

**PROBLEMS AND CONCERNS WITH SB 97
RESTRICTIONS ON RATES WITHIN A COUNTY**

Under current law, the territory factor for rates for personal automobile and residential property in the same county cannot vary by more than 15% unless actuarially justified. The use of territories in rate making is a method of grouping or classifying risks to determine the ultimate rate for an individual policyholder. Territory is only one element in the rating process for both residential property and automobile insurance. Other rating classes include driver classes; vehicle classes; types of structures; and type of roof.

SB 97 will limit actuarial justification within a county to include only differences based on weather related factors. Because some counties in Texas are so large, such as Harris County, many insurers are able to use numerous different rating territories within Harris County.

SB 97, if passed, would effectively eliminate the ability of insurers to accurately reflect these differences in a particular county for a particular coverage even though the rate differences are actuarially justified. SB 97 restricts using rating differences within a county to only differences based on weather related factors.

Weather related factors have little, if any, impact on most coverages under the typical Texas auto and residential property policy. Auto coverages include: bodily injury liability; property damage liability; uninsured motorists; medical payments, PIP; collision; and comprehensive coverage. Only a portion of the comprehensive coverage would provide coverage to the vehicle for a weather related type of loss.

Residential property coverage include: damage or loss to the *dwelling and contents* caused by Fire; Wind & Hail; Theft; mischief; accidental discharge of water; or Liability to 3rd persons caused by injury on the premises or the negligence of the insured. Even though wind and hail is a substantial reason for losses under a residential property policy, it usually accounts for only 50-60% of losses. Other losses caused by perils listed above would have nothing to do with weather related factors. Additionally, losses to structures in a particular area may be greater than other areas because of building codes, enforcement of building codes, availability of fire coverage, and other legitimate factors that has historically been used to justify rate differences within a territory.

SB 97 as written could cause serious harm to both insurers and consumers who benefit from lower rates from actuarially determined rates because the legislation would eliminate the ability of insurers to price competitive products within a county on any factor other than weather.

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