

HUB 2024

# Outlook

Mid-Year Rate Report

## Private Client

Climate Change and Catastrophes Result  
in a 'New Normal' for Property Owners



Risk & Insurance



*Climate change has accelerated the frequency and intensity of natural disasters. Insurers were on the hook for \$108 billion in damages from catastrophes in 2023, down from \$125 billion in 2022 but above the 10-year average of \$89 billion. The long-term trend of increased catastrophes from climate change will show up in rising insurance rates.<sup>1</sup>*

The “new normal” of recurrent and severe weather events represents an unpleasant reality for both insurers and homeowners. Climate change-driven catastrophes will continue to plague the U.S. in 2024 and beyond and will have an outsized effect on insurance rates and availability. While there are signs of some relief in many areas of the country, those acknowledging a new reality will have an edge on controlling risk and obtaining rate relief.

<sup>1</sup> Swiss Re Institute, “Natural disasters in 2023,” March 26, 2024.



## Will catastrophic weather be the new normal?

The numbers are concerning: Worldwide losses from natural catastrophes amounted to \$280 billion during 2023. That figure doesn't help U.S. homeowners, particularly those located in catastrophe-prone locations, who are facing sharp rate increases or struggling to find insurers willing to issue a policy.

Globally, there were 143 insured natural disasters in 2023, the most ever. That included 30 disasters with losses between \$1 billion and \$5 billion, compared with an average of 17 such catastrophes of similar proportions in the 10 previous years.<sup>2</sup>

The U.S. had a record number 28 disasters totaling \$1 billion or more of damage. While the wildfires in Hawaii and hurricanes generated the most headlines, convective storms, flooding and hailstorms resulted in enormous damage.<sup>3</sup>

Climate change has been identified as the culprit for more frequent and destructive storms and wildfires. Severe

convective storms accounted for \$64 billion in losses in 2023 — and 85% (approximately \$54 billion) of those losses were in the United States. In fact, insured losses from severe convective storms have risen an average of 8% each year since 2008.<sup>4</sup>

These disasters have contributed to skyrocketing premiums for homeowners. Between the start of 2023 and 2024, average premiums for homeowners rose 23%. The number of people moving to flood-prone counties or areas with high wildfire risks nearly doubled in the wake of the pandemic.<sup>6</sup> And a number of major insurers have fled the states of California, Florida and Louisiana, making it increasingly challenging for homeowners to find property coverage.<sup>7</sup>

### Catastrophic Floods in the Desert

An April 2024 downpour dropped as much as 10 inches of rain in the desert climate of the United Arab Emirates and Oman, causing widespread flooding. Experts identified climate change as the reason for the intensity of the storm.<sup>5</sup>

<sup>2</sup> Swiss Re, "New record of 142 natural catastrophes accumulates to USD 108 billion insured losses in 2023," March 26, 2024.

<sup>3</sup> National Oceanic and Atmospheric Administration, "U.S. struck with historic number of billion-dollar disasters in 2023," January 9, 2024.

<sup>4</sup> Swiss Re Institute, "Natural disasters in 2023," March 26, 2024.

<sup>5</sup> Reuters, "What caused Dubai floods? Experts cite climate change, not cloud seeding," April 18, 2024.

<sup>6</sup> CNBC, "Homeowners insurance rates skyrocketed in these 10 states — here's how to lower your premiums," February 21, 2024.

<sup>7</sup> Statesman Journal, "Climate change-driven insurance crisis threatens new US states," May 2, 2024.

However, there is hope on the horizon. The horrible weather events of 2022 led to sharp rate increases in 2023, but the milder-than-expected hurricane season last year resulted in a positive year for insurers. In addition, reinsurers, often seen as a bellwether for the insurance industry, reported strong profits in 2023 due to higher rate hikes and tight terms, and new carriers are entering the market, which is expected to tamp down rate increases and increase availability in 2024.

However, it only takes one cataclysmic storm or a string of powerful hurricanes to undermine today's move toward rate stabilization.

### **The changing nature of catastrophic weather events**

The nature of catastrophes appears to be changing: Perils once considered moderate risks have had an outsized impact on the U.S., resulting in billions in insured losses. Damaging convective storms with baseball-sized hail, unprecedented flooding, strong hurricanes and raging wildfires have proved devastating for many homeowners.

Fortunately, in part due to the mild hurricane season in 2023, there may be some relief for homeowners in terms of insurance pricing and availability. U.S. insured property losses reached \$79.6 billion in 2023, which is an enormous amount, but 43% lower than the \$114 billion paid out in 2022 and 33% less than the \$106 billion in losses in 2021.<sup>8,9</sup>

However, rebuilding and replacement costs for a home remain high; they've risen 55% between 2019 and 2023.<sup>10</sup> In addition, labor costs are elevated due to today's low unemployment rate, and the cost of key construction components has climbed in the past year, up 6% for machinery and equipment, 7.8% for building paper and mill products and nearly 10% for concrete.<sup>11</sup>

### **The light after the storm**

Although catastrophes will strike North America at a higher rate with greater intensity in the future, 2023 was less catastrophic than previous years. Property insurers had strong results, which are reflected in the property insurance market's improvements in rates and availability.

With new insurers entering the marketplace, homeowners in non-CAT zones will likely see more moderate rate increases and greater availability of coverage options. Insurance for properties with exposure to catastrophic perils, however, is likely to remain elevated. Rates will depend on factors including a property's placement in a catastrophe zone, the type of construction involved, the year in which it was built and myriad other factors.

Underwriters will continue to pay close attention to insureds' loss experience, valuation methodology and geographic footprint in determining premiums, and they're more likely than ever before to request risk mitigation measures from water sensors and automatic shutoff valves to roof replacement and fire-resistant landscaping. Homeowners that actively try to reduce their property's exposures will be more likely to reap rate rewards.

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<sup>8</sup> Insurance Information Institute, "Facts + Statistics: U.S. catastrophes," accessed May 2, 2024.

<sup>9</sup> Amounts adjusted to reflect 2023 dollars.

<sup>10</sup> New York Times, "As Home Insurance Bills Go Up, Owners' Coverage Is Going Down," February 16, 2024.

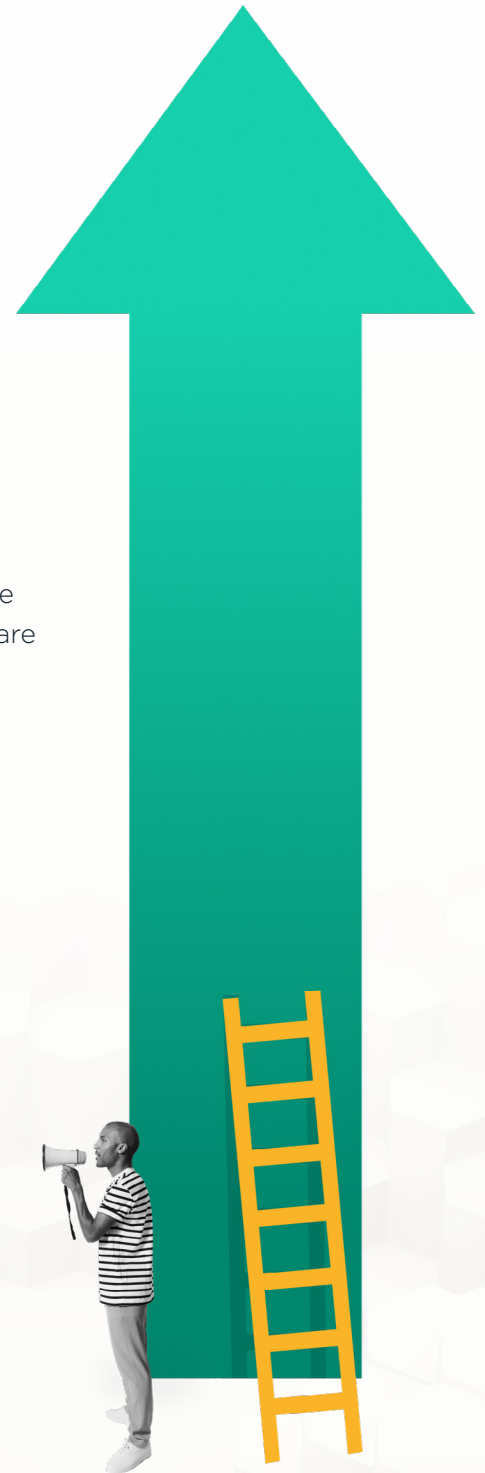
<sup>11</sup> Kansas City Star, "The cost of these 5 construction materials grew the most in 2023," January 2, 2024.

# Keep insurance costs in check through risk management

While finding adequate insurance for many homes will remain difficult, we expect market instability will level off throughout the rest of 2024.

To improve insurability and reduce risk in the short-term, homeowners should consider the following:

- ✓ **Build resiliency against disasters.**  
Short of moving a home located in a catastrophe-prone area, it's impossible to remove all exposure to disasters. However, investing in mitigating measures such as upgrading roofs and plumbing or installing sensors and non-combustible landscaping can reduce the risk of a claim. Underwriters may even require that some of these are implemented before they will issue a policy.
- ✓ **Determine if your property valuations are current.**  
Although many homeowners have taken steps in recent years to obtain accurate property valuations, it's important to have the right valuation in an era of increased catastrophes. Inflation, along with rising construction costs, have made accurate valuations an essential part of insurance renewals. Know your policies' full terms and conditions in order to understand limitations and exclusions.
- ✓ **Be open to shouldering more of the risk.**  
With climate change leading to less insurance availability, homeowners may need to increase their deductibles, add additional policies such as flood coverage or parametric insurance or remove previously insured items from the policy, such as a home's contents. For CAT-exposed homes in particular, homeowners may have more insurance options if they're willing to pare down their homeowners' policies and assume more risk.
- ✓ **Consult your advisor before purchasing a new property.**  
It's essential to understand the risks that a new home or planned construction can bring and whether the property will even be insurable in the standard market. Your broker may be able to point out ways to reduce exposures in a new build or prevent you from purchasing a potentially uninsurable property.



# Rate Outlook

HUB International analyzes proprietary national survey data and interviews personal insurance brokers and risk services consultants throughout North America each quarter to bring you our Mid-Year 2024 Private Client Rate Report for the U.S.

Discuss your business exposures with your HUB insurance broker to understand what to expect in advance of your next renewal.

Coverage	U.S. Average Rate Guide	Insights
<b>Automobile</b>	↑ 11% to 20%	Auto premiums have begun to stabilize from the large increases seen in 2023. Improved supply chain issues have decreased the turnaround time to repair vehicles. However, labor and parts costs remain high compared with previous years.
<b>Homeowners</b>	↑ 11% to 20%	Severe weather throughout the country has led to increases in homeowners' insurance rates, and inflation continues to drive up the cost of labor and materials to repair or replace homes. These factors will continue to drive rates upward for the remainder of 2024.
<b>Personal Umbrella</b>	↑ 11% to 20%	Soaring social inflation, nuclear verdicts, a sophisticated plaintiffs' bar, litigation funding and higher frequency and severity of accidents due to distracted driving will continue to drive rate increases.
<b>Catastrophic Perils</b>	↑ 10% to 20%	Insurers have reduced their appetite for writing catastrophic perils, particularly in high-hazard areas exposed to floods, earthquakes, wildfires, hurricanes and convective storms. Reinsurance premiums rose between 50% to 100% between 2022 and 2023 in high-hazard zones. For those able to obtain coverage, expect higher deductibles coupled with reduced limits.
<b>Specialty (Motorcycle, RVs, Watercraft)</b>	↑ 1% to 5%	The cost of labor and parts will continue to influence rates in specialty lines, with rates often rising 5 to 7%.

**NOTE: Rate** is typically defined as the amount of money necessary to cover losses, expenses, and provide an insurance company with a profit for a unit of exposure. **Exposure** refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.



# HUB Private Client

When you partner with HUB Private Client, you're at the center of a vast network of experts who will help you reach your goals and remain resilient into the future. For more information on how to manage your insurance costs and reduce your risk, talk to a HUB Private Client Risk Advisor. We're here to help.

## \$750M+

in personal lines premium  
brokered by HUB Private Client

## 60,000+

Private Client accounts

## 492

Private Client Risk Advisors

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