



Southwestern Insurance Information Service

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## INSURANCE NEWS

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### ***Texas homeowners' insurance rates drop to No. 2 in new study***

AUSTIN – Texas has slipped to No. 2 in average homeowners' insurance premiums, a new national study has found.

It's not that rates are decreasing. The study found Texans paid nearly 3 percent more in 2007, the most recent year studied, than the previous year.

But Florida, battered by hurricanes in recent years, vaulted over Texas in costs, according to the report issued Tuesday by the National Association of Insurance Commissioners.

It found that the average annual premium in Texas for the most common homeowner policy was \$1,448 a year, 76 percent higher than the national average of \$822.

In Florida, the average premium was \$1,534. That reflected a one-year average increase of \$148, while in Texas, the bump was \$39.

Industry spokesmen said the study supports their often-repeated argument that Texas' hurricanes, tornadoes, ice and hail storms and wildfires drive the state's high premiums for home insurance.

"It just goes to show what catastrophic weather conditions can do to insurance rates," said Mark Hanna of the Insurance Council of Texas, referring to Florida's price surge. "They had four hurricanes in 2004 [and] another hurricane, Wilma, in 2005. It catches up with you. It's been a huge, dramatic effect to their insurance rates."

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Jerry Johns, president of Southwestern Insurance Information Service, another industry group, said that while Texas and Florida share ridiculously bad weather, Texas' market is highly competitive and keeps premiums as low as possible for reliable homeowners' coverage.

"We're subject to some of the most severe weather in the country," he said. "That kind of weather throughout the state is going to impact homeowners' insurance rates. The last thing that a consumer would want to hear is an insurance company does not have the money to pay their claim. And premiums are used to pay claims."

A consumer group leader responded that the data confirm what most Texas homeowners have been experiencing the last several years: rising insurance premiums and reduced coverage.

Alex Winslow of Texas Watch, a consumer group active in insurance issues, said weak state regulation and flawed 2003 legislation are also to blame, not just weather.

"The industry for years has been wanting to show that Florida is more expensive than Texas. My response to that is, big deal. So we're both paying through the nose," Winslow said. "Being No. 2 is nothing to proud of."

Texas historically has been among the most expensive for home insurance. In addition to the pattern of unpredictable weather, a rash of mold claims in the early part of the decade rocked the insurance market.

Hanna said bad weather in other Gulf Coast states and Oklahoma has begun closing gaps between their premiums and those in Texas.

Louisiana, after a one-year increase of 11.4 percent, ranked third with an average premium of \$1,400, the study found.

The premiums cited in the national study were charged during a period of relative stability in the Texas market.

Since then, Hurricane Ike – one of the largest natural disasters in state history – raked the Texas coast and caused property losses now estimated at \$10 billion.

Experts disagree, though, on whether Ike and another 2008 storm, Hurricane Dolly, might push Texas back to having the country's highest premiums in future rankings.

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"It certainly could put us back at the top of the heap," Winslow said of Ike.

Johns, though, said he expects Texas "would drop even further down if we were to use numbers for 2008 and 2009."

He said the Texas Windstorm Insurance Association, an insurer of last resort in 14 coastal counties, covers most of the properties damaged by Ike and Dolly. And its premiums aren't counted in the national group's survey, he said.

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