



## Insurance Industry News January 2021

### *“WHY IS OUR INSURANCE GOING UP?”*

**Daily, clients ask us why their homeowner’s insurance rates continue to go up when they haven’t filed a claim?**

**Here are the facts:**

1) Coastal property is inherently riskier to insure than inland property – there’s a higher probability of wind and hail losses.

2) Prior to 2006,

- Our coastal communities were growing at a fairly moderate rate.
- Our state struggled to find carriers that would offer wind/hail coverage on their homeowner’s policies at a reasonable cost.
- Many residents had no choice but to purchase expensive wind/hail coverage through our state windpool or use non-admitted specialty carriers with high rates.
- Average rates were in excess of \$2500 annually for midsized homes insured up to that point.

3) Since 2006,

- Our coastal communities have grown significantly. Horry County is one of the fastest growing counties in the US.
- Carriers give big discounts for newer homes (stricter building codes).
- The number of regional coastal carriers that have come into our marketplace and offered reasonably priced homeowner’s insurance that included wind/hail has increased dramatically. They were new to these states with a high capacity to grow. Their entry has almost completely eliminated the need to use the state windpool.
- Many carriers have offered rates less than \$1500 annually for midsized homes insured in the last 14 years.

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- 4) Many of these regional coastal carriers only do business in hurricane prone states like Florida, SC, Louisiana, Mississippi and Texas.
- 5) All insurance companies purchase “reinsurance” to back their policies and pay claims. During years when there are fewer claims, reinsurance is relatively inexpensive for carriers to purchase – a cost that is passed on to the consumer.
- 6) The number of claims in all coastal states has dramatically increased in the last 5 years.
- 7) Weather patterns continue to change, causing unprecedented, devastating and costly damages to coastal communities.
- 8) Regional coastal carriers are re-evaluating their books of business in growing coastal communities. Contributing factors are new construction/community growth, current exposure/book of business, rising reinsurance costs, and changing weather patterns.
- 9) In order for the carriers to remain healthy, they will raise rates as the contributing factors change the way they do business.

**The bottom line:**

What we are seeing in the insurance marketplace is an adjustment in products, services and rates so that carriers can remain healthy and financially able to pay claims. Rates will continue to increase. Carriers will continue to re-evaluate their ability to do business in our state. The market will continue to change.

We will continue to offer information to help educate your clients about the marketplace. If you have any specific questions that you'd like for us to address in the future, please email us at [info@lowcountryins.com](mailto:info@lowcountryins.com).

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