



Texas Department of Insurance

Commissioner of Insurance, Mail Code 113-1C

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September 11, 2012

Honorable Members of the Texas Legislature:

You may be aware of a recent criminal investigation by the Travis County District Attorney's Public Integrity Unit related to State Farm's handling of "lifted shingles" claims following Hurricane Ike. I want to assure you that this office is cooperating fully with the law enforcement investigation into alleged wrongdoing by State Farm. We have shared our file information with the Travis County District Attorney's office and stand ready to work with them as they desire and request. I'd like to also briefly update you on where the issue currently stands with TDI.

TDI received four complaints from policyholders of State Farm Lloyd's in 2009 alleging that the insurer had refused to approve roof replacements for lifted shingles. Three complaints were determined to be justified and were referred to our Enforcement Division. Two of the three policyholders received additional payments from State Farm Lloyd's. It was our understanding that the third policyholder was going to obtain an independent roof inspection and, if there was additional damage, that State Farm Lloyds would then perform another inspection, as provided for by the appraisal and the "Duties After an Accident or Loss" language of the policy. TDI heard nothing further from the complainant and assumed the claim had been resolved.

Although it appeared at the time that the insurer was deciding each claim on a case by case basis, TDI continued to monitor for additional, similar complaints. No further complaints were received and TDI closed its enforcement file in December 2010. The fourth complaint was not coded as a lifted shingle claim, but TDI intervened on the policyholder's behalf. Upon further inspection, additional damage was noted, but the cost to repair the damage was below the insured's deductible.

The District Attorney may have information that was not provided or available to TDI previously. Given the severity of the accusations made by the District Attorney, TDI is carefully considering its options for further regulatory action in this matter.

Please let me know if you have any questions or if I can be of further assistance.

Very truly yours,

A handwritten signature in black ink that reads "Eleanor Kitzman".

Eleanor Kitzman

Commissioner of Insurance