

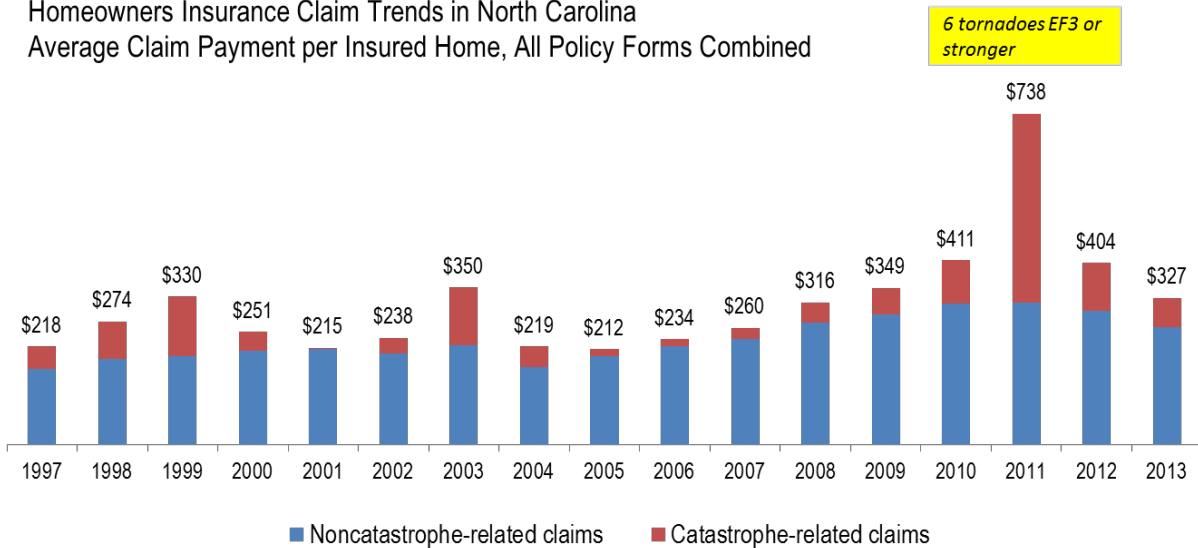


Trends in Homeowners Insurance Claims

Findings from North Carolina

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

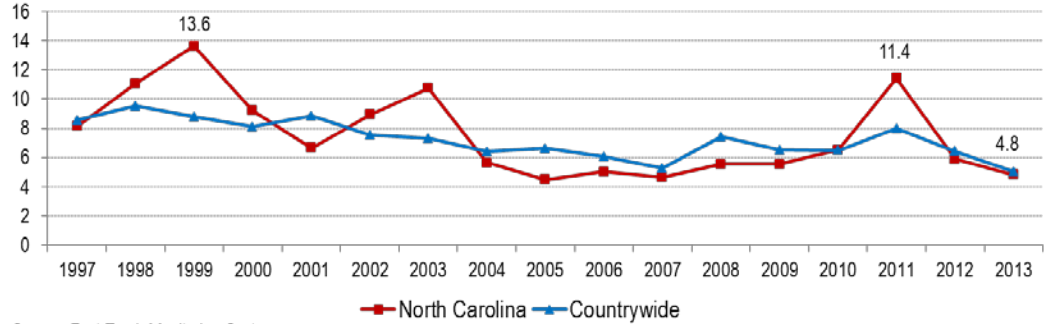
Figure 1
Homeowners Insurance Claim Trends in North Carolina
Average Claim Payment per Insured Home, All Policy Forms Combined



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

- In 2011, homeowners insurance companies paid on average \$738 in claims for every insured home in North Carolina—18 percent more than the \$625 paid on average countrywide.
- Over the 17-year period examined, average claim payments per insured home in North Carolina averaged \$314. Based on the modeled trend for the series, average claim payments per insured home in North Carolina increased at an annualized rate of 4.7 percent per year. Over the same period of time, inflation averaged 2.4 percent per year.

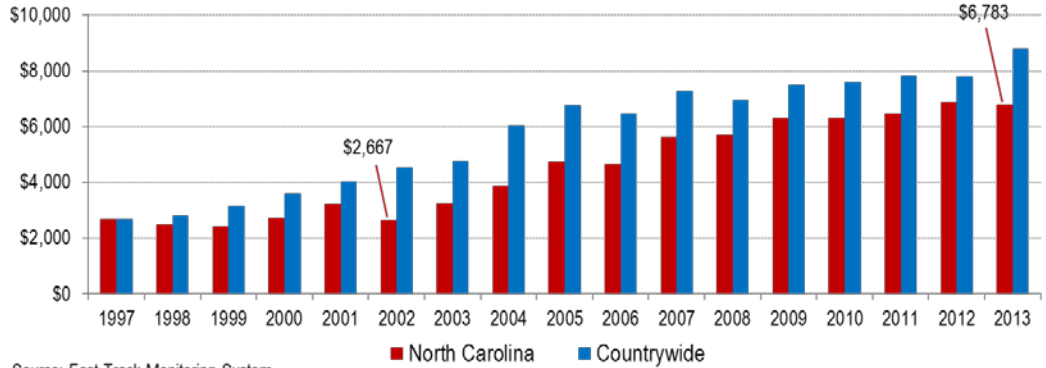
Figure 2
 Homeowners Insurance Claim Frequency in North Carolina
 Number of Claims Paid per 100 Insured Homes, All Policy Forms Combined



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.
- In 2011, North Carolina experienced 11.4 paid homeowners insurance claims per 100 insured homes. In comparison, the countrywide claim frequency rate in 2011 was 8.0. Over the 17-year period examined, the highest claim frequency rate in North Carolina occurred in 1999 when there were 13.6 claims per 100 insured homes in the state.
- The extreme volatility of homeowners insurance claim frequency in North Carolina over the 17-year period examined was due primarily to catastrophe-related experience.

Figure 3
 Homeowners Insurance Claim Severity in North Carolina
 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 North Carolina grew from \$2,667 in 2002 to \$6,783 in 2013—an annualized increase of 8.9 percent per year. In contrast, average claim severity countrywide grew at an annualized rate of 6.2 percent per year over the same period.
- 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.