



## **PROPERTY MARKET UPDATE**

The property market continues to harden. Worldwide and nationwide property loss experience continues to worsen with a good portion of losses coming from natural catastrophes (flood, hail, tornadoes, hurricanes, etc.). The Fund and its members have also experienced many of these types of losses in the past several years. The Fund has had to increase its property rates in order to account for its increase in excess property insurance and claims costs.

As you probably experienced with your own personal homeowners insurance years ago, most commercial property carriers have implemented percentage deductibles on both wind and hail losses throughout the whole state of Texas. These percentages range from 1 percent to 5 percent of total location values, with 3 percent being most common. Historically, the commercial carriers only focused on Tier 1 counties in Texas for percentage wind deductibles. They later added some Tier 2 counties to their wind deductible list.

In addition to increasing rate along with wind and hail deductibles, property carriers in Texas are also reducing the amount of flood, wind, and hail coverage limits they provide. This is coming from those carriers that haven't left the Texas property insurance marketplace.

At this point, the Fund hasn't had to reduce its limits or increase members' deductibles for wind, hail, and possibly flood. Unless the property market improves, including the collective Fund members', don't be surprised if there is an increase in some, if not all, of these deductibles in the future.

One of the best insulators to property losses and increases in excess property insurance costs is to improve the risk which in turn helps prevent and/or mitigate property losses. The Fund's excess property carrier, FM Global, helps the Fund and its members by performing onsite inspections of our larger valued properties. Reports are issued after these visits that recap the inspections and provide a list of risk/engineering improvements. FM Global also provides a free service of reviewing construction plans in order to provide feedback on how to best construct them to avoid potential losses related to fire, wind, hail, flood, etc.

The better the risk/property is, the less likely it is to have a property loss. Therefore, it receives a lower excess property rate. The opposite also holds true. The Fund pays more for its excess property insurance on properties with outstanding risk/engineering improvement versus ones without any.

The Fund has worked with its members over the years to help them address the risk/engineering improvement recommendations for their various locations. At times, members have asked what financial incentive is available for them to make these improvements. For the 2020-21 Fund Year, rather than continue to have these costs included in the overall member contributions, the Fund has separated out some of these costs and will provide an opportunity for members to receive a refund of these specific surcharges. If you have outstanding risk/engineering improvement recommendations, you will see an Engineering Recommendation Surcharge at the bottom of your Property Rate Worksheet.

Those members that satisfactorily complete their risk/engineering recommendations by November 30, 2020, will receive a full refund of the surcharges for each of these specific corrected recommendations. These refunds will be calculated and processed by January 31, 2021.

For those risk/engineering recommendations that are satisfactorily completed between December 1, 2020, and June 30, 2021, the Fund will provide a refund of 50 percent of the surcharge(s) for these specific completed items. These refunds will be issued by August 31, 2021.

NOTE: The submission of a response to a risk/engineering recommendation does not necessarily constitute satisfactory completion of that item. It is subject to Fund review and acceptance.