

Testimony of Douglas Heller, Director of Insurance,
Consumer Federation of America
Before the
Judiciary & Civil Jurisprudence Committee
Texas House of Representatives
Public Hearing on HB 4806

May 7th, 2025

Good morning, I am Doug Heller, Director of Insurance for the Consumer Federation of America.

For the past 30 years we've studied the insurance market and documented the pattern of insurance companies laying the blame for their business cycles on injured Americans.

In two recent studies, we used industry data to show that the idea of social inflation, or some kind of "tort tax," is just PR spin that does not show up in a close read of the numbers.

Because insurers' profitability is tethered to their investment returns, they lower rates and sell as much as they can when investments are good, but whenever markets hit a snag – like the low-interest rates and volatile stock market in the wake of the pandemic – they jack up rates, restrict sales, and, like clockwork, demand tort reform. Every time.

Amongst themselves, insurers refer to these periods of increased rates as a hard market that comes and goes in cycles. But publicly, and in state capitols, they try to direct attention away from themselves and call for new legal restrictions, like the ones they want today.

But the details matter. Insurers charged over \$1 trillion in premiums in 2024, the most ever. 62% of that was reserved for paying claims and less than 4% went to legal costs, but \$350 billion of our premium covered overhead, such as advertising, commissions, executive salaries and profit. Add in the huge bounce back in investment returns last year, and the industry reported \$169 billion in 2024 net income and \$86 billion in shareholder dividends. They've also stockpiled the largest surplus in



history, about \$1.1 trillion. These companies say they are in crisis, but they've outperformed the S&P 500 by 165% over the past 12 months and double the S&P return over three years. The stock market isn't worried about them.

Texas policyholders need relief from high premiums. But tort reform never provides relief. If it did, we wouldn't keep coming back to hard markets and more calls for yet more tort reform. We have studied these insurance cycles for decades. Tort reform puts more money in insurers' pockets, but it never takes less out of ours.

The better path toward relieving policyholders would be to demand accountability for these insurers so the price we pay for coverage reflects the risk associated with causing crashes or losing property, rather than letting insurers continue to raise rates however much they want while limiting our ability to make sure they pay a fair claim.

We urge you to vote no on this bill.

