



**Texas insurance issues**



**Statewide poll**

February 4-7, 2009

Commissioned by



# Background

- **Methodology**

- Statewide sample of 603 likely voters
- Interviews conducted February 4-7, 2009
- Margin of error of  $\pm 4.0\%$  for 603 cases
- Using 11/08 HRC survey as benchmark, quotas established so that 84% of sample consisted of homeowners, 16% renters/lesers
- Particular care taken to objectively describe legislative & regulatory status quo, fairly represent insurance-industry's positions, and rotate order of questions & arguments to limit any potential bias in results
- Survey funded and conducted on behalf of Texas Watch ([www.texaswatch.org](http://www.texaswatch.org)), a non-partisan consumer-advocacy group

- **Contributors**

- Dr. David B. Hill, Director, Hill Research Consultants
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# Key findings

part 1 of 2

- Most Texans are misinformed about their state's high insurance rates, underestimating the relative costs they pay compared to those paid by homeowners in other states (p. 5)
- Broad agreement, across all partisan & geographic lines, that...
  - Consumers currently confront an insurance market so complex that, as a practical matter, it is impossible to bargain/comparison-shop (p. 6)
  - Policies have increased in price but declined in value (p. 7)
  - Despite some improvement, legislative actions since 2003 have principally served the interests of insurance companies, not average homeowners (pp. 8-9)
  - Texas' regulatory structure favors powerful insurance companies & their lobbyists over consumers & homeowners (p. 10)
  - While the public doesn't expect insurance companies to operate as charities, the industry is seen as abusing their power to engage in practices that place consumers at a tremendous disadvantage (pp. 11-12)

# Key findings

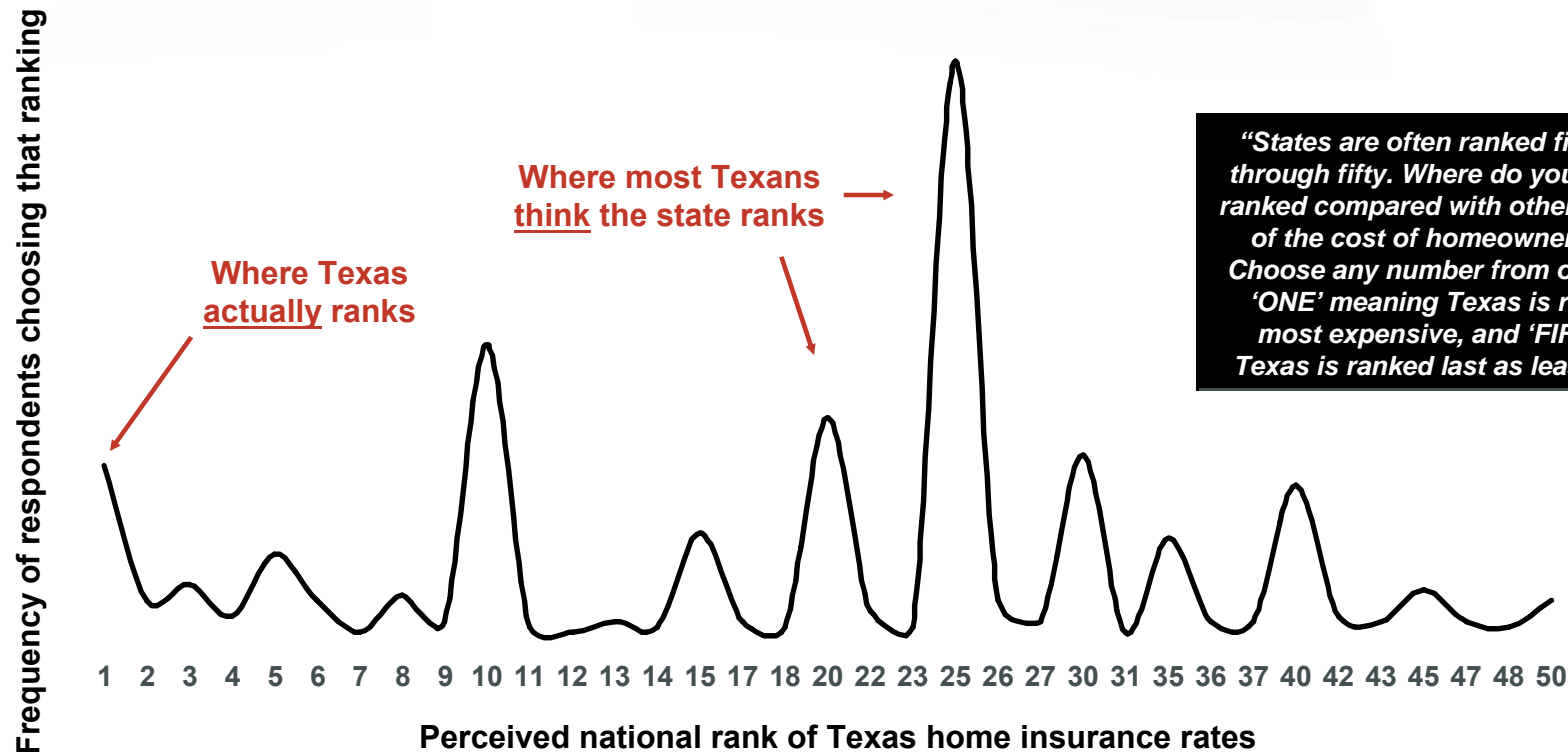
part 2 of 2

- Across all partisan & geographic lines, voters overwhelmingly favor...
  - Shifting to a process of pre-approving insurance rate hikes, so long as the review process is reasonable and streamlined (p. 14)
  - Changing the position of state insurance commissioner from being gubernatorially-appointed to directly-elected by the public (p. 15)
  - Prohibiting companies from using a person's credit rating when deciding whether to charge higher prices or deny coverage (p.16)
  - Requiring companies offer a few simple, easy to understand, common policies that can be readily compared between various providers (p. 17)
- Backing of these reform proposals translates into increased support for elected officials of both parties & in every region of the state (p. 20)
- Voters also broadly support reform measures related to auto insurance, claims compensation and liability coverage requirements (pp. 21-23)
- Overall, findings indicate ambivalence about the ultimate success of 2003 reforms, and a desire for greater legislative efforts to benefit homeowners

# Perceptions of Texas' ranking among 50 states

Where Texas voters think their state ranks on home insurance rates

- Most Texans are misinformed about the high insurance rates they pay compared to rates paid by homeowners in other states
  - In reality, Texas is ranked #1 with the MOST expensive home insurance rates in the nation, but most voters assume their rate burden is somewhere closer to what they imagine to be the national average or median



*"States are often ranked first to last, one through fifty. Where do you think Texas is ranked compared with other states in terms of the cost of homeowners insurance? Choose any number from one to fifty, with 'ONE' meaning Texas is ranked first as most expensive, and 'FIFTY' meaning Texas is ranked last as least expensive?"*



# Perceptions of the consumer market

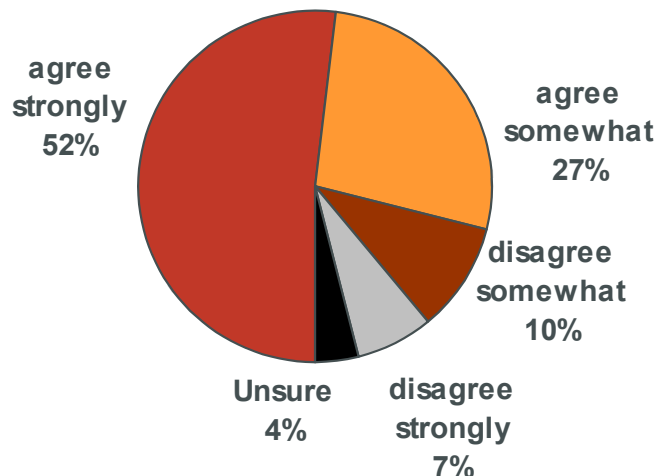
homeowners only

- Broad agreement that consumers currently confront an insurance market so complex that—as a practical matter—it is impossible to shop for bargains; sentiment registers widely across partisan & geographic lines

## CONSUMER MARKET: Agree or disagree?

*"Homeowners' insurance policies are so complex and complicated that it is very difficult to "comparison-shop" between one policy and another."*

	agree	margin	disagree		agree	margin	disagree
HOMEOWNERS	79%	+62	17	GOP	75%	+54	21
				Independent	80%	+61	19
				DEM	85%	+75	10
				North/NE	87%	+76	11
				Gulf Coast	82%	+67	15
				South	68%	+47	21
				Central Corridor	72%	+48	24
				West & Plains	70%	+45	25



*Numbers may not add up to 100% due to rounding and/or respondents answering "unsure."*

# Perceptions of insurance policy value

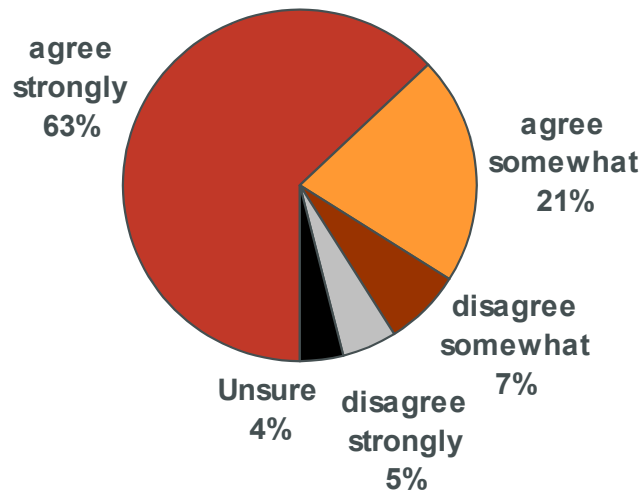
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- There is very intense belief that insurance policies have increased in price but declined in the value they provide consumers; these perceptions are broadly held across partisan & geographic categories

## POLICY VALUE: Agree or disagree?

*"With higher premiums, larger deductibles and expanded exclusions, it seems like we're paying more and more for homeowners insurance these days while getting less and less in return."*

	agree	margin	disagree		agree	margin	disagree
HOMEOWNERS	84%	+72	12	GOP	74%	+54	20
				Independent	87%	+75	12
				DEM	93%	+90	3
				North/NE	87%	+76	11
				Gulf Coast	89%	+83	6
				South	77%	+60	17
				Central Corridor	79%	+63	16
				West & Plains	79%	+61	18



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# Perceptions of 2003 reforms

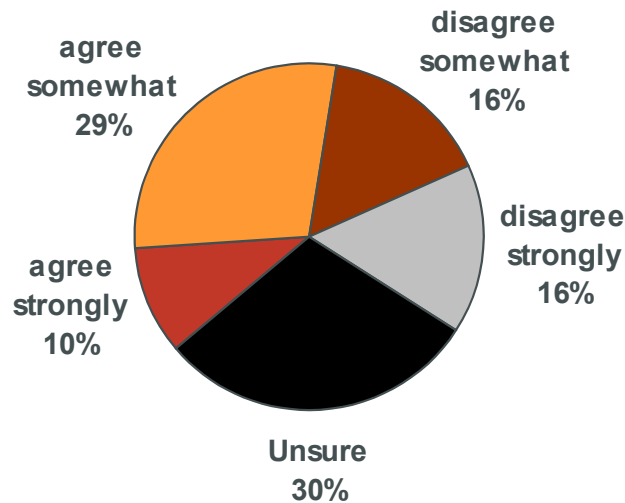
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- While many are simply uncertain, pluralities are willing to accept that the legislature's 2003 reforms have had a beneficial impact by bringing underwriters back to the state and increasing consumer choice

## 2003 REFORMS: Agree or disagree?

*"Reforms enacted by the legislature in 2003 have been successful in encouraging insurance companies that were fleeing the state to return and write policies, while also giving greater variety and choice to consumers."*

	agree	margin	disagree		agree	margin	disagree
HOMEOWNERS	39%	+8	31	GOP	41	+12	29
				Independent	40	+10	30
				DEM	39	+3	36
				North/NE	41	+9	32
				Gulf Coast	36	0	36
				South	40	+13	27
				Central Corridor	42	+22	20
				West & Plains	33	-5	38



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# Perceptions of legislative action

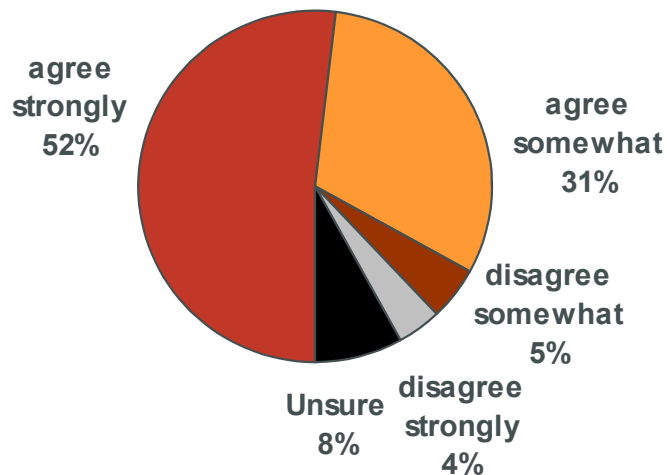
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- But by wide margins that transcend regional and political categories, voters believe that, so far, elected officials have principally served the interests of insurance companies, not average homeowners

## LEGISLATIVE ACTION: Agree or disagree?

*“Politicians in Austin have promised to help homeowners for years now, but most of the so-called ‘reforms’ they’ve passed simply benefited the insurance industry without actually lowering rates for consumers.”*

	agree	margin	disagree		agree	margin	disagree
HOMEOWNERS	82%	+73	9	GOP	75%	+61	14
				Independent	86%	+81	5
				DEM	90%	+84	6
				North/NE	87%	+79	8
				Gulf Coast	81%	+71	10
				South	77%	+68	9
				Central Corridor	85%	+77	8
				West & Plains	74%	+58	16



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# Perceptions of current regulations

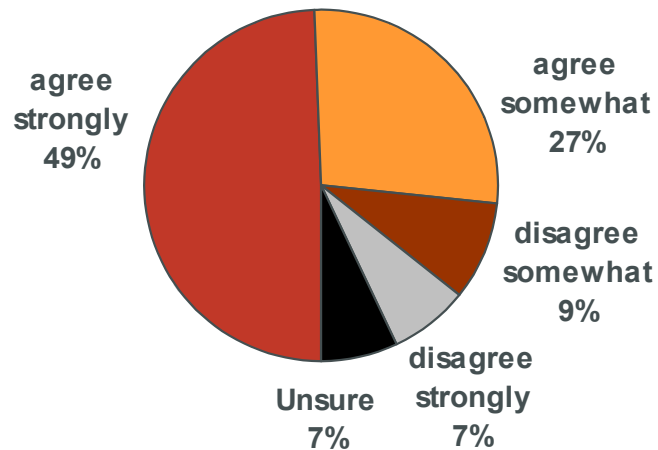
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- This perceived skewing of government authority in favor of industry and against consumers is not limited to the legislature alone, but attributed to Texas' regulatory structure as well

## CURRENT REGULATIONS: Agree or disagree?

*"Texas' current system of regulation favors powerful insurance companies and their lobbyists over consumers and homeowners."*

	agree	margin	disagree		agree	margin	disagree
HOMEOWNERS	77%	+61	16	GOP	73%	+54	19
				Independent	80%	+66	14
				DEM	84%	+73	11
				North/NE	86%	+77	9
				Gulf Coast	76%	+61	15
				South	69%	+47	22
				Central Corridor	69%	+48	21
				West & Plains	72%	+51	21



Numbers may not add up to 100% due to rounding and/or respondents answering "unsure."

# Perceptions of industry profits

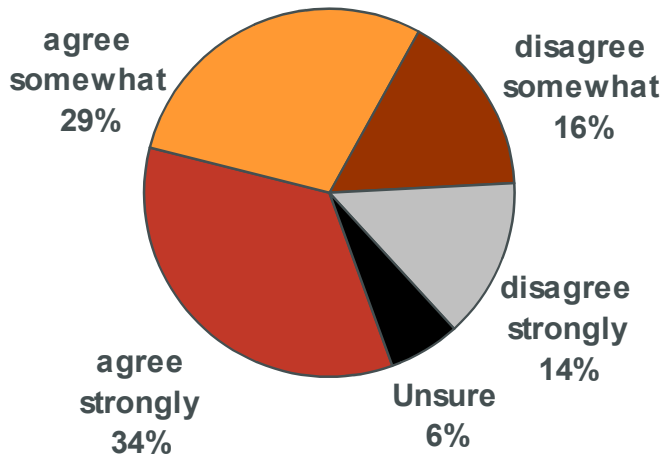
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- Voters accept that insurance is a for-profit business that must be able to balance revenues with expenditures over the long-term

## INDUSTRY PROFITS: Agree or disagree?

*"Insurance companies' large profits some years are balanced out by the bad years when they have to pay-out major claims in response to natural disasters."*

	agree	margin	disagree		agree	margin	disagree
HOMEOWNERS	64%	+34	30	GOP	72%	+51	21
				Independent	61%	+29	32
				DEM	56%	+16	40
				North/NE	66%	+38	28
				Gulf Coast	61%	+30	31
				South	63%	+31	32
				Central Corridor	69%	+44	25
				West & Plains	54%	+19	35



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# Perceptions of industry practices

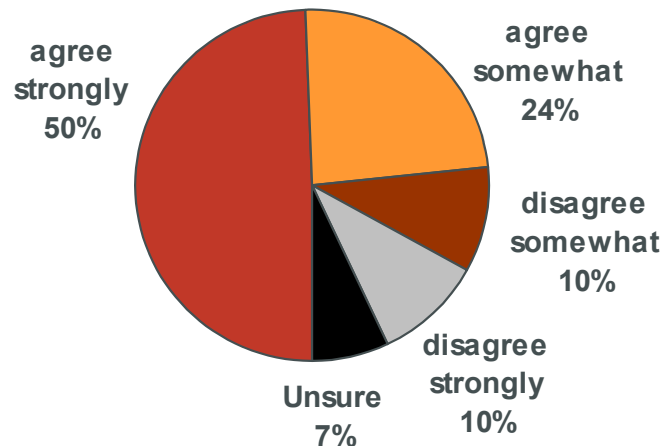
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- But the electorate also believes—across the board—that insurance companies wield the reigns of power in ways that place consumers at a tremendous disadvantage

## INDUSTRY PRACTICES: Agree or disagree?

*“Insurance companies routinely deny, delay and underpay claims in the hope that homeowners will simply give up rather than fight frustrating battles and jump through hoops.”*

	agree	margin	disagree		agree	margin	disagree
HOMEOWNERS	74%	+54	20	GOP	66%	+41	25
				Independent	80%	+65	15
				DEM	78%	+62	16
				North/NE	75%	+56	19
				Gulf Coast	80%	+69	11
				South	72%	+46	26
				Central Corridor	61%	+33	28
				West & Plains	75%	+54	21



Numbers may not add up to 100% due to rounding and/or respondents answering “unsure.”

# Overview of perceptions of insurance issues

homeowners only

## “Do you agree or disagree with the following statement?”

	strongly	agree	margin	disagree	strongly
With higher premiums, larger deductibles and expanded exclusions, it seems like we're paying more and more for homeowners insurance these days while getting less and less in return	63	<b>84%</b>	<b>+72</b>	<b>12</b>	5
Politicians in Austin have promised to help homeowners for years now, but most of the so-called “reforms” they've passed simply benefited the insurance industry without actually lowering rates for consumers	52	<b>82%</b>	<b>+73</b>	<b>9</b>	4
Homeowners' insurance policies are so complex and complicated that it is very difficult to “comparison-shop” between one policy and another	52	<b>79%</b>	<b>+62</b>	<b>17</b>	7
Texas' current system of regulation favors powerful insurance companies and their lobbyists over consumers and homeowners	49	<b>77%</b>	<b>+70</b>	<b>7</b>	16
Insurance companies routinely deny, delay and underpay claims in the hope that homeowners will simply give up rather than fight frustrating battles and jump through hoops	50	<b>74%</b>	<b>+54</b>	<b>20</b>	10
Insurance companies' large profits some years are balanced out by the bad years when they have to pay-out major claims in response to natural disasters	34	<b>64%</b>	<b>+34</b>	<b>30</b>	14
Reforms enacted by the legislature in 2003 have been successful in encouraging insurance companies that were fleeing the state to return and write policies, while also giving greater variety and choice to consumers	10	<b>39%</b>	<b>+8</b>	<b>31</b>	16

# “Prior Approval” homeowners’ “ballot” test

homeowners only

- Given an accurate and fair-minded description of the status quo as well as a potential reform, homeowners overwhelmingly favor shifting to a process of pre-approving insurance rate hikes, so long as the review process is reasonable and streamlined

“ <u>PRIOR APPROVAL</u> ” homeowners’ ballot test						
<i>Which point of view comes closest to your own?</i>						
	strongly	<b>CURRENT system</b>	margin	<b>Proposed CHANGE</b>	strongly	
<p>Some people think we should keep the current rules that allow companies to file rate changes with the Department of Insurance and then immediately put them into effect.</p> <p>They say giving companies this flexibility encourages competition, gives customers more choices and will eventually lead to lower premiums.</p>	11	<b>17%</b>	+57	<b><u>74%</u></b>	58	<p>Other people think we should change to a system called “prior approval,” which would require companies submit for review and justify rate increases to the Department of Insurance before they could go into effect. They say current rules clearly aren’t lowering prices, and a new, streamlined review process would still encourage competition while protecting customers before they are charged too much, not just afterwards.</p>

# “Direct Election” homeowners’ “ballot” test

homeowners only

- **Distrustful and dissatisfied with political business as usual, voters want to have a voice via direct election of the state’s insurance commissioner**

“ <u>DIRECT ELECTION</u> ” homeowners’ ballot test						
<i>Which point of view comes closest to your own?</i>						
	strongly	CURRENT system	margin	Proposed CHANGE	strongly	
Some people think we should keep the current system that makes the Insurance Commissioner an appointed position chosen by the Governor. They say this ensures the position is filled by an informed, experienced professional who can think about everyone’s best interests and not partisan politics or getting re-elected.	15	<b>20%</b>	+53	<b><u>73%</u></b>	59	Other people think we should change to a system called “direct election,” which would make the Insurance Commissioner a state-wide elected position chosen by voters. They say average citizens deserve to pick and be able to hold accountable the person who will have so much power over their finances, and appointed commissioners care too much about pleasing the Governor and industry lobbyists.

# “Neutral Review” homeowners’ “ballot” test

homeowners only

- Rejecting industry talking-points regarding the supposed consumer benefits of “credit-ranking,” Texas homeowners see insurance as a fee-for-service product that should be sold based on a customer’s ability to pay

“ <u>NEUTRAL REVIEW</u> ” homeowners’ ballot test						
<i>Which point of view comes closest to your own?</i>						
	strongly	CURRENT system	margin	Proposed CHANGE	strongly	
<p>Some people think we should continue to allow companies to use a person’s credit rating when deciding whether to charge higher prices or deny coverage.</p> <p>They say credit-ratings are a good indicator of a home-owner’s financial risk, and allow responsible customers to enjoy lower rates.</p>	19	<b>24%</b>	+45	<b><u>69%</u></b>	59	<p>Other people think we should change to a system called “neutral review,” which would prohibit companies from using a person’s credit rating when deciding whether to charge higher prices or deny coverage.</p> <p>They say most credit reports contain errors, credit ratings are unrelated to whether someone needs to file a claim, and insurance isn’t a financial favor, it’s a service that is sold to people who pay their premiums.</p>

# “Uniform Standards” homeowners’ “ballot” test

homeowners only

- Overwhelmed by the complexity of various products, homeowners soundly approve of requiring companies to at least offer—in addition to whatever else they choose to market—a few simple, easy to understand, common policies that can be readily compared between various providers

## “UNIFORM STANDARDS” homeowners’ ballot test

Which point of view comes closest to your own?

	strongly	CURRENT system	margin	Proposed CHANGE	strongly	
Some people think we should continue to allow companies to offer whatever policies they want to, free from any requirements. They say this flexibility lets customers pick policies that match their needs and finances, while encouraging innovation and competition between companies.	16	<b>23%</b>	+44	<b><u>67%</u></b>	52	Other people think we should adopt a few “uniform standards,” which would require companies also offer a few standard policies written in plain language that would be consistent across the industry. They say customers can’t shop based on price because policies are so complex and full of loop-holes it is impossible to compare “apples to apples,” discouraging competition that would lower rates.

# Overview of renters/lesers' "ballot" tests

- Support for all four of these reform measures is also strongly expressed among renters & lesers who are not yet personally responsible for carrying homeowners insurance

Overview of <u>renters/lesers</u> ' ballot tests					
<i>Respondents who self-identified as renters/lesers were asked a simplified ballot question compared to that asked of self-identified homeowners</i>	strongly	APP- prove	margin	DISAP- prove	strongly
PRIOR APPROVAL Require insurance companies submit & justify rate increases for review by the Texas Department of Insurance before they could go in to effect, not after	55	<b>81%</b>	+69	<b>12%</b>	5
DIRECT ELECTION Make the Insurance Commissioner a state-wide elected position chosen by voters, rather than appointed by the Governor	50	<b>73%</b>	+56	<b>17%</b>	6
NEUTRAL REVIEW Prohibit insurance companies from using a person's credit rating when deciding whether to charge higher prices or deny coverage	47	<b>62%</b>	+31	<b>31%</b>	26
UNIFORM STANDARDS Require insurance companies offer a few standard policies written in plain language that would be consistent across the industry	60	<b>90%</b>	+84	<b>6%</b>	5

# Overview of “ballot” tests

- Whether among homeowners only, just renters/leasers, or across the entire field of likely voters, support for every reform proposal is clear-cut and strong

	<b>SUPPORT for various proposals among...</b>								
	<b>All likely voters*</b>			<b>Homeowners only</b>			<b>Renters/Leasers only</b>		
	<b>APP-rove</b>	<b>margin</b>	<b>DISAP-prove</b>	<b>APP-rove</b>	<b>margin</b>	<b>DISAP-prove</b>	<b>APP-rove</b>	<b>margin</b>	<b>DISAP-prove</b>
Prior approval strongly	<b>75%</b> 58%	<b>+59</b>	<b>16</b> 10	<b>74%</b> 58%	<b>+57</b>	<b>17</b> 11	<b>81%</b> 55%	<b>+69</b>	<b>12</b> 5
Direct election strongly	<b>73%</b> 58%	<b>+53</b>	<b>20</b> 13	<b>73%</b> 59%	<b>+53</b>	<b>20</b> 15	<b>73%</b> 50%	<b>+56</b>	<b>17</b> 6
Neutral review strongly	<b>68%</b> 57%	<b>+43</b>	<b>25</b> 20	<b>69%</b> 59%	<b>+45</b>	<b>24</b> 19	<b>62%</b> 47%	<b>+31</b>	<b>31</b> 26
Uniform standards strongly	<b>71%</b> 53%	<b>+51</b>	<b>20</b> 14	<b>67%</b> 52%	<b>+44</b>	<b>23</b> 16	<b>90%</b> 60%	<b>+84</b>	<b>6</b> 5

# Impact on political support

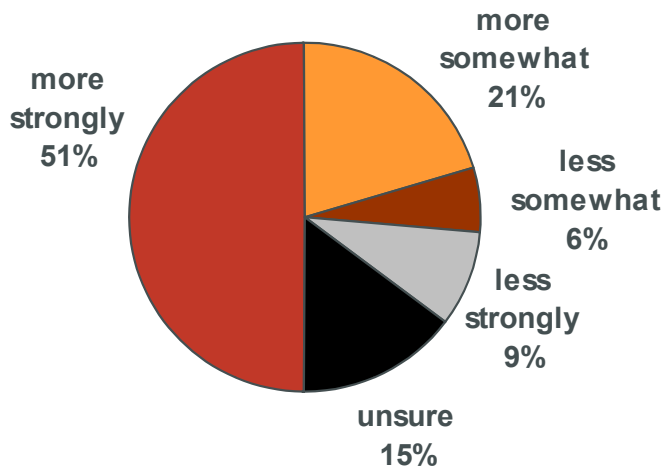
all respondents

- Backing of reform proposals also translates into electoral appeal, across all partisan and geographic lines

## Impact on political support?

*In terms of your local state senator or representative, would you be more likely to vote for them or less likely to vote for them in the future if they decided to support insurance reforms like prior approval, direct election, neutral review and uniform standards?*

	more	margin	less		more	margin	less
TOTAL SAMPLE	71%	+57	14	GOP	71%	+56	15
				Independent	68%	+52	16
				DEM	77%	+65	12
				North/NE	73%	+62	11
				Gulf Coast	79%	+69	10
				South	54%	+21	33
				Central Corridor	76%	+60	16
				West & Plains	64%	+57	7



*Numbers may not add up to 100% due to rounding and/or respondents answering "unsure."*

# Reforming auto insurance

all respondents

- Voters are dissatisfied and open to changing the status quo practice of requiring policyholders file a lawsuit before receiving compensation from their insurance company when hit by an uninsured driver

## **AUTO INSURANCE: Which point of view comes closest to your own?**

*Currently, if you are hit by an uninsured driver, you are required to file a lawsuit against your own insurance company before they will pay you for the damages.*

	strongly	total	margin	total	strongly	
Some people think this requirement should be KEPT because it discourages the filing of frivolous claims that drive up the cost of business and raise rates for everyone.	18	26%	+33	59%	44	Other people think this requirement should be CHANGED because it encourages the denial of legitimate claims and forces policyholders/customers to file a lawsuit to receive the compensation they are rightfully owed.

# Reforming compensation

all respondents

- Having paid to be made whole upon filing a claim, voters reject the practice of prioritizing insurance companies over policyholders in the distribution of compensation

## **COMPENSATION: Which point of view comes closest to your own?**

*Currently, when a claim is settled, your insurance company gets paid back before you receive any compensation you are owed.*

	strongly	total	margin	total	strongly	
Some people think companies should be paid back first because they need to be able to recoup their expenses and recover the losses they've already paid out in order to keep premiums low.	13	18%	+55	73%	63	Other people think policy-holders/ customers should be paid back first because they have paid their premiums, often have ongoing medical expenses and deserve to receive the full-amount they are owed.

# Requiring liability insurance

all respondents

- Liability insurance requirements for every potential setting tested strike the vast majority of voters as both reasonable and recommended

## Requiring liability insurance

*"For each of the following types of businesses, tell me, yes or no, whether you think liability insurance should be required, in case someone is harmed while on their premises."*

	Yes	margin	No
Day care centers	93%	+89	4
Nursing homes	92%	+86	6
Bars and restaurants	84%	+71	13
Liquor stores	72%	+48	24