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Insurance News

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Allstate set to raise homeowners insurance rates by 6.2 percent in North Texas

AUSTIN – North Texas homeowners insured by Allstate will see their rates increase an average 6.2 percent beginning next month under a rate plan filed by the company with the Texas Department of Insurance.

A spokesman for Allstate, the second-largest property insurer in Texas, said Tuesday that the increase is primarily driven by broader severe weather activity across the state and higher costs to rebuild after fire, wind and hail losses.

"The cost of building materials and labor has continued to increase, most significantly in roof repairs," said Bill Mellander of Allstate, citing the North Texas area as "ground zero" for hailstorms in recent years.

"When you look at weather patterns in North Texas, hail has become an expensive reality that homeowners and insurers have to deal with on a regular basis," he said.

Homeowners in Houston and along the hurricane-prone Texas coast will take a much harder hit under the rate plan, with premiums scheduled to increase an average 15 percent. The higher rates will take effect with policy renewals beginning Aug. 27.

Nearly 480,000 homeowners – all customers of Allstate Texas Lloyds – are affected by the increase. Allstate Texas Lloyds is the company's largest home insurance subsidiary. A smaller subsidiary with about 120,000 customers is not affected by the new rates.

A consumer group questioned the size of the rate hike, saying it has become an all-too-familiar pattern.

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"Here we go again," said Alex Winslow of Texas Watch, a consumer group active in insurance issues. After lawmakers declined to overhaul insurance rules this year, he said, "the companies are back to their old tricks of piling ever-increasing rates on their customers. And this is going to continue to happen until insurance companies are required to justify their rates before passing them on to policyholders."

Under the state's file-and-use system, companies can implement higher insurance rates immediately after notifying the insurance department. During the recent legislative session, consumer groups tried unsuccessfully to get a change in the law requiring prior state approval of all rate hikes.

State Insurance Commissioner Mike Geeslin is reviewing Allstate's new rates and can order a reduction – plus refunds – if he finds the higher rates unjustified.

The rate plan includes a 5.5 percent statewide increase and a secondary increase to cover higher costs for reinsurance, purchased by insurers to help pay claims after a catastrophic event. The increase for reinsurance varies by region, ranging from less than 1 percent in North Texas to nearly 10 percent along the coast.

Mellander said Allstate is working with its agencies to help prepare policyholders for the rate hike. In addition, he noted that Allstate agents will try to make sure customers are taking advantage of all available discounts.

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