

2017 Report on Property and Casualty Rate Reviews

Insurers subject to rate filing requirements must file their rates with the Texas Department of Insurance (TDI) for review. Along with most other states, Texas is a file-and-use state. Once a rate has been filed, insurers can use it upon its effective date.

State law requires that rates:

- Be adequate. That is, they must be sufficient to pay claims and expenses.
- Not be excessive, which is defined as producing a long-term profit that is unreasonably high in relation to the insurance coverage provided.
- Be based on sound actuarial principles, reasonably related to the expected loss, and cannot be based on race, creed, color, ethnicity, or national origin of the insured.

If, upon completion of TDI's review, the filed rate is determined to have met these standards, it is allowed to stand. If the filing does not meet the standards established by state law, the company is notified. If the company does not amend, withdraw, or provide better supporting information for the filing, TDI will take action to disapprove it.

Why did we do this report?

The Texas Insurance Code requires TDI to make available to the public information annually about the process and methodology for rate review, including factors that contribute to the disapproval of a rate.

Rate review process

TDI receives rate filings primarily through the [System for Electronic Rate and Form Filing \(SERFF\)](#), but filings also can be submitted by mail or hand delivered.

Step 1: Intake review

In the initial intake review, basic information is verified, such as the name and license status of each company and that the contents of the filing match the transmittal information.

Step 2: Actuarial review

TDI actuaries review rate filings for compliance with state law and other applicable statutes and rules. When reviewing a rate filing, the actuaries examine the actuarial support contained in the filing, such as:

- Rate indications, which show the projected rate or rate change necessary to cover future costs.
- Relativity analysis to support changes to base rates based on characteristics of different classes of risks.
- Assumptions and supporting data used in estimating loss trends, loss development factors, and other provisions used to develop the rate indications.
- Information to confirm that disallowed expenses have not been included in the development of the rates or loss cost calculations.
- Information about the credibility of the insurer's data.

Step 3: Decision

If the actuary determines that the filing is complete and complies with state law and any other applicable statutes and rules, the rate is allowed to stand.

If the actuary determines that the filing is incomplete, has concerns with the company's assumptions or methodologies, or needs clarification, the actuary contacts the company to request the information needed to complete the actuarial review.

If the actuary concludes that a rate filing does not comply with state law and rules, the actuary will give the company the option to amend or withdraw the filing or to submit a new filing. If the company does not do this, the actuary will recommend that the Commissioner of Insurance disapprove the rate.

The Commissioner's order disapproving the rate filing must specify in what respects the filing fails to meet the statutory requirements. If the Commissioner disapproves a rate filing, the company can request a hearing. The request must be made in writing within 30 days of the effective date of the disapproval order.

When the actuarial review is finished, a final disposition is entered in TDI's system of record, SERFF.

2017 rate filings

Companies generally adjust rates incrementally in response to changing market conditions, enabling them to continue to sell policies in the highly competitive Texas market. Most rate disagreements are resolved through ongoing dialogue between companies and TDI. These two factors – competition and careful actuarial review by state regulators – help reduce drastic rate changes for consumers.

Of the 2,690 rate filings reviewed in 2017:

- 237 were withdrawn by the company. Companies may withdraw a rate filing if they need more time to respond to agency questions, want to refile with a different rate, were asked to withdraw due to noncompliance issues, or had other reasons.
- 108 were rejected for technical reasons, such as filing under the incorrect line of business or not providing sufficient information.
- No filings were disapproved.
- 2,345 filings were allowed to stand or were approved.