

## STATE FARM ORDERED TO REFUND \$310 MILLION TO POLICYHOLDERS

The Texas Department of Insurance (TDI) has ordered State Farm Lloyd's (SFL) to refund a total of \$310 million to policyholders after finding that the insurer had overcharged customers beginning in 2003. The amount paid to individual policyholders will vary. The total amount of the refund is approximately \$257 million, and the interest owed is approximately \$53 million, according to TDI.

The refund amount ordered is significantly lower than the nearly [\\$1 billion](#) that the state's Office of Public Insurance Counsel had previously estimated the company owed to policyholders, according to Associated Press reports.

State Farm was told in 2003 to cut its rates by 12 percent but the company sued the department and the case has been in limbo since then. Texas Insurance Commissioner Mike Geeslin issued the current order on Nov. 16, the result of a re-hearing after the case was remanded to TDI by the Third Court of Appeals in 2008. "I have issued an order that completes what the Legislature started in 2003," Geeslin said in a statement released by TDI.

The company can repay the amount to policyholders via renewal credits for existing policyholders, or by check. State Farm Lloyd's must begin "applying renewal credits, and pay refunds and interest within 60 days" of the order date. However, the company also has the right to appeal, in which case the payments would be on hold until final resolution by the court. Kevin Davis, a spokesman for State Farm, said the company had not yet decided whether to appeal. "We are deeply disappointed with this decision as we believe State Farm Lloyd's rates are, and always have been, both fair and justified," Davis said.

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Source: *Insurance Journal*, November 17, 2009, Texas/South Central News, "State Farm Owes \$310M in Refunds, Texas Regulators Say."