

## The Most Expensive States To Insure Your Home

By Sara Clemence, Forbes

Texas is tops—at least when it comes to homeowners' insurance costs.

You might guess that California, where houses go skidding down mountains, are torched by wildfires or get rattled by earthquakes, would be the most expensive place to insure a house. Or Florida, which was hammered by no fewer than four major hurricanes last year.

But in Florida, the most recent data available from the National Association of Insurance Commissioners (NAIC) shows that the average homeowners' premium was \$786 in 2002. The average in Texas was 58% higher. California didn't even make the top ten.

The hitch? In those damage- and destruction-prone states, earthquake, hurricane and flood insurance policies are sold separately, and not factored into the ranking. Yet in other states, more mundane weather events can create actuarial nightmares.

Several years ago, when **Bob Hunter** left Northern Virginia to become Commissioner of Insurance in Texas, he found that his insurance bill had doubled even though he'd bought a similar home

"Since I was commissioner, I asked [the company] to produce the data underlying the rates," Hunter says. "The thing that was really different was hail and wind. The risk of natural disaster was much greater. That caused maybe 90% of the difference in the rates, between Northern Virginia and Austin."

Weather is a major factor in determining the cost—and cost range—of homeowners' insurance, says **Don Griffin**, a vice president at Property Casualty Insurers Association of America (PCI), a trade association whose members write about 40% of the property and casualty insurance policies in the United States.

"Insurance is really based on looking at the past," says Griffin. When determining premiums,

insurers look at claim trends on a broad basis, such as state and regional levels, and as closely as a ZIP code or even a street. Companies then begin with an average price for premiums, depending on how expensive it has been to fill claims in a location.

If you have a wood-framed house in an area without fire coverage, you will pay more than someone who lives in a brick house next to the fire station, Griffin explains. But, brick doesn't respond well to earthquakes, tending to crack and crumble, so near the San Andreas Fault the potential damage would be greater.

The cost of real estate and rebuilding are also taken into account, which is one reason insurance is more expensive in cities than in rural areas (though that probably doesn't hold true if you live on a barrier island).

"If building material is in short supply or there isn't an abundance of skilled labor, that's going to factor in," says **Kip Diggs**, spokesman for Bloomington, Ill.-based **State Farm Insurance**, the largest home insurance underwriter in the country.

In general, homeowners' insurance costs are leveling off, says **Loretta Worters**, spokeswoman for the New York-based Insurance Information Institute.

One reason is that people are maintaining their homes better, she says. Mold damage claims haven't been as costly as insurers had predicted

Bob Hunter, who is now director of insurance for Consumer Federation of America (CFA), points out that for years premiums had increased at around the annual inflation rate. According to CFA, in 2001 homeowners' insurance rates went up by a median 7%, and in 2002 by a median 13%. Reasons include dropping interest rates and a stock market slump, he says. Both mean it's harder for insurance companies to make money on their investments.

The increases dropped back down last year, to around 4% or 5%, says Hunter. "This year we're talking back around inflation."

But if you live in Texas, Florida or any of the states with the expensive homeowners' premiums, don't start packing your bags for Wisconsin—the state with the least expensive premiums—just yet. Not every resident has to pay at the top rate. Plenty depends on how elaborate a policy you choose, and even where you live within a particular state. In Oregon, costs are similar whether you're in Portland or Coos Bay, Hunter says. In Maryland, State Farm charges nearly twice as much in Montgomery County, which butts against Washington, D.C., as in Frederick County, which is one county north. Other companies have different premium scales in the same area.

"Insurance companies do charge very significantly different prices," Hunter says. "You can easily pay 50% more if you go to the wrong company."

That's why it pays to shop around and do some background research. Most states have free insurance-buyers' guides, and the NAIC offers complaint ratios, as well as licensing and financial information for different companies on its Web site (<http://www.naic.org/>). Besides that, you don't necessarily get what you pay for.

"Our research shows that you don't have to pay more to get good service," Hunter says. "Some of the least-expensive companies have the best service."



### 10 Most Expensive States for Insurance

1. [Texas](#)
2. [Louisiana](#)
3. [Oklahoma](#)
4. [Florida](#)
5. [District of Columbia](#)
6. [Kansas](#)
7. [Mississippi](#)
8. [Alaska](#)
9. [New York](#)
10. [Colorado](#)