The cost of insurance is rising. Here’s why.

It’s no secret: The cost of everything is going up. From goods and services to groceries, expenses are high across the board. When it comes to insurance premiums, consumers are seeing a similar trend. Wondering what is driving the increasing cost of insurance? See the top causes.

Economic inflation and labor shortages.

October 2023 data from the U.S. Chamber of Commerce shows 9.6 million job openings in the U.S., but only 6.4 million unemployed workers. That means if every unemployed person in the country found a job, more than 3 million open jobs would remain unfilled.

Vehicle repair and replacement costs.

According to the Consumer Price Index report published by the U.S. Bureau of Labor Statistics, prices for motor vehicle maintenance and repairs were 12.7% higher in June 2023 than the year prior. Motor vehicle repairs alone experienced the largest year-over-year increase at nearly 20%.

Building materials and labor costs.

There’s been a 33% increase in building prices since the start of the pandemic, according to the April 2022 Producer Price Index report released by the U.S. Bureau of Labor Statistics. While material prices started declining last year, the National Association of Home Builders explain this trend is short-lived as some products, like steel, tile, and insulation, are, once again, on the rise.

Severe weather.

Aon's 2023 Weather, Climate, and Catastrophic Insight report shares global natural disasters in 2022 resulted in near average economic losses totaling $313 billion. In 2022, the U.S. accounted for 75% of global natural disaster-related losses.

The insurance sector covered $132 billion due to natural disasters according to Aon — marking 2022 as the fifth costliest year for insurers on record. As of September 2023, the United States already set an unfortunate record with 23 billion-dollar-plus weather and climate disasters, according to the National Oceanic and Atmospheric Administration.

Risky driving behaviors.

Distracted driving. According to the National Highway Traffic and Safety Administration, 3,522 people were killed by distracted driving in 2021, a 12% increase from 2020.

Driving citations. The 2023 U.S. Auto Insurance Trends Report published by LexisNexis cited major speeding violations were up 20% in 2022 compared to 2019.

Claims costs. The total cost of claims has increased by 35% since 2019 for liability claims and 40% for collision claims, according to LexisNexis.

Social inflation.

A Reuter's article suggests society's evolving values, trends, perceptions, and moods have led to increasing distrust of corporations and the prevalence of pursuing litigation.

In addition, the no-win-no-fee offers of many law firms today are making it more attractive for someone to pursue litigation, especially class-action lawsuits. This leads to lengthy litigation processes on an already backlogged post-pandemic court system, and settlements are climbing to new heights, according to Swiss Re Group.

In short, there's no single factor that's led to increasing insurance rates. But luckily, there may be ways to work with your local, independent agent and reduce the cost of your policies. Talk to your agent about available discounts, bundling coverages, or increasing your deductible to save. Frankly, through changing social and economic times, we're always here for you.

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