Insurance Snapshot

Combating the Economic Headwinds of 2022
Among the plethora of economic headwinds in 2022, there are three key factors impacting the Insurance Industry.

Supply Chain Shortage

Inflation & Interest

Travel Turbulence
Supply Chain Shortages

Supply chain issues have forced the price of goods & services to increase greatly this past year.

As prices rise, insurance companies are forced to pay out higher claims, and in turn, raise rates and premiums.

+$30B

Estimated increase in the amount insurers had to pay to cover claims in 2021 due to rising prices

Price of motor vehicle parts and equipment rose 23% this past year

6.3%

increase in Progressive Auto Insurance Rates from Feb 2021 - 2022

6.1%

increase in average P/C premiums in Q2 2022

Source: 1. McKinsey
Inflation & Interest Rates

As inflation continues to disrupt the economy, the Federal Reserve increases interest rates to encourage consumer saving.

Each of these factors impacts consumers day-to-day lives as well as the ways in which they engage with insurance brands.

Inflation

As consumers look to cut spending, they are shopping around for better policy rates.

There was a 3.6% increase in quarterly auto insurance policy switching in Q2 2022.¹

With unavoidable increased premiums & rates, insurance brands are looking to focus heavily on loyalty to maintain customers.

Rising Interest Rates

Rising interest rates positively impact insurers investment portfolios given higher yields on debt investments

Rising interest rates adversely impact home ownership as higher mortgage rates deter sales and impact home values

Higher rates on auto loans adversely impact both new and used auto sales

"This is quite positive, as rate hikes mean profitability will increase on the asset side because we are mostly invested in bonds,” - Ludovic Subran, Allianz SE

Sources: 1. JD Power, 2. Mintel
Travel Issues

Recognizing the opportunity of the recent travel surge, many insurers have expanded their coverage to meet new consumer demands and capitalize on the increased popularity of travel insurance.

Travel staffing shortages and other issues have led to a significant increase in travel insurance related claims as well.

Zurich Insurance Group has said a lack of flights has doubled the cost of claims\(^1\)

Increased use of travel insurance is great for insurers, unfortunately it is being followed by increasing (and more expensive) claims

“Operational challenges by travel suppliers have led to increased claims for travel delays and baggage issues”
- Allianz Partners Spokesman\(^1\)

Sources: 1. WSJ.com, 2. prnewswire.com
For More Information On Insurance Industry Trends And Strategic Media Recommendations, Please Use The Below Link