

Oklahomans' homeowners insurance will remain among nation's most expensive

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Residents of tornado-prone Oklahoma already pay some of the highest rates for homeowners insurance in the nation — and rates are only going up.

It's not uncommon for insurance companies to raise rates in a region after a catastrophe like the tornadoes that hit Oklahoma in May, said Amy Bach, executive director for the consumer nonprofit United Policyholders.

"As consumer advocates, we often feel that there is an overreaction there by the insurers," Bach said. Since May 20, when an EF5 tornado tore through Moore, 19 insurance companies have filed rate increase notices with the Oklahoma Insurance Department. The rate increases range from 5.4 percent to 40.6 percent for homeowners insurance.

However, these increases are routine and probably have more to do with weather-related losses in previous years than the May tornadoes, said Kelly Collins, spokeswoman for the Oklahoma Insurance Department.

"It takes insurers a long time to analyze the effects of a catastrophe and to determine how they should adjust," Collins said.

"The rate increases, which happen all through the year, are indicative of what the company experienced in years past, not current conditions."

Insurance companies have to regularly assess their loss ratio and what their overall expenses are in a region and change rates in reaction to those calculations, said Frank Stone, chief actuary for the Oklahoma Insurance Department.

For comparison, 25 companies filed rate increases in Oklahoma ranging from 4.2 percent to 35.3 percent in the first five months of the year leading up to the May 20 tornado.

Insured losses

Oklahoma Insurance Commissioner John Doak estimates that the total cost to insurers for the May 2013

tornadoes could range from \$2 billion to \$3 billion.

Insurers have paid out more than \$1 billion in storm-related claims in the state this year, much of it to cover the cost of temporary living expenses to affected homeowners.

It could take up to two years before the full cost of storms is assessed, Doak said.

Insurers are required by law to be able to pay out claims and remain solvent, Doak said.

"This is the largest catastrophe in the state's history, and I think companies here are doing an outstanding job monitoring the financial aspect of that," Doak said.

"I don't think we have had any companies that become insolvent because of the tornadoes — we don't have companies that have financial problems."

Allstate Insurance Co., the publicly traded insurer with the largest presence in Oklahoma, said in a regulatory filing earlier this month that it lost \$136 million from tornado-related damage in the second quarter of the year from storms in Oklahoma, Kansas and Texas.

However, Allstate will not break down those losses by storm or by each state, said Melinda Wilson, a spokeswoman for the company.

Allstate filed for a 15 percent rate increase for homeowners insurance in Oklahoma this year, but the increase was filed before the May tornadoes. "Our current rate structure in Oklahoma takes into account the weather conditions in that state," Wilson said.

The company has to set rates to ensure it's able to cover all of its contractual obligations to policyholders if there is another catastrophe in Oklahoma, she said.

"The tornado would be considered as one factor as we continue to serve our customers in Oklahoma, but it's just one piece of a larger rating puzzle," Wilson said.

"Cost of rebuilding is another major factor."

The Hartford reported \$57 million in losses from tornadoes for the first half of 2013, but it also did not break those numbers down by state in regulatory filings.

After May 20, Hartford affiliates filed for 40.6 percent and 25 percent rate increases in Oklahoma.

However, the rate increases reflect the company's business in the state from June 2007 through June 2012, said Heather Serignese, a spokeswoman for The Hartford.

"We adjust rates periodically to ensure our pricing adequately covers the risk of doing business in Oklahoma," Serignese said.

"Our rates remain below what we have determined is necessary. As costs related to providing home insurance coverage in Oklahoma continue to rise, prices must be adjusted to reflect that trend."

While Bach understand that insurers have to raise rates to remain solvent, she cautioned that insurers are paying out claims from the Oklahoma tornadoes from insurance premiums that they already have collected in the state.

“While you hear in the news everyday about catastrophes around the world, the insurance companies are collecting millions in premiums every year from people who will never file a claim in their entire lives,” Bach said.

“The insurance companies are good at what they do, good at investing and using lawyers to write exclusions in policies that save them a lot on claims.”

Oklahomans pay more

Oklahomans already pay some of most expensive premiums in the country for homeowners insurance. The state was ranked No. 4 in the nation for cost of homeowners insurance in 2010, behind Texas, Louisiana and Florida, according to the most recent data available from the Insurance Information Institute.

“Of the 10 costliest tornado cycles in U.S. history, five of them affected Oklahoma,” said Lynne McChristian, spokeswoman for the Insurance Information Institute.

The April 2011 tornado cycle, which included the Joplin, Mo., tornado, but also caused storms in Oklahoma and 12 other states, is currently ranked as the most expensive storm outbreak, with an estimated \$7.3 billion in losses to insurers.

Oklahoma may be the most expensive state without coastal exposure for homeowners insurance, Doak said.

“The major driving factor for that is the tornado factor,” Doak said.

“And we have even more at risk for hail exposure than for tornadoes.”

Stone noted that his homeowners insurance company had to pay him for the cost of two roofs over the past year because of storm damage.

“And that’s just normal business for the state of Oklahoma,” he said.