



## Consumer Federation of America

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### HOME INSURANCE RATES RISE SHARPLY BIG DIFFERENCES BETWEEN STATES IN RATE HIKE SIZE AND CAUSES

In late 2001 and again in early 2003, CFA surveyed the insurance departments of the nation to determine the size and reason for homeowners insurance price increases. 40 states responded to the first request and 33 states responded to the latter request.

According to the data they supplied, homeowners' Insurance rates rose by a median 3% in 1999, 4% in 2000, 7% in 2001 and 13% in 2002. The size of the increase in 2002 ranged from 4% in Oregon to 57% in Texas and 33% in Iowa. Exhibit 1, attached, shows the variation in rate change by year, by state.

Few states have undertaken specific reviews of the overall market to determine if home insurance rates are excessive. Texas just issued a report ("Summary Report for the Texas Legislature, 3/28/03) which says homeowners Insurance rates in that state are excessive by up to 25%.

The reasons given by the departments for the large increases shifted a lot over the slightly more than one year time frame of our requests. In late 2001, the predominant reason for price increases was catastrophes, mentioned 16 times. The next most mentioned reason was the drop in investment income the insurers suffered (7 times). Next, mentioned 3 times, was that homeowners insurance had been a "loss leader" to try to secure auto and other coverages and now had to catch up. Other items mentioned, one each, were mold, reinsurance cost increases, enhanced coverage and increased repair costs. Interestingly, litigation and terrorism were not mentioned at all.

In early 2003, the reasons given for the large increase in homeowners' insurance rates were quite different. The leading cause of the price jumps mentioned was mold mentioned 11 times, followed by catastrophes mentioned 10 times. Then came reinsurance price increase and investment income decreases mentioned 5 times each. "Loss leader" was mentioned 4 times as was the insurance cycle; 3 for repair cost increases; 2 for enhanced coverage and 1 each for the economy, litigation and terrorism.

"It is surprising that insurance commissioners do not see terrorism and litigation as important aspects of the homeowners insurance price increases, given the hype of these issues by the insurance companies," said J. Robert Hunter, CFA's Director of Insurance and former Texas Insurance Commissioner.

Several states mentioned that their complaints had skyrocketed for this line of insurance (e.g., up over 3 times in California, up 55% in Nevada, 65% in Virginia and up "sharply" in Kansas and Kentucky).

CFA is a non-profit association of some 300 pro-consumer groups that was founded in 1968 to advance the consumer interest through advocacy and education.

HOMEOWNERS INSURANCE RATE CHANGES

EXHIBIT 1

A	B	C	D	E	F	G
	1999 RATE	2000 RATE	2000 RATE	2001 RATE	2001 RATE	2002 RATE
	CHANGE	CHANGE	CHANGE	CHANGE	CHANGE	CHANGE
	(Reported 1/02)	(Reported 1/02)	(Reported 3/03)	(Reported 1/02)	(Reported 3/03)	(Reported 3/03)
STATE						
Alabama			Top 4 Cos +13 to -13		Top 4 +6 to 0	Top 4 +10 to 0
Alaska						
Arizona	35 cos +4.1%	43 cos +4.0%	3.11%	53 cos +7.4%	13.25%	14.82%
Arkansas	from -5 to +16	from -12 to + 13	6.40%	from +3 to + 20	9.10%	15.60%
California	0	0.9	1%	6.5	10.45%	not available
Colorado	NA	3%		3.5% in 6 months		
Connecticut			5.30%		5.45%	8.01%
Delaware	about 4%	about 4%		about 7%		9.70%
Dist. of Col.						
Florida	small decrease	about +6%		about +3.5%		
Georgia	1.20%	3.20%	3.20%	no projection	8.00%	6.90%
Hawaii	Reduction	Reduction		Reduction		
Idaho						
Illinois	NA	NA		NA		
Indiana				about 12%		13.20%
Iowa			6.00%		8.00%	33.00%
Kansas	about 3	about 3	4.74%	about 9	6.01%	14.43%
Kentucky	6.5	5	4.10%	3.9 as of 9/1	4.10%	11.80%
Louisiana			2.83%		2.80%	9.27%
Maine						
Maryland	5.4	4.7	4.70%	7.5	9.20%	13.20%
Massachusetts				No large increase		
Michigan						
Minnesota				high due to claims		
Mississippi	Top 6 = 4.2%	Top 6 = 2.7%		Top 6 = 1.1%		
Missouri		Top 10 = 3.4%		Top 10 = 9.2%		
Montana	Top 4 = 2%	Top 4 = 6%		Top 4 = 8%		
Nebraska				6.5% in 6 mos.		16.30%
Nevada			Top 3: 5.2 to -0.9		Top 3: 0 to 12	Top 3: 0 to 12.0
New Hampshire						
New Jersey	6.30%	2.80%	2.80%	6.70%	0.60%	7.90%
New Mexico						13.00%
New York	2.70%	2.70%		2.70%		
North Carolina	0	4.30%		0		5.00%
North Dakota	Top 10 = 5.2%	Top 10 = 5.5%	6.70%	Top 10 = 5.1%	14.40%	not available
Ohio	0.90%	3.40%		6.30%		
Oklahoma						
Oregon	3%	7%	7.00%	Modest' increase	8.00%	3.70%
Pennsylvania	3.70%	1.90%		1.50%		
Rhode Island						
South Carolina	0.70%	0.70%		2.3% thru 11/1		
South Dakota						
Tennessee						
Texas	Benchmark -6	Benchmark -6.6			4.90%	57.20%
Utah						
Vermont	NA	-1.00%	-1.30%	2.60%	5.90%	14.10%
Virginia	Top 10 = 4.6%	Top 10 = 5.5%	Top 10: 0 to 11.5	Top 10 = 4.5%	Top 10: -1.4 to 15.3	Top 10: 5.8 to 26.8
Washington	3.00%	3.80%	3.80%	4.6% thru 8/31	6.50%	8.30%
West Virginia						
Wisconsin		6.30%	7.00%	8.9% thru 9/14	7.10%	15.10%
Wyoming						
Median Change	3.00%	4.00%	4%	7.00%	7.00%	13.00%
Range	7 to -6	7 to -1	7 to -1	14 to -1	14 to -1	57 to 4
SOURCES: Letters from the insurance departments of the states, late 2001 and early 2003.						
	The Insurance Department letters are available from CFA.					

A	B	C	D	E	F	G	H	I	J	K	L	M
	<b>REASONS GIVEN FOR RATE INCREASES 2001 SURVEY</b>											
	MOLD	CATASTROPHES	REINSURANCE	INV INC DROP	CYCLE	LITIGATION	TERRORISM	ECONOMY	COVER ENHANCED	LOSS LEADER	REPAIR COSTS	COMMENTS
STATE												
Alabama												
Alaska												
Arizona		X										
Arkansas												
California												
Colorado												
Connecticut												
Delaware				X								
Dist. of Col.												
Florida												
Georgia		X	X	X					X	X		
Hawaii												
Idaho												
Illinois												
Indiana		X		X						X		
Iowa												
Kansas		X										
Kentucky		X										
Louisiana		X								X		
Maine												
Maryland												
Massachusetts												
Michigan												
Minnesota		X										
Mississippi		X										
Missouri												
Montana		X										
Nebraska		X		X								
Nevada				X								
New Hampshire		X										
New Jersey				X							X	
New Mexico												
New York												
North Carolina												
North Dakota		X										
Ohio												
Oklahoma												
Oregon												
Pennsylvania												
Rhode Island												No resources to track HO
South Carolina		X										
South Dakota												
Tennessee		X										
Texas	X											
Utah												
Vermont		X										
Virginia												
Washington												
West Virginia												
Wisconsin		X		X								
Wyoming												
# of mentions	1	16	1	7	0	0	0	0	1	3	1	
SOURCE: Insurance Department letters in response to CFA questions, late 2001. These letters are available from CFA.												

A	B	C	D	E	F	G	H	I	J	K	L	M
	REASONS GIVEN FOR RATE INCREASES 2001 SURVEY											
	MOLD	CATASTROPHES	REINSURANCE	INV INC DROP	CYCLE	LITIGATION	TERRORISM	ECONOMY	COVER ENHANCED	LOSS LEADER	REPAIR COSTS	COMMENTS
STATE												
Alabama												
Alaska												
Arizona		X										
Arkansas	X	X	X		X	X	X	X				
California												Complaints skyrocket by over 3 times
Colorado												
Connecticut												
Delaware			X	X								Jump in non-renewals
Dist. of Col.												
Florida		X										
Georgia	X	X	X	X	X				X			
Hawaii		X										
Idaho	X											
Illinois	X											
Indiana		X		X						X		
Iowa		X										
Kansas												Complaints up sharply
Kentucky												Complaints up sharply
Louisiana										X		
Maine												
Maryland												
Massachusetts												
Michigan												
Minnesota												
Mississippi												
Missouri												
Montana												
Nebraska	X	X	X	X					X	X	X	
Nevada	X											Complaints up 55%
New Hampshire					X							
New Jersey		X		X							X	
New Mexico	X											
New York												
North Carolina												
North Dakota	X											
Ohio												
Oklahoma	X											
Oregon											X	Underwriting guides filed
Pennsylvania												
Rhode Island												No resources to track HO
South Carolina												
South Dakota												
Tennessee												
Texas	X											HO Rates excessive by up to 25%
Utah	X		X									Consumers not renewed for one claim
Vermont		X										
Virginia			X									Complaints jump by 65%
Washington										X		
West Virginia												
Wisconsin				X	X							
Wyoming												Consumers not renewed for 1, 2 hail claim
# of mentions	11	10	5	5	4	1	1	1	2	4	3	
SOURCE: Insurance Department letters in response to CFA questions, early 2003.												
These letters are available from CFA.												