

2019 Report on Property and Casualty Rate Reviews

Property and casualty insurers regulated by the Texas Department of Insurance (TDI) must file their rates for review. Like most other states, Texas is a file-and-use state. This means that once an insurer files its rates, it can use them on their effective date.

State law requires that rates:

- Be adequate. Rates must be sufficient to pay claims and expenses.
- Not be excessive. An excessive rate produces a long-term profit that is unreasonably high compared to the coverage provided.
- Be based on sound actuarial principles.
- Be reasonably related to the expected loss.
- Not be based on the insured's race, creed, color, ethnicity, or national origin.

Why did we do this report?

Texas Insurance Code Sections 2053.004(b) and 2251.107(b) require TDI to make information about the process and methodology for rate review available to the public. This includes why a rate may be disapproved.

If TDI finds the filed rate meets these standards, the insurer can start using that rate on the effective date requested in the filing. If the filed rate does not meet these standards, TDI notifies the insurer. If the insurer does not change, withdraw, or provide better supporting information for the filing, TDI will take action to disapprove it.

Rate review process

TDI receives rate filings through the [System for Electronic Rate and Form Filing \(SERFF\)](#).

Step 1: Intake review

The intake review verifies basic information, such as the name and license status of each company. It also makes sure the appropriate contents are included in the filing.

Step 2: Actuarial review

TDI actuaries review rate filings to make sure they comply with state law and other appropriate statutes and rules. When reviewing a rate filing, the actuaries closely look at the actuarial support in the filing, such as:

- Rate indications, which show the projected rate or rate change necessary to cover future costs.
- Relativity analyses to support changes to base rates, which are based on different classes of risks.
- Assumptions and supporting data used in estimating loss trends, loss development factors, and other factors used to develop the rate indications.
- Information to confirm that expenses disallowed by statute have not been included when developing 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 other appropriate statutes and rules, the rate can stand.

If the actuary determines that the filing is incomplete, has concerns with the insurer's assumptions or methods, or needs the insurer to explain something further, the actuary contacts the insurer to request more information.

If the actuary determines that the filing does not comply with state law and rules, the actuary will allow the insurer to change or withdraw the filing or submit a new filing. If the insurer does not respond, the actuary will recommend that the Commissioner of Insurance disapprove the rate.

- The Commissioner's order disapproving the rate filing must clearly state how the filing fails to meet state laws and rules.
- If the Commissioner disapproves a rate filing, the insurer can request a hearing.
- The insurer must make the request in writing within 30 days of the effective date in the disapproval order.

When the actuarial review is finished, the actuary notifies the insurer in SERFF that they have closed the filing.

2019 rate filings

Insurers generally adjust rates slowly to respond to changing market conditions. This allows them to continue selling policies in the highly competitive Texas market. TDI and insurers resolve most rate disagreements through ongoing discussions. These two

factors—competition and TDI’s careful actuarial review—help reduce drastic rate changes for Texas consumers.

Of the 2,828 rate filings reviewed in 2019:

- 222 were withdrawn by the insurer. Insurers may withdraw a rate filing if they need more time to respond to TDI’s questions, want to refile with a different rate, were asked to withdraw the filing because it didn’t comply with state laws or rules, or other reasons.
- 42 were rejected for technical reasons, such as filing under the incorrect line of business or not providing enough information.
- No filings were disapproved.
- 2,564 filings were allowed to stand or were approved.