



Southwestern Insurance Information Service

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Insurance News

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Texans still pay highest insurance rates for homeowner policies

AUSTIN – Texas homeowners still have the dubious distinction of paying the highest insurance rates in the nation – despite measures designed to lower rates and much worse weather losses in other states.

A new study from the National Association of Insurance Commissioners released Monday showed that the average annual premium in Texas for the most common homeowner policy was \$1,409 a year, considerably more than the nationwide average of \$804. Florida was second at \$1,386 – after a jump of 28 percent in one year – and Louisiana was third at \$1,257.

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The study showed that several other states are closing the gap with Texas. Those states have had double-digit premium increases in recent years, while Texas rates have stabilized in response to record profits among insurers doing business in the state.

The study is based on premiums collected in 2006, the most recent year for which figures are available.

Those rate comparisons come as the Legislature prepares to consider measures to tighten state regulation of insurance companies, including one proposal that would require the biggest insurers to get prior approval from the state before increasing rates.

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"For as long as experts can remember, Texans have been paying the highest insurance premiums in the nation," said Alex Winslow of Texas Watch, a consumer group active in insurance issues. "Enough is enough."

The state historically has been among the most expensive for home insurance, and industry officials blame Texas' pattern of unpredictable weather, which includes hurricanes, hailstorms and tornadoes. In addition, a rash of mold claims in the early part of the decade rocked the insurance market and caused even higher rates.

Winslow said the data confirms what most homeowners have been experiencing the last several years – rising insurance premiums and reduced coverage.

Industry spokesmen responded that the comparison shows premiums rising much more rapidly in other states, several of which are creeping up on Texas. They also questioned the accuracy of some of the findings.

The rates listed in the study showed an average premium increase of 2.7 percent in Texas, a tenth of the increase in Florida and considerably under the nearly 10 percent jump registered in Louisiana. Oklahoma, the only other state with a four-figure average premium – \$1,018 – experienced an increase of 2.2 percent.

Texas' mold crisis led state lawmakers to pass a major insurance law in 2003, with promises to consumers that they would get some relief in the cost of home insurance. But prices never came down as much as was promised, and rates for many companies are now edging back up.

Mark Hanna of the Insurance Council of Texas said the new study gives a false impression of insurance rates in Texas. He pointed to a study by the Texas Department of Insurance indicating an average premium that was \$200 less a year than the national study's figure.

"The Texas Department of Insurance report for 2006 would place Texas third behind Florida and Louisiana," Hanna said, also citing the insurance department's claim that rates actually dropped by 0.7 percent that year rather than increased 2.7 percent as the insurance commissioners' study said.

The national study is considered the most consistent and reliable measure of insurance rates in the country, and lawmakers routinely cite it as authoritative.

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Hanna said current premiums – instead of those from two years ago – would paint a much more favorable picture of the Texas market.

"It is more important for consumers to know what is happening today in the marketplace," he said. "We're doing a lot better than the report would lead one to believe."

Jerry Johns, an industry spokesman and president of Southwestern Insurance Information Service, said the 2.7 percent increase reflected in the national study is still modest in comparison with other states.

"It's a very reasonable increase and one that barely allowed companies to keep up with the rate of inflation," he said, citing increases in the costs of building materials and construction.

He also predicted that Florida would pass Texas as the nation's most expensive insurance market by next year based on trends in that state.

Insurance department officials in the past have said that rates in Texas will remain high because of the state's unique combination of weather exposures, including hurricanes, tornadoes and hailstorms. They have also noted that state-by-state comparisons do not take into account the unique insurance policies used in Texas.

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 have predicted that insurance rates will start moving upward based on the industry's belief that Texas is now more vulnerable to hurricane damage than in previous years.

RANKING THE STATES

Here's a look at the states with the highest average homeowners insurance premiums in 2006, according to a new national study	
Texas	\$1,409
Florida	\$1,386
Louisiana	\$1,257

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Oklahoma	\$1,018
Mississippi	\$998
California	\$937
Massachusetts	\$925
Rhode Island	\$919
Alabama	\$894
Connecticut	\$878
National average	\$804

SOURCE: National Association of Insurance Commissioners

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