Property Insurance Report

The Authority on Insuring Homes and Commercial Property

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Inside

Maryland Crabby About Allstate's Pullback, But Cooler Heads Prevail

It was just last year that we wrote of **Allstate Insurance**'s bold move to reshape the property insurance market. (PIR 3/20/06) Past frequency and severity trends in hurricane-prone areas simply weren't holding up. And with predictability gone out the window, the company reasoned it could not responsibly deploy capital in certain coastal areas. Now enter **Maryland**.

In December 2006, Allstate informed the **Maryland Insurance Administration** (MIA) that it would discontinue writing new business in coastal areas and would increase

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HURT Index Identifies States With High Insurance Costs Relative To Household Income

When seeking to measure how high homeowners insurance costs are for consumers, you must consider two factors. The first the cost of insurance relative to one dollar of property coverage, an analysis we brought you in our last edition (PIR 2/19/07).

The second factor is the relationship of homeowners insurance premiums to income, and it toward that analysis that we point you this week, with our "HURT Index," or "Homeowners Underwriting Resistance Test."

By this measure, **Texas** still rules the roost as the most painful place in which to buy homeowners insurance, with the nation's highest average premium in 2004 (the latest data available) and a median income that ranks 44th in the nation in that year. This gives the Lone Star state a ratio of insurance costs to median income of 2.41% (up from 1.64% in 2000), more than double the 1.1% national average and substantially higher than second place **Louisiana**, which also has the nation's second highest homeowners insurance rate while incomes rank only 47th.

But it isn't only states with high insurance premiums that have such pain. Our analysis shows that several states that otherwise look like reasonable insurance markets are under intense pressure from homeowners insurance costs.

New Mexico is an excellent example. The average homeowners premium is a scant $585, well below the $729 national average, and higher than only eight other states. The state's median income, however, is equally scant, ranked 49th in the nation. The result: a HURT Index that ranks 16th in the nation and indicates a much more stressed market that one would otherwise see. See **Arkansas, South Carolina, Montana, Tennessee** and **West Virginia** for similar tales of woe.

Our HURT index is the exclusive analysis of *Property Insurance Report* (OK, so

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The H•U•R•T Index

Homeowners Underwriting Resistance Test

(2004 Homeowners Average Premium as a percentage of Median Income for 4-Person Families)

State	2004 Average Homeowners Insurance Expenditure	Rank	04 Median Income Family of 4	Rank	Prem/ Income Ratio	Rank	Insured Home Values Below 100K	100K to 200K	over 200K
Texas	$1,362	1	$56,508	44	2.41%	1	24.8%	53.5%	21.7%
Louisiana	$1,074	2	$54,394	47	1.97%	2	34.7%	49.7%	15.6%
Mississippi	$907	5	$50,801	51	1.79%	3	45.0%	43.5%	11.5%
Oklahoma	$991	3	$56,101	45	1.77%	4	42.2%	45.1%	12.7%
Florida	$929	4	$60,803	34	1.53%	5	21.1%	57.6%	21.3%
Arkansas	$768	16	$51,061	50	1.50%	6	44.1%	44.0%	11.9%
Dist. of Columbia	$894	6	$64,980	28	1.38%	7	1.4%	44.4%	54.2%
Alabama	$793	11	$58,652	38	1.35%	8	40.7%	46.0%	13.4%
South Carolina	$768	15	$57,539	42	1.33%	9	23.2%	54.5%	22.4%
Kansas	$833	8	$65,777	26	1.27%	10	34.1%	48.2%	17.7%
California	$835	7	$69,377	18	1.20%	11	2.9%	47.4%	49.7%
Montana	$661	25	$55,618	46	1.19%	12	26.8%	56.6%	16.6%
Tennessee	$681	24	$57,569	40	1.18%	13	31.9%	50.3%	17.8%
West Virginia	$616	36	$52,176	48	1.18%	14	34.1%	52.4%	13.5%
New York	$785	12	$67,857	21	1.16%	15	6.4%	43.9%	49.7%
New Mexico	$585	43	$51,452	49	1.14%	16	27.0%	55.0%	18.0%
Nebraska	$730	19	$64,417	29	1.13%	17	30.9%	55.8%	13.3%
Arizona	$642	29	$57,119	43	1.12%	18	15.5%	58.9%	25.6%
Colorado	$811	9	$73,213	11	1.11%	19	7.4%	48.5%	44.0%
Missouri	$689	23	$63,460	30	1.09%	20	25.3%	53.5%	21.2%
Kentucky	$615	37	$57,540	41	1.07%	21	28.1%	54.2%	17.8%
Rhode Island	$769	14	$72,706	12	1.06%	22	3.5%	61.5%	35.0%
Georgia	$635	32	$60,447	36	1.05%	23	17.8%	55.4%	26.8%
Nevada	$632	33	$60,520	35	1.04%	24	6.4%	58.9%	34.7%
Alaska	$810	10	$78,057	7	1.04%	25	6.3%	54.1%	39.6%
North Carolina	$623	34	$60,303	37	1.03%	26	15.7%	58.3%	26.0%

Sources: A report by the National Assocation of Insurance Commissioners: 2004 Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owners Insurance. Released February 2007. 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 the use of its data. Notes: The HO-3 policy form is the most widely used form in homeowners insurance, representing nearly three quarters of all residential property coverage.

The H•U•R•T Index

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State	2004 Average Homeowners Insurance Expenditure	Rank	04 Median Income Family of 4	Rank	Prem/ Income Ratio	Rank	Insured Home Values Below 100K	Insured Home Values 100K to 200K	Insured Home Values over 200K
North Dakota	$704	22	$68,371	20	1.03%	27	41.2%	49.3%	9.4%
Michigan	$726	21	$71,324	15	1.02%	28	17.1%	59.1%	23.8%
Hawaii	$726	20	$73,477	10	0.99%	29	1.3%	33.8%	64.9%
Wyoming	$650	28	$66,325	24	0.98%	30	29.1%	56.1%	13.7%
Minnesota	$767	17	$78,829	6	0.97%	31	14.5%	56.0%	29.5%
Indiana	$636	31	$65,464	27	0.97%	32	26.9%	56.6%	16.5%
South Dakota	$601	39	$61,961	32	0.97%	33	36.7%	52.6%	10.7%
Illinois	$659	26	$70,558	17	0.93%	34	8.6%	48.4%	42.9%
Massachusetts	$759	18	$86,747	4	0.87%	35	1.7%	43.8%	54.5%
Connecticut	$777	13	$89,319	2	0.87%	36	1.2%	46.4%	52.4%
Iowa	$575	44	$66,470	23	0.87%	37	34.2%	53.2%	12.6%
Pennsylvania	$593	41	$68,913	19	0.86%	38	11.0%	64.0%	25.0%
Vermont	$608	38	$72,465	13	0.84%	39	12.7%	61.5%	25.8%
Virginia	$616	35	$74,290	9	0.83%	40	13.6%	48.8%	37.6%
Washington	$590	42	$71,727	14	0.82%	41	5.9%	54.3%	39.8%
Oregon	$492	47	$61,250	33	0.80%	42	7.2%	59.8%	33.0%
Maine	$513	46	$66,107	25	0.78%	43	18.6%	60.9%	20.5%
Idaho	$448	51	$57,773	39	0.78%	44	23.7%	60.4%	15.9%
Ohio	$523	45	$67,589	22	0.77%	45	18.7%	61.1%	20.2%
Utah	$473	50	$63,233	31	0.75%	46	11.0%	64.3%	24.8%
Maryland	$652	27	$87,972	3	0.74%	47	6.0%	54.4%	39.6%
New Hampshire	$599	40	$81,313	5	0.74%	48	9.9%	60.3%	29.9%
New Jersey	$641	30	$89,372	1	0.72%	49	1.2%	37.1%	61.7%
Wisconsin	$483	49	$71,267	16	0.68%	50	18.7%	60.0%	21.3%
Delaware	$488	48	$74,993	8	0.65%	51	5.9%	57.6%	37.0%
Countrywide	$729		$66,111		1.10%		15.6%	52.9%	31.5%

Sources: A report by the National Assocation of Insurance Commissioners: 2004 Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owners Insurance. Released February 2007. 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 the use of its data. Notes: The HO-3 policy form is the most widely used form in homeowners insurance, representing nearly three quarters of all residential property coverage.

Maryland
Homeowners Insurers

Groups Ranked by Total 2005 Premiums Written

Group Name	2005 Premiums	Mkt share 2005	Loss Ratio 2005	2004 Premiums	Mkt share 2004	Loss Ratio 2004	2003 Premiums	Mkt share 2003	Loss Ratio 2003
STATE FARM	244,437,889	21.9%	38.5%	225,878,094	22.1%	40.9%	208,181,078	22.1%	84.4%
ALLSTATE INS GRP	184,093,142	16.5%	29.3%	145,878,837	14.3%	31.5%	117,218,250	14.3%	72.1%
ST PAUL TRAVELERS GRP	127,037,394	11.4%	32.9%	106,411,376	10.4%	29.6%	78,204,809	10.4%	69.5%
NATIONWIDE CORP	124,742,286	11.2%	35.1%	114,956,345	11.3%	36.7%	97,797,294	11.3%	81.9%
ERIE INS GRP	105,155,392	9.4%	31.4%	103,474,609	10.1%	31.5%	77,686,926	10.1%	96.3%
USAA	65,525,966	5.9%	32.7%	58,912,744	5.8%	35.3%	51,371,604	5.8%	78.1%
LIBERTY MUT GRP	37,348,094	3.3%	44.0%	34,403,524	3.4%	44.4%	29,109,314	3.4%	84.4%
CHUBB & SON INC	26,137,930	2.3%	32.8%	23,712,405	2.3%	52.6%	21,734,665	2.3%	112.6%
ZURICH/FARMERS INS GRP	18,447,363	1.7%	42.7%	18,739,634	1.8%	45.0%	18,041,748	1.8%	103.0%
ALLIANZ INS GRP	18,396,968	1.6%	69.6%	16,459,541	1.6%	64.7%	14,314,117	1.6%	109.2%
BRETHREN MUT INS CO	17,324,228	1.5%	37.0%	15,767,855	1.5%	53.5%	14,043,048	1.5%	101.8%
HARTFORD FIRE & CAS GRP	14,664,087	1.3%	44.7%	14,228,000	1.4%	22.8%	13,511,849	1.4%	64.0%
METROPOLITAN GRP	9,592,531	0.9%	27.5%	8,033,882	0.8%	50.3%	6,771,031	0.8%	75.6%
DONEGAL GRP	9,521,375	0.9%	43.4%	9,184,877	0.9%	44.4%	7,516,816	0.9%	65.9%
UNITRIN GRP	9,241,396	0.8%	27.6%	9,512,508	0.9%	28.8%	3,837,956	0.9%	55.8%
FREDERICK MUT INS CO	9,192,761	0.8%	47.7%	8,373,672	0.8%	32.0%	6,365,576	0.8%	95.8%
STATE AUTO MUT GRP	8,927,027	0.8%	39.5%	7,668,663	0.8%	97.0%	6,374,820	0.8%	104.0%
SAFECO INS GRP	7,174,358	0.6%	28.1%	8,054,040	0.8%	31.6%	8,269,271	0.8%	49.6%
AMICA MUT GRP	6,795,093	0.6%	25.4%	5,749,879	0.6%	33.0%	4,432,581	0.6%	82.2%
BALBOA INS GRP	5,887,810	0.5%	28.8%	6,150,218	0.6%	51.2%	5,050,435	0.6%	84.3%
OHIO CAS GRP	5,756,514	0.5%	44.7%	5,436,064	0.5%	42.7%	5,230,216	0.5%	66.6%
SELECTIVE INS	5,270,388	0.5%	66.8%	4,484,331	0.4%	68.0%	3,589,765	0.4%	123.3%
MUTUAL BENEFIT GRP	4,938,990	0.4%	39.2%	4,760,176	0.5%	51.5%	4,215,986	0.5%	96.7%
CUMBERLAND GRP	4,205,873	0.4%	46.4%	3,431,521	0.3%	53.8%	1,033,123	0.3%	108.7%
AAA MID ATLANTIC INS GRP	3,833,611	0.3%	41.7%	3,180,953	0.3%	77.2%	2,456,470	0.3%	113.0%
WESTMINISTER AMERICAN INS	3,550,080	0.3%	52.8%	6,223,942	0.6%	62.8%	4,700,566	0.6%	76.5%
HOMESITE INS GRP	3,448,110	0.3%	57.4%	1,360,678	0.1%	13.0%	494,965	0.1%	60.1%
HARLEYSVILLE GRP	3,410,409	0.3%	26.7%	3,735,833	0.4%	35.9%	4,361,951	0.4%	101.3%
AMERICAN INTRNL GRP	3,368,580	0.3%	37.7%	3,954,836	0.4%	31.2%	2,834,594	0.4%	122.7%
PENNSYLVANIA NATL INS GRP	3,360,352	0.3%	70.8%	2,889,075	0.3%	26.7%	2,703,832	0.3%	129.6%
NATL GRANGE MUT INS GRP	2,620,970	0.2%	35.3%	2,718,368	0.3%	26.9%	2,394,963	0.3%	123.8%
FARMERS MUT F I C OF DUG	2,287,347	0.2%	36.0%	2,112,657	0.2%	38.3%	1,564,598	0.2%	136.8%
ATLANTIC CO	2,273,645	0.2%	43.5%	1,839,464	0.2%	51.2%	1,597,279	0.2%	108.0%
ASSURANT INC GRP	2,183,849	0.2%	24.4%	1,021,975	0.1%	14.5%	617,692	0.1%	49.4%
HORACE MANN GRP	2,082,760	0.2%	20.9%	1,904,899	0.2%	48.6%	1,663,443	0.2%	126.1%
HARFORD GRP INC	1,922,867	0.2%	42.0%	2,233,856	0.2%	30.9%	2,343,951	0.2%	112.0%
AMERIPRISE FINANCIAL GRP	1,752,657	0.2%	21.1%	1,640,489	0.2%	31.0%	877,055	0.2%	107.7%
WINDSOR MOUNT JOY MUT INS	1,675,768	0.1%	71.7%	1,494,538	0.1%	52.1%	1,310,374	0.1%	68.4%
ARMED FORCES INS	1,417,824	0.1%	30.8%	1,364,921	0.1%	159.4%	942,954	0.1%	95.6%
CINCINNATI FNCL CP	1,107,153	0.1%	76.3%	899,040	0.1%	30.3%	649,424	0.1%	65.7%
LITITZ MUT GRP	940,175	0.1%	49.5%	745,322	0.1%	35.1%	587,498	0.1%	119.1%
FARMERS MECH MUT INS ASN	917,558	0.1%	30.4%	766,163	0.1%	48.3%	627,926	0.1%	52.9%
Statewide Totals	$1,117,972,337		36.0%	$1,021,711,888		38.9%	$878,928,628		84.6%

Data Source: National Association of Insurance Commissioners, by permission, and Property Insurance Report Database. The NAIC does not endorse any analysis or calculation based upon the use of this data. * Loss ratio = loss incurred/premium earned, and does not include dividends.

State Market Focus: MARYLAND

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deductibles on policies in a number of other areas. The reason: Allstate's modeling indicates an increase in frequency and severity of storms in coastal areas further to the north of traditional hurricane-prone areas. Armed with this new information, the company took a hard look at all its coastal business from **Texas** to **Maine**, and decided it was ill-advised to take on more risk in a number of states, Maryland being one of them.

Looking at premium data, the reduction in exposures is somewhat masked by greater aggressiveness with pricing. In 2005 alone, Allstate's market share jumped more than two percentage points on premium growth that was triple the statewide average. Where better to shift gears than along the coast?

To minimize potential disruptions, Allstate brought in a third-party carrier to write new business in the 11 counties affected by its action. But its announcement has still set off a firestorm of activity to try to determine whether Maryland homeowners might find themselves in the same situation as many Gulf Coast residents who are scrambling to find coverage.

The scramble is not unique to Maryland. Politicians and regulators are really feeling the heat in states such as **South Carolina**, where a new insurance commissioner is charged with fixing a coastal availability crisis, and in **New Jersey**, where residents are confused about insurer reticence given a lack of hurricanes in the past century.

Some lawmakers say they have gotten calls from voters complaining about the availability and the price of homeowners' coverage, but agents' phone lines have been noticeably quiet at least on this matter. "And if anyone were to be getting irate phone calls, you can bet it would

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

Line of Business	2004 Total Profit	2003 Total Profit	2002 Total Profit	2001 Total Profit	2000 Total Profit	1999 Total Profit	1998 Total Profit	1997 Total Profit	1996 Total Profit	1995 Total Profit	Avge Total Profit
State Homeowner	22.9	-10.3	-20.4	-2.9	0.9	-5.7	9.8	9.7	-15.6	2.0	-1.0
Nat'l Homeowner	3.0	7.5	1.1	-6.2	3.4	4.9	4.9	10.4	-3.2	2.5	2.8
State Fire	31.4	25.8	19.5	13.8	2.7	15.8	23.4	23.9	22.2	19.3	19.8
Nat'l Fire	29.8	27.6	32.9	-40.7	14.2	7.8	9.9	17.7	13.4	9.5	12.2
State Comm MP	14.8	-8.6	9.5	7.1	11.6	-0.8	20.5	17.3	7.7	15.8	9.5
Nat'l Comm MP	9.8	11.7	8.0	-6.8	8.7	2.4	4.8	11.2	5.8	7.7	6.3
State Allied Lines	16.5	-64.2	25.0	14.4	24.0	2.6	28.8	19.0	7.3	36.5	11.0
Nat'l Allied Lines	-1.4	18.6	10.9	-45.6	8.4	-1.9	-9.3	12.5	-4.1	-9.9	-2.2

Sources: National Association of Insurance Commissioners; *Property Insurance Report*. Note: Calculations by *Property Insurance Report* using NAIC data. Calculations are estimates, some based on national averages.

Maryland Commercial Multi-Peril Insurers, Non-Liability

Groups Ranked by Total 2005 Premiums Written

Group Name	2005 Premiums	Mkt share 2005
HARTFORD FIRE & CAS	$42,682,501	11.6%
ST PAUL TRAVELERS GRP	$40,545,115	11.6%
ERIE INS GRP	$26,187,139	7.6%
CNA INS GRP	$21,213,241	6.5%
STATE FARM	$21,205,662	6.1%
ZURICH/FARMERS INS	$18,288,660	5.2%
CHUBB & SON INC	$17,892,863	5.0%
NATIONWIDE CORP	$16,889,689	4.7%
HARFORD GRP INC	$13,842,742	4.4%
ALLIANZ INS GRP	$10,767,357	3.1%
BRETHREN MUT INS CO	$9,063,845	2.6%
LIBERTY MUT GRP	$9,054,377	3.3%
ALLSTATE INS GRP	$8,463,271	2.2%
MILLERS CAPITAL INS CO	$7,539,231	2.5%
OHIO CAS GRP	$5,717,635	1.8%
COUNTRY INS &	$5,387,574	1.2%
MAGUIRE CORP GRP	$4,833,074	1.1%
DONEGAL GRP	$4,417,702	1.3%
CINCINNATI FNCL CP	$4,268,653	1.1%
MITSUI SUMITOMO INS	$4,254,008	1.4%
BROTHERHOOD MUT INS	$4,213,967	1.1%
HARLEYSVILLE GRP	$3,943,171	1.1%
WR BERKLEY CORP	$3,663,593	1.1%
ACE LTD	$3,654,275	1.2%
FREDERICK MUT INS CO	$3,295,583	1.0%
UTICA NATL INS GRP	$2,919,330	0.8%
AMERICAN INTRNL GRP	$2,752,646	0.8%
CHURCH MUT INS CO	$2,479,461	0.6%
SAFECO INS GRP	$2,304,462	0.7%
SELECTIVE INS	$1,908,217	0.5%
STATE AUTO MUT GRP	$1,740,932	0.5%
GREATER NY	$1,728,078	0.2%
MUTUAL BENEFIT GRP	$1,673,736	0.5%
NATL GRANGE MUT INS	$1,253,744	0.4%
Statewide Totals	$350,422,629	

Data Source: National Association of Insurance Commissioners, by permission, and Property Insurance Report. The NAIC does not endorse any analysis or calculation based upon the use of this data.

Focus: MARYLAND

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be us," says **Reese Cropper**, an independent agent with Insurance Management Group who has worked in the (obviously coastal) Ocean City area for the past 25 years. "We deliver bad news about price increases all the time. We'd know if there was a problem."

Agents says Maryland homeowners on the coast have been living with similar restrictions that other insurers, most notably **State Farm** and **Nationwide**, have had in place for years, though State Farm confirms that it widened its more-than-decade-old, no-write zone along the Maryland coast from 1,000 feet to 2,500 feet in October 2006.

So what's the problem?

In January, newspapers were splayed with incendiary headlines like "Insurers shrink from the coast." Even though the details behind the headlines didn't justify such fighting words, the headlines sparked chilling memories of Hurricane Isabel, which caused enormous flooding along Maryland shores.

"Maryland homeowners had a horrific experience in trying to get claims settled with the [National Flood Insurance Program]," says **Steven Orr**, Maryland commissioner of insurance. "Even though it was the federal government's fault, most Marylanders hold the big carriers responsible for a terrible job on settling claims. Even today, if you flash a picture of any large carrier, Marylanders' blood pressure goes through the roof."

Emotions may be running high, but the homeowners' insurance market is as healthy as ever. Some 130 insurers are writing in the state. There's been no appreciable increase in the Fair Plan holdings, and the surplus lines market is active, according to Orr.

Those facts still haven't yet convinced some legislators. Bills have been introduced in the House and Senate that would effectively re-

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quire insurers to write new business across the entire state.

If ever there was "medicine that was more potent than the disease," this legislation is it, says Orr, who thinks that the bills won't pass but won't bet the spare change in his pocket on the outcome. Allstate has already said that it would stop writing new homeowners' business if the bill should pass. Instead of foregoing a projected 1,600 new homeowners polices under its current proposal, Allstate would likely have to turn away a projected 15,000 policies across the state, according to Orr. At least one small mutual insurer has said that it probably put the brakes on writing homeowners' insurance because it won't have the capital to deploy in its geographic territories outside its current jurisdiction, and Orr's hunch is that State Farm might also take another step to curb is holdings.

Fewer insurers would mean less competition and higher premiums for all Maryland homeowners. No one wants this to happen. Be-

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MARYLAND
2004 Insured Home Values

Home Value	Maryland	National Average
<$50K	0.1%	0.7%
$50-75K	0.7%	4.1%
$75-100K	5.3%	10.8%
$100-125K	12.8%	15.2%
$125-150K	15.2%	15.0%
$150-175K	14.5%	12.8%
$175-200K	11.9%	9.8%
$200-300K	25.4%	20.3%
$300-400K	8.5%	6.6%
$400-500K	3.0%	2.3%
>$500K	2.6%	2.2%
Total exposures	1,152,745	47,853,718

Source: NAIC, Property Insurance Report

Maryland
Fire Insurance Groups
Groups Ranked by Total 2005 Premiums Written

Group Name	2005 Premiums	Mkt share 2005
AMERICAN INTRNL GRP	$28,089,712	22.9%
ST PAUL TRAVELERS GRP	$13,265,423	10.8%
ASSURANT INC GRP	$7,157,673	5.8%
FM GLOBAL GRP	$5,873,974	4.8%
ALLEGHANY GRP	$5,408,444	4.4%
SELECTIVE INS	$5,171,144	4.2%
ZURICH/FARMERS INS	$5,151,616	4.2%
LIBERTY MUT GRP	$4,168,085	3.4%
FAIRFAX FINANCIAL	$3,778,159	3.1%
NATIONWIDE CORP	$3,742,285	3.1%
USAA	$2,562,525	2.1%
ALLIANZ INS GRP	$2,437,877	2.0%
HARTFORD FIRE & CAS	$2,280,395	1.9%
PENNSYLVANIA NATL INS	$2,254,121	1.8%
ALLSTATE INS GRP	$2,067,302	1.7%
STATE AUTO MUT GRP	$2,019,177	1.6%
BRETHREN MUT INS CO	$1,469,088	1.2%
GE GLOBAL GRP	$1,402,053	1.1%
BERKSHIRE HATHAWAY	$1,351,935	1.1%
BALBOA INS GRP	$1,335,662	1.1%
FREDERICK MUT INS CO	$1,189,276	1.0%
ACE LTD	$1,108,576	0.9%
UNITRIN GRP	$1,044,403	0.9%
ARCH INS GRP	$999,780	0.8%
ERIE INS GRP	$974,615	0.8%
PENNSYLVANIA	$925,686	0.8%
ASPEN SPECIALTY INS CO	$843,561	0.7%
OHIO CAS GRP	$737,126	0.6%
AMERICAN NATL FNCL	$725,402	0.6%
CUMBERLAND GRP	$669,250	0.5%
AXIS CAPITAL GRP	$668,969	0.5%
HANNOVER GRP	$648,240	0.5%
WR BERKLEY CORP	$638,356	0.5%
CINCINNATI FNCL CP	$619,983	0.5%
SENTRY INS GRP	$416,372	0.3%
MARKEL CORP GRP	$407,330	0.3%
FARMERS MECH MUT INS	$404,797	0.3%
Statewide Totals	$122,476,658	

Data Source: National Association of Insurance Commissioners, by permission, and Property Insurance Report. The NAIC does not endorse any analysis or calculation based upon the use of this data.

Maryland Allied Lines Insurers

Groups Ranked by Total 2005 Premiums Written

Group Name	2005 Premiums	Mkt share 2005
FM GLOBAL GRP	$14,527,033	18.4%
ST PAUL TRAVELERS GRP	$8,903,373	11.3%
AMERICAN INTRNL GRP	$7,346,111	9.3%
SELECTIVE INS	$4,213,896	5.3%
ZURICH/FARMERS INS GRP	$4,169,194	5.3%
ALLEGHANY GRP	$3,919,692	5.0%
FAIRFAX FINANCIAL	$3,264,720	4.1%
CNA INS GRP	$2,864,066	3.6%
SAFECO INS GRP	$2,554,799	3.2%
NATIONWIDE CORP	$2,489,703	3.2%
ASSURANT INC GRP	$2,351,528	3.0%
LIBERTY MUT GRP	$1,572,010	2.0%
ALLIANZ INS GRP	$1,266,184	1.6%
STATE AUTO MUT GRP	$1,256,163	1.6%
USAA	$1,197,992	1.5%
AMERICAN NATL FNCL GRP	$1,097,940	1.4%
AXIS CAPITAL GRP	$1,093,384	1.4%
ARCH INS GRP	$1,012,603	1.3%
ACE LTD	$948,380	1.2%
UNITRIN GRP	$921,200	1.2%
BALBOA INS GRP	$775,568	1.0%
BRETHREN MUT INS CO	$763,563	1.0%
OHIO CAS GRP	$649,057	0.8%
HARTFORD FIRE & CAS GRP	$613,844	0.8%
ASPEN SPECIALTY INS CO	$562,374	0.7%
GE GLOBAL GRP	$556,802	0.7%
FREDERICK MUT INS CO	$535,554	0.7%
ARGONAUT GRP	$521,067	0.7%
ERIE INS GRP	$471,063	0.6%
CINCINNATI FNCL CP	$439,700	0.6%
X L AMER	$429,609	0.5%
PENNSYLVANIA LUMBERMENS	$328,180	0.4%
CUMBERLAND GRP	$324,481	0.4%
HARLEYSVILLE GRP	$302,035	0.4%
ALLSTATE INS GRP	$288,292	0.4%
MILLEA HOLDINGS INC	$287,966	0.4%
Statewide Totals	$78,844,505	

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Focus: MARYLAND

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sides most coastal homeowners know they live in harms way, and are willing to pay higher premium for the thrill of living by the seashore, say agents.

Over the past five years, Maryland homeowners across the state have had their share of price increases. Even before Hurricane Isabel struck Maryland in 2003, homeowners' average premiums were rising at a fast clip. In 2001, average premiums rose 7.7%. A year later, they were up nearly 14%. In 2003, homeowners saw a whooping 22% jump. In 2004, the increase was 11.1%, ahead of the 9.1% national average.

Once ranked as having only the 38th highest premiums, Maryland moved to 27th place in 2004 – well ahead of Delaware (48th), Pennsylvania (41st), Virginia (35th) and even New Jersey (30th).

Models may indicate an increased risk of hurricanes along the Maryland coast in the future, but for the here and now, Mother Nature typically gives insurers a sound dose of reality with winter storms and their ensuing losses. It is freezing pipes and other winter mishaps that now cause claims in cottages and condos along the coast where up to 70% of the residences are unoccupied for six months or more in some areas. Vacant coastal properties, however, aren't insurers' only headache.

For years, insurers have labored under draconian regulations, many of which provided consumers little protection but saddled insurers with needless and time consuming paper work. Take the consumers' right to appeal nearly any premium increase, even one that had been approved by the MIA. Yes, you got it right. Consumers, at one time, could effectively appeal approved rate increases. That regulation has thankfully fallen by the wayside, but insurers must still deal with some of the most stringent restrictions in the country. A prime example is

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State Market Focus: MARYLAND

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the state's restriction on credit scoring, which is only allowed to be used for rating auto policies at inception.

Moreover, progress moves at a snail's pace. After three years of negotiations, insurers finally won some concession in the state's overbearing cancellation and non-renewal regulations. With the passage of House Bill 760, statutes relating to cancellation and non-renewal of private passenger motor vehicle liability policies were separated from notice of premium increase, somewhat streamlining these procedures, and recent legislation now gives insurers' a 45-day window to make underwriting decisions on most personal and commercial lines coverage.

These pint-sized gains are keeping insurers happy for now, but in a heavily regulated environment like Maryland, that could change suddenly. Several years ago, lawmakers created a People's Council in a special session of the legislature. Formed in response to the state's medical malpractice crisis, the council was initially intended to only oversee medical malpractice rates, but at the eleventh hour, homeowners' insurance was swept into the council's framework.

Not much has happened in Maryland to involve the Council in homeowners' rate matters, except for a few complaints by residents who later withdrew their inquiries. Logic would dictate that the matter would end there. Not so. The Council, which many thought would only have jurisdiction over rating matters, has tried to muscle in on underwriting issues as well. This foray has set up a conflict with the MIA, which is looking into the matter.

Determining how the chips will fall doesn't take an actuary. Once the MIA decides the Council doesn't have authority in underwriting issues, the dispute will most likely end up in the courts where the outcome is anyone's guess.

At this point, we feel compelled to note that the People's Council falls under the authority of the office of state's attorney general. In the case of Maryland, that would be newly elected **Douglas F. Gansler**, a Democrat who during his campaign ran ads vowing to protect voters from big utilities and big insurance.

As much as we like to speculate, it is probably too big a leap – even for us – to suggest that the attorney general's first order of business will be to put the screws to insurers through the long arm of the Council. But it's also not an impossibility that, down the road, insurers could be feeling the pinch of the attorney general's office if the political mood is right.

Nor is it an impossibility – considering lawmakers' twitchy figure on Allstate's move to curb writing – that newly elected legislators might try to move toward an even more consumer activist agenda, especially with the threat of a veto by a Republican governor removed.

Maryland has long been a predominantly blue state, and in November, it became even bluer with an eight-seat gain by House Democrats who now outnumber Republicans more than three-to-one. Senate Democrats whose numbers are more than double Republicans also picked up a seat. For now legislators and the newly elected Democratic governor **Patrick O'Malley** seem to be feeling their political way, and testing the waters to see what proposals will move.

What will happen to Maryland's property insurance market? The weather and the political winds will likely determine its fate. But some are already preparing for the worst if you believe the predictions made in the *Baltimore Sun* by Blair Lee IV, who expects, "Four years from now it's going to be a much different state. We're clearly going to be more regulated. We're going to have higher taxes. We could be a single-payer health care state. . . . We might be a **California** car emissions state. . . . The next **Massachusetts**? Yeah, looks like it. What's to stop it?"

Of course, he wasn't talking about insurance, or was he? PIR

HURT *Continued from Page 1*

we had to stretch a little bit to get the acronym to work.) With this index, we are seeking to identify those states where homeowners insurance premiums are so hurtful to consumers' pocketbooks that they are likely to resist efforts at more detailed underwriting that could increase costs for anyone. States with a high HURT Index are likely to see protracted public policy debates on homeowners insurance. We first published this index on May 1, 2000.

Using average homeowners insurance premium data from the **National Association of Insurance Commissioners** and income data from the **U.S. Census Bureau**, we have divided average state premiums into median family income. The result is a ratio that shows just how much of the average family's income is spent on homeowners insurance. We producing a similar index for our sister publication, *Auto Insurance Report*, dubbed the "PAIN Index," for "Personal Auto Insurance Nastiness," an equally childish acronym. We have added a Personal Insurance Burden Index, "PIB," which tracks the combined cost of auto and homeowners. We'll publish that here soon.

It is important to note that at the margin, one dollar spent by someone in the lower-income states hurts a great deal more than a dollar spent by someone in a higher-income state. True, high-income states typically come with higher costs of living, but we still consider it relatively tougher to get by in the lower-income states. This is one reason we include the insured home value data in our table. It provides a gauge of what consumers are getting for their money.

The virtues of high incomes are plain to see in **Connecticut**, which occupies the opposite end of the HURT Index spectrum. Connecticut has the 13th-highest average premium in the nation, normally a trouble sign for any state insurance market. But blessed with the nation's highest average income, at $89,319, Connecticut's HURT Index rank is just 36th, with a ratio well below the national average. Connecticut enjoys high home values as well. Though no states rival Hawaii's extraordinary home values, only 1.2% of Connecticut homes are insured for less than $100,000, compared to 15.6% nationwide. Thus, the high costs come for a very good reason, and given the high incomes, writing that premium check hurts hardly at all.

There are a number of key caveats to this analysis.

First, the data is old. There's not much we can do about that, as we are at the mercy of the NAIC's timetable, and the NAIC, in turn, is at the mercy of insurers who provide the data and state insurance departments who must approve the final report before it can be released.

Also, do not lose sight of the fact that these are average premiums. Just because Connecticut's averages are wonderful does not mean low-income homeowners in Hartford are not struggling with a painful homeowners insurance purchase. Likewise, there are parts of many other states with a high PAIN Index where buyers are not struggling with their homeowners insurance premiums. Questions? Call Editor Brian Sullivan at 949-443-0330. PIR

Property Insurance Report

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