

(Updated 4/13)

Ohio auto and homeowners insurance expenditures remain well below US average

Despite recent indicators pointing to likely increases in the cost of coverage, the Ohio Insurance Institute (OII) reports that affordable auto and homeowners premiums remain a mainstay for most Ohioans. Even with the expectation of increases, the cost of coverage in Ohio remains considerably lower than in most other states. The Buckeye state ranks 6th lowest in the US in homeowners insurance and 9th lowest in auto insurance, based on average insurance premium expenditures.

About this report

This report was updated in April 2013 with the addition of new charts and data. OII updates its trend report regularly to help consumers understand Ohio's current insurance environment and the factors affecting it. The 2013 report reflects 2011 Ohio auto and homeowners insurance premium rate changes released August 28, 2012 by the Ohio Department of Insurance (ODI) (<http://1.usa.gov/S3FtTH>) and 2010 homeowners and auto insurance expenditure information from the National Association of Insurance Commissioners (NAIC) released in December 2012.

The Ohio Insurance Institute is a trade association representing insurance companies and agent groups for the property/casualty insurance industry. Its primary objective is to help Ohioans achieve a better understanding of insurance and safety issues.

Homeowners insurance

NOTE: OII's data and ranking information is based on the HO-3 policy, the most commonly purchased homeowners insurance policy written. It provides coverage for direct losses from all risks except those specifically excluded from coverage, such as flooding. About 78% of the Ohio market and 79% of US homeowners market is written through HO-3 policies. OII figures and/or ranking information may be slightly different than information released by the Ohio Department of Insurance. Both are correct but may use slightly different data.

- Based on 2010 data released by the National Association of Insurance Commissioners (NAIC) in December 2012, Ohioans pay \$295 less for homeowners (HO) insurance than the US average. The average 2010 Ohio homeowners insurance expenditure was \$614 compared to the US average of \$909. Ohio's average homeowners premium expenditure rose one dollar between 2009-10, while the average US premium rose \$29. The average 2009 Ohio HO expenditure was \$613 compared to the US average of \$880.

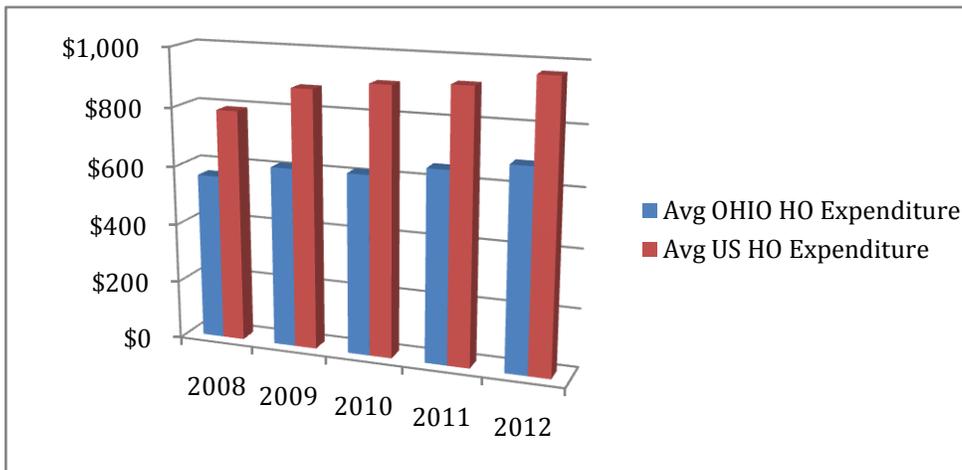
- According to the December 2012 NAIC report, Ohio's average homeowners insurance expenditure of \$614 is 6th lowest in the US. States with lower average HO expenditures are Idaho (\$500), Oregon (\$535) and Utah (\$558), Wisconsin (\$563), and Washington (\$595). The average expenditure is based on the type of coverage that most Ohio and US homeowners purchase, an HO-3 policy. For homeowners insurance expenditures by state, including rankings, go to <http://bit.ly/pbBXw7>. Ohio's previous year's ranking was also 6th lowest based on 2009 NAIC data.

• The following chart provides Ohio and US average homeowners insurance expenditures for 2003-12. Ohio and US figures for 2003-10 are from NAIC homeowners insurance reports. 2011 Ohio expenditures are estimated by the Ohio Insurance Institute based on NAIC 2010 data and the ODI rate change history report for 2011 (<http://bit.ly/Uyrh96>) showing an average increase of 6.2% by the top 10 homeowners insurers in Ohio. 2011 US figures are based on the 2010 NAIC data and Insurance Information Institute (III) estimates based on the CPI and other data for an estimated at a 1.4% increase in 2011. III estimates a 5% increase in 2012, based on an August 2012 Kiplinger.com post (<http://bit.ly/PjoCBI>). Average 2012 homeowner premiums estimates for both Ohio and the US are based on a 5% increase.

<u>Year</u>	<u>Ohio Average HO Ins. Expenditure</u>	<u>US Average HO Ins. Expenditure</u>
2003	\$476	\$668
2004	\$523	\$729
2005	\$531	\$764
2006	\$530	\$804
2007	\$540	\$822
2008	\$565	\$791
2009	\$613	\$880
2010	\$614	\$909
2011	\$652 (OII estimate based on 6.2% increase)	\$922 (III estimate based on 1.4% increase)
2012	\$685 (OII estimate based on 5% increase)	\$968 (III estimate based on 5% increase)

• The following chart compares Ohio’s average homeowners insurance premium expenditure to the US average for the most recent five-year period (2008-12):

**2008-12 Average Homeowners Insurance Expenditure
Ohio vs. US**



Sources:
 2008-10 data: National Association of Insurance Commissioners homeowners insurance expenditure reports
 2011-12 data: Estimates from Ohio Insurance Institute and Insurance Information Institute

• Between 2007-11 Ohio’s top 10 writers of homeowners insurance increased premiums by an average of 6.6% annually during the five-year period according to ODI homeowners insurance rate reports (<http://bit.ly/Uyrh96>).

Auto insurance

• According to the December 2012 NAIC report, Ohioans pay \$172 less for auto insurance than the US average. The 2010 average auto insurance expenditure in Ohio was \$619 compared to the US average of \$791. Ohio’s average auto insurance expenditure is 9th lowest in the country. Ohio’s previous ranking was 10th lowest based on 2009 NAIC data.

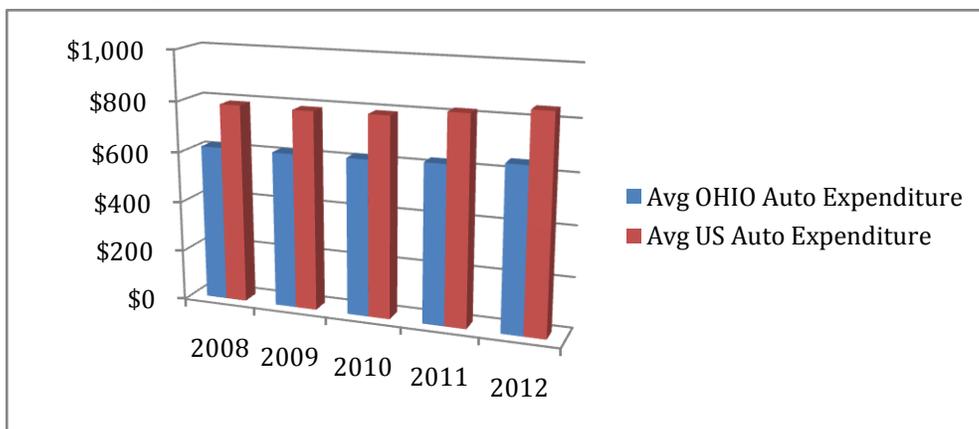
• States with lower average expenditures than Ohio are South Dakota (\$525), North Dakota (\$529), Iowa (\$547), Idaho (\$548), Maine (\$582), Nebraska (\$593), North Carolina (\$600) and Wisconsin (\$613). The average auto expenditure is an approximation of the cost of auto insurance in each state. To calculate average expenditures the NAIC assumes that all insured vehicles carry liability coverage but not necessarily collision or comprehensive coverages. The average expenditure measures what consumers actually spend for insurance on each vehicle. It does not equal the sum of liability, collision and comprehensive expenditures because not all policyholders purchase all three. For auto insurance expenditures by state go to <http://bit.ly/tb8x>.

• The following chart provides Ohio and US average auto insurance expenditures for 2003-12. Ohio and US figures for 2003-10 are from NAIC auto insurance reports. 2011 Ohio expenditures are projected by the OII based on NAIC 2010 average expenditure data and the 2011 ODI auto insurance rate change report (<http://bit.ly/Qsiadr>) showing a 1.2% average increase by Ohio’s top 10 auto insurers. 2011 US average is based on US Bureau of Labor Statistics consumer price index (CPI) data showing a 3.6% increase, estimated by III. The 2012 Ohio and US estimates are based on the 2012 American Automobile Association’s (AAA) report ‘Cost of Owning and Operating Vehicle in the US’ (<http://bit.ly/lv69cF>) showing a 3.4% increase.

<u>Year</u>	<u>Ohio Average Auto Ins. Expenditure</u>	<u>US Average Auto Ins. Expenditure</u>
2003	\$672	\$830
2004	\$680	\$842
2005	\$670	\$832
2006	\$654	\$817
2007	\$628	\$797
2008	\$617	\$789
2009	\$616	\$787
2010	\$619	\$791
2011	\$627 (OII estimate based on 1.2% increase)	\$820 (III estimate based on 3.6% increase)
2012	\$648 (OII estimate based on AAA 3.4% increase)	\$848 (estimate based on AAA 3.4% increase)

• The following chart compares Ohio’s average auto insurance premium expenditure to the US average for the most recent five-year period (2008-12):

2008-12 Average Auto Insurance Expenditure Ohio vs. US



Sources:

2008-10 data: National Association of Insurance Commissioners auto insurance expenditure reports
 2011-12 data: Estimates from Ohio Insurance Institute, Insurance Information Institute and AAA

- Ohio's average auto premium is less than it was 11 years ago. NAIC reported Ohio's 2002 average auto insurance expenditure was \$654. OII estimates that the average 2012 auto insurance expenditure for Ohioans is \$648.
- According to NAIC reports, Ohio's average auto insurance expenditure decreased annually between 2004-09. Between 2007-11 the top 10 Ohio auto insurance writers averaged less than a one percent increase annually (.5%) in auto premiums during the five-year period based on ODI auto insurance rate change reports (<http://bit.ly/Qsjadr>).

General points about Ohio insurance premium trends

- Not all insurance companies experience the same level or degree of losses (known as loss exposure). The range of premium rate changes reported by various companies in any given year reflects this. For example, Ohio's Top 10 writers of auto insurance reported rate changes from a -4.8% (decrease) to a 6.2% increase in 2011, according to the ODI (<http://bit.ly/Qsjadr>). Ohio's Top 10 homeowners insurers reported premium rate adjustments from a -3.6% (decrease) to an increase of 14.4% in 2011 (<http://bit.ly/Uyrh96>).
- Policyholders insured by the same company may also experience different premium adjustments, depending upon such factors as coverage choices, deductibles, personal claims history and company subsidiary.
- Insurers cannot raise premiums to recoup past losses but can make determinations based on future or potential risk. The number of Ohio's near or \$25-million-plus insured loss storms (includes winter storms, tornado, wind and hail losses) from 2010-12 is more than the entire previous decade (2000-09). Between 2010-12 Ohio had at least 13 storms near or over the \$25 million-loss threshold compared to 11 during the entire previous decade (2000-09). For details, see OII's winter storm history (<http://bit.ly/YQ2OAg>) and OII's wind/hail storm history (<http://bit.ly/1535fTH>).
- Ohio disaster-related insured loss estimates for the current five-year period (2008-12) are over 2 ½ times higher than the previous five-year period (2003-07). The current five-year estimate is \$3.3-3.4 billion (in 2012 dollar figures) compared to \$1.3 billion (in 2012 dollar figures) for the previous five-year period.
- Ohio's top three disasters (through March 2013) based on insured losses
 1. In September 2008, Ohio experienced the costliest natural disaster in recent history. Remnants of Hurricane Ike caused at least \$1.255 billion in insured losses in the Buckeye state (\$1.334B in 2012 dollar figures).
 2. The second costliest disaster is the 1974 Xenia tornado outbreak, estimated at over \$1 billion in 2012 dollars.
 3. Late June - early July 2012 derecho/summer storms are now the third costliest series of storms from an insured loss standpoint. Statewide losses from the June derecho and subsequent early July summer storms are estimated at \$845 million for the six-day period of June 28-July 4.

Top 10 Ohio Catastrophes (from insured losses)

Ranking based on 2012 adjusted dollar amounts

Rank/Event/Date	Initial loss estimates when event occurred	Estimates in 2012 dollar amounts
1. Hurricane Ike, September 14, 2008	\$1.255 billion	\$1.334 billion
2. Xenia tornado outbreak, Apr. 3-4, 1974	\$1 billion in 2008 dollars	\$1.063 billion
3. June-July summer storms, June 28-July 2, 2012	\$845 million	\$845 million
4. Spring storms, May 20-26, 2011	\$322-\$400 million	\$329-\$408 million
5. Hailstorm, June 8, 2007	\$288 million (May 2008 resurvey estimate)	\$306 million
6. Superstorm Sandy, Oct. 29-30, 2012	\$292 million	\$292 million
7. Easter hailstorm, April 20, 2003	\$230.5 million (April 2004 resurvey estimate)	\$277.1 million
8. Hail/windstorm, October 4, 2006	\$239.6 million	\$271.8 million
9. May storms, May 17, 21, 26-27, 2004	\$167 million	\$200.8 million
10. Blizzard of '93, March 14, 1993	\$120 million	\$187.8 million

1) Note: Based on property coverage only. Does not include flood damage or specific flood-related events, covered by the federally administered National Flood Insurance Program. In some cases these are preliminary loss estimates and should not be construed as total losses for the actual event.

2) Loss estimate sources: Ohio Insurance Institute and Property Claim Services

- Four of the five costliest years for Ohio insured losses have occurred in the past five years:

5 Costliest Years for Ohio Insured Losses

Ranking based on 2012 adjusted dollar amounts

Rank/Year	Event(s)	Initial loss estimates when event occurred	Estimates in 2012 dollar amounts
1. 2008	Hurricane Ike	\$1.255 billion	\$1.334 billion
2. 2012	3 events (March 2, June-July summer storms, Superstorm Sandy)	\$1.15 billion	\$1.15 billion
3. 1974	Xenia tornado outbreak	\$1 billion in 2008 dollars	\$1.063 billion
4. 2011	6 events	\$567.7-\$657.9 million	\$579.6-\$671.7 million
5. 2010	4 events	\$118 million	\$124 million

1) Note: Based on property coverage only. Does not include flood damage or specific flood-related events, covered by the federally administered National Flood Insurance Program. In some cases these are preliminary loss estimates and should not be construed as total losses for the actual event.

2) Loss estimate sources: Ohio Insurance Institute and Property Claim Services

- Insurers submit rate filings to the Ohio Department of Insurance with actuarial justification for any proposed rate change. The ODI, as the state’s insurance regulator, reviews such filings and can deny any premium adjustment that is found to be excessive or inadequate.

- Ohio’s home and auto premiums remain affordable. Consumers benefit from the hundreds of companies that provide insurance coverage in the Buckeye state. Only IL has more auto insurance providers than Ohio and only NY, IL and PA have more writers of homeowners insurance. Competition helps keep Ohio premiums consistently lower than the US average in both home and auto.

Resources & references

- NAIC 2010 homeowners insurance report news release (Dec. 2012): <http://bit.ly/UyRhQA>
- Homeowners insurance expenditures by state (III): <http://bit.ly/pbBXw7>
- ODI 2003-11 homeowners insurance premium rate change report: <http://bit.ly/Uyrh96>
- Check Up on Your Home Insurance (Kiplinger.com, August 2012): <http://bit.ly/PjoCBI>
- How to save on homeowners insurance (OII): <http://bit.ly/PbbIFJ>
- NAIC 2010 auto insurance report news release (Dec. 2012): <http://bit.ly/ZDHf6N>
- Auto insurance expenditures by state (III): <http://bit.ly/tb8x>
- ODI 2003-11 auto insurance premium rate change report: <http://bit.ly/Qsjadr>
- Cost of Owning and Operating Vehicle in the US, 2012 (AAA, April 2012): <http://bit.ly/lv69cF>
- How to save on auto insurance (OII): <http://bit.ly/UECMM8>
- OII winter storm history through March 2013: <http://bit.ly/YQ2OAq>
- OII wind and hail storm history through March 2013: <http://bit.ly/1535fTH>
- OII Charts: Ohio's costliest disasters: <http://bit.ly/XCHQnL>
- Overview and Outlook for P/C Insurance Industry: 2013 and Beyond (Robert Hartwig, III, Dec. 2012): <http://bit.ly/UG3JmQ>

For more information: Mary Bonelli/Mitch Wilson, OII: 614.228.1593