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## State Farm to Pay \$352.5M to Settle Texas Residential Overcharge Case

By Stephanie K. Jones (<https://www.insurancejournal.com/author/stephanie-jones/>) | February 27, 2015

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A settlement has been reached in a long-running dispute between the nation's largest homeowners insurer and the state of Texas over premium overcharges. The Texas Office of Public Insurance Counsel (OPIC) announced Feb. 27 that under a settlement with State Farm subsidiary, State Farm Lloyds policyholders.



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State Farm Lloyds, with nearly 27 percent of the market, is the largest homeowners insurer in Texas.

The settlement applies to residential policies that were issued or renewed between Sept. 7, 2003, through July 31, 2008, and the amount is a [fraction of the \\$310 million the company was ordered to pay](https://www.2009/06/16/101444.htm) (<https://www.2009/06/16/101444.htm>). The current settlement amount is more, however, than the [\\$310 million the company was ordered to pay](https://www.2009/06/16/101444.htm) (<https://www.2009/06/16/101444.htm>).

“OPIC is very pleased to settle this long-standing rate dispute with significant refunds to policyholders. We are particularly glad that OPIC’s leg would not have otherwise obtained,” Texas Public Counsel Deeya Beck said in a statement released by the agency.

Beck acknowledged the smaller settlement amount but said that “at the end of the day it comes down to what is best for policyholders. We could settlement at this time on our agreed terms was in the best interests of policyholders.”

Texas Department of Insurance Commissioner David Mattax said he was relieved that the more than decade-long dispute with State Farm Lloyds

“I am pleased to finally resolve this matter and begin returning money owed to State Farm Lloyds policyholders who were charged too much for

Patti Kelly, a spokesperson for State Farm, said the while the company believes “State Farm Lloyds’ rates are, and always have been, lawful and

### The Mold Crisis

Texas’ regulators have long held that the company began overcharging its customers in 2003 and State Farm has been battling the assertions

The dispute has its origins in Senate Bill 14, which the state Legislature passed in 2003 after homeowners insurers hiked rates in the aftermath

Between 2000 and 2003 Texas homeowners insurers paid out [\\$4 billion in homeowners claims over toxic mold](https://www.insurancejournal.com/news/southcentral/2003/09/16/32342.htm) (<https://www.insurancejournal.com/news/southcentral/2003/09/16/32342.htm>).

SB 14 required homeowners insurers to file their rates with the Texas Department of Insurance. TDI then had a mandate to conduct rate review

The [rate reviews were completed](https://www.insurancejournal.com/news/southcentral/2003/09/16/32342.htm) (<https://www.insurancejournal.com/news/southcentral/2003/09/16/32342.htm>) in September 2003, with regulations including State Farm, which had been ordered to reduce its homeowners rates by 12 percent.

Until the current settlement, State Farm was the last carrier fighting the rate cuts and refunds.

In August 2004, [Allstate Texas Lloyds](https://www.insurancejournal.com/news/southcentral/2004/08/17/45006.htm) (<https://www.insurancejournal.com/news/southcentral/2004/08/17/45006.htm>), an affiliate of the Allstate Group, dates from Sept. 7, 2003, through Sept. 6, 2004.

In 2013, Farmers Insurance, Texas’ second largest homeowners insurance company, [agreed to settle for \\$117.5 million](https://www.insurancejournal.com/news/southcentral/2009/11/17/105391.htm) (<https://www.insurancejournal.com/news/southcentral/2009/11/17/105391.htm>).

### Customer Refunds

The company expects the refunds to go out to policyholders over an 18-month period, but they won’t begin immediately.

“It will take a few months to determine the refund amount for each affected policyholder,” Kelly said.

The company estimates the first eligible policyholders will start receiving refund checks later this year and that the process would likely extend into next year.

Policy refunds will vary between 2.6 percent and 6.2 percent of premium paid by individual customers, depending on the effective date of their policies.

TDI posted a copy of the settlement and a companion “frequently asked questions” document on its website.

[\*\*State Farm Owes \\$310M in Refunds, Texas Regulators Say\*\*](https://www.insurancejournal.com/news/southcentral/2009/11/17/105391.htm) (<https://www.insurancejournal.com/news/southcentral/2009/11/17/105391.htm>).

[\*\*State Farm Could Owe \\$0 to \\$1 Billion to Texas Consumers\*\*](https://www.insurancejournal.com/news/southcentral/2009/06/16/101444.htm) (<https://www.insurancejournal.com/news/southcentral/2009/06/16/101444.htm>).

[Allstate to Pay \\$60M in Refunds to Texas Homeowners \(https://www.insurancejournal.com/news/southcentral/2004/08/17/45006.htm\)](https://www.insurancejournal.com/news/southcentral/2004/08/17/45006.htm)  
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WRITTEN BY

**Stephanie K. Jones**

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