

# Trends in Homeowners Insurance Claims

Center for Insurance Policy & Research  
October 7, 2014




Insurance Research Council




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# Trends in Homeowners Insurance Claims

- **Homeowners claim trends countrywide**
  - Average claim payment per insured home
  - Frequency
  - Severity
- **The role of catastrophes**
- **Volatility**
- **Individual state trends and differences**
- **Data**



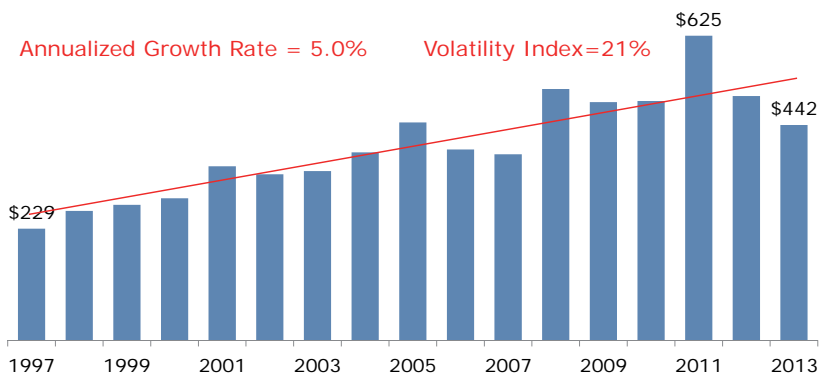
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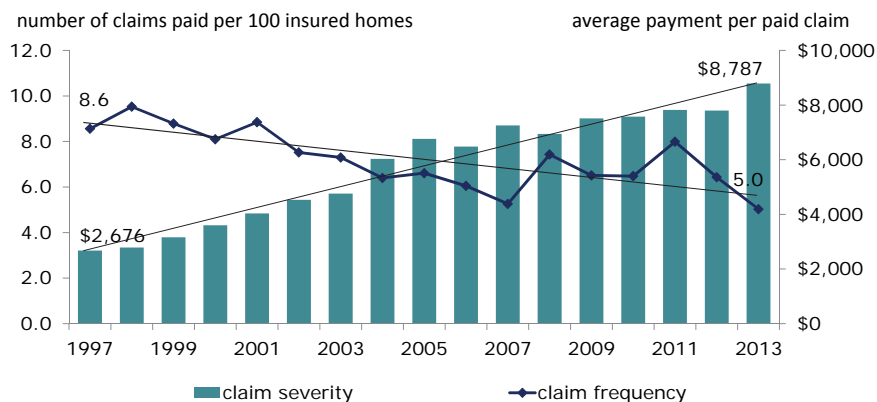
## Trends in Homeowners Insurance Claims

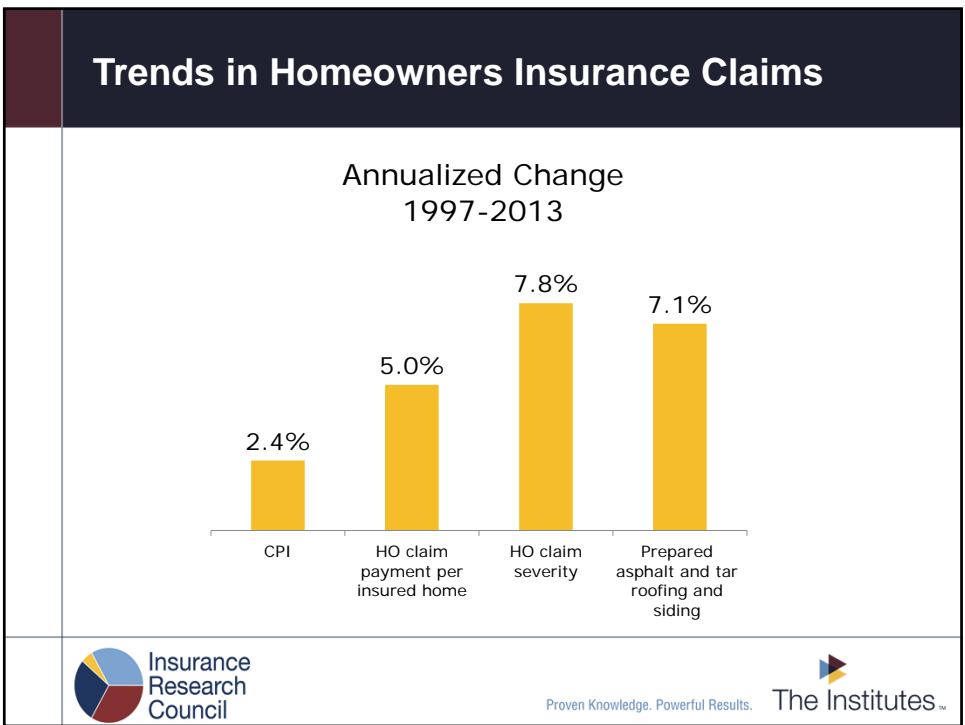
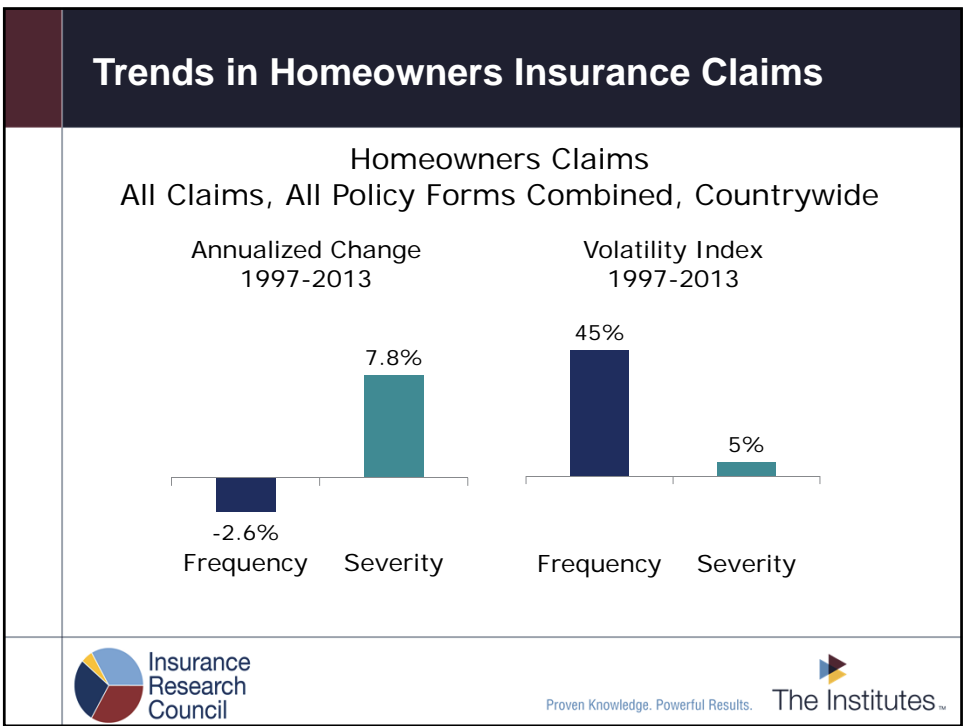
Average HO Claim Payment per Insured Home  
All Claims, All Policy Forms Combined, Countrywide



## Trends in Homeowners Insurance Claims

HO Claim Frequency & Severity  
All Claims, All Policy Forms Combined, Countrywide





## Trends in Homeowners Insurance Claims

...the prices for all asphalt products have risen significantly. The cokers installed by many refiners allow them to refine oil in ways that have changed the oil/asphalt dynamic forever... the use of cokers means there's less flux left at the end of the oil refining process, resulting in higher costs to the shingle manufacturer.

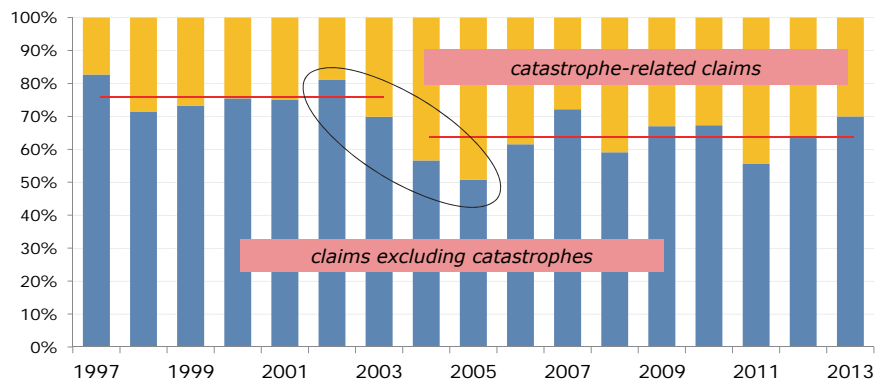
...storm-related reroofing now represents a greater percentage of the roofing market. The unpredictable nature of extreme weather events makes it much harder for manufacturers to anticipate demand, often resulting in severe regional shortages of asphalt shingles.

*Midwest Roofing Contractors Association*



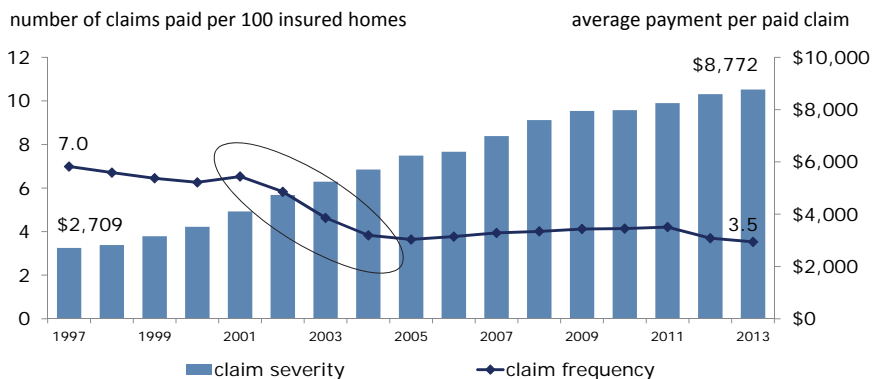
## Trends in Homeowners Insurance Claims

HO Claim Payments by Catastrophe Component  
All Policy Forms Combined, Countrywide



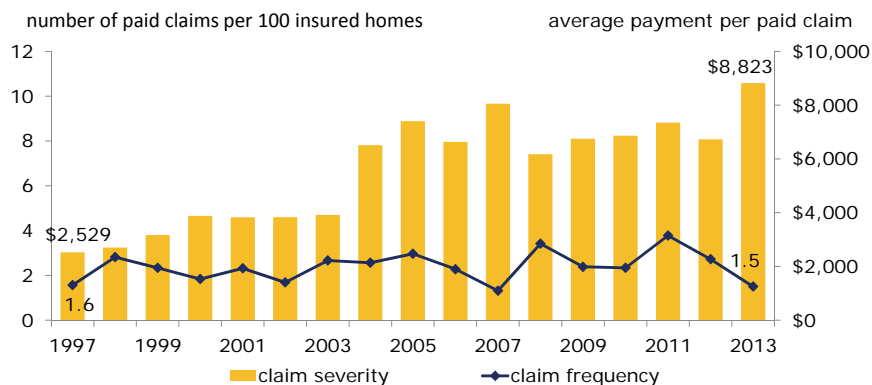
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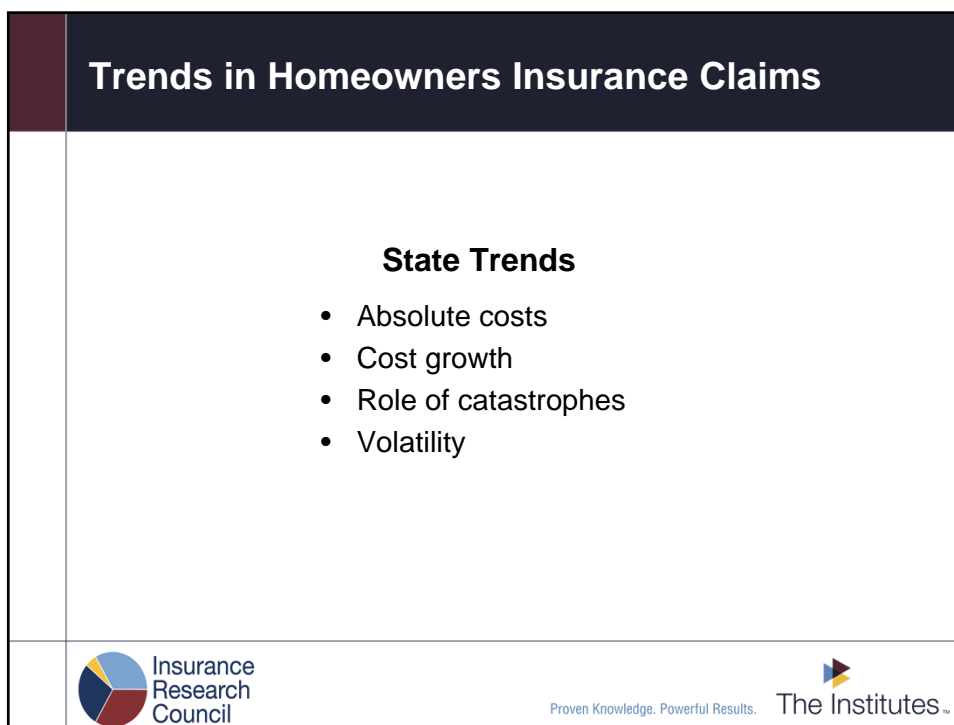
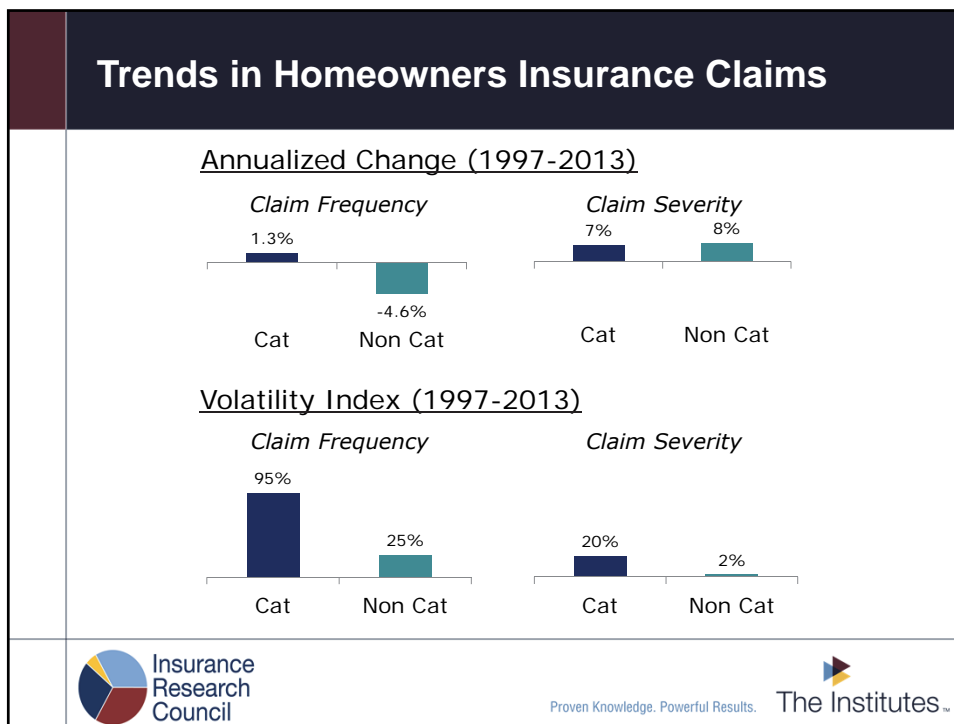
### Claim Frequency & Severity, Excluding Catastrophes All Policy Forms Combined, Countrywide



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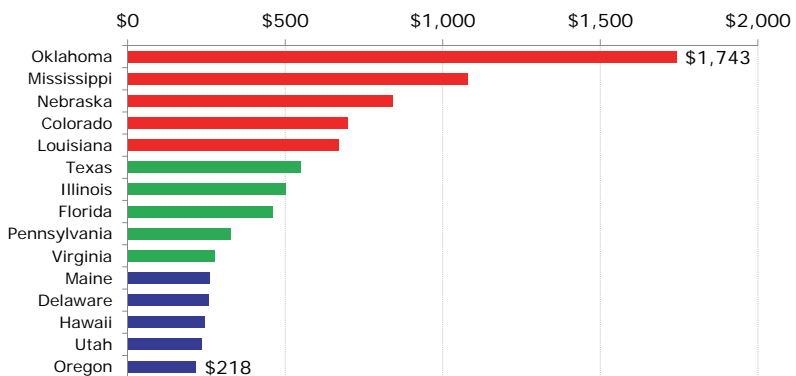
### Claim Frequency & Severity, Catastrophe Claims All Policy Forms Combined, Countrywide





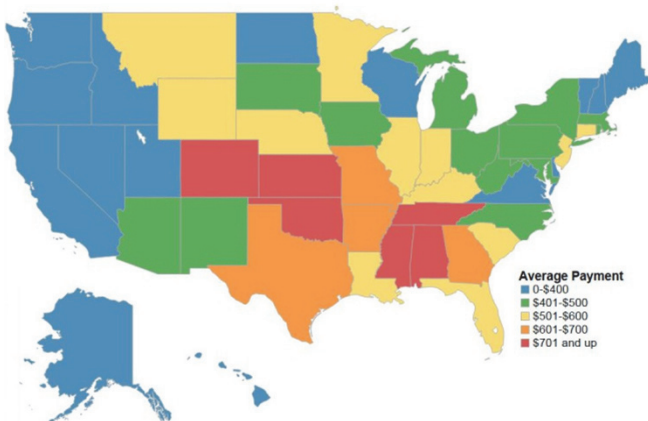
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HO Claim Payment per Insured Home in 2013  
All Claims, All Policy Forms Combined



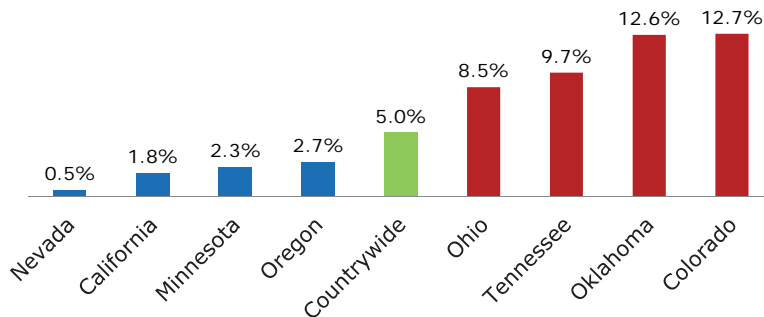
## Trends in Homeowners Insurance Claims

Average Claim Payment per Insured Home, 2009-2013



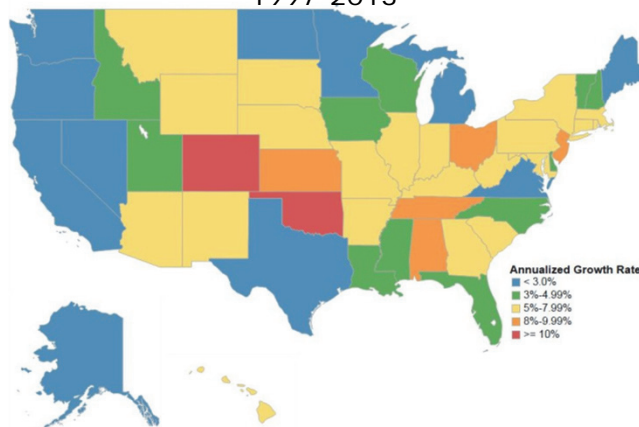
## Trends in Homeowners Insurance Claims

HO Claim Payment per Insured Home  
Annualized Growth Rates, 1997-2013



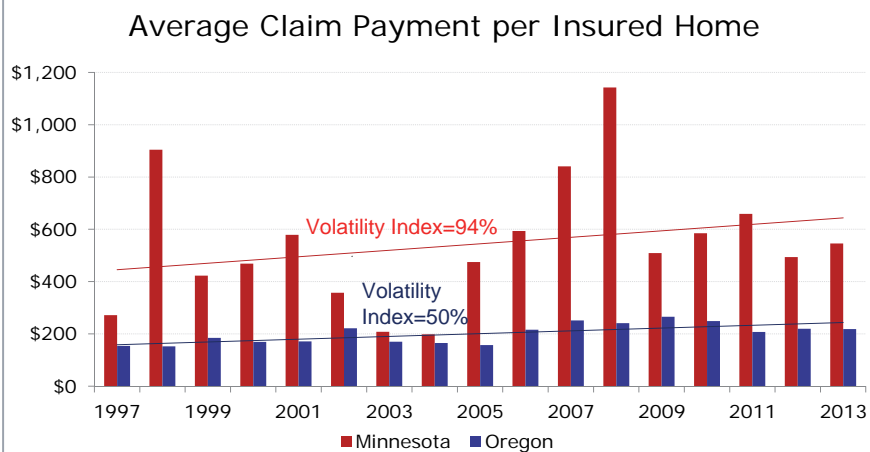
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Annualized Growth in Average Payment per Insured Home  
1997-2013





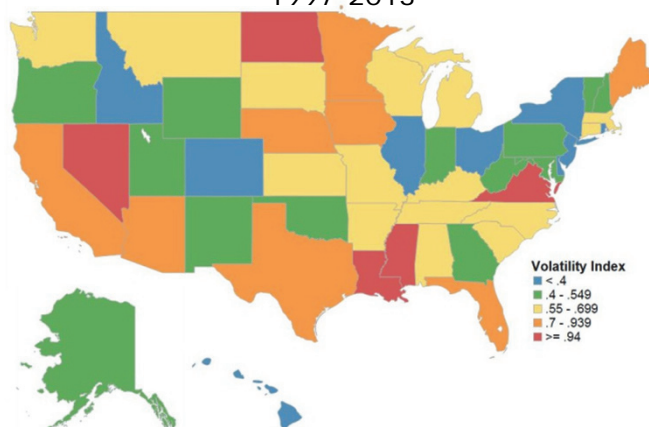
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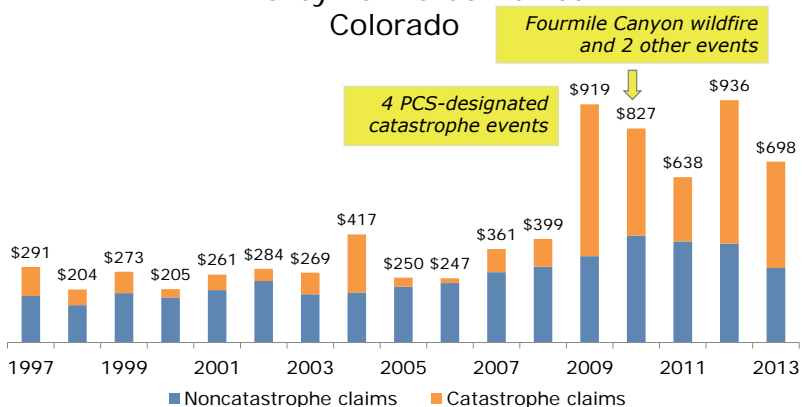
Volatility of Average Claim Payment per Insured Home 1997-2013



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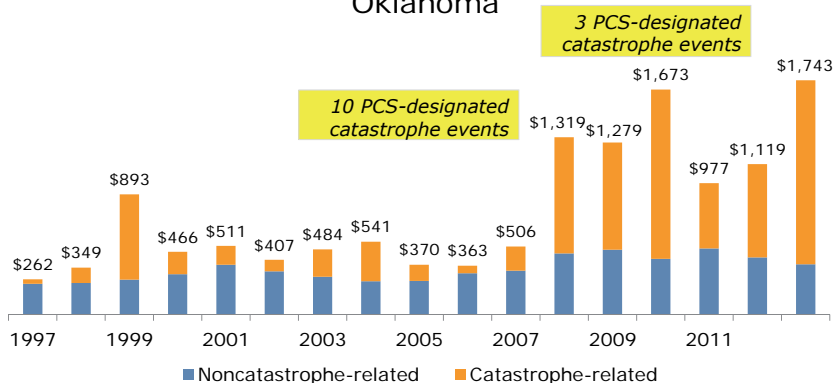
Average Claim Payments per Insured Home  
All Policy Forms Combined  
Colorado



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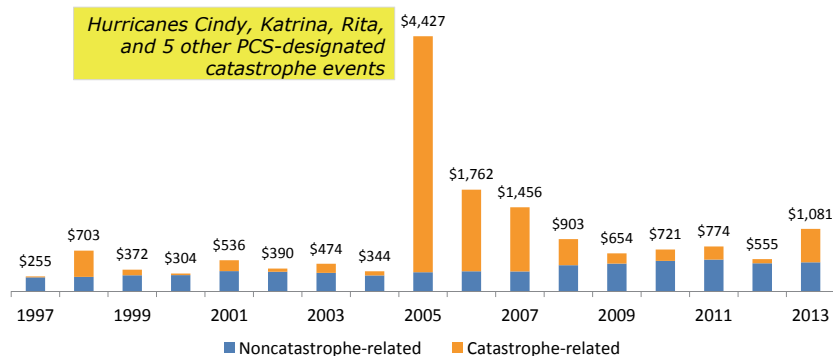
Average Claim Payments per Insured Home  
All Policy Forms Combined  
Oklahoma



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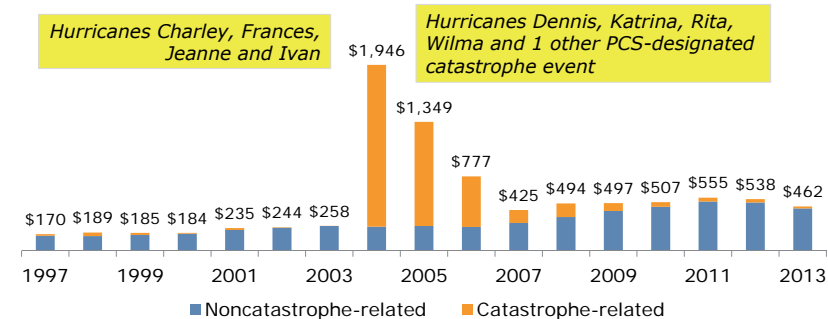
Average Claim Payments per Insured Home  
All Policy Forms Combined  
Mississippi



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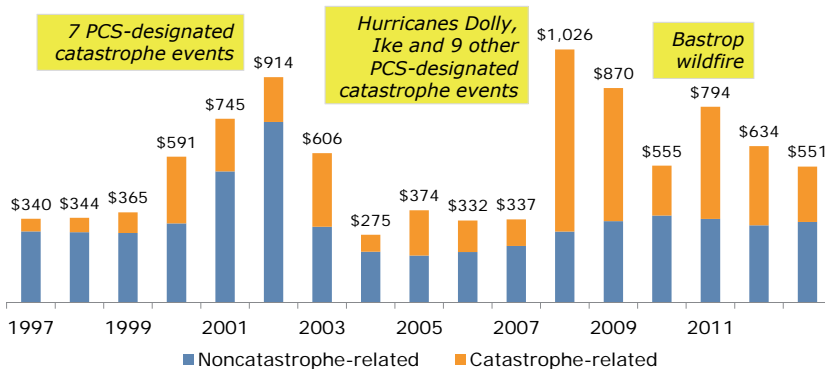
Average Claim Payment per Insured Home  
All Policy Forms Combined  
Florida



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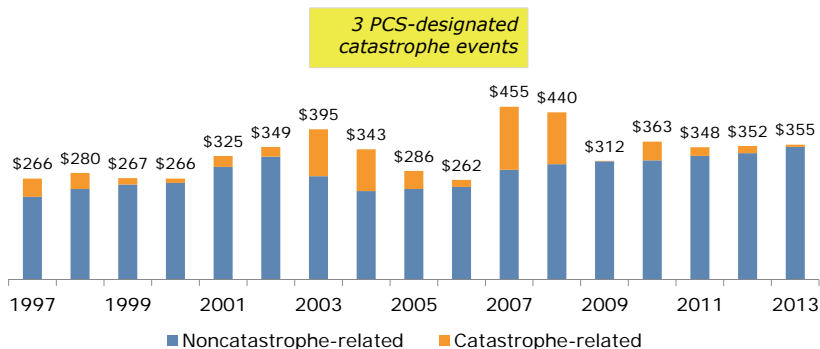
## Trends in Homeowners Insurance Claims

Average Claim Payment per Insured Home  
All Policy Forms Combined  
Texas



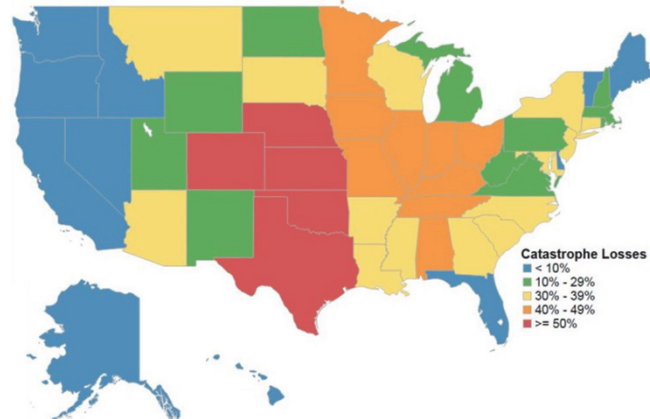
## Trends in Homeowners Insurance Claims

Average Claim Payment per Insured Home All  
Policy Forms Combined  
California



## Trends in Homeowners Insurance Claims

Percentage of Total Claim Payments Attributed to Catastrophes  
2009-2013



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## Trends in Homeowners Insurance Claims

- **Overall countrywide trends**
  - Loss costs trending up 5% annually
  - Decreasing, but volatile, claim frequency overall
  - Rapid increase in claim severity
- **Volatility is primarily a function of the frequency of catastrophe-related claims**
- **Substantial differences across states**
  - In a given year, loss costs can vary by a factor of 8
  - Modeled growth rates vary even more
  - Volatility due primarily, but not entirely, to catastrophe claims
- **Limitations of linear trend**



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