

NEWS BRIEF

Provided by: SCS Agency Inc

Home Insurance Claim Frequency Down in 2021, but Severity Up

Home insurance loss costs and frequency across all perils fell in 2021 from the year prior, but severity increased by 7%, according to the 2022 LexisNexis U.S. Home Trends Report.

LexisNexis noted that insurance professionals should not be deceived by the one-year dip. The report, which analyzes data spanning seven years, shows a steady increase over time.

“Given the unpredictable nature of extreme weather events like Hurricane Ian and their impact on catastrophic claims, as well as unforeseen events such as the COVID-19 public health crisis, carriers simply cannot afford to assess their books of business with limited or skewed data,” George Hosfield, senior director of home insurance at LexisNexis Risk Solutions, said in a statement.

Climate change reared its head in several ways last year, and the data reflected its impacts.

Weather-related water claims soared 329%, and catastrophe claim frequency from water-related weather damage climbed 222% over 2020. More than three-quarters of loss costs from weather-related water claims happened in February, due in part to the winter storm in Texas. The Lone Star State had the highest loss cost in 2021 for this peril, at more than 354% greater than New Jersey, which had the second-highest loss cost.

Wind claim frequency dropped 36% in 2021, but severity rose 2%; LexisNexis noted that last year marked a “record-breaking” year for storms, with multiple catastrophic hurricanes and numerous tornadoes. Hailstorms also produced multibillion-dollar losses for insurers, with claim severity rising significantly. LexisNexis again urged looking at the long-term picture.

“Combined wind and hail peril data are a prime example of how home insurers can be caught flat-footed without the right amount of data in their arsenal,” said Hosfield. “Certainly, it’s a positive for insurers that wind and hail had decreases in loss cost for 2021 when compared to 2020, but the seven-year trend indicates an average increase of 18% per year.”

Loss costs for fire and lightning decreased, but claims severity remained basically in line with 2020. The long-term upward trend in loss cost “is likely to continue” because the average acreage burned is rising and mega blazes are becoming more common. Last year’s fire “season” extended well beyond what is typically a four-month period.

In 2021, the percentage of all disaster-related costs due to billion-dollar weather events rose to 85%. LexisNexis noted that population increases in areas vulnerable to weather events, such as coastal areas or urban locations that interface with wilderness, are adding to the rising costs.

Carriers last year continued to navigate the aftermath of the pandemic, which included growing costs for materials due to supply chain disruptions and inflation. And, as many people returned to the office in 2021, theft claims for homeowners insurance picked back up after declining in 2020.

“Considering the unpredictable nature of extreme weather events and unexpected public health crises, it is imperative for carriers to understand by-peril and macro-level trends, and to recognize how such insights can help support more precise and profitable pricing,” wrote LexisNexis.

