PROPERTY INSURANCE REPORT

The Authority on Insuring Homes and Commercial Property

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INSIDE

Drunk on Growth, Tennessee Home Insurers Suffer a Hangover

More than 25% of new residents to **Tennessee** came from **California**, **Florida** and **Texas**, according to migration data from the U.S. Census Bureau. If they were trying to escape catastrophic weather and wildfires, they were in for a rude awakening.

And in that respect, they were not unlike property insurers that have poured into the state, only to suffer the heartbreak of every singer-songwriter hoping to make it big but scrounging to pay the rent.

Tennessee residents today are just grateful to be out from the under the big freeze last month that plunged temperatures below zero and dropped 8 inches of snow in Nashville, according to the **National Weather Service**. More than 36 deaths, most of them in the Memphis area, were attributed to the weather, according to *The Tennessean*. For insurers, the storms caused less damage than the

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As Market Reels From Rising Home Insurance Prices, Disruption Hits Less Affordable States Hardest

With homeowners insurance prices soaring around the country, the pressure on carriers, regulators and politicians to do something is rising apace. That there is not much to be done – more severe weather cannot be "fixed" – does not much matter to insurance buyers being squeezed.

That pressure is greatest in the markets where home insurance is least affordable, and those are the same places where insurers are most likely to face the legislative and regulatory threats.

The states with the biggest affordability challenges are **Louisiana**, **Oklahoma**, **Florida**, **Mississippi** and **Texas**. You can add to this list **Wyoming** and **California**, which have seen affordability deteriorate the most in the nation.

These are among the most important findings from the

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Reinsurers Insist on Higher Attachments Points for 2024

While the orderly Jan. 1 reinsurance renewals were good news for national homeowners carriers that can withstand short-term losses at the lower layers, higher rates and attachment points will continue to cause pain for small, regional carriers – especially those concentrated in Midwestern states with recent storm losses.

Aggregate cover for lower-level losses is still scarce as reinsurer appetites have largely shifted to the top of programs hit by less frequent catastrophes.

This has left insurance company earnings with less protection from volatility.

"There's this mismatch really between the protection that the reinsurance market is willing to sell and the protection that the

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The H•U•R•T Index

Homeowners Underwriting Resistance Test

2021 Homeowners Average Premium (HO-3 Form) as a Percentage of Average Household Income

State	2021 Average Premium	Rank	21 Average Household Income	Rank	Prem/ Income Ratio	2021 Rank	2016 Rank	Insured Home Values Below 100K	Insured Home Values 100K to 200K	Insured Home Values Over 200K
Louisiana	$2,259	2	$75,590	47	2.99%	**1**	1	2.1%	32.2%	63.8%
Oklahoma	$2,155	3	$75,430	48	2.86%	**2**	2	2.7%	32.7%	62.3%
Florida	$2,437	1	$89,573	27	2.72%	**3**	3	0.5%	15.7%	80.5%
Mississippi	$1,766	7	$68,048	51	2.60%	**4**	4	3.7%	39.1%	55.4%
Texas	$2,146	4	$93,668	22	2.29%	**5**	5	1.7%	19.4%	75.0%
Arkansas	$1,611	11	$73,126	49	2.20%	**6**	6	3.1%	37.2%	57.4%
Alabama	$1,610	12	$75,923	46	2.12%	**7**	7	2.4%	34.0%	61.0%
Rhode Island	$1,900	5	$99,144	17	1.92%	**8**	11	0.2%	5.2%	89.6%
Nebraska	$1,684	9	$89,209	28	1.89%	**9**	10	2.0%	31.7%	63.7%
South Carolina	$1,432	18	$81,580	43	1.76%	**10**	9	1.0%	25.0%	71.0%
Kansas	$1,491	14	$86,580	35	1.72%	**11**	8	2.3%	27.1%	67.4%
Montana	$1,471	15	$87,083	31	1.69%	**12**	17	0.5%	18.5%	76.0%
Wyoming	$1,432	19	$86,911	32	1.65%	**13**	24	0.6%	20.0%	75.1%
Tennessee	$1,368	21	$83,777	41	1.63%	**14**	13	1.2%	29.8%	65.3%
Colorado	$1,802	6	$110,650	11	1.63%	**15**	16	0.2%	8.3%	82.9%
Kentucky	$1,232	29	$76,234	45	1.62%	**16**	14	2.0%	33.4%	62.4%
New Mexico	$1,229	30	$76,989	44	1.60%	**17**	22	1.2%	24.7%	70.6%
Georgia	$1,466	16	$92,425	24	1.59%	**18**	18	0.6%	21.4%	73.6%
Missouri	$1,340	22	$84,920	39	1.58%	**19**	12	1.3%	22.4%	72.6%
Minnesota	$1,607	13	$103,305	14	1.56%	**20**	21	1.2%	10.5%	81.9%
South Dakota	$1,270	26	$86,194	37	1.47%	**21**	15	1.6%	24.2%	70.7%
North Dakota	$1,256	27	$86,666	34	1.45%	**22**	19	1.4%	20.1%	75.1%
West Virginia	$1,016	39	$72,294	50	1.41%	**23**	23	2.9%	33.7%	61.3%
Connecticut	$1,651	10	$120,009	5	1.38%	**24**	28	0.3%	3.1%	90.4%
North Carolina	$1,192	33	$86,804	33	1.37%	**25**	20	0.6%	23.6%	72.7%
Massachusetts	$1,712	8	$124,789	3	1.37%	**26**	26	0.1%	2.2%	82.9%

Sources: National Assocation of Insurance Commissioners: *2021 Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owners Insurance*. Released January 2024. U.S. Census Bureau for income data. Ranking and calculations by *Property Insurance Report*. The NAIC does not endorse any calculation or analysis based on its data. The HO-3 policy form is the most widely used form in homeowners insurance, representing more than half of all residential property coverage.

The H•U•R•T Index

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2021 Homeowners Average Premium (HO-3 Form) as a Percentage of Average Household Income

State	2021 Average Premium	Rank	21 Average Household Income	Rank	Prem/ Income Ratio	2021 Rank	2016 Rank	Insured Home Values: Below 100K	Insured Home Values: 100K to 200K	Insured Home Values: Over 200K
New York	$1,455	17	$109,732	12	1.33%	**27**	27	0.7%	6.4%	86.2%
Indiana	$1,058	36	$82,643	42	1.28%	**28**	25	1.7%	27.8%	68.0%
Illinois	$1,223	31	$99,874	16	1.22%	**29**	31	0.6%	11.8%	81.9%
Iowa	$1,043	37	$86,499	36	1.21%	**30**	30	2.0%	27.6%	67.6%
Hawaii	$1,299	24	$111,751	9	1.16%	**31**	39	0.0%	2.7%	87.6%
California	$1,403	20	$120,953	4	1.16%	**32**	43	0.0%	1.5%	89.0%
Michigan	$993	43	$86,093	38	1.15%	**33**	29	1.1%	21.0%	74.8%
Maine	$996	42	$87,756	30	1.13%	**34**	32	0.7%	15.7%	80.3%
Ohio	$920	45	$84,572	40	1.09%	**35**	33	1.1%	25.1%	71.3%
Vermont	$1,025	38	$94,496	20	1.08%	**36**	35	0.4%	9.5%	85.9%
Pennsylvania	$1,014	40	$93,835	21	1.08%	**37**	34	1.2%	13.5%	81.5%
Virginia	$1,199	32	$111,287	10	1.08%	**38**	44	0.7%	16.6%	78.0%
Alaska	$1,067	35	$100,519	15	1.06%	**39**	41	0.3%	7.3%	85.0%
New Jersey	$1,309	23	$124,951	2	1.05%	**40**	36	0.1%	3.1%	91.6%
Delaware	$988	44	$95,633	19	1.03%	**41**	47	0.1%	9.7%	85.2%
Maryland	$1,238	28	$119,958	6	1.03%	**42**	48	0.2%	10.5%	84.2%
Arizona	$917	46	$93,177	23	0.98%	**43**	37	0.4%	16.2%	78.7%
Idaho	$884	47	$89,955	26	0.98%	**44**	42	0.3%	15.9%	77.4%
New Hampshire	$1,090	34	$111,908	8	0.97%	**45**	40	0.3%	8.6%	87.2%
Nevada	$863	48	$89,961	25	0.96%	**46**	46	0.1%	7.2%	87.5%
Dist. of Columbia	$1,272	25	$138,856	1	0.92%	**47**	38	0.0%	4.1%	89.8%
Wisconsin	$780	51	$88,304	29	0.88%	**48**	45	1.3%	15.1%	79.2%
Washington	$1,001	41	$116,349	7	0.86%	**49**	49	0.1%	6.6%	85.4%
Oregon	$793	50	$95,662	18	0.83%	**50**	50	0.2%	10.5%	83.3%
Utah	$831	49	$105,076	13	0.79%	**51**	51	0.2%	9.5%	83.0%
United States	$1,411		$97,962		1.44%			0.9%	16.0%	78.0%

Sources: National Assocation of Insurance Commissioners: *2021 Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owners Insurance*. Released January 2024. U.S. Census Bureau for income data. Ranking and calculations by *Property Insurance Report*. The NAIC does not endorse any calculation or analysis based on its data. The HO-3 policy form is the most widely used form in homeowners insurance, representing more than half of all residential property coverage.

AFFORDABILITY Continued from Page 1

HURT Index, our annual measure of insurance affordability.

To assess affordability, we divide average homeowners insurance premium for the HO-3 policy form into the average (mean) household income reported by the **U.S. Census Bureau**.

Unfortunately, the most recent average premium data from the **National Association of Insurance Commissioners** is for 2021. (PIR 1/15/24) But having calculated our HURT Index since 2000, we have found that shifts in affordability move very gradually, and when 2021 figures are enhanced by more recent data on rate changes (PIR 1/29/24), current affordability comes into sharp focus.

Homeowners average premium rose 7.6% in 2021 to $1,411, according to the NAIC, a drastic acceleration from the 3.1% rise in 2020, 1.8% in 2019, 3.1% in 2018, and 1.6% in 2017.

> ***The five most unaffordable state markets in 2021 are unchanged from our first HURT Index for 1997.***

Average household income, meanwhile, rose 7.0% in 2021, to $97,962.

With insurance costs rising more quickly than incomes, our 2021 HURT Index rose very slightly to 1.44% from 1.43% in 2020. Looking at the measure over a longer term, the index had actually improved from the 1.47% five years prior, in 2016.

On a national level, affordability has surely deteriorated in the years since 2021. Though income increased 7.8% in 2022 , the average rate increase for the largest insurers was 6.2% in 2022, according to RateWatch from **S&P Global Market Intelligence**. Average premium always rises faster than rate increases, because insured home values also increase, especially in times of surging inflation.

We don't have average household income for 2023 yet, but it is a good bet it won't keep pace with the 11.3% average rate increase taken by the largest insurers last year.

HURT stands for Homeowners Underwriting Resistance Test, and the index serves as an indicator of the relative affordability of different markets for homeowners insurance.

With this index, we can identify states where homeowners insurance premiums are so burdensome to consumer wallets that policymakers are likely to resist efforts at more detailed underwriting if the result is higher costs for any policyholders. States with a high HURT Index are likely to see protracted public policy debates on homeowners insurance.

We produce a similar index, dubbed the PAIN Index, for our sister publication, *Auto Insurance Report*. The newest auto insurance index still awaits data from the NAIC. (See AIR 3/14/22 for the last report.)

The states with the highest HURT Index are no surprise, as they all have income levels below the national average and homeowners premiums above the national average.

Though the order has changed a bit over the years, the list of the most unaffordable states – Louisiana, Oklahoma, Florida, Mississippi and Texas – is the same as it was in our first analysis, using 1997 data. There is no doubt that paying for homeowners insurance in these markets is very difficult for many residents. They all have high premiums and income levels below the national average. Louisiana, for example, has the second-highest average premium and the 47th-ranked average household income.

At the other end of the list, **Utah**, **Oregon**, **Washington**, **Wisconsin** and the **District of Columbia** all enjoy average homeowners premiums well below the national average and/or income levels that are well above the national average. Wisconsin enjoys the lowest average premium, while the District of Columbia boasts the highest average household income.

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***AFFORDABILITY** Continued from Page 4*

We believe the HURT Index becomes most valuable in revealing the market dynamics of states with wide gaps between insurance costs and income. A good example is **West Virginia**, whose $1,016 average homeowners insurance premium ranks 39th in the nation. But the state's residents struggle with the nation's second-lowest average household income, at just $72,294. The ratio of moderate insurance premium to the lowest income gives the state the 23rd-highest HURT Index for 2021.

The HURT Index also reveals how high-cost states are not nearly as troubled as they might seem. With the nation's eighth-highest average homeowners premium, **Massachusetts** would appear to face significant challenges. But blessed with the nation's third-highest household income of $124,789, Massachusetts moves down the HURT Index to a ranking of 26th, away from any real trouble. Coastal Massachusetts can be a challenging place to buy insurance, and low-income buyers in Boston will always struggle to pay their insurance premiums, but the overall market is more benign than it initially appears.

Two states stand out for trouble that was brewing in 2021, and their situations have only gotten worse. California's HURT Index rose from a very low 43rd in 2016 to middle of the pack 32nd in 2021. While its HURT Index is well below the national average, California saw the nation's worst deterioration in affordability, matched only by Wyoming's rise from 24th to a dangerous 13th.

California's affordability may not appear to worsen in 2022 or 2023 because regulators suppressed prices for so long that the market has fallen into crisis. (See PIR 12/4/23)

As with any statistical analysis, we urge readers to be cautious before drawing specific conclusions about individual states. These tables offer useful guidelines for identifying markets that are stable and those with the potential for trouble. We can say with great confidence that homeowners insurance is a bigger burden for consumers in a state with a high HURT Index than in a state with a low HURT Index.

But no one should fool themselves into thinking there is a statistically significant difference between 19th-ranked **Missouri** and 20th-ranked **Minnesota**, for example.

The average premium represents policies covering the full range of insured home values. As we have reported, there is a wide disparity in the insured home values from state to state. Thus, a high average premium could well reflect higher insured home values, not a higher cost for each dollar of insurance coverage.

Fortunately, the NAIC provides a breakdown of average premiums within bands of insured home values. We ran our HURT Index against the average premiums for homes insured for between $175,000 and $199,999, one of the larger segments of insured home values. This analysis shows a lower HURT Index for states with high average home values and a higher HURT Index for states with low average insured home values.

> ***On average, California remains affordable, but that is deteriorating quickly, and it is likely to only get worse.***

For example, when normalized for high insured home values, **Rhode Island's** HURT Index ranking fell to 21st from eighth, **New York** fell to 48th from 27th, and **Hawaii** fell from 31st to 51st, the lowest possible HURT Index.

Going the other way, where states look worse when normalized for home values, is less impactful. **Arizona** moves from 42nd in our general HURT Index to 32nd when normalized for home values. Both rankings are far from trouble.

Importantly, normalizing for home value does not move any states from the top of the list to the bottom, though some at the bottom of the list move to the middle of the pack. The degree of challenge changes, but not the big picture. PIR

State Market Focus: TENNESSEE

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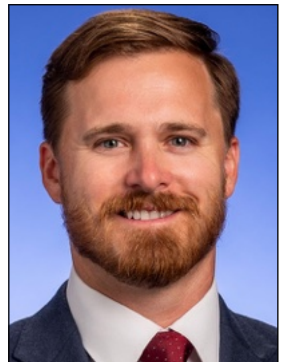
calamitous freeze over Christmas in 2022, when the power grid failed, causing massive numbers of frozen pipes and water damage claims.

But for insurers the problem in Tennessee is wind.

Given widespread damage from straight-line winds and tornadoes last year, the 2023 statewide incurred loss ratio is sure to far exceed last year's 65.4%. A good proxy for the state's 2023 performance is **Tennessee Farmers Insurance**, the second-largest writer in the state with all of its business in Tennessee. For the first nine months of 2023, Tennessee Farmers posted a homeowners multiperil incurred loss ratio of 118.1%, compared to 73.5% in the same period of 2022.

Fierce winds that swept across Tennessee peeled roofs off houses in early March, followed by severe storms later that month, then again in June, July and August, followed by devastating tornadoes in December. In all, there were six federal disaster declarations in Tennessee for severe storms last year. When the data is tallied, 2023 will likely rank as the second-worst catastrophe year for Tennessee after 2011, when the historic tornado outbreak that flattened Tuscaloosa, **Alabama**, in late April inflicted severe damage in Tennessee and other states.



Carter Lawrence
Tennessee Commissioner
Commerce & Insurance

Unlike many other catastrophe-prone insurance markets, Tennessee insurers have the benefit of operating in a state where the regulator enables them to respond to changing conditions, creating a level of stability that encourages many carriers to compete even in volatile times, according to **Hilary Segura**, assistant vice president with the **American Property Casualty**

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Tennessee
Property Insurance Profit Margins
10-Year Summary, % of Direct Premiums Earned, With National Averages

Line of Business	2021 Total Profit	2020 Total Profit	2019 Total Profit	2018 Total Profit	2017 Total Profit	2016 Total Profit	2015 Total Profit	2014 Total Profit	2013 Total Profit	2012 Total Profit	Avg Total Profit
State Homeowner	8.8	-13.2	18.9	20.9	12.8	7.1	19.1	13.9	16.0	-17.6	8.7
Nat'l Homeowner	1.4	2.7	10.3	-2.0	-2.6	11.8	14.0	13.9	16.5	8.1	7.4
State Fire	-25.3	-15.1	16.7	29.4	23.3	-62.0	25.5	12.9	24.2	25.1	5.5
Nat'l Fire	7.3	9.3	5.8	4.8	4.7	11.0	24.2	21.4	26.9	24.7	14.7
State Comm MP	11.2	-43.9	21.4	12.3	16.3	-17.8	10.4	14.6	19.3	-2.9	4.1
Nat'l Comm MP	5.5	3.2	8.2	4.1	0.6	9.8	14.5	12.4	14.9	9.0	8.2
State Allied Lines	19.1	-167.2	57.5	56.9	-94.3	9.2	0.1	17.4	26.1	-3.0	-7.8
Nat'l Allied Lines	7.3	-0.3	7.6	2.2	-37.6	10.6	19.2	15.7	6.3	-19.4	1.2

Note: Profit calculations are by *Property Insurance Report* using data from the National Association of Insurance Commissioners. Calculations are estimates, some based on national averages.

Tennessee
Homeowners Multiperil Insurers

Groups Ranked by Total 2022 Direct Premium Written (000)

Group Name	2022 Premium	Mkt share 2022	Loss Ratio 2022	2021 Premium	Mkt share 2021	Loss Ratio 2021	2020 Premium	Mkt share 2020	Loss Ratio 2020
State Farm Mutual	$644,483	23.3%	57.6%	$599,297	23.9%	55.5%	$542,814	23.5%	83.2%
Tennessee Farmers Insurance Cos.	$487,622	17.6%	73.5%	$449,965	18.0%	69.8%	$432,067	18.7%	92.0%
Allstate Corp.	$225,682	8.2%	69.5%	$197,329	7.9%	53.4%	$180,497	7.8%	78.0%
USAA Insurance Group	$189,201	6.8%	75.4%	$175,963	7.0%	66.9%	$160,312	6.9%	73.0%
Liberty Mutual	$188,522	6.8%	64.7%	$169,827	6.8%	51.6%	$166,330	7.2%	75.4%
Travelers Companies Inc.	$131,854	4.8%	61.7%	$115,586	4.6%	51.6%	$98,070	4.3%	94.6%
Farmers Insurance Group	$126,448	4.6%	57.5%	$113,205	4.5%	64.1%	$107,977	4.7%	95.7%
Erie Insurance Group	$126,238	4.6%	75.8%	$109,598	4.4%	85.1%	$97,786	4.2%	94.6%
Nationwide Mutual Group	$94,996	3.4%	73.8%	$88,084	3.5%	66.1%	$82,645	3.6%	105.4%
Auto-Owners Insurance	$59,202	2.1%	68.9%	$53,334	2.1%	70.9%	$50,266	2.2%	68.2%
Progressive Corp.	$51,156	1.9%	54.2%	$44,387	1.8%	46.7%	$37,834	1.6%	76.8%
American Family Insurance Group	$44,113	1.6%	51.3%	$36,418	1.5%	42.9%	$28,863	1.3%	60.0%
Shelter Insurance	$32,885	1.2%	68.2%	$29,644	1.2%	60.3%	$27,351	1.2%	76.4%
Chubb Ltd.	$31,365	1.1%	38.2%	$28,797	1.1%	61.5%	$28,531	1.2%	92.7%
Cincinnati Financial Corp.	$26,536	1.0%	26.5%	$23,746	1.0%	51.3%	$22,564	1.0%	151.4%
Assurant	$22,856	0.8%	35.5%	$21,888	0.9%	43.5%	$21,505	0.9%	38.0%
Westfield Insurance	$19,911	0.7%	63.4%	$18,162	0.7%	45.3%	$17,449	0.8%	105.3%
Grange Insurance Mutual	$19,450	0.7%	69.0%	$17,287	0.7%	63.6%	$15,741	0.7%	71.5%
Hanover Insurance Group	$19,016	0.7%	77.2%	$16,499	0.7%	74.3%	$15,677	0.7%	74.5%
Clear Blue Insurance	$18,028	0.7%	177.8%	$10,106	0.4%	69.1%	$2,117	0.1%	31.4%
Tokio Marine Group/PURE	$16,621	0.6%	67.6%	$14,034	0.6%	105.1%	$11,715	0.5%	58.0%
Munich Re/American Modern Ins Group	$15,981	0.6%	53.0%	$14,143	0.6%	41.5%	$12,255	0.5%	42.9%
Selective Insurance Group	$13,616	0.5%	58.8%	$13,190	0.5%	59.5%	$14,047	0.6%	131.6%
American National Insurance	$11,301	0.4%	62.0%	$10,333	0.4%	35.0%	$10,347	0.5%	32.4%
Stillwater/WT Holdings Inc.	$10,650	0.4%	80.5%	$8,175	0.3%	78.4%	$5,498	0.2%	103.8%
Farmers Mutual of Tennessee	$10,543	0.4%	81.3%	$10,653	0.4%	71.0%	$9,892	0.4%	65.9%
Penn National Insurance	$9,604	0.4%	73.4%	$9,012	0.4%	60.1%	$8,777	0.4%	101.1%
Auto Club Insurance Assn. (Michigan)	$9,490	0.3%	84.3%	$8,375	0.3%	44.2%	$7,768	0.3%	117.3%
Amica Mutual Insurance	$9,462	0.3%	59.0%	$8,880	0.4%	59.9%	$8,791	0.4%	108.8%
Spinnaker Insurance Co.	$8,893	0.3%	62.4%	$8,593	0.3%	79.8%	$6,233	0.3%	89.4%
McCarthy Partners Mgmt LLC	$8,658	0.3%	36.0%	$8,454	0.3%	35.6%	$8,323	0.4%	49.3%
Hartford Financial Services	$8,213	0.3%	21.1%	$7,901	0.3%	31.4%	$8,080	0.4%	45.2%
Acuity Mutual Insurance	$6,733	0.2%	53.8%	$5,352	0.2%	86.4%	$4,243	0.2%	53.2%
Central Insurance Companies	$6,397	0.2%	55.3%	$6,306	0.3%	60.9%	$6,195	0.3%	170.3%
QBE Insurance Group Ltd.	$5,713	0.2%	37.8%	$6,267	0.3%	67.6%	$6,214	0.3%	56.8%
Celina Insurance	$5,490	0.2%	55.1%	$5,037	0.2%	59.2%	$4,950	0.2%	103.3%
Berkshire Hathaway Inc.	$5,386	0.2%	83.9%	$3,915	0.2%	104.4%	$1,909	0.1%	62.1%
Lemonade Inc.	$5,251	0.2%	58.3%	$4,085	0.2%	59.0%	$2,659	0.1%	83.1%
American International Group	$4,679	0.2%	29.8%	$4,570	0.2%	34.5%	$4,754	0.2%	114.4%
Statewide Totals	$2,766,003		65.4%	$2,504,985		60.9%	$2,308,397		84.9%

Source: S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

State Market Focus: TENNESSEE

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Insurance Association (APCIA).

"Tennessee insurance markets historically have been fairly stable, but all those people moving into more expensive homes in Nashville and Knoxville and all the recent thunderstorms, tornadoes, ice storms, floods and wildfires, have caused homeowners insured direct losses in Tennessee to increase 80% over the last few years, compared to 27% nationwide," APCIA Senior Vice President **Robert Gordon** told the Tennessee House Insurance Committee on Feb. 8.

Insurers have responded to current conditions with widely varying rate increases – ranging from 4% to 30% among just the top 10 homeowners insurance groups last year; tighter underwriting, more inspections and narrower coverage, especially for roofs; and greater scrutiny of claims before writing a check. Newer carriers that rushed into the state have filed for huge rate increases and dramatically slowed new business. Insurers with broad policy language have been tightening up their forms to clarify that they do not cover "matching" and to limit their coverage of cosmetic damage, often in response to demands from reinsurers. Wind/hail deductibles are becoming common for commercial properties.

Hilary Segura
APCIA

"Tennessee is increasingly a wind state, and carriers are starting to see it as a wind state," said independent agent **Chan Dillon**, principal of **Insight Risk Management** in Nashville.

With that recognition, **Julie Shiyou-Woodard**, president and CEO of **Smart Home America**, is hopeful that Tennessee lawmakers will follow the lead of neighboring **Kentucky** and consider legislation to create a program offering financial incentives to install and upgrade roofs to Fortified standards set by the **Insurance Institute for Business & Home Safety** (IBHS). The Kentucky bill, which is still being debated, would require property insurers to offer a coverage option to upgrade storm-damaged roofs to

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Tennessee

Commercial Multiperil Nonliability Insurers

Groups Ranked by 2022 Premiums Written (000)

Group Name	2022 Premiums	Mkt share	Loss Ratio
Erie Insurance Group	$60,968	8.5%	57.0%
Nationwide Mutual Group	$51,865	7.2%	49.8%
Travelers Companies Inc.	$46,848	6.5%	32.1%
Chubb Ltd.	$43,477	6.1%	33.1%
Cincinnati Financial Corp.	$39,810	5.5%	39.2%
Auto-Owners Insurance	$39,700	5.5%	61.5%
Hartford Financial Services	$33,010	4.6%	59.2%
State Farm Mutual	$29,727	4.1%	82.3%
Tennessee Farmers Insurance	$28,577	4.0%	90.6%
Liberty Mutual	$24,883	3.5%	129.2%
Tokio Marine Group/PURE	$20,013	2.8%	64.6%
Westfield Insurance	$19,685	2.7%	45.6%
Brotherhood Mutual Insurance Co.	$15,946	2.2%	130.1%
Allstate Corp.	$14,640	2.0%	48.0%
Berkshire Hathaway Inc.	$14,347	2.0%	102.3%
Church Mutual	$13,961	1.9%	99.9%
Grange Insurance	$12,202	1.7%	30.1%
Hanover Insurance Group	$12,071	1.7%	74.3%
CNA Financial Corp.	$11,749	1.6%	15.2%
Farmers Insurance Group	$9,837	1.4%	95.6%
Frankenmuth Insurance	$8,273	1.1%	60.1%
W. R. Berkley Corp.	$7,864	1.1%	70.6%
Allianz Group	$7,618	1.1%	32.0%
Harford Mutual	$7,512	1.1%	74.3%
Munich Re	$7,006	1.0%	149.0%
Southern Mutual Church Ins Co.	$6,764	0.9%	63.4%
American International Group	$6,473	0.9%	74.8%
Fairfax Financial Holdings	$6,464	0.9%	118.7%
GuideOne Insurance	$6,451	0.9%	68.4%
Acuity Mutual Insurance	$6,383	0.9%	132.3%
Statewide Totals	$718,467		64.8%

Source: S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

State Market Focus: TENNESSEE

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Fortified standards and to provide actuarially justified premium discounts for homes that have them.

Neither Tennessee insurance regulators nor lawmakers have approached Smart Home America about establishing an incentive program for more resilient roofs like those that have become common in coastal states, but Shiyou-Woodward believes it could come up in 2025.

"Tennessee is just the logical next state," she said, especially if the Kentucky bill passes this year. "Builders at the border cross over in the zone between the states that has suffered tornado damage and will suffer it again."

Chan Dillon
Insight Risk Management

Tennessee experienced 40 tornadoes last year, the third-highest total after 66 in 2021 and 106 in 2011, according to data from the **National Weather Service**. On Dec. 9, the Clarksville and Nashville metropolitan areas were hard-hit by EF2 and EF3 tornadoes that damaged and destroyed many homes and resulted in more than 80 injuries and seven fatalities.

Of increasing concern is the prevalence of straight-line winds sweeping through Tennessee, like those in early March 2023 that in some places reached the force of a Category 1 hurricane. A National Weather Service "story map" described the impact in the Nashville area, though damage occurred statewide: "The long duration of high winds resulted in widespread wind damage to trees, power lines, homes and businesses throughout every county of Middle Tennessee. Hundreds of trees were snapped and uprooted, with some falling onto power lines and others falling onto homes."

An insurance executive said it was astounding that a wind event that was not a hurricane, a derecho, a hailstorm or a tornado could rank as one of the state's worst disasters on record.

Part of the problem, as Gordon mentioned in his testimony, is the tremendous housing growth in the state, especially in Nashville and the expanding suburbs across Middle Tennessee.

The Site Selection Group identified the Nashville-Davidson-Murfreesboro-Franklin region as

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Tennessee
Fire Insurers
Groups Ranked by 2022 Premiums Written (000)

Group Name	2022 Premiums	Mkt share	Loss Ratio
Tennessee Farmers Insurance	$52,631	12.8%	24.4%
Liberty Mutual	$30,725	7.5%	40.9%
FM Global	$28,619	7.0%	224.3%
Travelers Companies Inc.	$22,482	5.5%	-29.4%
Berkshire Hathaway Inc.	$17,093	4.2%	61.0%
STARR Companies	$15,754	3.8%	51.5%
American International Group	$14,965	3.6%	447.1%
Farmers Insurance Group	$14,629	3.6%	46.0%
Auto-Owners Insurance	$14,187	3.5%	52.1%
Allianz Group	$14,004	3.4%	-23.2%
Chubb Ltd.	$12,581	3.1%	101.0%
Munich Re	$11,969	2.9%	49.4%
Zurich Insurance Group	$11,411	2.8%	112.3%
Assurant	$8,047	2.0%	38.1%
Selective Insurance Group	$7,218	1.8%	-1.1%
AXA SA	$6,554	1.6%	-11.8%
Swiss Re	$6,381	1.6%	40.4%
Shelter Insurance	$6,317	1.5%	55.6%
USAA Insurance Group	$5,784	1.4%	70.2%
HDI V.a.G	$5,732	1.4%	-7.3%
Cincinnati Financial Corp.	$5,383	1.3%	10.6%
Tokio Marine Group/PURE	$5,151	1.3%	84.5%
Core Specialty/StarStone	$4,694	1.1%	50.8%
Fairfax Financial Holdings	$3,886	0.9%	84.3%
Arch Capital	$3,778	0.9%	40.8%
AXIS Capital Holdings	$3,601	0.9%	27.0%
Penn National Insurance	$3,407	0.8%	81.8%
Hartford Financial Services	$3,284	0.8%	25.6%
Statewide Totals	$411,460		66.0%

Source: S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

State Market Focus: TENNESSEE

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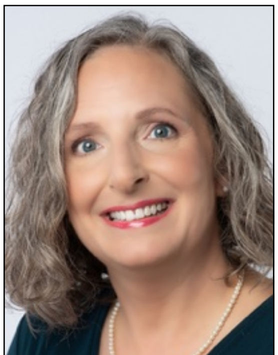
the third-fastest growing large metropolitan area, projecting that its 2023 population of 2 million people would increase 9.4% by 2028. Statewide, Tennessee has more than 7 million people.

Drawn by a large, fast-growing population and a welcoming regulatory environment, home insurers have flocked to Tennessee, trying to win business from established players, only to see profits scattered to the winds by storms.

Openly, for example, entered the Tennessee market in 2020, writing on paper from **Rock Ridge Insurance Co.**, a subsidiary of **Clear Blue Insurance**. By 2022, Clear Blue catapulted to become the state's 20th largest homeowners insurance group with $18.0 million in statewide premium in 2022. In a September 2023 rate filing, Openly reported $20.7 million for its homeowners insurance program and was seeking an average 54% rate increase. Its 2022 incurred loss ratio was 177.8%.



Julie Shiyou-Woodard
Smart Home America

It is not uncommon for insurers growing fast in a new state to make big rate adjustments as they gain experience in the market. But it wasn't just insurers new to the market taking big increases.

USAA, which wrote $189.2 million in statewide homeowners premium in 2022, increased rates an average 30.1% last August, according to RateWatch from **S&P Global Market Intelligence**. **Farmers Insurance Group** hiked Tennessee homeowners rates an average 65.6% since the start of 2023, on top of a 19.9% increase in 2022, according to RateWatch.

At the House Insurance Committee hearing last week, **Benjamin Sanders**, executive director of government affairs for Tennessee Farmers Insurance, surmised that companies taking very large increases had kept rates too low "in the interest of being competitive," and were trying to catch up with fast-rising claims costs driven by storm losses and inflation.

"Because of the competitive market, companies look for any way possible not to increase rates," he said.

The state's largest carriers have taken this approach. Overall, the top 10 homeowners groups increased rates an average 10.8% in 2023. The average was tempered by a modest 4.0% in-

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Tennessee

Allied Lines Insurers

Groups Ranked by 2022 Premiums Written (000)

Group Name	2022 Premiums	Mkt share	Loss Ratio
FM Global	$58,200	15.8%	44.6%
Travelers Companies Inc.	$27,811	7.6%	59.8%
Berkshire Hathaway Inc.	$22,115	6.0%	66.1%
Sompo Holdings Inc.	$21,235	5.8%	128.5%
Zurich Insurance Group	$18,837	5.1%	55.9%
Liberty Mutual	$14,852	4.0%	50.8%
Assurant	$11,933	3.2%	24.8%
Tennessee Farmers Insurance	$11,242	3.1%	255.4%
Selective Insurance Group Inc.	$10,288	2.8%	58.0%
USAA Insurance Group	$9,721	2.6%	58.5%
American International Group	$9,231	2.5%	90.3%
Munich Re	$9,089	2.5%	30.5%
Nationwide Mutual Group	$8,729	2.4%	65.7%
Chubb Ltd.	$8,466	2.3%	152.3%
Cincinnati Financial Corp.	$7,298	2.0%	16.6%
Shelter Mutual Insurance	$7,197	2.0%	74.7%
Farmers Insurance Group	$6,652	1.8%	56.7%
Swiss Re	$6,042	1.6%	82.8%
Tokio Marine Group/PURE	$5,982	1.6%	102.2%
AXIS	$5,491	1.5%	-6.6%
West Bend Mutual Insurance Co.	$5,310	1.4%	25.0%
MS&AD Insurance Group Holdings	$5,119	1.4%	23.8%
Auto-Owners Insurance	$4,940	1.3%	1.5%
Statewide Totals	$367,916		60.7%

Source: S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

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crease in 2023 from **State Farm**, which wrote 23.3% of statewide premium in 2022, though it has filed to increase homeowners rates an average 8.0% in May for new business and July for renewals. Last year, Tennessee regulators questioned how Tennessee Farmers could propose a 9.9% increase when the indicated rate change was 25.5%.

"The 9.94% proposed rate change is the largest single increase we have taken in more than 10 years," the company responded. "Our plan is to close this gap through a series of rate increases over the next few years, rather than shock our renewal book with very large rate."

The **Tennessee Department of Commerce and Insurance** eventually approved a 10.7% increase, according to RateWatch.

Tennessee requires prior approval of rates and forms, though insurers can file and immediately implement rate changes up to 15% in a calendar year under a flex-rating option. In an email reply to questions, Commissioner **Carter Lawrence** said carriers continue to take advantage of this process, though carriers report that both the need for larger increases and concerns about rate inadequacy mean it is employed less often than in the past.

"While frequency and rate vary dramatically based on carriers, products, and lines of business, we are seeing the insurance industry's desire to remain nimble and react to the market," Lawrence said, noting that many carriers continue to take less than indicated rates. "The department works hard to ensure our form, rate, and rule review process is thorough and does not impede speed to market for products."

According to the most recent data published by the **National Association of Insurance Commissioners**, Tennessee residents paid an average $1,368 for homeowners insurance in 2021. On our HURT Index, which compares premium to income as an indicator of affordability, just 12 other states were more challenging for homeowners insurance costs than the Volunteer State.

In addition to approving rate hikes, insurance regulators have accepted other insurer efforts to reduce their exposure to storm claims, especially for roofs and siding. In 2017, regulators adopted a loss settlement rule stating that when replaced items do not match in quality, color or size, "the insurer shall replace items so as to conform to a reasonably uniform appearance according to the applicable policy provisions."

While roofers declared Tennessee a matching state, the courts have held that insurers are not required to pay to match surrounding areas of a repair or replacement as long as the appearance is reasonably uniform, said **Parks Chastain**, of **Brewer Krause Brooks Chastain & Meisner**.

> ***Insurers remain attracted to Tennessee, often seeking increases below indicated rates in order to stay competitive.***

Consumers who want broader coverage can buy policies that offer it.

"Carriers have shown the desire to create policy provisions at a more basic, but statutorily acceptable level, so that individuals can add endorsements as they see best fits their own personal needs," Lawrence said in an email. "When the state wrote the rules, the intent was to allow carriers the flexibility to include the appropriate applicable policy provisions. By not being a matching state, our policyholders are saving hundreds if not thousands of premium dollars, since carriers are able to receive better reinsurance rates."

More often what Chastain is seeing today is the introduction of endorsements that either say the carrier won't pay for cosmetic damage or that

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they won't pay for damage that doesn't affect the intended function of the roof to prevent the intrusion of water or moisture.

"So far these limitations and exclusions have been upheld in trial courts," Chastain said, noting, however, that there have been no appellate decisions to cement these interpretations.

Even as carriers adapt policy language, Tennessee homeowners are particularly sensitive to price, and they are shopping like crazy as rates increase. Shopping increased 9% in 2023 over 2022, compared with the national average of 3%, according to **LexisNexis Risk Solutions**.

Even as his agency shops policies at the request of clients, Dillon said homeowners are encouraged to renew with their current carrier for fear that a new insurer with a lower price will end up cancelling the policy if a post-bind inspection or claim audit turns up problems.

> ***Tennessee touches two major earthquake zones, including the massive New Madrid fault.***

"The inspection could turn it upside down, and then we've got issues," he said.

One issue getting renewed attention in Tennessee is the prevalence of sinkholes. Tennessee lawmakers last week sent Gov. **Bill Lee** legislation (House Bill 623), which requires the seller of a residential property, prior to entering a contract with a buyer, to disclose the presence of a known sinkhole. The legislation would take effect July 1.

Most homeowners policies do not cover earth movement. Under Tennessee law, insurers are required to make sinkhole coverage available to homeowners who want it.

Windstorms, sinkholes and deep freezes aren't even the end of the risks facing Tennessee homeowners and their insurers.

Parks Chastain
Brewer Krause Brooks Chastain & Meisner

The Volunteer State has two seismic zones: the massive New Madrid Seismic Zone in the west and the East Tennessee Seismic Zone in the east. Insurers wrote $128.9 million in 2022 earthquake insurance premium. Premiums were up 7.1% in 2022 and 14.1% in 2021.

Tennessee isn't a top state for wildfire risk, but drought conditions have kept residents of eastern Tennessee on edge since the 2016 blaze that started in the Great Smoky Mountains National Park damaged or destroyed 2,500 structures. Last August, a federal appeals court decided that survivors could continue their lawsuits against the U.S. government, claiming the **National Park Service** did not adequately warn them of the impending danger.

Dozens of insurers also filed suit, seeking to recover damages from the federal government for hundreds of millions of dollars in property claims resulting from the fire. Insurers argued to an appeals court last month that the National Park Service didn't follow safety protocols in its own fire plan, according to the insurers' brief.

None of this has deterred insurers from competing in Tennessee as long as the people keep moving in and regulators give them freedom to adapt to the changing risk.

"Tennessee maintains a healthy and competitive homeowners insurance market," Lawrence said. "This can be seen by carriers consistently taking less than the indicated rate increase to maintain their competitive edge over other carriers." PIR


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REINSURANCE *Continued from Page 1*

insurance market would like to buy," said **Mike Van Slooten**, head of business intelligence for reinsurance broker **Aon**.

In response, regional carriers in the Midwest hard hit by a wave of severe convective storm losses are considering mergers to pool capital and create more diverse books of business, said **Keith Lippmann,** executive vice president at reinsurance broker **Gallagher Re**.

"We haven't seen that really materialize yet, but it's a talking point," Lippmann said.

Regional carriers with concentrated risk in hot spots for convective storms are also re-underwriting and shedding business, he said. National carriers will continue to push property insurance rates higher while lacking additional aggregate reinsurance cover, he said.

Severe convective storm losses exceeded $59 billion in 2023, nearly all of which was absorbed by primary insurance carriers, "given increased retentions and the scarcity of aggregation protection," according to a report from Gallagher Re.

While convective storms drove losses and higher insurance prices, Jan. 1 renewals were tempered by a relatively mild hurricane season that spared coastal carriers from events like Hurricane Ian in September 2022, which added to last year's disarray.

Following large increases in reinsurance prices in 2023, property catastrophe reinsurance rates have stabilized, albeit at much higher levels than in the recent past, as reinsurers and their investors remain anxious about catastrophe losses, inflation and geopolitical risk, said Van Slooten with Aon.

Rates increased in the single digits for loss-free programs and between 10% and 50% for those with catastrophe losses, according to Gallagher Re. Those modest increases follow chaotic 2023 renewals, in which rates increased 25% to 50% for loss-free programs and 45% to 100% for those hit by catastrophe losses.

Higher prices attracted more capacity to the market this year, largely from existing reinsurers rather than new entrants. **A.M. Best Co.** and reinsurance broker **Guy Carpenter & Co.** estimated that reinsurance capital increased by 10% in 2023 from year-end 2022.

From 2017 to 2022, reinsurers suffered an average combined ratio of about 101%, according to Aon, due to frequent natural catastrophes driven by climate change. The rededication to tighter underwriting and higher rates led reinsurance results to improve dramatically in 2023, with an estimated combined ratio of 89% for global reinsurers, according to a report from **Guy Carpenter**.

"What we've seen at this renewal is a greater willingness to deploy capital, and absent unusual events, I would expect that to continue going forward," Van Slooten said.

"We're on a more positive trend," he said, "but I don't think you're going to see a rapid shift in industry dynamics based on what we've seen since 2017." PIR

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