



Southwestern Insurance Information Service

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Insurance News

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Why insurance rates are rising

By Sandra Helin, Public Affairs Director
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Response to Texas Watch claims from Southwestern Insurance Information Service

Consumer Choice is Solution for Insurance Woes

Yes, homeowners insurance rates are on the rise in Texas, and there are very clear reasons why that is happening.

But let's be honest with ourselves. The average consumer does not care about insurance industry losses in Texas. What homeowners care about are rising insurance rates, and that can be explained very easily.

For decades, Texas was the only state in the country that required consumers to buy a single policy with the most expansive coverage. That forced high rates for all consumers. Texas regulated insurers with a benchmark system that sets mandatory rates using data that often lag two years behind current market conditions.

To be certain that insurers can deliver on their promise to customers to pay covered claims that arise in the future, they must charge premiums today that are adequate.

The best example is Hurricane Ike which will result in insurers paying hundreds of millions of dollars in claims. They must have the financial strength to meet the needs of their customers during these type of situations.

Although the Texas Department of Insurance should be commended for finally trying to stabilize the insurance industry and offer consumers a wide variety of products and prices to suit every economic strata.

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Only recently has the department found a willingness to work with the insurance industry to approve products that can address the needs and concerns of both insurers and consumers.

The solution to the homeowners insurance is not more regulation. An openly competitive market in which consumers can select from many different companies, products and coverages at rate levels determined by their needs will always be the market that produces the lowest prices.

Consumer demands would naturally curb expensive rates, allow insurers to offer a wide variety of coverages and prevent any sort of bias in providing coverage. Competitors would fill any gap that an insurer may leave, and that insurer could easily be forced out of the marketplace as its policyholders, or potential customers, shop other companies for their insurance needs.

Tightening the regulatory screws on insurers will only cause marketplace disruptions and encourage insurers to leave the state for jurisdictions where they can write coverage at a price that allows them to stay in business.

Policy-makers would better serve Texas homeowners by working to keep insurers solvent and supporting a competitive market in which consumers have more choices for their insurance protection.

Southwestern Insurance Information Service is a 53-year-old insurance trade association that represents insurers that write over 85 percent of the property and casualty insurance in Texas.

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