

# Personal Lines Newsletter: August 2023

## On the Rise: Premiums and Inflation

Insurance is designed to make you financially whole after a loss. Depending on your property and policy, this can cover anything from a totaled vehicle to wildfire damage to your home. When determining premiums, one of the most important factors your insurer will consider is the cost to rebuild. In order to make you whole, they calculate how much you'll need to replace that totaled car or repair your home. Recent events, including a global pandemic that affected our economy, have driven repair and replacement costs higher—which you'll see reflected in your insurance premiums.

### Home Insurance

The effects of the pandemic and similar disruptive events affecting the construction industry were massive and widespread, and the industry has yet to recover. Scarce materials and labor shortages meant that many projects were slowed or halted altogether, which in turn contributed to the rise in housing market costs. In the last year, the cost of building materials rose 4.7%—with certain materials, such as drywall, rising by as much as 20.4%. Labor costs are also on the rise due to a shortfall of over 300,000 skilled construction laborers.

All of these factors together mean that, if your home sustains damage that needs labor and materials to repair, you're going to end up paying more for those repairs than you would have only a few years ago. When determining coverage amounts and premiums, insurance carriers are taking this into account, so your home insurance premiums will likely rise as construction costs do.

Contributing to increased costs are the wildfires that are taking place across the nation. Storms (including hurricanes) are on the rise, and are causing increased homeowners costs.

### Auto Insurance

Of course, shortages, inflation, and labor disruptions were not limited to construction. These same factors have affected the auto industry, resulting in a spike in costs required to build or repair cars. Since 2020, the average price for a car has risen by 20% for new and 37% for used vehicles. In that same time frame, repair and maintenance costs rose by 18.4%.

These costs aren't the only factors in determining auto insurance premiums. Often, traffic collisions result in injuries or fatalities to those involved, which means medical costs need to be considered when calculating the claim amount. As might be expected, the medical industry was not immune to inflation following the pandemic; since 2020, medical care expenses have risen 6.8%.

### Finding Valuable Coverage

As costs—and, therefore, premiums—continue to rise, it can be tempting to find the cheapest premiums available in an effort to save money and offset inflation. However, it's important to remember that savings come in many forms, especially with insurance. Finding cheap coverage might save you money now, but may also cost you more in the long run.

When shopping for the right coverage, focus on overall value rather than just the monthly cost. Your Moreton & Company representative can help you sort through your options to find a balance between affordable premiums and effective coverage to give you peace of mind should a loss occur.

For questions, please contact:

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