



Texas to Require Insurers to Justify “Unreasonable” Premium Increases

Written On August 24, 2010 By [Bob Kraft](#)

Will Texas really start to crack down on insurance company abuses, or is this just more empty talk from the Texas Department of Insurance? An article in the [Dallas Morning News](#) this week quotes state officials as saying they will now question “unreasonable” rate hikes from insurance companies. This change is being forced on the state by new federal legislation.

In Texas, carriers can raise their rates by any amount (up to 50%), at any time, without having to get permission from the state. Not surprisingly, this system has led to large, frequent rate increases by some insurance companies. We can hope for change. Here are excerpts from the article:

The Texas Department of Insurance is about to change its longtime policy of allowing uncontested insurance rate increases of up to 50 percent without interference, officials said.

State regulators will require insurance companies to justify “unreasonable” premium rate increases under the new federal health care overhaul, the Austin American-Statesman reported. State officials say they have always had that authority but have used it sparingly, the newspaper reported.

“In the past, we’ve looked at rate increases above 50 percent, and we’ve looked at complaints. That’s mainly what we’ve done as a watchdog,” said Katrina Daniel, senior associate commissioner of the department’s life, health and licensing program.

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She said Texas lacks the resources, including staff and data, to perform regular rate reviews and comparisons.

However, under the new federal law, insurance companies will be required to justify to federal and state regulators “unreasonable” rate increases before imposing them. Companies also will have to post that information on their websites.

The federal government has yet to define what it regards as “unreasonable,” Daniel said.

Last week, federal officials distributed \$46 million of \$250 million in grants to the states. The \$1 million Texas received was expected to go toward developing data required for more rate reviews.

“We will be reviewing more rates, for sure,” Daniel said.

Insurance companies have argued that rising health care costs have forced their rates to increase.