

WEATHER EVENTS ARE COMING FOR YOUR INSURANCE PREMIUMS

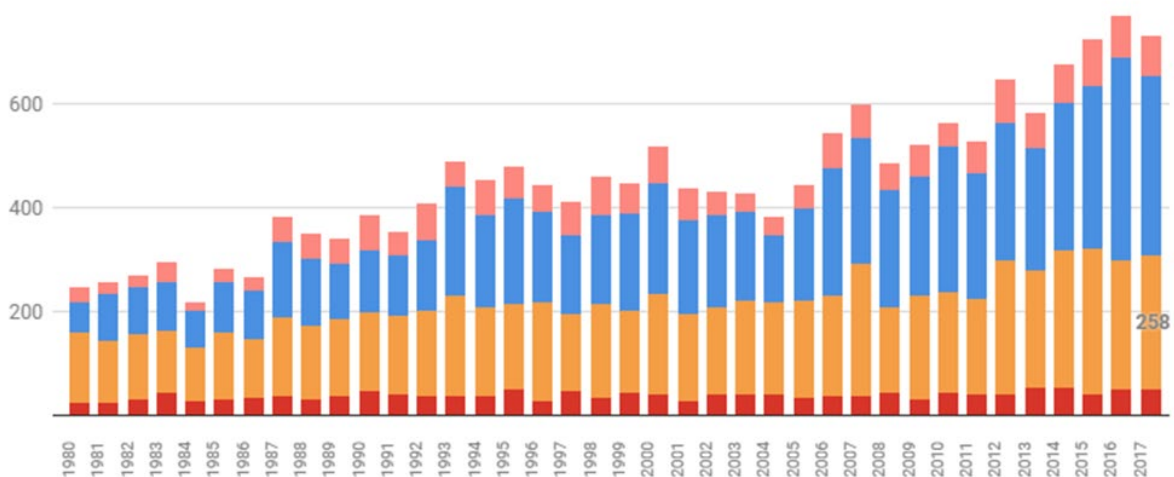
Climate change is increasing the risk of natural disasters, causing property insurance premiums to rise and harder to get. Without going into excruciating detail (for that we suggest <https://www.cbo.gov/publication/59918>) here's why: *More frequent extreme weather; Higher rebuilding costs; Record payouts; Development in disaster-prone areas.*

- **More extreme weather:** Which increases the frequency of natural disasters like wildfires, hurricanes, floods, and tornadoes.

Rising frequency of natural disasters

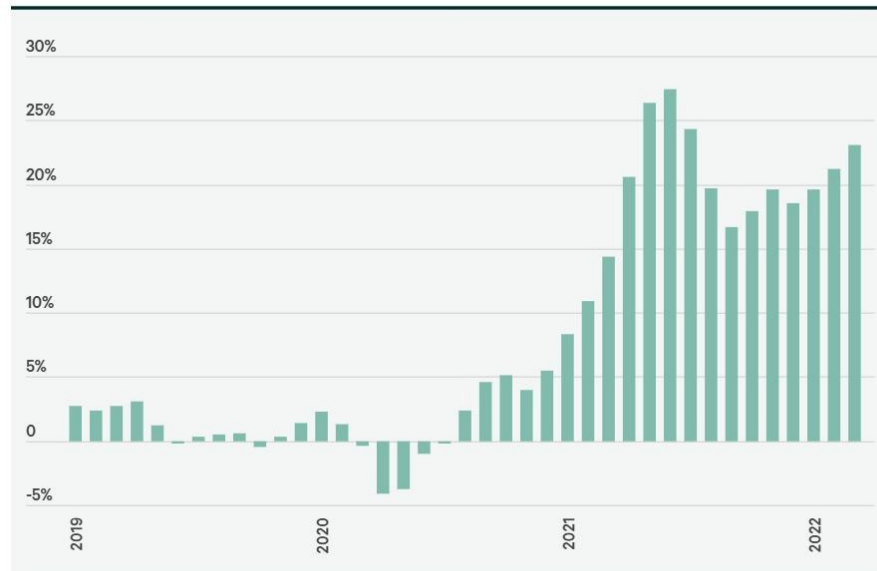
The number of natural disasters has been rising rapidly in recent decades, particularly hydrological events such as floods.

■ Geographic ■ Meterological ■ Hydrological ■ Climatological



- **Higher rebuilding costs:** The cost of rebuilding after a disaster is increasing due to increased materials and labor costs due to shortages of both still resulting from the pandemic.

Producer Price Index: inputs to construction, year-over-year changes



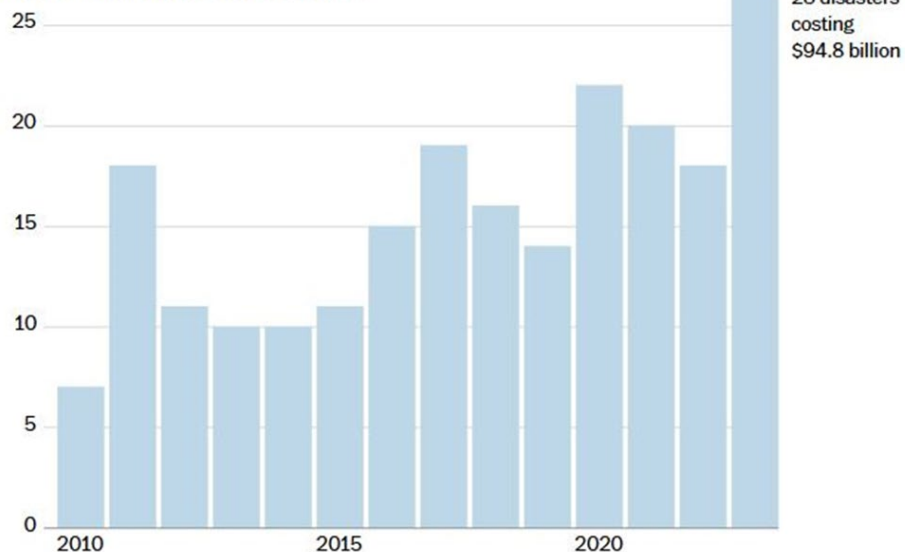
Note: Latest data as of March 2022.
 Source: Bureau of Labor Statistics, Producer Price Index, CBRE Strategic Investment Consulting, April 2022.

Additionally, there are higher rebuilding costs when losses impact an entire geographic area, and not just one structure. This in turn leads to...

- **Higher payouts:** Increased catastrophic weather events plus higher rebuilding costs mean that insurance companies have to pay out more for losses caused by these disasters. According to A.M. Best, the U.S. P&C industry recorded a net \$46 billion underwriting loss in the past 2 years.

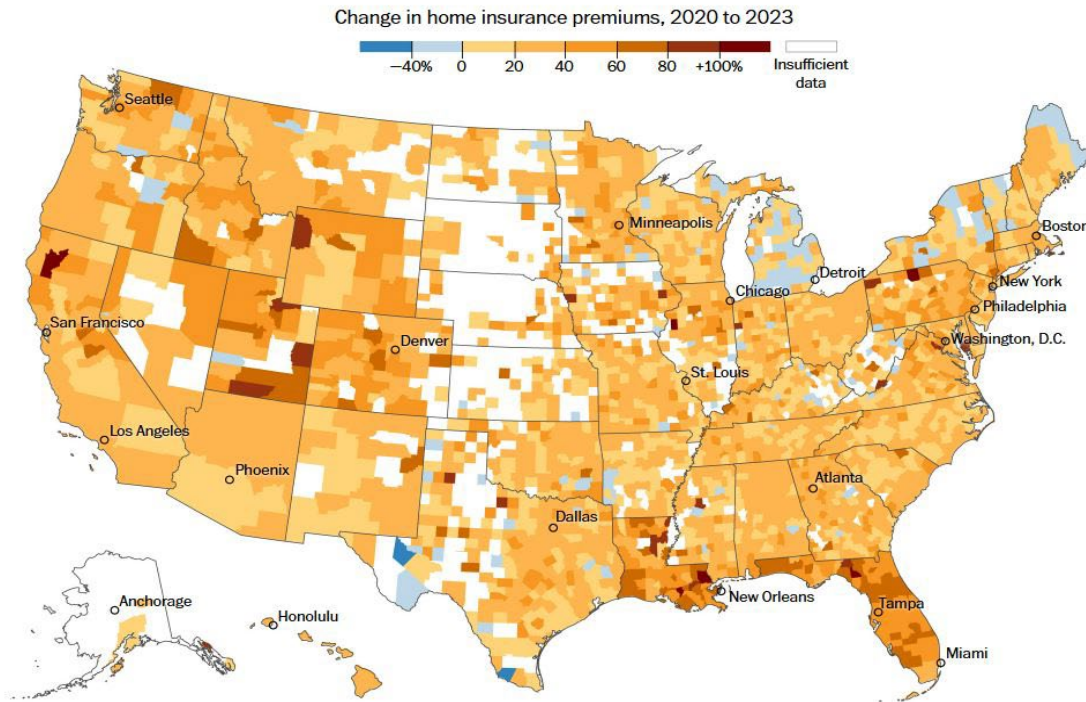
U.S. billion-dollar disasters, 2010-2023

Severe storms, hurricanes, inland floods, droughts, winter storms, wildfires and crop freezes



Source: National Oceanic and Atmospheric Administration

- **Development in disaster-prone areas:** Continued construction in areas that are prone to disasters is increasing, despite the risks to building in these areas. These risks must be mitigated by insurance companies by charging higher premiums.



- **For Companies to remain solvent, insurance becomes more expensive and availability reduced:** Insurers are exiting certain high-risk areas, making insurance less available. As one example, State Farm stopped offering new homeowners' policies in California, and in the past two years at least 7 insurance companies have exited Florida.

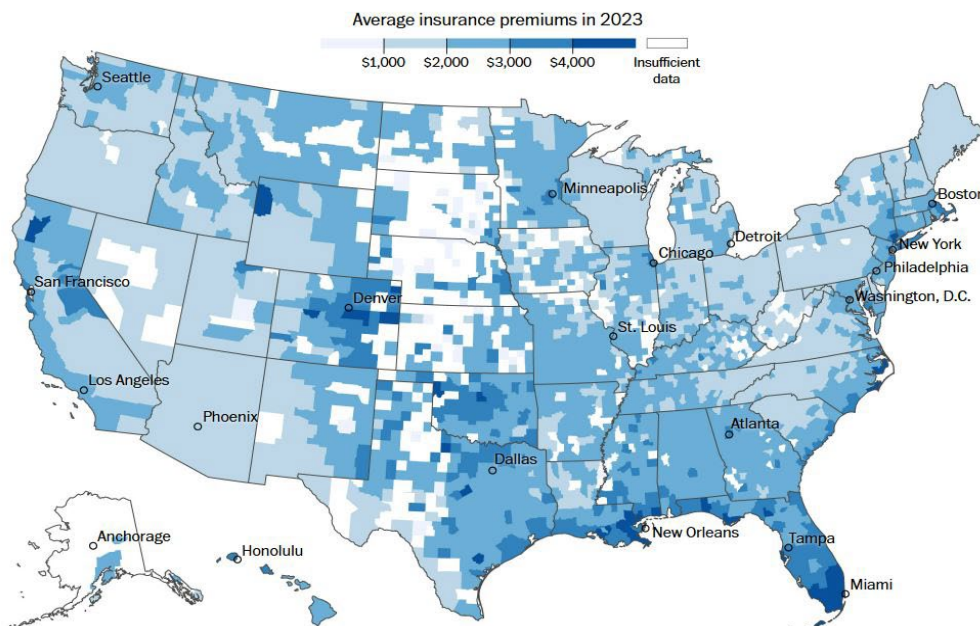


Chart Sources:

Top <https://michiganross.umich.edu/rtia-articles/rising-insurance-costs-may-convince-americans-climate-change-risks-are-real>

Middle & Bottom https://www.washingtonpost.com/climate-environment/interactive/2024/home-insurance-climate-change-premiums-strategies/?itid=hp-top-table-main_p001_f007