



Q4 2024

Market Trends

Personal Insurance



Our Goal

As we continue through 2024, the personal insurance landscape has evolved, presenting both challenges and opportunities for individuals across various sectors. The impacts of natural disasters, regulatory changes, economic fluctuations and more continue to shape the marketplace. Continue reading to gain insight from the Brown & Brown Personal Lines team.

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Market Overview

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Personal insurance customers across all industry segments are grappling with the far-reaching effects of industry-wide challenges. In response to years of mounting losses, insurance providers are implementing drastic measures to restore profitability, leading to reduced capacity and higher rates and premiums. Even previously favorable risk profiles are now impacted by these widespread measures, making insurance more challenging to secure for almost everyone. This significant shift in the industry underscores the urgent need for customers, advisors and carriers to reassess protection strategies.

Geography no longer dictates catastrophic events, as evidenced by New England floods, Texas freezes and Midwest convective storms contributing significantly to losses. However, the most significant shifts in carrier capacity are observed in Florida, California and Texas. Beyond the events, natural disasters also directly affect the availability and costs of building materials, fuel and labor necessary to rebuild and repair damaged properties.

As climate change contributes to the increasing frequency and intensity of severe weather events, carriers will likely incorporate these factors into their pricing and underwriting strategies. This long-term trend may lead to ongoing premium increases and adjustments in coverage options.

We are starting to see a pivot back to a more growth-centric approach for many of our markets, both on the property side and auto. The corrective measures that the carriers have been taking over the past number of years are working, and loss ratios are subsiding as the rate is flowing through and underwriting corrections have been taken from a risk selection standpoint. The utilization of E&S certainly helps, as carriers get the freedom of rate and form in highly catastrophe-exposed areas. Severe storms continue to impact the overall loss trends for property, signaling we are not “out of the woods” quite yet, but we are getting there.

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Homeowner Insurance

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Severe convective storms significantly influence homeowners' insurance rates across the country. The resulting increase in claim costs drives up premiums, especially in high-risk areas. Carriers adjust their policies and pricing in response to the financial impact of these storms, leading to higher premiums, stricter coverage limits and potential changes in policy availability. Homeowners may also be required to adopt risk mitigation measures and comply with updated building codes to manage insurance costs and improve their property's resilience to severe weather events.

In 2024, the U.S. regulatory landscape for homeowners' insurance is characterized by a tension between consumer protection and market stability. Homeowners are facing increased restrictions on coverage and availability, particularly in high-risk areas. State and federal regulations are crucial in shaping the insurance market, influencing everything from policy availability to pricing. As the market adapts to these regulatory pressures, homeowners must navigate a more complex insurance environment, balancing coverage needs with evolving regulatory requirements.

Many states have implemented or are considering regulations restricting homeowners' coverage options,

particularly in areas prone to natural disasters. Carriers are tightening their underwriting standards in regions vulnerable to frequent natural disasters, such as Florida, California and Texas. This can mean reduced coverage limits, higher deductibles or outright refusals to write new policies in high-risk zones.

Regulations often require homeowners to install risk mitigation measures, such as water detection systems or fire-resistant materials, as conditions for coverage. This aims to reduce the frequency and severity of claims but can impose additional costs on homeowners. Water damage from burst pipes, toilets, washing machines, dishwashers and other plumbed appliances has emerged as a significant driver of losses in the high-net-worth (HNW) market. Homeowners' policies increasingly limit coverage for properties with a history of recurrent water damage.

To maintain coverage, homeowners may need to install water monitoring systems and automatic shutoff devices. Automatic shutoff valves can prevent extensive damage by stopping water flow when a leak is detected. Regular maintenance and inspections of plumbing systems can also help prevent potential failures.

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Regulatory Constraints and Market Availability

- **Carrier viability:** Insurance regulators typically seek to balance consumer protection with market stability. However, in some states, regulations that set strict rate controls or limit carriers' ability to adjust premiums in line with risk have led to a shrinking number of carriers willing to provide coverage. This can result in reduced choices for homeowners and increased reliance on surplus lines markets, which may offer higher premiums.
- **Rate approvals:** States with stringent rate approval processes can delay or prevent carriers from adjusting premiums to reflect current risk levels. This can lead to underpriced policies that jeopardize the financial stability of carriers, prompting some to exit the market or restrict new business.

Influence of State-Level Regulation

- **California:** The state's regulatory environment has led some carriers to halt new policy issuance. With stringent regulations and a challenging risk landscape, homeowners might find it increasingly difficult to secure insurance coverage or face higher premiums.
- **Florida:** Regulatory efforts to address high claim costs and frequent litigation have been ongoing. While reforms aim to stabilize the market, they also impact how carriers price policies and the types of coverage available.
- **Texas:** Regulatory changes, including efforts to address the impact of severe weather and property damage, can lead to higher premiums and reduced coverage options for homeowners.

Impact of National Trends and Federal Oversight

- **Federal insurance programs:** Federal regulations influence programs like the National Flood Insurance Program (NFIP), which can impact homeowners' access to affordable flood insurance. Changes in federal policy or funding can also affect coverage availability and affordability.
- **Consumer protections:** Federal regulations protecting consumers may include requirements for more transparent policy disclosures or standards for handling claims. While these regulations enhance consumer protection, they can also affect the cost and availability of insurance.

Adaptations and Future Trends

- **Increased use of technology:** Regulations are starting to incorporate and encourage the use of technology for risk management, such as smart home devices and data analytics. If adopted, these tools can help homeowners reduce risk and potentially lower premiums.
- **Sustainability and building codes:** Some states are introducing regulations that incentivize or require improvements to building codes, aiming to enhance resilience against climate-related risks. These changes can influence insurance requirements and potentially lower premiums for homes built to higher standards.

Liability Insurance

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General Liability Insurance

Nuclear verdicts—enormous jury awards resulting from personal injury or liability cases—significantly impact personal insurance costs. These verdicts can influence premiums, coverage and the overall insurance market in several ways:

Increased Premiums

- **Higher liability costs:** Nuclear verdicts often involve extremely high payouts, which can dramatically increase the liability costs for carriers. To cover the potential risk of large settlements and jury awards, carriers may raise premiums for personal liability insurance, including auto, homeowners and umbrella policies.
- **Impact on excess liability policies:** Nuclear verdicts can lead to substantial premium increases. Nuclear verdicts can lead to substantial premium increases for high-net-worth (HNW) individuals who often carry excess liability (umbrella) insurance. The potential for large claims forces carriers to adjust their pricing to manage the risk of high payouts.

Coverage Adjustments

- **Policy limits and exclusions:** In response to the risk of large verdicts, carriers may adjust policy limits or introduce exclusions for certain types of claims. This can result in reduced coverage for policyholders, who may face higher out-of-pocket expenses if involved in a high-stakes liability case.
- **Tighter underwriting standards:** Carriers may implement stricter underwriting criteria to mitigate risk exposure. This could lead to higher premiums or difficulties obtaining coverage, particularly for individuals perceived as higher risk. We continue to see lower liability options becoming the norm.

- The need for layered liability programs has increased since 2023, causing insureds to secure placement through excess and surplus lines markets.

Influence on Policyholder Behavior

- **Increased demand for risk management:** Policyholders may seek more comprehensive risk management and legal defense strategies to protect themselves against large liability claims. This could include additional investments in legal counsel or risk mitigation measures, contributing to overall costs.

Broader Economic and Legal Trends

- **Legal environment:** The prevalence of nuclear verdicts often reflects broader legal and judicial trends, such as increased litigation and higher jury awards. Changes in the legal environment, including reforms or shifts in liability standards, can influence how carriers price their products and manage risk. Several states are undergoing legal reform.
- **Reinsurance costs:** Reinsurers who offer coverage to primary carriers also face increased costs due to nuclear verdicts. These higher costs are typically passed down to primary carriers, further driving up premiums for individual policyholders.

Nuclear verdicts significantly impact personal insurance costs by driving up premiums, altering coverage options and affecting the overall insurance market. Carriers adjust their pricing and policies in response to the increased risk of large payouts, which can lead to higher costs for policyholders and reduced coverage options. The broader legal and economic environment also shapes how these costs are managed and distributed within the insurance landscape.



Excess Liability Insurance

In recent years, the landscape of personal excess liability insurance within the private client insurance field has been significantly influenced by various factors related to auto accidents, driver safety, legislative changes, litigation trends financed by private equity (PE) and urban congestion. The following factors individually and collectively impact the underwriting, pricing and coverage of personal excess liability insurance policies.

Auto Accidents and Driver Safety

Auto accidents remain a primary concern for carriers offering personal excess liability coverage. The frequency and severity of accidents contribute directly to the risk profile of insured individuals. Factors such as distracted driving, impaired driving and adverse weather conditions continue to pose challenges to driver safety and increase the likelihood of accidents.

Insurance carriers closely monitor trends in accident rates and severity to adjust underwriting guidelines and pricing models accordingly. Technologies such as telematics and advanced driver assistance systems (ADAS) are increasingly integrated into risk assessment processes to promote safer driving behaviors among policyholders.

Auto accidents typically account for a significant portion of liability claims in the United States. While exact percentages can vary year to year based on data from insurance industry reports, it's generally estimated that auto accidents are responsible for around 50% to 60% of all liability claims. This includes claims for bodily injury and property damage resulting from automobile collisions. As demonstrated above, trends in driving behaviors, safety features in vehicles and overall road conditions impact these statistics. However, auto accidents consistently represent a substantial portion of liability claims in the insurance industry due to the widespread use of automobiles and the potential for significant financial impacts from accidents.

Shifting Legislative Landscape

Legislation related to liability, insurance regulation and tort reform varies across jurisdictions and can significantly impact personal excess liability insurance policies. Changes in liability caps, comparative negligence laws and the legal environment for personal injury claims influence carriers' exposure and claims costs.

Insurance providers must stay abreast of legislative developments to ensure compliance and to adjust coverage offerings and pricing structures appropriately. This dynamic regulatory environment adds complexity to underwriting decisions and risk management strategies.

PE-Funded Litigation

The emergence of litigation funded by private equity presents a unique challenge to carriers in the private client insurance sector. PE firms financing litigation seek high returns on investments, which can increase the frequency and severity of liability claims. This trend amplifies carriers' exposure to large, complex claims and necessitates robust claims management practices and litigation strategies.

Carriers may respond by enhancing policy terms, conditions and exclusions to mitigate the impact of PE-funded litigation on their portfolios. Collaborative efforts with legal experts and risk management consultants are crucial to effectively navigate this evolving risk landscape.

Urban Congestion and Risk Exposure

Urban congestion contributes to heightened risk exposure for insured individuals, particularly in densely populated areas with heavy traffic and pedestrian activity. Higher population densities increase the likelihood of auto accidents and liability claims arising from property damage or bodily injury.

Insurance carriers evaluate urban congestion patterns and accident hotspots when assessing risk and determining coverage limits. Adjustments

in underwriting guidelines may include geographic risk segmentation and premium adjustments to reflect localized risk factors associated with urban environments.

Multifaceted factors, including auto accidents, driver safety initiatives, legislative changes, PE-funded litigation and urban congestion influence the personal excess liability insurance market within the personal insurance field. Carriers face ongoing challenges in managing these risks while maintaining profitability and ensuring sustainable growth.

Adapting to these dynamics requires a proactive approach to risk assessment, underwriting innovation and claims management. Collaboration with industry stakeholders, including legal professionals, regulatory bodies and technology providers, is essential to effectively navigating the evolving landscape of personal excess liability insurance.

Due to all these key factors, carriers have started to reduce the availability of higher liability limits, leading to the use of layered excess liability programs or limitations on the amount of coverage available to an insured. By understanding and responding to these influences, carriers can enhance their ability to protect customers against unforeseen liabilities while maintaining competitive positioning in the marketplace.

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Marine Trends

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The yacht and mid-size vessel insurance market in 2024 is shaped by increased demand, evolving risk factors and changing consumer preferences. Insurers are adjusting their strategies in response to market dynamics, leading to notable pricing trends and emerging loss exposures. A surge in interest in boating activities post-pandemic has led to a rise in vessel ownership. More first-time buyers are entering the market, seeking tailored insurance solutions.

Growing awareness of environmental issues is prompting boat owners to consider eco-friendly vessels. Insurers are developing policies addressing these vessels' environmental impact and regulatory compliance. Integration of advanced navigation and safety technologies is becoming standard. Insurers are adapting to new risks associated with these technologies, including cyber threats. Stricter regulations regarding safety, emissions and waste

disposal are impacting vessel design and operation. Insurers need to account for compliance risks in their underwriting processes.

On average, insurance premiums have increased by 10-15% in 2024 due to higher claims frequency related to severe weather and accidents. Increased repair costs are driven by inflation and supply chain disruptions.

Premiums are particularly elevated in regions susceptible to natural disasters, such as hurricane-prone areas, where rates can increase by 20-30%. Conversely, areas with lower risk profiles are seeing more stable rates. Insurers are responding to market demand by providing more comprehensive package options, including liability, equipment and loss-of-use coverage. Some insurers are offering introductory discounts or loyalty programs to attract new customers.

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Vessels in high-risk areas are more vulnerable to storms, flooding and other climate-related events, leading to increased claims. Insurers are closely monitoring weather patterns and adjusting risk assessments accordingly. The frequency of accidents remains a significant loss exposure. Operator error, collision and grounding incidents contribute heavily to claims. Liability claims related to injuries on board are rising, necessitating higher liability coverage limits. As demand for vessels increases, incidents of theft and vandalism are on the rise, particularly in urban marinas. Insurers are implementing measures to mitigate these risks, such as offering discounts for enhanced security systems. With increased reliance on technology, vessels are becoming targets for cyberattacks. Insurers are beginning to recognize and underwrite this emerging risk.

Boat owners should proactively assess their coverage and risk management strategies to navigate this dynamic landscape effectively. Our recommendations are listed below:



Regular policy review: Vessel owners should review their insurance policies annually to ensure adequate coverage reflecting current market conditions.



Risk management practices: Implement best practices for safety and security to mitigate potential loss exposures, such as installing advanced navigation systems and improving onboard safety protocols.



Stay informed: Monitor market trends and emerging risks to anticipate potential impacts on coverage and pricing.





How Brown & Brown Can Help

Navigating these trends requires a proactive approach, emphasizing the importance of staying informed, regularly reassessing coverage needs and adapting when necessary. Whether you already have significant financial assets or are on the road to high net worth, Brown & Brown's Personal Insurance team offers comprehensive insurance for your lifestyle.



Find Your Solution at [BBrown.com](https://www.brownandbrown.com)

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