

Farmers pulls out of Texas

BY SHEILA PEARCE
The Ranger Online Reporter

Farmers Insurance had to pull out of the insurance market in Texas because of high claims for mold.

Farmers will stop renewing policies in November. According to Carolyn Tarver of Allen-Tarver Insurance Group, the Texas Department of Insurance began saying a few weeks ago that Farmers Insurance was gouging its policyholders. They had to quit or lose their company. Tarver said it will all be settled in court.

Tarver said she can get people replacement insurance in four days if they have been with her before; if they are new, it will take a few days longer.

"Premiums altogether have gone up hundreds of dollars," she said. Tarver said most of the increase is due to hundreds of claims for mold or water damage.

Bob Clay said his insurance went up \$700 a year.

Homeowners' rate are increasing by as much as 200 percent, "Insurance has become the key issue in the gubernatorial race between Republican Gov. Rick Perry and Democratic candidate Tony Sanchez," said a Farmers Insurance spokesman.



State homeowners are pleading for government's aid with insurance

BY KENNETH MALONE
The Ranger Reporter

The 78th Texas Legislature promises to be eventful, with its fair share of issues to be confronted.

Several key issues already have been identified that will require immediate attention, including insurance, the budget shortfall and health care for the poor and children.

Many key races in the state have made insurance an issue, especially in the governor's race.

Last month, several key members of the Legislature called upon the governor to call a special session to address an "insurance crisis," as some have labeled it, said state Rep. John Smithee, R-Amarillo, chair of the Texas House Committee on Insurance.

"In the first quarter of 2000, Farmer's Insurance of Texas lost a claim in court which resulted in a \$32 million verdict on a claim of mold in found in a home," said Mark Hanna, public information officer for the Texas Department of Insurance.

The insurance industry in Texas has been hit with \$6.4 billion in claims since 1999 for mold.

"In the first half of 2002, the insurance industry has paid out over \$2 billion in homeowner claims for mold," Hanna said.

Because of the losses in the past 12 quar-

ters, Allstate, State Farm and Farmers have stopped writing new policies for homeowners or have increased premiums by 200 percent over last year.

"I have a Farmers Texas Homeowners Hazard Insurance Policy on my home," said Amarillo resident Donna Turner.

Turner received a letter in April 2002 that it would be canceled, and she has had other problems securing homeowners insurance because her house is brick with wood shake roof.

"The only reason given was that they were not going to insure Texas homeowners," Turner said. "No problem, though. I'll just get another company. Well, it has turned into a problem of sorts.

"I find out that my insurance will double from what it was, and also they will not insure my roof; so what is the use of insurance if it won't cover a roof?"

"I think others are being more selective in past claims history, property condition, etc., before issuing policies," said Greg Glenn, a real estate broker for Prudential Ada Realtors

and a part-time real estate instructor at Amarillo College.

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—Donna Turner
Amarillo resident

In September 2002, Farmers announced that it would pull out of the Texas market completely.

"To some degree, it has caused a scramble to find other insurance carrier," Glenn said. "When the largest carrier stops doing business, it causes a large increase of work on the other insurance companies that they may not have anticipated."

"Just like if your airline flight is canceled, the other carriers servicing those routes may fill up, and other customers are placed on stand-by."

In 1991, the Texas insurance commissioner deregulated the industry by setting "benchmark rates" that only required the insurance companies to file their rates with TDI.

The deregulation was intended to allow more completion and lower rates; instead, the insurance companies began funneling risks to "Lloyds" companies that allowed them to skirt rate regulation.

"Our mortgage customers have been surprised how easy it has been to replace Farmers when they were dropped," said Jeremy Pratt, a bank officer at Wells Fargo Bank Texas.

The banks have assured their customers that insurance will not be a problem, but the real estate industry has concerns about selling property that cannot be insured or will price itself out of the market. "The possibility is that the cost of a maintaining a home could go beyond someone's ability to pay, and that could cause an increase in foreclosures," Glenn said.

The sheer increase in costs associated with owning and maintaining a home has had a dramatic effect on sales in the region, Glenn said.

"We have an interest in our customer's maintaining their insurance," Pratt said.

"We might have buy insurance for some and tack the premiums on the note, but we will do what ever it takes to make sure the home is covered."

Many options remain to those who have Farmers or are trying to obtain new coverage. "TDI's new program matches homeowners' insurance needs with insurance providers and independent agents who are selling homeowners policies," Hanna said.

"The Texas Department of Insurance offers assistance through a new Web site and toll free phone line at 1-866-695-6873 and www.helpinsure.com."

Speaking Out ...



Tiffany Carlile/The Ranger
Joyce Hinsley
professor
modern languages

"No, as a person who is going to have to find insurance within the next two months, I feel that they should have given us just a little more warning. Although I can see their point of view. I do think that it is not the fault of the company. It is just that we live in a litigious society and that we are going to wind up the same way with car insurance unless we don't curb our lawsuits."



Tori Durst/The Ranger
Bob Alexander
lab supervisor
graphic design

"I think that it is something that has been caused by our governor. My homeowners insurance has more than doubled in the last few years."



Tori Durst/The Ranger
Tracie Taylor
graphic design major

"That's pretty a m a z i n g , because I know a lot of people who have Farmers homeowners insurance. What are the families going to do?"

Politics, mold, high insurance rates: thoughts on Texas insurance crisis