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Insurance Research Council Report Finds Rapid Increase in Cost of Homeowners Insurance Claims, Despite a Drop in Claim Frequency

Trends in Homeowners Insurance Claims charts frequency and cost of claims paid by homeowners insurance companies countrywide and in individual states

MALVERN, Pa., September 30, 2019—The cost of homeowners insurance claims has been increasing rapidly in recent years despite a long-term decline in the frequency of claims, according to a new report from the Insurance Research Council (IRC). The average claim payment per insured home countrywide grew at an annualized rate of 3.8 percent, from \$229 in 1997 to \$642 in 2018. Over the same 22-year period, inflation averaged approximately 2.2 percent. The increase in average claim costs per insured home* is attributable to rapid growth in the average cost per paid claim (also known as claim severity), which increased 373 percent, from \$2,676 in 1997 to \$12,654 in 2018. A 2.9 percent annualized decrease in claim frequency partially offset the 7.3 percent annualized growth in claim severity

In the study, *Trends in Homeowners Insurance Claims, 2019 Edition*, the IRC examined the frequency and cost of claims paid by homeowners insurance companies countrywide and in each state. In addition to documenting changes in basic claim frequency and severity, the analysis focused on the contribution of catastrophe-related losses to overall claim outcomes and contrasted widely varying outcomes and trends in different states. The percentage of total claim payments over the 1997-2018 study period attributed by insurers to catastrophe events ranged from 2 percent in Alaska to 49 percent in Minnesota.

“This report will enhance understanding of what is happening in homeowners insurance markets around the country,” said Elizabeth Sprinkel, senior vice president of the IRC. “Insurers face significant challenges in responding effectively to rapid claim cost growth and volatile trends that vary significantly across states. The information in this report will help consumers understand some of the underlying factors explaining their experience in the homeowners insurance market.”

For the study, the IRC analyzed data from the Fast Track Monitoring System, representing approximately 50 percent of the homeowners insurance market countrywide. For more information on the study’s methodology and findings, contact David Corum at (484) 831-9046 or by e-mail at IRC@TheInstitutes.org. Visit the IRC’s website at www.Insurance-Research.org for more information about the report.

*Insured home means insured house, apartment, or condominium.

NOTE TO EDITORS: The Insurance Research Council is a division of the American Institute For Chartered Property Casualty Underwriters (The Institutes). The Institutes are the leader in delivering proven knowledge solutions that drive powerful business results for the risk management and property-casualty insurance industry. Institute knowledge solutions include the CPCU designation program; associate designation programs in areas such as claims, risk management, underwriting, and reinsurance; introductory and foundation programs; online courses; research; custom solutions; assessment tools; and continuing education (CE) courses for licensed insurance professionals and adjusters through its CEU.com business unit. The IRC provides timely and reliable research to all parties involved in public policy issues affecting insurance companies and their customers. The IRC does not lobby or advocate legislative positions. It is supported by leading property-casualty insurance organizations.

