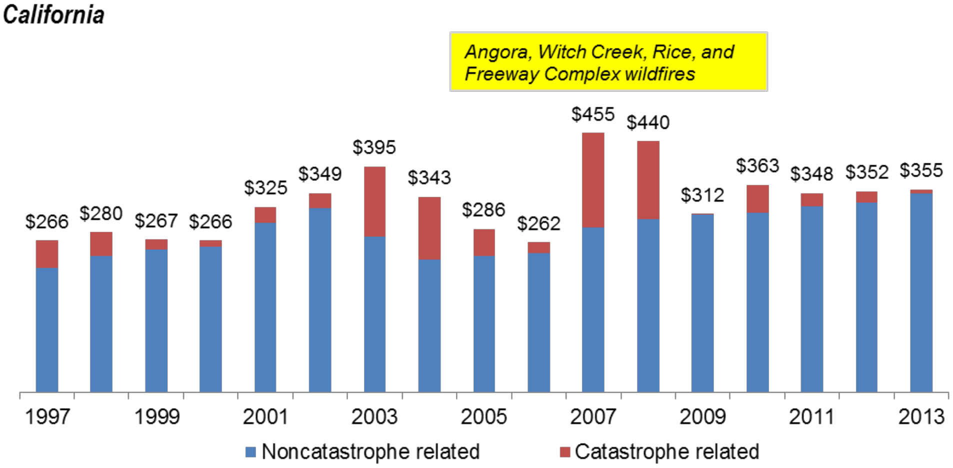
Trends in Homeowners Insurance Claims
Findings from California

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

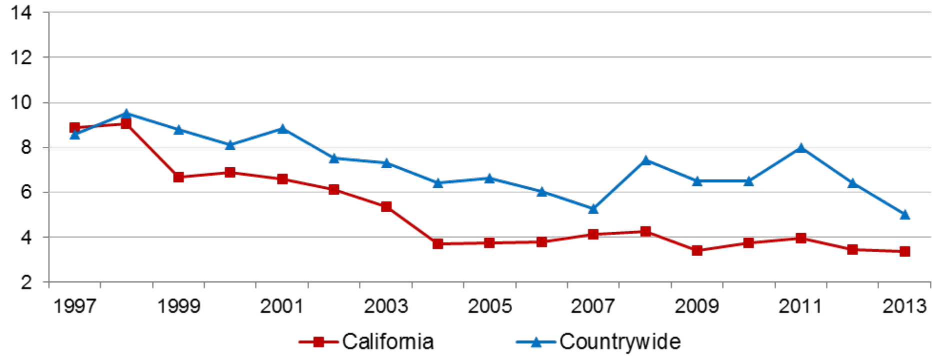
Figure 1
Homeowners Insurance Claim Trends
Average Claim Payment per Insured Home, All Policy Forms Combined
California



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

- In 2013, homeowners insurance companies paid on average $355 in claim payments for every insured home in California—20 percent less than the $442 paid on average countrywide. The lower than average cost of homeowners claims per insured home in California is due to many factors but primarily because California is largely immune to the costly effects of severe storms such as those that frequently occur in many other states.
- California experienced higher than average claim payments per insured home in 2007 and 2008. In 2007, claim costs averaged $455—19 percent higher than the countrywide average of $382. Major wildfires were largely to blame for the higher claim payments per insured home in 2007 and 2008..

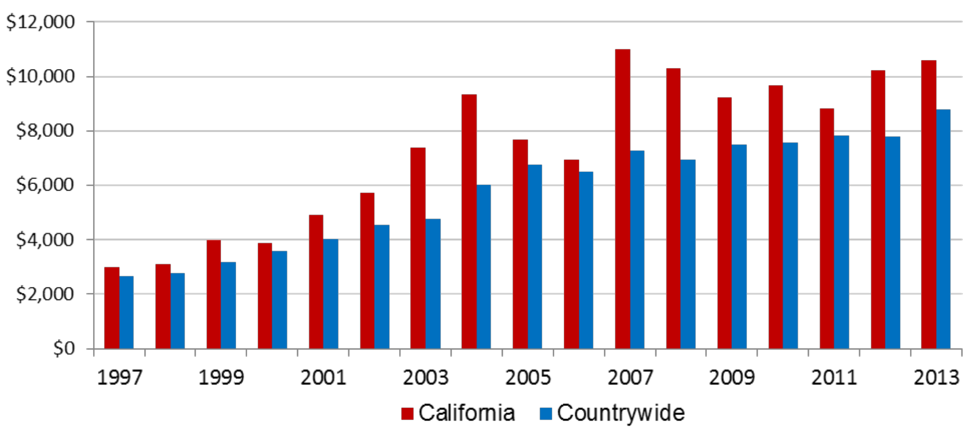
Figure 2
Homeowners Insurance Claim Frequency
Number of Claims Paid per 100 Insured Homes, All Policy Forms Combined



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 California fell well below the countrywide average in 1999 and remained well below the countrywide average during the remainder of the study period. From 1999 to 2013, the claim frequency rate in California averaged 4.6, which was approximately 34 percent less than the 7.0 average rate countrywide over the same period.
- Based on the modeled trend, homeowners claim frequency in California fell at an annualized rate of 7.5 percent over the period 1997-2013. By comparison, claim frequency countrywide fell at a rate of 2.6 percent.

Figure 3
Homeowners Insurance Claim Severity
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 California grew from $2,997 in 1997 to $10,603 in 2013. Based on the modeled trend for the series, average claim severity in California increased at an annualized rate of 7.9 percent over the 17-year study period. Average claim severity countrywide increased at a similar annualized rate of 7.8 percent. Although the rates of increase were similar, average claim severity in California was approximately 28 percent greater than claim severity countrywide over the study 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.