

MEMORANDUM

DATE: April 8, 2022
 TO: John Polak, General Manager
 FROM: James Murphy, Chief Actuary
 RE: Revised TFPA 2021 Rate Review

At its December 2021 meeting, the TFPA Governing Committee approved proposed rate changes as presented by TFPA actuarial staff. These changes were filed with the Texas Department of Insurance in January 2022. As part of its review, TDI discovered an error in one exhibit that resulted in the understatement of expected reinsurance costs for the prospective rating period. The corrected provision increased the overall indicated capped rate change from approximately 4.0% to 7.3%. The rate filing was withdrawn as a result, pending further review and action by the Governing Committee.

Additional controls have been implemented internally to mitigate the risk of similar errors in the future.

The data and methodology used in the revised analysis are the same as those used in the original rate analysis, with the correction of the reinsurance provision being the only difference. Following is a summary of the original and revised rate indications by product form, capped at $\pm 10\%$:

Product	Revised Analysis		Original Analysis	
	Indicated	Capped	Filed	Change
Homeowners	10.1%	7.6%	1.5%	6.0%
Tenants	18.0%	9.0%	8.1%	0.8%
Condo	10.4%	9.0%	2.9%	6.0%
Dwelling (Fire)	0.7%	0.7%	0.1%	0.6%
Dwelling (EC)	17.2%	9.5%	9.5%	0.0%

I recommend the Governing Committee file for the full actuarial indications for all policy forms, limited to no more than a 10% change in any territory, shown in **bold** above, to be effective on or after August 1, 2022, subject to TDI approval and internal implementation timeframes.

Revised indications by territory are shown on the following pages. The complete actuarial analysis is available on request.

JM



Homeowners	In-force Premium	Indicated	Proposed	Change*
Central North - Greater Dallas / Ft. Worth	3,829,125	31.4%	10.0%	0.0%
Central North - Remainder	359,079	-4.0%	-4.0%	6.0%
Central South	3,333,913	18.4%	10.0%	0.0%
North/Northwest	286,552	20.9%	10.0%	0.0%
Seacoast - Tier 1	4,012,691	11.9%	10.0%	5.4%
Seacoast - Tier 2	35,217,690	6.9%	6.9%	7.4%
Overall Statewide	47,039,049	10.1%	7.6%	6.0%

Tenants	In-force Premium	Indicated	Proposed	Change*
Central North - Greater Dallas / Ft. Worth	14,022	14.0%	10.0%	3.3%
Central North - Remainder	4,377	23.5%	10.0%	0.0%
Central South	17,903	-7.6%	-7.6%	2.4%
North/Northwest	720	-4.0%	-4.0%	6.0%
Seacoast - Tier 1	62,574	31.1%	10.0%	0.0%
Seacoast - Tier 2	215,912	16.6%	10.0%	0.8%
Overall Statewide	315,508	18.0%	9.0%	0.8%

Condos	In-force Premium	Indicated	Proposed	Change*
Central North - Greater Dallas / Ft. Worth	41,648	12.7%	10.0%	4.6%
Central North - Remainder	1,267	168.7%	10.0%	0.0%
Central South	52,491	8.7%	8.7%	7.4%
North/Northwest	2,043	10.8%	10.0%	6.5%
Seacoast - Tier 1	167,166	2.3%	2.3%	7.3%
Seacoast - Tier 2	1,029,943	11.5%	10.0%	5.8%
Overall Statewide	1,294,558	10.4%	9.0%	6.0%

Dwelling (Fire)	In-force Premium	Indicated	Proposed	Change*
Overall Statewide	11,991,219	0.7%	0.7%	0.6%

Dwelling (EC)	In-force Premium	Indicated	Proposed	Change*
Central North - Greater Dallas / Ft. Worth	1,455,298	54.8%	10.0%	0.0%
Central North - Remainder	150,299	41.8%	10.0%	0.0%
Central South	820,764	35.0%	10.0%	0.0%
North/Northwest	74,258	27.6%	10.0%	0.0%
Seacoast - Tier 1	709,037	-50.1%	-10.0%	0.0%
Seacoast - Tier 2	27,099,477	16.2%	10.0%	0.0%
Overall Statewide	30,309,133	17.2%	9.5%	0.0%

*change from original rate filing