



Butwin Insurance Group
Founded 1925

UNDERSTANDING WHY HOMEOWNERS AND AUTOMOBILE PREMIUMS ARE SOARING

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It is no secret that Homeowners & Automobile insurance premiums are rising faster than inflation. Inflation is partly to blame for these increases. The cost of parts, materials and labor have jumped sharply in recent years. Even as inflation levels off, Insurers are contending with mounting tolls from natural disasters such floods, fires, wind, hail and other damaging storms; not just in the usual places but in many cases where they have never happened before. Flooding across the country from “once in a century” rainstorms in areas not near a body of water are the new norm. The number of cars totaled in each of these events is often left out of the news. Last year alone, there were an estimated two dozen storms with billion-dollar price tags! The cost to repair cars has also skyrocketed. New technology and sensors in the bumpers, windshields, etc. means safer cars but also translates to longer, more complicated and expensive repairs. Include parts shortages to the equation and car rental expenses are now for weeks/months instead of what used to be days. Sometimes the decision to total a car is affected by the time and cost it would take to repair it.

Then there is dwindling supply of coverage availability. In many areas where Insurance carriers do not believe they can accurately price insurance at a profit or predict natural disasters, they are simply abandoning the marketplace. For most people reading this newsletter, the difficulty buying Homeowners and Auto Insurance in Florida and California is well known. Many are buying insurance from carriers with no rating and limited surplus (money to be able to pay claims). Kemper recently announced that they are exiting Personal Lines altogether. As opposed to doing it gradually they are simply terminating all their agents so that it is not practical to own insurance from them.

There is no way to be insulated from what is going on but there are many ways to manage the situation and minimize the price increases. Higher deductibles, combining or separating locations and coverages are simple generic answers. Thinking twice about putting in small claims is more critical than ever. Insureds with a history of claims are almost always the first and most affected at time of renewal.

While you may be feeling the immediate burden of this situation, understand that, in its overly simplest form, insurance is a for-profit business which starts with premium dollars in versus claim dollars out. Carriers are trying to strike a balance between staying financially stable while pricing coverage in an environment of rapidly rising claim dollars and unpredictable losses.

Here at Butwin Insurance Group, we believe this market requires fresh thinking when evaluating each client’s unique and specific exposures to loss. Our job is to educate clients so that you are in a position to intelligently decide which solutions best match your risk tolerance, personality and philosophies.

Should you have any questions or want to discuss your individual situation with our office, please, always, feel free to reach out to us.

Sincerely,

Richard S. Butwin
President & CEO

“ 2 A.M. is a lousy time to find out you chose the wrong insurance broker. ”

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