



# Homeowners Insurance Rates Are Rising In Some Places: Here's Why

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# Homeowners Insurance Rates May Be Rising Because...

- Insurers expect severe weather; record claims likely follow
- Investment income, which would lessen reliance on premiums, is down
- Currently, premiums aren't enough to cover expected claims and expenses
- Insurers' costs, especially for reinsurance, are rising



**Severe Weather in Recent Years Caused Record-Setting Insured Claim Payouts. Insurers Expect Claims in Future Years to Set New Records, too.**

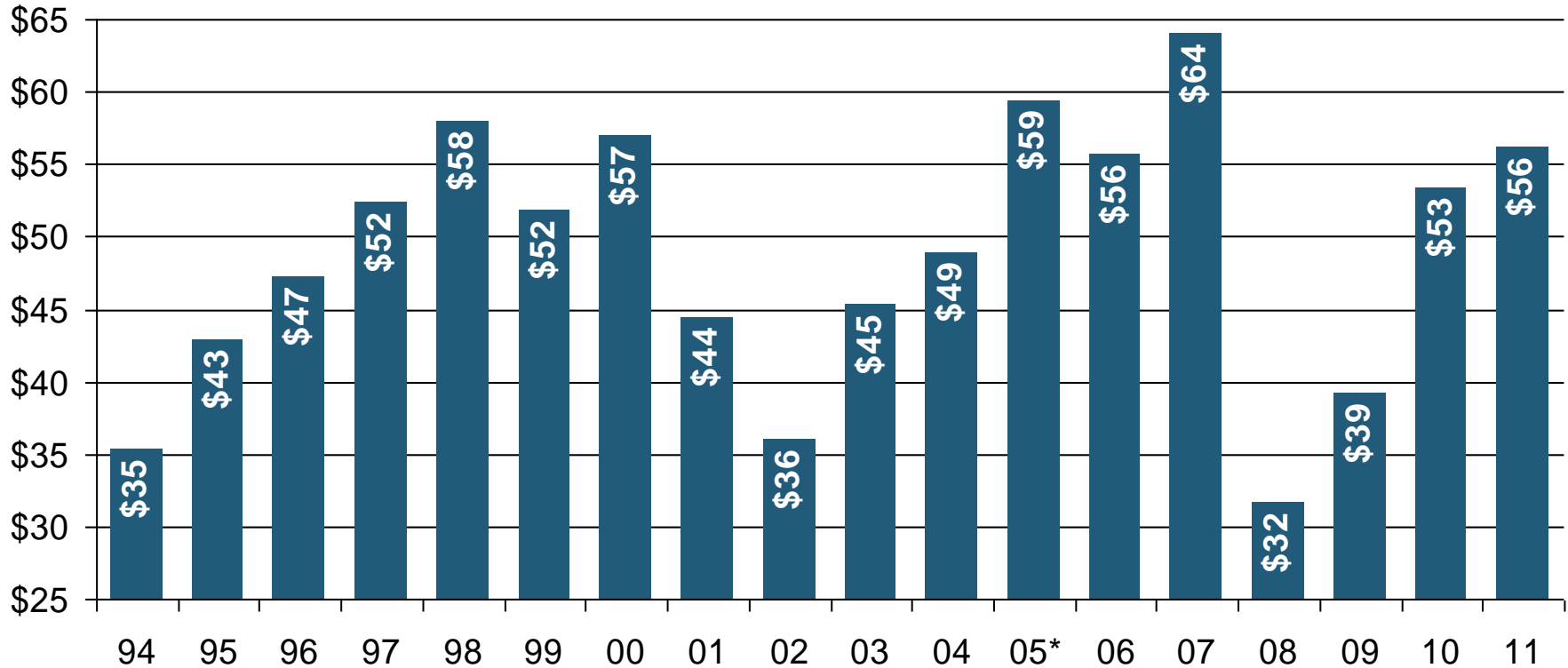
# Natural Disaster Insured Claims Payouts in the United States: 2011

As of January 1, 2012	Number of Events	Fatalities	Estimated Insured Claims Payouts
<b>Tornadoes</b>	69	617	\$25.8 billion
<b>Winter Storms</b>	9	67	\$2.0 billion
<b>Floods</b>	14	20	\$535 million
<b>Earthquakes</b>	5	1	\$50 million
<b><i>Hurricanes</i></b>	<b><i>3</i></b>	<b><i>0</i></b>	<b><i>\$5.5 billion*</i></b>
<b>We can't count on this in 2012</b>			
<b>Wildfires</b>	58	15	\$855 million
<b>Other</b>	2	33	\$1.0 billion
<b>Total</b>	<b>160</b>	<b>753</b>	<b>\$35.7 billion</b>

**Insurers' Investment Income  
(Mainly From Interest On Bonds)  
Is Down Significantly Since 2007.  
Premium Rates Often Rise When  
Investment Income Slumps.**

# Property/Casualty Insurance Industry Net Investment Gain,<sup>1</sup> 1994–2011

\$ Billions



**Investment gains in 2010-11 continued the rebound from year-end 2008. However, they are still weak in relation to gains in 2007, especially considering that invested assets were 4.3% greater at year-end 2011 vs. year-end 2007.**

<sup>1</sup> Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.

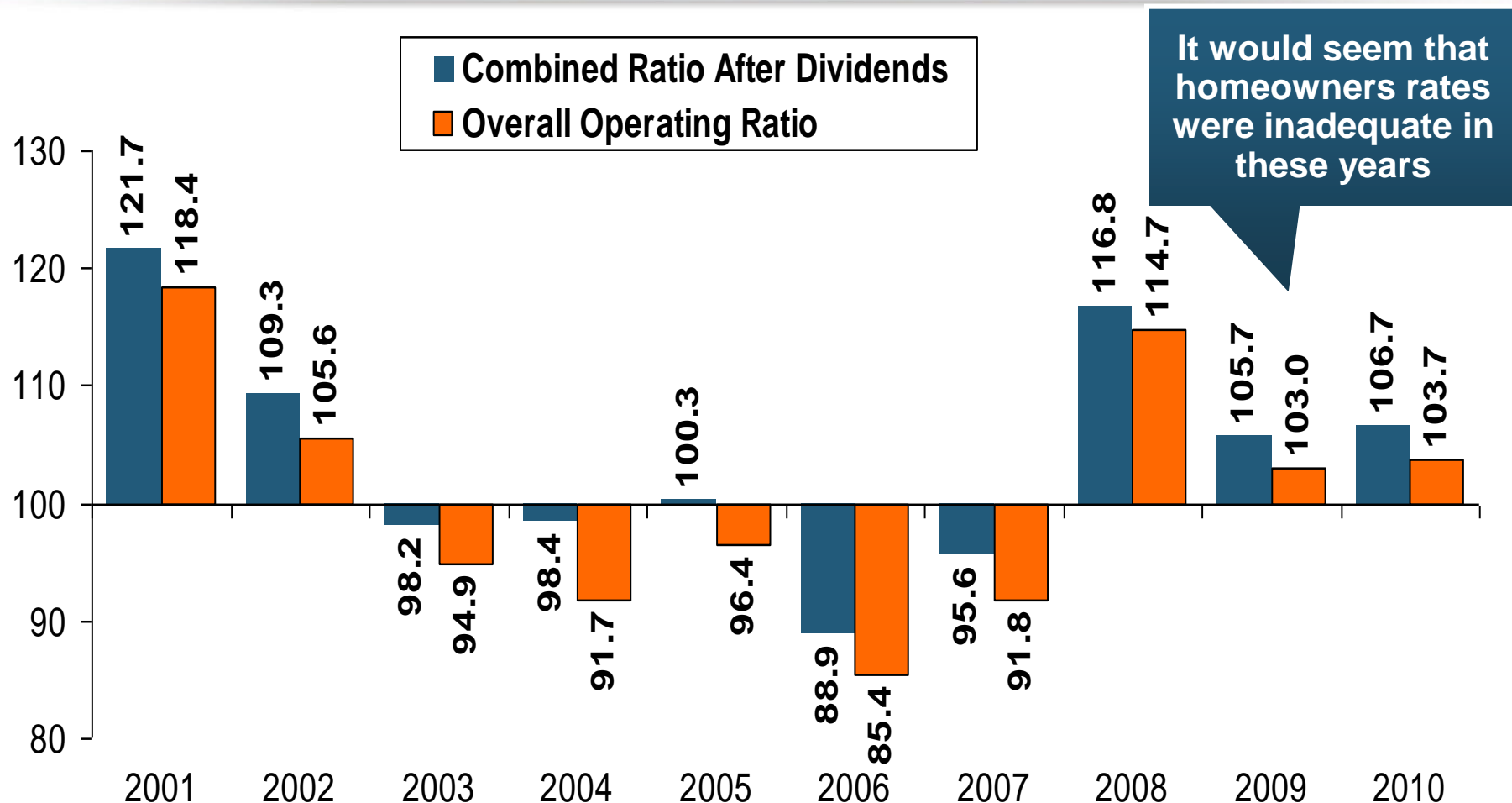
\* 2005 figure includes special one-time dividend of \$3.2B.

Sources: ISO; Insurance Information Institute.



**Since 2008, Insurers Have  
Paid Out More for Homeowners  
Insurance Claims and Operating  
Expenses Than They Received  
In Premium Dollars.  
This Isn't a Sustainable  
Business Model.**

# Homeowners Insurance Industry Combined Ratio,\* 2001–2010

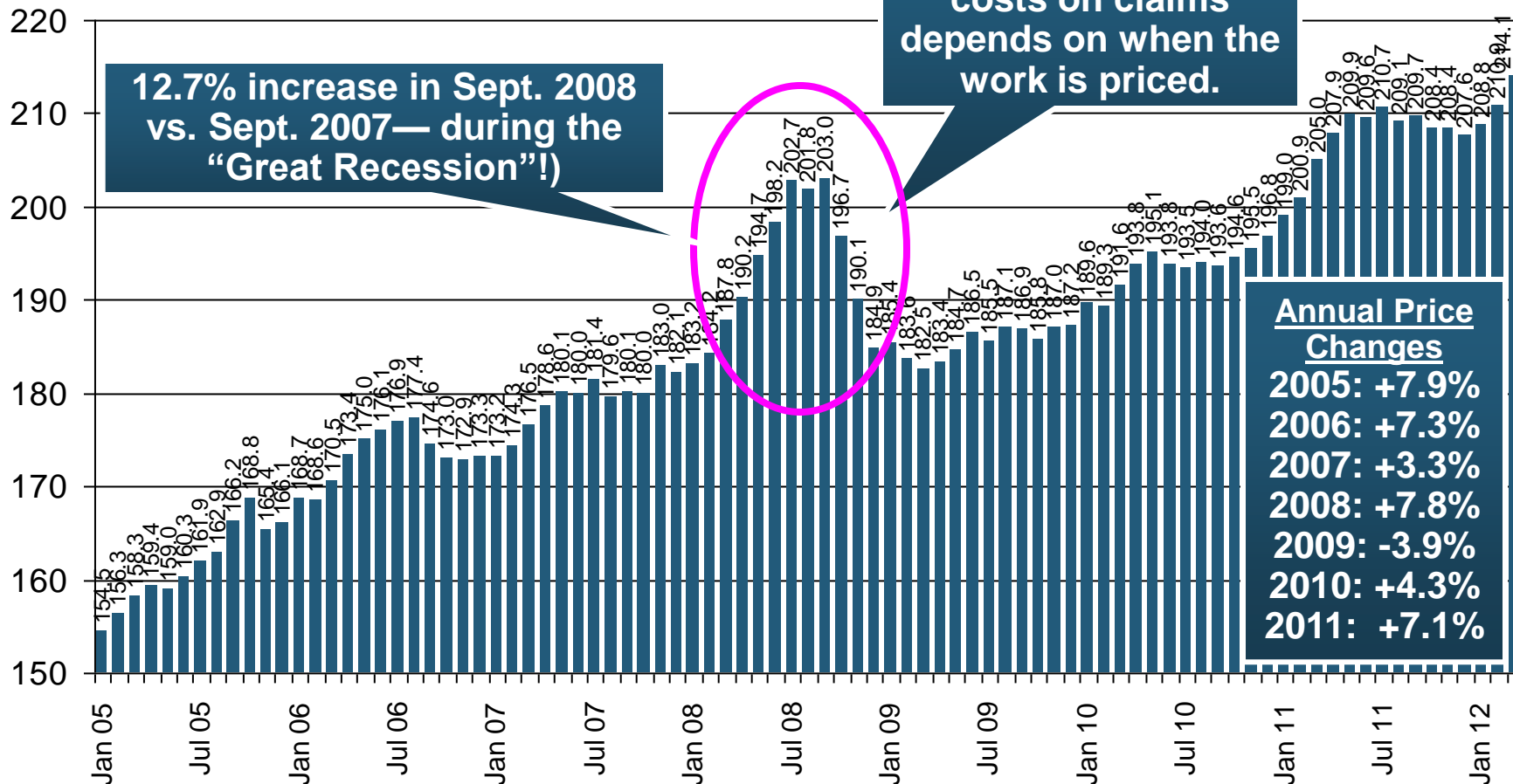


\*Ratio of (Claims + Expenses)/(Premiums); Operating Ratio is Combined Ratio adjusted for Investment Income attributable to that line of business. A ratio over 100 means outgo exceeded income.  
Source: A.M. Best, Aggregates & Averages, 2011 P/C edition, p. 372.



# Price Index for Residential Maintenance and Repair, Monthly, 2005-2012

Price Index

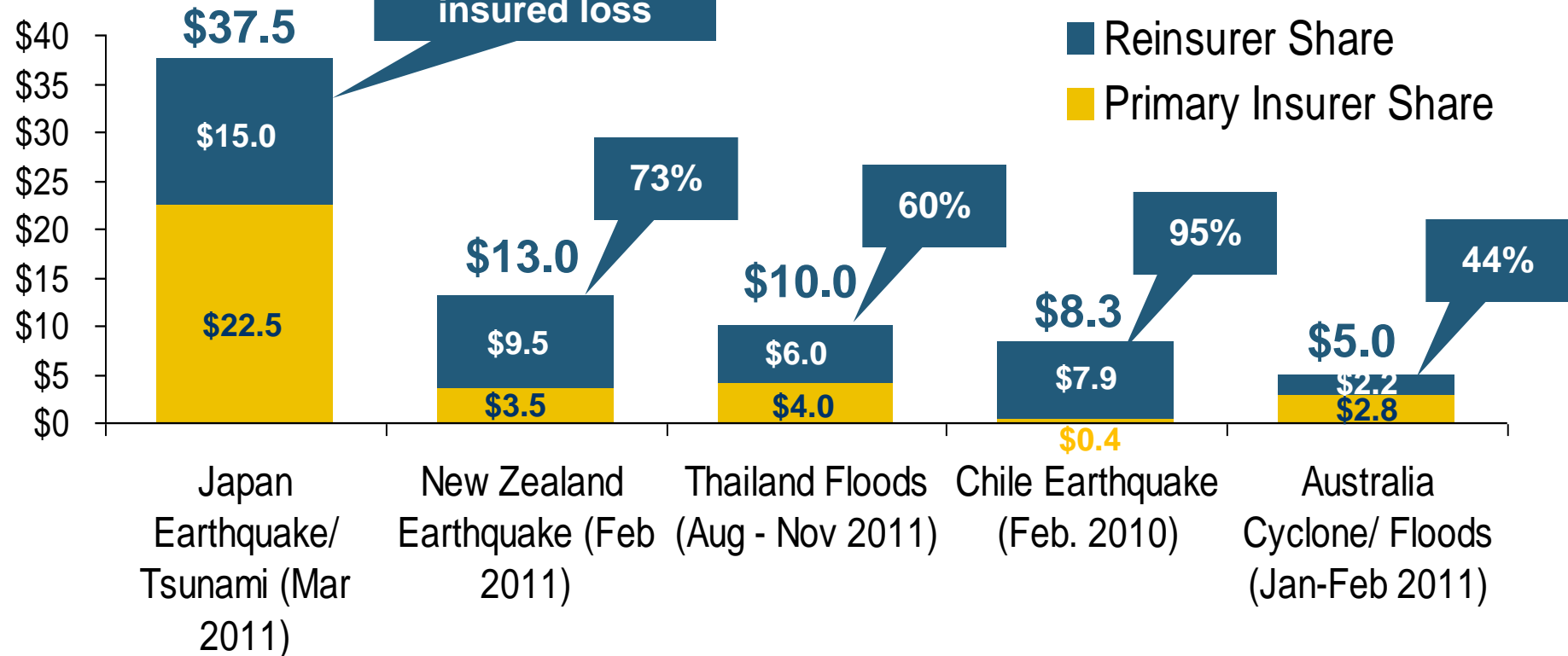


**Prices for residential maintenance and repair rose by over 40% from December 2004 (through March 2012).**

**Global Reinsurance Rates Are  
Rising.  
Reinsurance Provides Coverage  
and Is an Expense  
Item for Insurers.  
Reinsurance Is One of Insurers'  
Most Volatile Expense Factors.**

# Recent Significant CAT Losses, Reinsurer Share

Billions of 2011  
Dollars



**Reinsurers paid a high proportion of insured losses arising from major catastrophic events around the world in recent years**

**Because Of Its Conservative Business Model, Insurers Have Maintained Financial Strength Amid Great Economic Uncertainty. Adequate Rates Are an Important Component of That Model.**

# For Additional Information...

- [Homeowners Insurance Rates](#) – Video: Dr. Steven Weisbart explains the five reasons homeowners rates are rising.
- [Facts and Statistics: Homeowners and Renters Insurance](#)
- [Why Are Homeowners Insurance Rates Rising?](#) – Background paper
- [How to Save Money on Your Homeowners Insurance](#) – Consumer tips

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