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**Rep. John Frullo, Chairman
House Committee on Insurance
Texas House of Representatives**

RE: H.B. 3646, hail claims fraud

Chairman Frullo, members, my name is Josiah Neeley and I am Texas director of the R Street Institute. R Street is a nonprofit, free-market think tank that specializes in insurance and other issues. I'm here today to speak in support of HB 3646.

HB 3646 is a timely attempt to deal with emerging problems of fraud and abuse in property insurance claims involving hail. Hail insurance claims have increased 84 percent since 2010,¹ and between 2010 and 2012, Texas generated more than 320,000 hail insurance claims, double that of any other state.²

Not all of this increase can be blamed on changes in the weather. While Texas accounted for 16 percent of all hail claims from 2010 to 2012, 28 percent of the questionable claims during that period were filed in Texas.³ Storm intensity also cannot explain why litigation over hail claims is becoming so much more common. Historically, only around 2 percent of property insurance claims result in a lawsuit.⁴ Yet according to attorneys G. Brian Odom and Tyler McGuire, in Hidalgo County, 35 percent of recent hail damage claims have resulted in a lawsuit.⁵

HB 3646 is a modest attempt to reign in this abuse. The committee substitute to the bill provides enhanced notice requirements and helps to isolate the amount in controversy for purposes of attorneys' fees and penalties, which will reduce the incentives for frivolous

¹ National Insurance Crime Bureau, "Number of Hail Damage Insurance Claims Up 84% Since 2010," *Insurance Journal*, July 18, 2013.

<http://www.insurancejournal.com/news/national/2013/07/18/298895.htm>

² David Fennig, "2010-2012 United States Hail Loss Claims and Questionable Claims," National Insurance Crime Bureau, June 25, 2013.

<https://www.nicb.org/File%20Library/Public%20Affairs/2010-2012-US-Hail-Loss-Claims-and-QCs---Public.pdf>

³ Ibid.

⁴ Supra, note 1.

⁵ Ibid.

litigation.

While there are some elements of the bill with which we have concerns (for example, the tightening of licensing requirements for public adjusters), on the whole, H.B. 3646 is a positive step to ensure both consumer protection and the rule of law.

I would be happy to answer any questions.