

Contributing factors driving rate, eligibility, and coverage changes for commercial, home, and auto insurance.

■ **Building materials, supply chain issues, and labor challenges** are driving up costs of home repair. Between January 2022 and January 2023:

- Commercial reconstruction costs increased by 6.1%.
- Residential reconstruction costs increased by 7.5%.
- The total three-year compounding rate of inflation has moved the base +25% on residential reconstruction costs.

■ **Severe weather events are more frequent and intense**, driving an increase in weather-related damage claims.

- Aon reports the total cost of natural disasters has increased from \$41 billion in 2019 to \$92 billion in 2021 and will exceed \$100 billion in 2022.

■ **Supply chain issues are impacting new and used vehicles**, creating shortages, and accelerating the cost to replace a vehicle.

- Consumer preferences for more tech and light trucks has driven more costly, complex vehicles into operation.
- Used car and truck values are up 47% from pre-pandemic levels.

■ **Traffic volumes have rebounded** following the pandemic, increasing the frequency of auto accidents.

- Annual vehicle miles traveled now exceed pre-pandemic levels.
- Traffic accident fatalities are up 10.5% over 2020.

■ **Average vehicle repair costs have risen steadily, with the largest increases happening over the last 2 years.** 2022 is expected to resolve at 13 to 14.5% over 2021.

- Auto claim costs associated with motor vehicle parts and equipment saw double digit year over year increases for 13 straight months and are up 23% from pre-pandemic levels.

■ **Filed rate changes for the top-10 personal auto and home writers averaged +14%**, and commercial policies are receiving similar increases. Some policyholders may receive even higher actual renewal increases as inflation-driven adjustments to policy limits are made to ensure adequate insurance to value.

■ **Repairer backlogs reached record levels in 2022**

- Auto repair times now average 31 days. This is up 5.5 days from 2021 and 14 days over pre-pandemic levels.
- Once an appraisal is complete the national average scheduling backlog has reached its highest point since Q1 '17 at 4.8 weeks for Q4 '22.
- The average backlog is double the historical pre-pandemic average of 1.7 weeks.
- Most repairers indicate the technician shortage has been the primary reason for longer backlogs of work.
- Repair times and costs continue to grow, especially for newer, more complex vehicles which require pre or post-repair scans and calibration.

■ **“Social inflation” is impacting pricing pressure** because of a rise in costs associated with legal proceedings.

- Juries are awarding higher-than-expected payouts.
- Awards are influenced by corporate mistrust, political polarization, lottery mentality, policy limit demand pressure, a growth of litigation funding, and bad faith litigation.

■ **Reinsurance market is driving pricing higher for primary carriers** as well as increased retentions. Combined this puts upward pressure on pricing on all property coverages of about 6%.

■ **Overall reinsurance available in the market is down 15.7%** as investors moved away from the segment after repeated years of poor performance. What capacity was available saw rates increase by an estimated 37% for the global property-catastrophe market, with Midwest property catastrophe programs estimated to have received increases of around 50% to 100% based upon loss experience.

