

OII's 2013 Ohio auto and homeowners insurance premium trend report: Ohio auto and homeowners average expenditure remains well below US average

(Feb. 6, 2013) COLUMBUS - 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 remains considerably lower in Ohio 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

OII updates its trend report regularly to help consumers understand Ohio's current insurance environment and the factors affecting it. The January 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 on February 6, 2013. Both are correct but 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. The Ohio average premium increased \$1.00 from the 2009 average expenditure while the average US homeowners insurance 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.
- OII provides Ohio and US average homeowners insurance expenditures for 2003-10 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 CPI and other data that show 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) (<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)

2-2-2-2 2013 Auto & home premium trend report

- Ohio's HO premiums remained flat in 2005 with a .7% decrease in 2006. Between 2007-11 the top 10 Ohio HO writers increased HO premiums an average of 6.6% annually during the five-year period based on [ODI rate reports \(http://bit.ly/Uyrh96\)](http://bit.ly/Uyrh96).

Auto insurance

- Based on 2010 data released by the NAIC in December 2012, 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 expenditure is 9th lowest in the US. Ohio's 2009 average auto insurance expenditure was \$616 compared to the US average of \$787. Ohio's previous year's ranking was 10th lowest based on 2009 NAIC data. For auto insurance expenditures by state, including rankings, go to <http://bit.ly/tb8x>.
- The average auto expenditure provides an approximate measure of the cost of automobile insurance in each state. To calculate average expenditures the NAIC assumes that all insured vehicles carry liability coverage but not necessarily collision or comprehensive coverage. 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 coverages.
- OII provides Ohio and US average auto insurance expenditures for 2003-10 from NAIC auto insurance reports. 2011 Ohio expenditures are projected by the Ohio Insurance Institute based on NAIC 2010 average expenditure data and the ODI [rate change history reports \(http://bit.ly/Qsjadr\)](http://bit.ly/Qsjadr) for 2011 showing a 1.2% average increase by the top 10 auto insurers in the state. 2011 US average is based on US Bureau of Labor Statistics consumer price index (CPI) data showing a 3.6% for 2011, according to 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% auto insurance increase on average.

<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)

- 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 the December 2012 NAIC report, Ohio's average auto insurance expenditure of \$619 is 9th lowest in the US. States with lower average auto insurance expenditures are South Dakota (\$525), North Dakota (\$529), Iowa (\$547), Idaho (\$548), Maine (\$582), Nebraska (\$593), North Carolina (\$600) and Wisconsin (\$613). For auto insurance expenditures by state, including rankings, go to <http://bit.ly/tb8x>.
- 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 1% increase annually (.5%) in auto premiums during the five-year period based on ODI [rate change history reports \(http://bit.ly/Qsjadr\)](http://bit.ly/Qsjadr).

General points about Ohio insurance premiums

- 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, the Top 10 Ohio writers of auto insurance reported rate changes from a -4.8% (decrease) to a 6.2% increase in 2011, according to the [ODI reports \(http://bit.ly/tb8x\)](http://bit.ly/tb8x). The [Top 10 homeowners insurers reported \(http://bit.ly/Uyrh96\)](http://bit.ly/Uyrh96) premium rate adjustments of -3.6% (decrease) to an increase of 14.4% in 2011.
- 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.

3-3-3-3 2013 Auto & home premium trend report

- 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. Between 2010-12 Ohio has had at least 12 storms near or over the \$25 million loss mark with preliminary losses over \$1.1 billion.
- Ohio disaster-related insured losses in the current five-year period (2007-11) have increased 187%. The current five-year loss estimates are approaching \$2.5 billion compared to \$871 million for catastrophic storms between 2002-06, a difference of approximately \$1.6 billion.
- Insured losses from Ohio's six major wind/hail/winter storms in 2011 are estimated between \$568-658 million.
- In September 2008, Ohio experienced the costliest natural disaster in recent history. Remnants of Hurricane Ike caused \$1.255 billion in insured losses in the Buckeye state. The third costliest disaster (behind this and the 1974 Xenia tornado outbreak) occurred in the summer of 2012. Statewide preliminary estimates from the June derecho and subsequent early July summer storms show insured losses totaled \$433.5-\$440 million from the six-day period, June 28-July 4 (go to <http://bit.ly/QWNeHJ> for OII storm loss estimates).
- 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 July 2012: <http://bit.ly/P65mGI>
- OII wind and hail storm history through July 2012: <http://bit.ly/NG7HSz>
- Overview and Outlook for P/C Insurance Industry: 2013 and Beyond (Robert Hartwig, III, Dec. 2012): <http://bit.ly/UG3JmQ>
- OII January 2012 edition of this report: <http://bit.ly/Jz725b>

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