

Why Insurance Premiums Are Increasing

In 2023, climate change and construction costs continue to impact the property and casualty insurance markets. The Church Insurance Companies (CIC) are not immune to these market forces, and several factors are shaping increased insurance premiums.

The Rising Tide of Reinsurance Costs

CIC, like other property and casualty insurers, purchases its own insurance (i.e., reinsurance) to cover the largest claims in order to help maintain its financial sustainability. The reinsurance market for property coverage is facing significant challenges in 2023 due to two primary factors:

- Weather-related events are becoming more intense and frequent, ranging from freezing conditions to wildfires and from convectional storms to named storms. These events result in larger losses, creating a strain on insurance coverage.
- As construction costs soar, many properties are underinsured. The steep price tag associated with building and reconstruction contributes to the gap between coverage and actual costs, leaving insurers with fewer funds to cover the losses.

This combination of factors has led to unexpected losses and diminished premiums available to pay for the damages. They have also led to significantly more expensive reinsurance premiums, which have increased CIC's expenses and the premiums it needs to collect from its clients to meet its financial commitments.

Drivers of Rising Construction Costs

Several factors are driving the increased costs of construction:

- Labor shortages, supply chain complexities, and lower starting values have all contributed to the current valuation challenges.
- Property valuations incorporate not only direct expenses like materials and labor but also indirect costs such as consulting fees and engineering services. These additional expenses impact the overall construction cost.
- Older structures pose a unique set of challenges. Upgrading outdated building materials and equipment adds to the construction costs when valuing these properties.
- Modern building codes introduce further complexity. Older properties may require modifications during the rebuilding process to meet these codes, driving up the expenses.
- Accessibility considerations come into play for properties located in steep areas or adjacent to neighboring structures. Safety measures, like bracing, must be factored in during demolition and rebuilding operations, affecting property valuations.
- Custom property features, like stained-glass windows, often demand specialized construction work, resulting in higher rebuilding costs. It's crucial to include these unique elements in property valuations.

All these factors collectively contribute to higher building costs during claim situations. Insufficient coverage can leave properties underfunded for repairs, leading to potential financial strains. CIC is a stand-alone business, and although a part of the Church Pension Group, it must be operated in a financially self-sustainable manner. In turn, higher insurance premiums may be necessary to ensure adequate future coverage.

While these challenges persist, CIC remains committed to protecting the people, property, and finances of The Episcopal Church and stands ready to assist you when you need it most.