



Southwestern Insurance Information Service

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Insurance News

Date: December 29, 2008

Source: Dallas Morning News

Author: Terrence Stutz

SIIS Office: (512) 795-8214

**SIIS Cell: (512) 965-4001 Jerry
(512) 468-6965 Sandra**

Site lets consumers shop for better rate on insurance

By TERRENCE STUTZ / The Dallas Morning News

AUSTIN – Financially pressed homeowners unhappy with their insurance rates will find that while there are few bargains in the Dallas area, the premiums charged in their neighborhoods can vary widely depending on the company and the type of policy being sold.

And now, consumers can shop for a better rate for both homeowners and auto insurance at a new state Web site, www.helpinsure.com. The site, run by the state Department of Insurance, offers a breakdown of premiums for areas around the state.

Rate comparisons recently compiled by the department showed that the cost of homeowner policies can differ by hundreds of dollars a year for houses of similar value in the same ZIP code.

For example, sample rates filed with the state by the 27 largest home insurance companies in Texas indicated that policies on a typical \$150,000 home in Dallas County ranged from \$704 to more than \$2,200. Those rates were for a 10-year-old brick home where the owner had an average credit rating and no insurance claims for five years.

Consumer groups contend the rates are too high, noting that Texas has had the highest homeowner rates in the nation for several years. Insurance industry representatives said the wide range of rates and products available to homeowners indicates that the current market is good for both insurers and consumers.

Legislature's plans

The debate comes as the Legislature prepares to take a hard look at regulation of the insurance industry next year. Insurers can now increase rates at any time by notifying the Insurance Department – which can then reject the changes if they're deemed excessive.

For Additional Information:

8303 N Mopac, Ste B-231
Austin, TX 78759

Phone: (512) 795-8214
Fax: (512) 795-9363



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Allen homeowner Leonard Strub said he doesn't buy the industry's argument that the current file-and-use system for insurance rates has stabilized or lowered rates for most homeowners.

"I haven't seen it," he said, noting that the premium on his 2,100-square-foot, brick-veneer home increased by nearly \$200 this year to about \$1,400. And that premium is based on a higher deductible, he noted.

"My company's charging me more, and I'm getting less coverage," he said of his policy with Travelers, a company that is one of the five largest in the state.

Mr. Strub, a retiree who has filed no claims with his insurer over the last five years, said he believes the regulatory system is unfair to homeowners and should be overhauled by the next Legislature. "It doesn't seem like anyone now is holding the line against higher premiums," he added.

Industry spokesman Jerry Johns, president of Southwestern Insurance Information Service, said the rate comparisons on the Insurance Department's Web site offer strong evidence that the system – approved as part of an insurance reform law in 2003 – is working.

"Rates can vary dramatically," he said. "It pays for people to shop around for insurance even if they are not unhappy with rates they are paying."

6 ZIP codes

Mr. Johns said many consumers are not taking advantage of the competition for business among insurers.

"Too many people don't treat buying insurance the same way as buying a car," he said. "In both cases, if you shop around, you can usually save money."

He also contended that putting "artificial controls" on the industry, such as requiring prior state approval for all rate hikes, would backfire by removing the incentive for companies to offer competitive prices. "Consumers will end up paying higher premiums and have fewer choices of insurance products," he said.

A review of rates in six ZIP codes around Dallas County found that the state's three largest insurers – Allstate, Farmers and State Farm – charge close to the average. Those three companies hold 58 percent of the homeowners market in Texas.

In all six areas – in North Dallas, South Dallas, Duncanville, Garland, Irving and Richardson – Allstate had the same basic rate for a \$150,000 home, \$1,151. State Farm's rates were \$1,255 in four of the ZIP codes and at least \$100 more in the other two.

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Farmers had the biggest variation, from a low of \$1,184 in four areas to a high of \$1,568 in South Dallas. That's 32 percent extra.

Insurers are generally supposed to keep the rate variations in a county to no more than 15 percent. If they have higher variations, they must justify the difference to state insurance regulators.

Alex Winslow of Texas Watch, a consumer group, said one of the restrictions his organization will be seeking next year is to strictly limit rate differences within a county to 15 percent for both homeowners and auto insurance.

"We need a firm limit so we can keep the rate variations in check," said Mr. Winslow, adding that differences within counties are most pronounced in auto insurance.

In 2007, the industry marked its fifth straight year of beating a standard benchmark for reasonable profits, financial reports compiled by the state indicate. Companies paid out 36.5 percent of premiums to cover property losses.

Mark Hanna of the Insurance Council of Texas, an industry group, said studies have shown that during those profitable years, most rates held steady or went down.

"Insurers want to be free to run their businesses and price their products accordingly," he said. "That's why homeowners are now seeing a variety of prices for insurance."

FACTORS IN SETTING PREMIUMS

Claims history: The fewer claims a homeowner has had, the less he or she pays for insurance. Insurers typically look at the claims history for a home over the previous five years.

Credit rating: Studies have shown that people with a good credit history tend to file fewer insurance claims. Insurers typically rely on credit scores compiled by one or more of the nation's three main credit-reporting agencies.

Home maintenance: Good maintenance practices can prevent unnecessary and costly claims. Good maintenance – such as early detection of water leaks – is reflected in the frequency of claims.

Home construction: Brick and masonry homes, which are more resistant to fire, usually cost less to insure than wood homes. Other construction factors also are important, such as the cost of building materials and labor in a given area.

Location of the home: If a home is in an area that is more susceptible to natural disasters, such as hurricanes or hail storms, the premiums paid will be greater. Similarly, homeowners in high-crime areas typically pay more.

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