



2022-2023

STATE OF THE TEXAS PROPERTY & CASUALTY INSURANCE MARKET

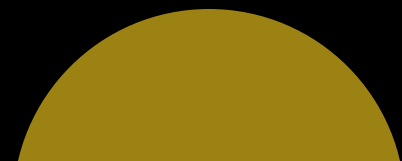


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Message from the Executive Director



On behalf of the Insurance Council of Texas (ICT) staff and board of directors, we present the 2022-2023 State of the Texas Property & Casualty Insurance Market Report, reflecting the current landscape and challenges that shape the industry and the state's economy.

Overall, the Texas property and casualty market continues to be competitive and offers policyholders a variety of coverages and prices. In 2022, companies navigated challenges presented by economic changes and inflation. These topics dominated discussions, influenced company decisions, and had far-reaching implications for insurers and policyholders alike.

The surge in inflation pushed up prices for construction materials, vehicles, replacement costs, and other factors involved in the loss payment process. In addition, national and international weather catastrophes placed significant strain on reinsurers and consequently, insurers must navigate a changing reinsurance market and a hardening market. Social inflation and lawsuit abuse continues to add uncertainty and increase pressure on rates across various lines of business.

Despite these challenges, the Texas economy displayed resilience and continued to grow. Overall, property and casualty premium volume increased by 13.4%, reflecting the state's growth and economic strength. With nearly \$81 billion in direct written premiums in 2022, Texas remained the second largest insurance market in the country—underscoring the industry's significance in the state's economy. Insurers also paid \$3.1 billion in premium taxes, representing 4% of the state's tax revenue and the 7th largest source of tax revenue for Texas.

The entire ICT team takes pride in serving this industry and the people of Texas. We appreciate the opportunity to keep you informed and be the voice of the Texas property and casualty industry. We hope you find this report useful; please feel free to contact us if you have any questions.

Albert Betts

A handwritten signature in black ink that reads "Albert Betts".

Executive Director, Insurance Council of Texas

Industry Issue Spotlight: Inflationary Pressure

Inflationary pressures pose significant challenges for the property and casualty (P&C) insurance industry. As inflation occurs, the cost of goods and services rises, impacting various aspects of insurance operations.

U.S. inflation was at a 40-year high in 2022 and the rising costs of goods and services continues to impact P&C insurance. One area of concern is replacement cost. The Insurance Information Institute (Triple-I) reported that replacement costs for all P&C lines increased 40.42% from 2019 to 2022, even with recent decreases in U.S. Collateral Protection Insurance (CPI).



2019-2022 Cumulative Replacement Costs Increases

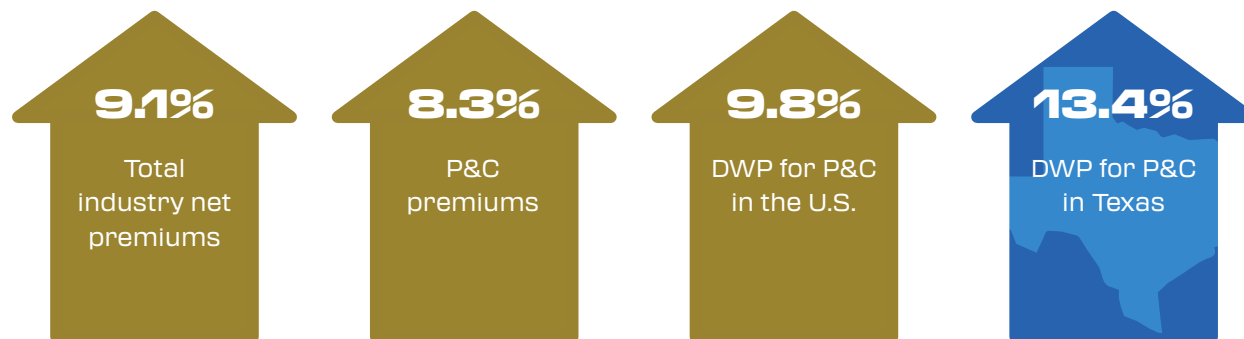
55.4%
Homeowners

45.56%
Private Auto

39.85%
Commercial
Property

Industry Overview & Impact

2022 PREMIUMS



Key Insights

- In 2022, direct written premiums (DWPs) for P&C totaled \$876.1 billion, up from \$798 billion in 2021.
- In 2022, DWP for P&C in Texas was \$80.5 billion, up from \$71 billion in 2021.
- In 2022, all DWPs increased in the top three states: California (\$104.9 billion), Texas, and Florida (\$75.8 billion).

Net premiums written represent premiums after reinsurance transactions.

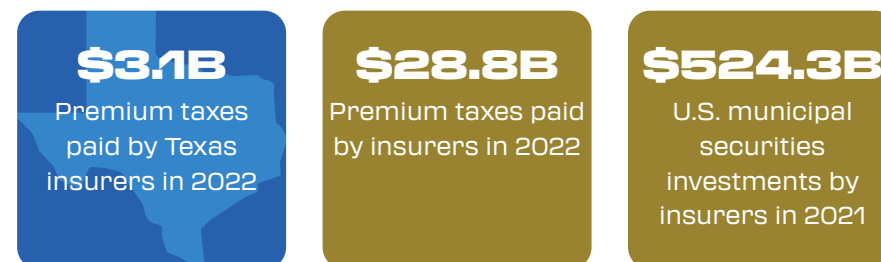
Employment



Key Insights

- In 2022, U.S. and P&C insurance industry employees increased from 2.5 million and 628,600, respectively, in 2021.
- In 2021, Texas insurance employees decreased from 323,018 in 2020. Even so, Texas still leads the nation, followed by California (239,945) and Florida (218,368).

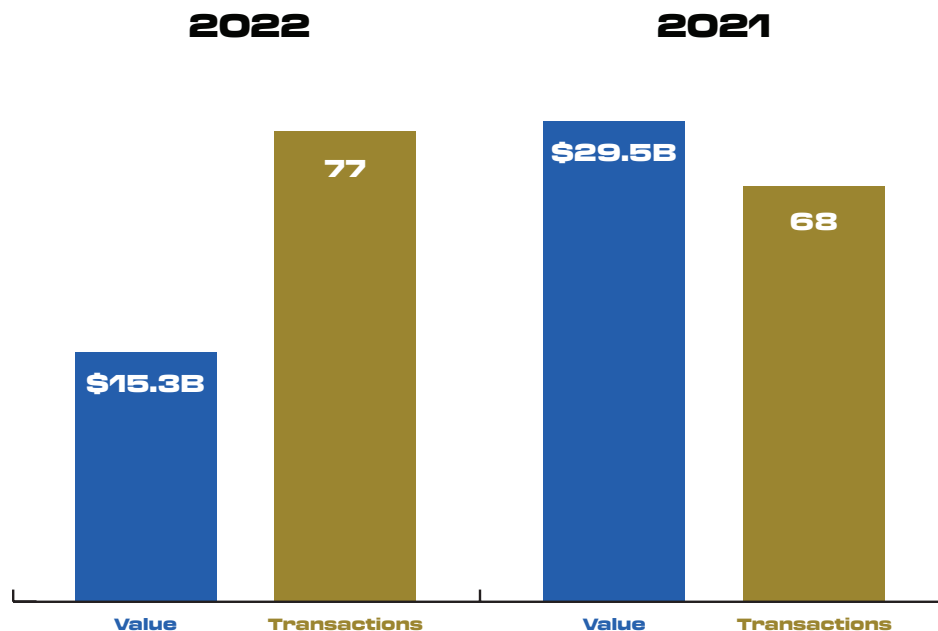
Economic Contributions



Key Insights

- Of the total 2021 municipal securities investments by insurers, the P&C industry invested \$289.4 billion.
- Premium taxes accounted for 2% of all taxes collected by the states and District of Columbia in 2022.
- In 2022, Texas is second in premium taxes to California (\$3.3 billion). New York is third (\$2.4 billion).

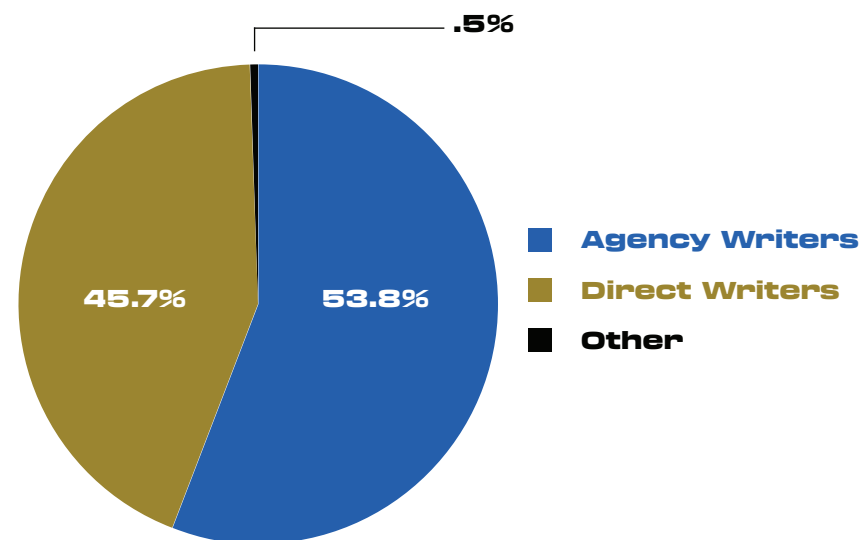
Mergers & Acquisitions



Key Insights

- Of the 77 acquisitions of P&C insurers in 2022, 32 involved U.S. entities with a deal value of \$13.3 billion.

Distribution of P&C Insurance



Key Insights

- Direct writers are the main distributors of personal lines; agency writers are the main distributors of commercial lines.
- Direct writers have the majority of distribution channels for Homeowners Multiple-Peril and Private Passenger Auto.

NOTE: Agency writers includes insurers that distribute through independent agencies, brokers, general agents, and managing general agents. Direct writers includes insurers that distribute through the internet, exclusive/captive agents, direct response, and affinity groups.

Texas Overview

In 2022, there were 1,109 groups and 2,989 companies writing P&C insurance in Texas.

Total Policies Written

54,048,912
Total policies
written in 2022



Losses

\$36,643,938,136
Total direct
losses
in Texas
in 2022



Total Direct Written Premiums

\$80,475,416,000
 **Total DWPs**
in 2022



\$52,000,000,000
Incurred
losses
in Texas in 2022



Key Insights

- While the number of groups and companies writing P&C insurance in Texas has slightly decreased, Texas remains a competitive market.
- Total DWPs in 2022 increased about 13.4% from 2021 (\$71 billion).

Key Insights

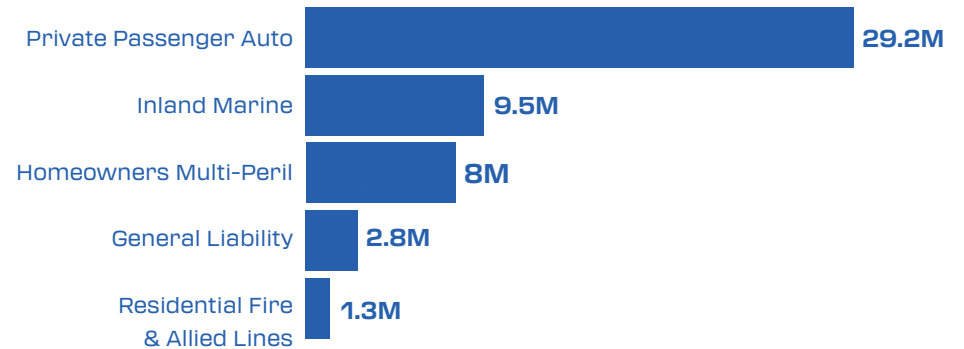
- In 2022, there was a 3.6% decrease in total direct losses in Texas compared to 2021; however, losses were still 32% higher than in 2020 (\$27,748,729,274).
- Incurred losses in Texas decreased in 2022 compared to 2021 (\$53.3 billion).
- In 2022, Texas ranked third in incurred losses behind Florida (\$67 billion) and California (\$63 billion).

Top Lines

Companies Writing Policies by Line



Lines by Policies Written

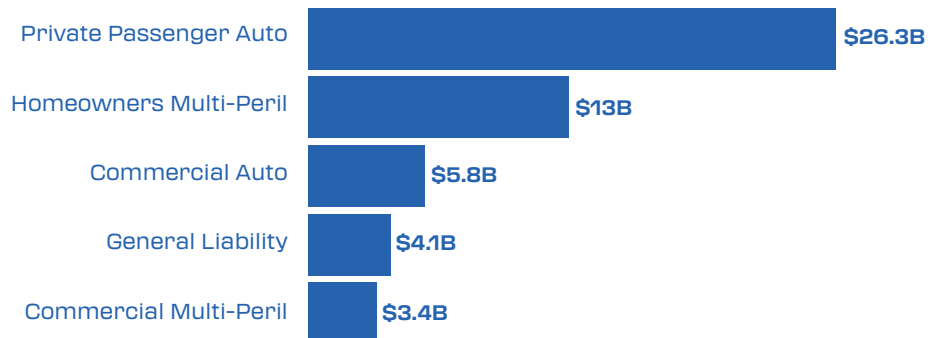


Key Insights

- The number of companies writing commercial auto increased and surpassed companies writing workers' compensation this year.
- Private Passenger Auto increased from 28.7 million in 2021.
- Inland Marine increased from 7.3 million in 2021, surpassing Homeowners Multi-Peril to take the second spot.
- Since 2020, Inland Marine increased 79%; attributed to the reopening economy and movement of goods.

Premiums

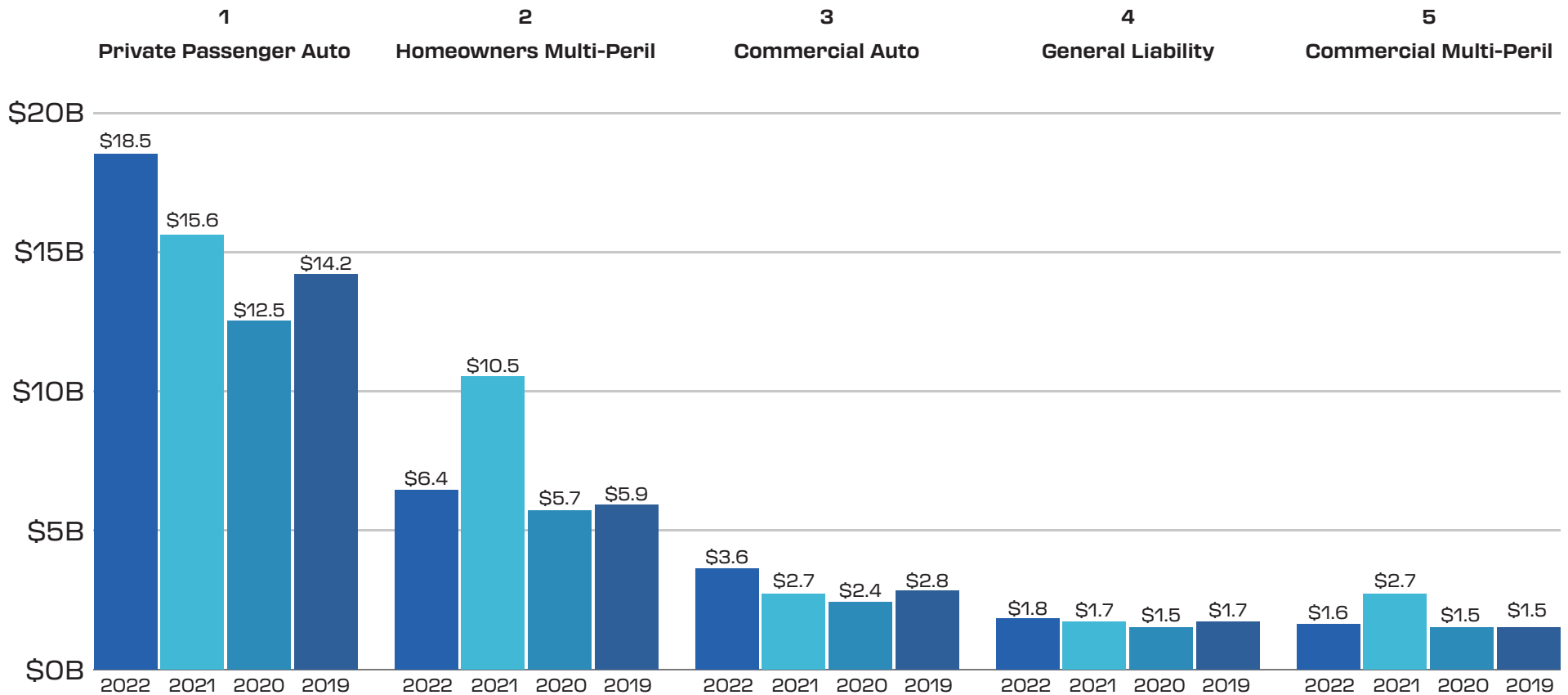
Top 5 DWP by Line



Key Insights

- DWP for all lines increased from 2021.

Top 5 Direct Losses by Line in Texas



Key Insights

- Private passenger auto losses have been trending up (besides a blip in 2020 possibly due to less driving during the pandemic); 2019 losses were \$14.2 billion.
- General liability surpassed commercial multi-peril.
- In 2021, the 83.2% increase of homeowners multi-peril losses and 82.2% increase of commercial multi-peril losses is attributed to the impact resulting from the winter weather event.

Natural Catastrophes

There were **119 natural catastrophe loss events in 2022**, resulting in about **466 fatalities**.

\$99.9B

Estimated
insured
property losses
in the U.S.

62



Convective storms
(greatest number of events)

\$53B

Insured losses
caused by tropical
cyclones (greatest cause)



474,560

Homes in Texas
at risk for extreme
wildfires



Key Insights

- Estimated insured property losses in the U.S. decreased from 2021 (\$102.7 billion); the bulk occurred in the third quarter when Hurricane Ian hit in September.
- Tropical cyclones also caused the greatest economic losses (\$96.1 billion) in 2022.
- In 2022, Texas ranked third in homes at risk for extreme wildfires, behind California (1.2 million) and Florida (814,499).

Severe Weather



Tornadoes



Hailstorms



Key Insights

- In 2022, tornadoes in the U.S. decreased compared to 2021 (1,314); 24 deaths are attributed to tornadoes, with more than half occurring in March, April, and May.
- **Texas ranked second for tornadoes.** Mississippi ranked first (184); Alabama ranked third (117).
- In 2022, major hailstorms in the U.S. increased compared to 2021 (3,762).
- Despite having fewer hailstorms than in 2021 (688), **Texas ranked first in occurrences in 2022**, ahead of Nebraska (399) and Minnesota (387).

2021 Texas Winter Storm Final Data

On Nov. 28, 2022, the Texas Department of Insurance (TDI) released its final report with results from the winter storm data call and a snapshot as of June 30, 2022. The Polar Vortex Texas Freeze is the costliest winter storm by insured losses since 1950. The 2021 Winter Storm ranks as the third most expensive storms to impact Texas behind Hurricane Harvey (\$20.1 billion) and Hurricane Ike (\$15.9 billion).

511,473

Claims reported

\$11.5B

Estimated to be paid by insurers

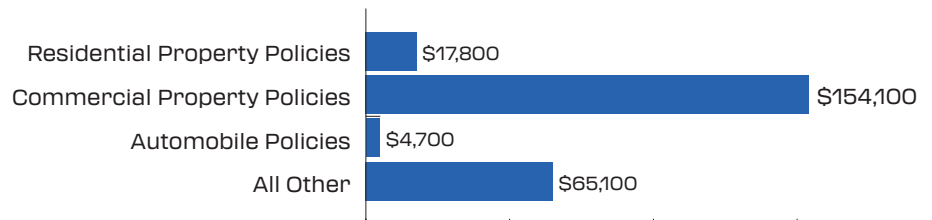
\$3.5B

Estimated to be covered by reinsurance

Paid to policyholders:

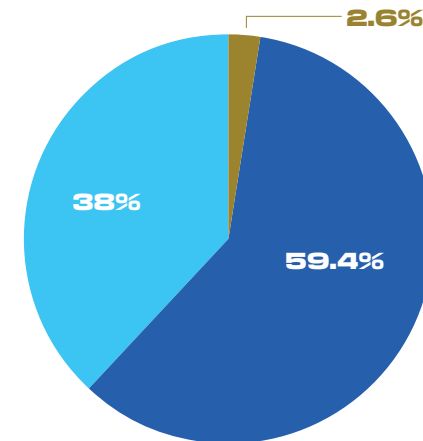


Average incurred loss:



The February 12-20, 2021, Polar Vortex Texas Freeze (which encompassed TX, OR, WA, CO, NV, AR, OK, GA, NC, FL, IL, IN, IA, WI, OH, PA, VA, NC, SC, LA, MO, MS) is the costliest winter storm by insured losses between 1950-2022.

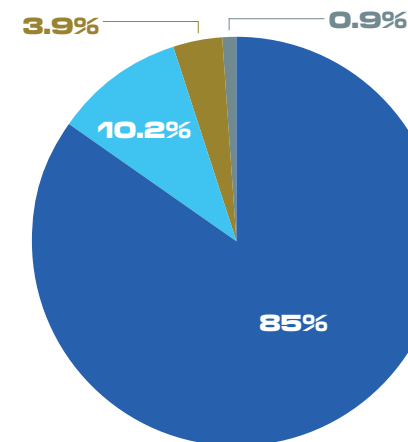
Claims:



*Note: The percentage of claims open differs between residential property and commercial property; about 1.2% of residential property claims and 13.4% of commercial property claims were open.

59.4% Closed with payment to policyholder
38% Closed without payment
2.6% Claims open*

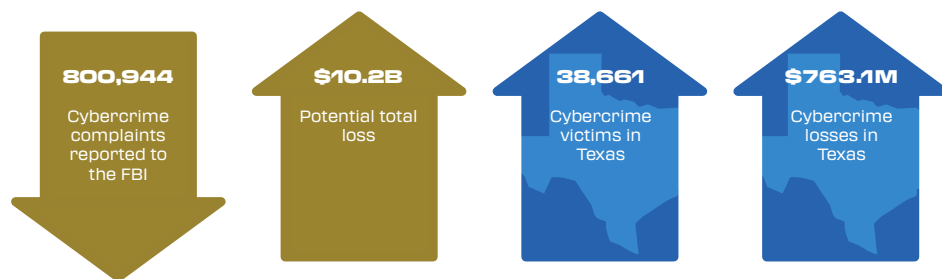
Claims by policy:



85% residential property (434,568)
10.2% commercial property (52,187)
3.9% personal auto physical damage (20,080)
0.9% all other lines (4,607)

Cybercrime

2022 had the second-highest number of data compromises in the U.S. in a single year. At least 422 million individuals were impacted.



Key Insights

- Cybercrime complaints nationwide decreased by 5% compared to 2021; however, potential losses increased, up from \$6.9 billion in 2021.
- In 2022, Texas ranked third in cybercrime victims (behind California and Florida) and fourth in losses.



Theft in Texas



Key Insights

- **Texas** ranked second in catalytic converter thefts behind California (24,102). Insurance claims for these thefts increased from 16,660 claims in 2020 to 64,701 in 2022.
- Nationwide, and for the first time since 2008, more than 1 million vehicles were stolen — a 7% increase over 2021. **Texas** had a 10% increase compared to 2021 (95,082) and ranked second behind California (202,685).
- In 2022, **Texas** ranked sixth in identity thefts behind Georgia, Louisiana, Florida, Delaware, and Nevada.
- In 2021, **Texas** ranked third in recreational watercraft thefts.

Industry Issue Spotlight: Auto Repair/OEM

The push to require the use of OEM parts and repair processes in the auto industry presents a significant industry issue. For the last two legislative sessions, lawmakers have proposed measures to limit consumer choice when it comes to the auto repair process. While measures have failed both times, we expect that attempts to require the use of OEM parts or repair process will continue.

One of the issues surrounding this topic is the misconception that mandating the use of OEM parts and repair processes inherently improves safety. Debunking this myth and showing that having a choice in auto repair and auto parts is beneficial for a competitive marketplace and consumers will be an ongoing issue.

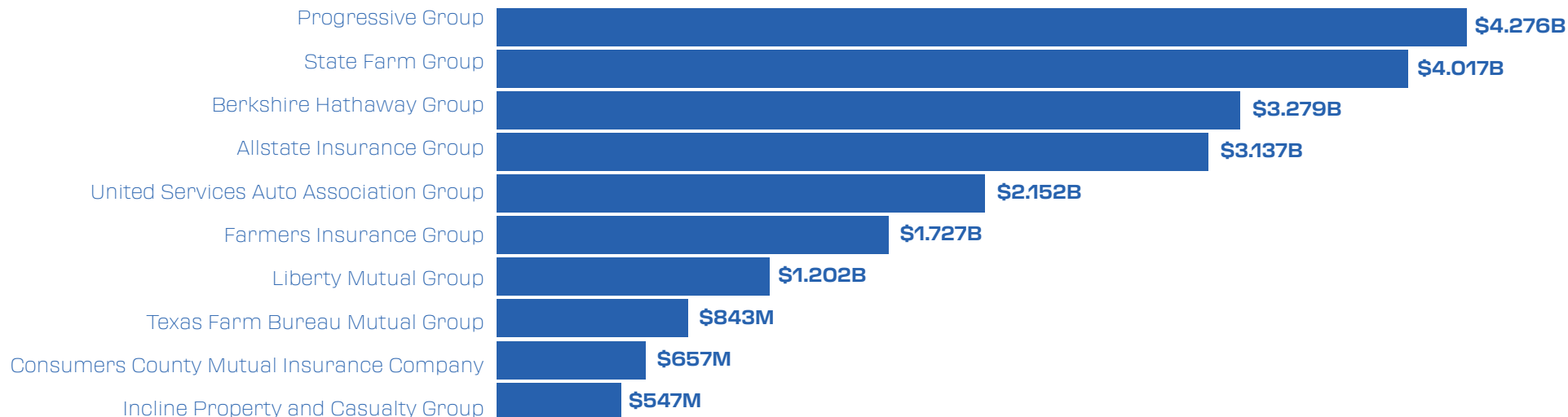
Another challenge associated with the push for OEM parts and repair processes is the potential increase in costs at a time when replacement cost for all parts and equipment for personal auto rose 13.38% in 2022.

In May 2021 the the Federal Trade Commission (FTC) issued a Report to Congress on Repair Restrictions, which among other things found that numerous reasons given by manufacturers for repair restrictions are not supported by record.

Auto Repair/OEM



Top 10 Private Passenger Auto Groups by Premiums Written

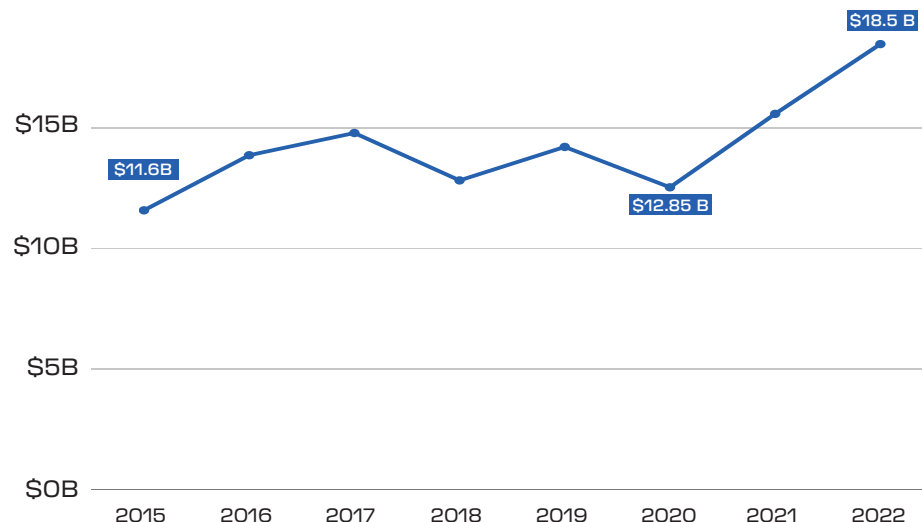


Key Insights

- The top 10 writers represent 83.11% of the market, a slight decrease from 83.97% in 2021.
- There was an 11.85% increase in written premium for private passenger auto compared to 2021, from \$23.493 billion to \$26.276 billion.
- In Texas, 29.2 million private passenger auto policies were written in 2022, up from 28.7 million in 2021.

Private Passenger Auto Losses

Direct Losses Paid



2022 was a historical high for losses paid.

Key Insights

- In 2022, there was a \$2.769 billion net underwriting loss for private passenger auto.
- The direct loss ratio was slightly lower than 2021, 70.31% from 73.5%.
- In 2021, private passenger auto writers ended with a \$562.2 million net underwriting loss.

Complaints

- Private passenger auto complaints remain low. In 2022, there were 588 confirmed private passenger auto complaints out of 29,211,825 policies written (.00201% per policy). This favorable complaint-to-policy ratio is a positive for the industry.



Industry Issue Spotlight: Appraisal

Consumer rights and the appraisal process in auto and homeowners insurance policies emerged as an industry issue for property and casualty insurance.

The topic gained traction, leading the House Insurance Committee to incorporate it as part of their interim study to examine existing business practices in the industry to determine if additional laws or regulations were needed to promote competition, lower premiums, and protect consumers.

TDI and Office of Public Insurance Counsel (OPIC) also highlighted the issue in their respective biennial reports to the legislature. During the 88th legislative session there were numerous bills which would have created a statutory auto and/or homeowners insurance appraisal process for policies.

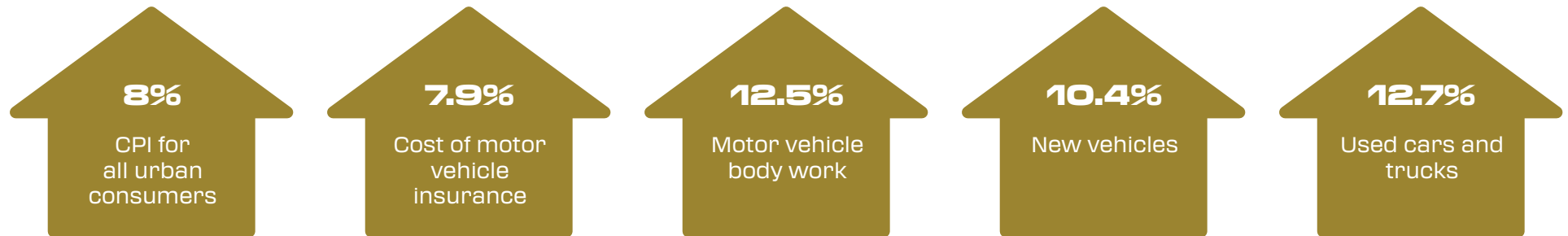
Currently, insurers can include appraisal in their policy forms describing the right to appraisal and the process for invoking.

Appraisal



Increasing Cost of Goods and Services

The rise in the consumer price index (CPI) of goods and services in 2022 adds to greater losses.



Key Insights

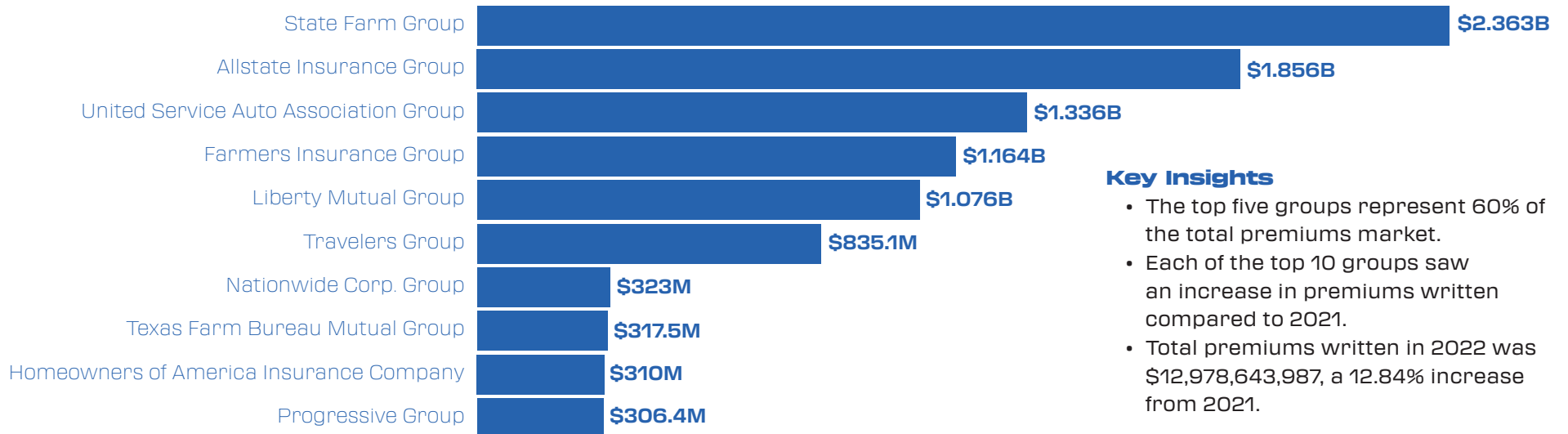
- Motor vehicle body work has increased 42.4% since 2013.
- Used cars and truck prices have increased 37.4% since 2013.
- Lack of parts, new vehicles, mechanics and technicians has increased the average repair time from just under 2 days to 5 days.
- A shortage of rental cars has increased the cost of daily rentals, coupled with the increase in time to get repairs done has increased the cost of claims.



Homeowners Multi-Peril

In 2022, 78 groups (163 companies) had direct premiums written for homeowners multi-peril (including renters' insurance), compared to 87 groups (163 companies) in 2021.

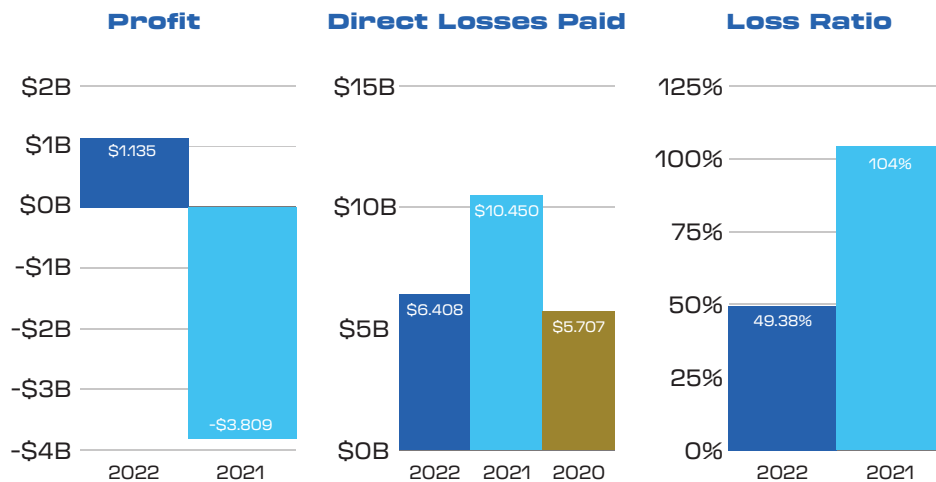
Top 10 Homeowners Multi-Peril Groups by Premiums Written



Key Insights

- The top five groups represent 60% of the total premiums market.
- Each of the top 10 groups saw an increase in premiums written compared to 2021.
- Total premiums written in 2022 was \$12,978,643,987, a 12.84% increase from 2021.

Homeowners Multi-Peril Losses



Note: Amounts are in billions.

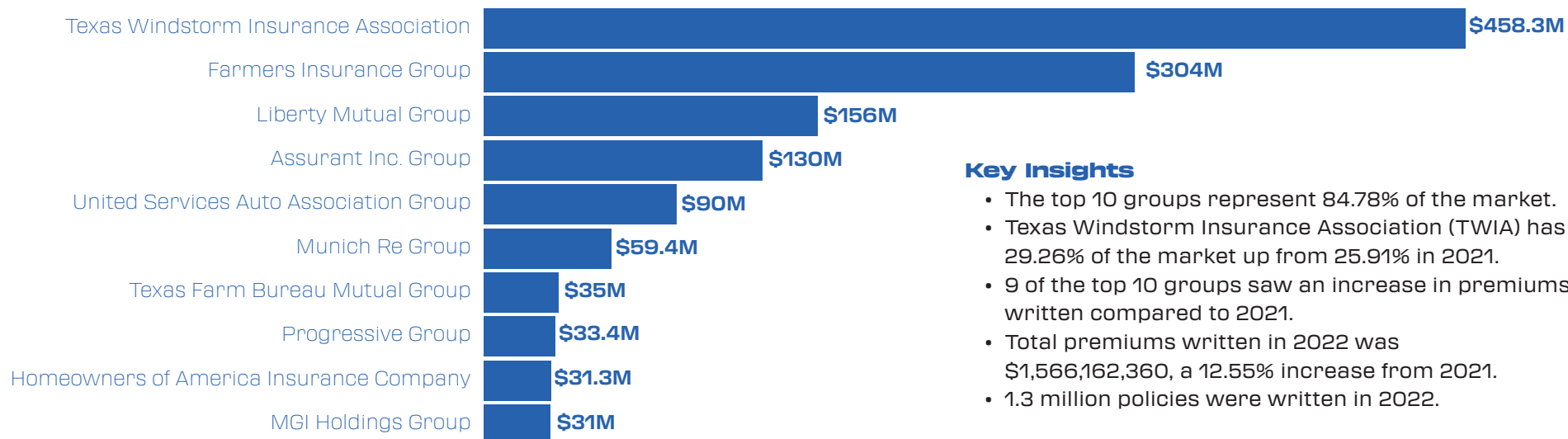
Key Insights

- The spike in direct losses paid in 2021 is primarily due to the winter storm event in February.
- While losses decreased from 2021 in 2022, they are still higher than in 2020.

Residential Fire & Allied Lines

In 2022, 49 groups (75 companies) had direct premiums written for residential fire and allied lines, compared to 56 groups (79 companies) in 2021.

Top 10 Residential & Allied Lines Groups by Premiums Written



Key Insights

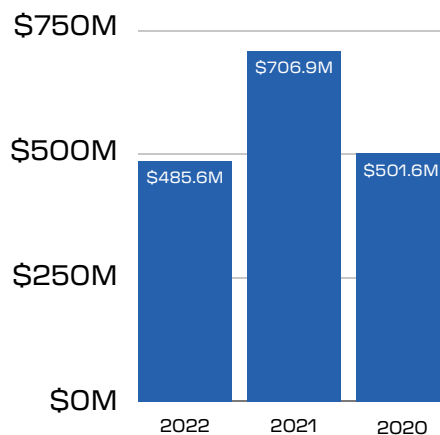
- The top 10 groups represent 84.78% of the market.
- Texas Windstorm Insurance Association (TWIA) has 29.26% of the market up from 25.91% in 2021.
- 9 of the top 10 groups saw an increase in premiums written compared to 2021.
- Total premiums written in 2022 was \$1,566,162,360, a 12.55% increase from 2021.
- 1.3 million policies were written in 2022.

Residential Fire & Allied Lines Losses

\$177.9M

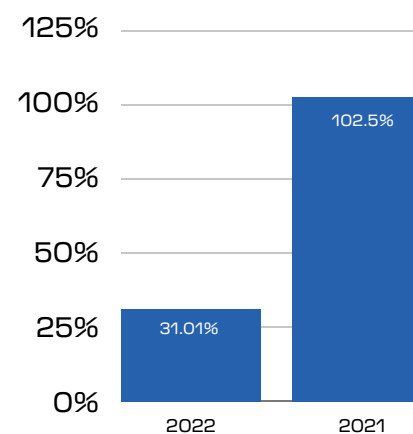
Net Underwriting Profit

Direct Losses Paid



Note: Amounts are in millions.

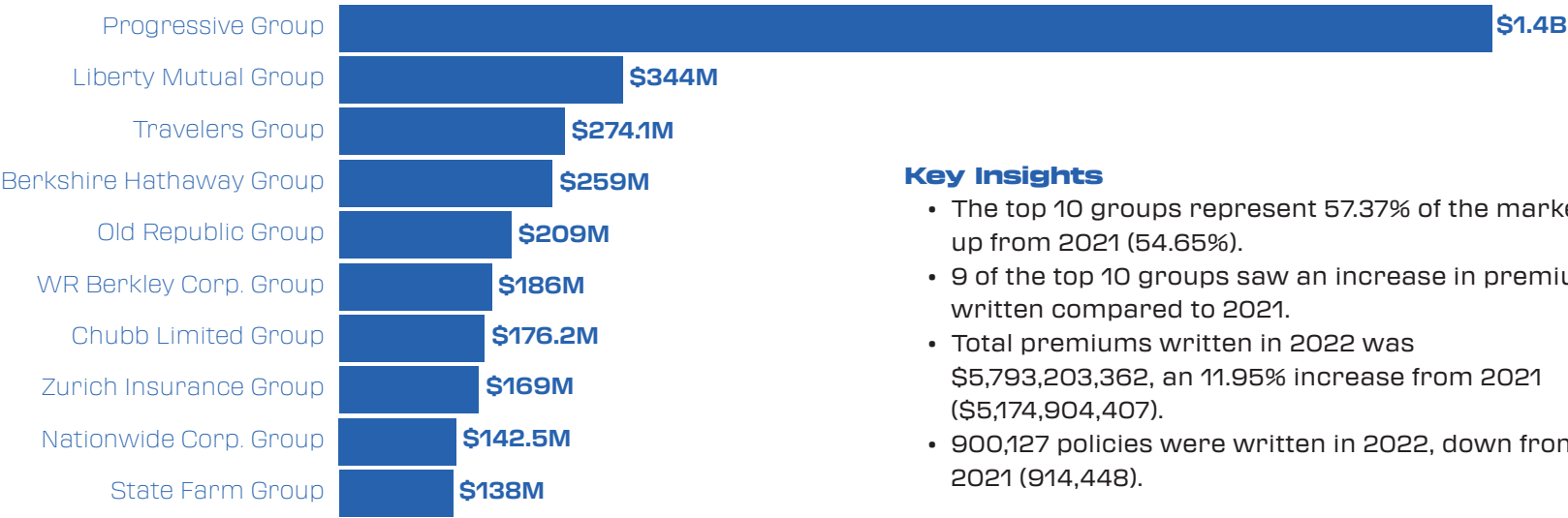
Loss Ratio



Commercial Auto

In 2022, 110 groups (320 companies) had direct premiums written for commercial auto, compared to 115 groups (322 companies) in 2021.

Top 10 Commercial Auto Groups by Premiums Written

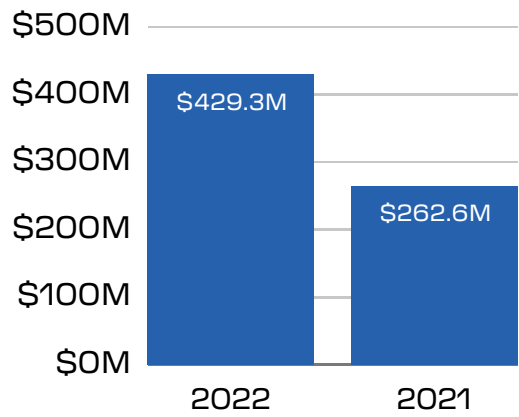


Key Insights

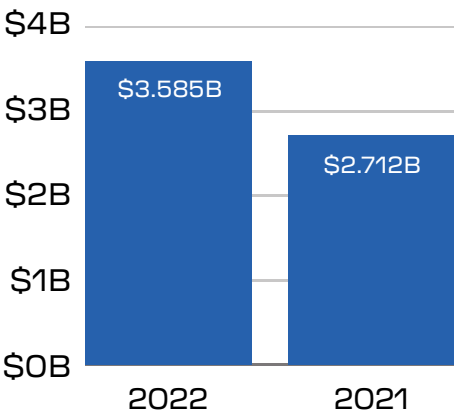
- The top 10 groups represent 57.37% of the market, up from 2021 (54.65%).
- 9 of the top 10 groups saw an increase in premiums written compared to 2021.
- Total premiums written in 2022 was \$5,793,203,362, an 11.95% increase from 2021 (\$5,174,904,407).
- 900,127 policies were written in 2022, down from 2021 (914,448).

Commercial Auto Losses

Net Underwriting Loss



Direct Losses Paid



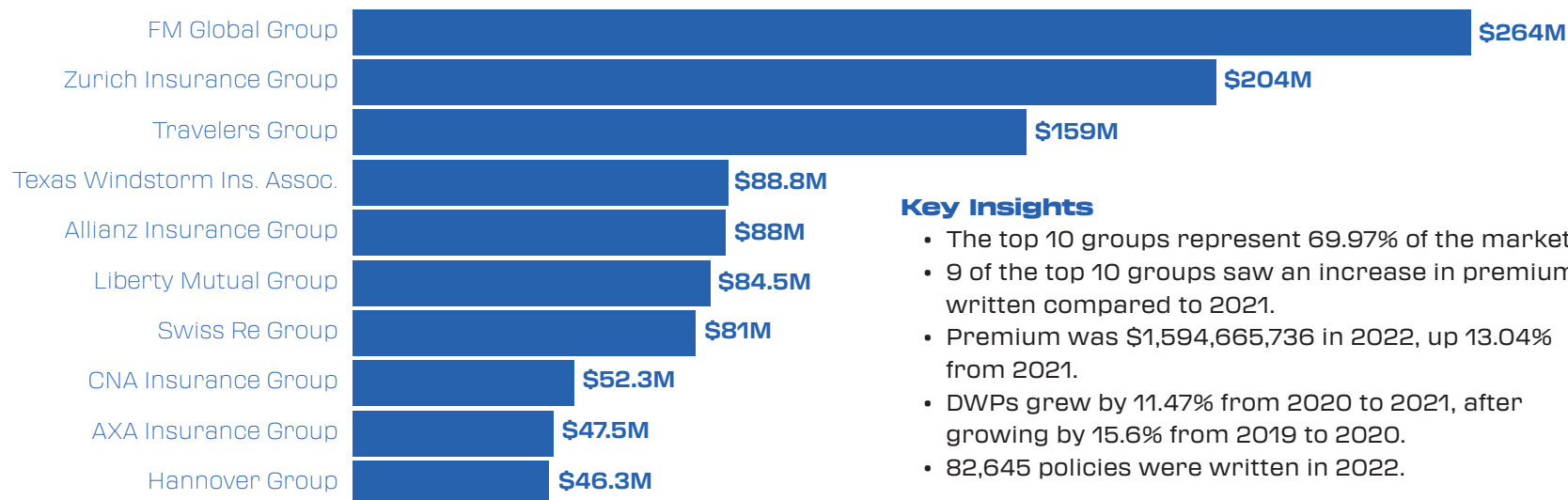
Key Insights

- Losses increased by 63.5% in 2022.
- In 2020, there was a \$919,214 profit.

Commercial Fire & Allied

In 2022, 74 groups (204 companies) had direct premiums written for commercial fire and allied lines, compared to 78 groups (211 companies) in 2021.

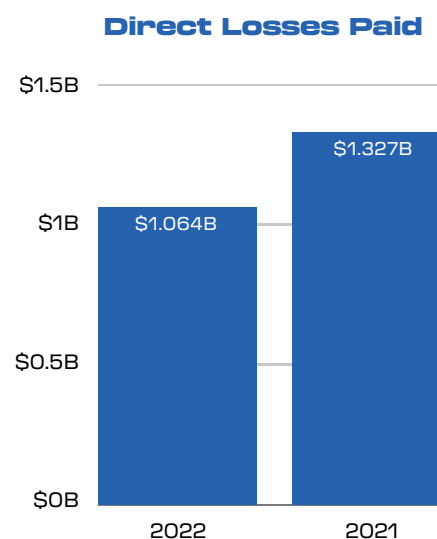
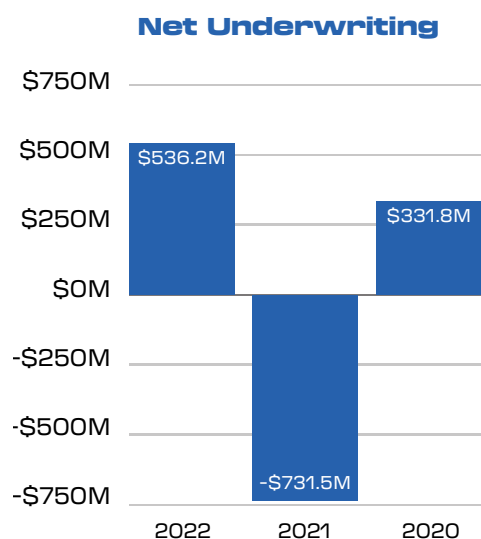
Top 10 Commercial Fire & Allied Groups by Premiums Written



Key Insights

- The top 10 groups represent 69.97% of the market.
- 9 of the top 10 groups saw an increase in premiums written compared to 2021.
- Premium was \$1,594,665,736 in 2022, up 13.04% from 2021.
- DWPs grew by 11.47% from 2020 to 2021, after growing by 15.6% from 2019 to 2020.
- 82,645 policies were written in 2022.

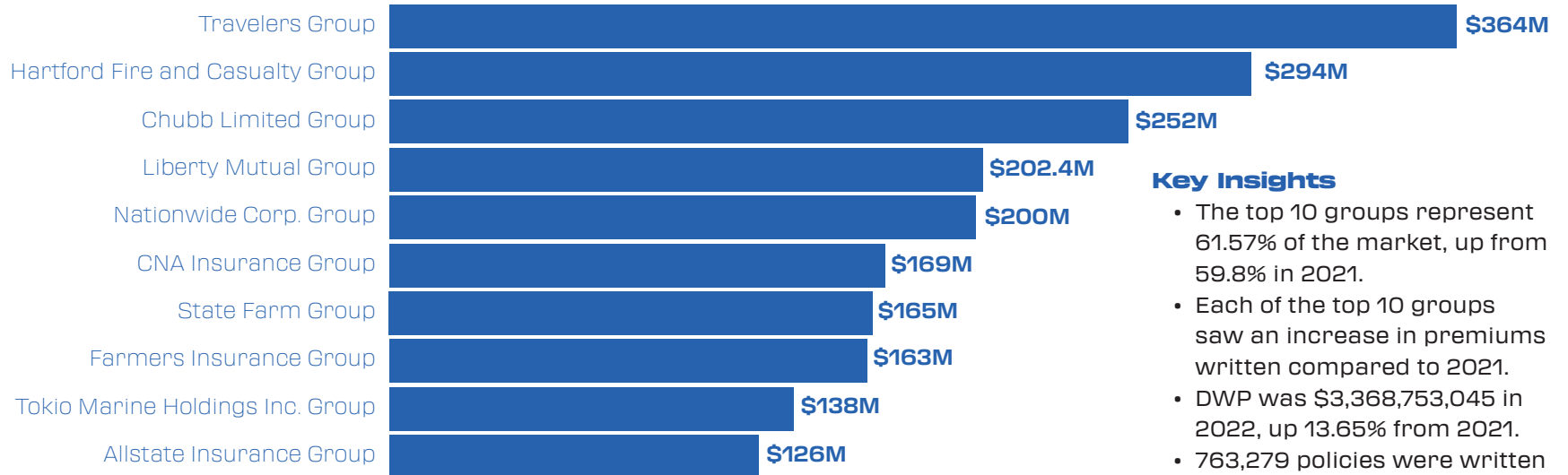
Commercial Fire & Allied Losses



Commercial Multi-Peril

In 2022, 91 groups (262 companies) had direct premiums written for commercial multiple peril, compared to 93 groups (256 companies) in 2021.

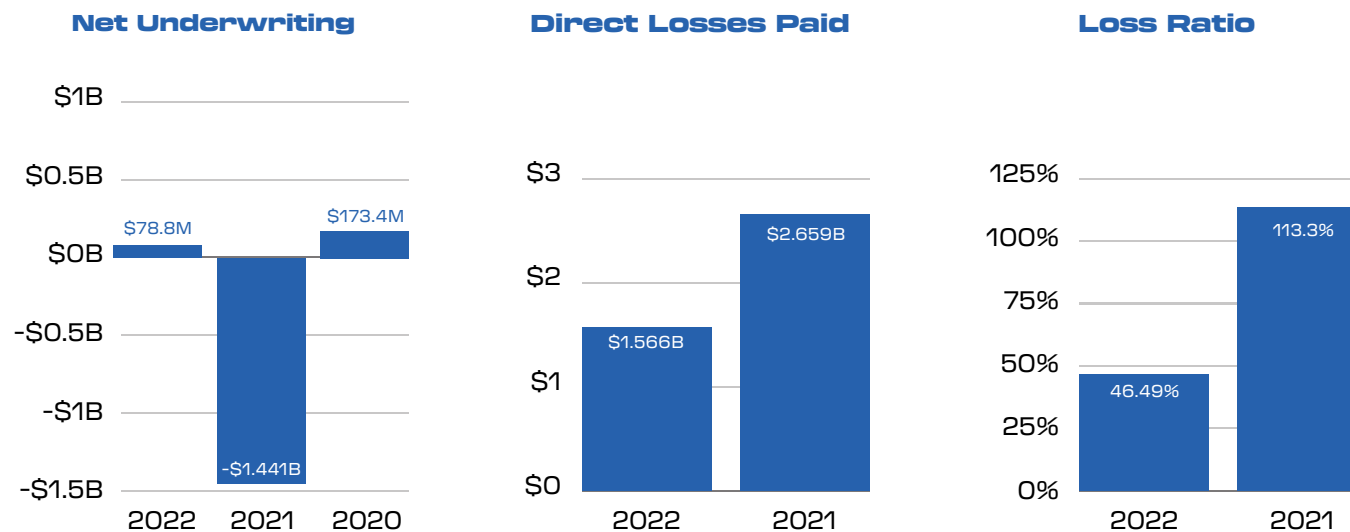
Top 10 Commercial Multi-Peril Groups by Premiums Written



Key Insights

- The top 10 groups represent 61.57% of the market, up from 59.8% in 2021.
- Each of the top 10 groups saw an increase in premiums written compared to 2021.
- DWP was \$3,368,753,045 in 2022, up 13.65% from 2021.
- 763,279 policies were written in 2022.

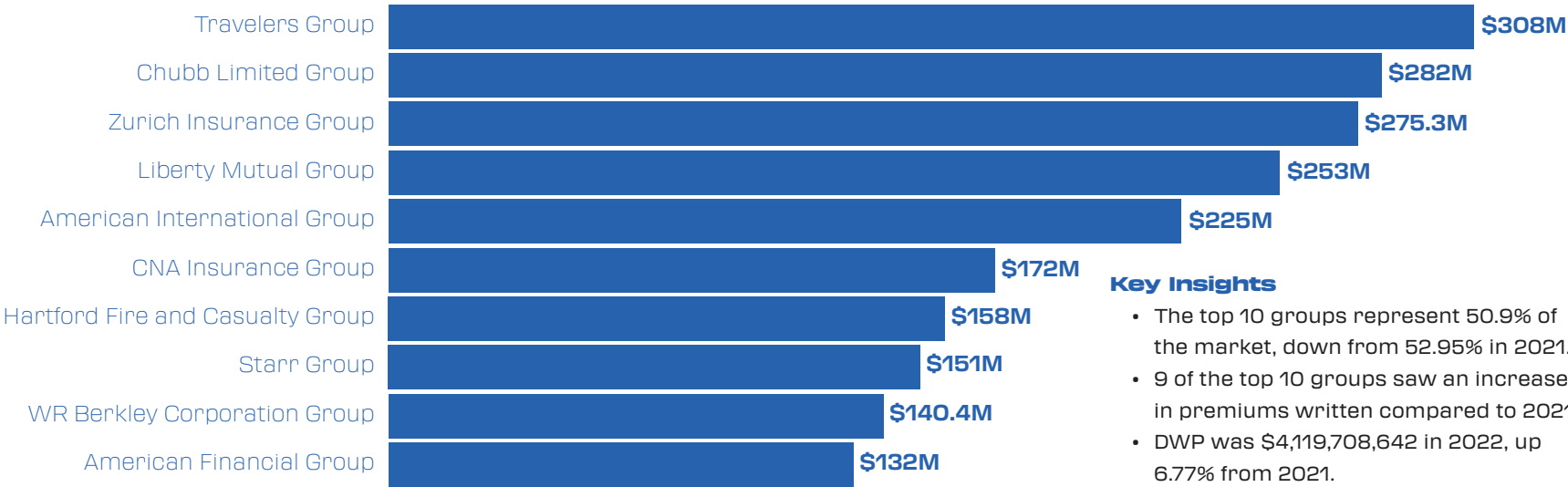
Commercial Multi-Peril Losses



General Liability

In 2022, 146 groups (427 companies) had direct premiums written for general liability, compared to 159 groups (431 companies) in 2021.

Top 10 General Liability Groups by Premiums Written



General Liability Losses

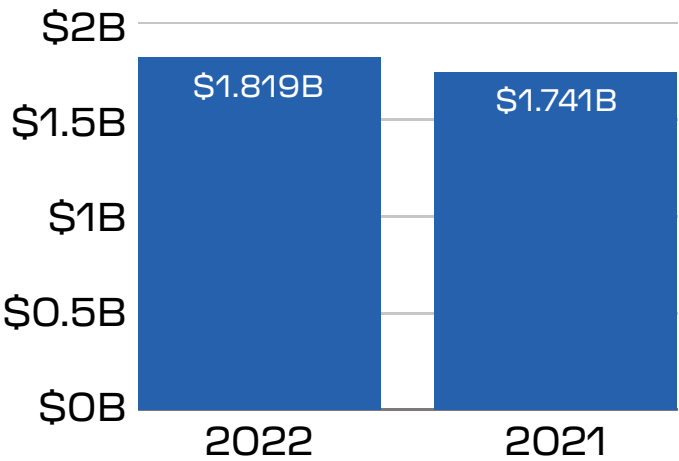
\$176.1M

Net Underwriting Loss
(when looking at top 25 companies)

\$53.8M

Net Underwriting Profit
(when looking at all general liability)

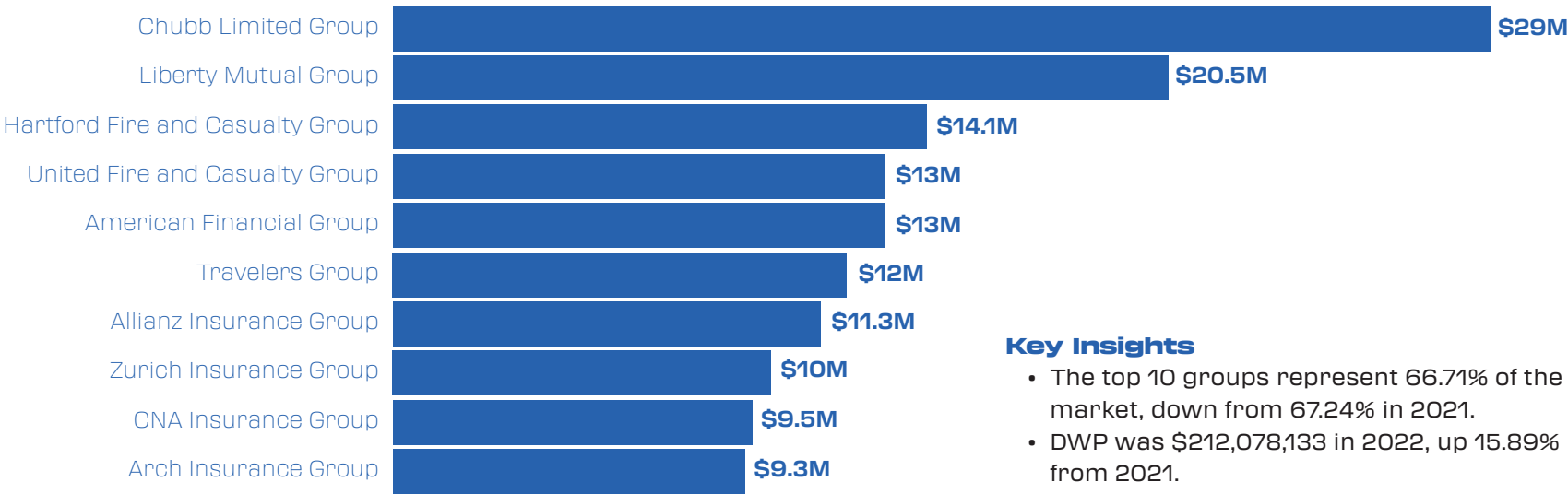
Direct Losses Paid



Product Liability

In 2022, 58 groups (194 companies) had direct premiums written for product liability, compared to 59 groups (188 companies) in 2021.

Top 10 Product Liability Groups by Premiums Written

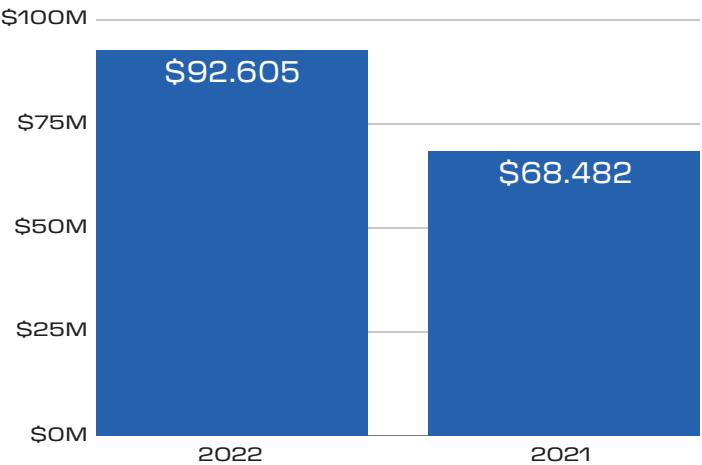


Key Insights

- The top 10 groups represent 66.71% of the market, down from 67.24% in 2021.
- DWP was \$212,078,133 in 2022, up 15.89% from 2021.

Product Liability Losses

Direct Losses Paid

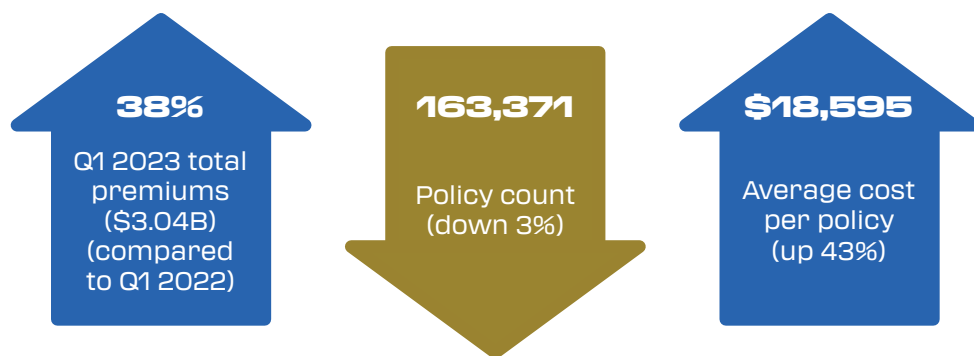
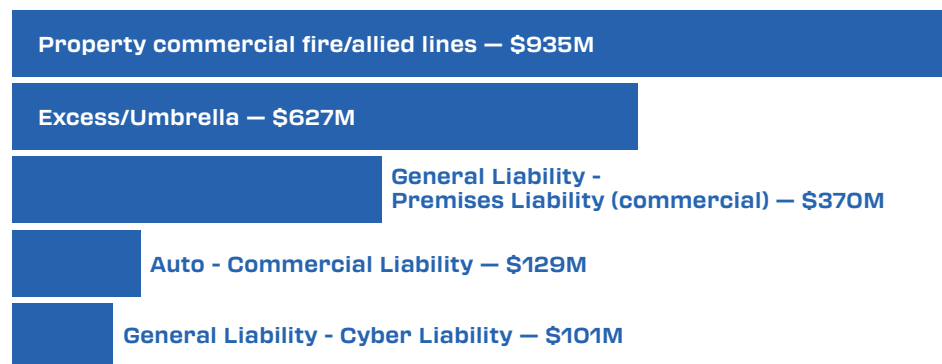


Key Insights

- Direct losses paid increased by 35% in 2022.

Surplus Lines in Texas Overview

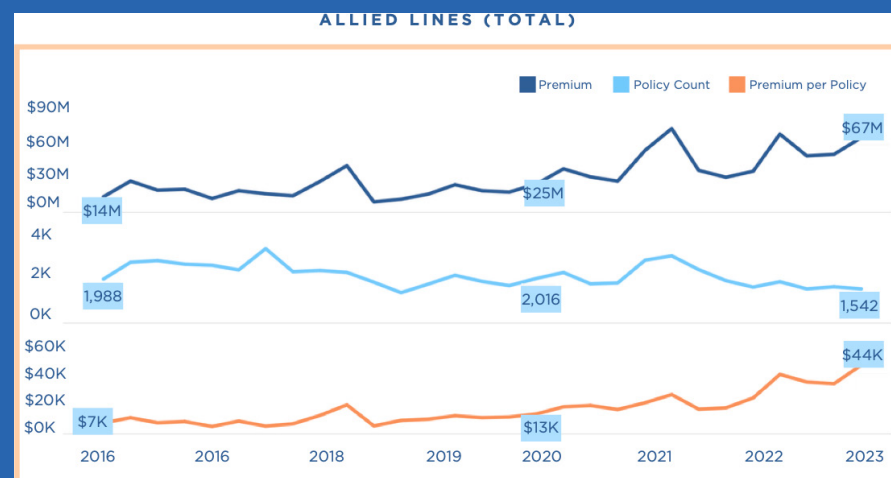
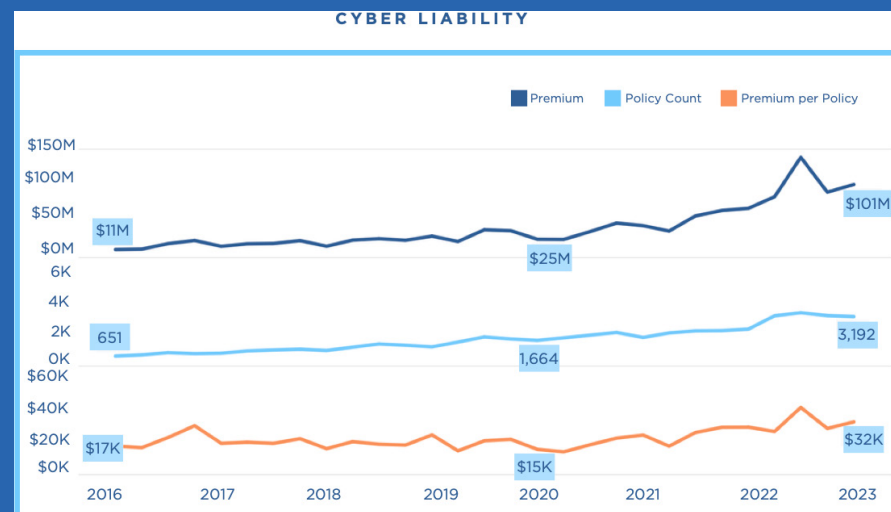
Top coverages by premium:



Key Insights

- Number of policies remains steady.

Surplus Lines in Texas Coverage Trends



Key Insights

- Policies for cyber liability nearly doubled between 2020 (1,664) and 2023 (3,192).
- Allied lines was the only line to decrease policies since 2020, from 2,016 to 1,542.

Flood Insurance

According to FEMA, one inch of water can cause up to \$25,000 in damage.

\$769M

U.S. private flood
insurance net
premiums written

\$126.5M

Texas private
flood DWP

\$418.6M

Texas federal
flood DWP

\$8.9M

Texas NFIP payments
for claims

Key Insights

- Texas ranked second in private flood DWP; Florida ranked first (\$245 million) and New York ranked third (\$94 million).
- In 2021, Texas ranked second in federal flood DWP; Florida ranked first (\$904.6 million) and Louisiana ranked third (\$283 million).
- Texas had the fourth-highest National Flood Insurance Program (NFIP) payments for claims, behind Washington, Alabama, and Florida.
- In 2022, there were 683,123 flood policies in Texas through NFIP.



Industry Issue Spotlight: TWIA Funding

The funding structure of the Texas Windstorm Insurance Association (TWIA) continues to be a significant industry issue. TWIA is intended to be an insurer of last resort providing windstorm and hail insurance coverages to residential and commercial properties in counties along the Texas coast—sometimes referred to as “Tier 1” counties—that cannot find coverage elsewhere. It is not a state agency and does not receive general revenue. Rather, TWIA is an insurance company that collects premiums, issues, and services policies, and is responsible for paying covered losses.

The current system heavily relies on debt, leading to concerns about its long-term sustainability. Efforts were made during the interim period to explore alternative funding structures that would be more stable and reliable. Several funding options were considered but failed to gain traction during the 88th legislative session.

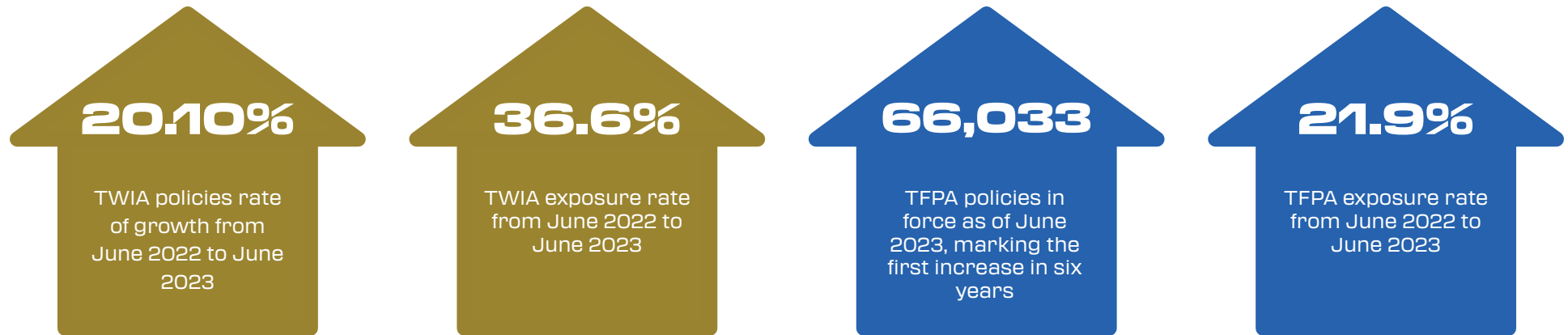
The industry continues to offer alternatives for a sustainable funding structure for TWIA. This may include exploring the potential use of state funds, including investments and loans, to support TWIA and cover losses. Insurers currently protect the Texas coast by writing wind coverage in Tier 1. Texas insurers are also required by law to pay up to \$1 billion in assessments to cover TWIA losses resulting from storms in any calendar year. Regardless of the industry’s support and commitment, some legislators and coastal interests continue to champion the idea to shift TWIA’s expenses for reinsurance and LAE to the industry.

TWIA Funding



Residual Markets

Both residual markets — TWIA and the Texas FAIR Plan (TFPA) — are growing, following an overall trend.



Key Insights

- TWIA's total insured value increased from \$63.2 billion in June 2022 to \$86.2 billion in June 2023.
- TFPA's total insured value increased from \$11.1 billion in June 2022 to \$13.5 billion in June 2023.



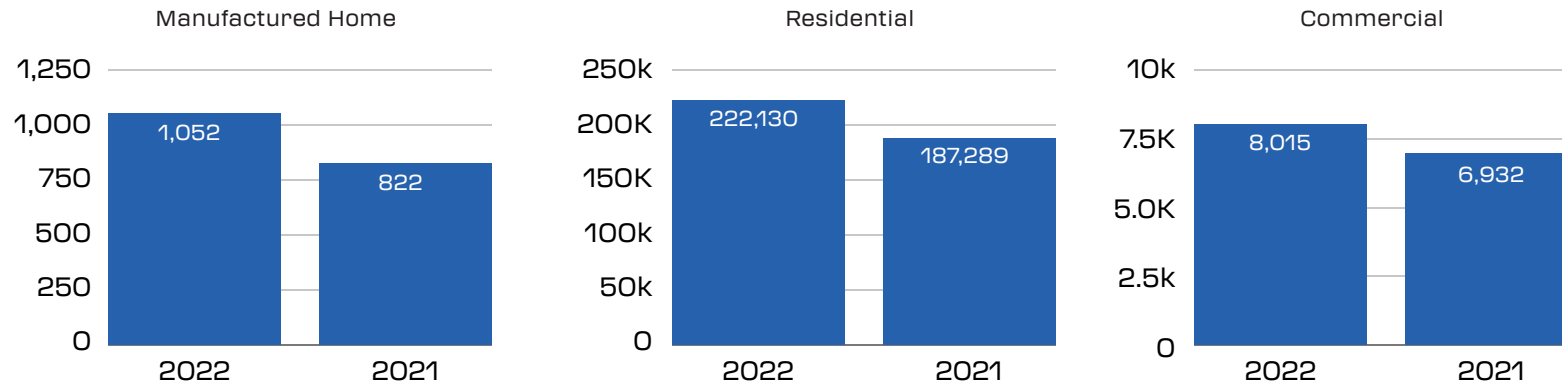
Leadership Change

John Polak retired as TWIA's General Manager at the end of 2022 after 11 years leading the company. The Board of Directors selected David Durden, Vice President of Legal & Compliance, to lead the organization effective Oct. 1, 2022.

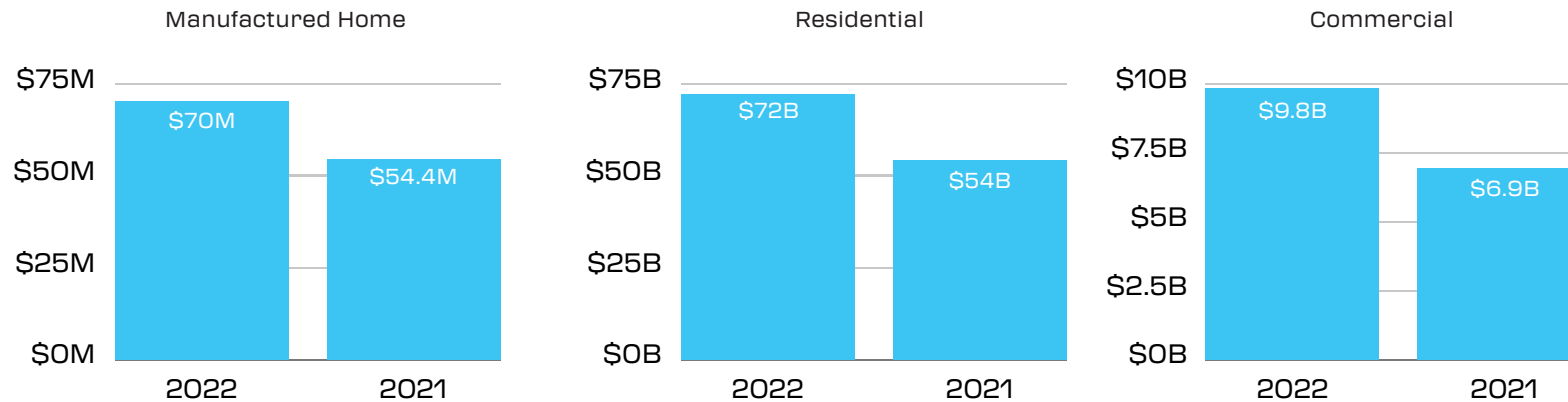
231,197
Policies

As of April 30, 2023

Policies in Force

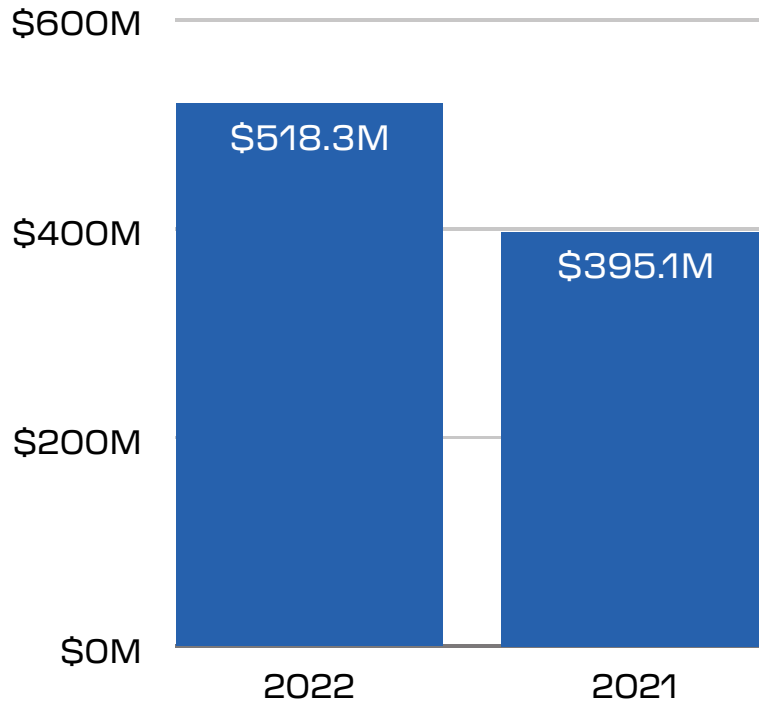


Direct Liability



As of April 30, 2023

Direct Written Premium



Key Insights

- Policy count increased substantially as TWIA issued policies to former Weston and FedNat (Maison) policyholders. TWIA reported more than 14,000 policies attributed directly to these insolvencies.
- Reinsurance costs for the 2022-2023 program (ceded earned premium) totaled \$132.1 million and incepted June 1 using a combination of traditional reinsurance and catastrophe bonds.
- TWIA's surplus as of Dec. 31, 2022, was \$38.6 million compared to the deficit of \$24.6 million as of Dec. 31, 2021. TWIA eliminated its deficit in 2022 due to a net income of \$136.7 million from policy count growth.
- TWIA's 2022 actuarial analysis found the TWIA's rates to be inadequate by 15% for residential policies and 11% for commercial policies.

After having redirected funds to complete early redemption of the Series 2014 Bonds used to pay Hurricane Harvey claims, TWIA made a contribution to the CRTF for the first time in two years.

\$74.9M

TWIA contribution to CRTF
(as required by statute in
March 2023)

\$267.9M

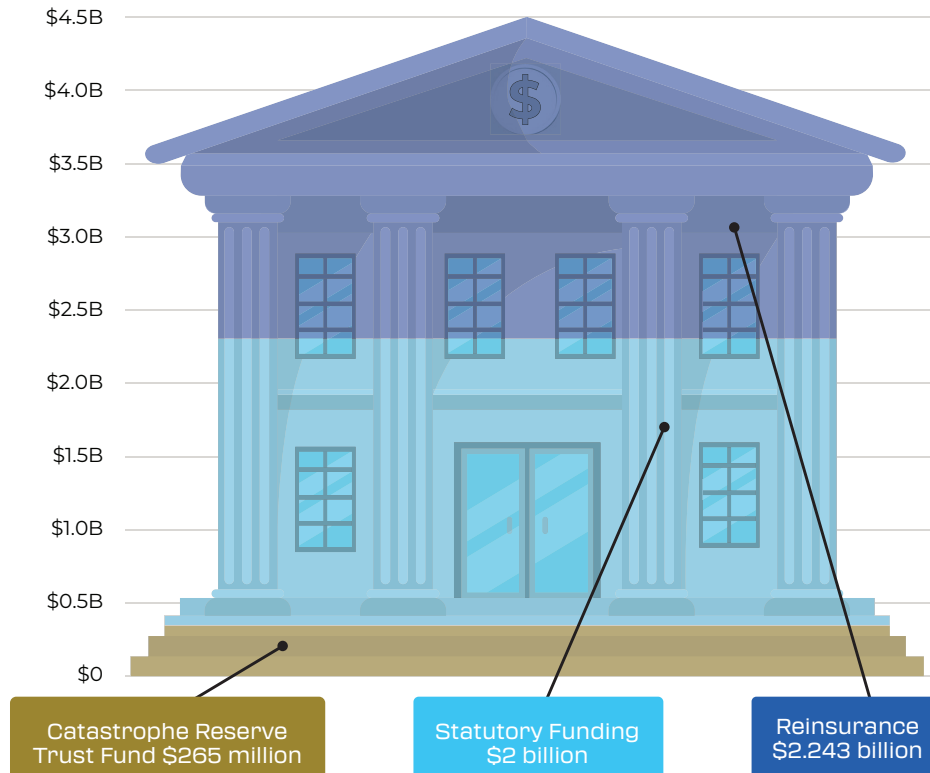
CRTF balance

Private Market Insolvencies and Withdrawals in Florida

- Aug. 8, 2022: Florida insurance regulators put Weston into receivership for liquidation.
- Sept. 7, 2022: Weston policies cancelled.
- October 2022: FedNat (Maison) ordered to cease operations by Florida officials.
- February 2023: United Property & Casualty placed into receivership.

2023 Hurricane Season Funding

- TWIA's 2023 reinsurance program, effective June 1, 2023, to May 31, 2024, provides \$4.508 billion in total aggregate funding sources.
- The 2023 reinsurance program includes:
 - \$500 million in newly-issued three-year catastrophe bonds (Series 2023-1)
 - \$700 million in existing three-year catastrophe bonds (Series 2021-1 and Series 2022-1)
 - \$1.043 billion of traditional reinsurance with a one-year term



TWIA Changes Passed During the 88th Legislative Session

A series of bills affecting TWIA passed during the 2023 legislative session. Many of these bills stemmed from TWIA's biennial recommendations to the legislature. These include:

- Allowing TWIA to establish agent requirements for agents selling TWIA policies — SB 2232
- Limiting automatic renewal of TWIA policies to residential — SB 2233
- Refunding premiums on certain cancellations — HB 3208
- Repealing requirement that insurers nominate members to fill industry TWIA board seat — HB 3311
- Providing for the establishment of an appraisal process for TWIA — HB 3310

Funding Reform Fails

TWIA's funding structure, which relies heavily on debt, has long been an issue of discussion. Work was done to develop ideas for a new, more sustainable structure; however, all failed before the end of the session.

Those included:

- Use of State funds
- Statewide catastrophe hurricane surcharge
- Moving insurer assessments to happen sooner in TWIA's funding layer
- Reinstating debt as a funding source for TWIA

Key Insights

- For 2023, TWIA purchased \$207 million more in reinsurance than in 2022.
- During consideration of hurricane season funding, TWIA decided against assessing insurers for excess reinsurance.

Industry Issue Spotlight: TWIA Considers Purchase of Excess Reinsurance & Ongoing Implications

By statute, the 1:100 PML sets the funding level needed for TWIA and helps to determine the minimum amount of reinsurance needed to meet TWIA's statutory funding obligations. HB 1900, which passed during the 2019 legislative session, requires insurers to be assessed for any reinsurance purchased in excess of the 1:100 PML, as determined by the TWIA Board. During consideration for funding of the 2023 hurricane season, the TWIA Board considered assessing insurers for excess reinsurance for the first time since the passage of HB 1900. They ultimately decided against it.

The TWIA Board established the 1:100 PML as one of the lower options of \$4.5 billion despite the fact that the TWIA Actuarial & Underwriting Committee and others had recommended that the 1:100 PML be set at \$5.244 billion. This difference in the loss funding spurred deliberations to purchase the excess reinsurance.

During the 88th legislative session, there were proposals to establish requirements that TWIA use the lowest 1:100 PML based on various catastrophe models considered. Some of the PML requirements considered included:

- Prohibition on considering LAE
- Prohibition on using a combination of models to determine PML
- Mandating the use of the catastrophe model that results in the lowest PML

The issue of purchasing excess reinsurance and shifting the cost to insurers is likely to resurface in 2025.

Ongoing Implications

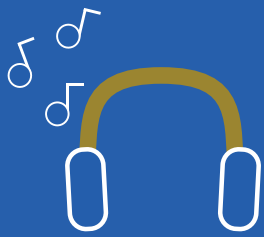


Maximum Liability Limits

The maximum limit for manufactured homes was increased from \$96,000 to \$115,800. The Insurance Commissioner issued an order approving the filing as modified on Oct. 3, 2022. The change applies to new and renewal policies issued on or after Jan. 1, 2023. The maximum limits of liability are as follows:

\$1,773,000
Dwellings

and individually owned
townhouses



\$374,000
Contents

of an apartment,
condo, or
townhouse

\$4,424,000
Commercial

structures and
associated
contents



Key Insights

- Texas had the highest maximum liability limit for both habitational dwellings and commercial structures.

Comparison to Other Beach and Windstorm Plans

Both Texas and North Carolina saw an increase in premiums from 2021. In 2022, Texas had \$518 million and North Carolina had \$456 million.



TEXAS WINDSTORM
INSURANCE ASSOCIATION

Texas ranks highest in

DWP in Beach and Windstorm Plans — \$518M
Beach and Windstorm Habitational Policies — 223,925
Commission Expenses — \$83M; 16% of premiums written
Maximum Liability Limit for Habitational — \$1.773B
Commercial Liability — \$4.424B

New Business Applications

3rd Texas — +64.3%

Exposure

2nd Texas — \$76B



TEXAS FAIR PLAN ASSOCIATION

\$76.9M

DWP as of Dec. 31, 2022
(1.6% increase from 2021)

62,671

Policies in force as of May
22, 2023

The TFPA Governing Board voted unanimously to file for the full actuarial rate indications for all policy forms, limited to no more than a 10% change in any territory, and to be effective for new business and renewals on Aug. 1, 2023. TDI approved the rate filing through an official Commissioner's order on March 22, 2023. Rate indications:

- Homeowners — 10% (7.6% filed in 2021)
- Tenants — 9.8% (9% filed in 2021)
- Condo — 10% (9% filed in 2021)
- Dwelling (Fire) — 10% (.7% filed in 2021)
- Dwelling (EC) — 9.5% (9.5% filed in 2021)

Key Insights

- TFPA policy numbers increased for the first time in six years. About 500 policies were due to UPC insolvency; others were due to a reduction of coverage in the private market.



Comparison to other FAIR Plans

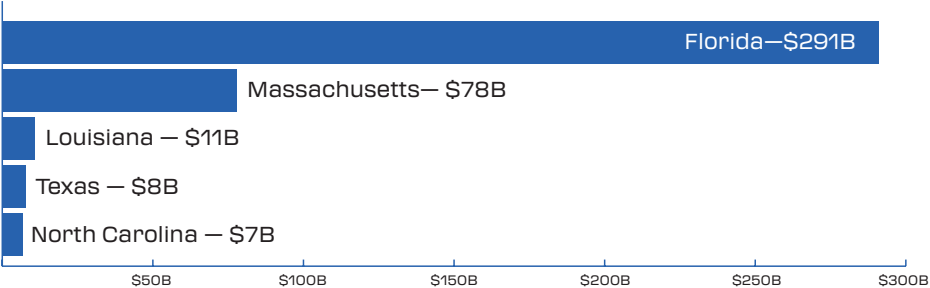
Residential New Policies

Florida	1
Louisiana	2
Massachusetts	3
North Carolina	4
Texas	5

Renewals by FAIR Plans

Florida	1
Massachusetts	2
Texas	3

Exposure



FAIR Plan Changes Passed During the 88th Legislative Session

• Extending FAIR Plan eligibility to property owners' associations - HB 998

Extends FAIR Plan eligibility to property owners' associations. Gives the Commissioner authority to include property owners' associations in underserved areas if they determine, after notice and a hearing, that all or any part of the area is not reasonably available in the voluntary market to a substantial number of insurable risks. Provides guidelines for the Commissioner in determining boundaries of the area, not to extend 10 miles beyond the TWIA catastrophe area.

• SB 1393 passed the legislature but was vetoed by the Governor.

The bill would have expanded the FAIR Plan by providing that residential properties four miles out of TWIA's catastrophe area who get offer for coverage through voluntary market that exceeds 110% of FAIR Plan cost is considered a declination for purposes of eligibility. The veto statement said that SB 1393 would fundamentally change the purpose of the FAIR Plan by making certain homeowners eligible for subsidized FAIR policies even though insurance is available to them on the traditional market.

Legislative

The 88th legislative session adjourned sine die on May 29, 2023.



Key Insights

- The House filed a historic number of bills, breaking 5,000 for the first time.
- ICT closely watched 52 bills deemed as significant.
- Many of the significant P&C-related bills related to TWIA funding, auto parts and repair, and appraisal processes for personal auto and residential property, went through multiple iterations and ultimately did not pass.



Key P&C-related Bills that Passed in the 88th Legislative Session

Auto	<p>Nonrenewal for failure to cooperate - HB 2065</p> <ul style="list-style-type: none"> • An insured must cooperate even if they are not the “named” insured on a policy. <p>Catalytic converter theft- SB 224</p> <ul style="list-style-type: none"> • Sets out regulations relating to the acquisition of catalytic converters removed from motor vehicles and the criminal penalties applicable to the theft or removal of a catalytic converter.Changes auto burglary theft fee from \$4 to \$5.
ESG	<p>Prohibiting an insurer from using an ESG model, score, factor, or standard in ratemaking - SB 833</p> <ul style="list-style-type: none"> • Prohibits an insurer from using an ESG model, score, factor, or standard to charge a rate different than the rate charged to another business or risk in the same class or essentially the same hazard but provides an exception for ordinary insurance business purposes including sound actuarial principles. It also prohibits TDI from adopting any rule based on an ESG model, standard, or rule that has not been specifically authorized by statute.
TDI	<p>Entities regulated by TDI can better conduct business electronically - HB 1040</p> <ul style="list-style-type: none"> • Allows business to be conducted electronically if each party has been given notice by the entity and has not requested the business be in non-electronic form. <p>Qualifications of statistical agents - HB 2188</p> <ul style="list-style-type: none"> • Changes the requirements for an organization to be a qualified statistical agent from at least five years to at least two years.
Other Regulatory Matters	<p>Allowing rebating for loss control purposes - HB 1074</p> <ul style="list-style-type: none"> • Clarifies that loss control mitigation services are not deceptive trade practices, nor are they prohibited by the anti-rebating and anti-inducement statutes if these services are related integrally to the policy and are aimed at predicting and preventing losses under the policy. <p>Changing the time required for notice of nonrenewal in personal lines from 30 to 60 days - HB 1900</p> <ul style="list-style-type: none"> • Changes the time for required notice of nonrenewal in personal lines from 30 to 60 days. It also changes the requirement when an insurer may cancel a personal automobile insurance policy effective on any 12-month anniversary of the original effective date of the policy from 30 to 60 days. <p>Changing the threshold for what is considered “rural” for purposes of farm mutual insurance companies- SB 2008</p> <ul style="list-style-type: none"> • Changes the threshold for rural for the purpose of farm mutuals from 2,500 to 6,500. It also allows for adjustment in accordance with the census.
TDI Sunset	<p>Moving TDI Sunset date from 2025 to 2029 - SB 1659</p> <ul style="list-style-type: none"> • Moves the TDI sunset from 2025 to 2029.

ICT members can access ICT’s complete 88th Legislative Session recap on their Info Hub.

P&C-related Bills that Failed in the 88th Legislative Session

Auto	<ul style="list-style-type: none">• Requiring the use of OEM parts and repair processes-HB 1321 and SB 1083• Prohibitions on oral release- HB 150• Diminished value on minimum limits for property - HB 1235• UM/UIM recovery and action under Ins. Code Chapter 541- HB 1320• Allowing use of violations in rating - HB 3365
ESG	<ul style="list-style-type: none">• TDI rulemaking and ESG - HB 2752• Prohibitions on political shareholder proposals and ESG - SB 1060
Appraisal	<ul style="list-style-type: none">• Setting appraisal processes, requirements, and timeframes in statute- HB 597, HB 1437, HB 4194, SB 554
Homeowners	<ul style="list-style-type: none">• Requiring 80% replacement cost - HB 287• Requirements for ALE - HB 1039• Metal roof, cosmetic damage coverage - HB 1234• Requiring an insurer to refuse to pay until there is proof of deductible - SB 1268
Miscellaneous	<ul style="list-style-type: none">• Unfair claim settlement practice for compelling a policyholder to retain public adjuster - HB 601• Establishing a regulatory sandbox - HB 2017• Allowing TDI to accept gifts or grants - HB 2355

ICT members can access ICT's complete 88th Legislative Session recap on through their Member Info Hub on the ICT website.

TDI Rulemaking and Regulatory Actions in 2022

ICT monitors and reports on all regulatory activity and legislation impacting the property and casualty industry and legislative activity important to our members.

Emergency Cease and Desist Orders

TDI adopted the repeal of 28 TAC §§1.902, 1.904, and 1.906-1.911, the amended subchapter title for 28 TAC Chapter 1, Subchapter H; and amendments to 28 TAC §§1.901, 1.903, and 1.905, regarding emergency cease and desist orders.

- These amendments and repeal implement SB 1809, which passed during the 87th legislative session. SB 1809 established different criteria for issuing orders against authorized and unauthorized persons; extended the deadline to the 60th day after the order is served for an affected person to request a hearing; required TDI to docket the case with the State Office of Administrative Hearings (SOAH) within 30 days of receiving the hearing request; and required the person requesting the hearing to show why the order should not be affirmed.

Group Calculation Filing Requirements

TDI adopted new 28 TAC §7.215, regarding group capital calculation filing requirements for certain insurance holding company systems.

- This new section is based on NAIC model regulation requiring the ultimate controlling person of an insurer in an insurance holding company system to file with the insurer's lead state regulator a group capital calculation concurrently with the insurer's registration.

Emergency Rule Regarding Access to Coverage Through TWIA

TDI adopted emergency rule 28 TAC §35.4 regarding Catastrophe Insurance Coverage, on an emergency basis, effective Aug. 23, 2022.

- This rule was in response to the Weston insolvency so as to ensure certain property owners in the catastrophe area of the Texas seacoast territory had reasonable access to coverage through TWIA.

Changes to Windstorm Certificate of Compliance Process

TDI adopted amendments to 28 TAC §§5.4604, 5.4606, 5.4621, 5.4626, and 5.4640, regarding certificates of compliance for improvements for purposes of coverage under a policy issued by TWIA.

- The amendments eliminated TDI's authority to rescind certificates of compliance after issuance.

Changes to Fingerprinting Process

TDI adopted amendments to 28 TAC §§1.504, 1.508, and 1.509, regarding the establishment of a new process for license applicants and others to complete the fingerprinting process.

- The amendments update the fingerprinting procedure to restrict access to the Texas Department of Public Safety (DPS) fingerprint code on TDI's website.

Regulatory, continued

Rule Amendments to Update TDI Address

TDI adopted amendments to 28 TAC §§1.208 - 1.210, 1.601, 1.602, 1.705, 1.804, and 1.2803, updating TDI's mailing address and physical address to reflect TDI's move from its previous location.

- Insurers were required to make the change by July 1, 2023.
- The deadline is Sept. 1, 2023, for documents printed before Jan. 1, 2023, or for contracts, plans, or policies that are in effect but do not expire.
- TDI issued Commissioner's Bulletin # B-0005-23 to insurers outlining the deadlines and implementation.

TDI Bulletin Regarding Increase in MVCPA fee

TDI issued a bulletin informing insurers writing auto insurance in Texas about the increase in the MVCPA fee from \$4 to \$5 which resulted from SB 224, which passed during the 88th legislative session.

- Due to the effective date, insurer's August 1 submission of fees will include fees collected on policies issued or renewed both before and after May 29.
- The bulletin provided guidance on frequently asked questions and stated that insurers that want to recoup the increased MVCPA fee from policyholders should submit rate filings and may need to submit form filings.

TDI Data Calls

Commissioner's Bulletin # B-0005-22- 2022 HelpInsure.com price comparisons data call

- TDI issued a data call to insurers who are in one of the top-25 national groups and have more than \$1 million in direct written premiums in Texas for information for the HelpInsure website.
- HelpInsure is a resource for Texas consumers shopping for personal automobile or residential property insurance.
- This data call was due to TDI by July 22, 2022, for rates effective June 1, 2022.

Commissioner's Bulletin # B-0004-23- Data call for 2022 property direct written premium in the Texas catastrophe area

- TDI issued a data call for 2022 property direct written premium in the Texas catastrophe area that was necessary to supplement TDI's statistical information and to enable TWIA to calculate participation shares for assessments, if required in 2023.
- The data may also be used in 2024 before data for 2023 is available.
- The data call applies to companies writing commercial property or business owners insurance in Texas and certain farm mutuals writing property insurance.
- Responses were due June 30, 2023.

TDI and DWC Staff Updates



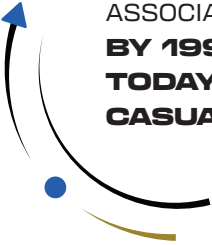
Dan Paschal appointed as the new Chief Deputy Commissioner. He previously held positions at the Texas Department of Insurance (TDI), including Deputy Commissioner for External Relations and Deputy Commissioner at the Division of Workers' Compensation (DWC). Before joining TDI, he worked in various roles at the Texas Department of Transportation, the Texas House of Representatives, and the Governor's Office.



Kimberly Donovan appointed the Deputy Commissioner of Operations and External Relations at the DWC. In her role, she oversees the areas of Communications, External Relations, and the Research & Evaluation Group. With over 25 years of experience in insurance and government, Kimberly's background includes serving as the Chief Policy Analyst for the Office of Public Insurance Counsel (OPIC) before joining DWC in November. Previously, Kimberly held positions at TDI, focusing on regulatory policy, policy forms, rules drafting, bill analysis, and legislative implementation.



Kate Sidora appointed as the Director of External and Media Relations at DWC. In this role, she oversees government relations, legislative activities, and engagement with stakeholders. Formerly the public information officer, Kate will continue to be the spokesperson and manage media responses. Before joining DWC, she worked in different capacities in the Texas Governor's Appointments Division under former Governor Rick Perry.



ICT WAS CREATED WHEN THE TEXAS INSURANCE ADVISORY ASSOCIATION AND TEXAS AUTOMOBILE INSURANCE SERVICES OFFICE MERGED IN 1996. FOR OVER 80 YEARS, THESE ASSOCIATIONS HAD BEEN THE PRINCIPAL PROPERTY AND AUTOMOBILE INSURANCE ASSOCIATION FOR COMPANIES OPERATING IN TEXAS, AND THEIR MERGER CREATED A STRONGER AND MORE EFFICIENT TRADE ASSOCIATION.

BY 1999, THE NAME WAS OFFICIALLY CHANGED TO WHAT WE KNOW TODAY AS ICT, GROWING INTO THE LARGEST STATE-BASED PROPERTY AND CASUALTY ASSOCIATION IN THE COUNTRY.



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