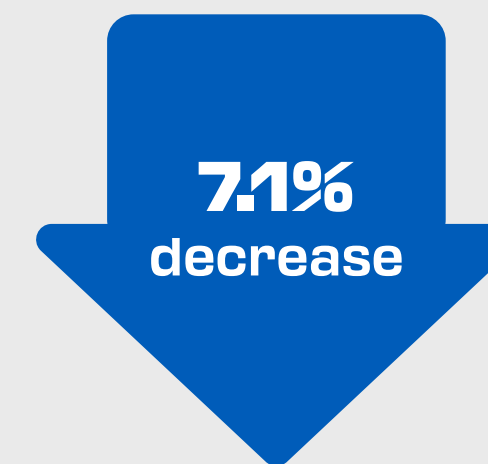
According to the Bureau of Labor and Statistics, the Consumer Price Index for All Urban Consumers (CPI-U) rose 4.1% in 2023. After significant increases, some costs continue to rise while others begin to level off.

Replacement Costs in Property and Casualty Insurance

Personal Auto Economic Drivers



New Vehicles

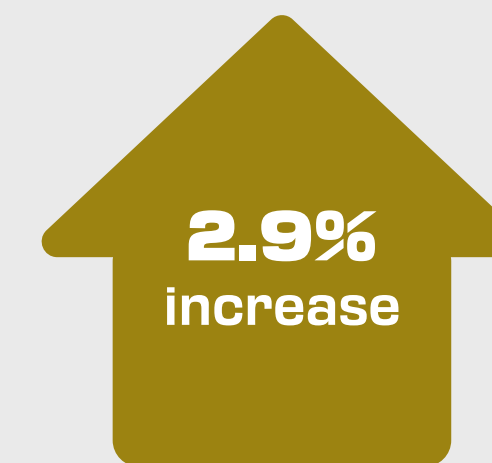


Used Cars
and Trucks

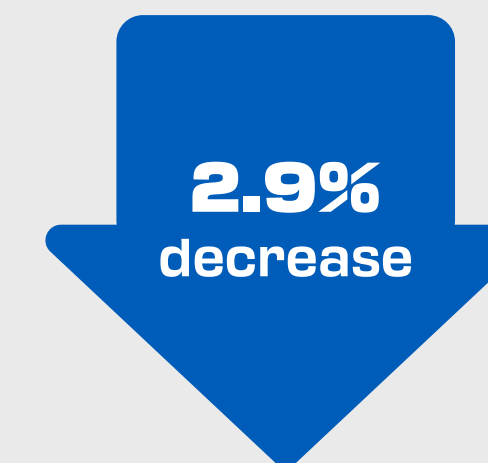


Motor Vehicle Parts
and Equipment

Homeowner Economic Drivers




Household Furnishings
and Supplies



Construction
Materials

* Prices reflect May 2023 through May 2024



Industry Issue Spotlight: Litigation and Social Inflation

Litigation in the insurance industry is an escalating concern, driving up costs and complicating the landscape for insurers and policyholders alike. The Insurance Information Institute has found that four factors contribute to legal system abuse in the United States, which is the biggest cost driver in social inflation. This abuse, referring to insurance claims that escalate into litigation unnecessarily, stems from four key issues: third-party litigation funding (TPLF); plaintiff attorney advertising (“The Billboard Effect”); increasing plaintiff attorney contingency fees, and eroding caps on damages. These factors collectively escalate litigation costs, posing significant challenges for the insurance industry.

According to a recent study by Marathon Strategies, in 2023, Texas ranked second in the country in nuclear verdicts with judgments reaching \$37 billion.

The Cost of Litigation

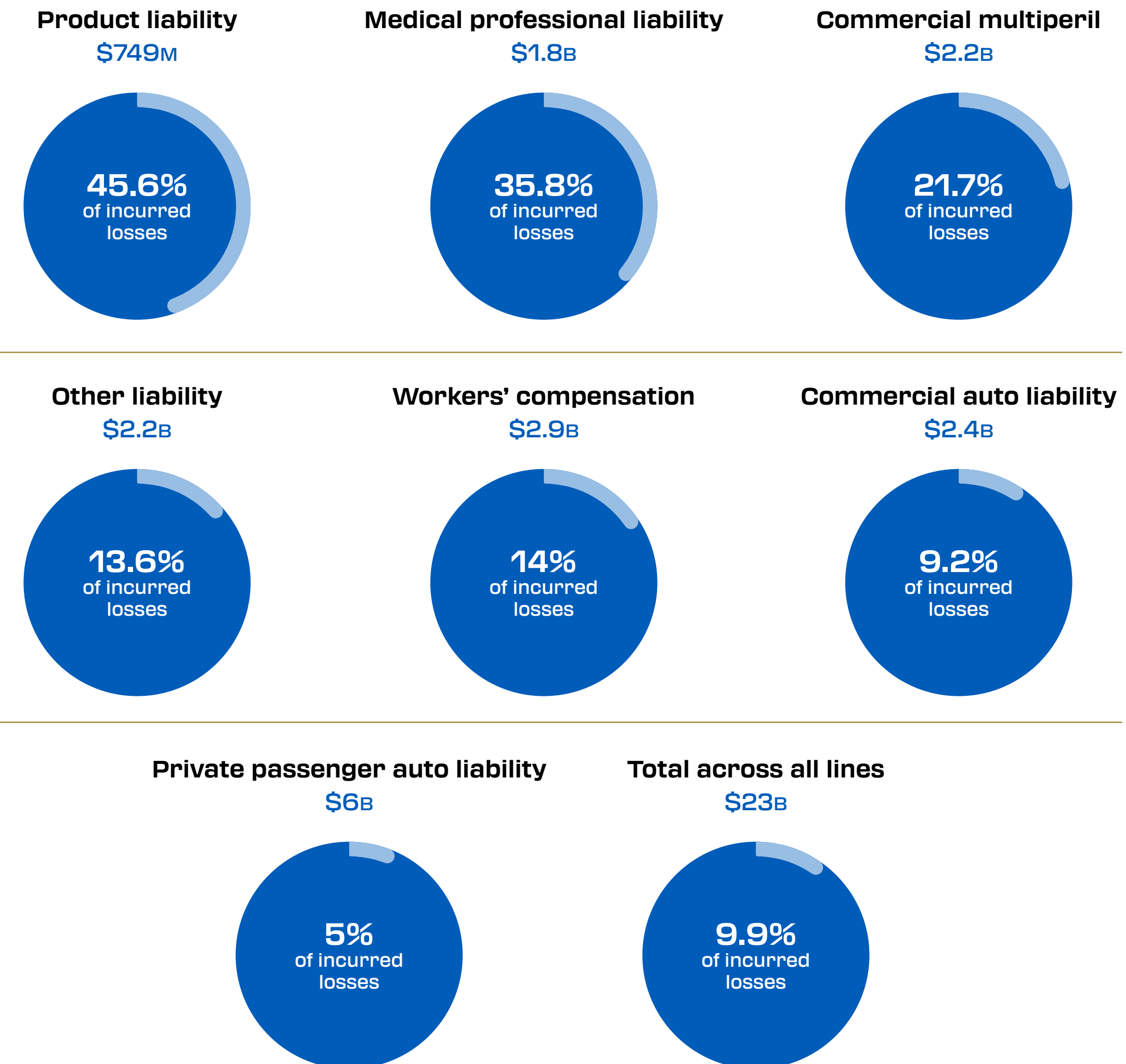


Insurers must defend their policyholders against lawsuits, with the costs of settling claims reported as defense and cost containment expenses. These expenses encompass defense, litigation, and medical cost containment, including surveillance, litigation management, and fees for various specialists.

The Cost of Nuclear Verdicts:

- **Texas ranked second in nuclear verdicts with judgments reaching \$37 billion**
- Insurance industry cost: \$235.5 million
- Property & casualty industry cost: \$112.2 million
- Corporate nuclear verdicts increased by 27% in 2023

Defense Costs And Cost Containment Expenses as a Percent of Incurred Losses in 2022 (based on NAIC data)



Employment and Economic Contributions



The insurance sector generates jobs

In 2023, **the insurance sector employed 2.98 million people in the U.S.**, which accounts for 1.8% of U.S. employment for individuals aged 16 and over. ¹

In 2022 Texas led the nation with 279,717 employees in insurance carriers and related activities, up from 261,247 in 2021.

California followed with 242,214 employees, and Florida had 232,429 employees in the same sector. ²



The insurance sector is a key investor and major tax contributor

In 2022, insurers invested **over \$438 billion in U.S. municipal securities**, supporting infrastructure such as roads and schools.

The P&C industry alone invested **\$246.1 billion in municipal securities** during the same year. ²

Insurance companies across all lines paid \$28.8 billion in premium taxes to all 50 states and the District of Columbia in 2022.



The insurance sector drives economic growth

The insurance industry contributed \$660 billion to the U.S. GDP, which **totaled \$25 trillion** in 2022. ²

In 2023, insurers in Texas paid \$4.065 billion in insurance taxes, making it the state's fifth-largest revenue source.

A photograph of two men in business suits shaking hands. The man on the left is older with white hair and a goatee, while the man on the right is younger with dark hair. They are standing in front of a modern building with large windows. The image has a blue tint.

Industry Issue Spotlight: Talent Acquisition

The insurance sector faces significant challenges in talent acquisition as it contends with a wave of retirements and rapidly changing technological demands. To address these issues, companies are revamping their recruitment strategies, focusing on attracting skilled professionals who can navigate both traditional and emerging industry needs. By investing in innovative hiring practices and fostering a culture of continuous learning, insurers aim to build a dynamic workforce capable of driving future growth and adaptation.

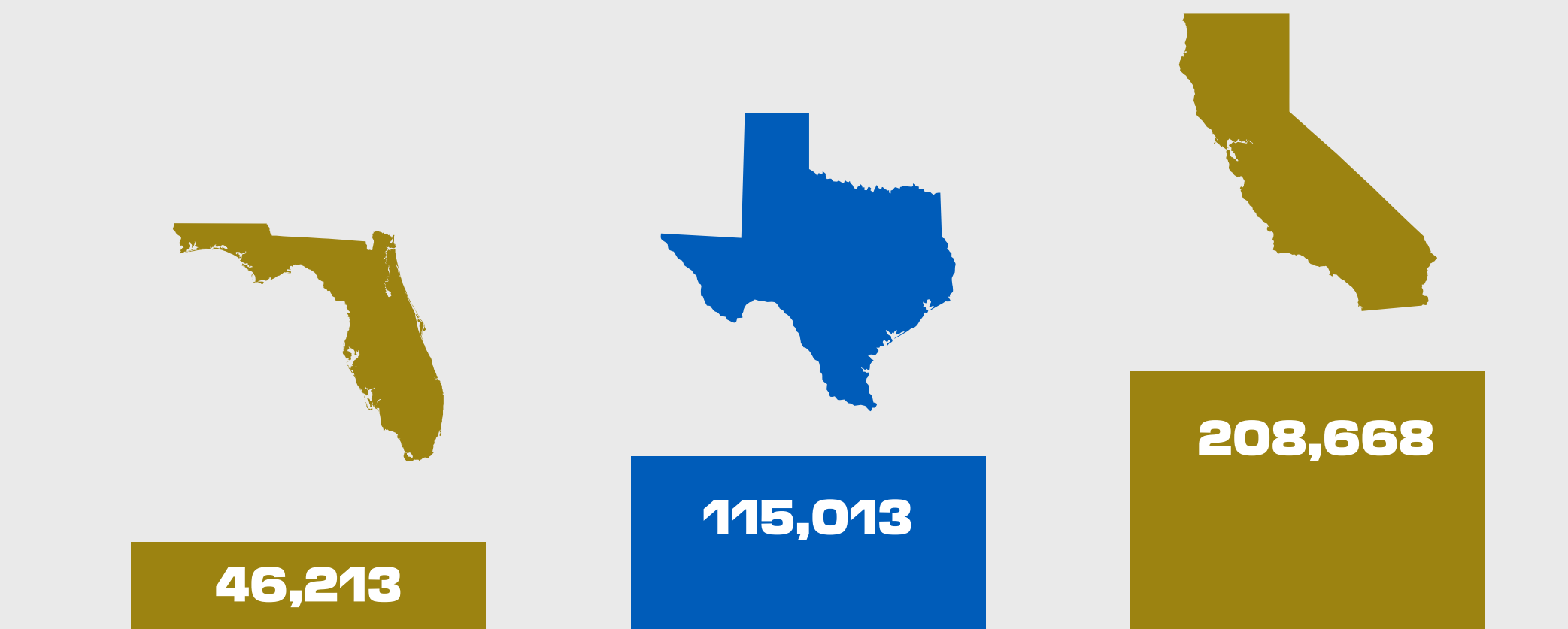
Motor Vehicle Crashes, Driving Factors and Theft

Motor Vehicle Traffic

- NHTSA reported 42,795 traffic fatalities in 2022
- Texas in 2023: 15,219 serious injury crashes, 18,752 people with serious injuries
- Texas fatality rate: 1.45 deaths per hundred million vehicle miles traveled
- Texas: 294.785 billion vehicle miles traveled in 2023
- In Texas there is one death every 2 hours and 3 minutes, one injury every 2 minutes and 6 seconds, one crash every 56 seconds.
- Alcohol-impaired driving fatalities: Texas (1,869), California (1,479), Florida (940), District of Columbia (12).

Vehicle Theft:

2023: Over 1 million vehicles stolen in the U.S.



Top Three States by Number of Vehicle Thefts

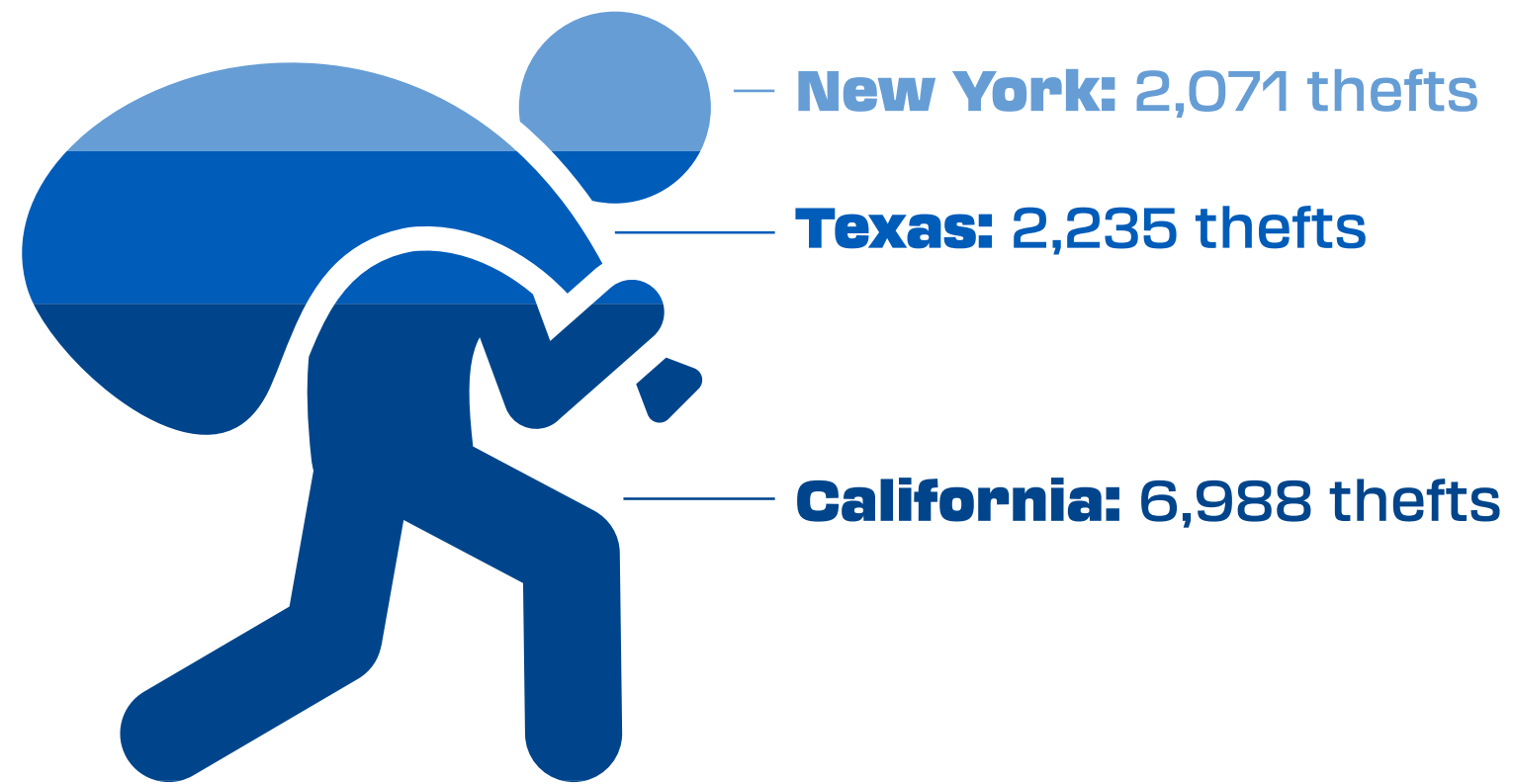


Key Insights

- Motor vehicle traffic incidents in Texas showed some improvement, with a slight reduction in the fatality rate and serious injuries from crashes in 2023. However, the state still faced substantial challenges, including high rates of alcohol-impaired driving fatalities. The overall vehicle miles traveled in Texas increased by 1.34%, indicating a busy year on the roads.
- Vehicle theft remained a major concern, with over 1 million vehicles stolen nationwide in 2023. Texas saw a notable 10% increase in vehicle thefts from the previous year, maintaining its position as the second-highest state for stolen vehicles after California.
- According to the National Highway Traffic Safety Administration (NHTSA), speeding remains the leading driver behavior contributing to fatal crashes, followed closely by driving under the influence of alcohol, drugs, or medication.

Catalytic Converter Theft Trends and Legislation Impact

Top State Theft Figures as of August 2023



Legislative Changes

Effective May 29, 2023: SB 224 increased the insurer fee to the Motor Vehicle Crime Prevention Authority (MVCPA) from \$4 to \$5. The additional \$1 goes to the General Revenue fund for enhanced regulatory and law enforcement efforts.

Key Insights

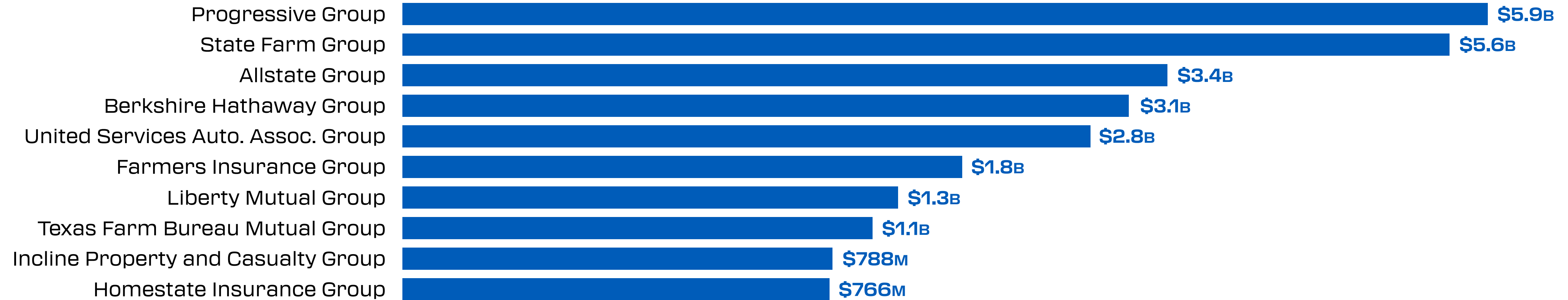
- **Decline in Thefts Nationwide:** Preliminary data for 2023 indicates a significant decline in catalytic converter thefts across the U.S., with the average number of thefts per month dropping to about half of 2022 levels. This reduction is likely due to the introduction and enforcement of new state laws aimed at curbing this crime.
- **High Theft Rates in Specific States:** Despite the overall decline, theft rates remain notably high in certain states. California leads with the highest number of thefts, followed by Texas and New York, highlighting ongoing regional challenges in combating catalytic converter theft.
- **Legislative and Funding Changes in Texas:** Texas has enhanced its legislative efforts with SB 224, which increased the insurer fee to the MVCPA. The additional funds are being used to bolster regulatory and law enforcement measures, contributing to the state's comprehensive approach to addressing catalytic converter theft.



Private Passenger Auto

There were 71 groups (174 companies) that had direct premiums written for private passenger auto in 2023, compared to 71 groups (179 companies) in 2022.

Top 10 Private Passenger Auto Groups by Premiums Written



TDI Complaints

While private auto complaints are still low as a percentage, the number of confirmed complaints has increased 68% from 2022 (991 from 590). There has been a 179% jump in the number of confirmed complaints since 2021 (when there were 355). The total number of complaints is **less than 1K out of 30M policies written.**

Market Share

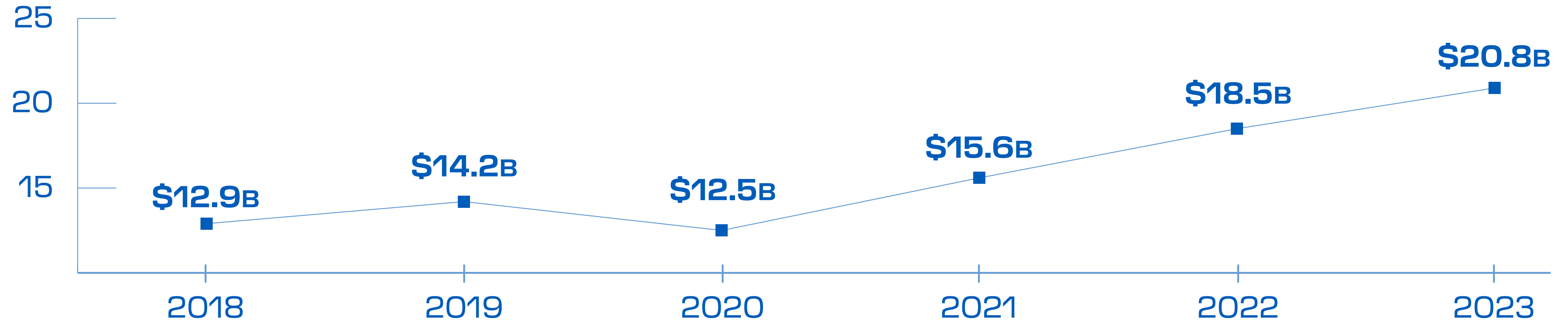
84%

The Top 10 writers represent 84% of the market

Key Insight

There was an 20.47% increase in written premium in the total private passenger auto market from \$26.3 billion in 2022 to \$32 billion in 2023.

Private Passenger Auto Losses



Private passenger auto insurers paid **direct losses of \$20.8 billion** in 2023

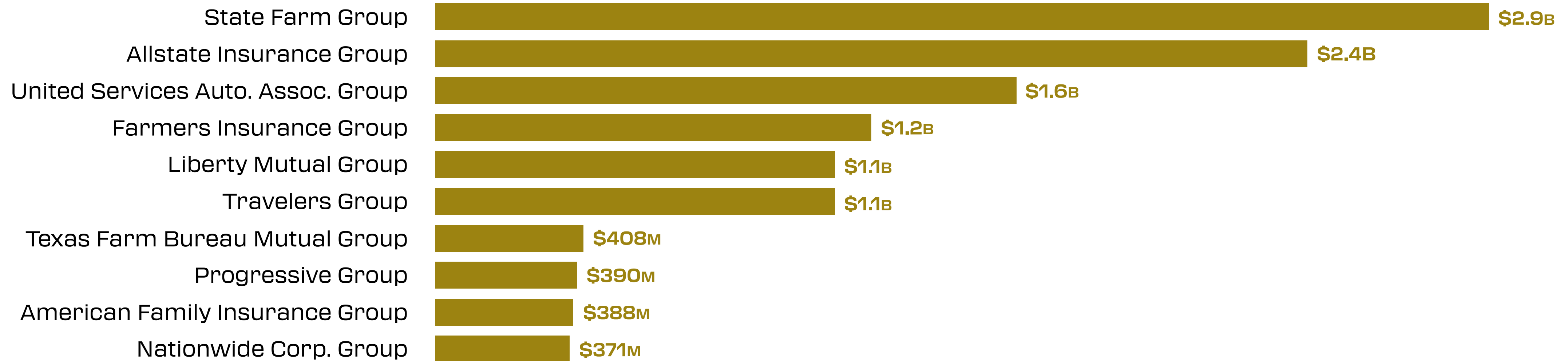
Key Insights

- In 2023 there was a net underwriting loss of \$422.3 million for the private passenger auto market in Texas. The top 25 groups had a \$203 million underwriting profit.
- In 2023, private passenger auto insurers paid \$20.8 billion in direct losses, up from \$18.5 billion in 2022. This represents a 46.5% increase in direct losses compared to 2019.
- The private passenger auto market saw a loss ratio of 65.83% for 2023.

Homeowners Multi Peril

There were 79 groups (161 companies) that had direct premiums written for homeowners multiple peril (including renters insurance) in 2023, compared to 78 groups (163 companies) in 2022.

Top 10 Homeowner Multi Peril Groups by Premiums Written



TDI Complaints

Confirmed homeowner complaints rose significantly by 111%, from 282 to 596. Despite this increase, the percentage of complaints per policy remains low.

Market Share

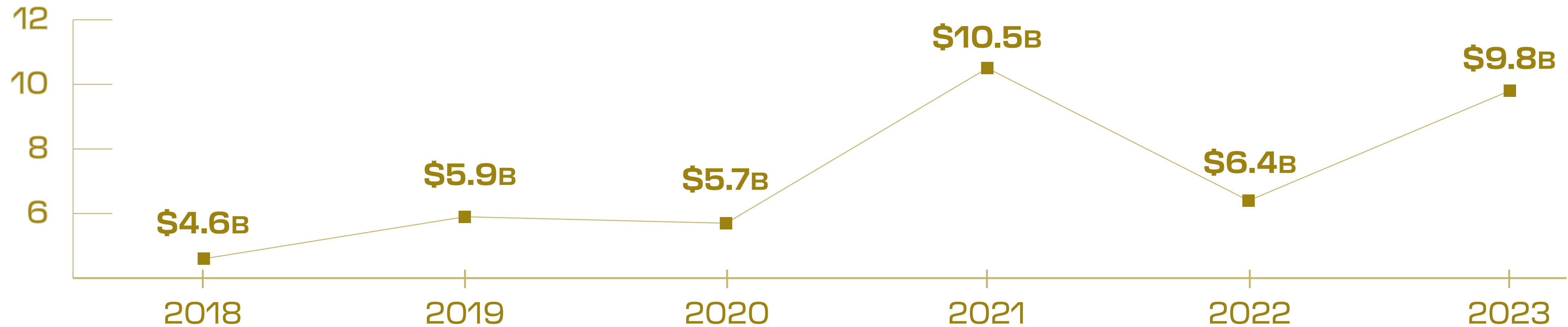
59%

The top five groups represent **59.38%** of the market. The top 10 groups represent **76.3%** of the market.

Key Insight

Total premium written in 2023 was \$15.5 billion, a 19% increase from 2022 (\$13 billion)

Homeowners Multi Peril Losses



Homeowners multi peril insurers paid **direct losses of \$9.8 billion** in 2023

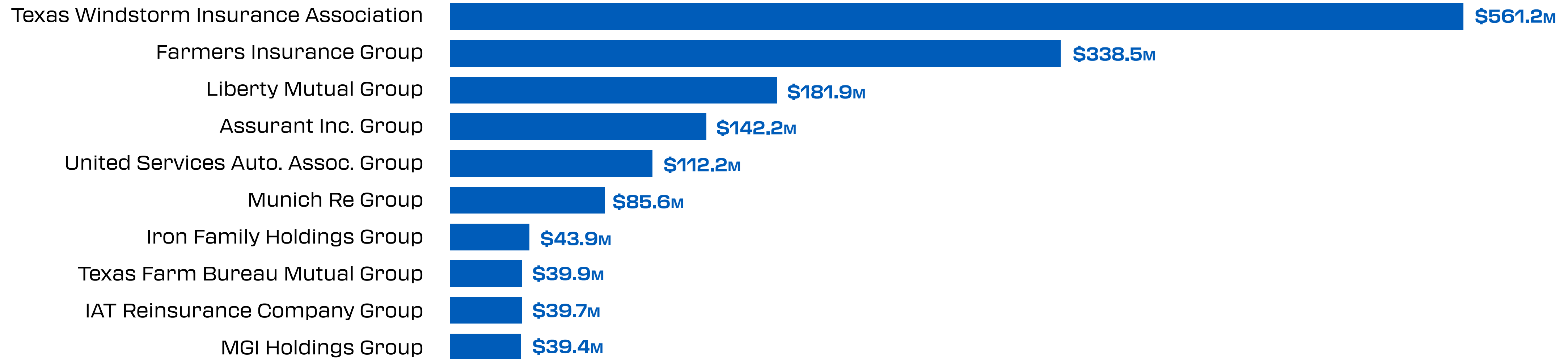
Key Insights

- In 2023 there was a net underwriting loss of \$686.2 million.
- Direct losses paid for 2023 increased by 53% from 2022 (\$6.4 billion).
- **The Homeowners multi-peril loss ratio for 2023 was 63.53%, up from the 2022's loss ratio of 56.6%. Loss ratios have increased by 42% since 2013.**

Residential Fire and Allied Lines

There were 50 groups (74 companies) that had direct premiums written for residential fire and allied lines in 2023, compared to 49 groups (75 companies) in 2022.

Top 10 Residential Fire and Allied Lines Groups by Premiums Written

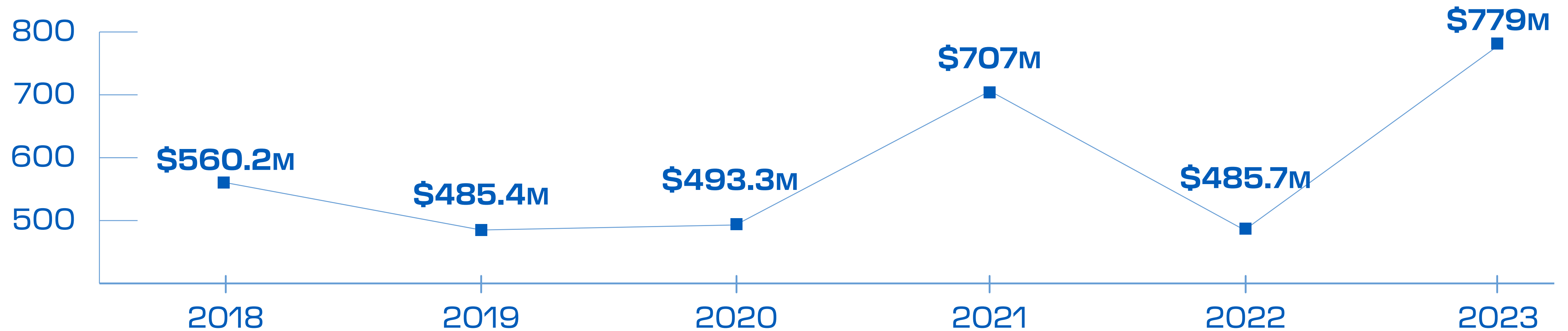


The top 10 represent 84.15% of the market. The top 5 represent more than half at 70.95%.

Key Insight

Direct written premium was \$1.9 billion, an increase from the \$1.6 billion written in 2022.

Residential Fire and Allied Lines Losses



Residential Fire and Allied insurers paid **direct losses of \$779 million** in 2023

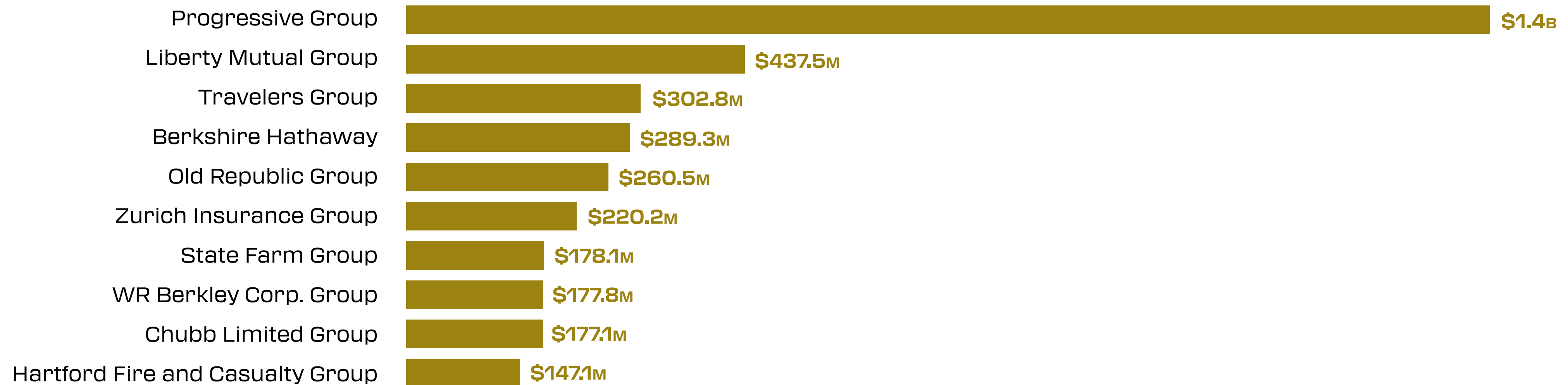
Key Insights

- In 2023 there was a net underwriting profit of \$306.1 million, up from the 2022 net underwriting profit of \$177.9 million
- In 2023, direct losses amounted to \$779 million, marking a 60.3% increase from the \$486 million paid in 2022. These losses were higher than the \$707 million paid in 2021, when Winter Storm Uri affected Texas.
- Loss ratio was 41.37%, down from 57.6 in 2022

Commercial Auto

There were 117 groups (325 companies) that had direct premiums written for commercial auto in 2023, compared to 110 groups (320 companies) in 2022.

Top 10 Commercial Auto Groups by Premiums Written

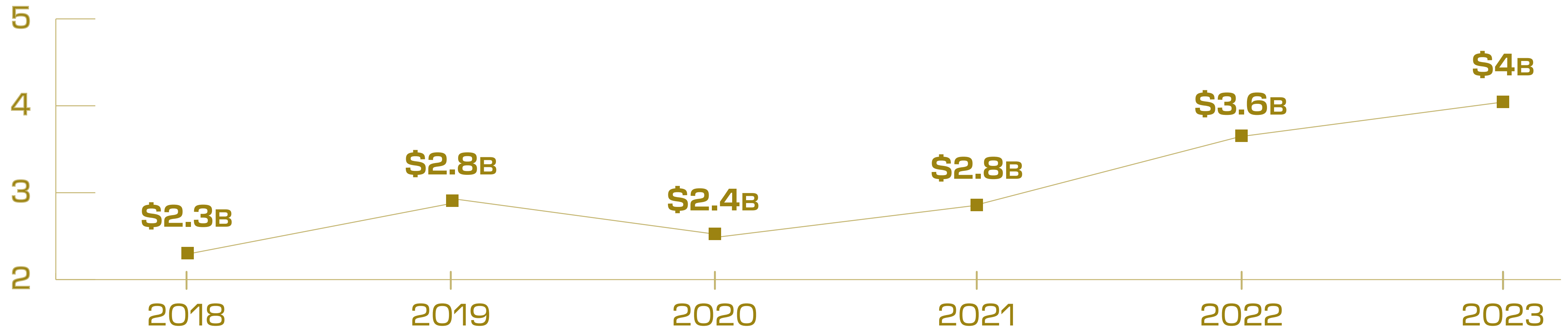


The top 10 represent 57.83% of the market share. The top 5 represent 43.69% of the market.

Key Insights

- Direct written premium was \$6.4 billion in 2023, a 10% increase from 2022 (\$5.8 billion).
- There were 903,247 policies written in 2023, up slightly from the 900,127 policies written in 2022.

Commercial Auto Losses



Commercial auto insurers paid **direct losses of \$4 billion** in 2023

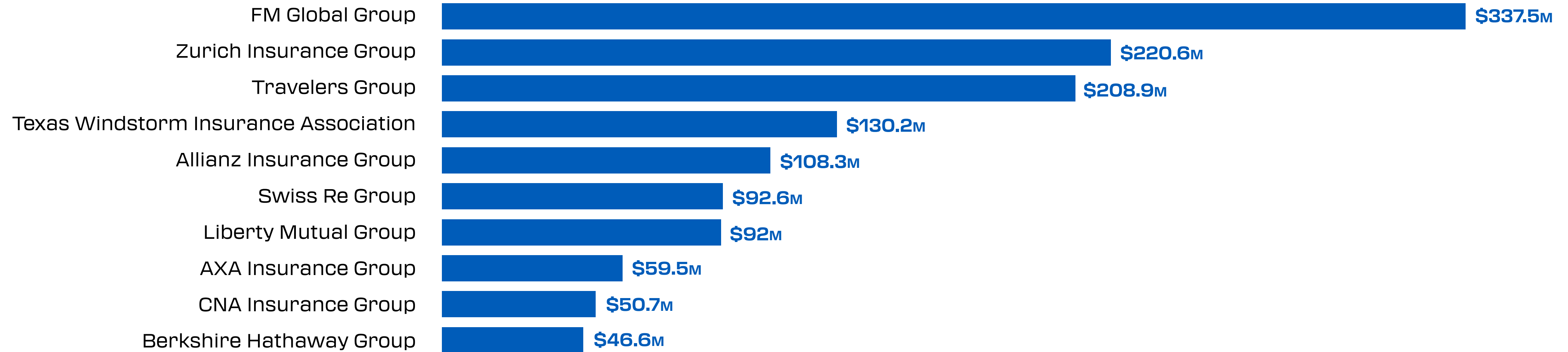
Key Insights

- In 2023 there was a net underwriting loss of \$526.7 million in 2023, up from the \$429.4 million net underwriting losses in 2022
- Commercial auto insurers paid out \$4 billion in direct losses in 2023, up from \$3.6 billion paid out in 2022
- Loss ratio for 2023 was 63.49, down from 76.5 in 2022

Commercial Fire and Allied

There were 76 groups (207 companies) that had direct premiums written for commercial fire and allied lines in 2023, compared to 74 groups (204 companies) in 2022.

Top 10 Commercial Fire & Allied Groups by Premiums Written

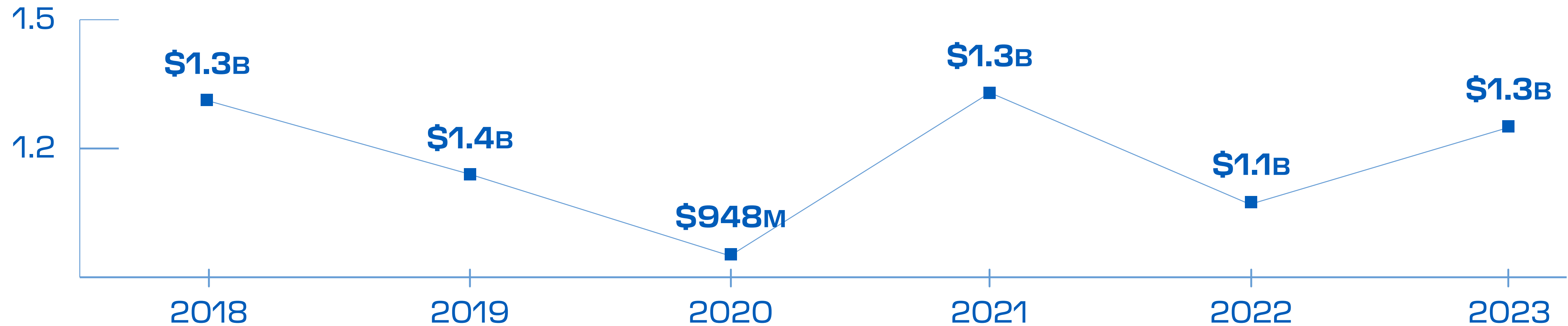


The top 10 represent 84.15% of the market. The top 5 represent more than half at 70.95%.

Key Insights

- Direct written premium in 2023 was \$2 billion, up from \$1.6 billion in 2022.
- There were 84,665 policies written in 2023, up slightly from the 82,645 policies written in 2022

Commercial Fire and Allied Losses



Commercial fire and allied insurers paid **direct losses of \$1.3 billion** in 2023

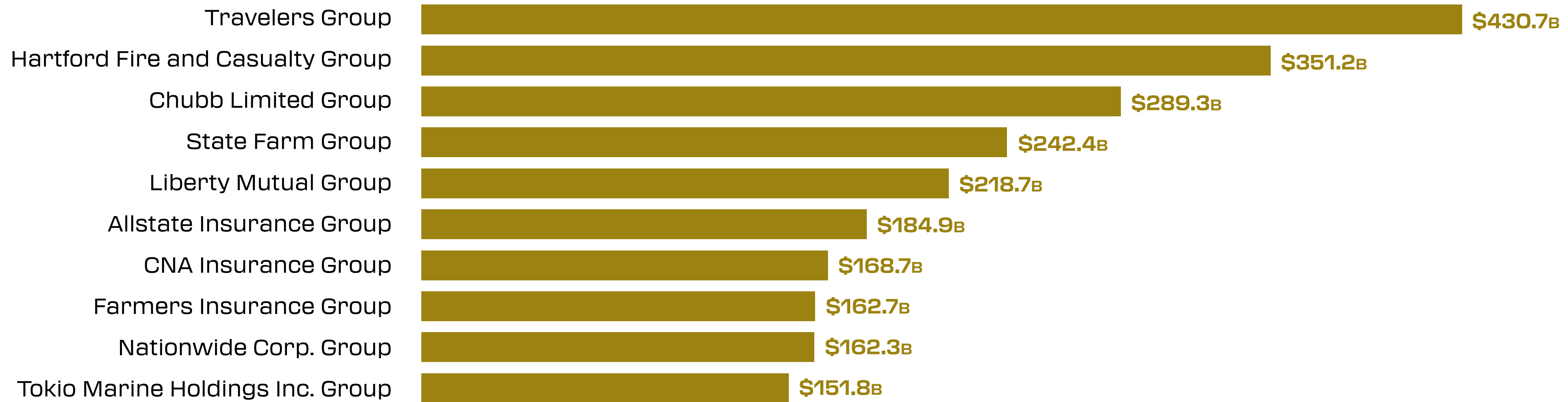
Key Insights

- In 2023 there was a net underwriting profit of \$304 million, down from the \$536 million net underwriting profit in 2022
- In 2023 direct losses paid were \$1.3 billion, up from \$1.1 billion in 2022
- Loss ratio for 2023 was 63.99, up from 57.6 in 2022

Commercial Multi Peril

There were 92 groups (265 companies) that had direct premiums written for commercial multiple peril in 2023, compared to 91 groups (262 companies) in 2022.

Top 10 Commercial Mult Peril Groups by Premiums Written

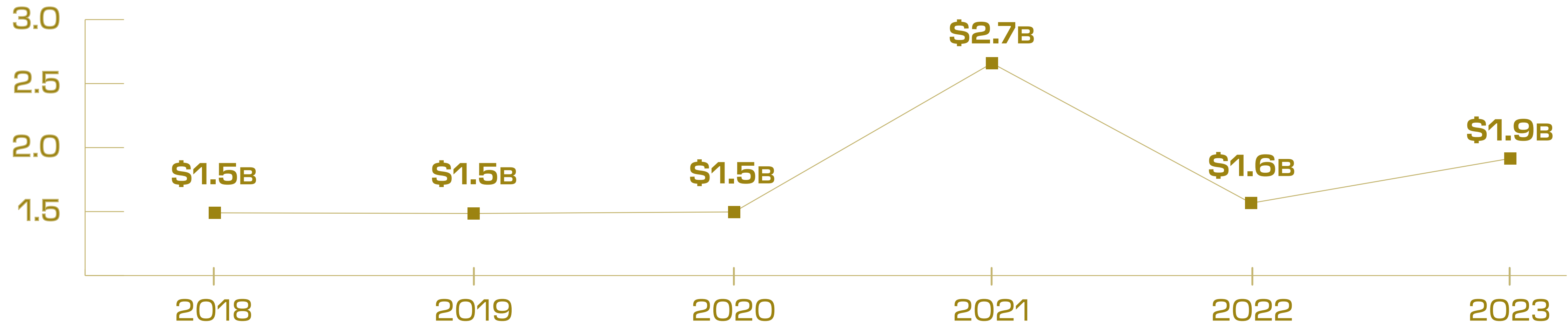


The top 10 represent 61.03% of the market. The top 5 represent 39.58% of the market.

Key Insights

- In 2023 direct written premium was \$3.9 billion, which is up from the \$3.7 billion in 2022 (about 14.9% increase)
- In 2023 there were 798,553 policies written, up from the 763,279 written in 2022

Commercial Multi Peril Losses



Commercial multi peril insurers paid **direct losses of \$1.9 billion** in 2023

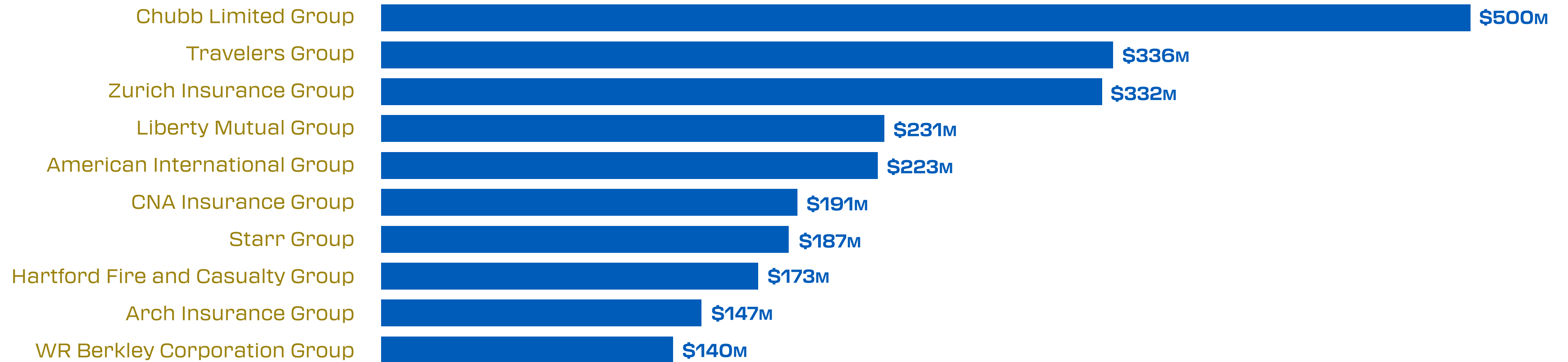
Key Insights

- In 2023 there was a net underwriting loss of \$550.7 million, in comparison to the \$78.8 million net underwriting profit in 2022.
- In 2023 there was \$1.9 billion in direct losses paid, up from the \$1.6 billion paid in 2022.
- Loss ratio for 2023 was 49.48%, an increase from 47.9 in 2022

General Liability

There were 153 groups (439 companies) that had direct premiums written for general liability in 2023, compared to 146 groups (427 companies) in 2022.

Top 10 General Liability Groups by Premiums Written

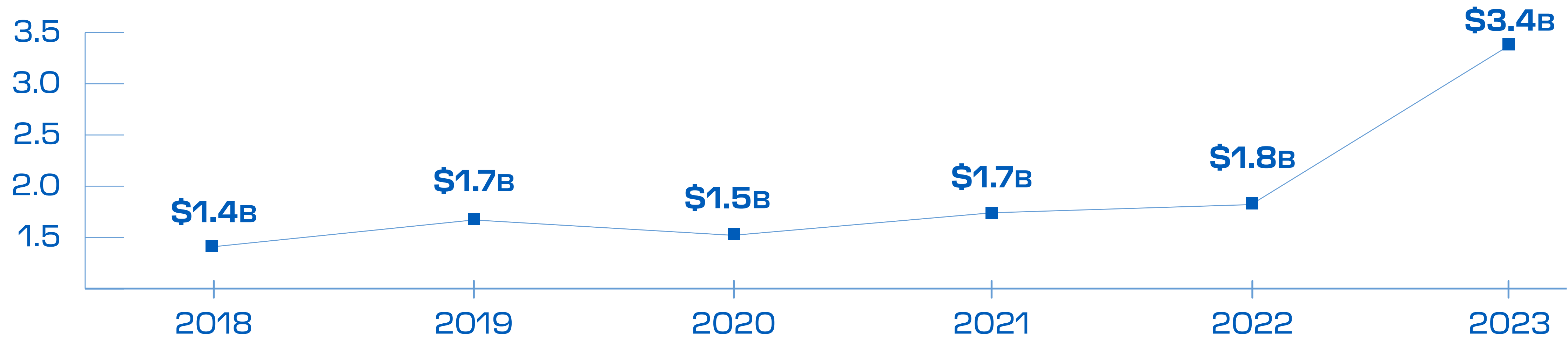


The top 10 represent 52.94% of the market. The top 5 represent 34.91% of the market.

Key Insight

Direct written premium for 2023 was \$4.65 billion, up 12.77% from \$4.12 billion in 2022

General Liability Losses



General liability insurers paid **direct losses of \$3.4 billion** in 2023

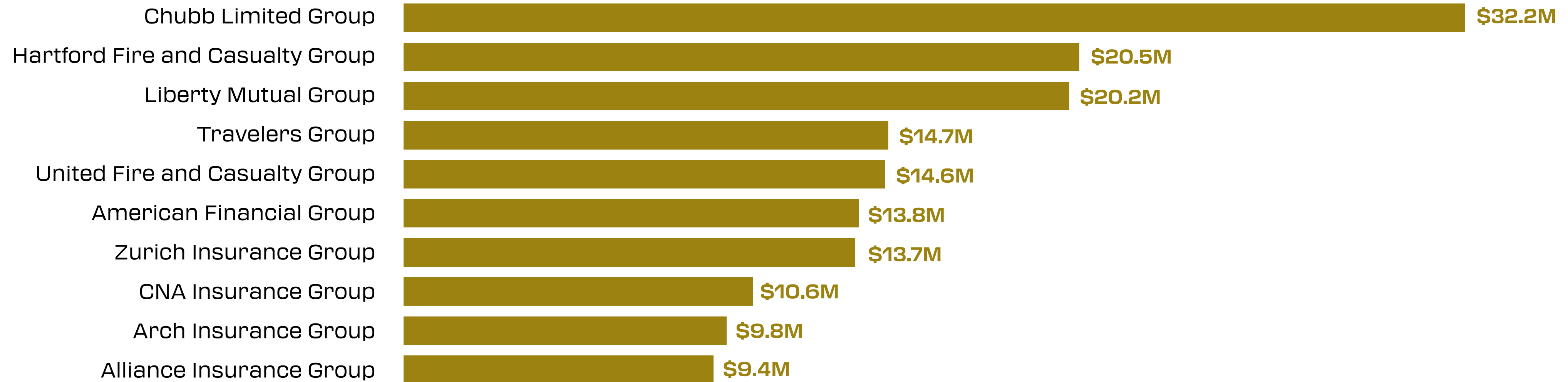
Key Insights

- In 2023 there was a net underwriting loss of \$1.5 billion, while last year there was a net underwriting profit of \$54 million
- Direct losses paid in 2023 were \$3.4 billion, up from the \$1.82 billion paid in 2022 (86.8%)
- 2023 loss ratio was 72.85%, up from 63.7% in 2022

Product Liability

There were 62 groups (200 companies) that had direct premiums written for product liability in 2023, compared to 58 groups (194 companies) in 2022.

Top 10 Product Liability Groups by Premiums Written

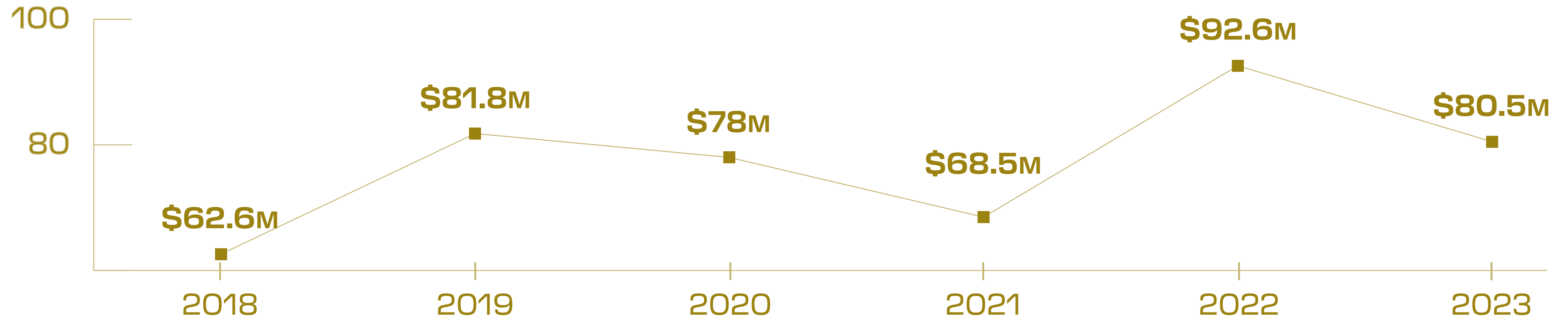


The top 10 represent 62.65% of the market. The top 5 represent 40.19% of the market.

Key Insights

- Direct premium for 2023 was \$254.7 million, an increase from the \$212 million in 2022.
- There were 50,473 policies written in 2023, down from 51,475 written in 2022.

Product Liability Losses



Product liability insurers paid **direct losses of \$80.5 million** in 2023

Key Insights

- 2023 direct losses paid were \$80.5 million, down from the \$93 million paid in 2022.
- In 2023 there was a net underwriting loss of \$159.9 million, up from the net underwriting loss of \$152.8 million in 2022.
- 2023 loss ratio was 31.61%, down from 58% in 2022.

Surplus Lines

178,735

Policy count

263

Insurers

\$3.2B

Premium

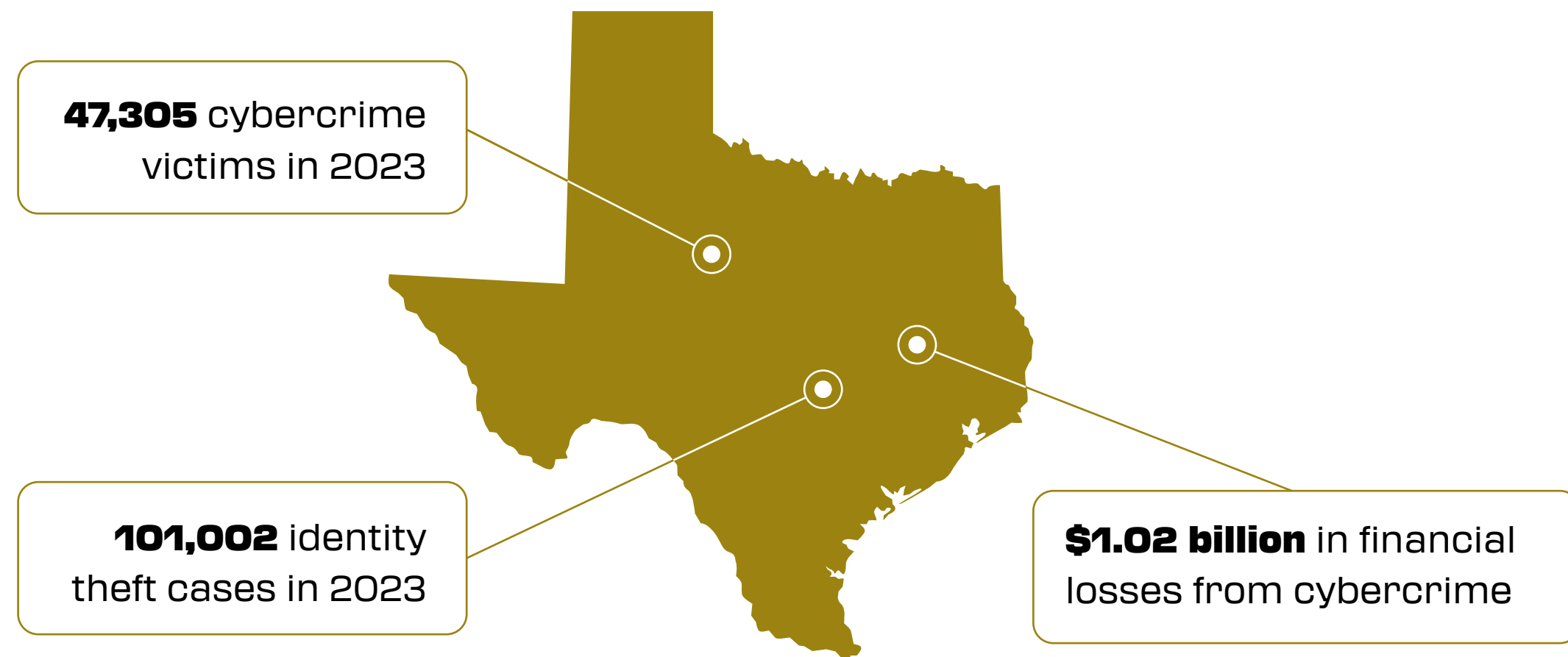
Top Coverages by Premium



As of May 2024 the average premium per item was **\$14,107** (down 6.1% from May 2023)

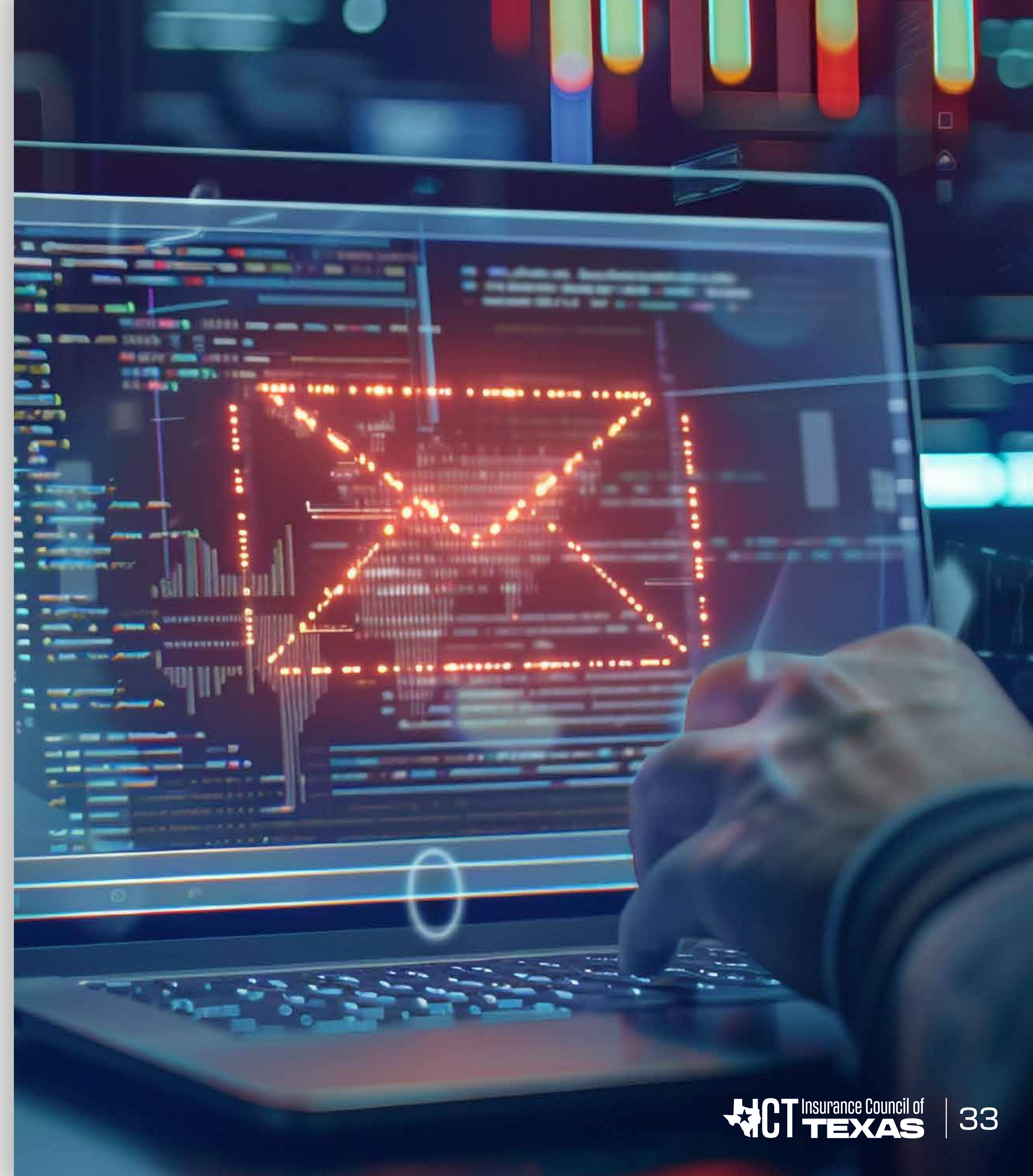
Crime, Cyber, Theft, Fraud

- In 2023, 353 million individuals were affected by data compromises in the U.S.
- 2023: FBI reported 880,418 cybercrime complaints, a 10% rise from 2022.
- Financial losses from cybercrime totaled \$12.5 billion in U.S.



Insights

- In 2023, cybercrime and identity theft reached unprecedented levels, with the Identity Theft Research Center (ITRC) reporting a 72% surge in data compromises from the previous high in 2021, impacting 353 million individuals. The financial toll of these crimes also soared, with potential losses estimated at \$12.5 billion.
- Texas experienced significant cybercrime and identity theft issues, **ranking second in the nation for cybercrime victims and seventh for identity theft cases**, despite a decrease in the latter from 2022.





Industry Issue Spotlight: Artificial Intelligence

Artificial Intelligence (AI) is revolutionizing industries by enhancing efficiency and innovation. However, it also raises critical concerns regarding data privacy, bias, and regulatory compliance. As AI continues to evolve, legislative measures are expected to address these challenges, ensuring ethical use and protecting individuals' rights while fostering technological advancement.

Flood Insurance

Distribution of Flood Insurance Coverage

22%

Homeowners Believing They Are at Risk for Flooding (2023)

35%

Private Insurance Providers

43%

National Flood Insurance Program (NFIP)

654,601

Federal Flood Policies in Texas (As of May 31, 2024)

NFIP Claims Data (2023)

\$14,388,664.43

Total Payout in Texas

322

Number of Claims

~\$44,735.52

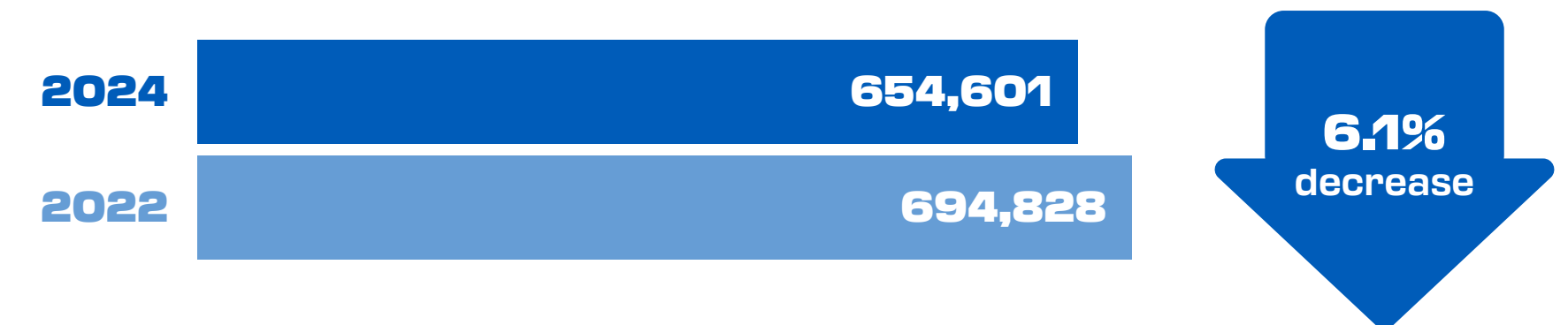
Average Payout per Claim

Key Insights

- **High Coverage Among At-Risk Homeowners:** Among the 22% of homeowners who believe they are at risk for flooding, a substantial 78% have secured flood insurance. This demonstrates a strong awareness of flood risks and a proactive approach to managing them.
- **Prevalence of NFIP Coverage:** A significant portion of those with flood insurance have chosen the National Flood Insurance Program (NFIP), with 43% opting for this coverage. This indicates the NFIP's key role in providing flood insurance to homeowners.
- **Decrease in Federal Flood Policies and Claims:** There has been a decrease in both the number of federal flood policies in Texas and the total payouts for flood claims from 2022 to 2023. This trend might reflect reduced flood insurance uptake or a potential decrease in flood events, though recent events in Houston and Dallas highlight the ongoing importance of maintaining flood coverage.

Federal Flood Policies in Texas

(as of May 31, 2024)



Recent Flood Events in Texas

Recent flood events in Texas, such as those in Houston and Dallas in 2023, underscore the ongoing importance of flood insurance in mitigating financial risk from such disasters

Natural Catastrophes

- In 2023, there were 89 natural catastrophe events in the U.S. Estimated insured property losses from natural catastrophes in the United States declined 30% from 2022, from \$114 billion to \$79.6 billion.
- Among these events, convective storms were the most frequent, accounting for 53 events. They caused the highest insured losses at \$58 billion, representing approximately 73% of the total insured losses, and the greatest economic losses at \$72.6 billion. This is a shift from 2022, when tropical cyclones led with \$53 billion in insured losses and \$96.1 billion in economic losses.



Wildfires

- **Texas experienced 12,571 fires, the most wildfires experienced nationwide. Alaska experienced the largest number of acres burned.**
- Texas ranked third in 2022 for the number of homes at extreme wildfire risk, with 474,560 homes—behind California and Florida.

Tornadoes

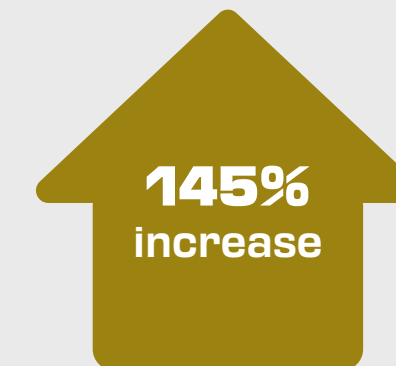


- In 2023, two catastrophic events on AON's Top 10 list of costliest storms involving tornadoes impacted Texas.
- **In 2023, Texas had 89 tornadoes, tying with Colorado for 3rd place nationwide.**



Hailstorms

- **Texas had 1,123 hail events in 2023, up from 458 in 2022.**
- Most hailstorms in the United States in 2023 occurred in Texas.



Lightning

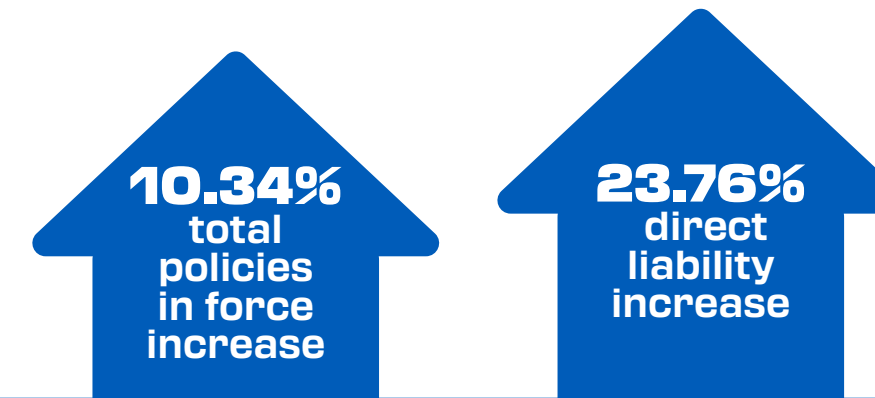


- In 2022, **Texas ranked 3rd** in homeowners insurance lightning losses by number of claims with 4,085 claims valued at \$103.3 million
- While Texas ranked behind Florida and Georgia in number of claims, Texas has the highest average cost per claim for lightning at \$25,286

Residual Markets - Texas Windstorm Insurance Association (TWIA)

TWIA continued to grow in policy count and exposure.

- TWIA's total policies in force increased **10.34%** from 231,197 policies to 255,093
- TWIA's direct liability grew by **23.76%** from \$82 billion to \$101 billion



Direct Written Premium

Direct Written Premium for 2023 was \$653 million, a 26% increase from 2022.

Catastrophe Reserve Trust Fund (CRTF)

TWIA contributed \$156 million to the Catastrophe Reserve Trust Fund (CRTF) in 2024, **increasing the fund's balance to \$446 million.**

2024 Hurricane Season Funding

In February 2024, the TWIA Board set a 1:100 Probable of Maximum Loss (PML) of \$6.5 billion for the 2024 hurricane season. To meet this requirement, TWIA's reinsurance program from June 1, 2024, to May 31, 2025, secured \$4.05 billion through a mix of catastrophe bonds and traditional reinsurance.

Rates

Despite an actuarial analysis revealing a 20% rate inadequacy for residential risks and 22% for commercial risks, TWIA filed for a 0% rate change in August 2023. The TWIA Board voted 5-4 to increase residential rates by 5% but statute prohibits TWIA from filing a rate increase unless two-thirds of the Board approve the increase.

Maximum Limits of Liability

As of August 2023, the Board decided not to alter the current maximum liability limits, which are \$1,773,000 for dwellings and individually owned townhouses, \$374,000 for contents of an apartment, condo, or townhouse, \$4,424,000 for commercial structures and contents, and \$115,800 for manufactured homes.





New Legislation

Several new laws from the 88th Legislature impact TWIA. House Bill 3208 mandates TWIA retain the entire annual premium unless canceled for specific reasons. House Bill 3310 introduces deadlines for the claims appraisal process, while House Bill 3311 removes the requirement for insurers to nominate TWIA Board members. Senate Bill 2232 allows TWIA to set requirements for agents selling its policies, and Senate Bill 2233 restricts automatic policy renewal to residential policies only.

TDI Proposed and Adopted Rules

The Texas Department of Insurance (TDI) has proposed and adopted several rules impacting TWIA. Effective January 22, 2024, amendments to 28 TAC Section 5.4211 establish timelines for the TWIA appraisal process in accordance with HB 3310. Additionally, proposed amendments to 28 TAC Chapter 5, Subchapter E, Division 4, filed on May 24, 2024, update application forms for TWIA umpire and mediator rosters, responding to SB 510's confidentiality requirements.

Comparison to Other Beach Plans

- Texas surpassed North Carolina for the most policies for beach and windstorm policies with 257,158 policies. North Carolina had 254,254.
- Texas had \$96 billion in exposure from beach and windstorm policies, ranking second behind North Carolina, which had \$126 billion in exposure.
- Texas had the most DWP in beach and windstorm policies with \$653 million. North Carolina was second with \$598 million.





Spotlight: Ongoing TWIA Issues and Discussions to Watch

TWIA Funding

The funding structure of TWIA, which relies heavily on debt, will continue to be a point of discussion. Several bills to alter the funding structure, including the use of state funds, investments and loans failed to gain traction during the last legislative session. TWIA is not a state agency and operates as an insurance company, collecting premiums, issuing policies, and paying out covered losses without receiving general revenue. The current system's heavy reliance on debt raises sustainability issues for the future.

LAE and Reinsurance

During deliberations to determine the 1:100 PML, there continued to be discussion about whether LAE should be included in the calculation. Suggestions that the LAE should be covered by the excess reinsurance statute with insurance carriers bearing the cost have been heard in various TWIA meetings and by some legislators. This will continue to be a point of discussion going into the next legislative session.

Residual Markets - Texas FAIR Plan

Texas FAIR Plan continues to experience growth

In 2023, Texas FAIR Plan policies in force totaled 72,600 policies, an increase from 61,500 policies in 2022.

Total Insured Value

Total insured value increased from \$11.3 billion in 2022 to \$16.3 billion in 2023.

Claims & Losses

- **Claims Reported:** 4,694
- **Incurred Losses and Loss Adjustment Expenses:** \$49.8 million

Rate Changes

- **Tenant Insurance Rates:** Increased by 8.4% (rate indication was 21.9%)
- **Dwelling Fire and Extended Coverage Rates:** Increased by 9.5% (rate indication was 12%)
- **Homeowners Rates:** Increased by 10% (rate indication was 15.5%)
- **Condominium Insurance Rates:** Increased by 10% (rate indication was 49.5%)

Legislative Changes

- **House Bill 998:** Extends eligibility to property owners' associations starting September 1, 2024

Comparison to Other FAIR Plans

Texas ranks 6th among FAIR Plans with 79,401 policies and \$16 billion in exposure. Florida leads with 1.5 million policies and \$553 billion in exposure, while California follows with 350,592 policies and \$278 billion in exposure.





Spotlight: Texas FAIR Plan Issues and Discussions to Watch

10% Cap on Rate Increases

While not statutorily required, the TFPA Governing Committee has taken an approach of capping rate increases or decreases at 10%. Capping FAIR Plan rate increases at 10% may incentivize its growth as its rates could be lower than the voluntary market. This practice needs careful evaluation to balance market dynamics and FAIR Plan sustainability. The Governing Committee has indicated this will be something they will consider in future meetings.

FAIR Plan Eligibility

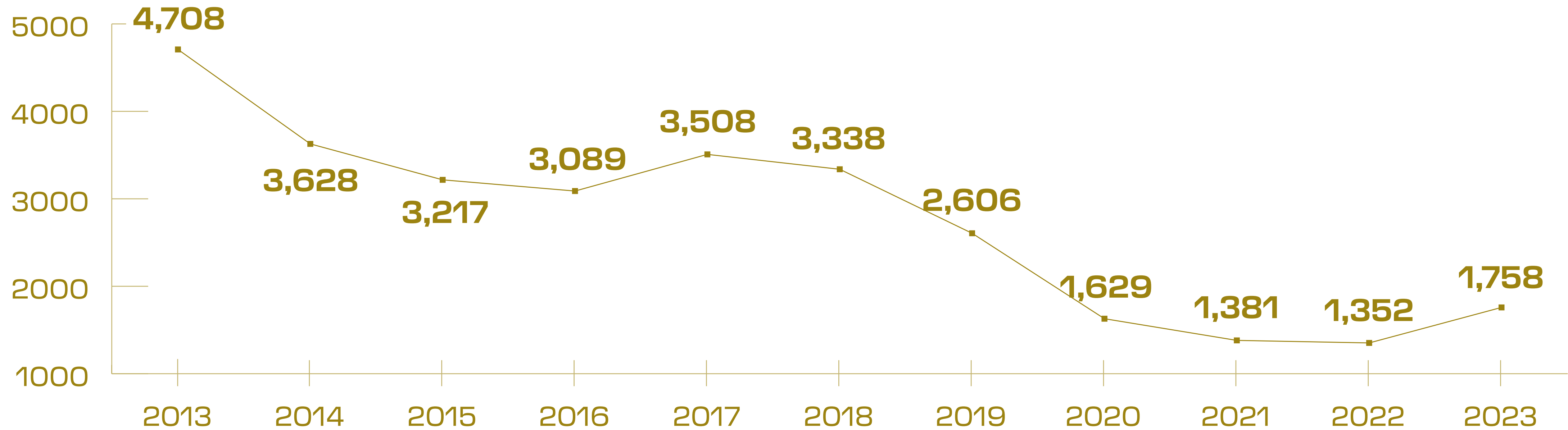
Legislation passed during the last legislative session extended FAIR Plan eligibility to non-residential policies with the inclusion of certain property owner's association policies.

Member Assessments

A growing deficit and ongoing losses due to Hurricane Beryl have put discussions on member assessments in the forefront for the TFPA Governing Committee. Statute and rules allow insurers to recoup assessment amounts by adding a premium surcharge to property insurance policies in Texas. The surcharge must be a uniform percentage of the premium and recouped over a three-year period beginning 90 days after the assessment.

Residual Markets - Texas Automobile Insurance Plan Association (TAIPA)

TAIPA Assignments



TAIPA sells liability, PIP, and UM/UIM coverages to those who cannot find a company willing to sell them a policy.

TAIPA Policy Assignments:

- 2022: 1,352 policies
- 2023: 1,758 policies

Trend: The number of TAIPA policies assigned has seen a slight increase from 2022 to 2023, but the overall trend shows a decrease in the number of TAIPA policies over time.

Texas Legislature

Ahead of the 89th legislative session starting on January 14, 2025, the Senate and House have issued interim charges. These directives instruct legislative committees to study specific issues, gather information, and make recommendations during the period between sessions. Hearings are scheduled on these topics throughout the interim.

House Interim Charges of Interest by Committee

- **State Affairs** - Examining the economic challenges impacting insurance rates; reviewing TWIA funding; evaluating the findings and recommendations on Texas wildfires
- **Insurance** - Monitoring the regulation of amusement rides and the sale and purchase of fireworks
- **Business & Industry** - Monitoring the implementation of HB 4 (data privacy bill)
- **Judiciary & Civil Jurisprudence** - Monitoring the implementation of HB 19 (creation of business courts)
- **Pensions, Investments & Financial Services** - Examining how ESG policies conflict with fiduciary duties and negatively impact investors

Senate Interim Charges of Interest by Committee

- **Business & Commerce** - Assessing the rising cost of property and casualty insurance impact on Texas property owners, real estate lenders, and commercial and industrial development; examining Artificial Intelligence (AI)
- **State Affairs** - Studying the impact of ESG on the state's pension plans
- **Transportation** - Evaluating the safety of autonomous vehicles

Texas House Speaker Dade Phelan created two special interim committees of interest: the House Investigative Committee on the Panhandle Wildfires, established to address the aftermath and prevention of the Texas Panhandle wildfires, and the House Select Committee on Artificial Intelligence & Emerging Technologies, formed to evaluate the implications of advancements in AI and emerging technologies and propose necessary legislative actions

The House Insurance Committee met on June 11th to hear invited testimony on factors affecting market conditions, TWIA funding, AI, surplus lines, and appraisal.

Texas Department of Insurance Rulemaking and Regulatory Activity

Updates to Inland Marine Rules

TDI repealed and introduced regulations for Inland Marine and Multi-peril Insurance to align with 2019 legislation requiring travel insurance rates and forms to be filed as inland marine insurance, except for travel insurance covering sickness, accident, disability, or death, which can be filed as accident and health insurance.

Filings Made Easy (FME) Rules

TDI adopted amendments to the Filings Made Easy (FME) rules, excluding the proposed requirement for insurers to incorporate mandatory endorsements in new or revised policy forms filed after January 1, 2025, following ICT and AFACT's objections and testimony at an October 4 hearing.

New Rule on Commercial Line Exemptions

TDI adopted a new rule to implement SB 1367, revising 28 TAC Chapter 5, Subchapter F, to include commercial lines and adding Division 3 for exempt commercial lines. This exempts 12 additional commercial lines of property and casualty insurance from certain rate and form filing requirements.

TDI Adopts Amendments Establishing Time Period for TWIA

Appraisal Process

TDI adopted amendments to set a timeframe for the TWIA appraisal process, implementing HB 3310 from the 88th legislative session, which was based on TWIA's biennial recommendations to the legislature.

TDI Rulemaking and Regulatory Activity

TDI Adopts Military Licensing Requirement Rule

TDI adopted a new rule to implement SB 422 from the 88th legislative session, extending recognition of out-of-state occupational licenses to military service members. The rule provides alternative licensing procedures for military members, veterans, and spouses and applies to all licenses issued by TDI and the State Fire Marshal's Office. Conflicting or redundant existing licensing rules were amended or repealed.

TDI Adopts Amendments to Nonrenewal of Personal Automobile Insurance Rules

TDI adopted amendments to clarify Subchapter H on automobile insurance nonrenewal by dividing it into two divisions: General Provisions (Sections 5.7001 - 5.7018) and Mandatory Nonrenewal of Private Passenger Automobile Insurance Policies (Sections 5.7101 - 5.7110). ICT and AFACT objected to certain provisions in Division 2, providing written comments and oral testimony. While some suggestions were incorporated, many were not. Notable changes include capitalizing "Notice" in Division 2 and setting the effective date for both divisions to January 1, 2025.

TDI Adopts Revisions to Auto Bill of Rights and Homeowners Bill of Rights

TDI adopted an updated personal automobile insurance and homeowners insurance consumer bill of rights. Before this adoption, both the Auto Bill of Rights and Homeowners Bill of Rights had not been changed since May 2021. ICT submitted comments on these proposed amendments in November 2023. The adopted notices incorporate some of ICT's suggestions including changing the term "unused premium" to "unearned premium".

TDI Data Calls

Commissioner's Bulletin # B-0011-23- Disallowed Expenses

TDI issued a mandatory data call to collect information about disallowed expenses (defined in Chapter 2251, Insurance Code), which include administrative expenses, lobbying expenses, and advertising expenses amongst other things. Submissions were required no later than September 29, 2023.

Appraisal Data Call

TDI issued a data call to gather appraisal experience information from residential property and personal auto insurers, prompted by recent public policy discussions and multiple bills during the 88th legislative session. Top ten homeowners multi-peril and private passenger auto groups must report data by July 12, 2024, unless they had no claims from July 1, 2020, to June 30, 2023.



Commissioner's Bulletin # B-0003-24- 2023 Property DWP in the Texas Catastrophe Area

TDI issued a special data call to supplement its statistical information and assist TWIA in calculating participation shares for potential assessments in 2024. Responses to the data call were required by May 31, 2024.

Commissioner's Bulletin # B-0005-24- Help Insure

TDI issued a data call to collect information for the HelpInsure.com website, a resource for Texas consumers shopping for personal automobile or residential property insurance. Data submissions are due by June 21, 2024, for rates effective June 1, 2024.

Sources

- 1** - Triple-I Insurance Facts
- 2** - TDI 2023 Market Conditions Annual Report
- 3** - Bureau of Labor Statistics
- 4** - Insurance Information Institute
- 5** - Texas Comptroller's Revenue Report



Insurance Council of TEXAS

2024 P&C Market Report

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