

AUTOMOBILE AND PROPERTY INSURANCE EXTERNAL ENVIRONMENTAL TRENDS

Inflation is spiking at levels we haven't seen in decades – and for some, even in our lifetime. It's affecting our wallets at home and changing how we conduct business, as the unprecedented rise in the cost of commodities continues to have a major impact on our economy.

- Inflation rates are up **7.5%** in 2022 from 2021
- The typical U.S. household is spending an additional **\$276** a month on goods and services
- The 12-month annual price increase to all goods is **7.9%**

Sources: U.S. Department of Labor, Moody's Analytics Inc., U.S. Bureau of Labor Statistics <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category.htm>

What's driving higher auto insurance premiums in the industry?

Automobile pricing, driving trends, vehicle repair costs and other trends are driving up the cost of auto insurance rates.

AUTOMOBILE PRICING

A shortage of necessary parts and computer chips has limited production of new vehicles around the globe. Demand for vehicles remains high and with a short supply, many auto dealers are charging a premium for the new and used vehicles.

- Average new vehicle price **\$47,000**
- Year over year change in the average price of a new vehicle 14% or **\$6,220**
- Average used vehicle price **\$30,000**
- Year over year change in the average price of a used vehicle 29% or **\$6,800**

Source: Kelley Blue Book, March 2022

DRIVING TRENDS

In 2021, driving behavior has nearly returned to pre-pandemic levels—and so has the frequency of accidents. In the last year:

- **11.2%** increase in miles driven
- **18.4%** increase in auto accidents and fatalities

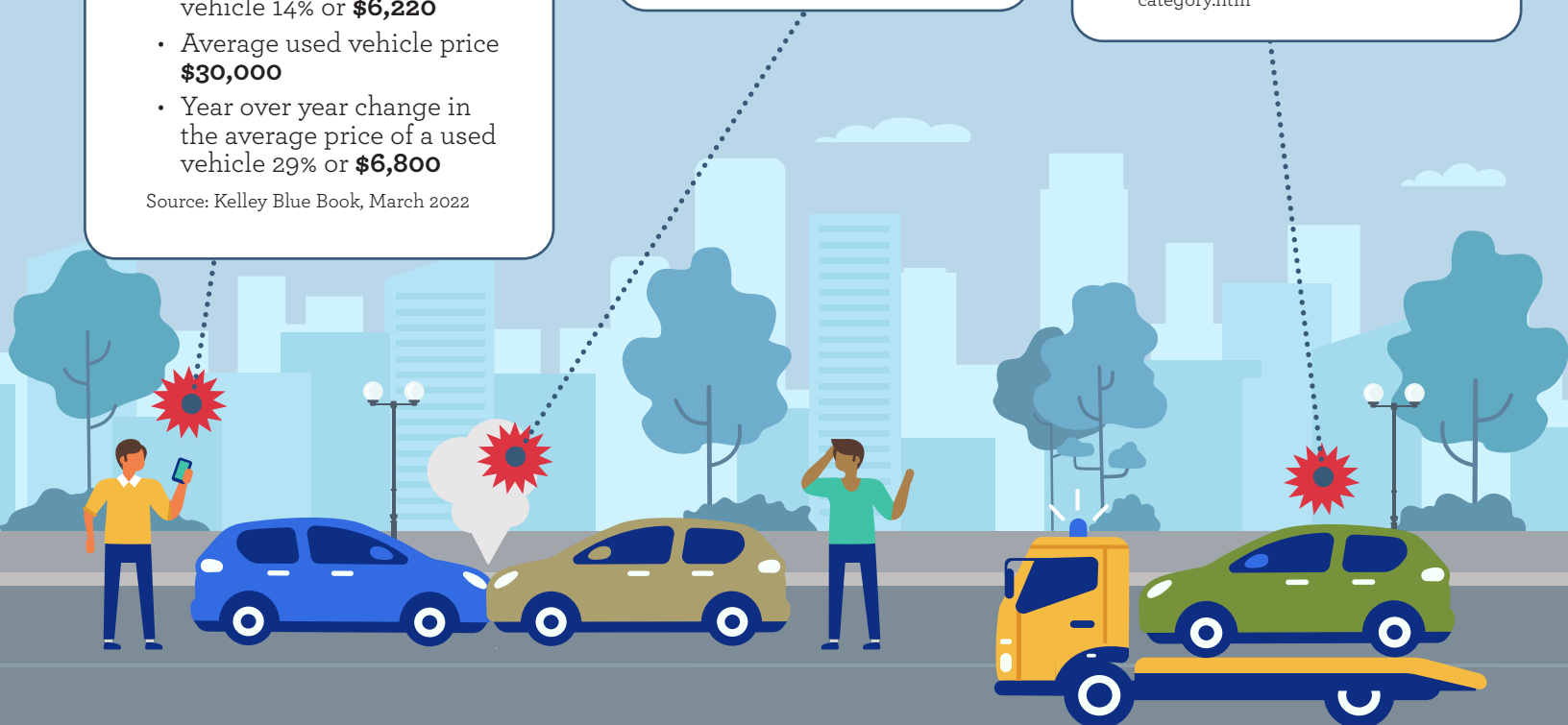
Source: National Highway Safety Traffic Administration

VEHICLE REPAIR COSTS

Supply chain and labor shortage difficulties are also affecting car parts used for repairs. In general, repairs are taking significantly longer and costing more. In 2022:

- Motor vehicle maintenance and repair prices up **6.3%**

Source: U.S. Bureau of Labor Statistics <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category.htm>



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What's causing higher property insurance premiums in the industry?

Increased costs for repairs and replacements, coupled with high demand for home inventory has caused higher property insurance premiums. The supply chain has been severely disrupted by the pandemic. With reduced workforces and closures of businesses that supply building materials, supply was unable to keep up with the increased demand.

MATERIAL AND BUILDING COSTS

A shortage of housing market inventory, supply chain disruptions, and nationwide post-pandemic demand surge means the cost of building materials and labor is quickly skyrocketing. In the past year:

- Home building costs increased by **\$18,600** on average nationally
- Residential building costs are up **15%** from 2021
- Material costs remain up by almost **8%** overall
 - » Lumber materials up **288%**
 - » Roofing materials up **22%**

Sources: The National Association of Home Builders; U.S. Bureau of Labor Statistics, 2021. <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category.htm>; <https://www.statista.com/statistics/1239728/monthly-lumber-price-usa/>

CONSTRUCTION JOB OPENINGS

The construction industry continues to face a skilled labor shortage, which became more acute with the onset of the COVID-19 pandemic. High turnover in the construction industry is contributing to a skilled labor shortage along with a historic level of unfilled jobs. In 2021:

- **380,000** job openings in the construction industry
- **21.4%** turnover rate for the construction industry – one of the highest rates for any industry

Sources: U.S. Bureau of Labor Statistics, Job Openings: Construction, April 2022

Use this information to discuss the current environment for auto and property insurance, and to give your customers a heads-up about rising premiums and the factors driving them. As you perform customer policy reviews, suggest solutions to address customers specific needs that could affect premium.