



## PCI TESTIFIES

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### PCI Testifies on Texas Hail Lawsuit Abuse

PCI testified before the Texas House Insurance Committee earlier this week in support of **House Bill 1774**, otherwise known as the hail lawsuit abuse bill.

In its testimony, PCI refuted opponents' charges regarding insurer claims handling practices and highlighted that the bill will help remove economic incentives for more attorney involvement, slower claims settlements and higher insurance costs for consumers.

PCI told the committee that the Texas property insurance market is competitive and claims handling is the most important interaction an insurer has with policyholders. Unnecessarily or systematically delaying or denying claims increases the policyholder's probability of cancelling coverage and moving to a competitor. There is no financial incentive for a company to deny or delay claims based on a desire to increase investment income.

PCI addressed a statutory 18 percent penalty provision for insurance companies. Texas is the only state in the country with such a penalty. PCI told the committee that insurers are not looking to do away with the penalty interest provision, only to make it a fairer reflection of market conditions. When this statute was passed in 1991, interest rates were substantially higher. At that time the federal funds rate was 6 percent, making an 18-percent penalty three times the federal funds rate. For the last eight years, the federal funds interest rate has been closer to zero than to one percent.

PCI provided copies of the white paper "[Insurance Float, Penalty Interest and Standards of Reasonability](#)" by Dr. Robert Hartwig, Clinical Associate Professor of Risk Management, Insurance and Finance at the University of South Carolina School of Business, to provide committee members with more detail and analysis.

As the committee members examine solutions to stop this type of lawsuit abuse and protect consumers, PCI will continue to stay engaged on the issue.

PCI is composed of nearly 1,000 member companies, representing the broadest cross section of insurers of any national trade association. PCI members write \$202 billion in annual premium, 35 percent of the nation's property casualty insurance. Member companies write 42 percent of the U.S. automobile insurance market, 27 percent of the homeowners market, 33 percent of the commercial property and liability market and 34 percent of the private workers compensation market.

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