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Forbes

**The most expensive states to insure a home**

Big disasters take their toll, but it's wind and hail that drive up premiums. Homeowners in Texas, Oklahoma and Louisiana are paying a bundle.

By Forbes

Never mind the dramatic events like earthquakes and floods. More than anything else, insuring a home comes down to the less damaging but more common phenomena of wind and hail.

For people who dwell in states where the wind kicks up, insuring a home is anything but a breeze. That's especially true for families who forgo brick houses for wood frames, and for those located in high-density areas or regions that lack nearby construction materials. These factors, combined with heavy winds and hail, play the biggest roles for insurance carriers as they calculate their risks and price their policies, according to the National Association of Insurance Commissioners (NAIC).

The average cost to insure a U.S. home in 2003 was \$668 a year, NAIC data show. But among states, the range extends from an average of \$433 per year in Idaho to \$1,328 per year in Texas. (See all 50 states [here](#).)

**The 5 most expensive states**

Rank	State	Average yearly cost
1.	<a href="#">Texas</a>	\$1,328
2.	<a href="#">Louisiana</a>	\$975
3.	<a href="#">Oklahoma</a>	\$925
4.	<a href="#">Florida</a>	\$810
5.	<a href="#">District of Columbia</a>	\$806

Hurricane-prone states like Florida and Louisiana, along with windy dust-

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up states like Kansas and Oklahoma, are among the 10 most expensive states for homeowners insurance. So are densely populated spots like Washington, D.C., and states such as Mississippi, where many houses are less structurally sound.

Big disasters like Louisiana floods and California earthquakes are expensive for insurance companies to cover; most policies that cover these disasters are offered separately from basic homeowners insurance and are not included in NAIC's figures. Still, for residents in the Southeast bracing for the next Katrina or Rita, basic insurance is expensive even though flood damage isn't covered. That's because of wind and other direct damage, which are covered.

Premiums can also vary greatly within certain states. Dense urban areas are more expensive than rural areas, according to the Consumer Federation of America, a consumer advocacy group based in Washington, D.C. And those living far away from construction materials -- often the case in the Pacific Northwest -- can expect a higher bill to offset the cost of transporting supplies.

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### Rates hold steady -- except on the coasts

But despite the slew of storms over the past 18 months, industry followers don't see premiums for homeowners insurance rising much. The biggest reason? The current environment of rising interest rates, in which prices tend to rise no faster than the pace of inflation (currently 3.6%). When interest rates are high, major carriers like St. Paul Travelers and Nationwide Financial Services write policies at a loss and make their money by investing the premiums in interest-bearing accounts.

Bob Hunter, director of insurance for the Consumer Federation, says industry pricing has been in that "soft cycle" for the past three years, following a 7% increase in 2002.

"I don't expect rates to go up much over the next several years, except on the coasts," Hunter says.

Ah, yes, the coasts. Florida Insurance Commissioner Kevin McCarty has

been calling for a national, premium-based catastrophic-insurance plan. It would have taxpayers across America fund a public program to provide coverage for mass losses from storms and earthquakes. He thinks such a step is necessary, since forecasts show that storm frequency in Florida will pick up over the next few years. But would politicians in states that are mostly out of harm's way, like Iowa or Delaware, be able to convince their constituents to pay into a system that effectively transfers money to high-risk coastal states?

"They're already paying for it, but in the most inefficient way possible," McCarty says, referring to the much-maligned Federal Emergency Management Agency, which would presumably have its role scaled back if a national insurance plan were implemented.

### **Texas hit hardest**

Meanwhile, several states have managed to find a sour spot -- that double whammy of low household incomes and high insurance premiums. Though high-income areas tend to spawn expensive homes that are pricier to replace if damaged or destroyed, they are also likely to be more structurally sound and less exposed to tough weather.

The four most expensive states in which to insure a home, according to NAIC, are Texas, Louisiana, Oklahoma and Florida. All fall within the bottom 16% of states in per capita income, according to the latest statistics from the U.S. Census Bureau. Mississippi, dead last in income, is the sixth most-expensive place to insure a house. New Jersey, the national income leader, ranks a cozy 30th in home-insurance costs. Apparently, Tony Soprano ducks more bullets than hailstones.

Meanwhile, the average Texan puts a whopping 3% of his hard-earned income into insuring his home, more than double the national average. As the elbow linking Louisiana and Oklahoma, Texas is a target for all kinds of crazy weather, from hurricanes around Houston and Galveston to hailstorms in Dallas to tornadoes on the western plains.

"Insurance is about covering risk, and in Texas we have a lot of risk," says Texas Insurance Department spokesman Jim Hurley.

Some help may be on the way. A 2003 bill gave Texas more control over pricing, resulting in an estimated half-billion dollars in rate reductions for the 2003-04 cycle. More relief could be in store if the state wins its ongoing court battle with State Farm Insurance, which controls 40% of the market and which has refused to comply with the state-mandated cuts.

[Slideshow: the 10 most expensive states](#)  
Homeowner premiums by state

State	2003	2001	Chg.	State	2003	2001	Chg.
Alabama	\$681	\$501	35.9%	Montana	\$628	\$482	30.3%
Alaska	\$731	\$614	19.1%	Nebraska	\$690	\$526	31.2%
Arizona	\$614	\$460	33.5%	Nevada	\$582	\$490	18.8%
Arkansas	\$721	\$537	34.3%	New Hampshire	\$539	\$444	21.4%
California	\$753	\$599	25.7%	New Jersey	\$585	\$523	11.9%
Colorado	\$762	\$595	28.1%	New Mexico	\$551	\$449	22.7%
Connecticut	\$714	\$608	17.4%	New York	\$721	\$631	14.3%
Delaware	\$442	\$358	23.5%	North Carolina	\$576	\$484	19.0%
District of Columbia	\$806	\$655	23.1%	North Dakota	\$625	\$463	35.0%
Florida	\$810	\$709	14.2%	Ohio	\$476	\$359	32.6%
Georgia	\$570	\$471	21.0%	Oklahoma	\$925	\$668	38.5%
Hawaii	\$687	\$553	24.2%	Oregon	\$461	\$356	29.5%
Idaho	\$433	\$334	29.6%	Pennsylvania	\$543	\$441	23.1%
Illinois	\$610	\$428	42.5%	Rhode Island	\$673	\$562	19.8%
Indiana	\$594	\$421	41.1%	South Carolina	\$672	\$559	20.2%
Iowa	\$542	\$382	41.9%	South Dakota	\$557	\$410	35.9%
Kansas	\$772	\$619	24.7%	Tennessee	\$622	\$489	27.2%
Kentucky	\$559	\$437	27.9%	Texas	\$1,328	\$955	39.1%
Louisiana	\$975	\$758	28.6%	Utah	\$463	\$381	21.5%
Maine	\$462	\$372	24.2%	Vermont	\$552	\$451	22.4%
Maryland	\$584	\$419	39.4%	Virginia	\$560	\$404	38.6%
Massachusetts	\$671	\$571	17.5%	Washington	\$549	\$456	20.4%
Michigan	\$673	\$470	43.2%	West Virginia	\$534	\$410	30.2%
Minnesota	\$733	\$464	58.0%	Wisconsin	\$434	\$308	40.9%
Mississippi	\$793	\$613	29.4%	Wyoming	\$621	\$499	24.4%
Missouri	\$650	\$480	35.4%	National average	\$668	\$536	24.6%

Source: National Association of Insurance Commissioners

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