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State Farm’s Arrogance Prompts Legislative Outcry

Via Texas Watch • Posted April 16, 2010

Issues: Corporate Accountability, Home & Auto Insurance

State Farm’s recent bully tactics have prompted several lawmakers to cry foul. Check out the press release issued by members of the House and Senate yesterday responding to State Farm’s decision to drag the state back into court in order to keep information that the insurance department believes should be open out of the public’s view.

This latest bit of legal wrangling between TDI and State Farm comes as a result of the agency’s decision to post information about State Farm’s latest rate filing online. The company decided that should be confidential despite the fact that rate filings are part of the public record. So, State Farm decided to sue the state... again.

You may recall that State Farm reached a sweet deal with TDI a few months back, ending a lawsuit that had been dragging on since 2003. The deal allowed State Farm to pocket \$700 million of the \$1 billion it had overcharged Texas homeowners. Rather than quit while they are ahead, the company cried foul and is planning to appeal because it doesn’t want to issue any refunds.

The latest legal dispute stems from the company’s decision to hike its rates for a second time in six months. The insurance commissioner sent the company a letter encouraging State Farm to withdraw its latest rate hike. As we told lawmakers last month, there is ultimately nothing that TDI can do if State Farm wants to raise its rates. Instead of complying with the commissioner’s request, State Farm said it was moving forward with the increase. That prompted the department to decide to make the filing public.

The Dallas Morning News reported this week that even some industry insiders are worried that State Farm’s arrogance could embolden efforts to revamp the way Texas oversees the insurance market. They should be worried. The Office of Public Insurance Counsel, which is tasked with representing consumers in rate matters, told the DMN that Texas homeowners insurance rates are not only excessive, but that the industry is using “hidden profits” and reinsurance contracts that are “self-dealing” and “suspect” in order to boost its bottom line.

After years of trying to force the insurance industry to play nice, lawmakers are getting fed up. A group of them issued a strong statement in favor of replacing the backwards “file & use” system” that lets the insurance industry raise rates whenever it wants without any justification to a “prior approval” method that gives the insurance commissioner the authority to approve or deny rates before they are imposed on Texas homeowners.

Senator Leticia Van de Putte and Rep. Jim Dunnam had this to say:

Recent news reports and rate hikes make it clear that we have a big job ahead of us, but

Posts by Type

- Eye on Texas Blog (186)
Latest Headlines (727)
Press Releases (165)

Issues

- Arbitration Reform (51)
Ban Texas Insurance Scoring (22)
Corporate Accountability (197)
Home & Auto Insurance (398)
Homebuilders (52)
Medical Negligence & Patient Safety (326)
The Courts (245)
Workplace Safety (163)

we are committed to getting the job done. Texas families deserve real relief that ensures good protection and fair claims handling from their insurance company at a price they can afford.

Sen. Wendy Davis added this:

Homeowners insurance companies must be held accountable for charging unfair and excessive rates, especially at this time when many Texas families are struggling to put food on the table.

And, Rep. Jessica Farrar made the case for prior approval:

There is no backstop here. The solution could not be clearer, we must give the commissioner the tools to bring these companies in line. We need a system of prior approval requiring insurance companies to justify rate increases before they pass them on to their customers and TDI Sunset provides that opportunity.

January 2011 is just around the corner. That is when lawmakers come back to Austin for the next legislative session. Momentum is building for real insurance reforms. Take a minute to [write your legislator](#) today.

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