



UP, UP, AND AWAY?

How much higher will homeowners' insurance rates rise?

If you own one or more homes, you've likely faced sticker shock when renewing your homeowner's insurance policy over the last year. Today, many people wrestle with paying more money to protect their homes, but not all understand what's led to the jump in prices.

A driving force of rate increases is natural disasters. In 2022 alone, the United States experienced 18 separate weather and climate disasters costing at least \$1 billion.[1] Collectively, these disasters and economic uncertainty, market volatility, decreased competition, and increases in claims activity and litigation costs have forced insurers to re-evaluate how they provide coverage or whether to retreat from a market entirely.

Even if you haven't dealt with a natural disaster or filed a claim recently, you're likely paying more for insurance now.

Homeowners who don't live in disaster-prone areas also experience rate increases because the insurers might offer coverage everywhere in the US. You might pay less than other people, but you can't escape the rise in premiums.

STICKER SHOCK... EXPLAINED


Here's what's happening that's causing rates to rise and insurer availability to thin:

- More people are relocating to disaster-prone areas
- Extreme weather conditions—resulting in large catastrophic losses
- Policies terms and conditions changing
- Repairing and rebuilding homes cost more
- Homeowners or contractors inflating claims, leading to fraud
- Reinsurance rates affecting insurance companies - and thus, your rates

These key factors are making a big impact in certain parts of the country. So, getting proper coverage has been difficult. In some states, like Florida, Texas, and Louisiana, insurers have scaled back their business, left catastrophic-prone areas, or declared insolvency due to soaring litigation costs. An unprecedented amount of fraud and lawsuits are to blame.

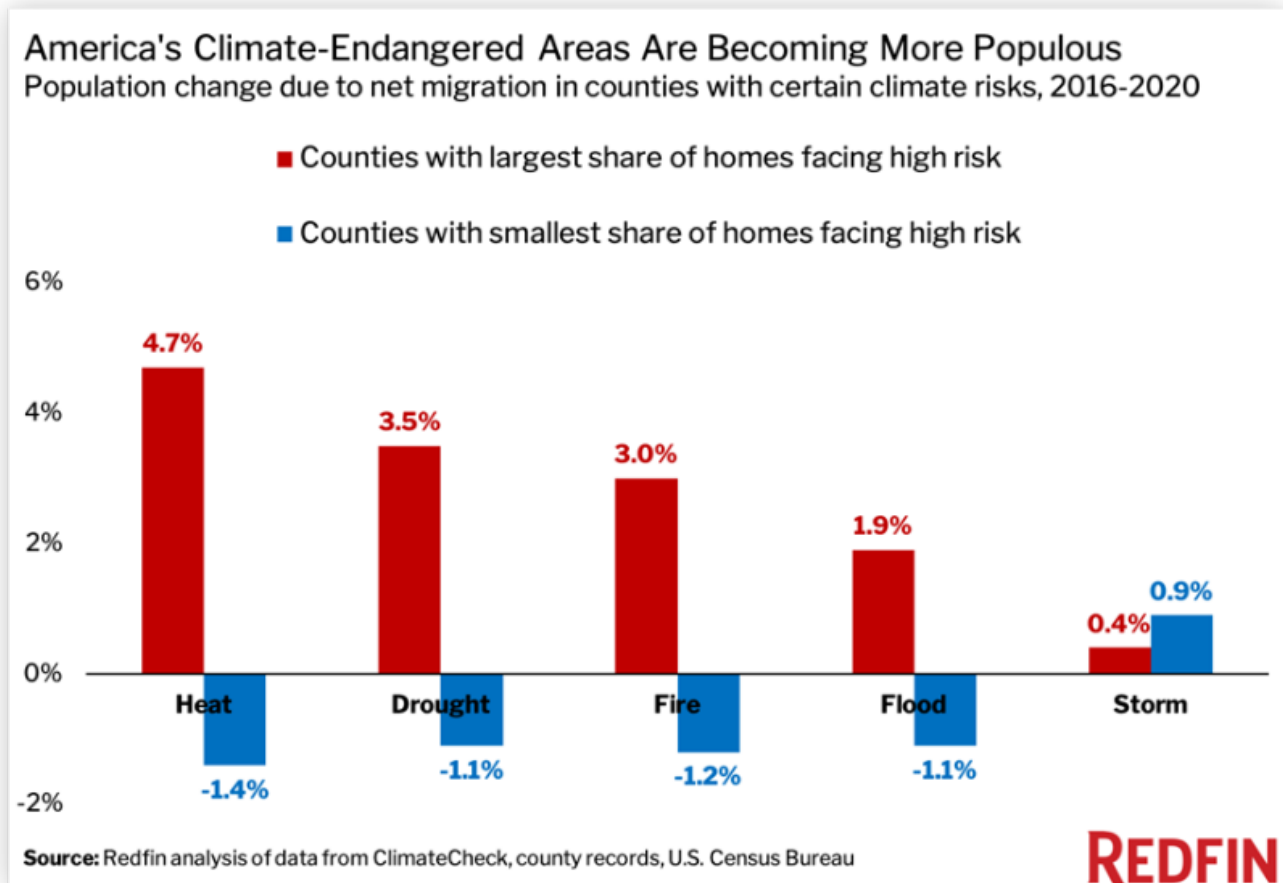
THE SITUATION

While no one wants to pay for something they hope to never use, if you own a home, you need coverage. Coverage terms and premiums do vary by insurer, so each homeowner will face varying increases and terms for different reasons.

Some explanations for the impact on your premiums: 

More people relocating to disaster-prone areas.

As people move to disaster-prone areas, their logic is based on economics and nature – these areas tend to have less expensive homes, lower property taxes, and access to nature. Yet, during the summer of 2021, one out of three Americans was living in a county in the U.S. hit by an extreme weather disaster.[1] When a lot of people migrate to vulnerable areas, catastrophic losses can multiply. From 2016-2020, natural catastrophe losses almost doubled compared with the previous five years.[2] Insurers raise premiums as a recourse.



Extreme weather conditions are resulting in large catastrophic losses.

Massive hurricanes, wildfires, snowstorms, and tornadoes are occurring with greater frequency. Half of the last decade's natural catastrophes were uninsured^[1], catapulting a shaky property insurance market ripe with pre-existing challenges into an official hard market.

Policies changing terms and conditions.

Because of the hard market and increase in demand for coverage, insurers have strong-armed supply and capacity. Ultimately, this creates stricter underwriting guidelines. Insurers are less willing to negotiate more favorable terms and adjust the terms and conditions of their policies. Rates also rise.

Repairing and rebuilding homes cost more.

Higher construction costs may be an obstacle to repairing or rebuilding a home after a disaster. Labor and building materials cost more than before the pandemic, often due to lingering supply chain issues. Insurers may recognize a gap in coverage if you aren't able to make your house whole after a loss.

Homeowners or contractors are inflating claims.

People who report false or exaggerated information on a claim look to receive a larger payout from the insurer. Because this type of fraud happens more often, insurers tend to charge higher premiums for all insureds they cover. Even if you don't file a claim, it's likely your insurance premiums will rise again next year.

Reinsurance rates affecting insurance companies – and thus, your rates.

Just like you have insurance to protect your assets, insurance companies also need insurance to protect theirs – and a reinsurance company provides that to them. When reinsurers raise rates, insurance companies pay more for their insurance, and that increase gets passed along to you.

NAVIGATING THE NEW NORMAL

The future is uncertain, but predictions show these disasters will only grow more powerful and expensive. Work with an experienced insurance advisor to help you review your current policies and identify your needs in today's market. Our team of dedicated risk management advisors can help discern the best approach to take so you can protect your now and your future.



[Contact us](#) to learn how we can help.

[1] NOAA, *Climate.gov*, "2022 U.S. billion-dollar weather and climate disasters in historical context", January 2023.

[2] National League of Cities, "Domestic Climate Migration and U.S. Cities Report," 2022.

[3] Investopedia, "Natural Disasters Cost \$210 Billion Worldwide in 2020", January 7, 2021.

[4] Swiss Re Institute, "How Natural Catastrophes Are Impacting 10 Countries in the World", March 30, 2022.