Personal lines

Insurance Marketplace Realities 2022 Spring update

Rate predictions

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

Homes over $1,000,000: +8% to +12%

Cat-exposed: +20% to +50% w/limitation or non-renewal

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

Auto: +10% to +12%

Massive rate increases in cat-prone areas coupled with inflationary pressures highlight a persistent hard market in personal lines. A recent pullback by several carriers in California and Florida has exasperated insurance buyers in an already capital-starved industry segment.

Underwriting personal lines coverage is increasingly complex.

- Underwriting guidelines have narrowed for problematic risks, leaving many individuals reliant on state-sponsored insurance programs.
- Premium risk profiles with limited exposure and clean claim history will still have several marketplace options available.
- Others should be prepared for rate increases along with mandatory underwriting guidelines.

Property insurance faces inflationary pressure as carriers drive toward rate adequacy.

- Many carriers are automatically increasing property coverage limits by 8% to 12% in order to catch up to labor and material shortages that have caused a massive increase in construction costs.
- Our prediction last fall of carriers abandoning difficult markets has unfortunately proved true. This exodus from cat-prone areas will cause many real estate deals to fall through and/or clients to self-insure.
- Many carriers are adding capital and resources behind their excess and surplus paper. When the admitted market does not have the appetite for this coverage, carriers may place in the non-admitted market after regulatory requirements are met.
- Notable catastrophe loss events filled 2021 from the beginning, with the Texas freeze in February, to the end, with the Kentucky tornadoes in December, and in between, chief among them Hurricane Ida, which could ultimately cost $30+ billion.

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Despite the drop in driving miles during the lockdown, severity of auto losses spiked and now frequency is reaching pre-pandemic levels.

- The used car market has increased by 47%, according to Manheim Used Car Index. This has directly contributed to deteriorating loss ratios for auto insurers.
- We predict a full reversal of the recent easing of auto rates and foresee frequency slightly worsening from pre-pandemic levels.
- Drivers are motoring at higher speeds, causing more serious accidents, and this trend is expected to stay.
- Carriers are clamoring to get rate increases filed with regulators with the goal of reversing deteriorating loss ratios.

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Social inflation has spurred an increase in court costs and litigated settlements.

- Courts have reopened their doors to previously stalled litigation leading to many large jury-awarded judgements.
- The Insurance Research Council suggested that "very large verdicts have a strong signaling effect on insurance claimants and insurers, resulting in higher settlement costs across a broad class of insurance claims."
- Jury awards tend to be higher in geographic areas with greater levels of income inequality (Assured Research).

The growing threat of cybercrime will leave many individuals' personal information exposed.

- In Q1 of 2021, four in 10 people encountered an unsafe link while using their mobile devices – less than a year later, five in 10 people encountered such threats (Cybercrime).
- With over 80% of personal email accounts exposed on the dark web, bad actors will increasingly steal important personal and financial information by compromising consumers' online accounts.
- With cryptocurrency becoming more popular among new investors, crypto scams are also rising.
- Many insurance carriers are responding to cybercrime by offering some coverage under their homeowner policies.

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