



## Senate Business and Commerce Committee Interim Charge Hearing October 1, 2024

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### Introduction

Chair Schwertner, Vice Chair King, and Committee Members – thank you for the opportunity to offer written testimony to the Senate Business and Commerce Committee related to the rising cost of insurance and the issue of power generation in Texas, with a focus on needed consumer protections related to the expansion of residential rooftop solar panel sales and installation.

Though vastly different issues, both the increasing cost of auto insurance and the consumer harms in the residential rooftop solar market are connected in that they create financial strain for Texans. The Fair Financial Services Project at Texas Appleseed is dedicated to advocating for consumer protections in an array of issues. Such protections are particularly important in this moment, with so many Texans struggling to afford housing, groceries, utility bills, and other basic expenses. We look forward to working with the Committee so support consumer protection and financial well-being in Texas.

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### Affordability of Auto Insurance

In most communities across Texas, cars are essential to access jobs, school, medical care, and food. Auto insurance is legally required to drive a car. It is a private market product with a state mandate that establishes criminal penalties for those who cannot afford to carry it.<sup>1</sup> Auto insurance premiums can be cost prohibitive and are, in part, based on non-driving related factors, such as zip code and credit score.

Over the past few years, the cost of auto insurance has been growing at a much faster rate than inflation. According to national data from the Bureau of Labor Statistics, while costs overall increased by 16% from June of 2021 to June of 2024, the cost of automobile insurance has grown by 48%.<sup>2</sup> In Texas, the average insurance rate jumped 23.8% in 2022 and another 25.5% in 2023.<sup>3</sup> With many Texans struggling to make ends meet, rising auto insurance costs can mean difficult choices between paying for basic needs, like food or rent, and paying for legally mandated auto insurance.<sup>4</sup>

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<sup>1</sup> Sec. 601.191, Texas Transportation Code.

<sup>2</sup> Bureau of Labor Statistics, Motor vehicle insurance in U.S. city average, all urban consumers, not seasonally adjusted, June 2021 to June 2024, available at: [https://data.bls.gov/timeseries/CUUR0000SETE?output\\_view=data](https://data.bls.gov/timeseries/CUUR0000SETE?output_view=data).

<sup>3</sup> “Auto and Home Insurance Rate Changes,” Texas Department of Insurance (April 3, 2024), available at: <https://www.tdi.texas.gov/blog/auto-and-home-insurance-rate-changes.html>.

<sup>4</sup> According to a recent study, 30% of the Texas workforce earns less than \$17 per hour, with Texas having among the highest percentage of low-wager workers compared to other states. See: Dr. Kaitlyn Henderson, [\*The Crisis of Low Wages in the US\*](#), Oxfam America (July 9, 2024) at 8.

Multiple factors have been cited as reasons for this sharp increase in auto insurance costs. The most commonly cited are increased repair costs, due to inflation and pandemic-era supply chain issues, and the increased severity of accidents.<sup>5</sup> Some reports also cite high executive pay as a factor.<sup>6</sup> Others, including a recent lawsuit filed by the Texas Attorney General, point to illegal data collection and data sharing by car manufacturers to develop “driving scores,” that have potential to trigger increased auto insurance premiums.<sup>7</sup>

One particular area of concern is the ongoing use of non-driving related factors in determining the cost of auto insurance. Section 544.002(a)(2) of the Insurance Code prohibits insurance pricing discrimination based on race, religion, gender, marital status, and several other individual characteristics. But there is a catch. The following Section allows pricing disparities by gender, marital status, and some other characteristics if the insurer can find a way to relate the increase to a “real or anticipated loss experience.”<sup>8</sup>

One result of this language is that some insurers are charging a widow penalty—raising premiums for widows solely based on the passing of their spouse. **With 1,147,388 widows and widowers in Texas, 76% of whom are women, the financial impacts of the loophole are far-reaching.**<sup>9</sup>

A 2018 snapshot of auto insurance pricing looking at five companies in Texas found that, controlling for all other characteristics, **three of the five companies surveyed** charged widows higher rates than widowers. Two of the companies charged widows a penalty amounting to between \$42 and \$90 over a one-year period, compared to married women. One of the companies in the study also charged widowers a penalty of \$82 over the insurance cost for married men.<sup>10</sup> An auto insurance snapshot of 35 companies, from July of 2024, found an average **12% surcharge for a widow as compared to a married woman, averaging \$95 in additional charges.**<sup>11</sup> Stories from Texans indicate that the same penalties also apply to homeowners’ insurance.

**We urge this Committee to study the widow penalty and other pricing penalties that are out of the control of individual Texans and that contribute to unaffordable insurance in Texas. A healthy insurance market must be fair, transparent, and accountable.**

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<sup>5</sup> Elizabeth Buchwald, “What’s Behind the Rapid Increase in Car Insurance Rates?,” *CNN Business* (March 13, 2024), available at: <https://www.cnn.com/2024/03/13/business/car-insurance-rates-are-surging/index.html>.

<sup>6</sup> Douglas Heller and Michael, DeLong, “As Insurance Rates Skyrocket, Executives Pull in Millions,” *Consumer Federation of America* (October 4, 2023) available at: [https://consumerfed.org/press\\_release/as-insurance-rates-skyrocket-executives-pull-in-millions/](https://consumerfed.org/press_release/as-insurance-rates-skyrocket-executives-pull-in-millions/).

<sup>7</sup> Press Release, “Attorney General Ken Paxton Sues General Motors for Unlawfully Collecting Drivers’ Data and Selling It To Several Companies, Including Insurance Companies,” Texas Office of Attorney General (August 13, 2024), available at: <https://www.texasattorneygeneral.gov/news/releases/attorney-general-ken-paxton-sues-general-motors-unlawfully-collecting-drivers-private-data-and>.

<sup>8</sup> See Sec. 544.003(b), Insurance Code and 28 TAC §21.406.

<sup>9</sup> 2022 1-Year American Community Survey, Number of Widows and Widowers in Texas, available at: <https://data.census.gov/table/ACSST1Y2022.S1201?q=Marital%20Status%20and%20Marital%20History&g=040XX00US48>.

<sup>10</sup> Texas Appleseed, “Out of Alignment”, 2018, available at: <https://report.texasappleseed.org/out-of-alignment/>. The five companies included in the snapshot study were: Allstate, Farmers, GEICO, Progressive, and State Farm.

<sup>11</sup> Based on quote testing of 35 Texas auto insurance providers on July 15, 2024.

## Consumer Protection Related to Residential Rooftop Solar Power Generation

A recent study found that Texas ranked third in the country in residential solar power generation.<sup>12</sup> From 2018 to 2023, Texas power generation from residential rooftop solar systems increased from 528 Gigawatt-hours (GWh) to 3,840 GWh.<sup>13</sup> Residential rooftop solar and related battery storage make up an important part of power generation in Texas.

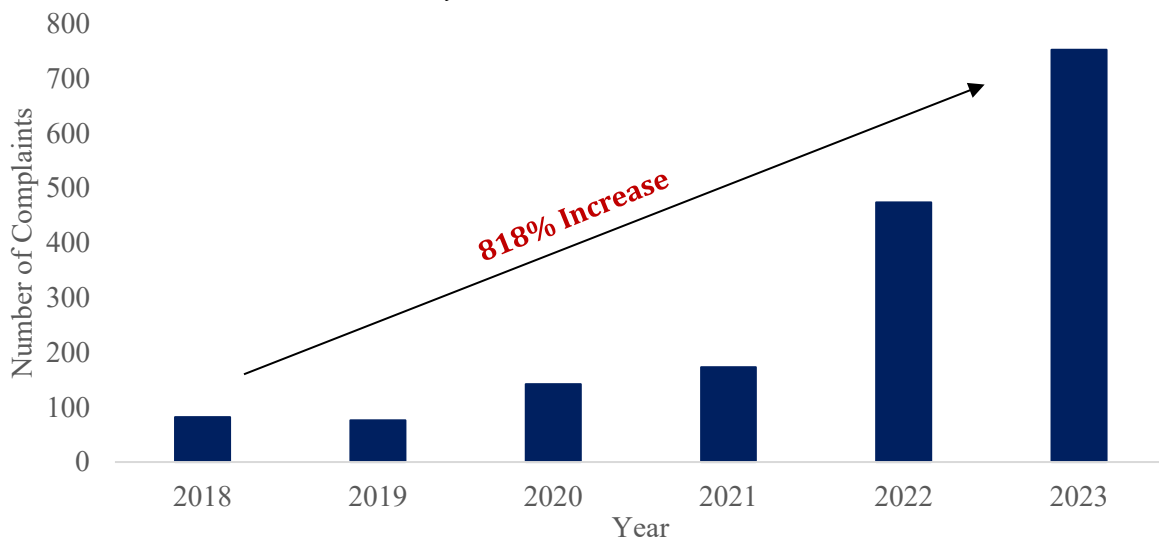
Amid positive consumer experiences, in this space, there has been a sharp uptick in solar panel-related frauds, scams, and consumer harms. The result is that many Texans are left feeling cheated and find themselves in worse financial shape because of their experience with solar panel door-to-door sales, lenders, contractors, and companies.

Many of the harmful practices have targeted older Texans and people who are not native English speakers. They included misleading statements that there would be no electric bills after installation of the panels or that the systems would be free, false promises of government tax credits, and forgeries of signatures or other deceptive practices used to execute financing contracts.

A forthcoming study from Texas Appleseed analyzes consumer complaints submitted to the Texas Attorney General (OAG) and the Texas Department of Licensing and Regulation (TDLR). We found an 818% increase in annual complaints submitted to the OAG from 2018 to 2023 and a 576% increase in complaints submitted to TDLR over the same period. The chart below shows the OAG complaints trend.

### Solar Panel-Related Complaints Submitted by Texans to the Texas Attorney General

January 1, 2018 to December 31, 2023



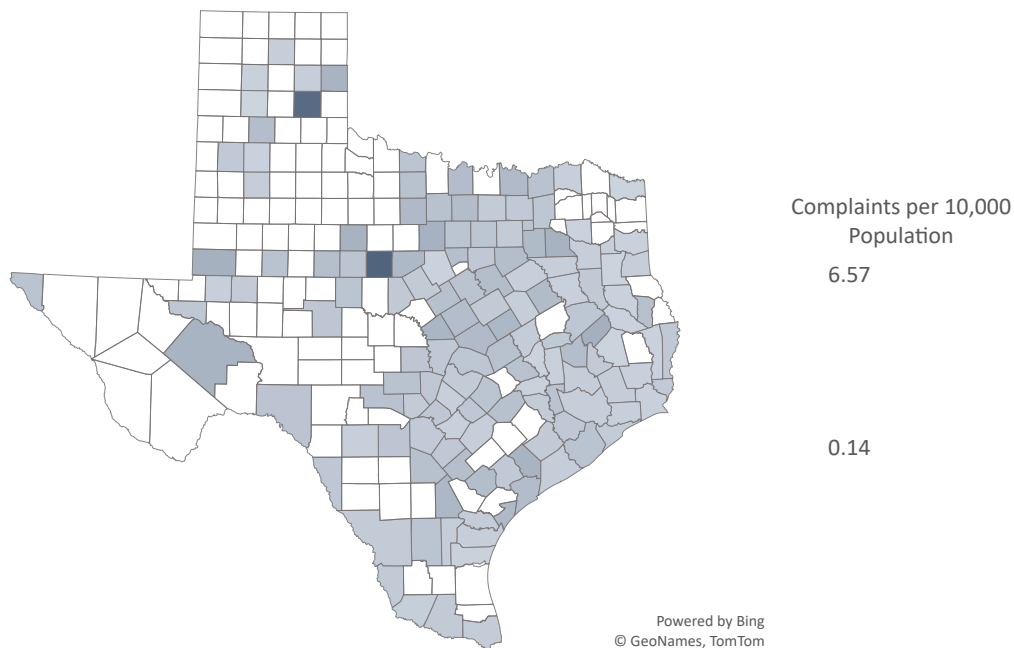
Source: Texas Appleseed analysis of solar panel-related complaints accessed through open records requests submitted to the Texas Office of the Attorney General. The complaints cover a period from January 1, 2018 to December 31, 2023.

<sup>12</sup> Tony Dutzi, Abigail Ham, and Johanna Neumann, *Rooftop Solar on the Rise: Small Solar Projects Are Delivering 10 Times As Much Power As A Decade Ago*, Environment America and Frontier Group (2024), at 14.

<sup>13</sup> U.S. Energy Information Administration, *Small Scale PV (Photovoltaic) Solar Systems, 2018 to 2023*, downloaded July 28, 2024, available at: <https://www.eia.gov/electricity/data/eia861m/>.

We also found that complaints were distributed across Texas counties, including both urban and rural areas of the state. Residents in 141 of the 254 Texas counties submitted solar panel-related complaints to the Office of the Texas Attorney General, indicating that problematic practices are wide-spread.

**Solar Panel-Related Complaints Submitted to the Texas Attorney General**  
**Rate Per 10,000 County Population**  
January 1, 2018 to June 30, 2024\*



\*McMullen County is excluded from the map as an outlier. It has a rate of 33 complaints per 10,000 people. McMullen County has a population of 600, and there were two complaints submitted. County population data is from the 2022 1-Year American Community Survey. Complaints data is from a Texas Applesseed analysis of solar panel-related complaints accessed through open records requests submitted to the Texas Office of the Attorney General. The complaints cover January 1, 2018 to June 30, 2024.

The counties with the highest number of complaints were Harris County, Tarrant County, Dallas County, Bexar County, and El Paso County. Looking at the rate of complaints by population, smaller counties topped the list: McMullen County, Callahan County, Donley County, Trinity County, and Andrews County.

Among the complaints submitted by Texans, 45% noted problems with false or misleading statements, and 37% mentioned unsatisfactory service. Other common complaints included problems with sales practices, defective or damaged goods, failure to provide repairs, and unsatisfactory workmanship. Eight percent of the complaints, a total of 192, were related to people billed for goods or services not received.

Solar panels play an important role in the energy ecosystem in Texas. To reach their positive potential, it is essential to address patterns of harmful and fraudulent practices in the residential solar panel market. **We urge the Committee to examine these practices and to consider new legal protections to address them.**