

# Why are insurance costs rising for homeowners?

Recent trends are impacting how much protection you'll need and the price you'll pay for it.



## More severe weather

There have been 18 weather/climate disaster events in the U.S. in 2021 with losses exceeding \$1 billion in damage. The increase in severe weather caused 39% of all U.S. home insurance claims.



## Higher material costs

With the cost of building materials up an average of 26%, homes have become more expensive to fix and replace.



## Increased shipping costs and delays

The pandemic has impacted almost every part of the global supply chain causing shipping delays and higher prices. 95% of Fortune 1000 companies have reported supply chain disruptions from COVID-19.



## More fire damage

Newer homes burn more nearly 6x faster than older ones due to the use of synthetic materials and open-floor plans, resulting in more total losses from fire and higher rebuild costs.



## Higher labor costs

Nearly 90% of contractors are having a hard time finding craft workers and 88% of firms are experiencing project delays. Higher labor costs drive up the price of materials leading to a rise in home insurance.



## Bigger, upscale homes

Home interiors have become more upscale with custom cabinetry, hardwood floors, finished basements and more, leading to higher replacement costs when damages arise.



## Increase in water damage

Water damage and freezing losses have increased by more than 10% from 2017 to 2019.

**We can help you avoid your home being underinsured.**

Contact your agent today to make sure you have the right coverage... and enough of it.

# Take the lead down the home stretch

Did you know that 42% of renewal shopping takes place within 60 days of a policy expiration date\*?

If you anticipate a premium increase, having a **proactive conversation** with your customers ahead of time can help lessen the impact of the increase, and help “right-size” the policy as well.

Once you have the conversation started, here are three ways that can help **stop the shop**:

## Educate

- Review industry trends, including the statistics and information included on this infographic.
- Discuss the increasing cost of labor and materials affecting the cost to rebuild the home.
- The customer’s home may be free from claims, but other external factors such as weather across the country, can be impacting their rate.

*Here’s what that could sound like:*

Your insurance policy is designed to help make you whole again if you experience a total loss of your home. In the current national environment, you’ve probably heard that inflation and labor shortages are impacting all industries. This includes insurance.

Imagine you had a fire where you lost your entire home. The cost of materials needed to rebuild the home are up 26% over last year. In addition to that, 90% of contractors are short on staff resulting in 88% of firms experiencing project delays. Because of this, it may cost more and take longer for contractors to rebuild your home, which could mean your coverage limit is insufficient.

\*LexisNexis shopping study

## Advise

- Review the advantages of the existing coverage on their policy, such as water backup, waiver of deductible or service line.
- Inform the client that switching carriers can be an inconvenient and time-consuming process, one that may not save them any money. These trends impact the entire insurance industry, so each company will be experiencing the same pressures.
- Remind the customer of the discounts they’re currently receiving and how they’re helping the customer. If there are options for additional discounts, take a moment to review them with the customer.
- Educate your customer that their policy includes inflation guard designed to increase their coverage to try to prevent them from being underinsured when they need their insurance the most. With 9 out of 10 claimants recommending The Hanover to a friend, the customer can rest assured that we have their protection top of mind.

## Offer

- Inform the customer of the option of increasing the deductible to reduce the existing rate. A deductible of \$2,500 is becoming increasingly more common.
- Encourage the customer to bundle home and auto policies, to take advantage of lower account pricing.
- Determine and recommend opportunities for additional loss prevention discounts, such as burglar/fire alarm, water/leak detection systems or temperature monitoring device. Hanover’s Partners in Protection is a great resource for customers to connect them with experts and devices that can help prevent a claim.
- Remind your customer to take advantage of other non-premium related benefits, such as the convenience of online self-service portal and paperless, to help ensure that they don’t experience any disruptions due to mail delays or staff shortages and can access their policy easily if they want to review their coverage.

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