



Southwestern Insurance Information Service

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## INSURANCE NEWS

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### Challenger For Texas Governor Seeks To Alter Rate Filing System

Homeowners insurance looks to be a key issue in the race for Texas governor, with challenger Bill White announcing a plan to push a prior approval system.

Currently, Texas has a file-and-use system in which companies use filed rates as they are reviewed by the insurance commissioner, instead of waiting for approval before they are used.

Mr. White, currently mayor of Houston, said he'd require all companies to first prove why rate increases are needed.

"This is a common-sense approach that's worked in states all over the country," Mr. White said in a statement. He accused current Gov. Rick Perry of promising to cut homeowners rates but never following through.

Gov. Perry has kept the system the same because he has taken \$1 million in campaign contributions from the insurance industry, said Mr. White's campaign.

"We disagree," said Mark Miner, spokesman for Gov. Perry's campaign. "Increasing regulation is the wrong direction to take."

The Southwestern Insurance Information Service (SIIS) agreed.

"With all due respect, [prior approval] is not as effective as [Mr. White] is claiming," said SIIS spokeswoman Sandra Helin. "Increasing regulation would discourage companies from writing in Texas and decrease availability."

Texas used to have what was called a "benchmark system," in which a rate was set by the Texas Department of Insurance and insurers would file for rates within a range of 30 percent below to 30 percent above the set rate, said Mark Hanna, spokesman for the Insurance Council of Texas.

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Around 2000, the system was changed to file-and-use once it was discovered many insurers were using Lloyd's companies to write homeowners insurance because Lloyd's was an exception to the benchmark system.

In 2003 Texas lawmakers began to mandate rate cuts of between 10 percent and 20 percent across the board, leading Mr. Hanna to refer to the current system as "file-and-haggle."

The Texas insurance commissioner can order an insurer to refund customers if it is decided the filed rate is excessive. This rule has kept State Farm Lloyd's and Texas regulators at odds since 2003.

Commissioner Mike Geeslin has ordered State Farm to refund \$310 million to its Texas policyholders for overcharges dating back to 2003. State Farm is fighting the order in court.

### **NU Online News Service, Aug. 30, 3:53 p.m. EDT**

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