


Subscribe

Help

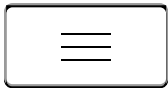


97°
H: 94° L: 71°

 Wednesday, August 13, 2014

Austin American-Statesman

[Sign Out](#)



BUSINESS

BUSINESS DIGEST:

▼ LATEST HEADLINES ▼

[HOME](#) / [NEWS](#) / [OPINION](#)

advertisement

Resize text A | A | A

Hunker: 'Non-renewal' ban hurts Texas homeowners In this Section

[Ruling on Texas abortion law to come, U.S. judge says](#)

[Detective: Murder suspect's iPhone had search on where to "hide roommate"](#)

[Police: Burnet High student arrested following death threats](#)

[Florida woman has 11th booking photo taken after alleged assault on grandmother](#)

arting a family and
uth, you soon gain



14-year-old found living in Walmart store

t in your long-term
t requires a
f bad luck.

Leander's proposed budget would add \$161 to typical homeowner's bill

Texas House speaker calls for more scrutiny in budget-writing

ment is covered if
grown more

Austin City Council to clarify intent of light rail ballot language

Censure of UT regent Wallace L. Hall Jr. unlikely to settle turmoil

st Florida and
ed to the national
s.

Why are there twigs, wheat in your coffee?

e risk of property

damage and, consequently, insurance premiums. But the elevated rates are also due to government policies like Texas' ban on non-renewals that put the preferences of special interests ahead of the actuarial assessments made by insurers.

The term "non-renewal" refers to a practice whereby a company refuses to renew an insurance contract when it expires. Although there are countless reasons why an insurer may do so, non-renewals are often triggered by policyholders who have overused (and sometimes abused) the claims process.

Current law stipulates that a homeowner must submit three or more claims before an insurer can non-renew a policy.

At first glance, the restriction can look like a boon to homeowners. The rule gives the appearance of shielding them from the possible loss of their policy, and it seemingly offers homeowners surety that they will not be penalized merely for submitting a single claim.

However, Texas' non-renewal law actually increases insurance costs for most Texans.

Insurance works by diffusing risk among a large population. Homeowners pay a premium to cover damages from low-likelihood events, while companies pool together enough similarly-risked properties to cover any submitted claims.

The problem with the non-renewal restriction is that it allows certain homeowners to take a disproportionate amount of claims money even as they continue to pay below what their risk warrants. Put differently, it turns an otherwise actuarially sound risk pool into a toxic asset.

Since insurance companies have a legal obligation to stay solvent and the law bars them from dropping many of these high risk policyholders, insurers must often turn to their other customers to make up the difference by either raising rates or cutting back their services.

Happily, there is a solution. By striking the non-renewal ban and allowing insurers to use actuarial standards, lawmakers could help ensure that insurance is offered at the most economical price.

Buying a home is stressful enough without having to worry about overpriced insurance, too.

Hunker is a policy analyst with the Center for Economic Freedom at the Texas Public Policy Foundation. Follow her on Twitter @KathleenHunker.

PREVIOUS:
NATIONAL

Official: Williams hanged himself during battle with depression

NEXT:
OPINION

Robbins: Invest in local solutions to avoid international crises

Popular on MyStatesman.com

[Attorney for Greg Kelley files motion for new assault trial](#)

[Hunter and Meredith Ellis a curiously matched pair](#)

[Ruling on Texas abortion law to come, U.S. judge says](#)

[20 Questions: Biggest shoes to fill?](#)

[Perry: Guard protecting US, not playing politics](#)

All Comments (0)

Post a Comment

COMMENTS

Post comment



Post Comment

advertisement



Read Today's Paper Online

Still like to read the newspaper in the familiar page-by-page format? Great news! Digital versions of today's paper are available on your computer or tablet. And it's included in your subscription.

[Learn More](#)

[Read](#)

NEWS

[MyStatesman.com](#)

[Sign up for Newsletters](#)

[Investigations](#)

[Sign up for Mobile Alerts](#)

[Obituaries](#)

[Austin360.com](#)

[News Tips](#)

[Statesman.com](#)

[Archives](#)

[PolitifactTexas](#)

[Newsroom Directory](#)

[Hookem.com](#)

[¡ahora sí!](#)

CUSTOMER SERVICE

[Subscriber Services](#)

[Website feedback](#)

[Contact Us](#)

[Technical Support](#)

[Subscribe](#)

[FAQs](#)

[Digital Products](#)

[Our Community](#)

[Get Access](#)

[Work Here](#)

MARKETPLACE

[Marketplace](#)

[Cars](#)

[Jobs](#)

[Homes/Real Estate](#)

[Advertise with Us](#)

SOCIAL MEDIA

[Twitter](#)

[Facebook](#)

[Pinterest](#)

[Google+](#)

[Tumblr](#)

[More...](#)

options regarding [Ad Choices](#) .

Learn about [careers at Cox Media Group](#)