



Southwestern Insurance Information Service

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Just what is the Texas FAIR Plan?

The Texas Fair Access to Insurance Requirements (FAIR) was formed in response to a lack of homeowners insurance in various regions of the state. The intent of those who drafted the language in the FAIR Plan was make it the market of last resort and not intended to be a competitor with the private homeowners market.

Policies are written by licensed insurance property and casualty insurance agents in the state. Applicants cannot apply for insurance directly through the FAIR Plan. If a consumer has a complaint about the service of an agent they may contact the FAIR Plan Association at P. O. Box 99080, Austin, TX 78709.

To become eligible for coverage, a potential customer must have been declined residential property insurance by at least two insurance companies licensed and writing property insurance in Texas. Further, to be qualified, consumers may not have received a valid offer of comparable residential insurance from an insurance company licensed in Texas (not including surplus lines insurers)

The FAIR Plan can decline coverage to an applicant if the person or the property to be insured does not meet the FAIR Plan's underwriting standards.

It is important to mention that the FAIR Plan offers limited coverage which may not be as comprehensive as coverage in the voluntary insurance market. Many homeowner insurers offer coverages which are not offered by the FAIR Plan.

It would be difficult to compare premiums in the FAIR Plan with premiums in the voluntary market. Most private insurers offer credits or discounts not offered by the FAIR Plan for variables such as

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insurance risk scores, newer homes and carrying both homeowners and auto insurance with the same company.

Recently the FAIR Plan has experienced explosive growth in various parts of Texas. For example, in Harris County at the conclusion of July 2010, the FAIR Plan had 54,084 policies in force with \$8,728,588,157 in exposure as compared to the end of July 2011 when the FAIR Plan had 62,994 policies in force and \$10,201,898,578 in exposure. These statistics result in increases in policies in force and exposure of 16.5 percent and 16.9 percent respectively while the growth in premiums during the period was 15.9 percent.

In Fort Bend County at the conclusion of July 2010 the FAIR Plan had 5,256 policies in force and one year later that number grew to 6,093. Exposure in July 2010 was \$1,037,168,246 contrasted with July 2011 when it was \$1,184,421,942 representing a growth rate of 13.32 percent.

Lastly, it is important to emphasize that the purpose of the Texas FAIR Plan was to be the market of last resort for consumers but in some parts of Texas it is becoming a market of first choice.

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