

Why is my Insurance Premium Increasing?

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This is a question heard frequently in our current market. Individual and Commercial insurance buyers are experiencing rate increases, and in some areas, the premium changes are significant. What's driving these price hikes? Outside of changes to an insured's own exposures or loss experience, there are numerous contributing factors. These factors outlined below range from being specific to certain types of insurance, while others impact almost all insurance purchases.

- **Social inflation** is the increase in insurance claims costs that outpace economic inflation. It is driven by plaintiffs seeking larger monetary relief for their injuries, driving up litigation costs. Claimants are retaining counsel earlier and earlier following accidents, driving additional treatment and increasing the cost of claims. This impact is the "severity", i.e the overall size of the claims experienced.
- **Mass torts or class action suits** have been on the rise, where many people are harmed by the same event or error.
- **Medical costs** continue to rise, outpacing general economic inflation.
- **Supply chain issues** continue to be an issue, particularly with specialized equipment, machinery, electronics and furnishings driving up costs and extending the waiting time for delivery.
- **Labor shortages** continue, intensified by the "great resignation" that began in 2021, exacerbating supply chain issues and driving costs up further.
- **Delays in materials, products and labor** lengthen the period of restoration impacting time element losses while properties take longer to restore operating condition.
- **Climate change** has increased the frequency and severity of catastrophe losses. Some examples are listed below:
 - Temperature extremes have resulted in freezing temperatures in areas where construction/insulation aren't designed for such extremes, (i.e. the Texas freeze);
 - Warm water and air temperature changes have expanded the traditional "tornado alley" eastward;
 - Unusually warm weather resulting in rapid snow melts leading to flooding, and extreme heat contributing to environments prone to wildfires.
- **Property reinsurance** costs have skyrocketed over the past year due to the number of catastrophe losses world-wide. Casualty reinsurance costs are also increasing, influenced by increased frequency and severity of claims.

- **Traffic volume** has increased. This volume paired with elevated driving speeds, distracted drivers and aggressive driving habits have increased the frequency of higher severity losses, especially with commercial vehicles.

These factors impact the expected losses that will need to be paid from the premium collected. As actuaries review historical and emerging trends, the examples above support the need for higher insurance rates to account for the growing costs of claims.

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