



TDI Completes Rate Reviews

First steps taken toward stable homeowners market

CITING THE NEED for more stability and fairness in the marketplace, Texas Governor Rick Perry declared homeowners insurance an emergency issue for the 78th Legislature. Responding to this declaration, lawmakers passed sweeping insurance reform that will fundamentally change the way the insurance market is regulated in Texas.

The major result of these legislative reforms was Senate Bill 14. When SB 14 was signed into law by Governor Perry on June 11, the clock started ticking. All insurers had 20 days to file their homeowner rates with the Texas Department of Insurance. TDI then had 40 days to review the rates of the 32 company groups with over \$10 million in premium and approve them or order adjustments. TDI had an additional 30 days to review rates of the remaining companies.

On August 8, TDI issued the first rate reduction notices under the authority of the new legislation. Of the initial 32 company groups reviewed, 24 were notified to lower their rates. Hanover Insurance received the largest rate reduction, being notified to lower its rates by 31 percent. The smallest adjustment went to the Texas Farm Bureau, which was notified to lower its rates by 1.5 percent. Of the state's top three insurers, all were notified to lower their rates significantly: 12 percent for State Farm, 18.2 percent for Allstate and 17.5 percent for Farmers. Those three companies write nearly 60 percent of the Texas market. The Farmer's rate reduction was in addition to the 6.8 percent reduction already taken by the company as part of last year's record \$117-million set-

tlement of a lawsuit alleging unfair pricing of homeowner policies.

On September 9, TDI released results of its final round of reviews. Of the remaining 29 smaller companies, 5 insurers were notified to reduce rates from between 10 percent and 22.4 percent. Taken as a whole, 61 companies' rates were reviewed. Of those, 29 were notified to reduce rates. The rate reductions represent a savings of more than a half billion dollars (\$510 million) for Texas consumers.

Governor Perry said the rate adjustments ordered by TDI will "level the playing field for consumers and the insurance industry." The Governor also called the action an affirmation that legislative reforms signed into law were already being put to work for Texas homeowners.

Insurance Commissioner Jose Montemayor has heard strong complaints from the industry. "I know the rate cuts are significant, but they had to be," said Montemayor. "All the rate reductions are fair. I'm confident each company will continue to turn a profit doing business in Texas."

State law requires that premiums cannot be excessive, inadequate, unreasonable or unfairly discriminatory for the risks to which they apply. Montemayor says he expects the rate reductions will stand based on their agreement with those standards.

Under the rules drafted to implement Senate Bill 14, companies notified to lower their rates had 10 days to either accept the modification or provide

*Please see **Rate Cuts** on page 8*

Time's up...



InSide

A New Day	2
CP Breaks Records	3
Prompt Pay Rules Adopted	4
TDI SERFFs	5
Conseco Reorganized	9

