

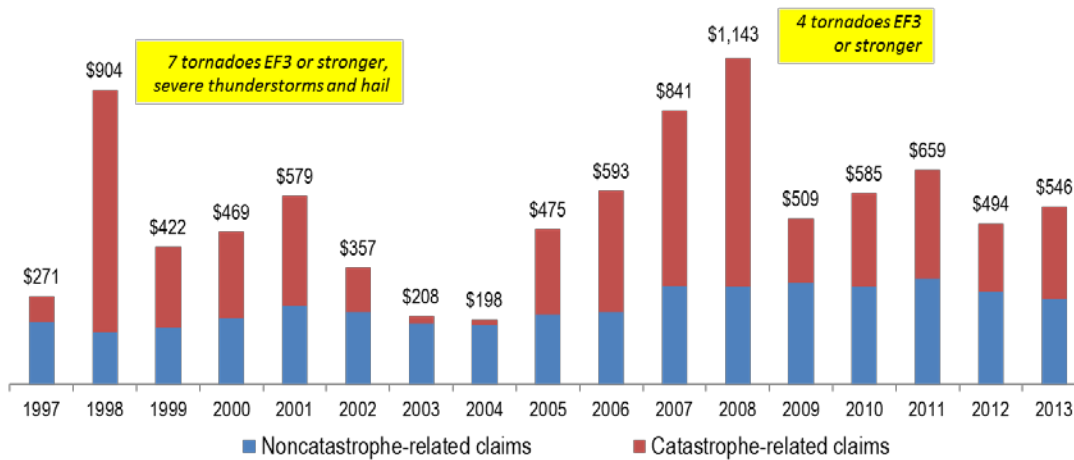


Trends in Homeowners Insurance Claims

Findings from Minnesota

The following is an analysis of fundamental trends in the frequency and cost of homeowners insurance claims paid in Minnesota 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.

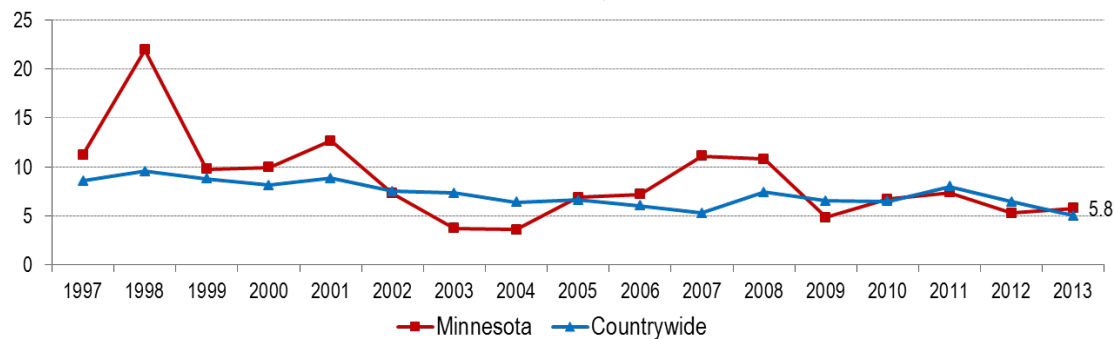
Figure 1
Homeowners Insurance Claim Trends in Minnesota
Average Claim Payment per Insured Home, All Policy Forms Combined



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

- In 2013, homeowners insurance companies paid on average \$546 in claim payments for every insured home in Minnesota—24 percent more than the \$442 paid on average countrywide. Average claim payments per insured home in Minnesota were higher than average payments countrywide in all but 3 years (2003, 2004, 2012) over the 17-year study period.
- Minnesota experienced particularly high average claim payments per insured home in 2007 and 2008, when severe storms and tornadoes pushed average claim payments to \$841 and \$1,143 per insured home—more than twice the countrywide average in both years.
- Catastrophe-related claims accounted for a much higher proportion of total claim payments in Minnesota than countrywide over much of the study period. From 2005 to 2013, catastrophe-related claims accounted for 54 percent of all claim payments in the state. Countrywide, over the same period, catastrophe-related claims accounted for 37 percent of total claim payments.

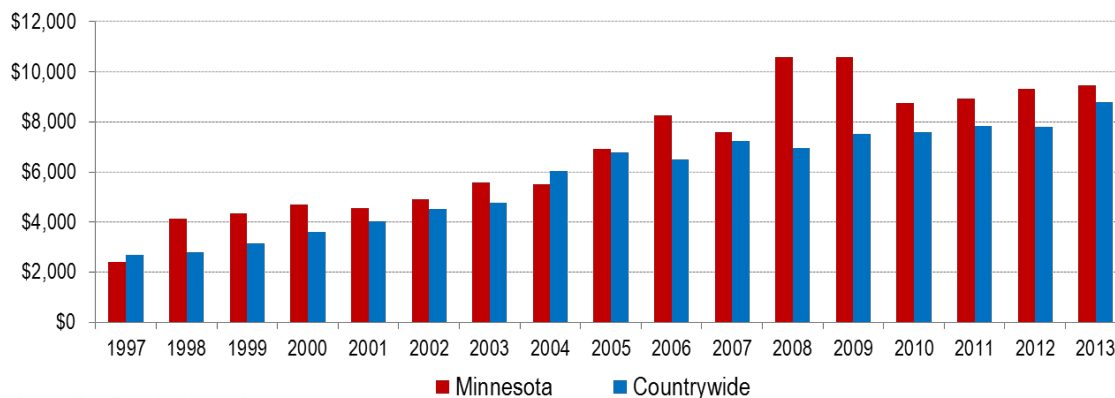
Figure 2
Homeowners Insurance Claim Frequency in Minnesota
Number of Claims Paid per 100 Insured Homes, All Policy Forms Combined



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.
- The claim frequency rate in Minnesota in 2013 was 5.8—slightly greater than the countrywide rate of 5.0. The higher average claim payments in Minnesota in 2007 and 2008 described earlier and depicted in Figure 1 were due in part to higher claim frequency rates both years.
- The extreme volatility of homeowners insurance claim frequency in Minnesota over the 17-year period examined was due almost entirely to catastrophe-related experience.

Figure 3
Homeowners Insurance Claim Severity in Minnesota
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 Minnesota grew from \$2,415 in 1997 to \$9,451 in 2013—an annualized increase of 7.8 percent per year. 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.