

# Personal lines

## Rate prediction

Homes under \$1,000,000: +6% to +8%

Homes over \$1,000,000: +8% to +10%

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

Cat-exposed and/or losses: +50% or non-renewal

Thousands of policies are not being renewed at any cost, leaving many buyers with few options for coverage and often complete dependence on the excess and surplus (E&S) market.

- Catastrophic modeling is struggling to accurately predict frequency and severity of events.
- Unpredictable natural disasters will likely sustain a frustrating market into 2022.

The property insurance market for personal lines will remain hard for the foreseeable future.

- Most carriers are enforcing strict underwriting conditions, compelling clients to make mandated corrective actions or risk non-renewal.
- Insurance regulators are limiting rate actions requested by carriers, forcing them to abandon admitted terms and conditions and focus on E&S offerings instead. We predict carriers will soon completely abandon certain markets.
- We are witnessing new mandatory deductibles for wildfire and hail along with increasing deductibles for wind and earthquake.

**While massive rate increases for cat-exposed properties have been expected, the number of insurance buyers facing non-renewal action has been unprecedented, predominately in cat-prone states of California and Florida.**

- We predict a refocus on flood insurance coverage, as many storms seem to be delivering more damage from excessive rainfall than from wind.
- Material and labor costs have skyrocketed during the pandemic, leaving clients with bloated repair bills and delayed projects.

After a short-lived reduction in auto rates, post-pandemic, rates are set to increase.

- We are assuming a full reversal in auto rates and predict a slight increase in claim frequency as well.
- Claim severity did not decrease during the pandemic and we expect serious accidents to increase due to higher speeds and distracted driving.
- A spike in used car prices along with shortages in workers has led to an increase in repairs. Meanwhile, computer chip supply issues continue to make buying new cars more difficult as well.

Large judgements continue to pressure liability rates upward.

- Courts have broadened the definitions of liability, ballooning the size of compensatory jury awards.
- Average cost per claim is rising due to increased medical costs as well as the size of settlements, judgments and jury awards to plaintiffs.

- The pandemic coincided with the bloodiest year for driving in over a decade: **38,680 people died in vehicle crashes in 2020, despite a 13% drop in driving.**

Shift to a remote work environment has led to an increase in ransomware and targeted cyberattacks.

- A more digitally connected environment has increased cyber risks. Cyber criminals have exploited COVID-19 concerns as a way to entice internet browsers to click bad links and open the door to sensitive information.
- IOT (Internet of Things) products have inundated our lives, creating an additional entry point for potential hackers.
- In this evolving threat landscape, homeowners should protect themselves with either a cyber insurance endorsement on their homeowner's policy or a stand-alone cyber policy.

## Contact

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