



Trends in Homeowners Insurance Claims

Findings from New Jersey

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

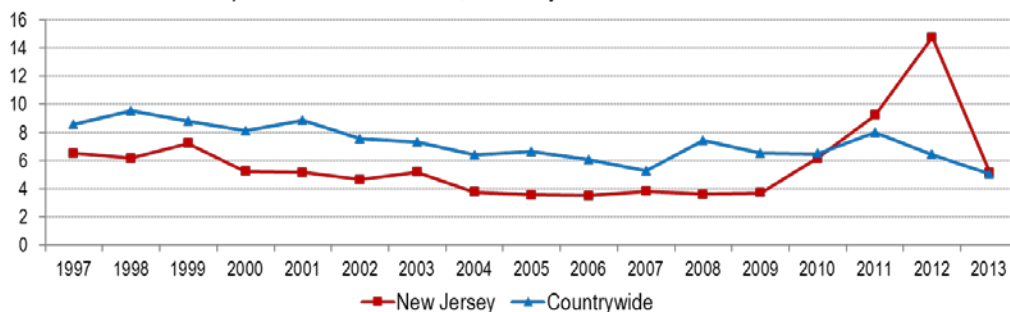
Figure 1
Homeowners Insurance Claim Trends in New Jersey
Average Claim Payment per Insured Home, All Policy Forms Combined



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

- In 2013, homeowners insurance companies paid on average \$496 in claim payments for every insured home in New Jersey - 12 percent more than the \$442 countrywide average payment.
- Due largely to losses related to Hurricane Sandy, insurers paid, on average, \$722 in claim payments for every insured home in New Jersey in 2012 - 44 percent more than the countrywide average of \$501. Higher than average claim payments also were paid in 2011 due, in great part, to claims associated with Hurricane Irene.
- In every year prior to 2010, average claim payments per insured home in New Jersey were well below the countrywide average payment.

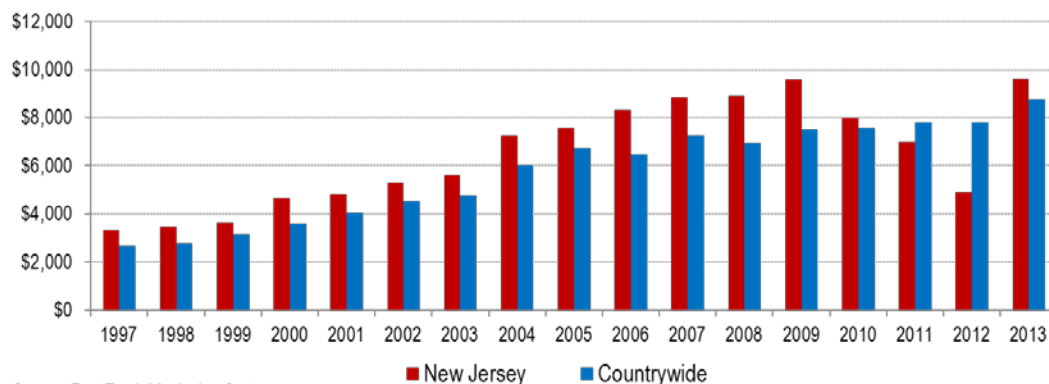
Figure 2
Homeowners Insurance Claim Frequency in New Jersey
Number of Claims Paid per 100 Insured Homes, All Policy Forms Combined



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 New Jersey was on a general decline until 2010 when the claim frequency rate jumped to 6.2, then to 9.2 in 2011, and finally to 14.8 in 2012. By 2013, claim frequency had fallen to 5.2, which was very similar to the countrywide average rate of 5.0. Prior to 2010, claim frequency rates in New Jersey were significantly lower than countrywide rates.

Figure 3
Homeowners Insurance Claim Severity in New Jersey
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 New Jersey grew from \$3,338 in 1997 to \$9,628 in 2013 - an annualized increase of 7.4 percent per year. Average claim severity countrywide grew at an annualized rate of 7.8 percent per year. In contrast to these growth patterns, inflation averaged only 2.4 percent per year.
- As described in Figure 2, claim frequency rates in New Jersey were lower than countrywide average rates over most of the study period. Average claim severity in the state, however, was generally higher than the countrywide average. Over the 17-year study period, New Jersey's average claim severity exceeded the countrywide average in all but two years – 2011 and 2012. 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.