September 10, 2026 *Via electronic mail*

Commissioner Amanda Crawford
Texas Department of Insurance
P.O. Box 12030
Austin, TX 78711

Re: Investigation of insurance fraud and cost drivers in property insurance

Commissioner Crawford:

Our organizations advocate for the rights of policyholders. We write today to share our views on the Governor's recent property insurance directive in the hope that it will help you fulfill your duty to "protect and ensure the fair treatment of consumers." We believe the first three points in the directive concerning FORTIFIED roof status, age of the property, and price optimization help property owners, and we thank you for your recent bulletin regarding the latter.

With respect to the creation of an Insurance Fraud Task Force, we request that the Texas Department of Insurance (TDI) include strong consumer representation within the body so it may mount a complete investigation that studies the issue from all sides. Insurance fraud committed by agents can result in premium theft, and insurance fraud committed by carriers can result in the wrongful denial, delay, or underpayment of valid claims. For example, the issues brought to light through recent litigation against TWIA in federal court, alleging systemic reductions in damage estimates following Hurricane Beryl, and litigation against State Farm and Allstate in Oklahoma, alleging widespread under indemnification of property claims, are exceptionally concerning and merit close study. Internal documents contained in the State Farm exhibits indicate Texans were affected – with Dallas County serving as a "pilot program."

Policyholders with covered claims are properly entitled to receive full policy benefits as a matter of law. However, the *Wall Street Journal* recently reported that homeowners insurance has become a "coin flip" with nearly half of all claims being closed by the "Big Five" insurers without any payment whatsoever. Another report found a similar trend in auto insurance claim payouts. Fraudulent and bad faith insurance practices committed by carriers deprive families and businesses of the resources necessary to get back on their feet after a major loss. The cost of insurance fraud committed by carriers and agents can be devastating.

Regarding the last point in the directive, we request that TDI undertake a comprehensive, data-driven investigation into the true cost drivers behind rapidly rising property and casualty insurance premiums in our state. Texans deserve clear answers grounded in all of the evidence.

Recent research from the Vanderbilt Policy Accelerator (VPA) shows that property insurers nationwide are inflating premiums far beyond what is necessary to cover claims. According to Vanderbilt, property insurance premiums now exceed $1.03 trillion dollars annually, which is more than the United States military budget. Insurers pay out only 61.8 percent of premiums in claims, which is a historically low loss ratio indicating substantial overpricing. From 2020 to 2024, homeowners losses rose 40 percent, but insurers raised prices 52 percent while loss ratios remained depressed at 61.5 percent. Insurers reported record profits of $166 billion dollars in 2024. The industry spent $135 billion dollars on selling expenses in 2023, including advertising and agent commissions. CEOs of the top ten insurers collected more than $250 million dollars in compensation across 2022 and 2023. State Farm purchased four private jets in 2023 and 2024. Progressive spent nearly $15 billion dollars on stock buybacks and dividends in 2025. These are corporate-driven costs, and they are being passed directly to Texas families.

The most current data available from the National Association of Insurance Commissioners (NAIC), contained in their *2025 Market Share Reports for Property/Casualty Groups by State and Countrywide*, demonstrate that loss ratios fell again for the insurance industry. In Texas, private passenger automobile insurance was more profitable than the nation as a whole with a 14.6% Return on Net Worth and homeowners insurance carriers realized an 11.3% Return on Net Worth.

Despite falling loss ratios, we continue to see a trend of standard home insurers offloading risk to the surplus lines market, and often to companies that are subsidiaries of major insurance providers. This trend could harm individual homeowners in Texas. Surplus lines insurers have traditionally taken on exceptional risks, but are increasingly moving into the mainstream homeowner market. Texas stands out as one of the states leading that trend. We are also seeing affordable housing providers pushed into the surplus lines market, increasing insurance costs and threatening the viability of this important housing stock.

The Consumer Federation of America (CFA) has documented how homeowners insurance premiums have risen sharply across the country and how limited public data obscures the true drivers of these increases. CFA's recent analysis found that the typical homeowner saw annual premiums rise by roughly 24 percent from late 2021 to mid-2024, far outpacing inflation over the same period, and that premiums increased in 95% of ZIP codes nationwide. CFA has also highlighted the lack of transparent, publicly available information on prices, claims, and coverage, noting that consumer advocates had to purchase expensive data from a large information broker simply to measure these increases.

CFA and other consumer organizations have urged regulators to make public comprehensive property insurance data and analyses so that policymakers and the public can understand how rising premiums and strong insurer profits are affecting affordability. CFA's analyses consistently conclude that insurer behavior, not consumer claims, is a primary driver of rising premiums.

Data privacy for Texans and accountability for third-party data models used for property and casualty insurance underwriting, rating, and tiering are emerging concerns. These issues recently came to a head in the lawsuit filed by the Texas Attorney General against Allstate and its subsidiary, Arity, for unlawful practices related to the collection and sale of individual data to price auto insurance. The growing use of telematics by auto insurers as well as increased use of third-party data, models, and artificial intelligence tools elevates the need for added consumer data protections, as well as more scrutiny and accountability for emerging big data models that can have real bottom line impacts for Texans.

A final consumer protection issue to elevate is the long-standing practice of insurers using social factors to price insurance. As property and casualty insurance products have evolved to offer decreased protection, with higher deductibles and less coverage, the risk calculus of some factors has likely shifted, and yet insurers continue to use outdated models that lead to substantially higher costs for Texans. The impact of credit scoring on the cost of property and casualty insurance looms large. A preliminary analysis of credit scoring models used by Texas auto and home insurers show a substantial pricing penalty paid by Texans with poor credit. Rates for poor credit customers were often double or more those charged to people with excellent credit. Some home insurers priced certain perils at 11 to 14 times the rate paid by those with excellent credit. The impacts are pushing financially struggling Texans out of the market.

Texas Appleseed is conducting a series of focus groups with lower-income Texans across the state to assess people's ability to access and afford auto insurance. With three of the focus groups complete and one report released to date, a number of concerning trends are emerging. People cited: extremely high deductibles that led to effectively no coverage, as they could not afford to pay the deductible; pay-to-pay trends, where people are paying a $5 to $10 fee per installment payment; concerns about government overreach into personal decisions by allowing marital status to be used to price insurance; and high premium penalties for people who fell out of the insurance market due to unemployment or other financial hardship and were trying to get back in. One Texan we spoke to faced almost double the premium after being out of the market for just a few months due to a job loss as a result of Hurricane Beryl.

Given this evidence, we respectfully request that TDI’s investigation focus on the following:

1. Non-Claims Spending

A full accounting of insurer expenditures on advertising, agent commissions, lobbying, executive compensation, entertainment budgets, and corporate aviation. Vanderbilt’s research shows that these costs are major drivers of inflated premiums, not consumer claims.

2. Loss Ratios and Rate Adequacy

A review of Texas insurers’ loss ratios over the past decade, including whether rate increases were justified by claims experience or driven by corporate profit strategies. This analysis should also include an assessment of the surplus lines market to better understand how it is affecting Texas homeowners and affordable housing providers. It is important to not only understand general trends, but also more granular data about the areas of Texas that are most impacted by the growing trend to move risk from standard and admitted carriers to insurance products with fewer guardrails and less financial accountability to policy holders.

3. Selling Expense Inflation

An examination of the $135 billion dollars in national selling expenses and how much of this spending is occurring in Texas markets. Texans should not be paying higher premiums so insurers can saturate the airwaves with ads.

4. Shareholder Returns and Capital Allocation

An analysis of stock buybacks, dividends, and other shareholder return mechanisms that divert premium dollars away from claims and toward corporate profit extraction.

5. Claims Handling Practices

A review of insurer use of algorithmic claim reduction tools, delays, denials, and other practices that reduce payouts while increasing consumer frustration and financial harm.

6. Transparency Requirements

Consideration of new rules that require insurers to publicly disclose non-claims costs, executive compensation, and capital allocation decisions, as Vanderbilt recommends.

7. Data Privacy and Needed Accountability for Big Data and AI-Powered Underwriting and Rating Models

Assess needed additions to consumer data privacy laws to protect people's data in the insurance space, as well as new authority that could benefit TDI in ensuring meaningful oversight and accountability for insurers and third-party big data underwriting and rating models.

8. Pricing Penalties that Make Insurance Less Affordable for Lower-Income Texans

Explore ways to deemphasize or eliminate the use of social factors in pricing insurance, such as credit score and marital status, gaps in policies, and ancillary fee charges, as a way to make insurance affordable for lower-income Texans.

9. Regulatory Authority and Enforcement

A history of all homeowners and personal auto insurance rate increases since 2003, as well as an evaluation of whether TDI should more frequently exercise its authority to deny rate increases for insurers with low loss ratios or excessive non-claims spending, consistent with Vanderbilt’s recommendations.

The Governor’s directive asks TDI to investigate cost drivers in the system. To be effective, this inquiry must focus on the entities that actually set prices, which are insurers. We believe corporate decisions, not consumer behavior, are inflating premiums.

Texans deserve a fair insurance market that operates transparently and responsibly. A rigorous investigation into insurer practices will help restore trust, improve affordability, and ensure that families are not forced to shoulder the burden of corporate excess.

Thank you for your attention to this matter and for your service to Texas consumers.

Sincerely,

/s/
Douglas Heller
Director of Insurance
Consumer Federation of America

/s/
Ann Baddour
Director
Fair Financial Services Project
Texas Appleseed

/s/
Ware Wendell
Executive Director
Texas Watch

cc: Office of the Governor of Texas
Members of the Texas Legislature
Members of the Media & Public