



Q1 2025 | TWO-MINUTE TAKEAWAY

Personal Insurance Market Trends



Going into 2025, the personal lines insurance sector outlook has shifted from negative to stable, largely due to improvements in personal auto insurance. Factors contributing to this change include more precise pricing, a supportive regulatory environment and accelerated technology adoption. However, the outlook for homeowners' insurance remains negative, primarily because of ongoing challenges such as increased weather-related volatility and higher net losses for primary carriers.

While personal auto insurance has shown positive trends, homeowners' insurance continues to face significant challenges. These include increased severe weather activity and higher retention levels and co-participation agreements between carriers and reinsurers on property lines, which have led to greater net losses for carriers. Additionally, the limited availability of aggregate reinsurance to cover multiple events has further exacerbated the difficulties for homeowners' insurance carriers.

Source: *AM Best*
Source: <https://www.insurancejournal.com/news/national/2024/12/16/804847.htm>

Market Overview



Challenges

There is limited capacity for new and existing business in key states such as Florida, California, New York, Wyoming, Texas and Colorado.

Homeowner

Homeowner insurance is essential for protecting property and assets. Homeowner insurance pricing and availability are under significant strain due to rising risks, particularly in disaster-prone areas. Addressing these challenges requires a combination of innovative pricing models, government intervention and risk mitigation strategies.

Typically, properties in areas prone to natural disasters face higher premiums. In addition, carriers are exiting the high-risk areas, making it more challenging for consumers to obtain coverage. This is due to rising reinsurance costs, which make it more difficult for carriers to operate in these areas. In most states, premiums are regulated and limited by the government, which can sometimes deter carriers from offering coverage as they feel they cannot charge the appropriate rate for certain risks.

As consumers, we can do things to help offset some of the premiums through risk tolerance and prevention, such as increased deductibles and mitigation. Mitigation efforts could include installing water leak/flow detection systems, fire alarms, burglar alarms and permanent emergency generators. These small measures help reduce the number of claims, offer premium credits and often pay for themselves over a few years.

Catastrophic Events

There has been an influx of catastrophic weather events countrywide. Wildfires and hurricanes are causing significant impacts, and there has been a surge in tornadic activity, droughts and flooding frequency in areas with historically less activity. Catastrophic events affect property, auto, marine and collection coverages, increasing the challenges in the marketplace.

During catastrophic events, the cost of building materials and labor can increase due to demand surge and short supplies, which leads to higher claim payouts from the carrier. Supply chain issues also become a factor, as the delay in delivery leads to longer rebuilding projections and higher claim payouts for additional living expenses.

In 2024, the [NOAA National Centers for Environmental Information](#) (NCEI) reported there were 24 climate/weather disasters, with losses exceeding \$1 billion each that affected the United States. Consider reviewing our overall mitigation efforts, including alarms, water flow/shutoff systems, and temperature monitoring in order to be more resilient during these catastrophic events and help mitigate potentially large losses.



Flood

According to the [Federal Emergency Management Agency \(FEMA\)](#), flooding causes 90% of disaster damage every year. Unfortunately, anyone is at risk for flood damage, even outside a flood zone. Flooding is one of the costliest natural disasters that stem from hurricanes, heavy rain, storm surge and snowmelt. Climate change and urbanization of cities are also contributing factors to increasing flood losses. Coverage is typically excluded from a standard homeowner or renter policy, necessitating a separate flood policy. Without a flood policy, homeowners may need to rely on federal disaster aid, which may not cover all the costs to fully recover from damage.

While challenges remain, advancements in risk assessment, pricing models and mitigation strategies are helping make flood insurance more effective and accessible. There are two types of flood providers; private carriers and the National Flood Insurance Program (NFIP), administered by FEMA. The NFIP coverage limits the amount of coverage and has strict guidelines on what the policy covers. Private carriers generally offer higher coverage limits with fewer restrictions. Discussing options with a broker is key to helping determine appropriate coverage.

Reinsurance

Reinsurance is insurance for insurance companies. It allows carriers to transfer part of the risk they take when issuing policies to another company, the reinsurer. This process helps insurance companies manage their exposure to significant losses, stabilize their financial position and continue to offer policies, even in high-risk situations. It also allows carriers to free up capital and write more policies.

Fluctuations in the reinsurance markets caused by natural disasters, economic shifts or global crises can significantly impact the affordability and availability of insurance for consumers. Understanding this dynamic helps explain why rates change, even in regions unaffected by disasters.

Valuable Collections

Insuring high value items like jewelry, fine art, wine and watch collections requires specialized coverage to help ensure they are adequately protected. Standard homeowner's policies often provide limited coverage for these items and may apply depreciation and/or a deductible. Most valuable articles or collection policies offer worldwide coverage, in-transit coverage, inflation protection and full replacement cost coverage. Since the market for these items can fluctuate drastically, it is imperative to have collections appraised every three to five years to determine if the replacement value is up to date. Appraisals help maintain records of the item and an accurate description to assist at the time of a loss.

If the items are kept in a catastrophic weather-prone area, consider compiling an emergency response plan that includes a list of storage facilities outside the affected area, an evacuation plan ahead of the weather event and assign a trusted handler to pack and deliver the items. This plan could play a big role in acceptance of coverage and, in some cases, reduce the rate being charged.

Passing down collections from generation to generation should also be considered when protecting the collection. According to Chubb's [2024 Wealth Report](#), 36% of collectors have not taken steps to bequeath their collection.



Auto

The interplay between auto claims and rates shapes the insurance market by influencing pricing, availability and competition. While claims provide the foundation for determining premiums, external factors like economic conditions, technology and regulatory policies also play a crucial role in market dynamics.

In recent years, there have been higher auto claim payouts due to technology advancements. While advancements have improved safety and reduced certain types of accidents, they have increased repair and replacement costs. Advanced features like backup cameras, lane detection sensors and radar systems are costly to repair or replace, often requiring specialized individuals to make the repairs. These repairs often take longer, leading to higher rental car reimbursement claims.

Cyber Risks/Technology

As technology evolves, so does the risk of compromised personal information. Increased digital dependency on smart devices, online banking and remote work makes individuals more vulnerable to financial fraud, phishing attacks and ransomware. Cyber coverage can help alleviate some of the stresses caused by cyber-attacks, as it provides coverage for identity theft and restoration costs, reimbursement for monetary loss and legal expenses related to privacy breaches.

Some common examples of cyberattacks include:

- **Social engineering:** Cybercriminals manipulate individuals into sharing sensitive information or transferring funds.
- **Smart home vulnerabilities:** The rise in smart home devices such as cameras, doorbells, thermostats and door locks can be hacked, compromising home security.
- **Identity theft:** Criminals gain access to personal information to commit fraud, such as opening credit cards in their victim's name.

According to the Chubb Insurance [2024 Wealth Report](#), one in six survey respondents with assets over \$25 million has experienced a victimized family member of a cyber-related attack, four times the rate of those with assets under \$25 million.



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.

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