

# INSURANCE COUNCIL OF TEXAS

*service, information, and representation for the property and casualty insurance industry*

## Contact

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## **Inadequate Rates are not the Answer**

Statement from Mark Hanna  
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The rate reductions announced by the Commissioner may sound like good news to some policyholders, but if insurance companies don't take in enough premiums to pay claims, then everyone loses. The last thing we need in Texas is an availability problem brought on by inadequate rates.

The last three years have been tough times for both insurers and policyholders. Rates have gone up in response to unprecedented losses. Unfortunately, while mold claims have declined, the state's traditional weather-related losses continue to escalate. Right now in 2003, Texas leads the country in catastrophic losses.

The Commissioner has the authority to order reductions in a company's rates, but you have to question if he hasn't gone too far. If rates are set artificially low, companies will be less able to pay claims. If companies predict they have little opportunity to earn a profit in the Texas marketplace, we may see an availability problem that could have been avoided.

Each individual company will take a close look at these rate reductions and make their own decision about the future. However, given the lack of profitability in the Texas homeowners market over the last ten years, I would expect that in a number of cases today's rate reductions will be appealed.

The Insurance Council of Texas is the largest insurance trade association in the state consisting of more than 400 property and casualty insurers writing business in Texas.