

## 2025 Market Update: Personal Insurance and Private Client

The personal insurance market showed some encouraging signs of recovery in 2024 leading to a more positive outlook in 2025. After several years of significant rate hikes, we anticipate a return to more typical inflation-driven increases, with some notable exceptions. However, the industry will continue to grapple with challenges, particularly in property insurance, due to the 27 different \$1 billion loss events in 2024 and the devastating Palisades and Eaton fires in January 2025. As such, the recovery will vary by line of business and geography for the foreseeable future.

### Automobile: Stability and Modest Increases

Leading auto insurers reported a profitable 2024, setting the stage for a more stable and competitive market in 2025. Most drivers can expect modest rate increases in the lower single-digit range. While weather events have notably impacted property, these events have also impacted losses for automobiles which increase rates for physical damage. Additionally, broader economic trends such as tariffs on new car prices and replacement parts will also influence premiums. Regardless, we forecast auto rate increases in the 4%-6% range for most drivers in 2025.

### Property: Navigating the New Normal

Weather-related events continue to bedevil many areas of the US with wind, flood, and wildfire dominating the headlines. However, convective storms—thunderstorms producing strong winds, hail, and lightning—are driving much of the damage throughout the country. Many companies are in the mature stages of addressing this ‘new normal’ weather loss pattern after several years of price increases, non-renewals, and a reduced appetite for taking on new policies. While not out of the woods, we anticipate a more stable pricing environment in the 7%-10% range in many parts of the US.

### Flood: Addressing Major Gaps

Losses from rising ground water remain a significant gap in protection for far too many property owners. The National Flood Insurance Program (NFIP) estimates 1/3 of all flood losses each year come from properties viewed as “low risk.” The most recent cautionary tale is the destruction and loss of life associated with the aftermath of Tropical Storm Helene in Asheville, NC this past September. Rising ground and tidal water are excluded from homeowner policies and can only be protected through flood coverage. Insurance protection is available through the NFIP, and more recently private insurers have entered the market with comprehensive terms and competitive pricing for those that qualify.

### Excess Liability: Essential Protection Amid Rising Claims

Excess liability, also known as “umbrella” coverage, is an essential part of everyone’s insurance portfolio and provides both a dollar limit and legal defense. An increase in liability claims and settlements nationally is driving higher premiums, and in some cases limiting availability for coverage above \$5 million. We expect continued upward pressure on rates, with increases around 10% year over year.

## **Recreational Marine (Yacht): Rising Premiums and Underwriting Flexibility**

Recreational marine premiums have been rising due to factors such as mooring locations in CAT-prone areas, aging vessels over 20 years old, lithium-ion battery fires, and escalating claim costs & frequency. While some admitted market rates are starting to plateau in new business, certain carriers are actively pursuing growth in the yacht sector, offering greater underwriting flexibility for comprehensive accounts that include home, auto, and yacht insurance. We continue to see limited markets for boats valued between \$5M and \$10M. Overall, we believe P&I (Protection & Indemnity) rates will increase by 10%+.

## **Cyber: Growing Importance in a Digital World**

Cybercrimes are growing in frequency and sophistication and should be a concern for all families. The insurance industry has recognized this growing risk and has developed protection through individual stand-alone policies, as well as endorsements to some homeowner policies. Given the current threat landscape, cyber insurance is increasingly important for families to consider. Coverage and pricing vary but worthy given the current threat.

## **Prevention and Mitigation: Proactive Measures are Key Steps**

The theme of loss prevention and mitigation is becoming more prominent, with car and property owners encouraged to view insurance as a tool for managing large, catastrophic events while actively investing in preventative measures. High all-peril deductibles, central station and low temperature alarms, water leak detection systems, and other technologies such as electrical sensors (Ting) can help make homes safer and more resilient, often resulting in premium savings. For auto owners, planning to relocate cars ahead of storms is advisable and may soon become a requirement. Lithium-ion battery fires are a growing concern each year and have been a loss leader for several watercraft insurers. Owners must be familiar with their battery systems and utilize an authorized battery management system (BMS).

## **Navigating Stability and Resilience in 2025**

The personal insurance market is expected to stabilize in 2025, with modest rate increases across various lines of business. Despite ongoing challenges in property insurance due to significant loss events, emphasizing prevention and mitigation can enhance safety and resilience. Staying informed and engaged with your EPIC risk professional will be crucial in navigating the evolving insurance landscape. As always, we welcome a conversation and a full insurance review with your EPIC risk professional.