

A perfect storm

Understanding the forces behind higher insurance costs



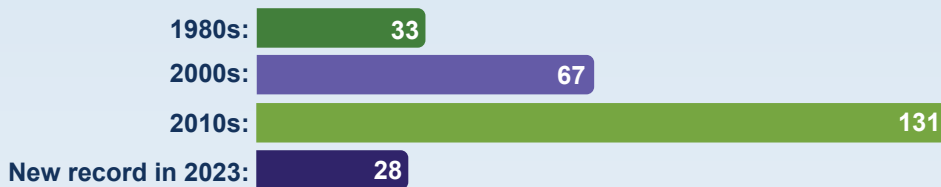
Historic weather

Thunderstorms and tornadoes were more destructive than ever in 2023.¹ The cost of repairing and replacing homes and autos damaged by hail, wind and water related to these storms is historically high.²

- Severe storms, the #1 reason for homeowner claims³
- \$66B in damage from severe regional storms¹
- 2 storms alone cost \$17B in damage¹

More common. More costly.

Number of severe weather events that caused \$1B+ in damage⁴



2023: hottest year on record²

Rising temperatures intensify extreme weather and make wildfires more destructive.



Widespread inflation

Building and construction costs have snowballed.

33% rise since the pandemic started²

- Labor shortages
- Repair and maintenance
- Supplies and materials

Cost to fix and maintain cars is increasingly expensive.

- Repair costs up 20% from June 2022 to June 2023²
- Cost of collision claims has risen 40% since 2019²





Shifting from “repair and replace” to “predict and prevent”

We can't avoid extreme weather or control economic forces, but we can take proactive steps to reduce the impact and costs.

What home and car owners can do

- Look for opportunities to bundle coverage with one carrier; American Modern's range of dwelling, homeowners, manufactured home and a garageful of recreational insurance options makes this possible.
- Work with your agent to know how to qualify and take advantage of every possible discount that may lower your premium.
- Invest time in preventive care and loss mitigation. Seasonal care tips can help keep homes and vehicles from developing small problems that may grow into claim events. There are also specific ways to diminish potential damage caused by hurricanes or wildfires. American Modern works hard to make sure you're aware of these tips.
- Make sure you're not paying for features that aren't relevant or won't cover unique situations. This is exactly what specialty insurance is for.
- Unfortunately just switching carriers isn't necessarily going to provide much cost relief. All carriers are facing the same weather and inflationary barriers. Consider the quality of coverage and make sure the insurance is designed for your unique needs.

What American Modern is doing

- Introducing loss mitigation initiatives and incentives, like our water sensor program. By buying an approved smart water sensor, you could receive a premium discount or a product purchasing discount (and in some states, both discounts). These smart sensors can detect moisture, alert homeowners, and help prevent severe water damage in case of a leak or burst pipe.
- Providing support and resources, including loss mitigation tips and proactive communication before or even during catastrophic weather events.
- Streamlining the claims process with digital claims and introducing self-service solutions such as virtual property inspections. A more efficient claims process is a less expensive claims process.
- Using data to improve our ability to predict and evaluate risk.
- Working with lawmakers and regulators to update building codes and construction methods to improve the resiliency of homes.

Sources

- 1 Record thunderstorm losses and deadly earthquakes: The natural disasters of 2023
- 2 The cost of insurance is rising. Here's why; Frankenmuth Insurance; Jan 2024
- 3 Commercial Lines Continue to Perform Better Than Personal; Insurance Information Institute; Jan 2024
- 4 "2023: A historic year of U.S. billion-dollar weather and climate disasters"; NOAA Climate.gov; Jan 2024.



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