

Personal lines

Key takeaway

After a year that included a record number of named storms and five of the six largest California wildfires ever recorded, 2021 started off with the costliest winter event in Texas history, all highlighting little relief for insurance carriers and pointing to added pressure on insurers to seek aggressive rate hikes and contract limitations.

Rate prediction

Most risks:

Homes under \$1,000,000: +5% to +7%

Homes over \$1,000,000: +7% to +9%

Cat-exposed: +20% to +50% with contract limitations or non-renewal

Cat-exposed with losses: +50% to +100% or non-renewal

Spotlight on COVID-19

- Many cities saw an exodus as residents flocked to second homes in more rural or exurban places.
- Wherever they landed during the pandemic, many invested in their work-from-home accommodations and should be vigilant on updating property values and informing their insurers of any re-modeling or construction.

Property rates will continue to rise as climate change impacts the frequency and severity of storms.

- Insurers are seeking additional premium wherever possible and applying stricter underwriting, particularly to property valuations and mandatory installation of loss mitigation measures.
- Home insurers will continue to accelerate rate to match their risk and cover higher reinsurance costs.
- California insurers dropped a staggering 31% of residential policies statewide in 2020, pushing buyers into alternatives such as the FAIR Plan, the state's bare-bones fire insurance plan of last resort, where enrollment jumped by 225%.

Auto rates have seen modest improvement while driving behavior has worsened.

- Even though fewer people are driving during the pandemic, riskier driving has surged, leading to an increase in fatal crashes.
- Recent lawsuits regarding pandemic-related rebates in response to the drastic fall in miles driven suggest that insurers may be required to give back even more premiums to customers.

Liability concerns mount as large verdicts are becoming commonplace due in part to social inflation.

- An increase in litigation activity has led insurance carriers to reduce capacity and raise pricing to reestablish profitability.
- High-profile families/individuals are being scrutinized by underwriters looking to limit their exposure to anyone who attracts media attention.

Family offices evolve to protect household members and investments.

- Single family offices continue to collaborate and join other families to establish efficient multifamily office structures.
- The combination of investment management, financial planning, estate and trust administration, legal work, tax/accounting and philanthropic administration has created additional coverage needs for D&O, E&O, EPLI, fiduciary liability, cyber liability and crime.

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