



## 180 New insurance rules could cost you more

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Once again, the ability of consumers to get a good deal is under attack - by state regulators allegedly empowered to help consumers.

With the imposition of new rules regulating insurance rates, many Texans won't be getting the discounts they have been. All in the name of "protecting" the consumer, of course. If you are one of nearly 60 percent of Texans who get a cheaper rate on your insurance, you might decide the pain of higher prices is alleviated by knowing state lawmakers and bureaucrats are protecting you. But for the rest of us, we will probably decide we cannot afford this kind of protection.

In the free market, any number of factors can go into the final price agreed upon between the seller and buyer of a product. More importantly, in a free market the seller and buyer should be allowed to reach that price without government interference. After all, what is charged for a product is more than simply the sum of the costs.

The price reflects things like perceived values, personal preferences and even social goods. Similarly, discounts are given for intangible reasons: build a customer base, promote consumer loyalty, or reward a particular behavior.

Airlines give free tickets based on miles traveled to encourage a customer to stay with that airline for all their travel needs. Restaurants give toys to children as a way to encourage family dining. Movie theaters discount rates on matinees to fill the seats during the day. That is the

beauty of the free market: sellers and buyers engaging in behaviors that produce the most profitable outcomes for both. Insurance companies have similar tools and motivations. Rates are discounted for a host of reasons: having multiple lines with the same company, a history of safe behavior, good credit ratings and the like.

The consumer has the ultimate protection: the market. If the market truly does not want discounts, or doesn't want particular criteria used in determining criteria, the market will ensure companies exist that cater to that clientele. It is important to remember two things. First, when a company establishes these discounting tools, it is for the purpose of attracting and keeping business. Second, when a consumer chooses to take part - most generally simply by doing business with the company - it is to get a better deal, whether saving a buck or getting service.

However, the Texas Department of Insurance is considering new rules that will prevent insurance companies from using credit scoring - one of a host of tools proven to demonstrate a person's "risk" status - to offer discounts. So who, exactly, will be protected? Exactly, no one. The problem is one of politics, not true consumer protection. Politicians have decided that they - not the seller and buyer - are better able to determine how prices and discounts are to be set.

In a grand instance of all-too-common political irony, government rules allegedly constructed to protect Texans may end up forcing 60 percent or more of us to pay higher

insurance premiums. Consumers will always get the best deal from the free market, not political meddling. When government gets in the way, consumers suffer. Some may call it protection. But for the rest of us, it is just a costly racket.

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