

# Who will lower our premiums?

by Jeff Judson

Last month, my wife and I received our homeowner's insurance renewal notice and were shocked. If we continue our current level of coverage, our premium will almost triple in cost. If we reduce our insurance, by getting rid of mold coverage, our premium will still double!

Such skyrocketing insurance premiums are an outrage and like all Texans, I want to know who is responsible. Of course, a primary suspect is my insurance company. After shopping around for less expensive coverage, I am finding that few companies will sell us a policy -- at any price. Even worse, last week the second largest homeowners insurer in Texas (Farmers) announced they were leaving the Texas market altogether and virtually giving away their 700,000 policyholders to their competitors.

Yet at the same time, Texas politicians are talking about the "unfair" rate increases they propose to stop by "freezing premiums." They also are proposing to more heavily regulate the industry, as if companies want to price themselves out of business. I know enough about the laws of economics to know that when companies are profitable in a competitive market, they try to sell more of their product, not less, and at cheaper prices.

While such calls for more regulation by politicians are designed to make them look macho, it is the height of irresponsibility - and the voters know it. People are wising up to the facts about mold claims and their relation to high premiums. According to the Texas Department of Insurance, Texas mold claims rose from \$153 million in

2000 to \$854 million in 2001, a 558 percent increase.

The number of claims per 1,000 policyholders increased from 2.9 in 2000 to 15.1 in 2001. The average cost of mold claims per policyholder in 2001 was almost \$350, up from \$63 per policyholder in 2000.

Worst of all, 70 percent of all mold claims filed nationally were filed in Texas. What makes Texas unique when it comes to mold is the way our state regulates insurance and the amount of lawsuit abuse for which we consumers pay. This is why Texas has the highest homeowners premiums in the country: regulations and trial lawyers.

Measured against other states, Texas insurance is heavily regulated. New Jersey is considered the most heavily regulated state for automobile insurance, and their prob-

lems are remarkably similar to those of Texas - high premiums and few insurers who want to sell insurance there. Texas has the distinction of having the highest homeowners premiums in the country, but it isn't due to a lack of regulation.

In Texas, state regulators have been particularly obstinate about even modest deregulation. For instance, in 1997 the Texas legislature authorized the Department of Insurance, like in most other states, to allow insurers to offer cost-saving mold exclusions to their policyholders. Texas regulators did not bother to approve the exclusion until 2002.

Personal injury trial lawyers are milking mold for everything it is worth. Seminars are being hosted around the country teaching lawyers how to generate insurance mold claims. Even though there is no proven scientific link between mold and illness beyond mere allergies, an entire industry has built up in Texas to test for and "remediate" homes.

Only fundamental reforms in Texas will bring down our premiums. Our insurance climate must be improved to attract more insurers back into the state to enhance competition and provide for more consumer choice.

Other states, like Illinois and Wisconsin, have shown less regulation and fewer lawsuits equal lower premiums and more consumer protection. What better way to protect consumers than to promote efficiency and competition leading to lower premiums? Even more telling, insurance is simply not a political issue in those states.

Texas has a long way to go to reduce lawsuit abuse. Virtually no tort reform has emerged from the Texas House of Representatives since 1997 because leaders there were beholden to trial lawyers.

Irrational regulations and frivolous lawsuits have given us the problems we have today. It is time for a change. But who will lead us there?

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