

TSLA Regulatory Committee Meeting with TDI

July 16, 2024 - Meeting Summary

The meeting opened with a brief discussion about the recent hurricane in the Houston area. Although it caused some local damage, no major issues arose for further discussion.

Legislative Updates

- **House of Representatives:** Interim legislative charges for the House Committee on Insurance were light. Mr. Oliverson, Chair of the Insurance Committee, expressed interest in surplus lines, although this was not part of the official charges. His goal seemed to be gaining a deeper understanding of the role surplus lines play within the insurance industry.
- **Senate:** On the Senate side, discussions focused on Texas Windstorm Insurance Association (TWIA) funding and the economic challenges influencing insurance price increases for property, casualty, and homeowners' policies. Senators aim to identify strategies to improve consumer transparency, helping individuals make informed decisions when purchasing insurance. Additionally, the Senate intends to make recommendations for ensuring competitive and affordable insurance options for consumers.

Rate Increases and Market Dynamics The Texas Insurance Commissioner led discussions on the factors driving property rate increases. There was productive dialogue, with broad agreement that rising property values naturally impact premiums, even if base rates remain stable. Both House and Senate committees, as well as the Commissioner, demonstrated a clear understanding of the factors affecting pricing across the industry.

From our perspective, we shared challenges with clients' reluctance to increase policy values due to cost concerns. Despite educating clients about the need for value adjustments to avoid coinsurance penalties, resistance remains strong.

Nuclear Verdicts and Legislative Impact Nuclear verdicts were briefly mentioned; however, they are not currently included in any legislative charges. Discussion also covered the recent passage of SB18, a bill related to trucking. This legislation has led some carriers to re-enter the Texas market, a positive development for the industry.

At this time, no bills related to surplus lines had been submitted to the Texas Department of Insurance (TDI).

Property Rates and Market Conditions A significant portion of the meeting focused on property rates in Texas and across the country. We examined underlying causes, current management strategies, and the challenges facing Texas as a high-risk state for insurers. Despite these challenges, we are fortunate that a considerable number of insurance companies continue to write property business in Texas, especially compared to other states where many admitted and non-admitted markets have withdrawn entirely.

Stamping Office and Late Filings We also discussed ongoing issues related to late filings with the stamping office. Late filings from Texas surplus lines agents continue to represent only a small

portion of the total, and Texas Surplus Lines Association (TSLA) members maintain a notably low rate of late submissions.

Artificial Intelligence in the Industry The meeting concluded with a discussion on the role of artificial intelligence (AI) in business operations. Participants shared how they use AI, with some employing it for policy form comparisons via internal AI systems. There was a unanimous agreement on the importance of not submitting any private or confidential information into public AI systems.