

Contact

Mark Hanna
(512) 326-7616

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Statement on 2008 Texas Loss Ratios

The loss ratio of 165 percent reflects a very rough year for Texas insurers. 2008 saw Hurricanes Dolly and Ike resulting in nearly one million claims alone. Throw in all of the severe thunderstorms in North and Central Texas last spring and you can see why weather plays such a pivotal role in homeowners insurance in Texas.

We can be thankful that Texas had a string of good years prior to 2008 so that the industry was able to meet its financial obligations in the aftermath of these weather-related catastrophes.

Consumers and public policy makers need to remember that property insurance is a very cyclical industry. We have our good years and then we have our storm-plagued years. To put all of this in perspective, data from the Texas Department of Insurance shows the residential property insurance market remains a losing proposition for insurers over the past 16 years.

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Texas Homeowners Insurance Loss Data 1992-2008

Year	Direct Premiums Earned (\$)	Direct Losses Incurred (\$)	Incurred Loss ¹ Ratio	Combined Loss & Expense Ratio
1992	1,786,929,066	1,926,584,308	107.8	151.1
1993	1,916,266,180	1,266,821,284	66.1	105.4
1994	2,087,305,728	1,530,838,923	73.3	115.2
1995	2,188,807,260	2,025,806,202	92.6	133.3
1996	2,329,765,210	1,382,897,123	59.4	99.0
1997	2,468,086,626	1,118,004,785	45.3	85.7
1998	2,633,703,160	1,194,948,538	45.4	87.7
1999	2,804,336,380	1,421,627,819	50.7	93.3
2000	2,907,168,495	2,431,007,220	83.6	126.7
2001	3,121,726,707	3,648,017,214	116.9	165.6
2002	3,802,852,983	4,142,463,985	108.9	158.5
2003	4,324,626,880	2,526,263,799	58.4	96.4
2004	4,361,635,314	1,213,088,301	27.8	60.6
2005	4,610,859,573	2,609,419,843	56.6	91.7
2006	4,604,385,162	1,566,429,126	34.0	68.1
2007	5,000,782,866	1,820,164,762	36.4	71.0
2008*	5,169,021,636	6,565,744,849	127.0	165.0
03 - 08 TOTAL	28,071,311,431	16,301,110,680	58.1	93.5
92 - 08 TOTAL	56,118,259,226	38,390,128,081	68.4	107.9

¹ Loss ratio excludes loss adjustment expense, commissions, taxes and other overhead expenses.

* 2008 loss data is preliminary but represents all major insurers. Expense data includes direct Texas expenses; countrywide expenses attributable to Texas have not yet been reported for 2008 and therefore historic values were used to determine current estimates.

- **What is a loss ratio?**—Loss ratio is basically the percentage of losses, (claims insurers have paid) versus what they have collected in premiums.
- **Combined loss ratios** are a better snapshot of what is happening. The combined loss ratio takes into account a company's expenses for agent commissions, overhead, and administrative costs.