

HOME INSURANCE LOSSES RESULT IN MAJOR RATE INCREASES

By Basil Housewright

I talk with homeowners about their home insurance daily and this is what I often hear – “My rates keep going up 10% to 20% annually and I never file claims. What’s up?” According to the Insurance Information Institute, between 1990 and 2002, home insurers in the United States paid out, on average, \$1.167 in losses and expenses for every \$1 they earned in premiums. In 1992, which included Hurricane Andrew, home insurers paid out \$11.5 billion more in losses and expenses than they received in premiums, in 2001 home insurers paid out \$7.43 billion more in losses and expenses than they received in premiums and in 2002 home insurers paid out \$4.7 billion more in losses and expenses than they received in premiums.

Losses from 2000 to 2003 for home insurers are estimated at \$187 billion more in losses and expenses than they received in premiums, approaching the level of insured property losses from the September 11, 2001 terrorist attack, which while not weather related and including a large amount of commercial building claims has become a real threat to loss of property in our country. And who in Fort Bend County can forget about Hurricane Ike on 09-13-2008, which ravaged the Gulf Coast and resulted in over \$30 billion of paid insurance claims. Ironically almost 5 years later there are still several claims from Hurricane Ike in litigation, which will, only result in increased losses paid out due to this storm almost 5 years ago.

Texas recorded seven catastrophic weather events in 2012 that resulted in over \$2.3 billion in insured losses. This includes the multiple tornados and hail storms that pounded the Dallas/Fort Worth area on April 3, 2012 resulting in over \$775 million in insured losses added to the June 13, 2012 hail storm also in the Dallas/Fort Worth area with over \$890 million in insured losses. Also in May 2012 the McAllen area had a violent wind and hail storm resulting in over \$260 million in insured losses. The insured losses from Hurricane Sandy in October 2012 are still accruing with over \$75 billion in insured losses, which is less than the damage caused by Hurricane Katrina in August 2005. April 17, 2013. The small town of West, Texas experienced an industrial plant explosion with initial estimates of \$100 million in insured losses from just a small central Texas town of 2,500. A reported 76 Tornadoes that struck the United States from May 18th to May 20th have caused anywhere from \$2 billion to \$5 billion in insured losses.

Homeowners insurance rates in many parts of the country continue to rise because of the extraordinary costs associated with paying these claims. In fact, virtually every part of the country is either at risk of or has experienced multi-billion dollar disasters. Unfortunately Fort Bend County is not a desirable place for home insurers to be doing business because of our proximity to the Gulf Coast and the real threat of future losses due to wind and hail storms. The predication for the 2013 hurricane season, which begins June 1st, is not good. The various forecasting agencies are predicating a very active storm and hurricane season. Based on this home insurers doing business here must raise rates to attempt to collect an adequate premium to insure property here. The cost of selling home insurance is heavily influenced by what the insureds must pay for re-insurance in our area and what their potential exposure is to paying loss assessments to the Texas Windstorm Insurance Association which can be substantial based on the current mode of operation of our Texas provided coastal windstorm insurer. With the past and current issues involving the Texas Windstorm Insurance Association many major home insurers view Fort Bend County as a place to not sell home insurance. This is understandable by those with home insurance knowledge in our area but confusing to the affected homeowners paying the rates we have available from home insurers who are still willing to sell new home insurance policies in Fort Bend County. And it will only continue to get worse until a major change is implemented in how the home insurance windstorm and hail insurance is managed in our neighboring counties along the coast.

Putting this all in perspective we need to consider the reality of what the facts at hand are. Insurance is still the most economically feasible method of covering our potential losses. Insuring our potential loss of say a \$300,000 home with \$180,000 in contents for say \$3,000 or maybe \$4,000 a year in premium a year in minuscule as compared to self-insuring for a potential loss of \$480,000 if you home is demolished by a storm, fire or terrorist act. The premium paid even though it is high is still a fraction of what the home insurers continue to pay to homeowners experiencing total losses at an alarmingly high frequency. And unfortunately this is taking place at an alarmingly high rate.

Basil is manager of Texans Insurance & Financial Group, Inc a local Independent Insurance Agency operating in Sugar Land since 1991. He can be reached at (281) 277-7800, Fax (281) 277-7801, E-Mail – basil@texansinsure.com. Visit www.texansinsure.com.