

What's Happening with Personal Insurance?



What Should You Expect at Your Renewal?



Here's What You Need to Know



Inflation hasn't just impacted household budgets – it's also affected insurance rates. Other factors, like natural disasters and long auto repair wait times, are also putting pressure on the personal insurance market. If you're planning to buy coverage soon or your auto or homeowners policy will be up for renewal, this report will prepare you for the current state of personal insurance in 2023.

Homeowners Insurance

According to [MarketScout](#), homeowners insurance rates were up by between 4.3% and 5.7% in the second quarter of 2023. More specifically, rates for homes with a value of less than \$1 million were up by 4.3% and rates for homes with a value of more than \$1 million were up by 5.7%.

However, these average rate hikes are only a small part of the whole story – some areas are seeing much higher premium increases – as well as the cumulative effect of rate increases for multiple quarters. Depending on where you live, your next insurance renewal or purchase could be challenging.

In Florida, [Spectrum News 13](#) says some homeowners have seen their homeowners insurance rates double in just one year. One couple said their rates doubled even though they had just installed a new roof and they'd never had a claim since purchasing the property. According to [Business Insider](#), at least one family decided they had to move after their premium doubled – increasing from an annual cost of \$6,000 to \$12,000.

Although Florida is the hardest-hit state right now, many other regions are seeing above-average rate hikes. Furthermore, these recent rate hikes follow several years of rising rates. The cumulative effect is putting pressure on homeowners. According to ValuePenguin, U.S. homeowners insurance rates increased by 19.1% between 2018 and 2023.

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Source: ValuePenguin



Insurance Options Are Decreasing in Some Areas

A large rate hike isn't the only unpleasant surprise facing homeowners: many are finding out that their insurer won't renew their policy. In some cases, insurers are leaving entire states.

California, in particular, has seen a massive exodus of property insurers. According to [North Bay Business Journal](#), Allstate, State Farm, Farmers, AIG, AmGUARD Insurance, Falls Lake Insurance, and Chubb Ltd. have all stopped writing policies or reduced their presence in California. As a result, homeowners now have significantly fewer options when looking for coverage.

Home insurance
options have
decreased by 20%
in California.

Source: North Bay Business Journal

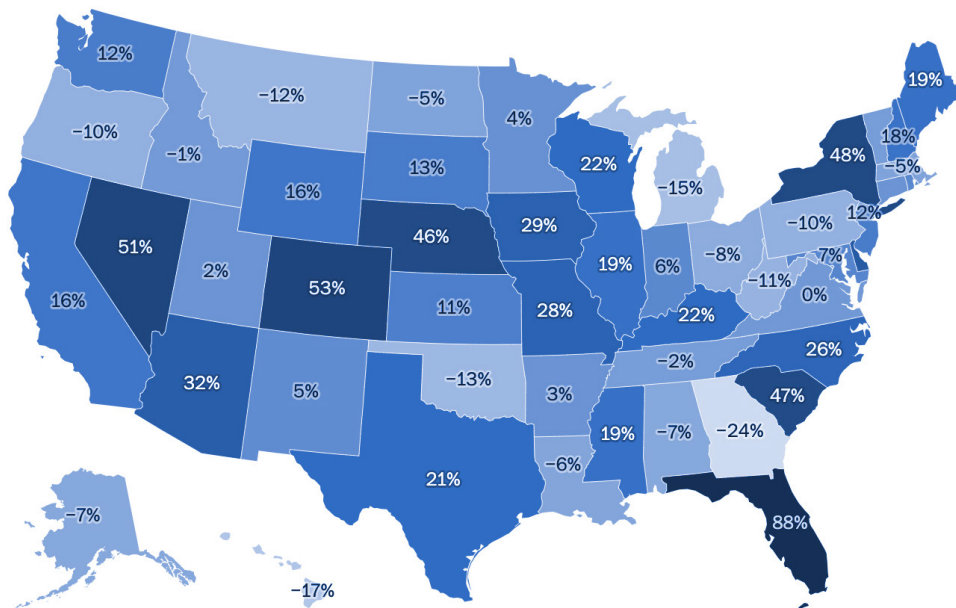
Auto Insurance

Personal auto insurance rates were up 4.7% in the second quarter of 2023, according to MarketScout.

As with homeowners insurance, some individuals are seeing higher-than-average rate hikes, and, again, the cumulative premium increases can add up over time. According to the [Consumer Price Index](#), motor vehicle insurance costs increased by 19.1% between August 2022 and August 2023.



Change in average car insurance premium, 2022-2023



Source: [Washington Post / FINN America](#)



The Rising Need for Uninsured Motorist Coverage

Tight budgets and rising auto insurance rates are causing some drivers to go without coverage. According to the September 2023 Insurance Intelligence Report from [J.D. Power](#), the percentage of American households with at least one uninsured vehicle increased from 5.3% in the second half of 2022 to 5.7% in the first half of 2023. Some states have even higher rates of uninsured drivers. In Oregon, for example, 6.3% of drivers are uninsured.

Since state law typically requires insurance, drivers who go without coverage risk expensive fines, losing their licenses, and having their cars impounded.

If you are hit by an uninsured motorist, you can sue the driver. However, if the driver doesn't have any money, it will be difficult to recover anything even if you win. To protect drivers against this risk, many states recommend purchasing uninsured and underinsured motorist coverage. As the number of uninsured motorists grows, the need for this coverage will increase.

Three Factors Behind the Current Market Conditions

If you're in the insurance business, your goal is to collect enough in premiums to pay all your claims. If premiums exceed claims you achieve an underwriting profit. In recent years, insurers have been experiencing underwriting losses. In fact, in 2022, the U.S. private auto insurance industry experienced their worst underwriting performance in at least 27 years according to [S&P Global](#). Other property and casualty lines have also performed poorly.

The reasons for this are complex, but three issues stand out: rising costs, reinsurance rate hikes and natural disasters.

1 | Rising Repair Costs

The increase in repair costs is impacting both consumers and insurance companies.

The Consumer Price Index shows that motor vehicle maintenance and repair costs increased by 12.0% between August 2022 and August 2023. Auto repairs are also taking much longer due to staffing shortages and parts shortages. The longer claim cycle times typically lead to higher overall costs for insurers. According to [CCC Corporate](#), almost all repair shops have reported significant increases in their work backlog and 85% say they're scheduling repairs at least two weeks into the future.

However, it's not just recent economic factors that are leading to higher auto repair costs. According to [Kelley Blue Book](#), repair costs have increased by 36% since 2018. This is largely due to the increasingly sophisticated – and therefore expensive – technology in modern cars. Many car parts contain sensors. Even minor collisions can damage those sensors, requiring pricey repairs. [Consumer Reports](#) says it should cost about \$300 to \$500 to replace a standard side mirror, but mirrors with Advanced Driver Assistance Systems (ADAS) can cost up to \$2,500 to replace. Bumpers, windshields, headlights, and other parts are also much more expensive to repair.

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Source: Kelley Blue Book

Home repairs have also become more expensive. Inflation means it costs more to replace furniture, appliances, and other items, which leads to higher claims costs. Construction costs have also surged due to a tight labor market and rising prices for building materials. The [Producer Price Index](#) shows that prices for building materials have stabilized in 2023. However, this comes after sharp price hikes in 2020 and 2021. Prices still remain elevated compared to pre-pandemic levels. The [National Association of Realtors](#) says new home costs increased by 42% over a three-year period.

2 | Rising Reinsurance Costs

Insurers use reinsurance to protect themselves against larger-than-expected losses by transferring some of their risk – reinsurance is basically insurance for insurers. At the reinsurance renewals on January 1, 2023, reinsurance rates increased by 20% to 60% in most property markets, according to [Fitch Ratings](#). This means insurers are paying significantly more for reinsurance, and passing those added costs onto policyholders.

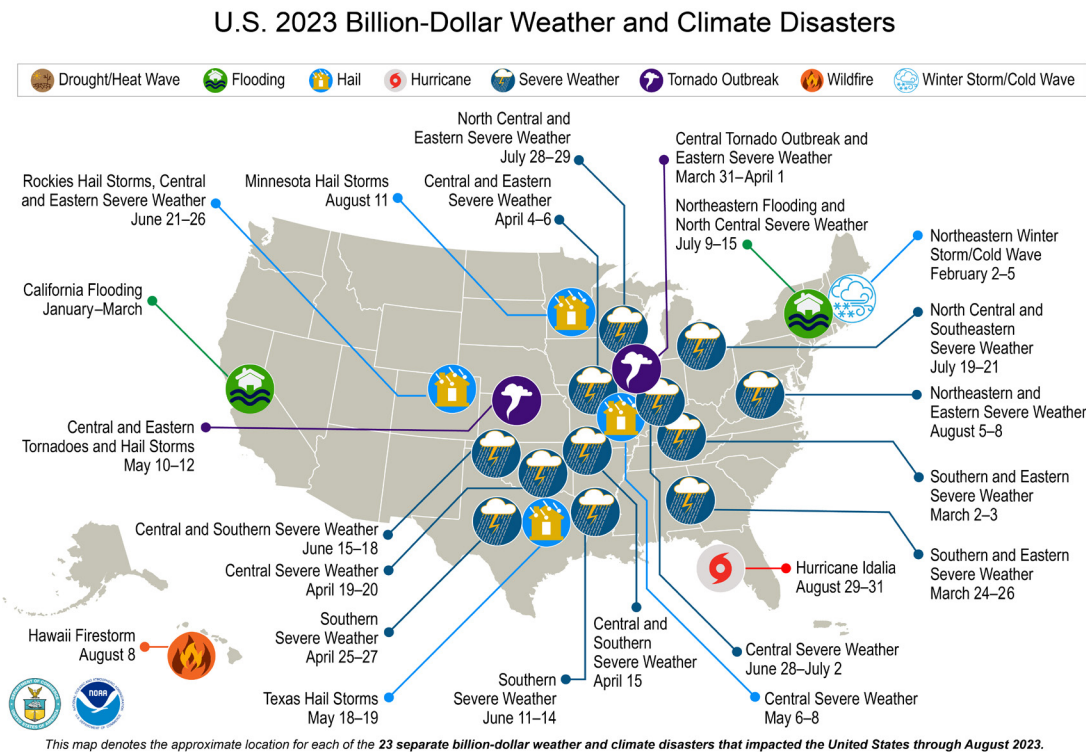
3 | Natural Disasters

There's a reason why California and Florida are seeing some of worst problems with rising rates and non-renewals: these states are especially prone to natural disasters.

Data from the [National Oceanic and Atmospheric Administration](#) (NOAA) shows that the number of natural disasters causing at least \$1 billion in damage has surged in recent years, even when adjusting for inflation. Per year, there were an average of:

- 3.3 events between 1980 and 1989.
- 5.7 events between 1990 and 1999.
- 6.7 events between 2000 and 2009.
- 13.1 events between 2010 and 2019.
- 18.0 events between 2018 and 2022.

As of September 11, there have been 23 confirmed billion-dollar events in 2023. The year isn't over yet, but it has already hit a record.



Although wildfires and hurricanes have caused major losses in California and Florida, respectively, smaller natural catastrophes are also adding up to major costs. According to [Swiss Re](#), global insured losses from natural catastrophes reached \$50 billion in the first half of 2023, which is the highest amount since 2011. Of these losses, 70% were caused by severe thunderstorms.





















When combined with rising claims costs due to inflation, the impact on insurance is noticeable.

Hard Insurance Market vs. Soft Insurance Market

What's the Difference?

An insurance market can be hard or soft. Soft markets lead to good insurance buying conditions, while hard markets can make it difficult to find affordable coverage.

Cycles are influenced by insurers' profitability, which is determined by losses paid out and return on investment income. When the insurance market's losses are higher than expected year after year, a hard market can result. These cycles can have a big impact on your home and auto policies.

Hard Insurance Market  (stormy buying conditions)	Soft Insurance Market  (good buying conditions)
<ul style="list-style-type: none"> Insurers Become Highly Selective Insurers May NOT Want Your Business It Can Be Hard to Get Approved Rates Go Up Coverage Limits Go Down Your Policies May Not Be Renewed Strategy & Advanced Planning are Essential It's Smart to Shop Multiple Carriers RightSure Will Help You Get the Right Coverage at a Good Price	<ul style="list-style-type: none"> Insurers Compete for Your Business Everybody Wants to Insure You It's Easy to Get Approved Rates Go Down Coverage Limits Go Up Policies Are Automatically Renewed Strategy & Planning Are Less Urgent It's Still Smart to Shop Multiple Carriers RightSure Can Get You the Most Coverage for the Least Money

The Insurance Market is Hardening Now.

Trust RightSure to Help You Be Ready!

How to Prepare for Your Insurance Renewal

While rate increases are never welcome news, they're not quite as painful when you know they are coming, and you have time to prepare. Here are some suggestions to help you navigate:

1 Start planning early.

Take a close look at your budget and reach out to your RightSure agent so we have time to creatively explore your options.

2 Call us to brainstorm potential solutions.

If you need to keep your monthly premium within a certain budget, let us know. We can collaborate with you to find ways to save money. Sometimes that might involve adjusting your deductible, your coverage limits or your coverage types. We can help you weigh the pros and cons of every option.

3 Sit back and let RATEGuard™ work for you.

We automatically shop your coverage with 40+ carriers to guarantee you receive the most competitive insurance rate available. This means you never have to waste your time calling around – our cutting edge technology does all the legwork for you.

4 Maintain and protect your property.

Insurers prefer to provide coverage for properties that are well-maintained. Keep good records of major updates such as roofs, windows, and HVAC systems. Be aware of risks in your area and demonstrate that you've taken steps to protect your property against common exposures such as wildfire and flood.

5 Leverage discounts.

Your RightSure team will search for every discount available. Let us know of your association memberships and potential good student discounts for teen drivers. Also, if you have multiple policies you may be eligible for bundling discounts.

RightSure's Famously Friendly Humans Are Here for You!

Now, more than ever, it's important to have an experienced insurance partner working for you. When you reach out to RightSure, you will be helped by famously-friendly humans who go out of their way to make sure your experience is always top notch. We are proud of our people and our female-led executive team – and our results speak for themselves: We are North America's most awarded insurance firm!