

# Texas Fair Plan Association

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## FREQUENTLY ASKED QUESTIONS

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### **What is the Texas FAIR Plan Association and its purpose?**

The Texas FAIR Plan Association is an entity established by Texas Insurance Code Article 21.49A to provide residential property insurance to qualified consumers who are having difficulty obtaining this coverage from licensed insurance companies.

### **Who is eligible to apply for coverage through the Texas FAIR Plan Association?**

Consumers who have been declined residential property insurance by at least two insurance companies licensed to write and actually writing residential property insurance in Texas may apply for coverage. In addition, to be eligible, consumers may not have received a valid offer of comparable residential property insurance from an insurance company licensed in Texas (not including any surplus lines insurers).

### **What types of residential property insurance will the Texas FAIR Plan Association provide for eligible applicants?**

The Texas FAIR Plan Association provides limited coverage for one and two family dwellings, townhouse units, and condominium units that are owner occupied and that meet its underwriting standards. The Texas FAIR Plan Association also provides limited coverage for other residential property –i.e. rental dwellings (one and two family), their contents and personal property of tenants living in rental dwellings.

### **Can the Texas FAIR Plan Association refuse to insure an eligible applicant?**

Yes. The Texas FAIR Plan Association may refuse to insure an applicant if the applicant or the property to be insured does not meet the Texas FAIR Plan Association's underwriting standards.

## **What are some of the underwriting standards that may cause an eligible applicant to be denied coverage through the Texas FAIR Plan Association?**

An applicant may be denied coverage through the Texas FAIR Plan Association for any of the following reasons:

1. Property condemned due to condition of the property.
2. Property in disrepair or with existing damage.
3. Vacant property.
4. Property with excessive or unusual liability exposure, (e.g. dangerous animal, pool or trampoline not within a fenced yard).
5. Applicant who has a conviction for arson, fraud, or other insurance related offenses.
6. Applicant with eight or more paid claims (excluding glass claims) within the past three years.
7. Mobile home, unless the wheels are removed and the mobile home is tied down to a reinforced concrete foundation.
8. Farm or ranch used for business.
9. Any dwelling occupied for business use.

## **How do I obtain coverage through the Texas FAIR Plan Association?**

Coverage must be obtained through an authorized licensed Texas agent. Any agent licensed to write property & casualty insurance in Texas can be authorized to be a Texas FAIR Plan Association producer. To find an authorized producer, you can go the Texas FAIR Plan Association website [www.texasfairplan.org](http://www.texasfairplan.org) to search for an agent in your area.

## **Can you apply directly to the Texas FAIR Plan Association for coverage?**

No. You may apply for coverage only through an authorized producer of the Texas FAIR Plan Association.

## **How long can I be insured with the Texas FAIR Plan Association?**

Policies are issued for a term of one year, however, every two years you must reapply for residential property insurance in the voluntary market. You will be eligible for a renewal policy with the Texas FAIR Plan Association if you are declined residential property insurance by at least two insurance companies licensed to write and actually writing residential property insurance in Texas and if you do not receive a valid offer of comparable residential property insurance from an insurance company licensed in Texas, not including any surplus lines insurers.

## **How do I file a claim on my Texas FAIR Plan Association policy?**

You may contact your agent or file a claim directly with the Texas FAIR Plan Association by calling the toll-free number provided with your policy.

## **I have a complaint about my agent or about the service I received from the Texas FAIR Plan Association. Who do I contact?**

You may write the Texas FAIR Plan Association at P.O. Box 99080, Austin, Texas 78709-9080 or you may contact the Texas Department of Insurance's Consumer Protection Division at 1-800-252-3439 or file a complaint on-line at [www.tdi.state.tx.us](http://www.tdi.state.tx.us).

## **If I do not have access to the Internet, how can I find an agent in my area or apply for insurance through the Texas FAIR Plan Association?**

You may contact the Texas Department of Insurance's Market Assistance Program at 1-888-799-6277 or [Helpinsure.com](http://Helpinsure.com) at 1-866-695-6873 and they will assist you with finding an agent in your area.

## **How do I become an authorized agent for the Texas FAIR Plan Association?**

Agents who wish to write business through the Texas FAIR Plan Association may sign up electronically on the Texas FAIR Plan Association website at [www.texasfairplan.org](http://www.texasfairplan.org).

## **How are authorized agents of the Texas FAIR Plan compensated?**

The only method of compensation for agents writing policies in the FAIR Plan is commission. Agents are prohibited from charging fees (other than those designated by the Texas FAIR Plan Association) and agents are prohibited from requiring 'tie-in' sales.

## **What type of coverage will the Texas FAIR Plan Association provide for my dwelling and/or personal property?**

The Texas FAIR Plan Association provides limited coverage through the Texas Homeowners Policy - Form A (HO-A), Texas Dwelling Policy – Form 1 (TDP-1), Texas Fair Plan Condominium Policy, and Texas FAIR Plan Tenant Policy.

The policies provide:

***Coverage for Your Dwelling (HO-A and TDP-1 only)*** – Policies provide actual cash value coverage for your dwelling and outbuildings. Actual cash value is replacement cost minus depreciation.

The HO-A policy can be changed to provide replacement cost coverage. Replacement cost is what you would pay to rebuild or repair your dwelling, based on current construction costs. Replacement cost is different from market value. Replacement Cost coverage is not available on the TDP-1 and it does *not* include the value of your land, wall to wall carpeting, cloth awnings, or fences.

To be eligible for replacement cost coverage you must insure your dwelling for as close to 100 percent of its replacement cost as possible. If at the time of loss your home is insured for less than 80 percent of the full replacement cost, the Texas FAIR Plan Association will pay only part of the loss.

**Coverage for Your Personal Property** – The Homeowners HO-A policy provides 50% of the dwelling amount of insurance for household contents, clothes, appliances, etc. This means if you insure your dwelling for \$100,000, its contents are insured for \$50,000. The Texas Dwelling policy (TDP-1), Condominium policy and Tenant policy provide coverage for contents at selected limits up to a maximum of 50% of the dwelling amount of insurance on the TDP-1 and up to a maximum of \$500,000 on the Condominium and Tenant policies. Limitations of coverage apply to certain contents, including business personal property, jewelry, watches, furs, and money. This coverage pays only the actual cash value of damaged, stolen or destroyed household goods. Actual cash value is an item's replacement cost minus depreciation.

For an additional premium, policies may provide replacement cost coverage for your personal property (not available on the TDP-1). Replacement cost coverage gives you more protection than actual cash value coverage. (**Example:** A burglar steals your six-year-old television set. With actual cash value coverage your claim payment would be based on the cost to replace the television set with a similar set minus depreciation and your deductible. With replacement cost coverage, the insurance company would pay to replace your TV with a new set similar to the one stolen, minus your deductible, once you have complied with all the policy conditions.)

The Homeowners, Condominium and Tenant policies also provide Liability, Medical Payments, and Loss of Use coverage:

**Liability Coverage** – protects you against financial loss if you are legally liable for someone else's injury or property damage up to the limit of liability.

**Medical Payments** – pays medical expenses for persons other than residents of the household injured while on your premises and for some injuries that may happen away from your premises up to the limit of liability.

**Loss of Use Coverage** – pays additional living expenses if your home is uninhabitable due to a loss caused by an insured peril while repairs are being made.

**Coverage Limits** – the following coverage limits are available, where applicable:

1. *Dwelling* – Up to \$1,000,000 Maximum value
2. *Other Structures* – 10 percent of Dwelling Coverage amount
3. *Personal Property* – 50 percent of Dwelling Coverage amount on the HO-A, and optional coverage up to 50 percent on the TDP-1. For Condominium and Tenant policies, limits are available up to a maximum of \$500,000.
4. *Liability* - \$100,000 or \$300,000 limit
5. *Medical Payments* - \$5,000 limit

6. *Loss of Use* – 10 percent of Dwelling Coverage amount, 20 percent of Personal Property Coverage amount on the Condominium and Tenant policies.

Texas FAIR Plan Association policies provide coverage for damage caused by:

PERIL	HO-A	TDP-1	CONDO	TENANT
FIRE	✓	✓	✓	✓
LIGHTNING	✓	✓	✓	✓
SUDDEN AND ACCIDENTAL DAMAGE FROM SMOKE	✓	✓	✓	✓
WINDSTORM, HURRICANE AND HAIL*	✓	✓	✓	✓
EXPLOSION	✓	✓	✓	✓
AIRCRAFT	✓	✓	✓	✓
VEHICLES	✓	✓	✓	✓
VANDALISM AND MALICIOUS MISCHIEF	✓	✓	✓	✓
RIOT AND CIVIL COMMOTION	✓	✓	✓	✓
THEFT	✓	N/A	✓	✓

\*By law, the Texas FAIR Plan Association may not provide windstorm, hurricane and hail coverage for property located in the designated catastrophe area consisting of 14 coastal counties and a portion of Harris County on Galveston Bay. A policy written by the Texas FAIR Plan Association on such property must have Endorsement HO-140, Windstorm, Hurricane and Hail Exclusion Agreement attached to the policy. Consumers in a designated catastrophe area may purchase windstorm, hurricane and hail insurance on insurable property through the Texas Windstorm Insurance Association.

Available Endorsements:

ENDORSEMENT # AND NAME	HO-A	TDP-1	CONDO	TENANT
HO-140 - WINDSTORM, HURRICANE AND HAIL EXCLUSION	✓			
HO-142 – EXCLUSION OF RESIDENTIAL COMMUNITY PROPERTY CLAUSE	✓		✓	
HO-205 - OFFICE, PRIVATE SCHOOL OR STUDIO - SECTION II LIABILITY	✓		✓	✓
HO-225 – ADDITIONAL PREMISES LIABILITY COVERAGE	✓	✓	✓	✓
HO-301 - ADDITIONAL INSURED	✓		✓	✓
HO-382 – CONDOMINIUM LOSS ASSESSMENT COVERAGE			✓	
HO-800 - AMENDATORY MANDATORY	✓			
HO-801 - AMENDATORY MANDATORY			✓	✓
HO-802 - REPLACEMENT COST FOR DWELLING	✓			
HO-803 - REPLACEMENT COST FOR PERSONAL PROPERTY	✓		✓	✓
HO-804 – REPLACEMENT COST COVERAGE	✓			

A (DWELLING), EXCEPT ROOF COVERINGS				
HO-806 - WINDSTORM, HURRICANE AND HAIL EXCLUSION			✓	
HO-806B - WINDSTORM, HURRICANE AND HAIL EXCLUSION				✓
HO-809 – UNIT OWNERS RENTAL TO OTHERS			✓	
HO-810 - SPECIFIED BUILDING OR ANIMAL EXCLUSION	✓			
HO-811 - SPECIFIED ANIMAL EXCLUSION			✓	✓
TDP-001 - WINDSTORM, HURRICANE AND HAIL EXCLUSION		✓		
TDP-003 – EXCLUSION OF RESIDENTIAL COMMUNITY PROPERTY CLAUSE		✓		
TDP-017 – FAIR RENTAL VALUE		✓		
TDP-800 - AMENDATORY MANDATORY		✓		
TDP-810 - SPECIFIED BUILDING EXCLUSION		✓		

Discounts:

- Home Security Devices Credit (*must have certificate*), not available on Texas Dwelling Policy (TDP-1)
- Automatic Sprinkler Credit (*must have certificate*), not available on Texas Dwelling Policy (TDP-1)
- Claims Free Discount (must have zero paid claims in the preceding five-year period)

Payment Options:

1. Annual Pay – Pay in Full
2. Escrow Pay – Pay in full – Mortgagee Billed for Renewals
3. \*\*Semi-Annual – 50 Percent Due with Application; Balance Due in 180 Days
4. \*\*Four Payment Plan – 25 Percent Due with Application; Balance Due in Three Equal Payments in 90-Day Intervals

\*\*A \$3.00 Service Charge is added to Each Payment

**How are the coverages offered through the Texas FAIR Plan Association different than coverages offered by other insurers?**

The Texas FAIR Plan offers a policy with limited coverage. Many insurers add coverages that are not provided in the basic policy offered by the Texas FAIR Plan Association. The following is a list of the additional perils that may be

covered by other insurers in their policies, which **are not** covered in a Texas FAIR Plan Association policy:

- Sudden and accidental discharge of water or steam
- Falling trees or limbs, falling objects
- Collapse of a building or a part of a building
- Breakage of glass
- Damage from the weight of ice, snow or sleet
- Freezing of plumbing, heating, air condition or automatic fire protective sprinkler system or household appliance
- Mold, fungi or other microbe remediation (insurers provide or offer this coverage for the basic perils)
- Back up of sewer or drains
- Items that may be scheduled, such as expensive jewelry

## **How do the rates charged by the Texas FAIR Plan Association compare to those charged by other insurers?**

Insurers offering homeowners insurance in the voluntary market have more rating variables and discounts available for their insureds than the Texas FAIR Plan Association. Insurer discounts for good insurance credit scores, new homes, and companion auto policies make a comparison with rates for the Texas Fair Plan Association difficult. Since the Texas FAIR Plan Association policy provides less coverage than the policies provided by most insurers, coverage differences must also be considered when comparing rates between the Texas FAIR Plan and other insurers.

## **What discounts and surcharges does the Texas FAIR Plan offer?**

The Texas FAIR Plan offers a discount for insureds who have had zero claims paid in the preceding five-year period. Insureds who have had one or more paid

claims in the preceding three-year period will receive a surcharge based on the number of claims paid.

The Texas FAIR Plan Association may also offers discounts for home security devices and sprinkler systems with proper certification and documentation.