



Southwestern Insurance Information Service

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Insurance News

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Auto insurance rates jump 10% in Dallas-Fort Worth

AUSTIN – Drivers in the Dallas area have seen their insurance rates jump by double digits from a year ago, while homeowners have seen a more modest increase of around 5 percent, according to new rate figures compiled by the Texas Department of Insurance.

The figures, based on mandatory rate filings by the top 25 insurer groups in Texas, showed that the cost of liability coverage for drivers jumped more than 10 percent in most parts of Dallas County and surrounding areas. Liability coverage makes up about half the premium for a typical auto policy.

In six Dallas County ZIP codes – North Dallas, South Dallas, Duncanville, Garland, Irving and Richardson – the average annual rates for liability coverage ranged from \$556 to \$574 for a married male driver age 25 to 65 who uses his car to drive to and from work. The figure reflects an average credit rating and no traffic violations.

The rate comparisons indicated a wide range of rates, with one company charging as little as \$230 in Irving and another company charging as much as \$1,215 in all six ZIP codes.

Insurance industry representatives said the higher rates reflect medical costs that have gone up sharply despite the slow economy and relatively low inflation. Consumer groups said the increases are excessive and unwarranted, and in some cases resulted from poor returns on insurer investments in the stock market.

"I can't fathom any justification for such an increase," said Alex Winslow of Texas Watch, a consumer group that is active in insurance issues. "A double-digit increase in one year is a lot, particularly in tough economic times."

Medical costs

Industry spokesman Jerry Johns attributed the increase in rates to medical charges for those injured in accidents – costs that have outstripped the inflation rate in recent years.

"The biggest factors are hospital charges and physician fees," said Johns, president of Southwestern Insurance Information Service. "They have a huge influence on what people pay for insurance."

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At the same time, Johns and Mark Hanna of the Insurance Council of Texas, an industry group, both noted that auto insurance rates in Texas are near the national average. Home insurance rates, by contrast, are the highest in the country.

"While statewide average auto rates may be inching upward along with the rest of the country because of an upward trend in the severity of collisions, the competition among insurance companies in Texas remains fierce," Hanna said, explaining that the competition makes it possible to shop for lower rates.

For homeowners in the six ZIP codes in the Dallas area, the average cost of a policy has gone up just over 5 percent from a year ago, with average annual premiums ranging from \$1,229 to \$1,291 for a 10-year-old brick veneer home valued at \$150,000. Those prices reflect an average credit rating and no claims for five years.

As with auto policies, the rates for homeowners insurance vary widely, with a low price of \$718 in most of the ZIP codes and a high price of \$2,116 in one ZIP code.

Poor returns

The larger increases for auto insurance may come as a surprise to some Texans, who have been hit harder by home insurance premiums in recent years.

Public Insurance Counsel Deeia Beck, whose state agency represents consumers in insurance matters, said her analysis of rates indicates that recent rate hikes – particularly in auto insurance – are largely the result of poor returns on insurance company investments. Most insurers invest a portion of premium revenues in stocks and bonds.

"It's our belief that the lack of investment income is driving some of those increases more than [property] losses," Beck said. "Companies are simply having to make more on underwriting profits to offset lower returns on investments. The yields on investments aren't what they used to be."

Beck said her primary concern now is over homeowner rates, which have been climbing "too rapidly" in recent months.

"Some increases are justified, but many aren't," she said. "That's why we've been requesting more information from companies to justify their higher rates. Those that aren't justified can be challenged."

Although the state's file-and-use system for insurance rates allows companies to raise rates once they have notified the insurance department, the increases can be challenged by the insurance department or Office of Public Insurance Council. If the rates are found to be unjustified, a company can be ordered to issue refunds with interest and lower its rates.

Property losses

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All three of the state's largest home insurers – Allstate, Farmers and State Farm – have increased rates this year. Those changes came in the wake of financial reports indicating that the industry recorded massive property losses in 2008 because of Hurricane Ike and a series of hailstorms in North Texas.

Figures submitted by the companies for the six ZIP codes in the Dallas area showed that Allstate had the lowest rates of the big three, while Farmers had the highest. Insurers are generally supposed to keep the rate variations in a county to no more than 15 percent.

Hanna of the industry group said North Texas typically gets pounded by several storms each year, generating multimillion-dollar losses that must be covered by insurers. That translates into higher rates as the cost of repairs, such as roof replacements, continues to increase.

But industry representatives also pointed out that the sample rates filed by insurers with the state show that many homeowners could save money by shopping around.

"Some people would be amazed by the disparity in prices," Johns said. "There are some clear indications that it is now a consumers market and those who are dissatisfied with the price they are paying could benefit by comparing companies."

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