



A Perfect Storm for Higher Premiums: Natural Disasters and Aging Buildings

It's no secret that property insurance rates have continued to rise in all parts of the country. And it's not surprising to see, given the atypical weather events that led to record breaking losses over 2021. Paired with supply chain bottlenecks and high inflation, the commercial property insurance market is now more strained than it has been in a long time.

January 2021 through September 2021 saw [18 weather related disasters exceed \\$1 billion in damages](#), which is a record high for a single year. And in just the first half of 2021, the insurance industry recorded \$42 billion in losses (a ten-year high). Because of this, in Q4 2021, global commercial insurance rates [jumped by thirteen percent](#), making it the seventeenth consecutive quarter of increases.

To make matters worse, with every passing year, buildings only become older. At the end of 2021, the average age of a commercial building in the U.S. was [about 53 years](#). As of 2019, the average age of a home in the U.S. was 39 years.

When aging buildings haven't been properly maintained, they lose their structural integrity and become riskier to insure. Over time, a building's concrete, roofing, HVAC systems, electrical, and plumbing begin to deteriorate. Deterioration means that structures become less likely to survive intact should they be in the path of a natural disaster.



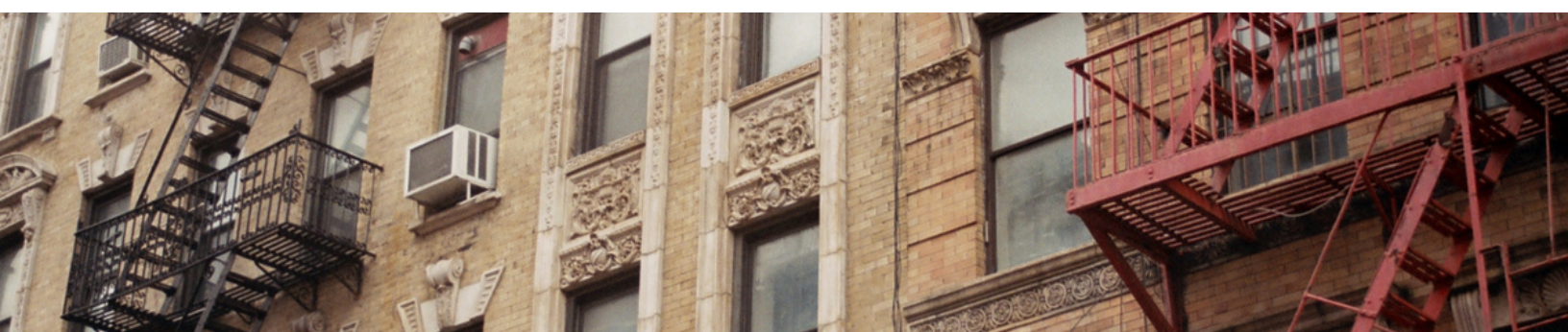
With extreme weather events becoming the new normal and many buildings aging throughout the U.S., this has the potential to further strain the property and casualty market. It's hard to determine just how much. Determining the replacement cost of buildings has always been a challenge, and this reality rings truer for older buildings. With the cost of raw materials going up due to [supply chain constraints](#), property owners can expect replacement costs to be a lot higher than a few years ago.

Though higher replacement values mean higher premiums, property owners need to be particularly wary of being underinsured in the face of worsening natural disasters. Understanding market conditions can help you take proactive steps to ensure that you're well equipped to face unexpected catastrophes. **For example:**

- 1 Be sure to regularly schedule inspections and maintenance on buildings, and plan for repairs.
- 2 Think ahead and budget for coverage in light of increasing costs.
- 3 Don't forget to regularly communicate with your broker to make sure you're doing all you can to appropriately manage your risk and financially protect yourself with the right insurance coverage.



[Contact our Real Estate team](#) today to learn about how you can weather the storm of natural disasters.



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