

Note: POA does not support this Bill as it only proposes rate roll backs to 2001 rates. It does not factor in that coverage has been slashed by 80% over the coverage offered in 2001.

POA challenges lawmakers to roll back rates so that they are commensurate with coverage -- a 60% reduction on rates charged in 2001.

Any legislator not supporting a 60% reduction from 2001 rates should receive FAILING grades from constituents. Remember that when you go to the polls in 2004.

## DEMOCRATS UNITE BEHIND WOLENS INSURANCE REFORM PROPOSAL

*Says angry consumers want rate relief, not rhetoric*

Democrats are spoiling for a fight over insurance reform, promising to back consumer-oriented legislation against "insurance industry friendly" versions they describe as "watered down."

Rep. **Steve Wolens (D-Dallas)** promises almost \$2 billion in savings in his proposal under House Bill 600. The presumption among the insurance industry is that rates need to stay where they are, Wolens said. Under Wolens' bill, homeowners insurance would be rolled back to the rates of Jan. 1, 2001. Wolens scoffs that market forces will correct the current runaway insurance rate increases.

"The insurance industry says that rates will automatically drop if we open the market, but I think we know that the only way we're going to lower rates is by law," Wolens said. "I don't think consumers are going to be happy unless we reduce rates, and show folks we can reduce rates. My legislation proposes a mandatory reduction of \$1.9 billion a year, and the companies still have the prerogative for a rate increase. They just have to provide the **Texas Department of Insurance** with the need for that increase."

Wolens' plan includes six elements in addition to the rollback: adopting a "prior approval" system for setting rates; requiring the Texas Department of Insurance to proactively act on proposed rate increases; prohibiting the use of credit scores for both underwriting and rating; stopping all cherry picking of product lines; requiring the disclosure of underwriting guidelines; and opening guidelines to public scrutiny.

Lawmakers at Wolens' press conference on Wednesday had their own set of zingers for the media: Wolens said insurance companies protect underwriting guidelines like they were the secret formula for **Coca-Cola**. Sen. **Leticia Van de Putte (D-San Antonio)** chided the companies for requiring her to sign a confidentiality agreement just to see underwriting guidelines. And Sen. **Rodney Ellis (D-Houston)** called insurance underwriting guidelines "the industry's dirty little secret."

Wolens promises his proposal will have deep bipartisan support in the House, calling his changes a significant overhaul rather than "window dressing." Van de Putte said the backing of her SB 400 – by at least 11 Democrats and other unnamed Republicans – would stop legislation at the floor.

"I think, definitely, we all have ideas on how to solve this crisis. We might all have different approaches," Van de Putte said. "What I will be advocating, I think, is the most pro-consumer point of view, because we need to stabilize the market but we also need relief. I'm encouraged to hear the Governor talk about bring those rates down. And I go into the argument knowing I have enough votes coming to the floor to stop legislation unless there is a significant commitment to insurance relief."

The insurance industry was out of the shoot early, promising legislation fair to both the consumer and the insurance carriers, with bills filed by Rep. **Sefronia Thompson (D-Houston)** and Sens. **Mike Jackson (R-La Porte)** and **Troy Fraser (R-Horseshoe Bay)**.

Credit scoring seems to be a sore point in the insurance fight. During a **Texas Association of Business** legislative briefing, **Cindi Taylor Krier** of **USAA** said credit ratings are a good predictor of insurance risk.

"Eight bills have been filed so far on legislative scoring, and they run the gamut," Krier said last month. "Several ban the use of credit scoring. Others say you can't use it for home or auto insurance. Bills like that have been introduced in other states, but no one has adopted a flat-out ban of credit scoring. Legislators and public policy makers recognized that credit scoring is important and can be used appropriately."

Krier pointed to HB 265 as a good compromise. The bill requires insurance carriers to notify applicants of the use of credit scoring; to disclose any adverse impact on rates credit scoring has; and to avoid penalizing those people who may have little or no credit histories.

The insurance industry cites problems such as a rigid lack of variety in product lines, an inability to close loopholes in homeowners' policies and an ongoing attack on insurance carriers for using in-house counsel. Those problems have led to substantial rate increases over the last three years.

Insurance carriers, like consumers, have their own horror stories. Most cite claim levels that are out of control, pointing back to an inability to close loopholes in policy language. Mold claims, they pointed out, have grown from 12 cases in 1999 to 15,000 cases in 2001. The issue, valid or not, has caused a tremendous stress on insurance lines.