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Insurance industry

## JULY 2015 OHIO AUTO & HOMEOWNERS INSURANCE TREND REPORT

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(REVISED 7/15)

### 2015 OII Ohio auto and homeowners insurance trend report: Premiums remain well below US average

Despite an uptick 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 increases, the cost of coverage in Ohio remains considerably lower in comparison to most other states. The Buckeye State's [average homeowners insurance premium expenditure ranks 9<sup>th</sup> lowest in the US](#) based on the Insurance Information Institute's (III) analysis of 2012 data from the National Association of Insurance Commissioners (NAIC). [Ohio's auto insurance premium expenditure is 11<sup>th</sup> lowest](#) in the country reports III based on 2012 NAIC data.

#### About the July 2015 report

This report was updated in July 2015. Changes since the May 2015 trend report:

- 1) Includes 2014 premium rate change information for Ohio's Top 10 writers of [auto](#) and [homeowners](#) insurance released by the Ohio Department of Insurance (ODI) in July 2015.
- 2) Reflects [Property Claim Services](#) (PCS) final loss estimate report for the [May 20-27, 2011](#) storm event released in March 2015. It resulted in a major uptick in losses in Ohio and many of the other affected states. These updated figures are reflected throughout this report as noted.
- 3) Includes storm loss information from Ohio's February 2015 winter storm.
- 4) OII [wind/hail storm](#) and [winter storm history](#) reports have been updated to reflect new/revised loss information.
- 5) Selected facts and figures as noted by revision date.

The January 2015 edition reflects [2012 auto insurance average insurance premium expenditure information](#) released in December 2014 by National Association of Insurance Commissioners. The homeowners insurance information reflects [NAIC information released in January 2015](#) for 2012. OII updates its trend report regularly to help consumers understand Ohio's current insurance environment and the factors affecting it.

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 homeowners insurance 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. Over 81% of Ohio homeowners and 80% of the US homeowners market is written through HO-3 policies. OII homeowners insurance premium figures are slightly different than [information released by the Ohio Department of Insurance](#) (ODI) in January 2015. Both are correct but use slightly different data.*

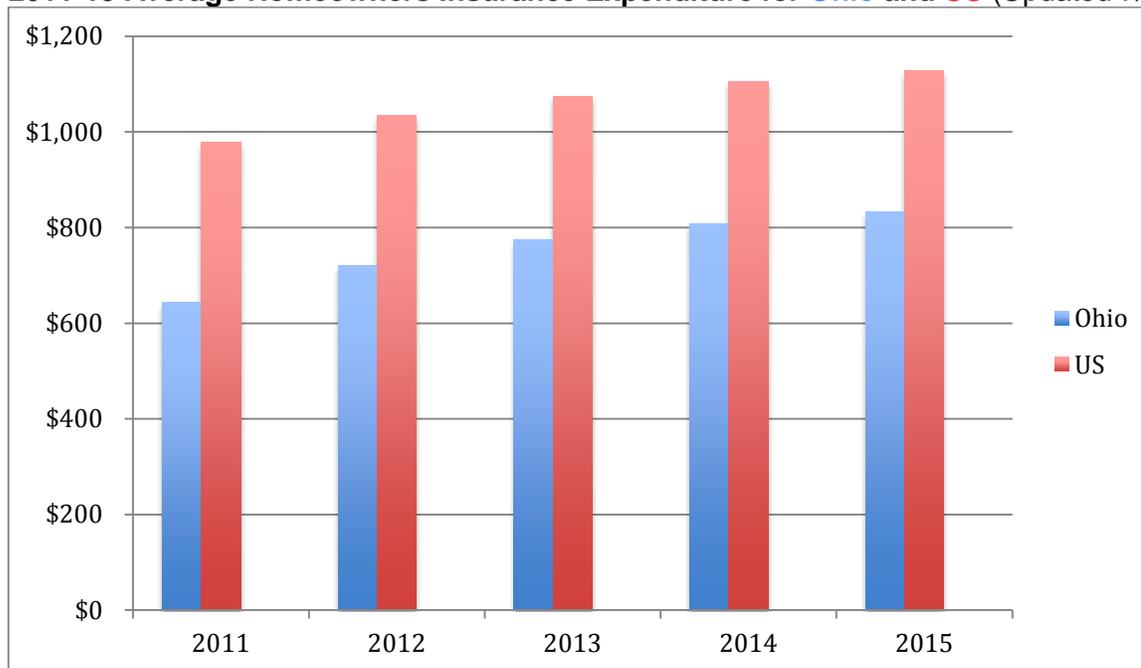
- Based on [2012 data](#) released by the National Association of Insurance Commissioners (NAIC) in January 2015, Ohioans pay \$313 less for homeowners (HO) insurance than the US average. The average 2012 Ohio homeowners insurance expenditure was \$721 compared to the US average of \$1,034. Ohio's 2011 homeowners insurance expenditure was \$644, compared to the US average of \$978.
- According to the Insurance Information Institute (based on 2012 NAIC data), Ohio's average homeowners expenditure ranks 9<sup>th</sup> lowest in the US. States with lower average HO expenditures (from lowest) are: Idaho (\$538), Oregon (\$567), Utah (\$580), Wisconsin (\$631), Washington (\$648), Nevada (\$674), Delaware (\$678), and Arizona (\$691). The average expenditure is based on the type of coverage that most Ohio and US homeowners purchase (81% in Ohio/80% nationally), an HO-3 policy. For homeowners insurance expenditures by state, including rankings, see the [Insurance Information Institute \(III\) full homeowners insurance report](#).

• The following table provides Ohio and US average homeowners insurance expenditures for 2003-15. Ohio and US figures for 2003-12 are from NAIC homeowners insurance reports. 2013 Ohio expenditures are estimated by the Ohio Insurance Institute based on NAIC 2012 data and the [ODI rate change report](#) showing an average increase of 7.5% by Ohio’s top 10 homeowners insurers in 2013 and 4.3% in 2014. The top 10 Ohio homeowners insurers represent 73.1% of the state’s market share. The [US estimate for 2013](#) is estimates/projections by the Insurance Information Institute (III). 2014-15 US and 2015 Ohio estimates are based on the [RateWatch report by Perr & Knight](#) (released 2/2015) indicating an average US homeowners insurance increase of 2.9% in 2014. Estimates for 2015 are also based on a 2.9% estimated increase. (Updated 7/15)

<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	\$830
2009	\$613	\$880
2010	\$614	\$909
2011	\$644	\$978
2012	\$721	\$1,034
2013	\$775 (OII estimate)	\$1,075 (III estimate)
2014	\$808 (OII estimate)	\$1,106 (estimate based on RateWatch/III)
2015	\$832 (OII estimate based on 2014 RateWatch)	\$1,128 (estimate based on RateWatch/III)

• The following chart compares Ohio’s average homeowners insurance premium expenditure to the US average for the most recent five-year period (2011-15):

**2011-15 Average Homeowners Insurance Expenditure for Ohio and US** (Updated 7/15)



2011-12: National Association of Insurance Commissioners homeowners insurance expenditure reports

2013: Estimates from Ohio Insurance Institute, Insurance Information Institute

2014-15: Estimates from Ohio Insurance Institute and Insurance Information Institute, partially based on [Perr & Knight 2/15 RateWatch report](#)

- The average US homeowners insurance premium rose by 5.7% in 2012, following a 7.6% increase in 2011, according to a January 2015 study by the National Association of Insurance Commissioners. (Source: III) Ohio homeowners premiums rose 12% in 2012 (about \$4.42/month), following a 4.9% increase in 2011 (\$2.50/month).

- OII estimates Ohio's average homeowners insurance premium adjustments for the most recent 3-year period as follows (Updated 7/15):

- \$54 in 2013
  - \$33 in 2014
  - \$24 in 2015

- In 2014 Ohio's insurance companies covered \$1.3 billion in losses to homeowners insurance, the same as in 2013. In 2012 Ohio's insurance companies covered \$1.8 billion in homeowner losses; 2011: \$2.1 billion; 2010: \$1.6 billion and in 2009: \$1.7 billion. (Source: Ohio Department of Insurance-Updated 7/15)

- In the 10-year period 2004-14 the top 10 Ohio homeowners insurance writers averaged a 5.4% increase annually based on the [ODI homeowners insurance rate change report](#). (Updated 7/15)

- A 2014 Insurance Information Institute poll conducted by ORC International found that 95% of homeowners had homeowners insurance but only 37% of renters had renters insurance.

- 7.2% of insured homes in the US experienced a claim in 2012. (Source: III)

- In the five-year period, 2008-2012, 7.3% of US insured homes had a claim. Wind and hail accounted for the largest share of claims, with 3.4% of insured homes having such a loss. (Source: III)

- US homeowners insurance losses, net of reinsurance, fell from \$41 billion in 2012 to \$35 billion in 2013, according to SNL Financial. (Source: III)

- Key factors affecting the cost of homeowners insurance identified in the 2012 NAIC report. [According to Property/Casualty 360](#), these factors as well as others noted in the NAIC report can result in wide variations in premiums, not only by region or state, but on local levels as well:

- 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.

- Degree of exposure to catastrophe:** Homeowners insurance premiums also are affected by the degree of exposure to catastrophes, for example, a waterfront property exposed to hurricanes or a mountaintop property exposed to brush and forest fires. According to the Property Claims Services unit of the Insurance Services Office, an event is a catastrophe if it results in insured losses that total \$25 million or more.

- Stricter building codes:** After major catastrophes like Hurricane Katrina or Superstorm Sandy many state and local governments enact stricter building codes in an attempt to minimize damage and losses from future catastrophes.

- 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.

**ALSO SEE: OHIO CATASTROPHES AND PREMIUM TRENDS section below.**

## AUTO INSURANCE

- According to the December 2014 NAIC report, Ohioans pay \$180 less for auto insurance than the US average. The 2012 average auto insurance expenditure in Ohio was \$635 compared to the US average of \$815. Ohio's average auto insurance expenditure is 11<sup>th</sup> lowest in the country.
- The 10 states with lower average auto insurance expenditures than Ohio are: Idaho (\$535), South Dakota (\$557), Iowa (\$561), North Dakota (\$576), Maine (\$582), Wisconsin (\$599), North Carolina (\$611), Nebraska (\$617), Wyoming (\$619) and Kansas (\$632). 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.
- Based on an analysis of 2012 NAIC data, the Insurance Information Institute (III) reports that 77% of insured drivers purchase comprehensive coverage in addition to liability insurance while 72% buy collision coverage. For auto insurance expenditures by state go to [III's full auto insurance report](#).
- The following table provides Ohio and US average auto insurance expenditures for 2003-14. Ohio and US figures for 2003-12 are from NAIC auto insurance reports. 2013 Ohio expenditures are projected by the OII based on NAIC 2012 average expenditure data and the [2014 ODI auto insurance rate change report](#) showing a 2.5% average increase by Ohio's top 10 auto insurers in 2013 and 2.6% in 2014. The top 10 Ohio private passenger auto insurers represent 75.7% of the state's market share. [US estimates for 2013-15 are estimates/projections by the Insurance Information Institute](#) (III). 2015 Ohio estimates are based on III's projection of an average US auto insurance premium increase of 2.5%. (Updated 7/15)

<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	\$831
2006	\$654	\$816
2007	\$628	\$799
2008	\$617	\$791
2009	\$616	\$787
2010	\$619	\$792
2011	\$620	\$797
2012	\$635	\$815
2013	\$651 (OII estimate)	\$835 (III estimate)
2014	\$668 (OII estimate)	\$856 (III estimate)
2015	\$684 (OII estimate based on III estimate)	\$877 (III estimate)

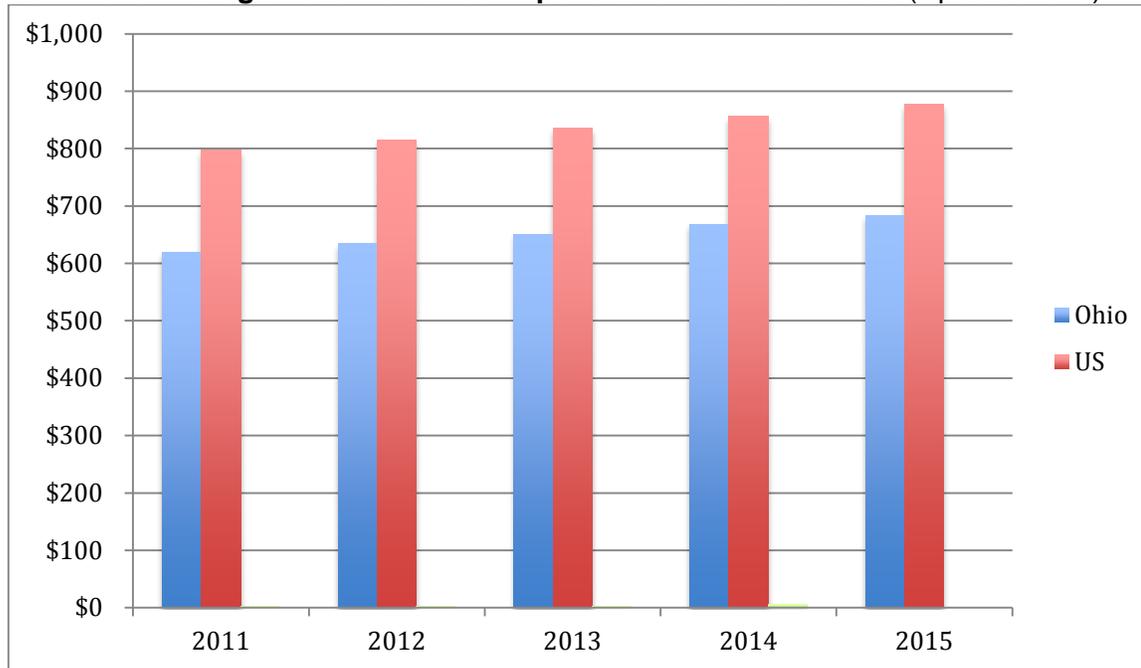
- The average US auto insurance premium rose by 2.3% in 2012, following a .6% increase in 2011, according to a December 2014 study by the National Association of Insurance Commissioners. (Source: III) Ohio auto premiums rose 2.4% in 2012 (\$1.25/month), following a .2% increase in 2011 (about 8 cents/month).
- OII estimates Ohio's average auto insurance premium adjustments for the most recent 3-year period as follows (Updated 7/15):

--\$16 in 2013  
 --\$17 in 2014  
 --\$16 in 2015

- In 2014, Ohio's insurance companies covered \$3.8 billion in losses related to personal and commercial auto insurance. In 2013 insurance companies covered \$3.5 billion compared to \$3.2 billion in 2012; \$3.5 billion in 2011; 2010: \$3.2 billion and in 2009: \$3.3 billion. (Source: Ohio Department of Insurance-Updated 7/15)

- The following chart compares Ohio's average auto insurance premium expenditure to the US average for the five-year period 2011-15:

**2011-2015 Average Auto Insurance Expenditure for Ohio and US** (Updated 7/15)



2011-12: National Association of Insurance Commissioners auto insurance expenditure reports  
2013-15: Estimates from Ohio Insurance Institute, Insurance Information Institute

- According to OII estimates, Ohio's average auto premium was less in 2014 than it was 11 years prior. NAIC reported Ohio's 2003 average auto insurance expenditure was \$672. OII estimates that the average 2014 auto insurance expenditure for Ohioans is \$668.
- According to NAIC reports, Ohio's average auto insurance expenditure decreased annually between 2004-09. In the 10-year period 2004-14 the top 10 Ohio auto insurance writers averaged less than a 1% increase annually (.86%) based on the [ODI auto insurance rate change report](#). (Updated 7/15)
- In 2013 less than 1% of insureds with liability insurance had a bodily injury liability claim (same as 2012), while 3.6% (3.5% in 2012) of those with liability insurance had a property damage liability claim, according to ISO data. (Source: III)
- In 2013, 5.7% (5.6% in 2012) of collision insurance policyholders had a claim, while 2.6% (same in 2012) of people with comprehensive coverage had a claim. (Source: III)
- In 2013 the average auto liability claim for property damage was \$3,231 (\$3,073 in 2012); the average auto liability claim for bodily injury was \$15,443 (\$14,653 in 2012). (Source: III)
- In 2013 the average collision claim was \$3,144 (\$2,950 in 2012); the average comprehensive claim was \$1,621 (\$1,585 in 2012). (Source: III)
- According to Polk, the [average age of vehicles on the road](#) reached a record 11.4 years in 2013. In 2006, the average vehicle age was 9.9 years.

## OHIO CATASTROPHES AND PREMIUM TRENDS

### • Recap of 2014 Ohio catastrophes

According to Property Claim Services (PCS), Ohio experienced three catastrophes (events causing \$25-plus million in insured losses affecting multiple insurers) in 2014:

- January 5-8 polar vortex with estimated losses for Ohio at \$152.6 million.
- May 10-14 wind and rainstorm event with estimated Ohio losses at \$172.7 million.
- May 18-23 wind and rainstorm event with estimated Ohio losses at \$34.66 million.

PCS estimates Ohio 2014 total catastrophe-related losses at nearly \$360 million (\$359.96 million), making it Ohio's fifth costliest year in recent history for insured catastrophic events (see chart below).

Also see: [OII's winter storm history](#) and [OII's wind/hail storm history](#) for specifics. (Updated 7/15)

• Six of Ohio's seven costliest years for catastrophes from an insured loss standpoint have occurred since 2008. See the following chart:

### 7 Costliest Years for Ohio Insured Losses Through 2014

(Based catastrophe losses, 2014 adjusted dollar amounts–Updated 7/15)

Rank/Year	Event(s)	Initial loss estimates when event occurred	Estimates in 2014 dollars
1. 2008	Hurricane Ike	\$1.255 billion	\$1.380 billion
2. 2011	6 events	\$567.7-\$657.9 million (mean = \$612.8 million) <sup>1</sup>	\$1.309 billion-\$1.322 billion (mean = \$1.31 billion) <sup>1</sup>
3. 2012	3 events (March 2, June-July summer storms, Superstorm Sandy)	\$1.15 billion	\$1.186 billion
4. 1974	Xenia tornado outbreak	\$1 billion in 2008 dollars	\$1.1 billion
5. 2014	3 events (Jan 5-8 Polar Vortex; May 10-14 storms and May 18-23 storms)	\$360 million	\$360 million
6. 2010	4 events	\$118 million	\$128.1 million
7. 2013	2 events (July 10 and Nov. 17-18 storms)	\$110.8-138.8 million (mean = \$124.8 million)	\$112.6-141.1 million (mean = \$126.9 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 and final Ohio loss estimates, reported by PCS in March 2015, now stand at \$1.05 billion based on several resurveys.

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.

Loss estimate sources: Ohio Insurance Institute and Property Claim Services

### • Ohio's top four disasters (through July 7/15) 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 (\$1.380B in 2014 dollars).

2. The second costliest disaster is the 1974 Xenia tornado outbreak estimated at over \$1.1 billion in 2014 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 3/2015) 100,000 claims.

4. Late June-early July 2012 derecho/summer storms are 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 (\$871.2 million in 2014 dollars) for the six-day period of June 28-July 4.

### Top 10 Ohio Catastrophes (from insured losses)

Ranking based on 2014 adjusted dollar amounts (Events through Dec. 2014–Updated 7/15)

Rank/Event/Date	Initial loss estimates when event occurred	Estimates in 2014 dollars
1. Hurricane Ike, September 14, 2008	\$1.255 billion	\$1.380 billion
2. Xenia tornado outbreak, Apr. 3-4, 1974	\$1 billion in 2008 dollars	\$1.1 billion
3. Spring storms, May 20-27, 2011	\$322-\$400 million <sup>1</sup>	\$1.05 billion <sup>1</sup>
4. June-July summer storms, June 28-July 2, 2012	\$845 million	\$871.2 million
5. Hailstorm, June 8, 2007	\$288 million (May 2008 resurvey estimate)	\$316.7 million
6. Superstorm Sandy, Oct. 29-30, 2012	\$292 million	\$301.1 million
7. Easter hailstorm, April 20, 2003	\$230.5 million (April 2004 resurvey estimate)	\$288.9 million
8. Hail/windstorm, October 4, 2006	\$239.6 million	\$281.4 million
9. May storms, May 17, 21, 26-27, 2004	\$167 million	\$209.3 million
10. Blizzard of '93, March 14, 1993	\$120 million	\$196.6 million

<sup>1</sup> Final loss estimates for losses from the May 20-27, 2011 storms were reported by PCS in March 2015. New Ohio loss estimates from this storm are estimated at \$1.05 billion and are reflected in the updated rankings provided in this chart. Preliminary losses were originally estimated at \$322-400 million when the event occurred.

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.

Loss estimate sources: Ohio Insurance Institute and Property Claim Services

- Ohio catastrophe-related insured loss estimates for the five-year period of 2010-14 are estimated at over \$3.1 billion (in 2014 dollar figures). All five years rank in Ohio's top 7 costliest years for insured losses. (Rev. 7/15)
- 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 increases from a 0.1% to 5% [in 2014](#) according to the ODI. Ohio's Top 10 homeowners insurers reported premium rate adjustments from 0% to 9.1% [in 2014](#).
- 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) from 2010-14 is more than the entire previous decade (2000-09). Between 2010-14 Ohio has had at least 18 storms (14 wind/hail, 4 winter storms) near or over the \$25 million-loss threshold compared to 11 (7 wind/hail, 4 winter storms) during the entire previous decade (2000-09). For details, see [OII's winter storm history](#) and [OII's wind/hail storm history](#) (both revised 7/15).
- Through June, Ohio has had one major storm event in 2015. Preliminary Ohio losses from the Feb. 16-22, 2015 winter storm event that included ice, snow, high winds and extreme cold caused nearly \$40 million (\$39.98M) in losses according to PCS. Ohio was one of 19 states affected by the February storm that caused at least \$1.35B in insured losses.
- 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. Only Illinois (with 414) has more private passenger auto insurance providers than Ohio's 387. Ohio ranks third in the US for writers of all auto insurance lines with 660, compared to Illinois with 680 and Indiana with 671. Four states—Illinois (290), New York (285), Pennsylvania (277) and Georgia (242)—have more writers of homeowners insurance. Ohio has 237. Competition helps keep Ohio premiums consistently lower than the US average in both home and auto. (Updated 7/15, Source: AM Best)

## RESOURCES & REFERENCES

- NAIC 2012 homeowners insurance full report (Jan. 2015): <http://bit.ly/1J4BSlt>
- Homeowners insurance expenditures by state (III): <http://bit.ly/1CYamIE>
- ODI 2004-14 homeowners insurance premium rate change report: <http://bit.ly/1HEMyac>
- Average annual US homeowners insurance premiums 2000-13 (III): <http://bit.ly/1ym9YxD>
- How to save on homeowners insurance (OII): <http://bit.ly/PbbIFJ>
- NAIC 2011-12 auto insurance full report (Dec. 2014): <http://bit.ly/1KYDhMe>
- Auto insurance expenditures by state (III): <http://bit.ly/1tsrKtY>
- ODI 2004-14 auto insurance premium rate change report: <http://bit.ly/1Mg0Gdn>
- Average annual US auto insurance expenditure 1994-2015 (III): <http://bit.ly/1HLUfJE>
- 2014 Cost of Owning and Operating Vehicle in the US (AAA, May 2014): <http://bit.ly/1BERGJ2>
- How to save on auto insurance (OII): <http://bit.ly/UECMM8>
- OII winter storm history through April 2015: <http://bit.ly/1fZngec>
- OII wind and hail storm history through 2014 (REV July 2015): <http://bit.ly/1gKoDNM>
- ODI news release on auto and homeowners premiums in Ohio (Jan. 2015): <http://1.usa.gov/1zu1iaw>
- RateWatch: Personal Lines Rates Increase Slightly in 2014 (Perr & Knight): <http://prn.to/1DqCbCT>
- Insurance Industry in Ohio - 2014 edition (OII): <http://bit.ly/1rmlRIF>
- Interactive state map-The Financial Effects of Natural Disasters (ISO/Property Claim Services): <http://bit.ly/1MgudUb>
- Ohio 2013-14 winter weather summary (OCSWA): <http://1.usa.gov/KwpiCG>

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