SB 310

Summary Report for the 78th Legislature

Initial Report

Prepared by:

Texas Department of Insurance
March 13, 2003

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EXECUTIVE SUMMARY

Key Points

- This report contains preliminary findings. A final report will be published by March 28, 2003.

- Individual company rates could be reduced anywhere from 0% to 25% from their current rates, with some company's rates justified at current levels.

- Where rates are excessive, it is primarily due to two factors: 1) companies not properly accounting for coverage differences and 2) using inappropriate loss trend assumptions.

- External parties have not reviewed our findings; discussion with industry, consumer groups, and independent reviewers may provide differing actuarial analysis.

- Rates increased statewide an average of 38% since 2000. The increase would have been at least 56% over 2000 without the Department's actions on coverage forms.

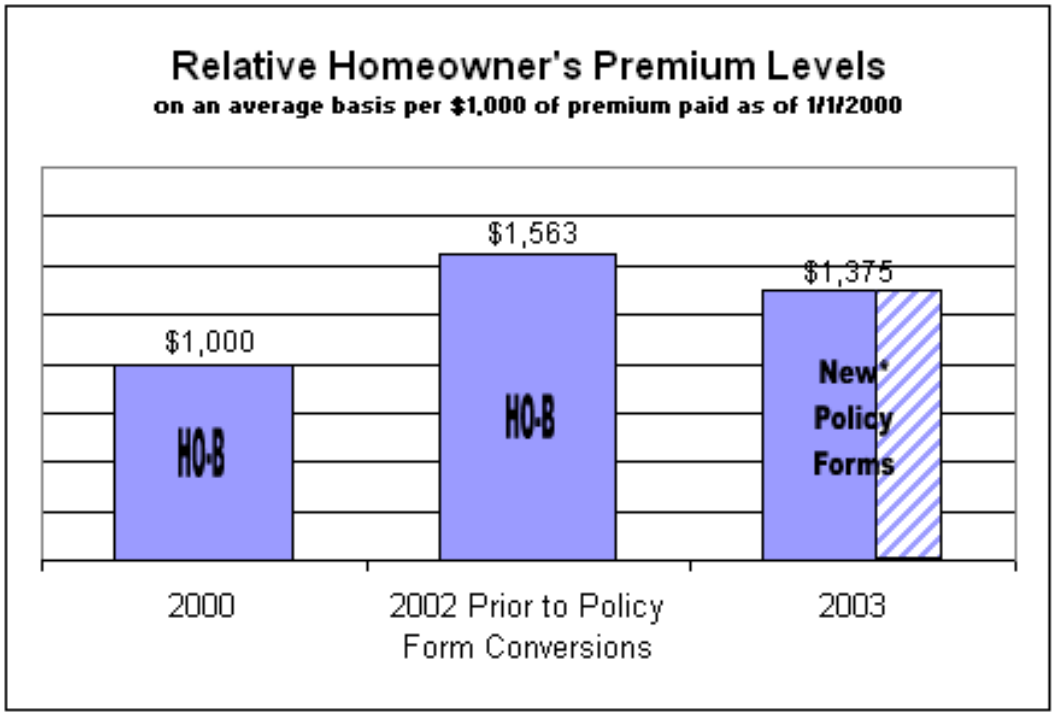
- Additional premium needed to offset discounts (the off-balance effect) contributed to higher rate increases for some policyholders within individual insurance companies.

Background

The purpose of this report is to provide the Legislature with a preliminary assessment of residential property rates as required by SB 310. It is based on a review of the relevant information of the top 12 non-rate regulated companies which comprise almost 83% of the homeowners market. This initial report focuses on homeowners insurance, which makes up 90% of the residential property market premium.

Overall Rate Change

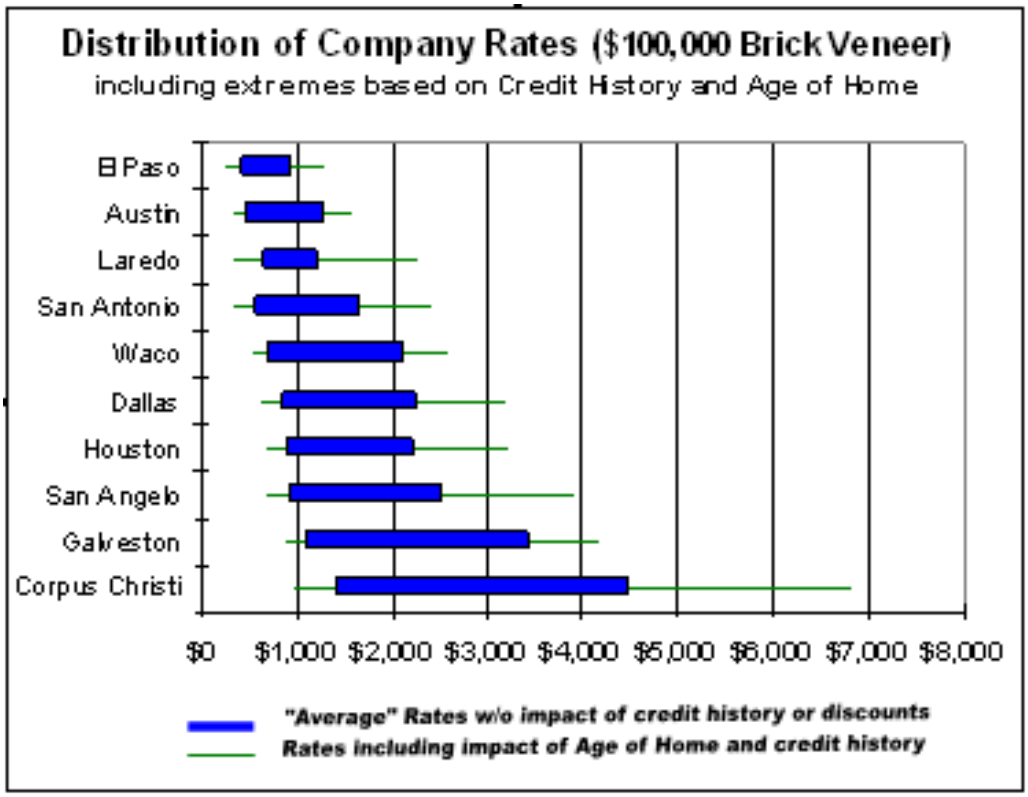
To better understand the current homeowners rate level, we reviewed rate changes from January 1, 2000 to present. The exhibit below illustrates the changes during this period. The exhibit illustrates a theoretical $1,000 premium on an HO-B policy in 2000 and concludes with the premiums paid for new policies with more restrictive coverages. Our illustration shows the reduced coverage by the area with the slash marks for comparison. Examples of more restrictive policies include the modified HO-B policy, which excludes mold testing and remediation, basic national policy forms, and the HO-A policy with company-filed enhancements. Based on the 12 companies' data, it appears that, as a whole, the average industry rate change was 38%. However, rate changes for individual companies ranged from 22% to 67% in the three year period. Additionally, it is possible that a given policyholder may have experienced rate changes significantly less than or greater than the average because of variations within companies due to the effects of discounts, credit scoring, and territorial relativities.



Effects of Discounts and Credit Scoring

While the average industry rate change is 38%, some policyholders have seen much more substantial rate increases, some in the neighborhood of 200% according to complaints received by the Insurance Department. The main reason for this circumstance is the effect of changes to certain discounts and the off-balance factors caused by these changes. Off-balance is an actuarial term used to describe the premium increases needed for some policyholders to offset the discounts provided to other policyholders. Companies provide many different discounts, such as age of home, credit scoring, claims free experience, companion policy, etc. Two discounts that have had a significant impact on rates are age of home and credit scoring. Our review indicates that, in theory, the combination of these two discounts could produce rate variations that range from -70% to +190% from the base rate within a company.

Our investigation of individual rate complaints received at the Department reveals that it is usually not just one factor that has caused the substantial rate increases, but a combination. A comparison of premiums, with and without the effect of discounts, is provided below. For each territory shown, the solid thick line designates the typical base rates charged by the industry. The thin lines extending out beyond the thicker line depict industry rates when the maximum impact of the age of home discount and use of credit history are taken into consideration.



Assessment of Current Rates

Based on the preliminary review of the information received, it appears that individual company rates could be reduced anywhere from 0% to 25% from their current levels, with some companies rates justified at current levels. Where rates are excessive, we believe it to be primarily caused by:

- not accounting correctly for lesser coverage being offered, and
- assuming excessive loss trends

Additional Issues to Be Covered in Final Report

To provide the Legislature with timely information, this initial report covers a limited number of the issues related to rates only. By March 28, 2003, the Department will issue a final report that is more comprehensive.

DISCUSSION

Background

On February 25, 2003, Governor Perry signed SB 310 requiring rate information to be filed by certain insurers writing residential property insurance. SB 310 amended Chapter 5 of the Insurance code by adding Subchapter P, Article 5.141. The purpose of this article is to require that insurers writing residential property insurance in Texas file rates and supporting data including estimated rates to be charged in the six-month period following the effective date of the article with the commissioner of insurance. The commissioner is required to prepare a summary report for submission to the 78th Legislature. Article 5.141 states that the report shall contain a review of the rates, presented in a manner that protects the identity of individual insurers to inform the legislature as to whether the rates are just, adequate, and reasonable and not excessive or unfairly discriminatory; and to assist in the determination of the most effective and efficient regulatory system for residential property insurance in Texas.

On February 26, 2003, Commissioner's Order No. 03-0128 (Order) was sent to 214 companies requesting certain information regarding their rates. Although the legislation only requires each insurer with a market share of 5% or more to file, it gives the commissioner discretion to ask companies with less than a 5% market share to respond.

The Order lists 22 insurers, representing the top 12 non rate-regulated insurers and 10 mid and small sized non-rate regulated insurers picked at random. They were required to submit their current rate manuals, supplementary rating information, actuarial support, underwriting guidelines, information on the use of credit scoring in rating and underwriting, policy and service fees, information on insurer's losses from investments, information on insurer's reinsurance costs, explanations of all computer models used as they relate to the current rates, and a six month outlook on rates. These 22 insurers comprise about 87% of the homeowners market. The remainder of the insurers listed in the Order were required to submit current rate manuals and underwriting guidelines, six-month outlook on rates, information on policy and service fees, investments, and reinsurance costs as they relate to rates.

SB 310 defines residential property insurance as insurance against loss to residential real property at a fixed location or tangible personal property provided in a homeowners policy, which includes a tenant policy, a condominium owners policy, or a residential fire and allied lines policy. To date, most of the analysis has focused on the owner occupied homeowners policy. Consequently, this initial report focuses on homeowners insurance, which makes up 90% of the residential property market premium.

Caveats

The findings and analysis below are preliminary and are based on information pre-filed by the top 12 non-rate regulated companies. These 12 companies comprise almost 83% of the homeowners market. Where instances of non-compliance with applicable statutes have been detected, insurers have been notified. The findings in this report are uncontested, as the insurers have not been provided an opportunity to respond. Our assessments may be revised if additional relevant information is brought to our attention when the companies or other entities respond.

Rate Changes in the Last Three Years

Company rate changes were reviewed from January 1, 2000 to present. Exhibit A (page 12) shows what has happened during this time by illustrating a theoretical $1,000 premium on an HO-B policy in 2000. In 2001, rates increased an average of 4.7% (based on the 12 companies), bringing the theoretical premium to $1,047. In 2002, this figure would have been $1,563, a 49.3% rate increase over 2001 had the Department not taken any action on policy form conversions.

During 2002, the commissioner took a number of regulatory actions including modifying the previous HO-B form, which now excludes mold testing and remediation, but making the coverage optional. Companies adopted this change throughout 2002 and also began converting to approved national policy forms and to the HO-A form with company-filed enhancements. During the conversion process, companies generally reduced rates because of the limitation in coverage. This brought the theoretical rate from $1,563 to $1,338, a 14.4% reduction. Exhibit A (page 12) shows the loss of coverage by the area with the slash marks.

In 2003, rates increased slightly from a theoretical $1,338 to $1,375; a 2.8% increase.

Since mold testing and remediation are generally no longer covered in the modified policy forms, we expect that rates should level off, and continue to decrease as experience continues to improve.

Effect of Discounts and Surcharges

Though the average statewide industry rate change was 38%, other factors have caused individual insureds to face much higher rate increases. One factor that is causing rate increases that may be counterintuitive is the increasing amount of discounts given by insurers. Exhibit B (page 13) illustrates the impact of implementing a new discount. In this example, a new discount in the amount of 40% is offered. This exhibit shows how discounts are paid for by other policyholders not receiving the discount. It is standard to off-balance the base rates so that, in the end, the overall premium amount collected by an insurance company is the same before and after the introduction (or change) in a discount.

While many discounts have not seen much change since 2000, discounts such as age of home and credit score have. Exhibit C (page 14) lists some of the major discounts currently provided under the benchmark system and in the non-rate regulated market. These include discounts for age of home, claims free experience, credit scoring, companion policies, security devices, etc. Since 2000, many companies have expanded the age of home discount, including a wider range of age of homes or providing a greater level of discounts. While this expansion varies from company to company, its effect on policyholders that do not receive these discounts is the same: The changes and expansion of discounts has contributed to some of the rate increases felt by individual policyholders.

Exhibit D (page 16) demonstrates how the age of home and credit discounts affect the rates charged by insurers. For each territory, the solid thick line designates the typical base rates charged by the industry. The thin lines extending out beyond the thicker line depict industry rates when the maximum impact of the age of home discount and use of credit history are taken into consideration. Our review indicates that in theory, the combination of these two discounts could range from -70% to +190% for a given territory within an individual company.

Comparisons of Premiums

Exhibits E and F (pages 17 and 18) show the current range of rates and the median rate being charged in different areas of the state. For each company, the actual rate that would be charged was reviewed for a given scenario (based on our calculations using the company's provided rating algorithm). We used a homeowners policy for a home valued at $100,000 with a 1% ($1,000) deductible. Individual company rates are not shown in the report, but rather, a range of rates for each territory. These rates are based on the coverage most commonly provided today: an HO-A with enhancements and national policy forms, as well as rates for the broader all risk coverage form, the HO-B. Exhibit E includes only those companies writing the HO-A policy with enhancements and the national policy forms. Exhibit F reflects all insurers from Exhibit E and additional carriers that write primarily the HO-B. The range of rates on Exhibit F will be greater as a result of including those carriers writing the HO-B policy.

The rates do not contemplate any discounts such as age of home or loss free experience. Where insurers use credit scoring in rating to establish rating tiers within a company, the middle credit tier was used. Actual premiums charged may vary from the rates listed in Exhibits E and F based on company and policy forms offered. Other criteria, such as age of home, loss experience and credit score will also have an impact on the rates charged.

What Caused the Rate Increases?

The spike in rates during 2002 can be explained by several factors. The sharp increase in water and mold losses contributed significantly to the deteriorating experience of insurers. Exhibit G (page 19) shows the paid losses by year from 1994 to 2001. These losses are categorized by cause of loss. On the graph, it's notable that water losses increased significantly in 2000 and 2001, but were stable prior to that time. The water peril is the cause of loss that generates most of the mold claims.

The graph in Exhibit G also clearly shows that wind losses increased significantly in 2000 and 2001 when compared to 1997 to 1999. It should be noted that these three years were particularly good years with respect to wind losses.

As data for 2002 and 2003 becomes available, the water losses are expected to be at a level closer to the average for years prior to 2000 because the promulgated policy forms were revised to limit coverage for mold. In addition, the approved national policy forms also place limits on basic water coverage. Companies that converted to the HO-A policy do not provide coverage for water unless provided by an endorsement adding back limited coverage for water.

Exhibit I (page 21) provides a comparison of the perils insured against for some of the state promulgated policy forms.

Findings Based on Rate Level Analysis

Based on the review of the information received, it appears that individual company rates could be reduced anywhere from 0% to 25% from their current levels; however, some companies rates are justified at current levels. Those with excessive rates appear to be primarily the result of:

- not accounting correctly for the lesser coverage being offered, and
- assuming excessive loss trends

Coverage Differences

The coverage differences between the policy forms are extremely important when it comes to developing the rates. Generally an overall decrease in coverage, when converting from the HO-B to the modified HO-B, the HO-A, or a national policy form, is a key factor in determining whether the companies rates are reasonable or excessive. The reduction in coverage should be contemplated in the underlying experience period data as well as in the trend selections used to project the underlying experience period data. These factors will have the greatest impact on a company's rate level indication.

As a result of Commissioner's Order No. 01-1105, all companies writing residential property insurance in Texas were required to convert to the modified HO-B policy prior to January 1, 2003. The modified HO-B policy does not cover

the costly mold testing and remediation. These coverages are now optional and may be included by endorsement for an additional premium.

In addition to the modified HO-B policy, several companies have filed their national policy forms, which limit coverage for water and mold. Also, many companies are attaching endorsements to the HO-A policy to provide additional coverage, but it is more limited than the HO-B.

The Casualty Actuarial Society's Statement of Principles Regarding Property and Casualty Insurance Ratemaking defines a rate as an estimate of the expected value of future costs. The determination of appropriate rates to charge after converting to the modified HO-B should include a procedure to identify and remove the water and mold losses that would no longer be covered from the historical data used as the starting point in the ratemaking process. Several of the companies reviewed made adjustments to exclude losses that would no longer be covered, others didn't. Adjustments are necessary both in the underlying historical data and in the data used to determine loss trends.

Exhibit G (page 19) shows the increase in water claims in 2000 and 2001. If the water losses in excess of the average amount shown from 1994-1999 were removed, the bars for 2000 and 2001 would look more like the bar for 1995. This would provide a more reasonable starting point to assess future rate need. In addition to removing these losses from the underlying experience data, they should also be removed from the data used to determine the loss trend, which is used to project the historical experience losses to the time period when the proposed rates will be effective. Those companies that did not make any adjustments inappropriately selected loss trends that were in the double digits. This indicates that they expect their losses to continue to increase at the same pace they have in the recent past. With the exclusion of certain water and mold losses, it is unlikely that losses will continue to increase upwards of 20% or even 30% annually. Companies adjusting their loss trend data to account for losses no longer being covered generally selected a loss trend in the 5% range.

To illustrate the significant impact that trend selection has on rates, we use a hypothetical example where a company has a loss ratio of 65.0%. The graph in Exhibit H (page 20) shows what happens to the loss ratio over time using two separate selected loss trends. The loss trend describes how much the company expects the losses to change in the future. If the company selects a loss trend of 20%, the loss ratio over time increases much more than if the company selects a loss trend of 5.0%. The companies that did not properly account for the reduced coverage, which leads to reduced losses, selected higher trends. This may lead them to believe that they need to increase rates more than would be warranted in order to pay for their anticipated losses. In our opinion, those companies overestimated their anticipated losses.

As a result, failing to adjust the historical experience data as well as the loss trend data to reflect changes in coverage creates excessive rate levels.

The other areas currently under review that have an impact on a company's rate level indication are the catastrophe and profit provisions.

Catastrophe Provisions

Companies generally use a non-hurricane catastrophe load and a hurricane load. The non-hurricane catastrophe loads are usually determined by a long-term average ratio of non-hurricane catastrophe losses divided by the normal or non-hurricane, non-catastrophe losses. The hurricane loads are generally determined by the use of a catastrophe model. Catastrophe models simulate the amount of losses that would be incurred in the event a hurricane makes landfall on Texas soil. The inputs to the models include the exposure distribution from the company as well as geographical and building cost data. The companies that use a hurricane model generally consider the models proprietary. There are some companies that do not use a model to determine any portion of the catastrophe load. Each company's methodology to account for the catastrophe exposure in Texas is slightly different. Rather than looking at catastrophe losses, some companies separate their losses into weather and non-weather losses, or wind and non-wind losses. No conclusions have been made as to the appropriateness of the catastrophe loads at this time. Further information is pending and will be evaluated as it comes in.

Profit Provisions

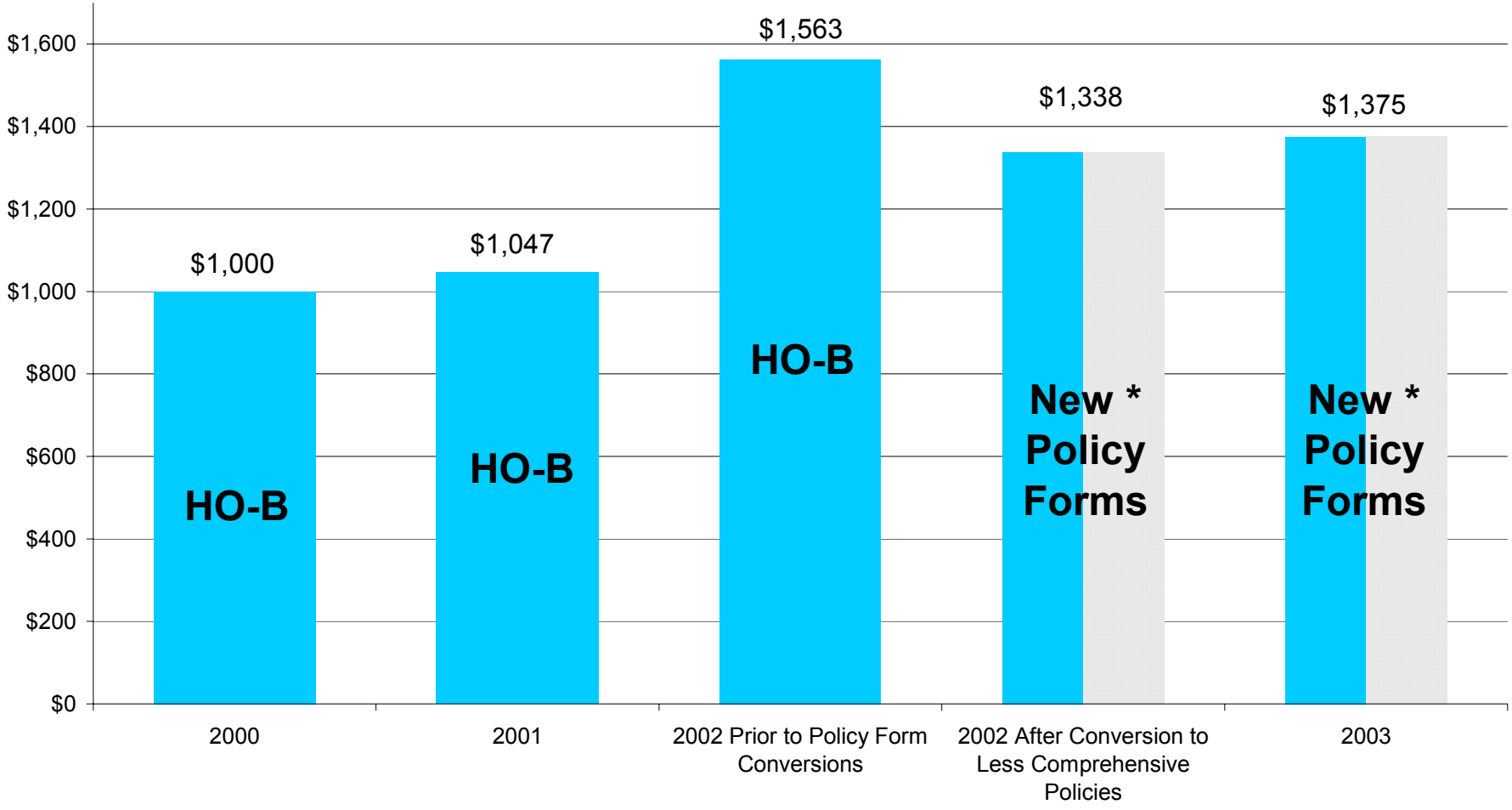
The profit provisions used by the companies ranged from 0% to almost 15%. This is compared to -1%, which was used widely in the late 1990's as a reasonable underwriting profit provision. A negative underwriting profit provision indicates that companies can earn enough from their investments to offset losses on their insurance business. Since investment income has declined over the recent two years, companies can no longer operate profitably with a loss on their insurance business since there will only be a relatively small profit from investments to offset underwriting losses. As a result, some positive profit load provision seems reasonable, but we have not determined a specific number.

What's Next?

Information from the companies shown in Exhibit A of the Order was due by close of business on Monday, March 10, 2003. The information from the companies on B of the Order is due by close of business on Tuesday, March 18, 2003. This information will be reviewed and provided to the legislature in a final report due by March 28, 2003.

Relative Homeowner's Premium Levels

On An Average Basis per $1,000 of Premium Paid as of 1/1/2000



* Policies currently sold vary by company. They include enhanced versions of the HO-A, the state's minimum peril policy; various national forms that have been approved for use in Texas; as well as the traditional HO-B, the state's most comprehensive form. Shading represents loss of coverage. Various estimates of the reduction in coverage range from 15% to nearly 44%.

The Effect of New Discounts on Premiums
A Hypothetical Numerical Example

Example: An insurance company is thinking of implementing a new 40% discount. Two insureds with homes of similar value and coverage have a base premium of $1,000 before the introduction of a new discount. Insured A would qualify for the discount but Insured B would not.

(1) Insureds	Insured With Discount A	Insured With No Discount B	Total	Average Insured
(2) Original Before Discount Premium	$1,000	$1,000	$2,000	$1,000
(3) Percentage Discount to be Offered	40%	0%		20%
(4) After Disc	$600	$1,000	$1,600	
(5) Shortfall if not revise	$400	$0	$400	
(6) Revised B = (avg(2)) / [1-(avg(3))]	$1,250	$1,250		
(7) Revised After Discount Premium = (6) * [1-(3)]	$750	$1,250	$2,000	$1,000
(8) Rate Impact = [(7) / (2)] – 1	-25%	25%		0%

With or without providing discounts, the total premium needed is still the same.

- In our example, Insured A receives the new discount and Insured B does not. The new discount is for 40% if an insured qualifies and 0% if they do not.
- Line (2) shows the premium that would be charged and collected before the new discount is offered.
- As we can see from line (5), in this hypothetical example, there would be a $400 shortfall if the base rates are not revised.
- By revising the base rates to those shown in line (7), the total premium collected before the discount was adopted and after it was introduced are the same.

Homeowners Insurance Discounts

Mandatory

By Statute:

- Home Security Devices – 5% to 15%. This is limited to certified properties. (**5.33A**)
- Automatic Sprinkler System – 8%. This is limited to certified properties. (**5.33B**)

By Rule:

- Sprinkler system – Tenants and condos - varies by policy and dwelling type 5% to 30%. (**VII F**)
- Roof Covering Credits – varies by territory and type of roofing. This is mandatory on roofs installed after February 17, 1998. (**VII N**)

Optional

By Statute:

- Stovetop Fire Suppression Devices - varies by device and policy 1.5% to 6%. (**5.33C**)

By Rule:

(Except where listed, the discounts listed below are maximums)

- Fire, Smoke or Burglar Alarm Systems; Automatic sprinkler systems; or Combination - 2% to 15%. (**VII C 1a(1) – VII C 1a(3)**)
- Fire Extinguishers – 2%. (**VII C 1a(4)**)
- Home Security Devices – 5%. (**VII C 1a(5)**)
- Personal Property Identification – 5%. (**VII C 1a(6)**)
- Water Supply Points - 10%. (**VII C 1a(7)**)
- Age of Risk – 15%. (**VII C 1b(1)**)
- Non Combustible Roof – 2%. (**VII C 1b(2)**)
- Care and Condition of Premises – 2%. (**VII C 1c**)
- Loss Experience(3 consecutive years) – 5%. (**VII C 1d**)
- Companion Policy (issued in same Company/Group) – 5%. (**VII C 1e**)
- Insured to full replacement cost – 5%. (**VII C 1f**)
- Senior Citizens Discount – 5%. (**VII C 1g**)
- Roof Covering Credits – varies by territory and type of roofing. This is optional on roofs installed prior to February 17, 1998. (**VII N**)

Homeowners Insurance Discounts, continued

Major Discounts Offered By Insurers

Credit Score (includes all forms of discounting including surcharging and tiering)

- Benchmark: none
- Non-rate Regulated Industry: varies widely from discounts of nearly 40% to surcharges of 150%.

  Within a single company, insureds with bad credit can pay up to nearly 3 times as much as an insured in the same company with excellent credit.

New Home/ Age of home

- Benchmark: up to 15%;
- Non-rate Regulated Industry: high ranges from 7% to 47%

Companion Policy

- Benchmark: up to 5%;
- Non-rate Regulated Industry: 5% to 25%

Loss Free/Renewal

- Benchmark: up to 5%;
- Non-rate Regulated Industry: 5 to 15%

Distribution of Company Rates ($100,000 Brick veneer House)
Including Extremes Based on Credit History and Age of Home

Texas Homeowner Rates

$100,000 Coverage on a Brick-Veneer House, 1% Deductible
Enhanced HO-A's and National Forms

Rating Territory	Sample Cities	Industry Range*	Median*
1	Houston	$980 - $1,325	$1,178
2	Dallas	$875 - $1,485	$1,111
3	Fort Worth	$835 - $1,525	$1,353
	Arlington	$820 - $1,495	$1,227
4	Denton	$745 - $1,135	$974
	Plano	$680 - $1,020	$883
5	San Antonio	$545 - $1,555	$686
6	Austin	$430 - $845	$613
7	El Paso	$410 - $765	$494
8	Galveston	$1,215 - $2,075	$1,397
9	Corpus Christi	$1,390 - $3,890	$1,812
10	Beaumont, Brownsville,	$1,100 - $1,965	$1,306
	Angleton	$1,275 - $1,965	$1,525
11	Orange	$1,030 - $1,610	$1,214
	Liberty	$880 - $1,610	$1,118
	Victoria, McAllen	$805 - $1,530	$1,051
12	Laredo	$605 - $1,120	$744
	Del Rio, Kerrville	$605 - $1,120	$722
13	Bryan, Killeen	$560 - $1,010	$683
	Temple, College Station	$460 - $990	$615
	Georgetown, Round Rock	$515 - $1,010	$656
14	Tyler, Longview	$565 - $1,165	$733
	Conroe, Nacogdoches	$615 - $1,190	$771
	Lufkin, Corsicana, Palestine	$640 - $1,250	$809
15C	Fort Stockton, Pecos	$765 - $1,340	$909
	Alpine	$800 - $1,405	$949
15N	Midland	$885 - $2,110	$1,240
	Odessa	$900 - $2,150	$1,369
	Big Spring	$950 - $2,150	$1,369
	San Angelo	$900 - $2,150	$1,442
	Sweetwater	$950 - $2,260	$1,433
16C	Brownwood, Cleburne	$880 - $1,245	$1,062
16N	Abilene	$715 - $1,665	$947
16S	Waco	$815 - $1,470	$977
17	Texarkana, Paris, Denison	$860 - $1,505	$1,044
	Greenville	$895 - $1,580	$1,096
	Sherman	$860 - $1,505	$1,044
18	Lubbock	$850 - $1,850	$965
	Plainview	$875 - $1,885	$1,146
19C	Weatherford	$1000 - $1,440	$1,144
	Gainesville	$920 - $1,370	$1,055
	Mineral Wells	$1,005 - $1,510	$1,157
19N	Wichita Falls	$780 - $2,000	$961
	Vernon	$935 - $2,245	$1,119
20	Amarillo	$965 - $1,920	$1,282

* Industry Range and Median are computed based on coverage most commonly provided today; an HO-A with enhancements and national forms. The rates for the broader all risk coverage forms, the HO-B, were excluded from this graph to provide a more apples to apples comparison. The National policies are base policies with no mold buybacks or optional additional water coverages.

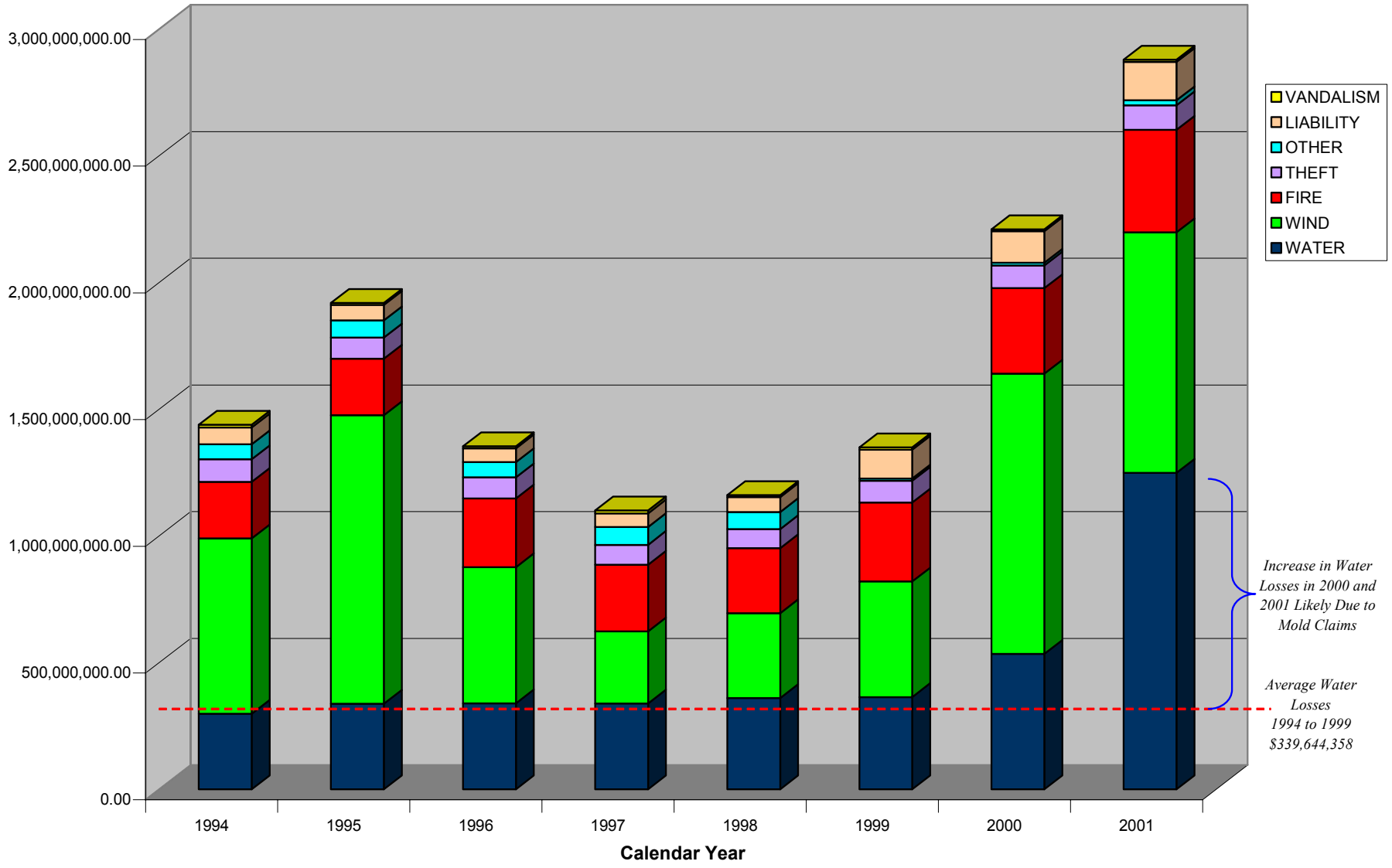
Texas Homeowner Rates

$100,000 Coverage on a Brick-Veneer House, 1% Deductible
Enhanced HO-A's, National Forms and HO-B's

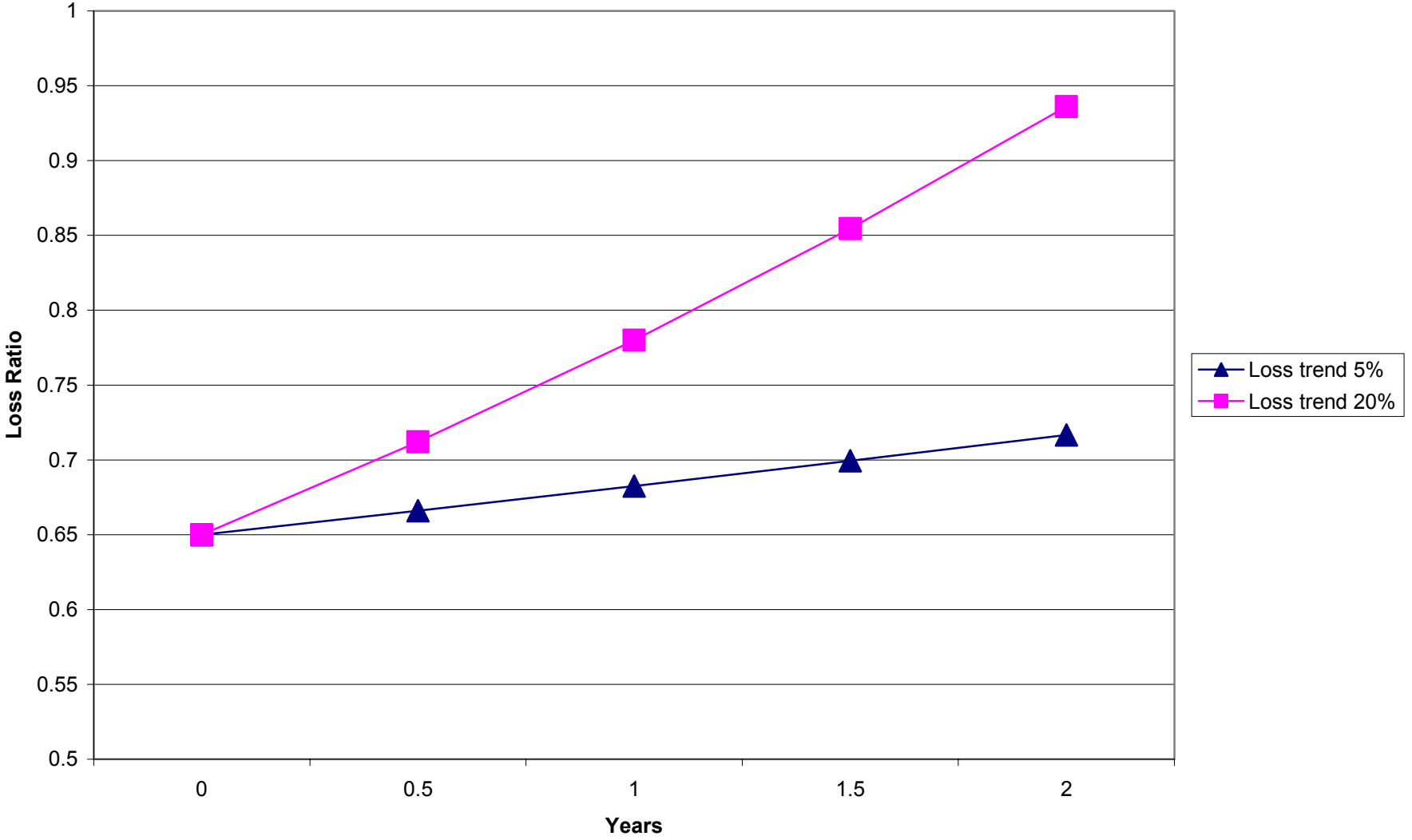
Rating Territory	Sample Cities	Industry Range*	Median*
1	Houston	$865 - $2,210	$1,326
2	Dallas	$815 - $2,245	$1,258
3	Fort Worth	$835 - $2,165	$1,409
	Arlington	$820 - $2,120	$1,367
4	Denton	$745 - $2,405	$1,123
	Plano	$675 - $2,165	$1,011
5	San Antonio	$545 - $1,640	$1,020
6	Austin	$430 - $1,285	$708
7	El Paso	$385 - $915	$550
8	Galveston	$1,085 - $3,410	$1,657
9	Corpus Christi	$1,390 - $4,465	$2,158
10	Beaumont, Brownsville,	$885 - $2,600	$1,395
	Angleton	$885 - $2,600	$1,598
11	Orange	$785 - $1,815	$1,200
	Liberty	$785 - $1,815	$1,132
	Victoria, McAllen	$750 - $1,720	$1,146
12	Laredo	$605 - $1,205	$830
	Del Rio, Kerrville	$580 - $1,275	$806
13	Bryan, Killeen	$555 - $1,420	$716
	Temple, College Station	$460 - $1,390	$701
	Georgetown, Round Rock	$515 - $1,420	$716
14	Tyler, Longview	$565 - $1,735	$884
	Conroe, Nacogdoches	$615 - $1,870	$960
	Lufkin, Corsicana, Palestine	$640 - $1,860	$947
15C	Fort Stockton, Pecos	$765 - $1,680	$1,052
	Alpine	$800 - $1,760	$1,107
15N	Midland	$885 - $2,480	$1,383
	Odessa	$900 - $2,530	$1,528
	Big Spring	$950 - $2,530	$1,528
	San Angelo	$900 - $2,530	$1,583
	Sweetwater	$950 - $2,660	$1,600
16C	Brownwood, Cleburne	$795 - $1,980	$1,185
16N	Abilene	$715 - $2,075	$1,132
16S	Waco	$680 - $2,110	$1,125
17	Texarkana, Paris, Denison	$760 - $1,930	$1,192
	Greenville	$800 - $2,025	$1,252
	Sherman	$760 - $1,930	$1,192
18	Lubbock	$850 - $1,850	$1,122
	Plainview	$875 - $1,885	$1,180
19C	Weatherford	$890 - $1,965	$1,335
	Gainesville	$850 - $1,870	$1,271
	Mineral Wells	$935 - $2,055	$1,398
19N	Wichita Falls	$780 - $2,690	$1,355
	Vernon	$935 - $3,020	$1,521
20	Amarillo	$965 - $2,480	$1,493

* Industry Range and Median are computed based on coverage most commonly provided today; an HO-A with enhancements and national forms, as well as, the rates for the broader all risk coverage forms, the HO-B. The National policies and HO-B's are base policies with no mold buybacks or optional additional water coverages.

Texas Homeowners
Paid Losses 1994 to 2001



Impact of Trend on Loss Ratio



Perils Insured Against

HO-A	HO-B*	HO-BT	HO-CON-B	TDP-1
Fire and Lightning	Fire and Lightning	Fire and Lightning	Fire and Lightning	Fire and Lightning
Sudden and Accidental Damage from Smoke	Sudden and Accidental Damage from Smoke	Sudden and Accidental Damage from Smoke	Sudden and Accidental Damage from Smoke	Sudden and Accidental Damage from Smoke
Windstorm, Hurricane and Hail	Windstorm, Hurricane and Hail	Windstorm, Hurricane and Hail	Windstorm, Hurricane and Hail	Windstorm, Hurricane and Hail
Explosion	Explosion	Explosion	Explosion	Explosion
Aircraft & Vehicles	Aircraft & Vehicles	Aircraft & Vehicles	Aircraft & Vehicles	Aircraft & Vehicles
Vandalism and Malicious Mischief	Vandalism and Malicious Mischief	Vandalism and Malicious Mischief	Vandalism and Malicious Mischief	Vandalism and Malicious Mischief
Riot and Civil Commotion	Riot and Civil Commotion	Riot and Civil Commotion	Riot and Civil Commotion	Riot and Civil Commotion
Theft	Theft	Theft	Theft	
	Collapse of Building	Collapse of Building	Collapse of Building	
	Accidental Discharge, Leakage or Overflow of Water	Accidental Discharge, Leakage or Overflow of Water	Accidental Discharge, Leakage or Overflow of Water	
	Falling Objects	Falling Objects	Falling Objects	
	Freezing of plumbing, heating and AC systems & appliances	Freezing of plumbing, heating and AC systems & appliances	Freezing of plumbing, heating and AC systems & appliances	

* The HO-B policy insures against all risks of physical loss to the dwelling unless the loss is specifically excluded.