

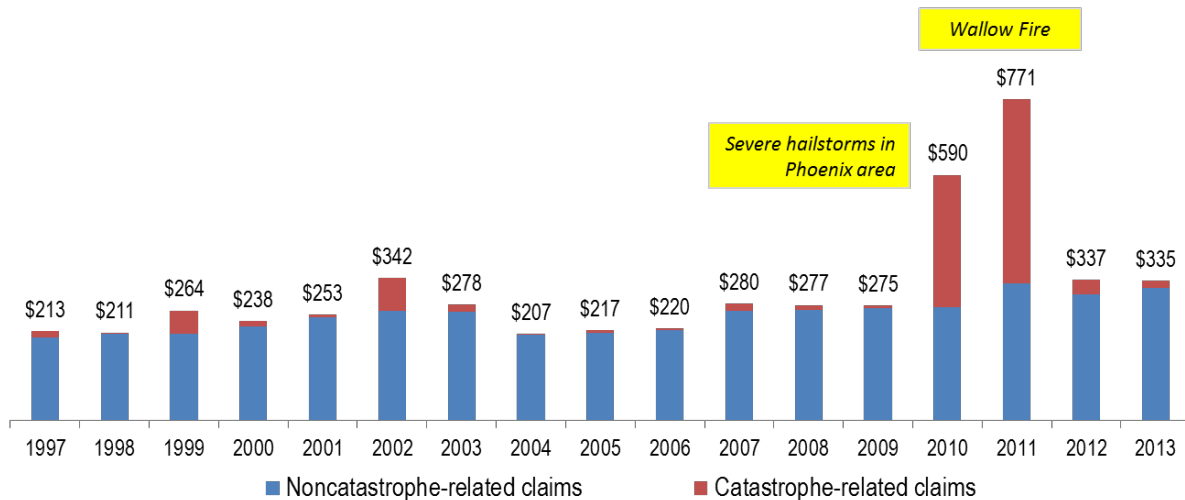


Trends in Homeowners Insurance Claims

Findings from Arizona

The following is an analysis of fundamental trends in the frequency and cost of homeowners insurance claims paid in Arizona between 1997 and 2013. The analysis is based primarily on data reported by insurance companies participating in the Fast Track Monitoring System. The Fast Track system is a cooperative effort of three major statistical agencies, ISO Data, Inc., Independent Statistical Service, Inc., and National Independent Statistical Services. Insurance companies participating in the system represent approximately one half of the homeowners insurance market countrywide. The findings presented here were previously published in the IRC report *Trends in Homeowners Insurance Claims, 2015 Edition*. More information about the data and methodology can be found in the report.

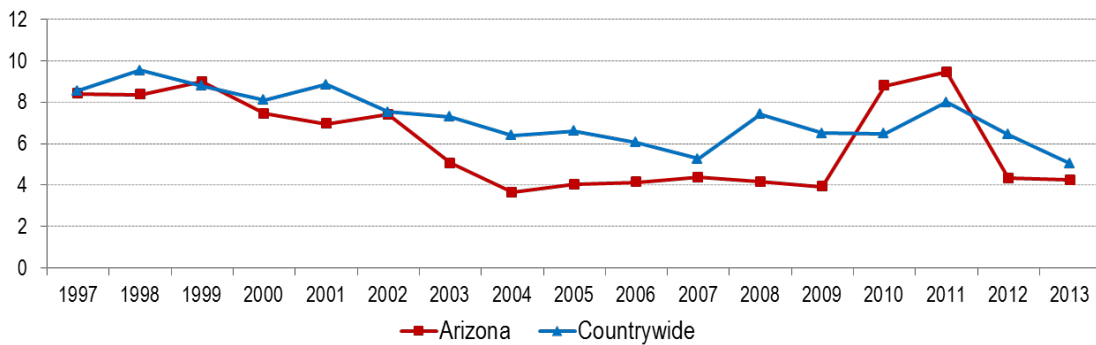
Figure 1
Homeowners Insurance Claim Trends
Average Claim Payment per Insured Home, All Policy Forms Combined



Sources: Fast Track Monitoring System; National Climatic Data Center.

- In 2011, homeowners insurance companies paid on average \$771 in claim payments for every insured home in Arizona—23 percent more than the average \$625 paid countrywide. In 2010, insurers paid on average \$590 per insured home in Arizona—20 percent more than the countrywide average of \$491.
- Despite the higher than average payments in 2010 and 2011, average payments in Arizona were generally below the countrywide average. The only other year when Arizona experienced higher average payments was 2002, when the countrywide average was one dollar less than in Arizona.
- Claim payments related to catastrophe events in 2010 and 2011 accounted for more than half of total claim payments in those years. In most other years, catastrophe events represented a much smaller percentage of the total.

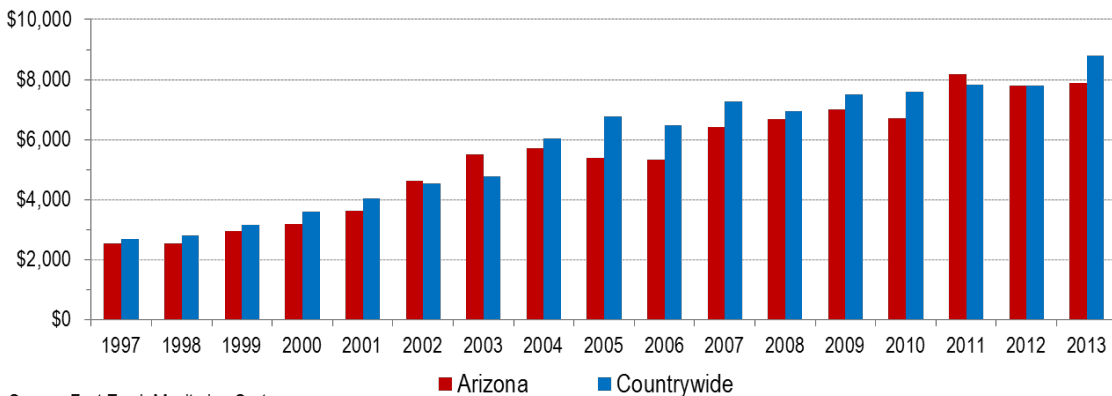
Figure 2
Homeowners Insurance Claim Frequency in Arizona
Number of Claims Paid per 100 Insured Homes, All Policy Forms Combined



Source: Fast Track Monitoring System.

- The frequency of paid homeowners insurance claims, depicted in Figure 2, is the number of paid claims per 100 insured homes.
- Homeowners insurance claim frequency in Arizona fluctuated significantly over the study period—ranging from 3.6 claims per 100 insured homes in 2005, to 9.5 claims in 2011. Claim frequency in Arizona was greater than claim frequency countrywide in 3 of the years studied—2002, 2010, and 2011.

Figure 3
Homeowners Insurance Claim Severity in Arizona
Average Insurance Payment per Paid Claim, All Policy Forms Combined



Source: Fast Track Monitoring System.

- Claim severity, depicted in Figure 3, is the average payment per paid homeowners insurance claim.
- The average severity of homeowners insurance claims in Arizona grew from \$2,538 in 1997 to \$8,164 in 2011, before dropping slightly to \$7,874 in 2013. Over the 17-year study period, claim severity in Arizona increased at an annualized rate of 7.9 percent. Average claim severity countrywide grew at an annualized rate of 7.8 percent per year, and over the same period of time inflation averaged 2.4 percent per year.
- The rapid and continuing increase in the severity of homeowners insurance claims has multiple causes, including an increase in the size and complexity of new homes, the increased severity of storms, and major increases in the price of oil-based building materials such as asphalt and tar roofing.