



Southwestern Insurance Information Service

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INSURANCE NEWS

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Most Texas home insurers profitable again

AUSTIN – Texas home insurers returned to profitability in 2009, as property claims were nearly half of those lodged as a result of Hurricane Ike the previous year.

New financial reports released Monday by the Texas Department of Insurance indicated that most companies had a solid year, if not a banner one, thanks to the lack of any major weather catastrophes across the state.

Overall, the industry had an average loss ratio of 67.3 percent – worse than the five straight years of hefty profits that preceded Hurricane Ike and 2008, but still good enough for most companies to be back in the black.

That percentage for 2009 means insurers paid out 67.3 percent of premiums to cover property losses.

A loss ratio of 60 percent is considered a good target for profitability, and several companies were at or near that benchmark last year. The percentage does not reflect agent commissions, administrative costs and other expenses.

Industry representatives said the new numbers indicate the market for homeowners insurance is seeing some stability after the record losses from Hurricane Ike and other storms. Consumer groups said companies are on the verge of another round of big profits.

Payments

"If past is prologue, we're going to see the insurance industry return to excessive profitability this year," said Alex Winslow of Texas Watch, a consumer group that tracks insurance issues. "Rates should be coming down, but instead we've seen the major carriers impose significant increases."

Winslow said the new loss figure reflects some carryover claims from Hurricane Ike. Otherwise, he said, the margins for the industry would look very good for last year.

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[Mark Hanna](#) of the Insurance Council of Texas, an industry group, said the loss figures are "great news" for the industry and consumers, who will benefit from more competitive rates.

"You have to have some good years to compensate for those years in which we have had multiple weather catastrophes," he said. "For the past two years, Texas has led all other states by a huge margin in insured losses from weather catastrophes that included our state's costliest storm, Hurricane Ike."

Public Insurance Counsel Deeya Beck, a state official who represents consumers in insurance matters, said the loss ratios don't take into account certain "hidden profits" that result from "self-dealing" management contracts and reinsurance arrangements for many companies.

"The industry has been profitable in Texas, and our recent analysis continues to suggest that homeowners rates are excessive," she said.

Jerry Johns, president of Southwestern Insurance Information Service, said the numbers reflect the fact that weather losses were down substantially.

"We did not have a lot of severe weather in the spring last year, and that helped," he said. "While there was a significant carryover from Hurricane Ike, the fact is that the market is working and insurance rates are stabilizing in Texas." He also contended that rates are where they need to be given the recent trends of severe weather in the state.

The loss figures could be a factor in the campaign debate for statewide offices and legislative seats, as [Democrats](#) are expected to accuse [Republicans](#) of being too soft on the industry.

Rate debate

Insurance is likely to be a top issue in next year's legislative session, too. Consumer groups are pushing for a change in the law that would require companies to get prior approval from the state before increasing rates – a proposal strongly opposed by the industry.

Texas now uses a "file-and-use" rate system for auto and home insurance that allows companies to immediately increase premiums – without prior state approval – once they notify the Texas Department of Insurance. The department can challenge any increase it deems excessive.

Last year, according to the department, companies collected \$5.4 billion in premiums from their policyholders, while paying out \$3.6 billion for insured losses.

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