



State Farm Plans Second Rate Hike in Eight Months for Home Policies

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State Farm Insurance told the state Thursday that it intends to raise its homeowners rate 4.5 percent statewide starting May 1, only eight months after the company boosted rates 8.8 percent, as reported by the [Dallas Morning News](#). I have written many times about the ridiculous laws and regulations in Texas that have kept homeowners at or near the top of the list of insurance premiums in the nation. Here are excerpts from the article:

Insurance Commissioner Mike Geeslin, who is powerless to stop the rate hike, asked State Farm in a letter to reconsider, saying such back-to-back increases could influence other insurers and rock consumers.

"Given that State Farm Lloyds is the market leader, writing nearly 30 percent of the homeowners market, other companies may follow suit, which would lead to further market instability," Geeslin wrote in a letter dated March 5.

"The timing of this filing causes me concern," he said, because the last increase has been in effect for such a short time. "Multiple rate increases within such a short period of time may indicate a lack of rate-making discipline and lead to market instability."

State Farm is having discussions with the Texas Department of Insurance, but intends to continue with the increase to its 1.2 million customers, said spokesman Kevin Davis.

Consumer groups expressed anger over the jump, calling it price gouging and blaming Texas' weak regulations for allowing State Farm and other insurers to raise their rates unabated.

Public Insurance Counsel Deeia Beck, a state attorney who represents insurance consumers, served notice that her office objects to the State Farm increase as excessive and unjustified, especially because it will be the insurer's third spike in rates in the last two years.

She asked Geeslin in a letter Thursday to disapprove of the adjustment, saying State Farm is seeking "unreasonably excessive" profits and that its costs are largely because of reinsurance, which it usually buys through its own holding company.

Kraft & Associates
2777 Stemmons Freeway
Suite 1300
Dallas, Texas 75207
Toll Free: (800) 989-9999
FAX: (214) 637-2118
E-mail: info@kraftlaw.com

Reinsurance is the practice of insurers buying coverage for catastrophic events to mitigate their losses. Those expenses should be disallowed as an unreasonable expense, Beck said.

Alex Winslow of the consumer advocate group Texas Watch said State Farm is taking full advantage of the weaknesses in the Texas insurance system.

"All the insurance commissioner can do is ask State Farm to please not gouge Texas homeowners," Winslow said.

Under the Texas system enacted in 2003, insurance companies file notice of their rate increases and the justification behind the rates.

The state cannot block the new rates but can seek customer refunds if it subsequently finds that the rates are excessive and unreasonable.

The insurer and the state have been fighting in court over the refund for seven years. The state's public insurance counsel had presented evidence showing that customers deserved \$1 billion in refunds. State Farm has argued there was no overcharge at all.

Texas Watch has been advocating a change in state law that would require prior approval from the state before insurers could raise their rates.

The State Farm rate increase will go into effect May 1 for new customers and June 1 for renewals. Homeowners who have other policies with State Farm will be entitled to a discount of 20 percent, up from the current 15 percent, Davis said.