

Ohio Insurance Institute: January 2017 Trend Report  
(Revised 1/17)

## **JANUARY 2017 OII OHIO AUTO & HOMEOWNERS INSURANCE TREND REPORT**

### **Ohio insurance premiums continue to be among most affordable in US**

Although Ohioans will likely experience premium increases, they'll likely not be as severe as in most other parts of the US, based on on auto and homeowners insurance average premium expenditure reports released this month by the National Association of Insurance Commissioners (NAIC).

The Buckeye state's average homeowners insurance premium expenditure ranks 9<sup>th</sup> lowest in the US based on NAIC's 2014 homeowners insurance data released in January 2017. Ohio's average auto insurance premium expenditure is 12<sup>th</sup> lowest in the country, based on NAIC's 2014 auto insurance data, also released in January 2017. These are the same state rankings reported based on 2013 NAIC auto and homeowners insurance data.

The Ohio Insurance Institute (OII) reports that premiums Ohioans pay still remain well below the US average. Based on OII projections, this equates to about \$27 for homeowners insurance and a \$24 auto insurance premium adjustment in 2016. US average premium adjustments are estimated at \$39 for homeowners and \$30 for auto insurance for the same period.

#### **About the January 2017 report**

This report was last updated in October 2016. Changes since the October 2016 trend report:

- 1) Includes 2014 auto and homeowners insurance average premium expenditure data, released by the National Association of Insurance Commissioners (NAIC) in Jan. 2017.
- 2) Selected facts, figures and resources noted by a {{1/17}} revision date.

As key data becomes available, OII updates its trend report to help consumers understand Ohio's current insurance environment and the factors affecting it.

#### **About the OII**

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. OII's member companies represent over 87% of Ohio's private passenger auto insurance market, nearly 83% of the homeowners market and over 44% of the commercial market (based on 2015 market share data from the Ohio Department of Insurance).

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## I. HOMEOWNERS INSURANCE

**NOTE:** OII's homeowners insurance (HO) 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, including flooding. 78.7% of Ohio homeowners and 78.6% of the US homeowners market is written through HO-3 policies according to the [NAIC 2014 homeowners report](#) (Table 4). HO-3 policies represent about 77.7% of Ohio's homeowners insurance premium volume and 79.5% of the US homeowners insurance premium volume. (1/17)

- Based on 2014 data released by the NAIC in January 2017, Ohioans pay \$335 less for homeowners (HO) insurance than the US average. Ohio's average 2014 homeowners insurance expenditure of \$797 is nearly 30% less than the US average of \$1,132. Ohio's 2013 homeowners insurance average premium was \$763 compared to the US average of \$1,096 – \$333 less (over 30%). Ohio's 2012 HO insurance expenditure of \$721 was \$313 less than the US average expenditure of \$1,034. (1/17)

- According to [NAIC 2014 HO insurance premium data](#) (Table 4), Ohio's average homeowners expenditure ranks 9<sup>th</sup> lowest in the US. States with lower average HO expenditures (from lowest) are: Oregon (\$574), Idaho (\$590), Utah (\$634), Wisconsin (\$686), Washington (\$695), Nevada (\$704), Delaware (\$736) and Arizona (\$765). The average expenditure is based on the type of coverage that most Ohio and US homeowners purchase (78.7% in Ohio/78.6% nationally), an HO-3 policy. For homeowners and renters insurance expenditures by state, including rankings, see the [Insurance Information Institute \(III\) homeowners insurance report](#). (1/17)

- According to the [2005-15 ODI rate change report](#) information, the top 10 Ohio insurers had an average homeowners insurance increase of 1.5% between 2014-15. This is the lowest percentage increase in eight years. In 2007 insurers averaged a .5% increase. Since then, the average increases between 2008-15 ranged from a high of 9.5% in 2009 to the 2015 average increase of 1.5%. The top 10 Ohio homeowners insurers represent 73.7% of the state's market share.

- **Average Ohio and US homeowners insurance expenditure 2003-2016**

The table on page 4 provides Ohio and US average 2003–16 homeowners insurance expenditures. Ohio and US figures for 2003-14 are from NAIC homeowners insurance reports. 2015 Ohio expenditures are estimated by the Ohio Insurance Institute based on [NAIC 2014 data](#) and the [2005-15 ODI rate change report](#) showing an average increase of 1.5% by Ohio's top 10 homeowners insurers in 2015. The top 10 Ohio homeowners insurers represent 73.7% of the state's market share.

US estimates for 2015-16 are based on projections, using a 3.3% increase as estimated by the Insurance Information Institute. Ohio projections for 2016 are also based on III's 3.3% rate increase at this point. (1/17)

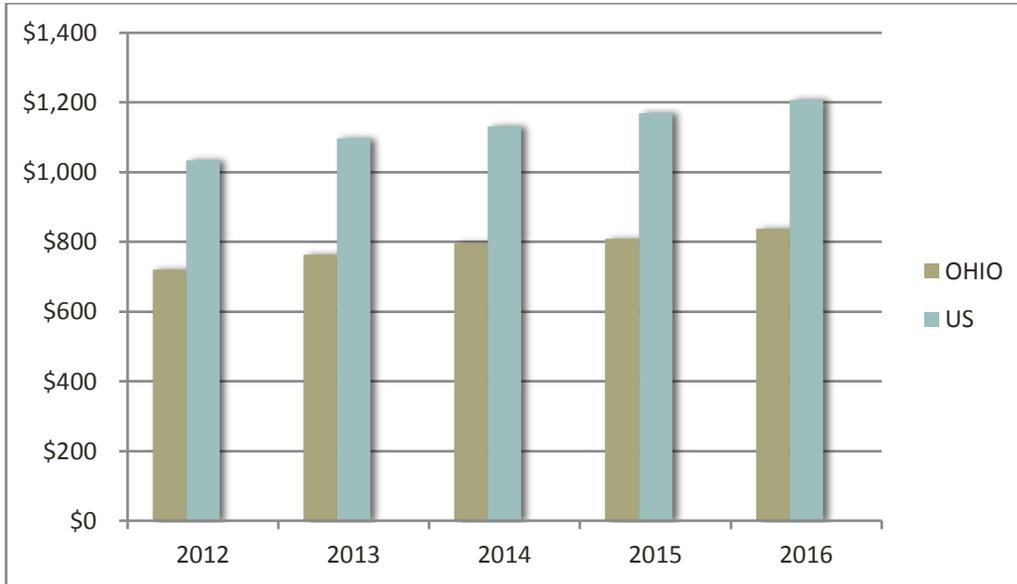
Average Ohio and US homeowners insurance expenditures, 2003–2016 (1/17)

Year	Ohio Average HO Ins. Expenditure	US Average HO Ins. Expenditure
2003	\$476	\$668
2004	\$523	\$729
2005	\$531	\$764
2006	\$530	\$804
2007	\$540	\$822
2008	\$565	\$830
2009	\$613	\$880
2010	\$614	\$909
2011	\$644	\$978
2012	\$721	\$1,034
2013	\$763	\$1,096
2014	\$797	\$1,132
2015	\$809 (OII est. based on ODI 1.5% increase)	\$1,169 (est. based on III 3.3% increase)
2016	\$836 (OII est. based on III 3.3% increase)	\$1,208 (est. based on III 3.3% increase)

• **2012-16 Average Homeowners Insurance Expenditure for Ohio and US**

The following chart compares Ohio’s average homeowners insurance premium expenditures to the US average for the most recent five-year period (2012–16).

**2012–16 Average Homeowners Insurance Expenditure for Ohio and US (1/17)**



2012-14: National Association of Insurance Commissioners homeowners insurance expenditure reports.

2015: Ohio estimates from Ohio Insurance Institute (OII) from [ODI rate change report](#).

2015-16: US estimates based on projections, using a 3.3% increase as estimated by the Insurance Information Institute (III).

2016: Ohio estimates from OII, based on 3.3% increase as projected by III.

- In the 10-year period, 2006 to 2015, the top 10 Ohio homeowners insurance writers averaged a 5.2% increase annually based on [ODI homeowners insurance rate change report](#).
- The average US homeowners insurance premium rose 3.3% in 2014, following nearly a 6% increase in 2013, a 5.7% increase in 2012 and a 7.6% increase in 2011, according to NAIC reports. Ohio homeowners premiums rose 4.5% in 2014 (\$34), 5.8% in 2013 (\$42), 12% in 2012 (about \$77), and 4.9% in 2011 (\$30). (1/17)
- **Ohio average homeowners insurance premium adjustments for the most recent 5-year period compared to US**, including estimates for 2015-16. (1/17):

OHIO HO	US HO
\$77 in 2012	\$56 in 2012
\$42 in 2013	\$62 in 2013
\$34 in 2014	\$36 in 2014
\$12 in 2015	\$37 in 2015
\$27 in 2016	\$39 in 2016

- **2005-15 Ohio homeowners insurance paid losses**

In 2015 Ohio's insurance companies covered \$1.1 billion in homeowners insurance losses. This is the lowest dollar amount paid out since 2006. In 2016 dollars, 2011 had the highest homeowners insurance loss payouts.

The following provides actual 2005-15 paid Ohio homeowners insurance losses and losses in 2016 dollars.

**2005-2015 Ohio homeowners insurance paid losses**

Year	Paid homeowners insurance losses in Ohio	Paid homeowners insurance losses in Ohio in 2016 dollars
2015	\$1.1 billion	\$1.12 billion
2014	\$1.3 billion	\$1.32 billion
2013	\$1.3 billion	\$1.34 billion
2012	\$1.8 billion	\$1.89 billion
2011	\$2.1 billion	\$2.25 billion
2010	\$1.6 billion	\$1.77 billion
2009	\$1.7 billion	\$1.91 billion
2008	\$1.8 billion	\$2.01 billion
2007	\$1.3 billion	\$1.51 billion
2006	\$978 million	\$1.17 billion
2005	\$842 million	\$1.04 billion

Source: Ohio Dept. of Insurance

- A 2016 Insurance Information Institute poll conducted by ORC International found that 93% of homeowners had homeowners insurance (95% in 2015). Only 41% of renters had renters insurance (40% in 2104). (1/17)
- According to a [2015 report](#) from the Insurance Research Council, the cost of homeowners insurance claims rose at twice the pace of inflation between 1997-2013, due to claims severity (cost per claim). Claims costs increased at an average annualized rate of 5% between 1997-2013, while inflation averaged about a 2.4% adjustment annually during the same period.
- 5.3% of insured homes in the US experienced a claim in 2014, compared to 5% in 2013, 7.7% in 2012 and nearly 10% in 2011. The cost per claim rose annually during the four-year period: \$8,431 in 2011; \$8,797 in 2012; \$10,397 in 2013 and \$10,750 in 2014. (Source: III from ISO) (1/17)
- In the five-year period, 2010-14, 7% of US insured homes had a claim. Wind and hail accounted for the largest share of claims, with 3.1% of insured homes having such a loss. (Source: III)

- US homeowners insurance losses, net of reinsurance, rose to \$41.2 billion in 2015 from \$39.9 billion in 2014, \$35.5 billion in 2013 and \$41 billion in 2012, according to SNL Financial. (Source: III) (1/17)

- **Homeowners insurance claims frequency**

- Homeowners claims related to wind or hail are the most frequent; the costliest are related to fire and lightning.
- About one in 15 insured homes has a claim each year.
- About one in 30 insured homes has a property damage claim related to wind or hail each year.
- About one in 55 insured homes has a property damage claim caused by water damage or freezing each year.
- About one in 215 insured homes has a property damage claim due to theft each year.
- About one in 265 insured homes has a property damage claim related to fire and lightning.
- About one in 1,000 homeowners policies has a liability claim related to the cost of lawsuits for bodily injury or property damage that the policyholder or family members cause to others.

*Source: III calculations, based on ISO, a Verisk Analytics company, data for homeowners insurance claims from 2010-14.*

- Some of key factors affecting homeowners insurance premiums identified in the 2014 NAIC HO report are summarized below. These factors, as well as the reconstruction cost data noted below, can result in premium variations, not only by region or state, but at local levels as well. See the [NAIC homeowners report](#) for more. (1/17)

Factors include:

- **Geographic areas:** Generally, the more densely populated the location, the higher the real estate values and construction costs. You'll also find relatively higher real estate values in vacation and retirement areas.
- **Construction costs:** The type of residence, the availability of building materials, local climate and building regulations all affect construction costs. Premiums also reflect higher expected repair costs for designs intended to reduce structural damages from earthquakes or hurricanes, for example.
- **Reconstruction costs:** According to [Verisk Analytics](#), overall US reconstruction costs grew 2.4% from [January 2016 to January 2017](#), with Ohio cost increases in the 1.5-1.99% range. Verisk reports that [January 2015 to January 2016 overall reconstruction costs](#) increased 2.2%, with Ohio cost increases in the 2-2.99% range. See chart on page 8. (1/17)

Older reports note:

- [January 2014 to January 2015](#), overall reconstruction costs increased 4.3%, with Ohio cost increases in the 4.01-5% range
- [January 2013 to January 2014](#), overall reconstruction costs increased 3% in the US, with Ohio cost increases in the 3.01-4% range
- [January 2012 to January 2013](#), overall reconstruction costs increased 2.02%, with Ohio in the 0-.99% range
- [January 2011 to January 2012](#) rose 1.3%, with Ohio reconstruction cost increases in the 1-1.99% range

To put this in perspective, generally speaking, a property costing \$300,000 to build in 2011 would cost an estimated \$334,500-351,000 to reconstruct in Ohio in 2016 and about \$345,900 nationally, based on the Verisk data below.

**Annual Reconstruction Cost Increases in Ohio and US,  
2011–16 (in percentages) (1/17)**

Year	Ohio	US
2011	1-1.99%	1.35%
2012	0-.99%	2.02%
2013	3.01-4%	3%
2014	4.01-5%	4.3%
2015	2-2.99%	2.2%
2016	1.5-1.99%	2.4%
<b>(Rounded) 6-YEAR % TOTAL INCREASES</b>	<b>11.5%-17%</b>	<b>15.3%</b>

Sources: Verisk Analytics, totals from Ohio Insurance Institute based on Verisk data.

- **Degree of exposure to catastrophe:** Degree of exposure to catastrophe affects the cost of insurance to homeowners. Brush and forest fires, tornadoes, high winds, hail, freezing rain, snow storms, hurricanes, earthquakes, riots and even terrorist attacks are some of the catastrophes that can occur in the US. Every place in the world has an exposure to some type of catastrophe, with some areas more prone to certain types. Brush and forest fires are more common in the West. Hurricane exposure is greater in areas near the Gulf of Mexico and the Atlantic Ocean. Exposure to tornado damage is greatest in the central and southwestern parts of the US, even though tornadoes can and do occur in nearly every state. Earthquake exposure also exists throughout the country because seismic faults are located in all regions. Terrorist attacks, although not specific to any geographic area, have typically occurred in larger urban areas.
- **Stricter building codes:** After major catastrophes like Hurricane Katrina or Superstorm Sandy, many state and local governments in high-risk areas have implemented more stringent building codes in an attempt to minimize damage and losses in the future. In addition to new homes, older homes are being retrofitted to comply with new codes. The cost to repair or replace more expensive materials has impacted premiums. In the long run, such code changes will result in structures that are less vulnerable to damage, which can help to reduce premiums. (1/17)
- **Economic factors:** Such economic factors as inflation increase the amount of insurance premiums over time. Interest rates and inflation can affect not only the value of the real estate and building but also the price of the insured contents.

## II. AUTO INSURANCE

- Based on 2014 data released by the NAIC in January 2017, Ohioans pay \$183 less for auto insurance than the US average. Ohio's average 2014 auto insurance expenditure of \$683 is over 21% less than the US average of \$866. Ohio's 2013 average auto insurance expenditure in Ohio of \$659 was \$182 less than the US average of \$841. (1/17)
- According to NAIC 2014 auto insurance premium data (Table 4), Ohio's average auto insurance expenditure ranks 12<sup>th</sup> lowest in the US. The 11 states with lower average auto insurance expenditures than Ohio (from lowest) are: Idaho (\$572), Iowa (\$586), South Dakota (\$601), Maine (\$607), North Dakota (\$630), Indiana (\$642), North Carolina (\$644), Wisconsin (\$646), Nebraska (\$663), Vermont (\$665) and Wyoming (\$669). (1/17)

*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 per vehicle. It does not equal the sum of liability, collision and comprehensive expenditures because not all policyholders purchase all three. For auto insurance expenditures and rankings by state, see the Insurance Information Institute's (III) auto insurance report.*

- Ohio's average auto insurance expenditure rose about \$24 in 2014 (\$2/month), the same dollar increase as in 2013. According to previous NAIC reports, Ohio experienced a \$15 increase in 2012. The US average expenditure rose about \$28 in 2014, compared to \$26 in 2013 and a \$17 increase in 2012. (1/17)
- Based on an analysis of 2013 NAIC data, the Insurance Information Institute (III) reports that 78% of insured drivers purchase comprehensive coverage in addition to liability insurance, and 72% buy collision coverage.

### • **Average Ohio and US auto insurance expenditure 2003-2016**

The table on page 10 provides Ohio and US average auto insurance expenditures for 2003-16. Ohio and US figures for 2003-14 are from NAIC auto insurance reports. 2015 Ohio expenditures are projected by the OII based on NAIC 2014 average expenditure data and the ODI auto insurance rate information showing a 2.3% in 2015. US estimates for 2014-15 are estimates/projections from the Insurance Information Institute based on Dr. Robert Hartwig's July 2016 presentation, P/C Insurance Industry Outlook for 2016 & Beyond Focus on Texas Markets, slide #73. 2016 Ohio and US estimates are based on III's estimated 2015 US average increase of 3.4% at this point. (1/17)

**Average Ohio and US auto insurance expenditures, 2003–2016 (1/17)**

Year	Ohio Average Auto Ins. Expenditure	US Average Auto Ins. Expenditure
2003	\$672	\$830
2004	\$680	\$842
2005	\$670	\$831
2006	\$654	\$816
2007	\$628	\$799
2008	\$617	\$791
2009	\$616	\$787
2010	\$619	\$789
2011	\$620	\$795
2012	\$635	\$812
2013	\$659	\$838
2014	\$683	\$866
2015	\$699 (OII est. based on III 2.3% increase)	\$895 (III 3.4% estimate)
2016	\$723 (OII est. based on III 3.4% increase)	\$925 (III 3.4% estimate)

- Based on actual NAIC average expenditure data comparing 2003 to 2014, Ohio's 2014 average auto insurance expenditure is only \$11 more. NAIC reported 2003 Ohio's average expenditure was \$672 and \$683 in 2014. (1/17)

- According to the ODI [2005-15 ODI auto insurance rate change report](#), Ohio's 2014 premium percentage increase is the lowest increase since 2011. Ohio's private passenger auto insurance premium percentage increase is also less than the US average increases for 2014-15. Ohio's top 10 private passenger auto insurers represent 76.2% of the state's market share.

- **Ohio's average auto insurance premium adjustments for the most recent 5-year period compared to US**, including estimates for 2015-16. (1/17):

**OHIO AUTO**

\$15 in 2012

\$24 in 2013

\$24 in 2014

\$16 in 2015

\$24 in 2016

**US AUTO**

\$17 in 2012

\$26 in 2013

\$28 in 2014

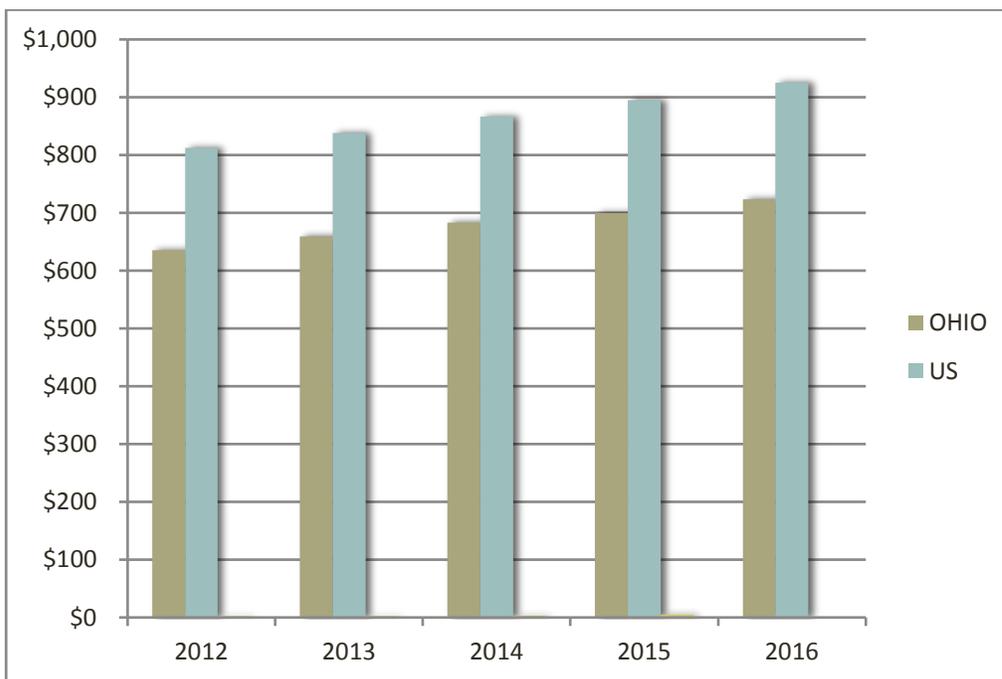
\$29 in 2015

\$30 in 2016

- **2012-2016 Average Auto Insurance Expenditure for Ohio and US**

The following chart compares Ohio’s average auto insurance premium expenditure to the US average for the five-year period 2012-16:

**2012-2016 Average Auto Insurance Expenditure for Ohio and US (1/17)**



2012-14: National Association of Insurance Commissioners auto insurance expenditure reports

2015: Ohio estimates from Ohio Insurance Institute from [ODI rate change report](#)

2016: Ohio estimates from Ohio Insurance Institute, based on Insurance Information Institute % increase

2015-16: US estimates from Insurance Information Institute

- According to the [2005-15 ODI rate change report](#) information, Ohio’s top 10 private passenger auto insurers had an average auto insurance premium increase of 2.3% between 2014-15. This is despite the fact that Ohio insurers covered \$3.9 billion in personal and commercial auto insurance losses in 2015, the highest level of losses in at least 11 years, based on actual dollar losses (Source: Ohio Department of Insurance). In 2016 dollars, 2005 had the largest auto insurance payouts.

- **2005-15 Ohio auto insurance paid losses**

In 2015, Ohio’s insurance companies covered \$3.9 billion in losses related to personal and commercial auto insurance, the highest amount paid out in at least 11 years. In 2016 dollars, 2005 and 2006 had larger auto insurance loss payouts. The chart on page 12 provides Ohio’s auto insurance losses paid 2005-15 and these losses in 2016 dollars.

**2005-2015 Ohio auto insurance paid losses**

Year	Paid auto insurance losses in Ohio	Paid auto insurance losses in Ohio in 2016 dollars
2015	\$3.9 billion	\$3.96 billion
2014	\$3.8 billion	\$3.87 billion
2013	\$3.5 billion	\$3.62 billion
2012	\$3.2 billion	\$3.36 billion
2011	\$3.5 billion	\$3.75 billion
2010	\$3.2 billion	\$3.53 billion
2009	\$3.3 billion	\$3.70 billion
2008	\$3.5 billion	\$3.92 billion
2007	\$3.0 billion	\$3.48 billion
2006	\$3.4 billion	\$4.06 billion
2005	\$3.5 billion	\$4.32 billion

Source: Ohio Dept. of Insurance

- In the 10-year period 2006 to 2015, the top 10 Ohio auto insurance writers averaged just over 1% increase annually (1.22%), based on the [ODI auto insurance rate change report](#).

**6 points on what's driving auto insurance premiums**

1) Uptick in crash injuries, fatalities and miles driven between 2014-15. According to the [National Highway Traffic Safety Administration](#):

- 35,092 people died in crashes on US roadways in 2015, an increase from 32,744 in 2014. The 7.2 percent increase is the largest percentage increase in nearly 50 years.
- The estimated number of injuries sustained in US crashes rose from 2.34 million in 2014 to 2.44 million in 2015.
- Vehicle miles traveled increased by 3.5 percent between 2014-15, the largest increase since 1992, nearly 25 years ago.

Ohio: According to the Ohio Dept. of Public Safety [2015 Crash Facts](#), Ohio fatalities, injuries and property damage crashes also increased between 2014 and 2015. Total crashes and those related to alcohol also rose. Also see: [Ohio Fatal Crash Summary Statistics by Year, 2011–15](#). (1/17)

2) Most frequency and severity data related to auto insurance claims continue to rise, based on 2015 data from ISO and [reported by the Insurance Information Institute \(III\)](#).

- In both 2015 and in 2014, 6.0% of collision insurance policyholders had a claim (5.7% in 2013, 5.6% in 2012).
- 2.7 percent of people had a comprehensive claim in 2015 (2.8% in 2014, 2.6% in 2013 and 2012).

- In both 2015 and 2014 less than 1% of insureds with liability insurance had a bodily injury liability claim (about the same in 2013 and 2012), while 3.7% of those with liability insurance (3.7% in 2014, 3.6% in 2013 and 3.5% in 2012) had a property damage liability claim in 2015.
- In 2015 the average auto liability claim for property damage was \$3,493 (2014: \$3,290, 2013: \$3,231 and 2012: \$3,073).
- The average auto liability claim for bodily injury in 2015 was \$17,024 (2014: \$16,640, 2013: \$15,443 and 2012: \$14,653).
- In 2015 the average collision claim was \$ 3,350 (\$3,160 in 2014, \$3,144 in 2013 and \$2,950 in 2012).
- The average comprehensive claim in 2015 was \$1,671 (\$1,567 in 2014, \$1,621 in 2013 and \$1,585 in 2012).
- Incurred losses for both private passenger and commercial auto insurance continue to rise. Between 2011-15, losses rose 18.3% according to NAIC data, sourced from S&P Global Market Intelligence. Total losses (includes private passenger and commercial auto) were \$112.3 billion in 2011 compared to \$132.9 billion in 2015.

For a comprehensive look at these and other factors, see III's report: [More Accidents, Larger Claims Drive Costs Higher.](#) (1/17)

3) Injury claim costs are rising, despite advancements in car safety. The [Insurance Research Council](#) reports that US auto injury claim costs per insured vehicle have continued to increase for the better part of the last decade. From 2005 to 2013, the frequency of bodily injury (BI) liability claims fell 14.5 percent, while the average cost per paid BI liability claim increased 32.1 percent, from \$11,738 to \$15,506.

4) As noted in this [Property/Casualty 360](#) article, such factors as cellphones and other driver distractions; pricier materials, technology and repairs on newer vehicles; product recalls and new laws such as marijuana legalization impacting auto insurance pricing.

5) III provides data from the Bureau of Labor Statistics consumer price index (CPI) on [services that factor into the cost of auto insurance.](#) (1/17) Between 2006 and 2015, they report:

- 68.6% increase in costs associated with hospital services
- 25.4% increase in costs associated with physician services
- 24.9% increase in costs associated with vehicle repairs
- 6.9% increase in new vehicle costs
- 29.4% increase in costs associated with legal services

6) The [National Safety Council](#) reports the following, which also contribute indirectly to insurance costs.:

- A stronger economy and lower unemployment rates
- Average gas prices were 28% lower in 2015 than in 2014, making driving more affordable
- Hazardous driving conditions in some parts of the country
- Generally speaking, more drivers on the road increase the risk for driver error and potential for crashes.

- Although insurance premiums vary widely by factors such as driver, driving habits, insurance company and geographical area, the [AAA 2016 Your Driving Costs study](#) reports nearly a 9.6% increase in auto insurance premiums in 2016, compared to its 2015 report. The \$107 increase in 2016, takes the annual average auto insurance premium to \$1,222 a year. AAA's calculations are based on low-risk drivers with excellent driving records. AAA cites that this increase may be due in part to lower gas prices, which have resulted in more miles driven, greater numbers of collisions and higher insurance payouts.
- The average age for both passenger cars and light trucks stands at a record 11.6 years in 2016, according to [IHS Markit](#), up from 11.5 years in 2015. Vehicle age increased rapidly between 2008 and 2013. In 2008, the average age of cars and trucks in the U.S. was 10 years; by 2013, it was 11.4 years, or 14% higher. (1/17)

### III. OHIO CATASTROPHES AND OTHER PREMIUM TRENDS

- **Ohio 2016 major natural disaster losses to-date** (as of September 2016)
  1. **Blizzard of 2016, Jan. 22-24:** Ohio was included in the PCS data call for insured losses pertaining to the Blizzard of 2016, which affected at least 16 states and the Washington DC area. Ohio losses did not reach the 'catastrophic threshold' of \$25 million. [Property Claim Services' \(PCS\)](#) insured loss estimates for Ohio stand at nearly \$2.85 million.
  2. **April 2-3:** Ohio insured losses from this spring storm outbreak that included wind and hail, stand at \$63.5 million, according to PCS.
  3. **June 22-23:** Preliminary Ohio insured loss estimates of \$33.2 million from PCS included two EF-1 tornadoes in Ohio on June 23.
  4. **August 24-25, 2016:** At least 21 tornadoes were confirmed in Indiana and NW Ohio according to the National Weather Service (NWS), with Ohio counting for 10 occurring in Paulding, Defiance, Henry and Lucas counties. PCS estimates total insured losses for Ohio and Indiana from this outbreak at over \$63.4 million, with Ohio accounting for \$9.76 million of the insured losses.
- **Recap of Ohio's 2015 major natural disasters**

According to Property Claim Services (PCS), a business unit of Verisk Analytics, Ohio experienced three catastrophes (events causing \$25-plus million in insured losses affecting multiple insurers) in 2015 and one below the threshold. PCS estimates Ohio 2015 total catastrophe-related insured losses at about \$155.2 million, which is 57% less than the total losses Ohio insurers experienced in 2014 (\$360 million). 2015 is currently the 11th costliest year from an insured loss standpoint, based on OII surveys conducted since 1993 and PCS data.

1. **February 16-22, 2015 winter storm:** Ohio was spared for most part during the winter of 2014-15. The one Ohio winter storm in 2015 that triggered insured losses over the catastrophe threshold occurred in February. PCS' final Ohio insured loss estimates from this storm is \$40.8 million.
2. **July 12-14, 2015 wind and thunderstorm event:** PCS' final insured loss estimates for Ohio from the July storms is over \$36.9 million.

3. **May 23-28, 2015 storms:** According to PCS, Ohio losses did not reach the catastrophic threshold, and are estimated at \$14.8 million.
4. **April 7-10, 2015 storms:** 16 central US states were affected, including Ohio, with insured losses of \$62.7 million.

Also see: OII's [winter storm history](#) and OII's [wind/hail storm history](#) for specifics.

• **Ohio's top four disasters** (through August 2016) based on insured losses in 2016 dollars, excluding the Blizzard of '78:

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 (\$1.4 billion in 2016 dollars).
2. The second costliest disaster is the **1974 Xenia tornado outbreak** estimated at over \$1.12 billion in 2016 dollars.
3. The **May 20-27, 2011 storm event** was responsible for the intense May 22 EF-5 tornado in Joplin, Mo. It caused extensive damage as it moved through Ohio. Ohio's hardest-hit areas included southwestern and northern parts of the state. At least nine tornadoes were confirmed in the Buckeye state from May 23-26, including five EF-1 tornadoes with maximum winds between 90-105 mph. PCS conducted four resurveys on this storm event. Due to the perils associated with the damage (wind, hail, flooding, tornadoes), multiple surveys are often necessary to capture more complete claims data. Final loss estimates for Ohio from the May 2011 storms now stand at \$1.05 billion (released 3/15) with 100,000 claims. This equates to about \$1.07 billion in 2016 dollars.
4. **Late June-early July 2012 derecho/summer storms** are the fourth 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 (\$886.4 million in 2016 dollars) for the six-day period of June 28-July 4.

• Ohio catastrophe related insured loss estimates for the five-year period of 2011-15 are estimated at over \$3.18 billion (in 2016 dollar figures). With the exception of 2013, all rank in Ohio's top 11 costliest years for insured losses. See the chart, *Costliest Years for Ohio Insured Losses Through 2015*, on page 11 for specifics by year.

• 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 auto insurance writers had premium adjustments ranging from -3.7% (decrease) to 6.3% in 2015. Ohio's top 10 homeowners insurers reported premium adjustments from -2.7% (decrease) to 6.1% in 2015.

• 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 catastrophes (includes winter storms, tornado, wind and hail losses) in the five-year period from 2011-15 is equal to the entire previous decade (2001-10). Between 2011-15 Ohio has had at least 18 storms (14 wind/hail, 4 winter storms) near or over the \$25 million-loss threshold compared to 15 (10 wind/hail, 5 winter storms) during the entire previous decade (2001-10). For details, see OII's [winter storm history](#) and OII's [wind/hail storm history](#).

- 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 are affordable. Consumers benefit from the hundreds of companies that provide insurance coverage in the Buckeye state. Ohio ranks third behind Illinois and Texas in the number of insurance carriers for all auto insurance lines with 677 companies. Four states—Illinois, New York, Pennsylvania and Georgia—have more writers of homeowners insurance. Ohio and New Jersey are tied with 233. Competition helps keep Ohio’s insurance premiums consistently lower than the US average in both home and auto. (Source: A.M. Best)

- **Costliest Years for Ohio Insured Losses Through 2015**

Four of Ohio’s five costliest years for catastrophes from an insured loss standpoint have occurred since 2008. See the following chart.

### 11 Costliest Years for Ohio Insured Losses Through 2015 (since 1993)

(Based on insured catastrophe losses, 2016 adjusted dollar amounts—Updated 9/16)

Rank/Year	Event(s)	Initial loss estimates when event occurred	Updated Losses/Estimates in 2016 dollars
1. 2008	1 event: Hurricane Ike	\$1.255 billion	\$1.4 billion
2. 2011	6 events: See OII’s <a href="#">winter storm</a> and <a href="#">wind/hail storm</a> reports	\$567.9-\$645.9 million (mean = \$606.9 million) <sup>1</sup>	\$1.33 billion <sup>1</sup>
3. 2012	3 events: March 2, June-July summer storms, Superstorm Sandy	\$1.15 billion	\$1.21 billion
4. 1974	Xenia tornado outbreak	\$1 billion in 2008 dollars	\$1.12 billion
5. 2014	3 events: Jan. 5-8 Polar Vortex; May 10-14 storms and May 18-23 storms	\$360 million	\$366.3 million
6. 2007	1 event: June 8 hailstorm	\$288 million	\$334.5 million
7. 2004	2 events: May and December storms	\$252 million	\$316.1 million
8. 2003	2 events: Easter Sunday hailstorm and Great Blizzard of 2003	\$250.5 million <sup>2</sup>	\$320.1 million
9. 2006	1 event: Oct. wind/hail	\$239.6 million	\$286.3 million
10. 1993	1 event: March blizzard	\$120 million	\$200.0 million
11. 2015	3 events above & 1 below catastrophe level	\$155.2 million	\$157.7 million

<sup>1</sup> 2011 loss estimates were revised in 5/15 to reflect adjustments made to Ohio insured losses from the May 20-27, 2011 storms that included several tornadoes. Preliminary losses were originally estimated at \$322-400

million when the event occurred. Final Ohio loss estimates, reported by PCS in March 2015, now stand at \$1.05 billion based on several resurveys. The 2016-dollar amount is adjusted using the updated 2015 PCS figure for Ohio.

<sup>2</sup> 2003 estimates include OII's 2004 resurvey figures to Easter Sunday hailstorm.

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. Loss figures are rounded.

Note: This chart does not include the Blizzard of '78. Complete loss estimates for this event are not available.

Sources: Ohio Insurance Institute and Property Claim Services

- Insurance fraud affects what we all pay for insurance. III reports that although the cost of fraud is difficult to determine, the insurance industry generally estimates that fraud is about 10% of the property/casualty insurance industry's incurred losses and loss adjustment expenses annually, but that the figure can fluctuate based on line of business, economic conditions and other factors. Healthcare, workers compensation and auto insurance are believed to be the most vulnerable lines when it comes to fraudulent activities. Questionable insurance claims rose by 16% between 2010-12, according to the National Insurance Crime Bureau (NICB). NICB also reports that suspicious personal property claims rose 46% between 2010-12. According to the Coalition Against Insurance Fraud, Fraud accounts for 5-10% of claims costs for U.S. and Canadian insurers. Nearly one-third of insurers say fraud was as high as 20% percent of claims costs.
- In its 2016 Insurance Regulation Report Card report, R Street took note of Ohio's underwriting freedom as a notable strength. (1/17)

#### IV. RESOURCES & REFERENCES

- NAIC 2014 homeowners insurance report (Jan. 2017)
- III: Homeowners insurance expenditures by state
- ODI: 2005-15 homeowners insurance premium rate change report
- OII: Saving on auto and homeowners insurance
- NAIC 2013-14 auto insurance report (Jan. 2017)
- III: Auto insurance expenditures by state
- ODI: 2005-15 auto insurance premium rate change report
- III slide: Average annual US auto insurance expenditure 1994-2015
- AAA: 2016 Your Driving Costs study
- OII: Winter storm history through August 2016
- OII: Wind and hail storm history through August 2016
- OII: Ohio's insurance industry
- ISO/Property Claim Services: Interactive state map-The Financial Effects of Natural Disasters
- OCSWA: Ohio 2015-16 winter weather summary
- OII: October 2016 edition of trend report (previous edition)

#### FOR MORE INFO:

Mary Bonelli, Ohio Insurance Institute, 614.228.1593