Speech - March 8, 2002

Text of Gov. Perry's Remarks at Homeowners Insurance News Conference

(Note: Governor Perry frequently deviates from prepared text.)

Last month, I took action to increase the pressure on Texas insurance companies to lower homeowner’s insurance rates. At the same time, I indicated that we should move toward increasing consumer choice and to improve the competitive marketplace.

Today, I’m pleased to report that we have taken a big step towards that goal.

The Texas Department of Insurance today approved State Farm's request to offer a new kind of insurance policy increasing consumer choice and lowering homeowner's premiums - an average of up to 40% - for traditional HO-B customers who've experienced rate shock in recent months.

For those living in parts of the state hammered by skyrocketing rates, discounts will be even greater than 40%. Homeowners in Corpus Christi, for example, could see a 57% rate cut; and State Farm policyholders in San Antonio will pay an average of 53% less.

Specific rate reductions will vary depending on the individual, but the end result will be rolling back insurance premiums to year 2000, pre-rate rate shock levels.

In the past, Texas consumers had only two choices: purchase a bare-bones HO-A policy or a Cadillac HO-B policy. In recent months, HO-B prices have been skyrocketing and the biggest companies have stopped writing HO-B policies for new customers.

This new policy is a third option. HO-W policy gives consumers the option of purchasing the basic homeowner's coverage they need at a significant discount.

It also gives homeowner's the ability to build upon the HO-W policy by purchasing additional coverage tailored to their individual needs. In some cases, even if they purchase every endorsement, State Farm customers who have experienced rate hikes in recent months will get some rate relief.

State Farm customers will be able to get all the homeowner's coverage they want, without being forced to pay for coverage they don't need.

Consumers should understand that we are changing the way we do insurance in Texas. It is important that consumers understand the changes and work closely with insurance agents to get the facts. Using the resources at the Texas Department of Insurance may be the best place to start.

The Insurance Commissioner approved this new policy after a great deal of hard work and analysis. In return, State Farm will lower rates significantly and provide the state with the detailed rate information we need to monitor trends and ensure lower rates.

If other companies agree to significant premium reductions and agree to provide their rate information to the state, Commissioner Montemayor will seriously consider requests to offer similar policies.
This is still a work in process.

The Texas Department of Insurance and the Attorney General's office are continuing to investigate the conduct and practices of the biggest homeowner's insurance companies, and state leaders are continuing to explore tougher laws and regulations as we approach the 2003 legislative session.

We're not out of the woods yet, but this new kind of policy offers great opportunity for quality homeowner's insurance coverage at significantly lower prices.