

## SB 95

### REQUIRING STANDARD FORMS FOR RESIDENTIAL PROPERTY INSURANCE

SB 95 would return Texas to a style or regulation for residential property insurance initially adopted in 1907 that ended in 2003. SB 95 would require insurers to use only standard residential property forms adopted by the TDI unless approval was give by the Department to use different forms.

For several decades, Texas was one of the few states to promulgate standardized forms. Insurers could only use the standard forms. This resulted in the mold and slab crisis that started in 1992 and did not change until 2003. In 1995, TDI promulgated an endorsement that would have helped but provided in the endorsement could not used until a rate discount was promulgated. TDI never promulgated a discount. In 1997, TDI was given authority to approve forms used by national carriers in 30 or more states. TDI never approved a form even though several were filed. In 2003, the authority of all insurers to use different forms was approved.

Since 2003, carriers can file with approval forms used in different states that allows consumers to match coverage and price to best suit their needs. This type of competition is understood by consumers in over 40 states and it is difficult to believe that Texans could not understand and chose coverage and price that suit their needs.

Even though the Department is still permitted to adopt standard forms, it has not made material changes in its old, standard forms since the new law passed in 2003 permitting insurers to file their own forms.

Since 2003, numerous insurers have filed for approval either their own forms or other national forms such as the ISO form. Some insurers have continued to use the standard promulgated TDI forms including some AFACT members.

SB 95 requires, however, that every insurer must use standard forms unless other forms have been approved. In addition, insurers would also be required to offer and disclose the availability of TDI standard forms even if those forms are no longer being used by an insurer. Some insurers that have programmed to use their own forms would bear considerable expense in re-programming computer and rating programs to be required to offer the old TDI promulgated forms. Some of the older TDI promulgated forms, such as the HO-B, have been radically changed by court decisions making them not desirable for insurers or too costly for insureds.

Ultimately, consumers have many choices among competing insurers in the Texas marketplace. Consumers that desire a promulgated form can obtain it from insurers offering or using those forms. Consumers desiring different coverage can obtain that from insurers offering or using those forms. Insurers using other nationally recognized forms, such as the ISO forms, would have to spend considerable forms to offer or make available the old TDI forms.

SB 95 is not needed and only adds a new level of costs to the insurance system without providing any new benefits to either consumers or insurers. Under SB 95, even though consumers would

still have the right to shop among insurers for price and coverage, they would also be required to evaluate at least two different policy forms from the same carrier before making a decision. This seems unnecessary and an inefficient way of promoting or encourage competition. Most professional agents are able to evaluate different coverage forms for consumers without the need for this additional level of expense.

This legislation could also jeopardize the ability of insurers to provide improved coverage through new policy forms because of inherent delays in the ability to get new forms approved. Such a result could jeopardize the choices that consumers in most other states enjoy when shopping for insurance. As someone once said, "If our good neighbors in Oklahoma, Arkansas, Louisiana, and New Mexico can understand how to shop among carriers using different forms, I know our good citizens in Texas can understand how to do that."

The members of the Association of Fire and Casualty Companies of Texas respectfully urge that SB 95 do not pass.

For questions or additional information, please contact:

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