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DATE: February 14, 2024
TO: Our Agency Partners
FROM: Wes Gainey, President
RE: REMINDER - Changes Effective January 1, 2024

FMT is proud to support policyholders and partner with independent agencies across Tennessee. We remain committed to solidifying our company's financial foundation and making decisions to support that goal. With that in mind, here is a reminder of the challenges we faced in 2023 and the changes we announced beginning with the January 1, 2024 renewals.

Since 2021, Tennessee has experienced severe and disruptive weather patterns, resulting in a record-breaking 13 CAT events in 2023. Furthermore, inflation has resulted in an average price increase of about 13% compared to 2021, and by 2024, this cumulative increase is projected to reach around 16%. The high cost of building materials and labor has especially affected property insurance companies, including FMT, making it more expensive to conduct business. Another impact unique to property insurance companies is the hardening global reinsurance market, resulting in reduced capacity, limited options, rising premiums, and higher risk retentions.

Many insurance carriers have raised their rates to address these challenges, while some have imposed moratoriums or withdrawn from Tennessee altogether. FMT is also adjusting rates, particularly in those areas of Tennessee most affected by severe convective storms. FMT continues to manage its operational expenses to ensure rate increases stay in line with or below those other insurance companies impose.

In early 2023, FMT began writing replacement cost value (RCV) on all new business and requires the same on renewals. In June, FMT implemented an overall rate increase of 8.6% on Farmowners Select and Homeowners Select policies and added an inflation guard endorsement and Service Line Coverage for new and renewal policies. Starting with January 1, 2024 renewals, on legacy lines of business, FMT raised property premium rates by 22.2% on average and liability rates by 5% across the board. Also, the minimum property deductible on all lines of business is \$1,000.

As part of the changes, FMT also modified and increased the number of Regional Rating Zones within Tennessee as follows:

Zone	Counties
1	Fayette, Hardeman, Haywood, McNairy, Shelby, and Tipton
2	Benton, Carroll, Crockett, Dyer, Gibson, Henderson, Henry, Houston, Humphreys, Lake, Lauderdale, Obion, Stewart, and Weakley
3	Cheatham, Davidson, Dickson, Hickman, Montgomery, Robertson, Rutherford, Sumner, Trousdale, Williamson, and Wilson
4	Bledsoe, Bradley, Grundy, Hamilton, Macon, Marshall, Meigs, Monroe, Polk, Rhea, and Sequatchie
5	Anderson, Blount, Campbell, Carter, Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Knox, Loudon, Roane, Sevier, Sullivan, Unicoi, Union, and Washington
6	Bedford, Chester, Coffee, Decatur, Franklin, Giles, Hardin, Lawrence, Lewis, Lincoln, Madison, Marion, Maury, Moore, Perry, Van Buren, Warren, and Wayne
7	Cannon, Clay, Cumberland, DeKalb, Fentress, Jackson, McMinn, Morgan, Overton, Pickett, Putnam, Scott, Smith, and White

Specific changes to each legacy line included:

- **Homeowners** - The dwelling base rate increase within each Rating Zone is:

Zone 1 – 50% **Zone 3** – 50% **Zone 5** – 5% **Zone 7** – 10%
Zone 2 – 50% **Zone 4** – 10% **Zone 6** – 30%

Other changes to homeowners include the addition of an inflation guard endorsement and discontinuation of optional earthquake coverage (*Earthquake coverage is available on the Farmowners Select and Homeowners Select*).

- **Mobile Homeowners** – The dwelling base rate increase within each Rating Zone is:

Zone 1 – 50% **Zone 3** – 50% **Zone 5** – 5% **Zone 7** – 50%
Zone 2 – 50% **Zone 4** – 40% **Zone 6** – 40%

- **Dwelling Fire** – The dwelling base rate increase within each Rating Zone is:

Zone 1 – 40% **Zone 3** – 0% **Zone 5** – 5% **Zone 7** – 0%
Zone 2 – 30% **Zone 4** – 10% **Zone 6** – 0%

We have added an inflation guard endorsement to the Dwelling Fire and discontinued optional earthquake coverage (*Earthquake coverage will be available within the next few months on the new Dwelling Fire Select program*).

- **Mobile Fire** - The dwelling base rate increase within each Rating Zone is:

Zone 1 – 50%	Zone 3 – 0%	Zone 5 – 5%	Zone 7 – 0%
Zone 2 – 50%	Zone 4 – 0%	Zone 6 – 0%	
- **Church, Commercial, and Farm Fire** - The building base rate increase within each Rating Zone is:

Zone 1 – 50%	Zone 3 – 50%	Zone 5 – 5%	Zone 7 – 0%
Zone 2 – 50%	Zone 4 – 40%	Zone 6 – 10%	

The rate on farm equipment, machinery, and tools increased by 5%.

FMT has added the following endorsements to policies in both the Legacy and Select lines:

- **Wind and Hail Exterior Surface Actual Cash Value Limitation Endorsement** - After a windstorm or hail loss, the value of all exterior roofing and siding material will now be determined using the actual cash value of the material at the time of loss.
- **One-Year Claim Reporting Term Endorsement** – Changes the loss settlement provision of the policy. It gives the insured one year to report a possible loss to an insured property. Losses reported after one year will not be considered for payment.
- **Limited Solar Equipment Endorsement** – An insured is expected to notify FMT or its agent of changes in risk, including the addition of solar equipment. If an insured fails to inform FMT or their agent of the additional exposure, coverage will be limited to \$10,000 for all solar equipment. The policy also limits coverage to \$5,000 for the removal and replacement of any solar equipment if a covered event makes it necessary to facilitate the repair or replacement of any roofing material.

FMT has made the following modifications to the Select lines only:

- **Legacy to Select Discount** - An existing insured can use a one-time 10% discount when transitioning from (Legacy) coverage to (Select) coverage. The one-time 10% discount is applicable only for the first-year policy term. Subsequent policy terms will be subject to the regular premium rates.
- **Experience Rating** – Replaces the Loyalty Credit on the Mobile Homeowners Select and allows for two separate premium modifications: 1) a premium credit or debit that reflects the policyholder's claims payment history and tenure with the company, and 2) an additional claim-free premium credit. On the Homeowners Select, the Loyalty Credit remains coupled with a new Claim Free Credit.

Again, our goal with these changes is to maintain the stability of and increase policyholders' equity and continue to provide good coverage at a fair price now and well into the future.

Thank you for your partnership in helping FMT meet that goal!