

INSURANCE COUNCIL OF TEXAS

service, information, and representation for the property and casualty insurance industry

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ICT Offers Warning on FAIR Plan's Anniversary

The Texas FAIR (Fair Access to Insurance Requirements) Plan is well on its way to insuring more than 100,000 homeowners before the end of the year. But, a spokesman for the Insurance Council of Texas (ICT) today warned policyholders about the limited coverage of FAIR Plan policies.

“Going into the winter season, FAIR Plan policyholders should be warned they have no coverage for frozen water pipes, any sudden or accidental discharge of water in their home, falling trees or mold remediation,” said Mark Hanna, ICT public relations manager. “While the FAIR Plan’s HO-A policy is a great buy, it has many limitations.”

Commissioner Jose Montemayor created the FAIR Plan on October 23, 2002, to give homeowners an option in purchasing hard to find residential property policies in Texas. With two of the largest companies refusing to write new policies because of tremendous losses, the FAIR Plan has grown rapidly. As of October 1, the FAIR Plan insures more than 75,000 homeowners.

“The FAIR Plan was designed to be a quick fix to help homeowners who couldn’t find a policy,” said Hanna. “The plan offers the most basic policy which includes actual cash value coverage for your home and property. Consumers should beware that actual cash value is the replacement cost of an item minus depreciation.”

The FAIR Plan provides coverage to consumers who have been declined residential property insurance by at least two insurance companies licensed to write in Texas. Homeowners are not eligible if they have received a renewal offer, have a current policy or a quote from a voluntary market company.

Harris and its adjacent counties along with Dallas/Tarrant and its adjacent counties comprise 75 percent of the FAIR Plan policies. These two large congregations of policyholders along the Texas coast and in North Texas have some insurers concerned because severe weather catastrophes have recently struck both locations.

The FAIR Plan pays claims from the premiums it collects. If claim payments exceed the premiums collected, the FAIR Plan collects the deficit from the property insurance companies in Texas through an assessment. These insurance companies are permitted by statute to recoup the assessment from their policyholders over a three-year period.

“Insurers hope the FAIR Plan can pay its claims if and when a catastrophe strikes,” Hanna said. “If not, every Texas policyholder needs to know they will help foot the bill.”

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The Insurance Council of Texas is the largest insurance trade association in the state consisting of more than 400 property and casualty insurers writing business in Texas.