

HOMEOWNERS INSURANCE LOSS DATA

The loss ratio is the percentage of losses insurers have paid or will pay versus what they have collected in premiums. Combined ratios provide another view of the state of the market by combining the loss ratio with an expense ratio. The combined ratio takes into account a company's expenses for agent commissions, loss adjustment expenses, overhead and administrative costs.

When reviewing these types of metrics for homeowners insurance, it is also important to look at them over a longer period. In Texas, the presence of weather-related catastrophes can negate years of profits. The table provides historic Texas homeowners loss and combined ratios from 1998 to 2022.

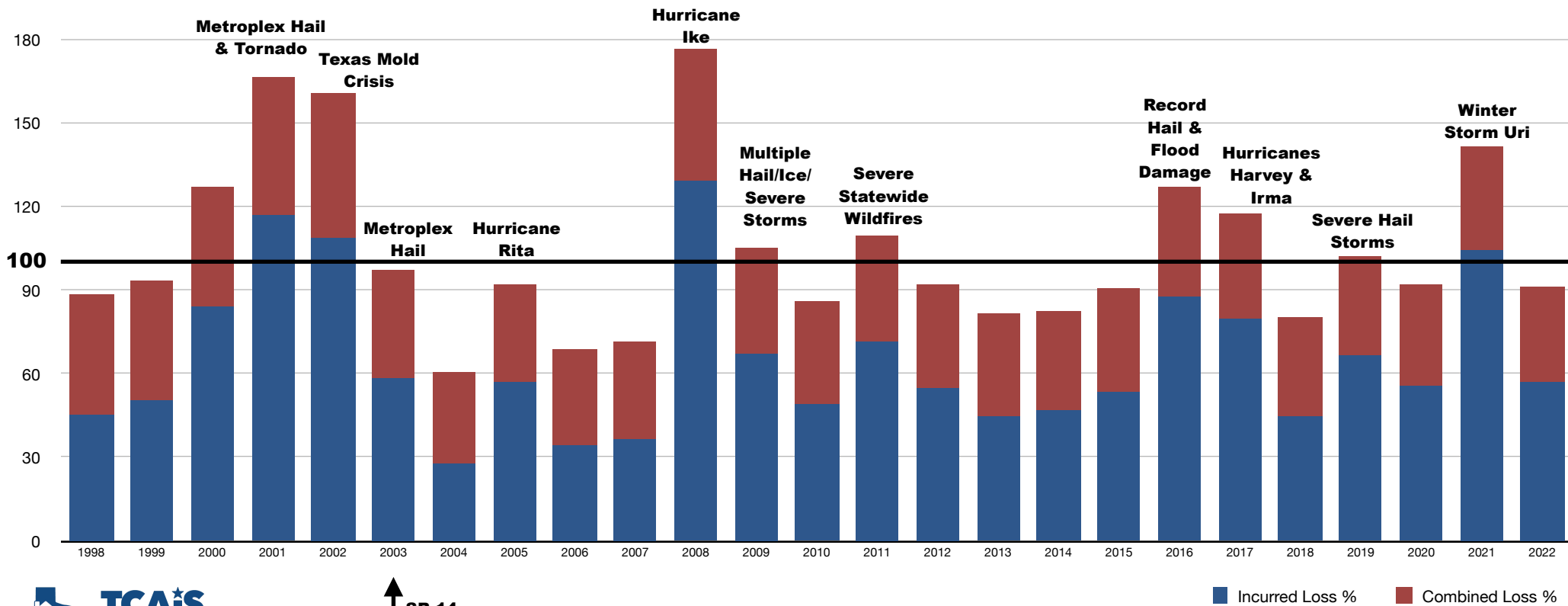
A combined ratio of 100 is the break-even point; a ratio below 100 indicates an underwriting profit and above 100 indicates an underwriting loss.

Year	Direct Premiums Earned (Billions)	Direct Losses Incurred (Billions)	Incurred Loss Ratio (%)	Expense Ratio (%)	Combined Ratio (%)
1998	\$2.63	\$1.19	45.4	42.9	88.3
1999	\$2.80	\$1.42	50.7	42.8	93.5
2000	\$2.91	\$2.43	83.6	43.4	127.0
2001	\$3.12	\$3.65	116.9	49.7	166.6
2002	\$3.80	\$4.14	108.9	51.5	160.4
2003	\$4.32	\$2.53	58.4	38.4	96.8
2004	\$4.36	\$1.21	27.8	33.0	60.8
2005	\$4.61	\$2.61	56.6	35.3	91.9
2006	\$4.60	\$1.57	34.0	34.9	68.9
2007	\$5.00	\$1.82	36.4	35.3	71.7
2008	\$5.22	\$6.74	129.0	47.2	176.2
2009	\$5.44	\$3.65	67.2	38.0	105.2
2010	\$5.72	\$2.79	48.8	37.0	85.8
2011	\$5.88	\$4.20	71.5	37.9	109.4
2012	\$6.09	\$3.32	54.5	37.2	91.6
2013	\$6.77	\$3.03	44.8	36.8	81.6
2014	\$7.46	\$3.46	46.4	36.0	82.4
2015	\$7.73	\$4.13	53.4	36.9	90.4
2016	\$8.25	\$7.21	87.5	36.5	124.0
2017	\$8.53	\$6.80	79.7	37.8	117.5
2018	\$9.03	\$4.03	44.7	35.8	80.5
2019	\$9.70	\$6.46	66.6	35.4	102.0
2020	\$10.34	\$5.77	55.8	35.9	91.6
2021	\$11.11	\$11.56	104	37.3	141.3
2022	\$12.37	\$7.00	56.6	34.3	90.9
5-Year Total	\$52.55	\$34.83	66.3	35.7	102.0
10-Year Total	\$91.28	\$59.47	65.1	36.2	101.3
20-Year Total	\$142.52	\$89.91	63.1	36.6	99.7
25-Year Total	\$157.80	\$102.75	65.1	37.5	102.6

TEXAS HOMEOWNERS INSURANCE 25-YEAR HISTORY OF COMBINED LOSS RATIOS

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When reviewing these types of metrics for homeowners insurance, it is also important to look at them over a longer period. In Texas, the presence of weather-related catastrophes can negate years of profits.



↑ SB 14:
Insurance Reform

■ Incurred Loss % ■ Combined Loss %

Incurred and combined loss ratio data provided by the Texas Department of Insurance.

STATE OF THE MARKET

HOMEOWNERS INSURANCE IN TEXAS



Inflation and increasing outbreaks of extreme weather are the two primary cost drivers sending homeowners insurance rates climbing for policyholders in Texas and across the United States.

Texas ranked fourth nationally in home insurance rates in a May 2024 report. From 2022 to October 2023, Texas homeowners have experienced a more than 28% increase, on average, in insurance rates, the highest increase in the country. Nationwide the increase was an average of 15.5% during that time period.

However, property and casualty insurers operated at a loss in Texas from 2018-2022 (the latest Texas Department of Insurance data available), paying out an average of \$1.02 for every \$1 collected in premium from policyholders. In 2021, when Winter Storm Uri plunged Texans into sub-freezing temperatures for days, insurers paid out a whopping \$1.41 for every \$1 collected.

Why this is critical: Insurers need to charge enough premium to pay claims and keep insurance broadly available and as affordable as possible, with at least the chance of reasonable profit to encourage investment and competition.



Inflation



Weather



Hail



Wildfires



Tornadoes



Lightning



Frozen Pipes

FACTORS IMPACTING HOME INSURANCE AFFORDABILITY

INFLATION: “The reality is the significant and rapid onset of severe inflation has driven up the cost of every part of a homeowners insurance claim. While year-over-year inflation trends have moderated, the cumulative impact of inflation since the COVID-19 pandemic has increased the cost to repair and rebuild homes over 40 percent.” – American Property Casualty Insurance Association, May 2024.

The pressure of inflation on materials and labor used to repair or rebuild are driving up the cost of homeowners insurance claims. Examples: the cost of asphalt shingles, one of the most common roofing materials in the U.S. has skyrocketed 40% in the past five years, while ceramic tiles have gone up by 26% since 2018.

WEATHER: Texas has the most severe weather in the country, with exposure to nine different types of disaster – more than any state. From 1980–2024 (as of April 8, 2024), Texas has been impacted by 172 confirmed weather/climate disaster events with losses exceeding \$1 billion each. In 2023, Texas recorded an all-time high in the number and severity of severe weather events (since 1980), with 15 severe storm events with CPI-adjusted combined disaster costs of \$20-\$50 billion, according to NOAA. Weather events have escalated in recent years in severity and frequency. From 2017-2021, NOAA found there were just 18 days on average between U.S. billion-dollar disaster events compared to 82 days in the 1980s. During that five-year time frame, Texas recorded 44 severe weather events with CPI adjusted cumulative costs of \$200-\$300 billion.



STATE OF THE MARKET

HOMEOWNERS INSURANCE IN TEXAS



Hail: Texas was the #1 state for hail events (1,123) in 2023, with hail of at least one inch in diameter battering two million homes in Texas. Many of the year’s largest hailstorms hit densely populated major cities in the Dallas-Fort Worth and Austin areas, which adds to costs. For example, storms in the Dallas-Fort Worth area in June 2023 alone caused an estimated \$7 billion to \$10 billion in insured losses, with 95% of the loss caused by hail.

In addition to climate patterns, reasons hail claims in Texas have soared:

- Growing size of homes, which means more roof area and windows are exposed to hail impacts, as repair and replacement materials increase in price.
- Growing urban and suburban areas as people move to Texas because of the lure of a strong economy, jobs and more affordable housing. Areas of high hail risk, including Austin and Dallas-Fort Worth, have experienced house unit growth of more than 12% from 2010 to 2020.
- Increased costs attributed to a lack of skilled labor to make needed repairs.

Wildfires: Nationally, the number of fires per year is in decline, but the average fire size has tripled in the past 30 years, and those fires are creating more property damage. The Texas Forest Service states, “As a direct result of a growing population, fluctuating weather patterns and changes in land use, the expanding threat of wildfires impacts Texas communities every year.” The City of Austin was ranked #7 nationally a recent analysis of the wildfire hazard calculated by the residential exposure to wildfire risk and the reconstruction cost of those properties. From 2018-2022, 84% of all wildfires in Texas ignited within two miles of a community.

Texas was the #1 state for wildfires in 2022 with 12,571 fires destroying almost 672,000 acres. The vast majority were caused by humans. The 2011 Texas wildfire season was unprecedented, with some of the state’s largest and most destructive blazes in its history that destroyed a record 2,947 homes.

Tornadoes & Lightning: Texas tied for third nationally for the number of tornadoes in 2023, with 89. Texas also had more lightning strikes in 2023 – with nearly 42.4 million events – than any other state.

Frozen pipes: Texas filed more than \$58.1 million in frozen pipe claims with State Farm from August 2022 to August 2023, ranking fourth in the U.S.

WHAT CONSUMERS CAN DO:

- Invest in impact-resistant roofing materials, reinforced windows and durable siding.
- Shop around by comparing home policies from companies doing business in Texas at www.helpinsure.com, a website from the Texas Department of Insurance and the Office of Public Insurance Counsel.
- Explore discounts by asking your insurer about price breaks for smart-home devices, bundling home and auto insurance.

WHAT POLICYMAKERS CAN DO:

- Consider legislation that encourages better building codes, risk mitigation incentives, and disincentives fraud and risky behavior.
- Explore issues related to lawyer conduct, including aggressive advertising, mass torts and unrealistic demands in suits to determine whether abuse of the legal system at the expense of consumers is taking place.
- Consider legislation to reduce theft/fraud.

AUTO INSURANCE LOSS DATA

Flooding and hail damage are the largest drivers of auto insurance claims in Texas, where insurance companies operate close to a break-even point in the state's auto insurance market.

The table below illustrates the effect of these major catastrophic events, including the [historic hail storms](#) that pounded the state in 2016 and in 2021 when hail damage was the [number one weather-related insurance claim](#) in Texas. The effect of flooding caused by Hurricane Harvey is evident in the 2017 data. While flooded homes are not covered by property and casualty insurance, water-damaged vehicles (by windstorm, flooding, etc.) are covered by auto insurance policies.

The combined loss ratio fell dramatically in 2020 when the COVID-19 pandemic shutdown keep many drivers off the road. Now, however, U.S. auto insurers are coping with the largest direct loss ratio in 20 years because of factors that include historic inflation, increased material and labor costs, supply chain disruptions and deterioration in driving behavior and sky-high jury awards, according to an [October 2022 report](#) by the American Property and Casualty Insurance Association.

Data from 2022 and beyond will show the impact of these pressures on auto insurers and insurance affordability.

Year	Direct Premiums Earned (Billions)	Direct Losses Incurred (Billions)	Incurred Loss Ratio (%)	Expense Ratio (%)	Combined Ratio (%)
2011	\$13.50	\$8.50	63.3	33.7	97.4
2012	\$14.00	\$9.20	65.6	34.4	100.4
2013	\$14.90	\$9.60	64.3	34.4	99.1
2014	\$16.00	\$10.50	65.6	34.2	100.3
2015	\$17.10	\$12.30	72.1	33.2	105.8
2016	\$18.60	\$14.80	79.9	34.2	114.4
2017	\$20.60	\$15.70	76.5	32.4	109.3
2018	\$22.30	\$13.20	59.0	30.6	90.0
2019	\$23.10	\$14.90	64.4	30.7	95.7
2020	\$22.60	\$12.60	55.8	31.2	88.9
2021	\$23.30	\$17.10	73.5	30.0	103.9
2022	\$25.30	\$20.70	81.8	30.3	112.4
5-year Total	\$116.60	\$78.50	67.3	31.2	98.6
10-year Total	\$203.80	\$141.40	69.4	32.5	101.9
2011-'22 Total	\$231.30	\$159.10	68.8	32.7	101.5

The incurred loss ratio is the percentage of losses insurers have paid versus what they have collected in premiums. Combined ratios provide another view of the state of the market by combining the incurred loss ratio with an expense ratio, which includes a company's expenses such as agent commissions, loss adjustment expenses, overhead and administrative costs. A combined ratio of 100 is the break-even point; a ratio below 100 indicates an underwriting profit for insurers, while a score above 100 indicates a loss.

STATE OF THE MARKET

AUTO INSURANCE IN TEXAS



Multiple forces are fueling the surge in auto insurance rates that policyholders in Texas and across the United States are experiencing. In Texas, rates climbed an average of 25.5% in 2023, the largest annual increase in a decade, according to the Texas Department of Insurance.

The costs, risks and severity of a wide variety of elements that go into auto insurance pricing – detailed below – have sent the average U.S. auto claim cost for property damage liability and collision soaring by nearly 50% from 2018 to 2022, according to an American Property Casualty Insurance Association (APCIA) report.

Meanwhile, auto insurers are operating at a loss, paying out more in claims than they take in through policyholder premiums. Auto insurance claims and expenses spiked to more than \$1.12 for every \$1 in premiums paid in 2022 in Texas and nationally.

Why this is critical: Insurers need to charge enough for premiums to pay claims and keep insurance broadly available and as affordable as possible, with at least the chance of reasonable profit to encourage investment and competition.



Inflation



Driver Behavior



Accident Medical Costs



Weather



Lawyer Misconduct



Crime

FACTORS IMPACTING AUTO INSURANCE AFFORDABILITY

Inflation: Insurance claims costs, driven by inflation, has continued to rise faster than the underlying consumer price index (CPI), outpacing increases in premiums. Insurers and consumers are affected by ongoing increases in used car values, automotive repairs, auto body work, and hospital and other medical costs.

More advanced technology and intricate parts have raised the overall cost of repairs. Overall maintenance and repair costs leapt 8.2% just from March 2023 to March 2024. These more complex and expensive repairs, plus a shortage of mechanics, mean fixing a vehicle takes longer, leading to higher rental vehicle costs.

Some new cars have more than 1,400 semiconductor chips and roughly 30,000 parts – and even more in electric vehicles, found a report from CCC Intelligent Solutions Inc. The report states that electronic components, such as driver-assistance safety technologies, now make up 40% of the total cost of a new vehicle.

Driver Behavior: Since their return to the road after the pandemic, drivers are engaging in riskier driving behavior, including speeding, distracted driving and impaired driving. Nationally, distracted driving has surged 23% since 2020, and in 2022, major speeding violations were more than 20% above 2019 rates. Poor driving habits lead to increased injury and collision claims costs and compound the effects of inflation.



**FACTORS
IMPACTING
INSURANCE
AFFORDABILITY**



Inflation



**Driver
Behavior**



**Accident
Medical Costs**



Weather



**Lawyer
Misconduct**



Crime

Accident Severity and Medical Costs: The cost of medical care is a key driver of bodily injury auto insurance costs. Over the last five years, cost increases for medical and hospital services have continued to outpace the rate of overall inflation. Serious injury crashes in Texas rose 18.5% from 2019 to 2022, according to the Texas Department of Transportation. While the frequency of bodily injury decreased 19% from 2018 through 2022, injury severity increased 40%.

Weather: Flooding and hail damage are the largest drivers of auto insurance claims in Texas. While flooded homes are not covered by property and casualty insurance, water-damaged vehicles (by windstorm, flooding, etc.) are covered by auto insurance policies. Hail claims accounted for 12% of all U.S. comprehensive vehicle claims in 2023, up from 6.8% in 2022. Hail damage caused 9% of all auto claims in Texas in 2021, with an average cost of more than \$5,700. Texas was the #1 state for hail events (1,123) in 2023.

Social Inflation and Lawyer (Mis)conduct: All other factors impacting the cost of auto insurance are being exacerbated by overzealous attorneys using aggressive advertising and other tactics to attract clients and urge them to file lawsuits when a disputed claim might have been resolved without judicial intervention. Such behavior, especially fraudulent or unnecessary litigation, often results in delays for consumers' claims payments and smaller payouts thanks to court costs and legal fees. Consumers must have a right to legal counsel and the court system for valid disputes. However, industrial-style legal system abuse needlessly increases costs for insurance operations and prices for all policyholders.

Crime: Nationally, law enforcement agencies and communities continue to be plagued by record and near-record levels of vehicular crime, setting another new record in 2023 with more than 1 million vehicles reported stolen, according to the National Insurance Crime Bureau. Texas ranked second nationally with 115,013 stolen vehicles. Texas followed only California in catalytic converter theft from 2020 through 2022.

WHAT CONSUMERS CAN DO:

- Shop around by comparing auto policies from companies doing business in Texas at www.helpinsure.com, a website from the Texas Department of Insurance and the Office of Public Insurance Counsel.
- Explore discounts by asking your insurer about price breaks for bundling home and auto insurance, taking a driver safety course or other measures.
- Avoid risky behaviors that may result in a loss, particularly behind the wheel.

WHAT POLICYMAKERS CAN DO:

- Consider legislation that encourages risk mitigation incentives, and disincentives fraud and risky behavior.
- Explore issues related to lawyer conduct, including aggressive advertising, mass torts and unrealistic demands in suits to determine whether abuse of the legal system at the expense of consumers is taking place.
- Consider legislation to reduce theft and fraud, particularly in the area of catalytic converter theft.