

Lawley

2024

Understanding Current Market Conditions

PERSONAL INSURANCE



The personal insurance market is struggling with multiple challenges, resulting in sharp auto and home insurance premium increases for consumers.

These conditions are primarily the result of another intense season of natural disasters, increasing property values, inflation, labor costs, supply chain issues, and an increasingly volatile property valuation landscape.

1 CATASTROPHIC LOSSES

Bloomberg Intelligence reported that 2023 marks the **fourth consecutive year** in which global insured losses resulting from natural disasters are projected to **exceed \$100 billion** with convective storms.

EXAMPLES INCLUDE:

 **Thunderstorms**

 **Tornadoes**

 **Hailstorms**

In 2022, total insured losses globally were estimated at a staggering

\$140 BILLION

making it the worst catastrophic year in history, as it includes Hurricane Ian which could become the costliest insured cat loss ever in recent history.



CATASTROPHIC EVENTS ARE A MAJOR FACTOR DRIVING UP THE COST OF REINSURANCE

an expense the primary carrier needs to pass along to customers.

68%

of all losses were weather-related in the first half of 2023.

The hardest-hit markets are also those struck by some of the **most severe weather in recent years** such as:

 **Flooding**

 **Hailstorms**

 **Tornadoes**

 **Wildfires**

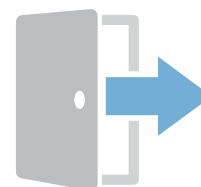
These markets include California, Florida, and Louisiana, where insurers struggle with the financial ramifications of widespread storm and fire-related damage.



2 INCREASING PROPERTY VALUES/NON-RENEWALS

Property values are increasing due to a variety of factors such as growing demand, low-interest rates, and limited supply, especially in desirable locations.

Not only are costs increasing, but several insurance companies have decided to pull out of high-risk markets altogether.



3 HOME REPLACEMENT COSTS

Homeowners insurance is becoming more expensive and, in many places, more challenging to find.

The costs to repair, replace, or rebuild structures and their contents following losses have increased, prompted by rising labor and material expenses.

Home replacement costs have risen

55%

since 2019 as wages and material costs escalated.



4 SKILLED LABOR AND PARTS SHORTAGE



Even with higher pay,

9 OUT OF 10

contractors are struggling to find skilled labor and are delaying projects as a result.

Lack of available labor and a scarcity of auto parts were significant **contributors to rising costs.**

4.5 MILLION
NEW JOBS WERE CREATED IN 2022.

3 MILLION
WORKERS ARE STILL REQUIRED TO REACH
PRE-PANDEMIC EMPLOYMENT LEVELS.



5 INCREASED COSTS OF FIXING CARS

Inflation affects various sectors, and the car repair business is no exception. The cost of fixing cars surged by

23% IN THE PAST
12 MONTHS

nearly **4X** compared to the **average price increase** across the board thus increasing the cost of personal auto insurance.

SEVERE WEATHER

Comprehensive auto insurance coverage compensates for damages resulting from acts of nature such as flooding, hailstorms, tornadoes and wildfires, as well as other noncollision-related incidents.

As extreme weather conditions increase in frequency, insurance claims also rise, affecting the cost of premiums for all policyholders.