

# Insurance Issue FAQs

*People in and around the Capitol have questions about SB 10 and HB 1774, TLR's anti-property owner insurance bills. They want to know what the bills do, who they affect, and if they are even necessary. Here are answers to some frequently asked questions...*

## What would TLR's bills do?

**TLR's anti-property owner insurance bill would have the same net effect as the bill they failed to pass last session. It would eviscerate the rights of Texas property owners – both businesses and homeowners – allowing insurance companies to escape accountability when they deny, delay, or underpay valid claims.**

- Property owners would be forced to make decisions about their claim before they are able to evaluate fully the insurance company's potential wrongdoing.
- Penalties for delayed payments would be slashed, incentivizing slow-pay tactics.
- The burden for investigating a claim would be further shifted from the insurance company to the property owner, forcing home and business owners to pay out of pocket for expert reviews just to get their claim resolved.
- Home and business owners would be effectively prevented from having access to the courts when they believe their claim has been mishandled.

## Who would TLR's bills affect?

**TLR's bill is an overreach that would affect all disputes with your insurance company – not just hail claims and not just claims considered “frivolous.”**

While TLR is spinning their bill as a “hail storm” insurance bill that addresses “lawsuit abuse,” their bill affects ALL insurance claims, effectively stripping home and business owners of their ability to hold their insurance company accountable in ANY property insurance claim. This includes fire, theft, weather, water, or any other type of damage or loss. It does not distinguish between claims that are valid and those that are not.

## Can insurance companies dismiss “frivolous” claims?

**Current law provides dozens of ways to dismiss claims if an insurance company can show fraud or abuse by a claimant.**

As with any profession, some bad actors may cut corners when bringing claims. That's why current law gives insurance companies ample tools to address concerns about fraud. In addition to civil penalties and sanctions for attorneys and public insurance adjusters, insurance companies can recoup their costs and local authorities can take criminal action.



## What does current law do?

**The Texas Insurance Code clearly outlines the responsibilities insurance companies have to their customers, establishes remedies for home and business owners if claims aren't handled properly, and protects insurers from fraudulent claims.**

Under current law, insurance companies are required to process claims within specific timelines, pay claims fully, and handle claims in good faith. To enforce these requirements, the law allows property owners to hold their insurance company accountable. The provisions are decades-old and were already reformed to favor insurance companies in the 1990s. Additionally, current law provides multiple ways for insurance companies to dismiss fraudulent claims and penalize those who bring them.

## Are insurance profits suffering?

**The Texas insurance market is incredibly robust, increasingly competitive, and highly profitable, according to the Texas Department of Insurance.**

Between 2012 and 2015 – the period TLR says was a “crisis” for Texas insurance companies – insurers posted \$4.5 billion in underwriting profits. This equals 13.6% profit just on premium payments and does not include additional market gains. This is significantly higher than the longer term average dating back to 2000. TDI also concluded that the Texas “homeowner’s insurance market has become less concentrated and increasingly competitive over the last 16 years.”

## Is there a litigation “crisis”?

**TDI data shows that, despite a series of catastrophically severe hail storms between 2012 and 2015, insurer losses were only marginally higher and litigation rates are persistently low.**

From 2012 to 2015, hail losses increased a mere 2 pennies per \$1 of premium over the sixteen year average. Additionally, the litigation rate on disputed home insurance claims has fallen from 2.7% in 2012 to just 0.7% in 2015, averaging 1.7% over that period. The insurance industry considers 2% a typical litigation rate.

Following extreme weather events with major property damage like those in the Rio Grande Valley in 2012, the Panhandle in 2013, the Metroplex in 2014 and 2015, and Bexar, Collin, and Tarrant Counties last year, there are higher than usual claims filed. This leads to more disputes as insurers attempt to cut their losses by paying fewer claims. In fact, the TDI data indicates that insurers paid hail claims at a lower rate between 2012 and 2015.

And, if insurance companies can show claims are being filed improperly, the law provides ample tools to address those concerns, including civil penalties, sanctions, and criminal action.

