

RIGHTSURE



Personal Insurance Pandemonium

How Rate Hikes and Non-Renewals
Are Catching Consumers Off Guard

When your insurance policy is up for renewal this year, you might be hit with a shocking price hike. Even worse, your insurance company may inform you that they're canceling your policy.

Premium increases and non-renewals have become increasingly common for personal insurance policies. This is a difficult situation for many drivers and homeowners, but there's no need to panic. With the right insurance partner by your side, you can secure the coverage you need to protect yourself and stay within your budget.

Why Are My Homeowners Insurance Premiums So High?

Many homeowners are wondering why their premiums are going up. The fact is homeowners insurance costs are spiking across the country – it's not just you.

Homeowners insurance costs in the U.S. increased by an average of 19.1% between 2018 and 2023¹. Based on these averages, if you were paying \$1,500 a year in 2018, you could expect to pay \$1,786.50 in 2023 – an increase of \$286.50. Worse, this comes at a time when homeowners are also grappling with higher costs for food and other basic necessities.

Some states have seen even steeper price hikes. In 2022, homeowners insurance premiums increased by an average of 4.9%. However, North Carolina saw price hikes of 12.4%, Oklahoma of 11.2%, and Arizona of 11%¹. In Florida, some homeowners saw their premiums increase by more than 40% in 2023. The high prices are even prompting some homeowners to drop coverage or leave the state².

More price increases may lie ahead. State Farm, the largest home insurer in California, has received approval to raise prices by an average of 20% in the state in 2024³.

What's going on?

Simply put, personal insurance companies have been paying more in claims and related costs than they've been earning through premiums. To return to underwriting profitability, they've been raising rates.⁴

Why are your premiums increasing?

- **Various factors are impacting rates.** Natural disaster losses have surged, and economic inflation has caused claims to become more expensive.
- **Individual factors also impact rates.** Your insurer may raise your rates if you've filed a claim or if the insurer considers your property to be high risk – for example, due to an old roof or fire hazards on the property – even if you haven't filed a claim.



What Is Going On with My Auto Insurance Rates?

It's not just homeowners who are feeling the pinch of rising premiums – auto insurance rates are also surging.

As with homeowners insurance, auto insurance premium increases are the result of poor underwriting performance. Auto insurers have been paying more in claims. As a result, they're raising their premiums.

Countrywide, auto insurance rates increased by 11% in 2023 and by 27.2% between 2018 and 2023. Some states have seen even higher hikes. Between 2018 and 2023, prices increased by 38.7% in Arizona, 37.5% in Florida, 37.8% in Georgia, 39.4% in Nevada, and 40.4% in Utah.⁵

If you're hoping for relief in 2024, you may be disappointed. Average prices are expected to increase by 12.6% across the U.S.⁶, meaning drivers will see even bigger increases this year than they did last year.



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Why are your premiums increasing? Many reasons.

- During the COVID-19 pandemic, **fatal car crashes** increased.⁷
- Many areas have also seen increases in **car thefts**.⁸
- **Car repairs may cost more** due to economic inflation, repair shop backlogs caused by labor and supply shortages, and more sophisticated car technology that may be more expensive to fix.
- **Individual factors also impact rates.** If you file a claim or are found to be at fault in a crash, your rates may increase. DUIs, speeding tickets, and other moving violations may also trigger rate increases.



Can My Insurance Carrier Cancel My Policy?

If you've received notice that your insurer will not be renewing your policy, you may be wondering whether insurance companies are even allowed to do that. If you've been paying your premiums on time, are insurers allowed to drop your coverage?

In general, they are allowed to do so. States may have rules restricting when insurers are allowed to drop coverage in the middle of a policy period or what type of notice they must give.

Some states also have special rules, such as California's one-year

Homeowners insurance policy periods are typically **12 months**.

Auto insurance policy periods are typically either **six or 12 months**.

When your policy renews, you could be hit with a rate increase, change in terms, or notice of non-renewal.

moratorium on homeowners insurance non-renewals in certain areas with wildfire risks. However, insurance companies are generally allowed to decide not to renew a policy when a policy period ends.

If you receive notice that your insurer will not be renewing your policy, there could be several possible explanations.



- **Your insurance company has failed.** Insurance insolvencies have been a growing problem, especially in hurricane-battered Florida. At least 15 Florida property insurers have gone insolvent since 2020, whereas Louisiana has had at least eight insolvencies.⁹



- **Your insurance company is leaving your region.** Insurance companies have been pulling out of states with high losses, particularly Florida and California. Property insurance companies that have recently left or limited coverage in California include Allstate, State Farm, Farmers, and USAA.¹⁰



- **Your policy is considered too risky.** For example, your auto insurer may decide not to renew after a DUI. There have also been reports of homeowners insurance companies using drones to monitor properties and dropping coverage if they find signs of deferred maintenance or other risks, such as a roof in poor condition or debris in the yard.¹¹

What Should I Do If My Insurer Cancels My Policy?

If your insurer is not renewing your policy, you will need to take action to ensure you maintain coverage.

This is particularly important if you are required to maintain insurance coverage. For example, states typically require drivers to maintain car insurance. A lapse in coverage could expose you to fines and even license suspension.

If you have a mortgage or car loan, your lender will require homeowners insurance or auto insurance, respectively. If you don't maintain coverage, your lender may require you to pay for a more expensive force-placed policy that protects only the lender from losses.

You also need to consider what would happen if you had a major loss – such as a car crash or a house fire – without coverage. Could you handle the repairs out of pocket? If not, how would you get to work without a functioning car or where would you live if your house was uninhabitable?

There are a few things you can do if you receive a notice of non-renewal:



- **Determine why your insurer is not renewing your policy.** Has your insurer gone insolvent or is the insurance company leaving your state and therefore canceling all policies? Or is your policy considered too risky? If you're unsure, reach out to your insurance company or agent.



- **Consider negotiating with your insurance company.** If your insurance company is canceling your policy due to a hazard on your property, you may be able to address the issue. You should also find out if you have protection through the California one-year moratorium on non-renewals or something similar.



- **Shop around for a new insurance company.** Although one insurance company has decided not to insure you anymore, other insurance companies may be happy to provide you with coverage. If you cannot find insurance through any traditional insurance companies because your property is very high risk, you can secure coverage through your state's insurer of last resort.

How Can an Agent Help Me?

Insurance price hikes and cancellations may be scary, but the right insurance agency can guide you through the process to ensure you don't overlook any options.

Independent insurance agencies can:



- **Secure discounts.** Many insurance companies offer discounts to make coverage more affordable. However, you may not find out about some of these discounts unless you ask. An insurance agent can help you explore possible discounts for bundling your coverage, smart home systems that reduce your risk, and more.



- **Manage your risks.** Insurance agents know what insurance underwriters are looking for and can provide advice on how to make your application more attractive. Such actions could also help you avoid claims, which will result in even bigger savings in the long run.



- **Shop around.** Since independent insurance agents contract with multiple insurance carriers, working with one gives you the best shot at finding affordable and comprehensive insurance. Agents may also have access to exclusive programs and nonstandard insurance companies to provide you with even more options.



- **Advocate for you.** When you're facing non-renewal, premium hikes, or claims, it helps to have an insurance professional in your corner.

RightSure is here for you. We're licensed in all 50 states and have the industry knowledge and insurer relationships necessary to help you secure coverage in this challenging market. When you reach out to RightSure, our team of famously-friendly humans will go above and beyond to provide you with a positive experience. Find out for yourself why we are North America's most awarded insurance firm.

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Hard Insurance Market vs. Soft Insurance Market

What's the Difference?

An insurance market can be hard or soft. Soft markets lead to good insurance buying conditions, while hard markets can make it difficult to find affordable coverage.

Cycles are influenced by insurers' profitability, which is determined by losses paid out and return on investment income. When the insurance market's losses are higher than expected year after year, a hard market can result. These cycles can have a big impact on your home and auto policies.

Hard Insurance Market  (stormy buying conditions)	Soft Insurance Market  (good buying conditions)
 Insurers Become Highly Selective	 Insurers Compete for Your Business
 Insurers May NOT Want Your Business	 Everybody Wants to Insure You
 It Can Be Hard to Get Approved	 It's Easy to Get Approved
 Rates Go Up	 Rates Go Down
 Coverage Limits Go Down	 Coverage Limits Go Up
 Your Policies May Not Be Renewed	 Policies Are Automatically Renewed
 Strategy & Advanced Planning are Essential	 Strategy & Planning Are Less Urgent
 It's Smart to Shop Multiple Carriers	 It's Still Smart to Shop Multiple Carriers
 RightSure Will Help You Get the Right Coverage at a Good Price	 RightSure Can Get You the Most Coverage for the Least Money

The Insurance Market is Hardening Now.

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