How is Climate Change Impacting Your Insurance Coverage?
Agenda

- State of the Insurance Market
- Increasing Premiums
- Client Mistakes
- Live Q&A
This map denotes the approximate location for each of the 20 separate billion-dollar weather and climate disasters that impacted the United States in 2021.
Market Trends 2022
Trends affecting the personal insurance market for successful families and individuals

U.S. Billion-Dollar Disaster Events¹

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Cost of Building Materials and Labor Increase in 2021

- 34.2% Rough Framing / Lumber
- 4.2% Concrete Products
- 15.7% Drywall
- 56.3% Plastic & Copper Plumbing
- 9.9% Asphalt Roofing
- 7.3% Paint
- 10.5% Copper Electrical
- 11.3% Windows & Doors

Home Replacement Costs for Premium Appliances

**Sub-Zero Top-of-Line Refrigerator**
- 2020: $18,000
- 2021: $19,400
- 8% Increase

**Wolf Top-of-Line Wall Oven**
- 2020: $6,100
- 2021: $9,800
- 61% Increase
The many factors driving auto insurance rates

Not only are driving patterns returning to pre-pandemic levels, repairs and replacements are more costly. Here are some of the factors that may affect premiums moving forward.

$20B+ Losses from weather disasters in 2021

Used car prices up 26.4%; new car prices up 9.8%

There are labor shortages and wage increases are up 9%

Average car insurance claim costs up 20%; parts costs up 6%

Supply chain issues triggering shortage of chips — and new cars

Increase in severity of auto accidents; number of fatal car crashes up 18.4%

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<table>
<thead>
<tr>
<th>2021 Hurricane Facts</th>
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<td><strong>21 Hurricanes</strong></td>
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<td>This is the 3rd highest total for the Atlantic Hurricane season only behind 2005 and 2020.</td>
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<td><strong>Above Normal Season</strong></td>
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<td>2021 was the sixth consecutive above-normal season</td>
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<td>2021 is the first time since 1977 that a major hurricane formed in October or later</td>
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<td><strong>8 Storms hit the U.S. Coastline</strong></td>
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<td>2 of these storms came ashore in Louisiana</td>
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<td><strong>Est. Damages</strong></td>
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<td>More than $67 billion (2021 USD)</td>
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2022 Atlantic Hurricane Season Outlook

- **Above-normal**: 25%
- **Near-normal**: 10%
- **Below-normal season**: 65%

**Named storms**: 14-21

- **Hurricanes**: 6-10
- **Major hurricanes**: 3-6
HOMEOWNERS INSURANCE COMPANIES IN FLORIDA
Going Through Receivership

• AMERICAN CAPITAL ASSURANCE CORPORATION
• AVATAR PROPERTY AND CASUALTY INSURANCE COMPANY
• FLORIDA SPECIALTY INSURANCE COMPANY
• GUARANTEE INSURANCE COMPANY
• GULFSTREAM PROPERTY AND CASUALTY INSURANCE COMPANY
• SAWGRASS MUTUAL INSURANCE COMPANY
• SOUTHERN FIDELITY INSURANCE COMPANY
• ST. JOHNS INSURANCE COMPANY, INC.
• SUNSHINE STATE INSURANCE COMPANY
• WINDHAVEN INSURANCE COMPANY
• FEDERATED NATIONAL INSURANCE COMPANY
California wildfires since 2010

3 of the top 20 largest California wildfires occurred in 2021

Guardian graphic | Source: Historical data for 2020 and earlier was provided by CAL FIRE. 2021 data was provided by the National Interagency Fire Center. The chart shows the cumulative acreage of fires calculated in bi-weekly intervals, based on their reported start dates. Some larger fires spanned several months in duration. Data was updated on 7 December 2021.
Middle Market Insurance Carriers

Markets Serving HNW/ UHNW Clients
Flooding is the most frequent and costliest natural disaster in the United States.

Between 1996 – 2019, 99% of all U.S. counties experienced a flood event.
Risk Management Points for Successful People and Families

• Leverage your entire account with the same broker and carrier

• Strongly consider working with a broker and carrier serving HNW/UHNW clients

• Your broker should conduct **annual reviews** to keep up with changes to assets and lifestyle

• Cannot overstate importance of appropriate excess liability/umbrella limits and terms of coverage
Mitigation Considerations

- **Fire/Smoke/Low Temp/Leak Alarms**

   ![Image of fire/smoke/low temp/leak alarms]

   Non-weather water losses represent nearly half of all water claims
   - Homeowners should install a flow-based leak detection device with an automatic shut-off valve
   - Condo owners should install sensors for water-leak detection

- **Proactive Wildfire Mitigation**

   ![Image of wildfire mitigation systems]
Claims and Premiums

- Frequency of claims
- Claims history of you or your property
- Types of claims filed

All might cause an increase in premiums