

Insurance Trends

Home Insurance

No respite in sight from Mother Nature's fury

Emerging Trends

Mandated upgrades to obtain coverage

Consumers can expect to install or upgrade certain features in their homes to obtain or keep coverage, not just as a credit to their premium. Some insurers indicate they will not provide coverage if a roof is older, a water flow device is not installed, or a tankless water heater is not on the property, for example. New home builders in several parts of the country are including generators as part of a basic package on a new home purchase that helps mitigate insurance risk.



Entrenched Trends

Persistent, destructive weather events

Obtaining the coverage needed to properly protect assets has been challenging, especially in some states, like Florida, Texas, and Louisiana, where insurers have scaled back their business, left catastrophic-prone areas, or declared insolvency. Extreme weather conditions are resulting in large catastrophic losses. NOAA cites 18 weather disaster events that occurred in the United States last year and tallied losses exceeding \$1 billion each in total losses. Collectively, these disasters and economic uncertainty, market volatility, decreased competition, and increases in claims activity have forced insurers to re-evaluate pricing.

Carriers typically review past events when making risk calculations, which is why they are now struggling to keep up with the impact of unpredictable, extreme weather events. These events have been on the rise for the last 20 years. According to S&P Global Market Intelligence, in late 2018, after Hurricanes Irma and Harvey hit in 2017 and industry combined loss ratios rose above 100%, the insurance market began to turn.

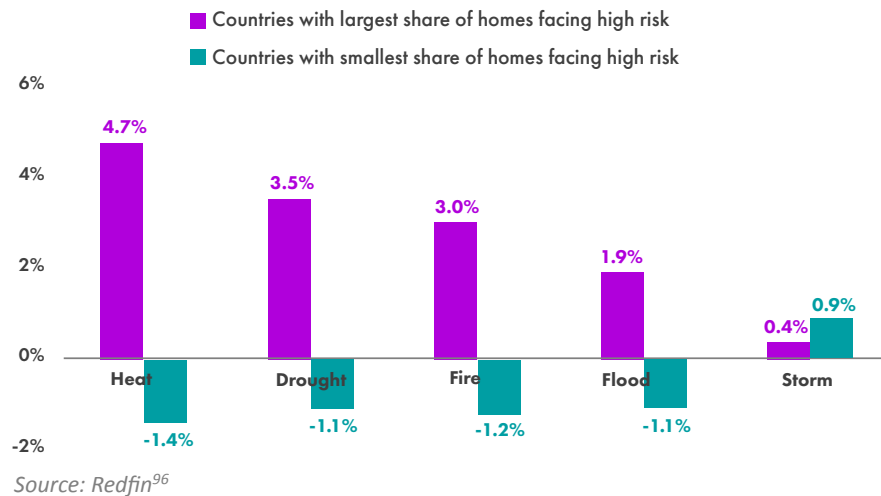
Insurers continue to adapt their underwriting strategies and develop climate modeling to keep up with the weather events, which negatively impacts their bottom line. In the current hard market, carriers are tasked with managing their financial stability while ensuring the availability and affordability of coverage for their insureds.



Migration patterns impacting losses

Additionally, within the last three years, data show one out of three Americans was living in a county in the U.S. hit by an extreme weather disaster.¹⁰² Because many people relocate to vulnerable areas to take advantage of lower tax rates or other desirable opportunities, the cost to insurers from catastrophic weather events rises.

America's Climate-Endangered Areas Are Becoming More Populous
Populations change due to net migration in counties with certain climate risks, 2016-2020



Ballooning replacement costs

After a disaster, it is more expensive to rebuild and repair a home. In fact, property insurer replacement costs are projected to increase between 4.5% and 6.5% in 2023. Those individuals who are repairing or rebuilding their homes after a disaster are impacted by higher replacement costs—largely due to higher labor and building materials costs, as well as supply chain issues, but we are seeing that issue lessen now.

With more people purchasing or building high-end custom homes and investing in home collections like art, antiques, stamps, sports memorabilia, or jewelry, policyholders are taking more precautions on appraisals of their valuables, especially in light of growing replacement costs.

Traditionally, insurers utilize asset valuation to properly price coverage. With higher replacement and repair costs, accurately valuing assets becomes a necessity for consumers but a challenge for insurers, resulting in significant losses year over year.

Homeowners

