

Consumer Watchdog: Senate Insurance Committee Approves Bills to Invade Drivers' Privacy, Raise Cost of Auto Insurance



SANTA MONICA, Calif., June 19, 2008 / PRNewswire-USNewswire via COMTEX/ --- Committee Rejects Bill by Mercury Insurance to Block Refunds To Drivers Who Are Illegally Surcharged

The Senate Banking, Finance and Insurance Committee approved two bills yesterday that will allow insurance companies to spy on Californians' driving habits, increase the cost of auto insurance and violate the voter-approved consumer protections of Proposition 103.

The committee passed AB 2800, a bill that would allow insurance companies to require drivers to install spyware devices in their cars with no limit on the information - including speed, acceleration, location, time of day and mileage - the companies could collect. Under the legislation, consumers who refuse to give up their privacy by allowing the hardware in their cars would pay higher rates. The legislation, authored by Assembly Member Jared Huffman of San Rafael, is backed by Environmental Defense Fund, which has aligned itself with the auto insurance industry, who claim the bill would encourage motorists to drive less by lowering insurance rates for lower mileage. However, AB 2800 would give discounts to drivers who agree to insurance companies' mileage verification methods, not those with low mileage. The bill would allow insurance companies to overcharge motorists based on irrelevant criteria that Proposition 103 prohibits.

"Proposition 103 already requires insurers to charge people less if they drive less. Under new regulations that take effect next month after years of delays by the insurance industry, annual mileage will be much more

important than zip code, as the voters dictated. AB 2800 just lets insurance companies get around these long-overdue changes by charging drivers more for refusing to let them spy in their cars," said Carmen Balber, advocate with Consumer Watchdog. "The insurance industry is cloaking its anti-consumer actions under the guise of 'environmental protection.'"

The cost of insurance would also go up under AB 2956 (Coto), approved by the committee as well. The bill would undermine a recent court ruling that protects customers from paying illegal broker fees to insurance agents. Current law is clear that only insurance brokers who are truly independent of insurance companies can charge broker fees, but AB 2956 would muddy the distinction between brokers and agents, who work for insurance companies not customers. This will authorize "double-dipping" in which insurance customers will be forced to pay the same person both an agent commission and a broker fee, even when the person selling insurance is not a truly independent broker.

Illegal Amendments to Voter-Approved Proposition 103

Proposition 103 grants the power to set underwriting and other rating practices to the Insurance Commissioner, after an extensive and public review process. AB 2800 would usurp that power. The bill would also allow insurers to unfairly discriminate against drivers solely because they choose not to put a tracking device in their car or drive a car too old (pre-1996) to utilize the technology, which is also illegal under Prop 103. It is unconstitutional for the legislature to amend the voter ap-

proved initiative in such a manner, and bills similar to Huffman's (and a Calderon bill also considered last night) have been voided by the courts in recent years in response to legal challenges brought by Consumer Watchdog and other citizen organizations.

AB 2800 faces immediate legal challenge if approved, and California taxpayers will pay the legal costs to defend legislation that will ultimately be rejected by the courts, said Consumer Watchdog.

"Food prices have soared, gas prices have doubled and the state budget is \$15 billion in the red. Californians can't afford to fork over any more money to defend politicians' illegal schemes to amend Proposition 103," said Balber. "AB 2800 will cost Californians, delay the issue of mileage-based insurance rates for years, and inevitably be overturned in court."

The committee did reject one bill that targeted consumer protections under Proposition 103. AB 1051, sponsored by Mercury Insurance, would have prevented courts from ordering refunds to customers when insurers impose illegal surcharges on policyholders or delay legally required rate reductions, another illegal amendment to Proposition 103. The bill was authored by Assemblyman Charles Calderon, from Whittier, who has also carried insurance industry legislation in the past that would harm his constituents.

Allstate must slash homeowner rates

Dean Calbreath, UNION-TRIBUNE July 11, 2008

Allstate Insurance Corp., the state's third-largest home insurer, was ordered yesterday to slash its homeowner's rates by 28.5 percent in one of the deepest rate cuts ever required by the state Department of Insurance.

The rate change, totaling \$255 million, will lead to an average annual reduction of \$243 for 850,000 homeowners throughout California. The revised policies will average about \$600 per year, the Insurance Department estimated.

"A quarter-billion dollars is a significant decrease," said Carmen Balber, spokeswoman for Consumer Watchdog, a consumers' rights organization that had pushed for a 30 percent rate cut. "It's a huge victory for consumers at a time when the price of everything else in this economy is going up."

Although Allstate stopped issuing new homeowner's policies in California in 2007, citing concerns about the state's wildfires and earthquakes, it still provides coverage under previously issued policies.

Yesterday's decision follows a 15.9 percent, \$250 million rate reduction for Allstate auto policies in April, lowering car insurance policyholders annual payments by an average of \$124.

The two rate reductions are by far the largest that have been ordered under Insurance Commissioner Steve Poizner, who has described Allstate's rates as "excessive."

"In today's sputtering economic environment, people need all the help they can get just to pay the bills," Poizner said yesterday. "That's why I am pleased to order this tremendous rate cut."

Allstate spokesman Peter DeMarco said that although the company was "disappointed" with Poizner's order, "we respect the authority of the (Insurance) Department and will comply."

DeMarco said the company is reviewing the order in detail and communicating with the Insurance Department about the process of adjusting its rates.

Allstate had been fighting the rate cut for the past two years, ever since former Insurance Commissioner John Garamendi required four of the state's largest insurers – State Farm, Farmers, Allstate and Safeco – to show cause why their rates should be so high.

Garamendi said the state's largest insurers paid out 42 cents in claims for every \$1 they took in premiums during 2004 and 2005. He said that historically, insurers typically have paid out 70 cents on the dollar or more.

State Farm, Farmers and Safeco subsequently reduced their rates by 18 percent to 22 percent, but Allstate asked for a 9.8 percent increase. Its request for higher rates ended with yesterday's decision by Poizner.

Coincidentally, Poizner's decision was announced a

day after the American Association for Justice, an organization of trial lawyers, named Allstate as the nation's worst insurance company for consumers, based on such criteria as its legal tactics, response to customer claims and the ratio between premiums and the amount of money paid on claims.

"While Allstate publicly touts its 'good hands' approach, it has instead privately instructed its agents to employ a boxing-gloves strategy against its policyholders," said Jon Haber, chief executive of the lawyers group. "Allstate ducks, bobs and weaves to avoid paying claims to increase its profits."

Allstate spokesman Rich Halberg said he was "not surprised that we're targeted by trial lawyers and personal-injury attorneys, since we're at the forefront of trying to reduce unreasonable claims made by attorneys during litigation."

Halberg said that even if the attorneys do not like Allstate, "the numbers show that our customers do. They renew their policies at high percentages, and we attract millions of new customers every year."

But Haber said Poizner's decision yesterday "validates our ranking."



Florida

Fair weather best friend to insurance holders

BRIAN NEILL, Bradenton Herald , June 11



"Although the Weather Service hasn't predicted rain, certain indicators can't be ignored."

The Southern expression "the good Lord willing and the creek don't rise" is an apt one for Florida's insurance picture as the state heads into yet another hurricane season.

In other words, as long as the state has no major storms, homeowners should continue to see their insurance premiums drop - or at the very least, not increase.

Experts credit a number of factors for the return of something near sanity to insurance premiums.

Among those are the state's wind-mitigation program, My Safe Florida Home, which provides free home inspections and matching grants up to \$5,000 for hardening homes against storms, as well as state assistance with reinsurance, which is coverage insurers buy to insure themselves.

"I think, overall, we are in a lot better shape than we were a few years back," said state Rep. Bill Galvano, R-

Bradenton. "There's not a major justification for premium increases. And, if we have another good year or even a moderate year in terms of storms, we'll see even more progress."

Last month, Gov. Charlie Crist added more teeth to the state's efforts to make insurers consumer-friendly by signing into law legislation dubbed the "Homeowners Bill of Rights."

Among the regulations is one that would require insurers to use state-approved risk modeling methods to predict hurricane risk. Another requires insurers to notify policyholders 180 days in advance before dropping them.

The bill also gives regulators more power to block insurer rate increases and doubles fines for insurers that violate state law.

Not everyone thinks the get-tough approach is the best one, however.

Bob Lotane, communications director for the 4,000-member Florida Association of Insurance and Financial Advisers, said the law's punitive components could actually hurt the state in terms of attracting new insurers.

"It's kind of the same old-same old we've seen the last couple of years," Lotane said. "If the goal was to attract more capital and capacity to the market, this won't help."

Lotane also thinks it was a mistake for lawmakers to freeze for another year the rates of Citizens Property Insurance Corp., Florida's state-run insurer of last resort. Citizens is the largest insurance company in the state, with about 1.2 million policies, and has maintained that its current rate levels aren't "actuarially sound,"

meaning they would not adequately cover damage from storms of certain magnitudes.

"By keeping those rates artificially depressed, it's decreasing the money that's there to pay claims, which increases the likelihood of assessments," Lotane said. "We've just got to hope for more (storm-free) years like the last couple."

But Galvano believes Citizens will increasingly reduce its exposure as more of its policies are taken over by private insurers. Florida Insurance Commissioner Kevin McCarty approved about half a million policies to be taken out from Citizens by private insurers this year. More private insurers have also been entering Florida, writing new business.

Since January of 2006, more than 40 private insurers have entered the Florida market, bringing nearly \$4 billion in new capital, according to the Florida Office of Financial Regulation.

That capital is sorely needed in a state that is still paying on damages incurred during Hurricane Wilma in 2005.

Crist and state Chief Financial Officer Alex Sink on Tuesday approved the sale of up to \$625 million in bonds to pay claims from the storm. The bond will keep the Florida Hurricane Catastrophe Fund from running out of money to pay the claims.

Florida residents will help foot the bill through the extension of a 1 percent assessment on all forms of insurance policies. The assessment was already in place to fund the CAT fund and was supposed to end in 2012, but will now be extended another two years.

Insurance Bills Take Another Storm Hit

JEROME R. STOCKFISCH and CATHERINE DOLINSKI, The Tampa Tribune June 11

TALLAHASSEE - The bills for the wicked hurricane seasons of 2004 and 2005 are still coming in, and Floridians with insurance policies covering everything from autos to boats to homes will have to dig deeper to cover the tab.

Gov. Charlie Crist and Chief Financial Officer Alex Sink voted Tuesday to allow the state's Hurricane Catastrophe Finance Corp. to issue \$625 million worth of bonds to pay claims resulting from 2005's Hurricane Wilma.

To cover the debt, the 1 percent assessment now on virtually all insurance bills in Florida to replenish the cat fund will be extended by two years. It was slated to end in 2012.

That will cost a typical Tampa Bay area homeowner with an annual insurance bill of \$1,500 to \$2,000 an additional \$30 to \$40. The same surcharge hits premiums for auto, motorcycle, boat and other lines of insurance as well.

The Florida Hurricane Catastrophe Fund is a backstop covering damages from storms that insurance companies cannot. Typically, private insurers pick up the tab for storm damage until the total exceeds \$6 billion; once that threshold is passed, state money becomes available to pay claims.

Jack Nicholson, director of the Hurricane Catastrophe Finance Corp., said that Hurricane Wilma's claims of nearly \$11 billion have well exceeded the state's expectations.

"This is the largest state payout expected of any storm that Florida's ever had," Nicholson said.

Part of the problem, said Bob Milligan, interim head of the State Board of Administration, is that in the absence of recent hurricane activity, adjusters are "shaking the bushes" to file new claims and reopen thousands of old ones from the 2005 storms. "Insurance companies are seeing a lot of reopened claims," he said.

Whether those claims are valid is unclear, he said. "We really don't know how many of these claims are being settled properly, or if, for some reason the insurance companies feel they can pass it on to the cat fund and don't have to do their due diligence in adjusting claims."

Nicholson said that in the case of Citizens Insurance alone, only 234 claims resulting from 2004's Hurricane Charley were reopened, compared with nearly 6,200 reopened claims associated with Hurricane Wilma. Charley was a Category 4 storm; Wilma was a Category 3 that plowed west to east across the southern end of the state, pummeling the populous regions of Fort Lauderdale and West Palm Beach.

"I think there is a problem because of the independent adjusters and the legal profession and all these people that are reopening the claims and milking the system," Nicholson said.

Sam Miller, executive vice president of the Florida Insurance Council, also blamed the situation on shady public adjusters who are not affiliated with insurance companies and might encourage already-satisfied customers to reopen claims.

The Legislature passed public-adjuster reforms in this spring's legislative session to address those

issues, Miller said.

"Nobody's done anything wrong" on the industry side, he said.

Crist and Sink voted on Tuesday at the State Board of Administration and as the cat fund finance board, two of the many hats they wear as members of the state Cabinet.

Crist questioned the need to approve the bond issue at all on Tuesday, with such questions looming about illegitimate claims.

"I don't have a lot of confidence in the property insurance industry making representations to us for \$625 million worth of bonds, you know - and when I start to hear that maybe it's illegitimate, or some monkey business is going on here, it gives me less confidence," Crist said.

However, Sink and Milligan said it was necessary because the state literally would run out of money to pay the claims, none of which are actually known to be fraudulent. The state has about \$187 million left to cover the claims, which are costing about \$13 million a week on average.

Milligan said the cat fund does audit a sample of claims to ensure that they are legitimate, though he urged Crist to consider asking a group such as the state's Citizens Insurance Task Force to investigate the issue further. Sink noted that the state can recoup payout money if claims are audited and found to be illegitimate.



Gov. Charlie Crist and Chief Financial Officer Alex Sink decided the hurricane fund surcharge should be extended for two years.



Massachusetts

Insurance reform bill panned

Sarah Shemkus Cape Cod Times, July 9, 2008



A homeowners insurance reform package pending in the Legislature may have been approved unanimously by the state Senate last week, but the bill is pleasing few outside of the Statehouse.

The legislation, which now moves to the House, could actually impede meaningful reform, insurance experts and activists said this week.

"There's not a lot that's all that helpful to consumers," said Stephen D'Amato, a consultant with the Cambridge-based Center for Insurance Research. "It kills reform for the future so this is what we'll be stuck with: Something that makes things worse."

The bill's flaws are many and cannot be easily fixed, said Paula Aschettino, an Eastham resident and the founder of regional activist group Citizens for Homeowners Insurance Reform.

"This bill is really going to be harmful to the citizens," Aschettino said. "It needs to be killed, because it can't just be amended in a few areas."

The bill includes provisions that touch many aspects of the state's homeowners insurance system.

If it becomes law, the legislation would allow wind deductibles to be charged only in case of hurricanes.

The law would also create a research center at the University of Massachusetts in Lowell to inspect and approve the predictive models used by many insurance companies to assess the risk of storm damage.

In addition, some customers of the FAIR Plan — which provides coverage to homeowners unable to obtain it on the private market — would be eligible for a rebate after three years in which no hurricane struck the region. The bill would also grant the attorney general the power to appoint two of the 18 members on the board that controls the FAIR Plan.

The FAIR Plan rebate is of particular concern to both D'Amato and Aschettino, who said that there are simply too many conditions to be met for any meaningful amount of refunds to occur.

"It sounds good on paper, but actually to get any money back from that will be impossible," Aschettino said.

To be eligible for such a dividend, a policyholder's property must have a cost no greater than the median coverage amount for the territory. In addition, the rebates will not be issued if doing so would cause the FAIR Plan a net loss for the year or if the insurance commissioner determines that the company has not purchased adequate reinsurance.

"It looks like it's doing something, but there are all these different contingencies that make it unlikely that anything significant would ever come out of it," D'Amato said.

Aschettino would like to see the bill require more geographical diversity on the FAIR Plan board.

"We want at least two to be members from coastal area," she said.

If consumer advocates are not supportive of the bill, industry insiders are also less than pleased with the legislation.

The proposed university research center adds an unnecessary layer of bureaucracy to the system, said Frank O'Brien, New England area spokesman for the Property Casualty Insurers Association of America.

"How many more regulators does this industry need?" he asked.

Insurance Commissioner Nonnie Burnes' decision last month to reject the FAIR Plan's requested rate hike demonstrates that she is "no shrinking violet" when it comes to regulating, O'Brien added.

Furthermore, he said, allowing Attorney General Martha Coakley to appoint members of the FAIR Plan

board is a clear conflict of interest, given that her office has mounted several legal challenges to recent rate change requests by the insurer.

"It sets up a conflict of interest if you have people on a board that the attorney general has shown a penchant for suing," O'Brien said.

Amie Breton, a spokeswoman for the attorney general's office, defended the makeup of the board. "The industry is also part of the rate proceeding. And they are well represented on the Fair Plan Board," she said. "Additionally, having a consumer advocate on the board makes it more balanced."

Breton also defended the bill itself. "Our office has consistently worked to level the playing field relative to homeowners' insurance for those individuals who reside in Massachusetts' coastal communities," she said. "The legislation passed by the Senate provides one more tool to protect coastal homeowners because it significantly increases transparency during the homeowners' insurance rate-setting process by enabling, for the first time, a truly neutral review of hurricane loss projection models used to set rates in Massachusetts."

Even state Sen. Robert O'Leary, who voted for the bill, isn't completely satisfied with it in its current form.

O'Leary would have liked to see the legislation include a catastrophic event fund that would provide insurance companies with a less expensive way to obtain reinsurance.

"I think that (the bill) is an important step in the right direction," O'Leary said. "It moves in the right direction in some areas, but it doesn't go nearly far enough in my opinion."

South Carolina

Mold drives family from 'dream' home

Expert says repairs could cost more than \$100,000

Prentiss Findlay, The Post and Courier, July 6, 2008

Benjamin and Joy Allen's dream home in Etiwan Park on Daniel Island has turned into something of a nightmare.



The Allens had their home tested for mold after they noticed it growing on the home's exterior.

Anyone entering the home of Benjamin and Joy Allen on Daniel Island must wear a protective mask.

At first it appears that a family lives there, like they just stepped out for a while. The kids' rocking horse and stuffed animals are there. The kitchen is well-stocked. But a large rectangular hole has been cut into a wall.

"This is the worst I've found on Daniel Island," said Terrence Tully, owner of Moisture Control Experts of Summerville. The wheezing respirator he wears muffles his voice as he talks about the family's mold problem.

The Allens paid Tully \$2,280 to test their home for mold May 26 when they noticed it growing on the outside of the house. When the results came back, they abruptly left what they considered their dream home on the advice of their doctor. They have been living with friends since May 30.

Tully discovered mold, which essentially is a fungus, on the inside of walls of the Allen home. That was bad news because the walls are made of porous material that allows mold

spores to spread to the rest of the house via the heating and cooling system.

Moisture seeped into the home's walls, creating a wet environment conducive to mold because, Tully thinks, window flashing was not properly installed. Flashing is material that fills the space between the edge of a window and vinyl siding that prevents wind-driven rain from getting inside walls.

Tully said fixing the mold problem could cost more than \$100,000. He has done limited testing at the Allen home because of the expense, cutting into some walls to evaluate the situation. "You don't know what you have until you start opening it up," he said.

If the Allens move back home, Tully said that anything porous in the house must be removed. That includes furniture, bedding and carpeting. Insulation must be removed from the interior walls. Windows and doors must be fixed to prevent another moisture problem. And the area must be fogged with a chemical to kill mold, he said.

In the meantime, the Allens are living day-to-day. Their daughters, Madeleine, 3, and Ellie, 4, cry themselves to sleep because they don't understand why they left their home, and why they can't have their stuffed animals, Joy Allen said.

Because of their disrupted home life, the daughters become upset when their mother leaves for her job as a music therapist at Trident Regional Medical Center.

"They're normally not like that," she said. "They're scared. They're absolutely scared. They don't want to go to bed at night. They want their rooms."

A next-door neighbor of the Allens, David Pittman, said the Allens' apparent problems with

their D.R. Horton-built house have caused him to be concerned about his D.R. Horton-built house.

"We need to determine if we have problems with the house. We've spoken with an attorney," Pittman said.

Another neighbor said she had problems with her D.R. Horton house but could not discuss them on the record because of a confidentiality agreement she signed with the company as part of a settlement.

Representing D.R. Horton, attorney Kyle Dillard of the Greenville office of the law firm of Ogletree, Deakins, Nash, Smoak & Stewart released a statement saying the builder was first notified of the Allens' concerns in a letter from their lawyer, Patrick McDonald.

Dillard's statement said the company has arranged for the Allen house to be inspected, at D.R. Horton's expense, by a third-party professional engineer.

"Once the engineer has provided us with his opinions and recommendations, we will discuss with Mr. Allen's lawyer how to most appropriately address Mr. Allen's concerns. Horton is hopeful that Mr. Allen's concerns can be resolved in a timely manner to the mutual satisfaction of both parties," he said in the e-mailed statement.

The Allens said they purchased the 1,580-square-foot home, their first, for \$419,000 and moved here in August of 2005 from the Washington D.C. area.

Benjamin Allen, 33, who is disabled from multiple sclerosis, said he was a special assistant for national security in the Bush Administration.

The Allens live at 100 Jordan Court in the Etiwan Park neighborhood. The home was built eight years ago, and two other homeowners lived there before the Allens purchased it.

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Above: Terrence Tully with Moisture Control Experts must wear a respirator in the house while he examines it for mold.



Rotten wood is visible between the exterior and interior walls of the house.



Benjamin Allen moved his family to Daniel Island in 2005 from the Washington area, where he worked in national security for the Bush Administration.

South Carolina

Mold Drives Family...

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"This was going to be our dream home. We scraped together every penny we could for this home," Joy Allen said.

They owe about \$390,000 on the mortgage, Benjamin Allen said.

Joy Allen, 32, provided a copy of a June 5 letter from their family physician, Lucy Davis, of Palmetto Primary Care Physicians on Daniel Island. In the letter, Davis said it was her medical opinion that the Allens should move out of the home until the source of a water leak is repaired and all current mold is removed.

"The possibility of this causing detriment to their health or worsening current health problems of Mr. Allen and his daughters is great," Davis wrote.

She described the levels of mold and mildew infestation uncovered as a result of a May 26 inspection of the house as "very concerning."

Hayes Microbial Consulting of Midlothian, Va., analyzed the mold spore samples that Tully collected May 26 in the Allen home.

Steve Hayes, owner of Hayes Microbial Consulting, said mold problems can happen because of moisture in walls. The heating and cooling system sucks mold spores from inside the porous

walls and spreads them in the house, he said.

Hayes said that 99 percent of mold-related health problems are caused by allergies.

"It can be really debilitating. It's nothing to ignore. It's been proven that mold is an asthma trigger," he said.

The Allens said their youngest daughter has had serious respiratory problems. They have taken her to emergency rooms several times, including on Christmas Eve, and have been living from one doctor's appointment to another, they said.

"Her medical condition has been awful," Benjamin Allen said.

Rodney Whitehouse, owner of Cardinal Home Inspections of Summerville, said he inspected the Allen house on July 21, 2005, before they purchased it.

"Any type of moisture issue we had seen at the time we would have reported. There was no sign of mold or moisture at the time of the inspection," Whitehouse said.

In the high heat and humidity of the Lowcountry, a large outbreak of mold can develop in as little as 24 hours, Whitehouse said.

Another Family Forced from Mold Infested Home

Renee Williams WCIV-TV, July 10



Mold is taking over some Daniel Island homes and forcing families to move out. The families say shoddy construction is to blame. They are prepared to fight mega home builder D.R. Horton.

David and Terry Pittman have lived on Daniel Island for years. David Pittman says their home sits empty, they wear masks to go inside, and their children are left wondering.

"The boys will say when are we going home and you have to say we can't go home we can't go back into the house," Pittman said.

A mold test revealed high counts of different types of mold and some are bad enough to cause illness. The worst room in the house is their 7-year-old's bedroom. Levels there are around 422,400 in 99 percent of the sample. Levels in a mold free home are in the 1,800 range.

"It's not a safe environment," Pittman added.

Contractor David Geesaman thinks the problems are a direct result of the builder cutting corners.

"There is no flashing. The contractor just skipped that phase and didn't add any flashing at all," Geesaman explained.

Flashing is the protective border between the siding of a house and the house itself.

"It's very important. You'll just end up with this problem we have in these houses, mold and mildew and always being wet around

the windows."

Geesaman says cutting that corner doesn't save much money. On average it costs \$200 and five minutes to properly flash a home. Flashing is not only necessary to keep moisture out, but it's required by building code and can be more troublesome to put in later.

"It's more difficult now to put the flashing on," he said. "You'd have to peel the siding off, pull the window loose, put the flashing on. It's very expensive to do at this point in the game."

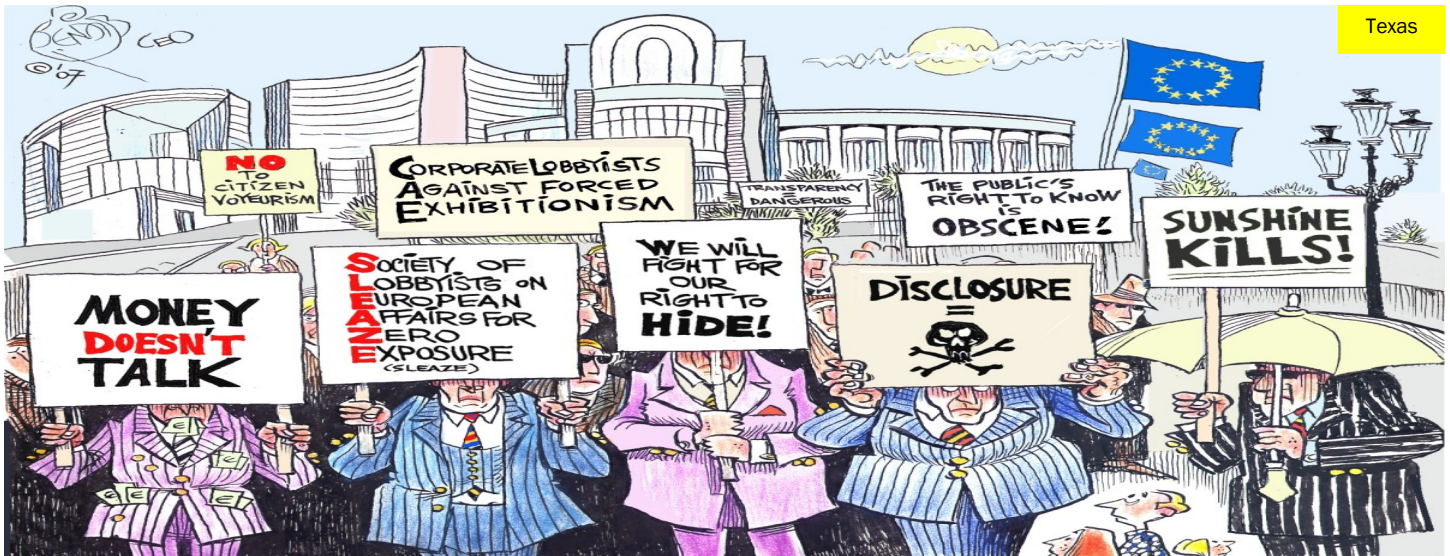
The Pittmans packed up and moved out because they're unable and unwilling to stay in their home.

"We are essentially homeless."

They are unsure of their next move, but are concerned for their children.

"When you're tucking them in at night and you're thinking they're sleeping soundly. They're comfortable they had a good day, and then come to find out that he's been lying by a window with mold all this time. It's infuriating," Terry Pittman said.

Attempts to contact D.R. Horton were unsuccessful.



Insurance Lobby in Action

Texas Senate Democrats push for insurance reforms at next legislative session July 9, 2008 By TERRENCE STUTZ / The Dallas Morning News

AUSTIN - Senate Democrats on Tuesday announced support for key insurance reforms in next year's legislative session, saying lawmakers cannot stand by while insurers rack up big profits and Texas homeowners continue to pay the highest premiums in the nation.

Royce West of Dallas and several other Democratic senators filed letters with the Texas Sunset Advisory Commission, urging the panel to endorse proposals that would bring down insurance rates. Among the proposals is a return to prior state approval of all rate increases.

"Insurance industry loss ratios have plummeted, but premiums have not. Something is seriously out of balance," Mr. West wrote in his letter to the sunset commission.

The panel of House and Senate members, which periodically

reviews the performance of state agencies, is now studying the Texas Department of Insurance and changes in insurance laws.

"Texans pay the highest homeowner premiums in the nation and we have the highest rate of citizens without health care coverage. Our focus needs to be on the consumer," Mr. West said.

Among the other senators making recommendations to the commission was Sen. Leticia Van de Putte, D-San Antonio, who said the insurance reform law of 2003 - which gave companies more freedom in setting their rates - has not resulted in lower rates and increased competition among insurers as had been hoped.

Saying that Texas premiums are almost twice the national average, she wrote, "It is time to investigate returning to some form of prior approval system that will

bring insurance rates down."

Regarding health insurance, Ms. Van de Putte voiced support for a proposal of the sunset commission staff to place all Preferred Provider Organizations under state regulation for the first time. Four out of five insured Texans receive health care through PPOs.

State Insurance Commissioner Mike Geeslin told the sunset commission last month that homeowner rates have decreased 6 percent in the last five years. He also noted that 29 insurance companies have entered the Texas market during that period.

But he also acknowledged that protracted legal fights with some companies have hurt efforts to bring rate relief to consumers, and he cited a tightening insurance market along the Texas coast.

The insurance industry is strongly opposed to a prior approval system - one where companies would have to get state approval before increasing rates. Industry officials said the current insurance regulation scheme - the so-called file-and-use system - needs more time to work. That system gives companies greater freedom in setting rates.

Lawmakers tired of Texas homeowners paying highest insurance rates By TERRENCE STUTZ / The Dallas Morning News 6/24

AUSTIN – Members of a House-Senate committee said Tuesday that they are growing impatient with the fact that Texas homeowners pay the highest insurance rates in the nation year after year.

Despite assurances from state Insurance Commissioner Mike Geeslin that the situation is improving, several members of the Texas Sunset Advisory Commission said the Legislature should consider a new round of insurance reforms next year to make the market more competitive and bring rates down.

Sen. Kim Brimer, R-Fort Worth, said insurers have recorded five straight years of solid profits since lawmakers passed a major insurance reform law in 2003 that was supposed to stabilize the market and reverse a series of record rate hikes.

"These profits indicate to me that insurance companies are not sharing with their customers the cost savings they received" under the law, Mr. Brimer said, citing in particular the three biggest insurers – State Farm, Allstate and Farmers – for increasing their rates in recent months.

"This is a fat cat on the prowl that we need to rein in," he told Mr. Geeslin. "We are going to give you the tools you need, and you can fix the wreck."

Sen. Juan Hinojosa, D-McAllen, said that while Texas homeowners continue to pay the highest rates in the nation, insurance companies have paid out just 43 percent of premiums over the last five years to cover losses in the state – well under the national average of 60 percent and the break-even point of about 65 percent.

"Insurance companies are not responding to the market, and homeowners are being gouged," he said. "Something is not right."

Mr. Geeslin said his figures show that homeowner rates have decreased 6 percent in the last five years. He also noted that 29 insurance

companies have entered the Texas market during that period.

"The market has improved better than what people thought it would back in 2003," he asserted.

But he also acknowledged that protracted legal fights with some companies have hurt efforts to bring rate relief to consumers, and he also cited the tightening insurance market along the Texas coast.

Industry spokesman Beaman Floyd said the new insurance regulation scheme approved by lawmakers – the so-called "file and use" system – needs more time to work. That system gave

companies more freedom in setting rates.

Mr. Floyd, of the Texas Coalition for Affordable Insurance Solutions, also contended that in most cases, premiums have stabilized or dropped in Texas in recent years even as home values increased.

The sunset commission – which includes five senators and five House members – will make recommendations to the 2009 Legislature on the Texas Department of Insurance and changes in state insurance laws.

Rate comparisons by the National Association of Insurance Commissioners indicate Texas has the highest homeowner rates in the country.

