



Texas Insurance Loss Data

The most important attributes of a healthy market are for insurers to be able to pay claims to customers and for the marketplace to be competitive on price and product.

The loss ratio is the percentage of losses insurers have paid or will pay versus what they have collected in premiums. Combined ratios provide another view of the state of the market by combining the loss ratio with an expense ratio. The combined ratio takes into account a company's expenses for agent commissions, loss adjustment expenses, overhead, and administrative costs. A combined ratio of 100 is the break-even point; a ratio below 100 indicates an underwriting profit and above 100 indicates an underwriting loss.

Preliminary data for 2016 shows that companies writing homeowners insurance in Texas had a worse year than in every year since 2008, when Hurricane Ike struck Texas. For every dollar taken in by companies writing homeowners insurance in Texas in 2016, they paid out 91.8 cents in losses and 38 cents in expenses. Together, this results in a whopping combined ratio of 129.8 percent, which means the average company had an underwriting loss of 29.8 cents for every dollar consumers paid in premium.

When reviewing these types of metrics for homeowners insurance, it is also important to look at them over a longer period. In Texas, the presence of weather related catastrophes can negate years of profits. Following is a historic overview of Texas homeowners' loss ratios and combined ratios over the past 21 years. For that period, the average combined ratio is 103.9. Looking at the past five years, the average combined ratio is 100.2. Over time, then, homeowners insurance providers have operated at a loss in Texas.

Premiums are on a direct basis. This means that premiums insurers paid for reinsurance are not subtracted, and premiums insurers collected for reinsurance policies sold are not included. Similarly, losses are not reduced for amounts insurers collected from reinsurers, nor do losses include reinsurance payments made by insurers for reinsurance policies sold.

| Year | Direct Premiums Earned | Direct Losses Incurred | Incurred Loss Ratio | Expense Ratio | Combined Ratio |
|-------------------------|------------------------|------------------------|---------------------|---------------|----------------|
| 1996 | 2,329,765,210 | 1,382,897,123 | 59.4 | 39.6 | 99.0 |
| 1997 | 2,468,086,626 | 1,118,004,785 | 45.3 | 40.4 | 85.7 |
| 1998 | 2,633,703,160 | 1,194,948,538 | 45.4 | 42.3 | 87.7 |
| 1999 | 2,804,336,380 | 1,421,627,819 | 50.7 | 42.6 | 93.3 |
| 2000 | 2,907,168,495 | 2,431,007,220 | 83.6 | 43.1 | 126.7 |
| 2001 | 3,121,726,707 | 3,648,017,214 | 116.9 | 48.8 | 165.6 |
| 2002 | 3,802,852,983 | 4,142,463,985 | 108.9 | 49.6 | 158.5 |
| 2003 | 4,324,626,880 | 2,526,263,799 | 58.4 | 38.0 | 96.4 |
| 2004 | 4,361,635,314 | 1,213,088,301 | 27.8 | 32.8 | 60.6 |
| 2005 | 4,610,859,573 | 2,609,419,843 | 56.6 | 35.1 | 91.7 |
| 2006 | 4,604,385,162 | 1,566,429,126 | 34.0 | 34.1 | 68.1 |
| 2007 | 5,000,782,866 | 1,820,164,762 | 36.4 | 34.9 | 71.3 |
| 2008 | 5,224,968,126 | 6,742,744,446 | 129.0 | 46.9 | 176.0 |
| 2009 | 5,435,727,942 | 3,652,905,485 | 67.2 | 38.0 | 105.2 |
| 2010 | 5,718,375,100 | 2,793,093,954 | 48.8 | 37.0 | 85.8 |
| 2011 | 5,877,532,348 | 4,202,037,831 | 71.5 | 37.9 | 109.4 |
| 2012 | 6,089,819,534 | 3,316,028,845 | 54.5 | 37.2 | 91.6 |
| 2013 | 6,771,798,463 | 3,033,554,413 | 44.8 | 36.8 | 81.6 |
| 2014 | 7,455,857,331 | 3,461,284,797 | 71.5 | 36.0 | 82.4 |
| 2015 | 7,733,137,621 | 4,132,585,245 | 53.4 | 36.9 | 90.4 |
| 2016* | TBD | TBD | 91.8 | 38.0 | 129.8 |
| 5 year total ('12-'16) | | | 63.2 | 37.0 | 100.2 |
| 10 year total ('07-'16) | | | 66.9 | 38.0 | 104.9 |
| 96-2016 total | | | 64.6 | 39.3 | 103.9 |