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Don't be Fooled: Insurance Companies Have the Dough

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Insurance companies notoriously use "lost profits" as an excuse to pay less money during settlement negotiations. The best tip to remember is do not be fooled: insurance companies have the "dough." An analysis of hail events for the period between 2000-2013 is a demonstrable example. Data was gathered from multiple sources and merged to gain perspective about the relationship between hail events and the losses incurred by insurance companies in the state of Texas.[1]

Yearly data for premiums earned, direct losses incurred and loss ratios by insurance companies in Texas was gathered from the Texas Department of Insurance *Exhibits of Premiums and Losses,*[2] Summary Recaps from 2009 and 2013, each of which have ten year histories. Additional data was gathered from Verisk Insurance Solutions report Property Hail Claims in the United States: 2000-2013.[3] Data was also pulled from the National Climatic Data Center of the National Oceanic and Atmospheric Administration.[4] In addition to data gathered from these sources, population data was also used from the US Census Bureau accessed through their State and County Quickfacts page.[5] Data was also taken from the Dallas Morning news, *Texas home insurers see another strong year but still seek limits on lawsuits*, published on 4/20/155.[6]

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[1] *See* Chart attached hereto showing results of merged data.
[2] Texas Department of Insurance *Exhibits of Premiums and Losses(Page 15s)2000-2013: http://www.tdi.texas.gov/reports/report4.html#page15*
[3] *See* attached *Property Hail Claims in the United States: 2000-2013; Verisk Insurance Solutions.*
[4] National Climatic Data Center of the National Oceanic and Atmospheric Administration; http://www.ncdc.noaa.gov/stormevents/choosedates.jsp?statefips=48%2CTEXAS#. Data was accessed on the internet through their searchable database. Search terms were limited to hail in the state of Texas by year. Each year requires multiple searches as results are limited to 500 events.
[5] US Census Bureau Quick Facts Page; http://quickfacts.census.gov/qfd/index.html
[6] Dallas Morning News, 4/20/15; *Texas home insurers see another strong year but still seek limits on lawsuits,* Stutz. http://www.dallasnews.com/news/state/headlines/20150420-texas-home-insurers-see-another-strong-year-but-still-seek-limits-on-lawsuits.ece

This data, when merged and analyzed, demonstrates the following:

- When measuring hail losses by the average severity of the claim, Texas is outside of the top ten nationwide for average claim severity.[7] Texas does rank first in the country in average claims loss per year at $859.1 million average lost per year from 2000-2013[8] (When population is accounted for Texas would fall to sixth in per capita average claims loss per year using 2014 estimated population).[9]

- In analyzing the variance in hail losses for 2000-2013, despite Texas's ranking at the top for average losses per year, 2003 was the only year that Texas lead the nation in claims paid in relation to owner-occupied homes.[10]

- Texas also fell outside the Top ten in the nation of states with the largest number of increases in paid claims over the period 2000-2013.[11]

- Texas ranked 10th in the highest increases in claim severity from 2000-2013.[12]

- Increases in claim severity and costs paid follow increases in roofing materials and labor costs. Roofing material costs have increased 35% on top of a 27% increase in the overall construction materials costs. Labor costs have also increased 29%.[13]

- Percentage of hail losses has fallen from 2009 peak of 47.77% of all Direct Losses incurred to 33.2% in 2012 and 32.27% in 2013 even after 2012 Hidalgo County hail storms.33.2% in 2012 and 32.27% in 2013 even after 2012 Hidalgo County hail storms.[14]

Texas losses have fluctuated from year to year, but over time remain fairly steady.[15] **The only number that is steadily increasing is $'s in premiums paid by policyholders (also known as "direct premiums earned").[16]** This is money going directly into the pockets of the insurance companies – the same insurance companies claiming to be "losing" money because of Texas losses. Do not let them fool you.

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[7] *Property Hail Claims in the United States: 2000-2013; Verisk Insurance Solutions* at 4.
[8] *Id.*
[9] US Census Bureau Quick Facts Page; http://quickfacts.census.gov/qfd/index.html
[10] *Property Hail Claims in the United States: 2000-2013; Verisk Insurance Solutions* at 6.
[11] *Id.* at 8.
[12] *Id.* at 9.
[13] *Id.* at 10.
[14] Texas Department of Insurance *Exhibits of Premiums and Losses(Page 15s)2000-2013: http://www.tdi.texas.gov/reports/report4.html#page15;* Page 2, Summary recaps from 2009, and 2013 and *Property Hail Claims in the United States: 2000-2013; Verisk Insurance Solutions* at 12.
[15] *Property Hail Claims in the United States: 2000-2013; Verisk Insurance Solutions* at 12.
[16] Texas Department of Insurance *Exhibits of Premiums and Losses(Page 15s)2000-2013:http://www.tdi.texas.gov/reports/report4.html#page15;* Page 2, Summary recaps from 2009, and 2013.

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First appeared as part of the conference materials for the
20th Annual Insurance Law Institute session
"How to Get Dough Out of Insurance Companies: Tactics and Tricks of the Trade"