

# FACTORS AFFECTING PERSONAL INSURANCE MARKET

## Key Areas Causing Prices to Rise

Weather-related catastrophes and a volatile economy have caused prices to fluctuate in recent years, increasing the costs for new homes, cars, building materials and goods and services. This results in increased expenses for everyone, including insurers when it comes to things like paying claims.<sup>1</sup>

We've highlighted some of the key factors affecting the market:



### SEVERITY AND FREQUENCY OF CONVECTIVE STORMS<sup>1</sup>

Weather-related catastrophes continue to exceed historical levels, accelerating in frequency and severity, and impacting more geographies. Severe weather doesn't only affect homes. Vehicles and other property can be damaged or lost due to wildfires, flood waters or hail.

### INCREASED VULNERABILITY

Growing populations mean more assets such as homes, valuables, vehicles and watercraft are in high-risk regions.<sup>1</sup>



### INFLATIONARY COSTS

While inflation has begun to slow down compared to recent years, it is still higher than pre-pandemic levels.<sup>2</sup>

### RECONSTRUCTION COSTS

Homes are increasingly more expensive to repair and rebuild compared to market value. In the last five years, the cost of construction materials has increased roughly 30% while construction labor has increased roughly 20%.<sup>3</sup>

### COST TO REPAIR OR REPLACE AUTOMOBILES

Sophisticated vehicles with newer technology and electronics are more common. Over the last 10 years the cost of repairing automobiles has significantly increased.<sup>2</sup>



### DISTRACTED DRIVING

Thousands of fatalities and hundreds of thousands of injuries are the result of distracted driving leading to an increase in severity of auto incidents in recent years.<sup>4, 5</sup>



### RISING MEDICAL COSTS

Medical expenses such as hospital costs and doctor's fees have steadily risen, leading to higher payouts for claims involving injuries.<sup>4</sup>

### SOCIAL INFLATION

Social inflation is when the cost of litigation increases at a higher rate than economic inflation. The increased expense can be attributed in part to large verdict awards and litigation expenses. This increases the cost for the insurer to defend and pay claims ultimately translating to higher coverage costs for policyholders.<sup>6</sup>



## ADDITIONAL RESOURCES FOR YOU

Ask your independent agent about loss prevention and ways to help reduce costs.

<sup>1</sup> NOAA <sup>2</sup> Consumer Price Index <sup>3</sup> Producer Price Index <sup>4</sup> Center for Disease Control <sup>5</sup> National Highway Traffic Safety Administration <sup>6</sup> Insurance Information Institute

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