



# How Inflation Impacts Premiums

## What factors contribute to the increase in insurance cost?

Beginning with the supply chain issues and shortages brought on by the pandemic, costs in all major economic sectors have continued to rise with record-setting inflation, including the cost of construction and labor.

Additionally, heightened severe weather activity over the past several years has resulted in widespread property loss and increased demand for materials and labor in an already inflated market.

## What are coverage amounts based on?

Insurance coverage amounts aren't based on the market value of your home, but rather the amount it would cost to rebuild it in the event of a total loss. As the cost to rebuild a home increases, so does the cost of the insurance you buy to cover it. Insurance providers use valuation tools to determine how much coverage your home needs based on several factors, such as home style and building materials.

Valuations typically increase 3% in a year, but increased around 9% in 2022 and are forecasted to increase 14.3% in 2023. This means that insurance providers everywhere must now adjust rates accordingly in order to confidently cover potential losses suffered by policyholders.

## Ensure you have the coverage you need.

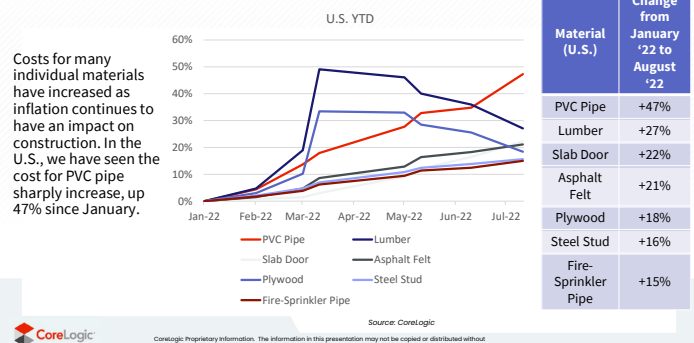
If you experience a loss and need to file a claim, ensuring that you have adequate coverage to repair the damage is our top priority. Without increasing coverage amounts to compensate for inflation, the cost of repairs could easily exceed your existing coverage limits. Talk to your agent for more information about steps you can take to reduce your premium.

## Germania Authorized Agent:

## What is causing home valuations to increase?

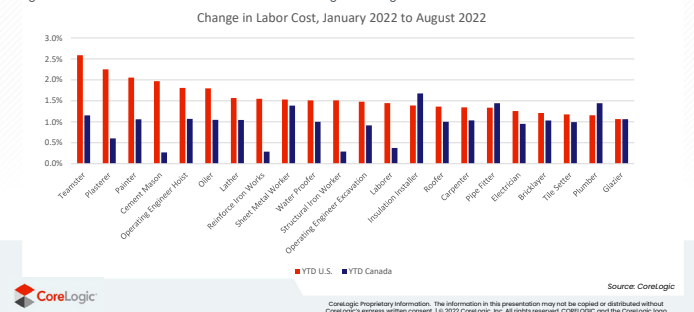
As illustrated in the following charts, material and labor prices have been and continue to be the major contributing factor to increasing valuations.

### YTD Changes in Individual Material Costs (U.S.)



### Labor Costs in the U.S. and Canada Compared

With a continuing shortage of workers for construction, companies are paying higher rates for skilled labor. From January 2022 to August 2022, residential and commercial labor costs in the United States grew with cost growth as high as 2.6% for teamsters. Insulation installers had the highest cost growth in Canada with an increase of 1.7%.



Read our blog at [germaniainsurance.com/inflation](http://germaniainsurance.com/inflation) to learn more about the impact of rising construction costs on insurance premiums.