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Insurance News

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Last-resort insurer wants rates raised

Thousands of homeowners who have policies with the state's insurer of last resort could see another double-digit rate increase later this year.

The board of the Texas Fair Access to Insurance Requirements Plan voted Tuesday to ask state regulators for a rate hike of 19.5 percent.

The company last raised rates in November 2008, when homeowners saw them jump an average 20 percent.

The brunt of the latest increase is needed to help cover the rising cost of reinsurance, coverage the company buys to pay for claims after a catastrophe, said Jim Oliver, general manager of the state created company.

This year, the insurer will pay \$28 million for reinsurance, up from \$17.8 million last year, he said.

The board plans to file a rate request with the Texas Insurance Department within a week but will decide on a date to implement the new rates after they're approved, Oliver said.

Unlike traditional companies operating in the private market, the FAIR Plan must seek rate approval before implementing changes.

The company also plans to reduce the surcharges customers are hit with if they file claims.

Currently homeowners with no prior claims get a 20??percent discount.

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But those with one previous claim see a 30 percent hike. The proposed change would cut the surcharge for one prior claim to 10 percent, something that will affect many homeowners who filed claims after Hurricane Ike.

“We felt that it was too punitive to go from minus 20 percent to a plus 10 percent,” Oliver said. “That was too much of an increase.”

The Texas FAIR Plan, formed in 2002 after the mold crisis, sells limited coverage to homeowners who can't find it in the private market.

More than half of the plan's 78,000 policyholders live in Harris County, where it insures 48,000 homes.

Policies with the plan offer limited coverage compared to traditional companies in the private market.

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