Texas insurer drops push to let homeowners forgo right to sue

Texas Tribune

The Texas Farm Bureau said it would offer lower premiums to customers who agreed to arbitration clauses, but consumer rights advocates rebelled. The Texas Farm Bureau has dropped a proposal that would have allowed its homeowner insurance policyholders to pre-emptively sign away their right to sue the company in exchange for a discount on rates. Consumer advocates on Thursday cheered the withdrawal of the proposition that stirred fierce debate in meetings held by the Texas Department of Insurance, where some called it a raw deal for consumers. The effort by the Farm Bureau, the largest Texas-based insurer, was a complicated notion that might have sounded innocuous but carried concrete implications for Texas homeowners. The insurer asked the Texas Department of Insurance to allow it to offer lower rates to homeowners who agree to settle disputes through a mandatory mediation-arbitration process, forgoing their right to settle matters in court. Jerry Hagins, a department spokesman, confirmed Thursday that the Farm Bureau had withdrawn its endorsement of the policy. The department closed the filing on Wednesday, he said. Gene Hall, a Texas Farm Bureau spokesman, declined to comment, beyond to confirm that the proposal was dead. Arbitration is a way to settle disputes outside of the legal system. Arbitrators, often selected by companies involved in disputes, typically issue swift rulings. Unlike lawsuits, the proceedings are private and the outcome cannot be appealed. Its use has spread nationwide. Tens of millions of Americans use financial products or services subject to such clauses, according to the U.S. Consumer Financial Protection Bureau. For now, however, Texas homeowners' insurance policies do not include such provisions. The state has approved a few mandatory arbitration policies in the commercial realm, but that practice is not widespread for insurers here. Presiding over a public meeting in July, Texas Insurance Commissioner David Mattax saw consumer advocates and insurance industry spar over whether mandatory arbitration of homeowners would fit within the spirit of Texas law. The Texas Tribune thanks its sponsors. Become one. Floating the proposal, Farm Bureau officials suggested that adding the option would curb a surge in costly lawsuits that have pushed up homeowners' premiums in South Texas and particularly storm-prone Gulf Coast counties. And it

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emphasized the voluntary nature of the specific plan it was pushing. Policyholders could have still opted out, while forgoing the discount. But opponents argued that approving mandatory arbitration plans would stack the deck against consumers, who may not understand the consequences of giving up their right to sue. The lawyer-backed consumer group Texas Watch, the Texas Office of Public Insurance Counsel and other critics worried that that approving the Farm Bureau proposal would prompt other insurers to follow their lead. “Texas homeowners will retain their constitutional rights and not fall prey to a flawed process that often rewards the powerful at the expense of justice, Ware Wendell, executive director of Texas Watch, said in an email.

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