

LLOYDS COMPANIES OF TEXAS

Background

Texas law has permitted the establishment of Lloyds companies in Texas since the 1920s. Lloyds companies do not use the “benchmark rate.” They set their rates commensurate with current loss experience. Some consumer advocates have actually referred to this as a “loophole.” Yet, the prudent consumer will recognize that this is actually a good business practice. It is also consistent with a core American value – the competitive marketplace.

Facts

- Lloyds companies allow insurers to charge rates that are based on more current loss data than is used for setting the state-made “benchmark” rates. The current homeowners benchmark rate does not include any premium or loss data after Sept. 30, 1999. The vast majority of mold losses began in 2000 leaving the current benchmark rate far removed from financial reality.
- During the mid-1990s, when more than 90 percent of homeowners insurance policies were being written by Lloyds companies, rates were completely under control. Rates actually went down in 1999 and 2000. Between 1995 and 1998, no increases of greater than five percent were imposed. This is not only evidence that the competitive marketplace works, it also clearly shows that additional rate regulation is not necessary.
- The introduction of several new national forms to the Texas market was a giant step forward in improving the insurance market. The combination of these forms and rate flexibility will help consumers choose which coverage options best suit their needs and help bring stability to the Texas homeowners insurance market.

Summary

Lloyds companies provide consumers and insurers with the best mechanism for homeowners insurance in Texas. Through new policy forms consumers have choices on coverage and their decisions inevitably help control rates. Lloyds companies allow insurers to accurately calculate loss costs and charge premiums that are in line with their losses. This fiscal agility allows insurers to accurately price the product to consumers much more quickly.