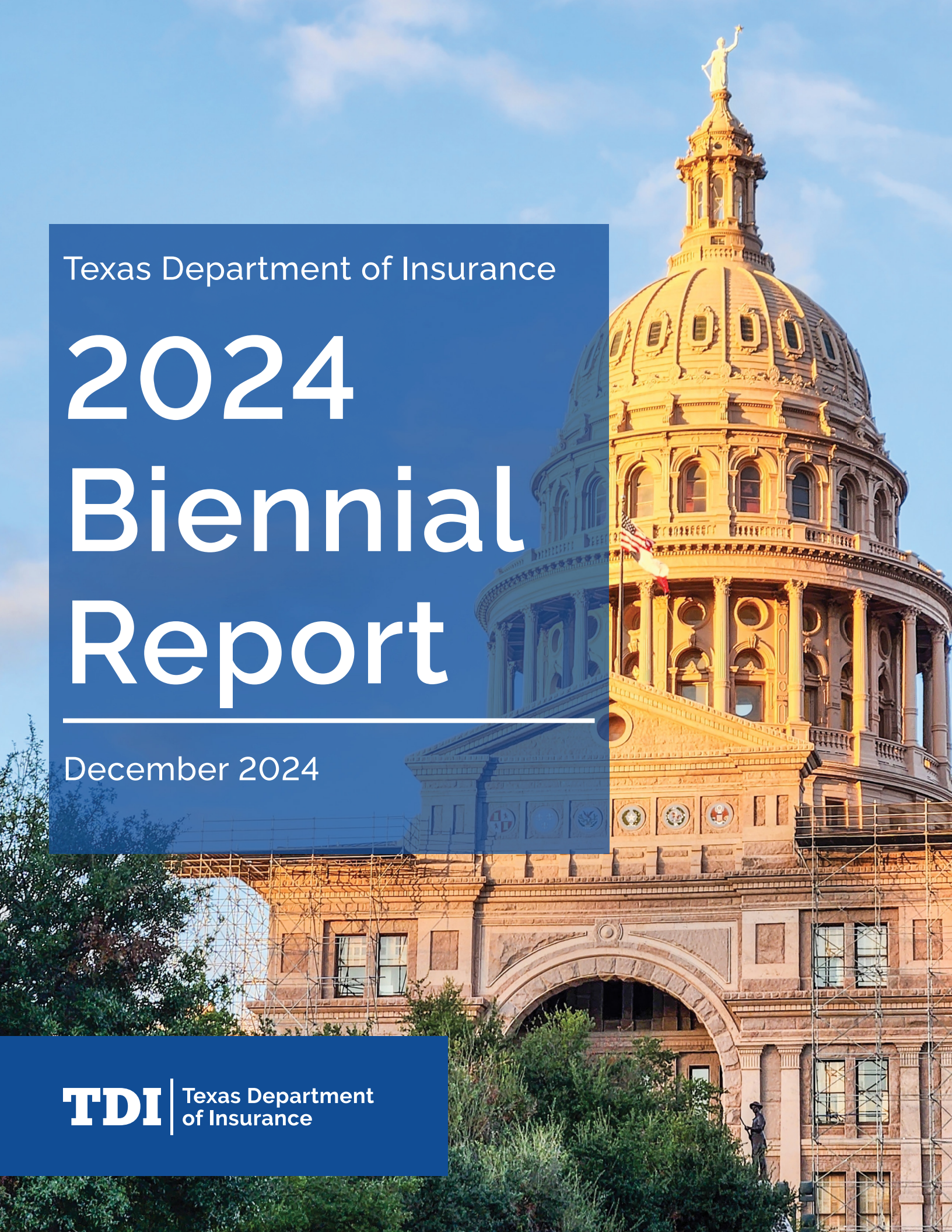


Texas Department of Insurance

2024 Biennial Report

December 2024

TDI | Texas Department
of Insurance





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by the

Texas Department of Insurance

Submitted December 2024

[Texas Insurance Code 32.022](#) requires the Texas Department of Insurance to submit a report before each regular legislative session with recommended changes in state laws relating to regulation of the insurance industry or other areas under the agency's jurisdiction.

A handwritten signature in black ink, appearing to read "C. Brown", with a long horizontal flourish extending to the right.

Cassie Brown
Commissioner of Insurance

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Biennial recommendations to the Texas Legislature

Require companies to tell consumers why their policy was declined, canceled, or nonrenewed

Recommendation

Amend Insurance Code [551.002](#), [551.109](#), and [551.055](#) to require all companies to tell consumers why they declined a policy application or why an existing policy was canceled or nonrenewed.

This aligns disclosures across policies and increases transparency and consumer knowledge.

Issue

Most consumers don't know that they can ask why their policy was declined, canceled, or not renewed. If they knew the reasons, they might be able to fix the issue or use the information to search for other coverage.

Background

Insurance Code 551.002 and 551.109 requires companies to tell consumers why personal policies were declined, canceled, or nonrenewed if the consumer asks. Insurance Code 551.055 requires companies to tell consumers why commercial policies are canceled or not renewed but not why they were declined.

Requiring all companies to tell consumers why a policy was declined, canceled, or not renewed makes actions against consumers more transparent. Having the same requirement for personal and commercial lines creates consistency and clarity for consumers.

Align fire investigator salaries with other licensed peace officers

Recommendation

Amend [Government Code 417](#) to align State Fire Marshal's Office (SFMO) investigator salaries with other licensed peace officers.

Issue

SFMO investigators are licensed peace officers compensated under [Texas' State Position Classification Plan](#) in Schedule B (mainly professional and managerial positions), rather than Schedule C (commissioned law enforcement positions). Investigators are performing duties in keeping with licensed officers in other state agencies on Schedule C without being equitably compensated for their responsibilities. This disadvantage compared to other state law enforcement agencies has led to high turnover and difficulty hiring fire investigators.

Background

The [Code of Criminal Procedure](#) identifies 35 peace officers licensed by the state, including peace officers employed by the SFMO.

The Texas Department of Insurance (TDI) has two groups of commissioned police officers, Fraud Unit investigators, compensated on salary Schedule C, and SFMO investigators, compensated on salary Schedule B. Investigators in both groups must be certified as peace officers by the Texas Commission on Law Enforcement. SFMO investigators conduct criminal investigations and help local law enforcement to provide emergency response with critical incidents or in alignment with their duties as sworn Texas peace officers.

This change would align SFMO law enforcement officers with the law enforcement occupational category and law enforcement duties. The recommendation will also align the classification and salary schedule of all TDI commissioned law enforcement officers.

Improve Fraud Unit's ability to investigate electronic communications

Recommendation

Amend [Texas Code of Criminal Procedure 18B](#) to add a Fraud Unit investigator to the definition of an authorized peace officer in Insurance Code [701.104](#).

This would give the Fraud Unit the same legal authority to review electronic data as similar state agencies with licensed peace officers.

Issue

Texas Department of Insurance Fraud Unit peace officers are designated in state law as peace officers in [Code of Criminal Procedure 2.12](#). They aren't included in 18B.001 that relates to installing and using tracking equipment and access to communications.

Most Fraud Unit investigations involve suspect electronic communications. Without authority to access electronic customer data, investigators must rely on other agencies' peace officers to help with investigations. This hinders the speed and efficiency of investigations.

Background

The Texas Code of Criminal Procedure defines peace officers authorized to access and monitor electronic communications and electronic customer data. This includes a customer's identity, use of an applicable service, information that identifies the recipient or destination of an electronic communication, and electronic communication content.

Emerging issues

Price and availability in the homeowners and personal auto markets

Background

Nationally, the homeowners and personal auto insurance markets have seen significant challenges. How these issues appear in each state depends on the local circumstances and regulatory structure. Some challenges are caused by:

- Frequency of high-impact weather events.
- Inflation in goods and labor.
- Rising reinsurance costs. Reinsurance is a global market and is affected by disasters and the cost of capital. Insurance companies buy reinsurance to spread their risk and be financially stable when major disasters occur.

Storms and natural disasters have been the primary reason for home insurance claims in Texas. But in recent years, inflation and reinsurance costs have made repairing or replacing property after weather events more expensive. [NOAA](#) reports Texas had 16 weather events with losses over \$1 billion each in 2023 and 18 events through November 2024.

In Texas, this has meant substantial rate and premium increases in the past few years. In 2023, auto rates increased on average by about 25.5%, while homeowners rates increased on average by about 21.1%.

Premium factors

The factors described above concern rates, but that's only part of the story. A consumer's bill, or premium, also reflects the value of the property they're insuring. And home and vehicle values have gone up significantly.

Between 2019 and 2023, median home prices in Texas rose by about 40% according to the [Texas Comptroller's Office](#), while the average cost of a new vehicle nationwide increased 30% according to [Kelley Blue Book](#). All this new value needs coverage, which results in bigger bills for consumers.

Another contributing factor for auto insurance is driver behavior. In 2023, there were 559,000 vehicle collisions in Texas, causing 250,000 injuries and over 4,200 fatalities according to the [Texas Department of Transportation](#). These numbers reflect a tragic impact on the lives of Texans. They also represent real claim costs to insurers, which is reflected in the premiums paid.

Consideration

There are no easy policy answers to address rising insurance costs. Many of the policy concepts that seek to restrain rates could have significant trade-offs, particularly on coverage availability. The Legislature's response will require policy deliberations.

One opportunity for the Legislature to contain insurance costs is mitigation, or incentive programs related to constructing homes and roofs to more resilient standards able to better handle severe

weather. More widespread use of higher building standards could result in less costly insurance claims, which would act to restrain the cost of homeowners insurance. See the [Windstorm Market Incentives Study](#) for more information.

The Texas Department of Insurance (TDI) is here as a resource for the Legislature as you address this important issue. TDI staff can:

- Discuss concepts and ideas to address rising property and casualty rates.
- Discuss consumer protection ideas as policyholders navigate the market.
- Share what other states have done and what these ideas might look like in statute.

Meanwhile, TDI staff will continue to review rate filings with transparency and consistency with the law. Consumer protection is at the heart of our mission. The best advice for policyholders is to shop around to make sure they are getting the coverage they need at the best price the market can offer. A licensed independent insurance agent can help. TDI has many products online to help consumers in English and Spanish.

Resources

- [How are your auto and homeowners insurance costs calculated?](#)
- [Auto and home policy underwriting: Learn how companies set rates.](#)
- [2023 Market Conditions Annual Report](#)

Good faith in network adequacy negotiations

Background

Health plans operating in Texas contract with health care providers, facilities, and hospitals to provide covered services for policyholders, creating a network of contracted providers.

Rules adopted by the Texas Department of Insurance (TDI):

- Create specific requirements to find out if a network has contracted with licensed providers in sufficient number, size, and geographic distribution to meet the needs of enrollees.
- Address what plans must do if there is a gap in a network because there aren't enough providers or because a plan and provider can't agree on a contract.

[House Bill \(HB\) 3359](#) amended the network adequacy framework in state law. The law addresses travel time and distance standards by county and provider type, appointment wait time standards, data requirements, and limits on when TDI can grant [network adequacy standards waivers](#).

HB 3359 also requires TDI to hold a public hearing before approving a waiver, unless the waiver is necessary because there aren't providers in the area. If providers are available, a plan must show that good cause for the waiver exists.

Before TDI grants a waiver, TDI considers relevant criteria, including whether the plan made a good faith effort to bring the plan into compliance with network standards. If a plan doesn't show multiple good faith attempts to resolve a deficiency, TDI can't grant a waiver for more than two years in a row. It also can't grant the same waiver more than four times within a 21-year period if the issue could be solved through good faith efforts.

TDI recently completed its 2025 network plan reviews, including whether plans negotiated in good faith with providers. Less than 1% of plans met TDI's expectations to negotiate in good faith.

Agency staff determined that good cause existed to grant the waivers requested, but also found that plans didn't sufficiently show good faith attempts to contract. If plans don't resolve deficiencies and don't show multiple good faith efforts to contract during each waiver period, TDI must decline waiver request renewals for plans starting on or after September 1, 2026.

TDI told each plan how they should show good faith efforts when the plans submitted their 2025 annual network adequacy reports. Agency staff communicate regularly with plans and are available as a resource for plans working to meet the good faith requirement.

Consideration

It's important to note that any waiver request submitted for a third year without good faith negotiating will result in a waiver denial.

Without a waiver, the health plan can't be offered in the requested county. This could put thousands of Texans at risk of losing their current health plan and affect consumer choice in the health plan market.

Windstorm Market Incentives Study

[State law](#) requires the Texas Department of Insurance (TDI) to conduct a study of market incentives to encourage property insurers to write windstorm and hail insurance in Tier 1, which includes 14 coastal counties and parts of Harris County.

For 2024, TDI contracted with Texas A&M University at Galveston to perform a study of incentive programs related to constructing homes and roofs to more resilient standards. Legislators can consider this information to adopt policies focusing on mitigation efforts.

Increased use of resilient building standards could result in less insurance claims, which would act to restrain the cost of homeowners insurance. For information on recent cost increases in homeowners insurance, see the price and availability in the homeowners and personal auto markets policy consideration item earlier in this report.

The [2024 Texas A&M Windstorm Market Incentives Study – Resilient Structures Final Report](#) included insurer surveys and analysis of other states' programs.



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