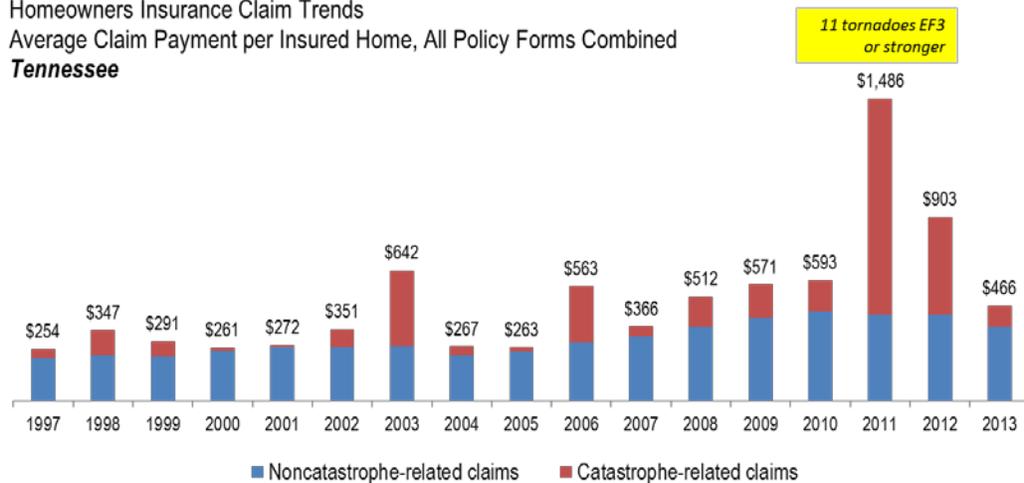


Trends in Homeowners Insurance Claims

Findings from Tennessee

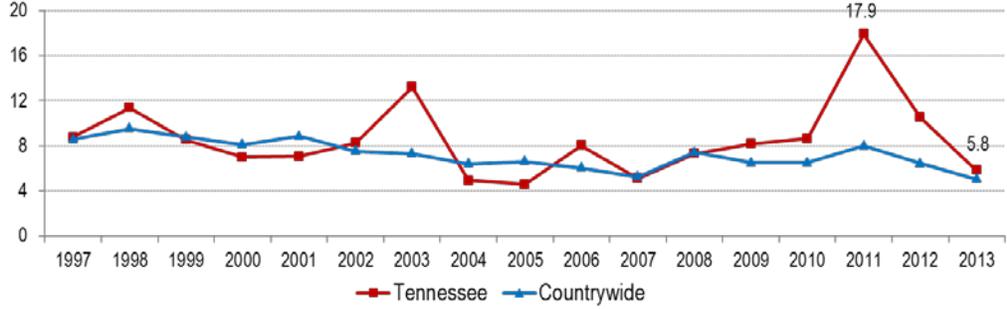
The following is an analysis of fundamental trends in the frequency and cost of homeowners insurance claims paid in Tennessee between 1997 and 2013. The analysis is based primarily on data reported by insurance companies participating in the Fast Track Monitoring System. The Fast Track system is a cooperative 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
Tennessee



- In 2011, homeowners insurance companies paid on average \$1,486 in claim payments for every insured home in Tennessee—more than twice the \$625 paid per insured home countrywide. In 2012, insurers paid \$903 on average per insured home in Tennessee—80 percent more than the nationwide average of \$501.
- The extraordinarily high cost of homeowners insurance claims in Tennessee in 2011 and 2012 was due primarily to major outbreaks of tornadoes and severe storms across the state. In 2011, 71 percent of all claim payments in the state were attributed to catastrophe events, including 11 EF3 or stronger tornadoes.

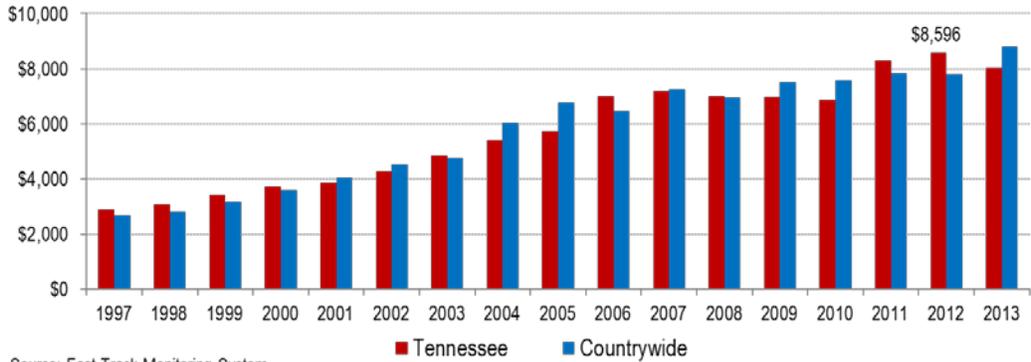
Figure 2
 Homeowners Insurance Claim Frequency
 Number of Claims Paid per 100 Insured Homes, All Policy Forms Combined



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 Tennessee was highly volatile during much of the 17-year period examined—ranging from 4.6 claims paid per 100 insured homes in 2005, to almost 18 claims paid per 100 insured homes in 2011. After 2011, claim frequency dropped to 5.8 claims per 100 insured homes in 2013, which was only slightly above the national average of 5.0.
- The extreme volatility of homeowners insurance claim frequency in Tennessee over the 17-year period examined was due almost entirely to catastrophe-related experience.

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 Tennessee grew from \$2,897 in 1997 to \$8,596 in 2012, then fell to \$8,018 in 2013. Over the 17 years examined, claim severity in Tennessee increased on average 7.5 percent per year—approximately three times the annualized rate of inflation (2.4 percent) for the 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.