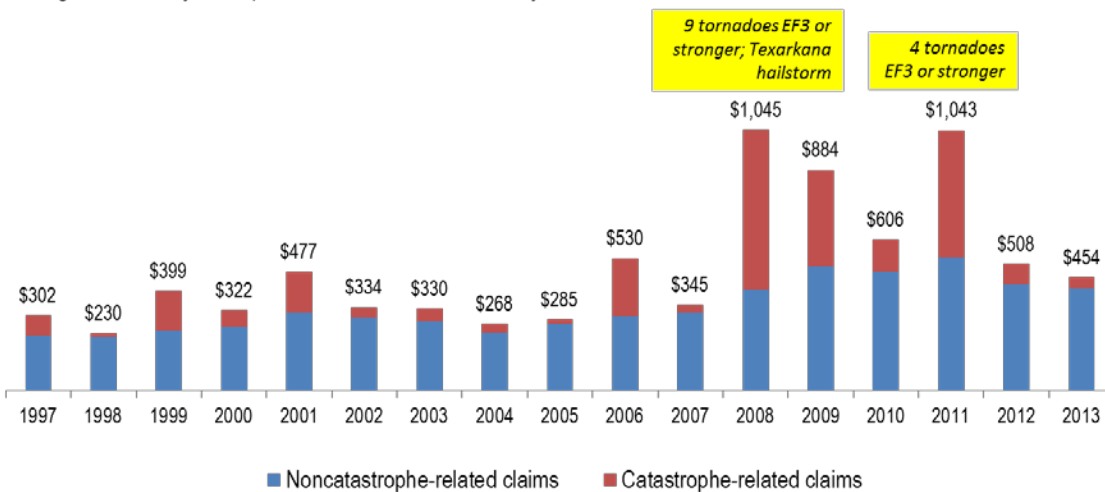




Trends in Homeowners Insurance Claims Findings from Arkansas

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

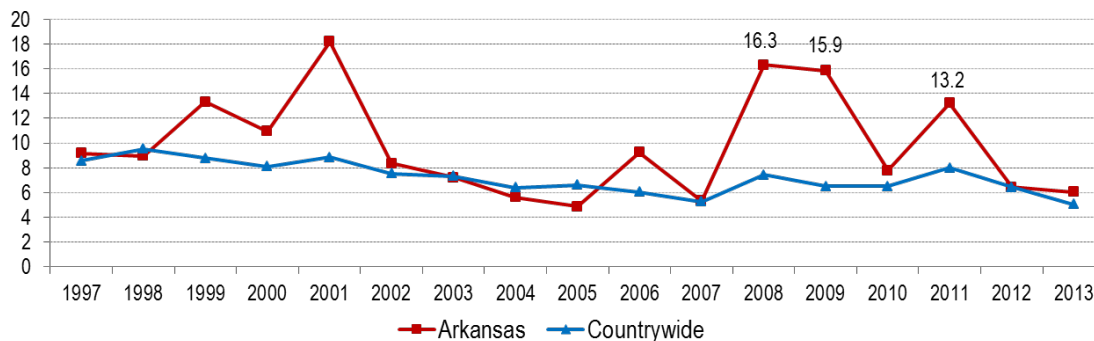
Figure 1
Homeowners Insurance Claim Trends in Arkansas
Average Claim Payment per Insured Home, All Policy Forms Combined



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

- In 2011, homeowners insurance companies paid on average \$1,043 in claim payments for every insured home in Arkansas—67 percent more than the \$625 paid on average countrywide. In 2008, insurers paid \$1,045 per insured home in Arkansas—more than twice the countrywide average of \$516.
- Arkansas experienced particularly high average claim payments per insured home during the years 2008-2011, when claim payments per insured home averaged \$895. Over the same period, claim payments per insured home countrywide averaged \$434.
- Much, but not all, of the higher costs in 2008-2011 were attributable to catastrophe claims experience. Catastrophe-related claim payments accounted for 61 percent and 49 percent of all homeowners insurance claim payments in 2008 and 2011, respectively.

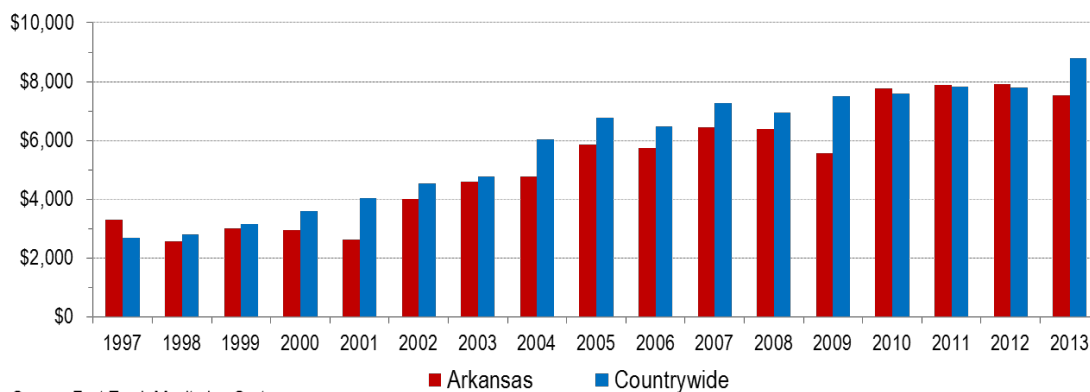
Figure 2
Homeowners Insurance Claim Frequency in Arkansas
Number of Claims Paid per 100 Insured Homes, All Policy Forms Combined



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.
- Claim frequency in Arkansas was on a general decline until 2008 when frequency jumped to 16.3 paid claims per 100 insured homes. In 2008 and 2009, claim frequency rates in Arkansas were approximately twice the countrywide rate. In 2011, claim frequency in Arkansas (13.2) was 65 percent higher than the countrywide rate of 8.0.
- Claim frequency rates in Arkansas in 2012 and 2013 were very similar to countrywide rates.

Figure 3
Homeowners Insurance Claim Severity in Arkansas
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 Arkansas grew from \$3,300 in 1997 to \$7,534 in 2013—an annualized increase of 8.2 percent per year. In contrast, average claim severity countrywide grew at an annualized rate of 7.8 percent per year. For 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.