

Chairman John Carona
 Business and Commerce Committee
 P.O. Box 12068
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 Austin, TX 78711

Honorable John Carona,

I am providing testimony for the interim study on homeowners insurance in Texas. It is my hope the Business and Commerce Committee will agree that the insurance reforms of 2003 resulted in higher premiums, higher deductibles, less coverage, and an out of control situation with TWIA.

My wife and I have lived in our home for 25 years in the Clear Lake area south of Houston. In 2002 I was paying about \$800/year with a \$500 deductible and all-inclusive insurance policy. Today I am now paying over \$3200 with a \$4000 deductible, water, foundation, and sewer are option and foundation damage is capped at \$15,000. I have USAA insurance, which covers about 4% of homeowners in Texas.

To compound matters, if I were to leave USAA I could not return in the future since they are no longer writing policies in my area. I have also "shopped around" and could not find any other policy except for American Armed Forces, which was minimally less, expensive. I have even contacted State Representative Larry Taylor's insurance firm in Friendswood Texas a few miles from my home. Their best quote was not competitive.

Below is my rate hikes over the last 12 years:

My Premiums Before and After Insurance Reform of 2003:

2000: \$783/year \$500 deductible HOB policy all inclusive.

2012: \$3229/year \$4800 deductible HOA with foundation, water, and sewer optional

321% increase from 2000 to 2012

Historic Increases of my Premiums Since 2000:

Year	Premium	Deductible	Increase	Notes
2000	\$783.00	\$500.00	0%	Before insurance became an issue
2001	\$862.00	\$500.00	10%	Removed mold coverage but did not decrease premium
2002	\$1,060.00	\$500.00	22%	Became an election issue
2003	\$1,160.62	\$500.00	9%	Includes a 7% reduction and use of HO-A Policies
2004	\$1,589.64	\$500.00	37%	Insurance reform in 2003. Had to add foundation, water and sewer
2005	\$1,352.00	\$500.00	-14%	No change in policy
2006	\$1,363.34	\$1,800	<1%	Deductible increased from \$500 to 1%
2007	\$1,629.30	\$1,800	20%	Rebuild cost 50% higher
2008	\$1,931.00	\$1,800	20%	No change in policy
2009	\$2,308.00	\$1,800	21%	No change in policy
2010	\$2,888.00	\$3600	25%	Doubled deductible.

2011	\$2,973.00	\$3,600	3%	No change in policy
2012	\$3,296.00	\$4,800	11%	No change in policy

Notes on Increases:

- In 2006 my deductible went from \$500 to 1% of the rebuild cost
- In 2007 USAA adopted a "new" method on rebuild costs which increased the cost to rebuild from \$120,000 to \$180,000 a 50% increase. This alone caused a 20% increase in my premium.
- In 2010 my deductible was doubled from 1% to 2%.
- In 2010 my premium was increased by 25% along with the increase in deductible even though I had absolutely no change in my coverage

The insurance industry has increased premiums through a number of tricks including:

Reclassifying your home in a "tier zone". This resulted in a 20% increase to my rates in 2008. The TDI had no comment when this was brought to their attention.

Using a different system to determine the cost to rebuild a home. This resulted in an increase of 50% in the cost to rebuild my home, and a 20% increase in premiums, based upon a "new" method created by USAA.

Removing protection. USAA changed to an HO-A type of policy making sewer, water, and foundation damage optional to save money for those who do not want or can't afford the coverage. Unfortunately, when they removed the coverage, they did not reduce the premiums. After adding back this coverage my premiums went up by 37%. Again TDI did nothing.

USAA is one of the best insurance companies in the United States and yet their premiums, in my case, rose 321% over the last 10 years. If USAA can get away with a 321% increase in rates, then any insurance company can and probably have already. It is clear the insurance reforms of 2003, which promised, increased competition, less regulation and lower premiums has been a complete and total disaster.

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