

DOCKET NO. _____
TDI CASE No. 2752

HEARING REGARDING § BEFORE THE COMMISSIONER
RESIDENTIAL PROPERTY §
INSURANCE RATES FILED BY § OF INSURANCE OF THE
STATE FARM LLOYDS § STATE OF TEXAS

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**PETITIONER OFFICE OF PUBLIC INSURANCE COUNSEL'S ORIGINAL
APPLICATION FOR HEARING**

Parties

1. Petitioner, Office of Public Insurance Counsel, files this application for a hearing on a rate filing in accordance with Tex. Ins. Code Ann. § 2251.105.
2. Respondent, State Farm Lloyds, is an entity regulated by the Texas Department of Insurance and subject to the Texas Insurance Code, including Chapters 2251 and 2254.

Statement of Case

3. State Farm Lloyds' rate filing, TDI Link No. 122902, became effective on November 1, 2012 for new policies and December 1, 2012 for renewal policies.
4. Through this rate filing, State Farm Lloyds implemented a rate increase of 20%.
5. The implementation of these rates has resulted in State Farm Lloyds' policyholders paying excessive, unreasonable, and unfairly discriminatory rates.
6. A rate may not be excessive, unreasonable, or unfairly discriminatory for the risks to which the rate applies. Tex. Ins. Code Ann. § 2251.052(b).
7. A rate is excessive if the rate is likely to produce a long-term profit that is unreasonably high in relation to the insurance coverage provided. Tex. Ins. Code Ann. § 2251.051(b).
8. A rate is unreasonable if it is not fair, proper, or moderate under the circumstances. *See Geeslin v. State Farm Lloyds*, 255 S.W. 3d, 786, 799 (Tex. App.—Austin 2008).

9. A rate is unfairly discriminatory if the rate is not based on sound actuarial principles or does not bear a reasonable relationship to the expected loss and expense experience among risks. Tex. Ins. Code Ann. § 2251.051(d).
10. State Farm Lloyds' filed rates are excessive for the following reasons:
 - a. The underwriting profit provision is unreasonably high;
 - b. The non-hurricane catastrophe loss and LAE provision significantly overstates the company's future expected losses and costs;
 - c. The projected non-catastrophe incurred losses are overstated;
 - d. The additional contingency provision is unsupported, contrary to actuarial principles and standards, and inflates the indicated rate level; and
 - e. The company's projected fixed expenses are inflated and overstate the company's prospective costs.
11. State Farm Lloyds' filed rates are unreasonable for the following reasons.
 - a. The underwriting profit provision is unreasonably high;
 - b. The methodology and assumptions supporting the non-hurricane catastrophe loss and LAE provision are inappropriate and significantly overstate the company's future expected losses and costs;
 - c. The projected non-catastrophe incurred losses are overstated;
 - d. The additional contingency provision is unsupported, contrary to actuarial principles and standards, and inflates the indicated rate level;
 - e. The company's projected fixed expenses are inflated and overstate the company's prospective costs;
 - f. The stated reinsurance cost, used to support the exorbitant underwriting profit, is unreasonable and not supported by the filing;
 - g. The premium adjustments made to adjust historical experience to the prospective rate period level are inappropriate; and
 - h. The filing lacks adequate support for the following:
 - i. The underwriting profit provision;
 - ii. The non-hurricane catastrophe loss and LAE provision;

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Hearing Regarding Residential Property Insurance Rates Filed by State Farm Lloyds

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- iii. The additional contingency provision;
 - iv. The stated reinsurance cost;
 - v. The premium adjustments made to adjust historical experience to the prospective rate period level; and
 - vi. The variation of proposed rate changes across policyholders.
12. State Farm Lloyds' proposed rate changes across policyholders are unfairly discriminatory because they do not bear a reasonable relationship to the expected loss and expense experience among risks and are not adequately supported.

Prayer

13. Petitioner requests that the Commissioner, after a full and fair hearing in accordance with Tex. Ins. Code Ann. Chapter 40 and § 2251.105, issue an order finding State Farm Lloyds rates to be excessive, unreasonable, and unfairly discriminatory, requiring that State Farm Lloyds stop using these rates within a reasonable period after the order date, and notifying State Farm Lloyds that continued use of these rates beyond that date will result in an order for refunds pursuant to Tex. Ins. Code Ann. § 2254.003. Additionally, Petitioner prays for such other and further relief to which it may be entitled under law or equity.

Respectfully Submitted,



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CERTIFICATE OF SERVICE

I hereby certify that on the 6th day of February, 2013, that a true and correct copy of the foregoing Application for Hearing was served via electronic mail on the following counsel of record for State Farm Lloyds:

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