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## Home Insurance Spending Tops Household Income Growth

*By Chad Hemenway*

According to the Insurance Research Council (IRC), the average homeowners insurance expenditure has become less affordable for U.S. consumers over time.

Looking at the the years 2001 to 2021—the latest year in which relevant data is available—homeowners spent about 2% of household income on homeowners insurance, with what the IRC called “striking disparity” between states. The U.S. average expenditure on homeowners insurance increased from \$508 in 2001 to \$1,411 in 2021, or a 5% annualized rise.

The IRC’s analysis, meant to be a resource guide for policymakers looking to improve affordability, measures homeowners insurance affordability by calculating the ratio of average homeowners insurance expenditures (from data derived from the National Association of Insurance Commissioners) to median household income.

For instance, Utah is the most affordable state with consumers spending 0.96% of household income on home insurance. Florida ranks as the least affordable, with consumers per household paying slightly more than 4%—more than double the national average—on home insurance, the IRC’s analysis concluded. Louisiana had held the distinction of the least affordable state for many years but the state improved in 2021 due to a drop in median household income to offset an 11% increase in insurance spending.



## **Mike's Blog**

### **Hurricane Beryl to cause up to \$3 billion in insured losses**

*Analysis shows just how much carriers may be hit in hurricane aftermath*

Verisk's extreme event solutions team projects that Hurricane Beryl will cause insured losses to onshore properties in the US amounting to between \$2 billion and \$3 billion.

Beryl, which had crossed the Windward Islands as a Category 4 hurricane by July 1 and became the earliest Category 5 hurricane recorded in the Atlantic, achieved peak intensity on July 2 with sustained winds of 165 mph.

Despite initially favorable conditions for further intensification, Beryl's structural imperfections limited it to a Category 1 hurricane at landfall near Matagorda Bay, Texas, around 4am CDT on July 8. The storm made landfall with maximum sustained winds of 80 mph and a central pressure of 979 mb before progressing inland.

Verisk highlighted that Beryl caused extensive and prolonged power outages across Texas, affecting nearly three million households, with over 2.2 million impacted in Harris County alone. It was pointed out that power failures may lead to significant insurance claims related to food spoilage, mold, additional living expenses, and business interruptions.

Meanwhile, heavy rainfall resulted in flooding across roadways and homes in the Houston area and parts of western Louisiana. Wind damage included broken windows and damaged roofs, particularly affecting residential and apartment complexes.

Verisk's projections do not include several potential losses, such as excess impacts due to power outages not explicitly modeled, losses from storm surge, claims paid by the National Flood Insurance Program, and losses aggravated by litigation, fraudulent assignment of benefits, or social inflation.

Storm surge leakage losses on wind-only policies due to government intervention, precipitation-induced flooding, and losses to inland marine, ocean-going marine cargo and hull, and pleasure boats are also excluded.

Additionally, uninsured property damages, infrastructure losses, extra-contractual obligations, and damages from hazardous waste cleanup, vandalism, or civil commotion are not included. Losses resulting from the compromise of existing defenses like levees, loss adjustment expenses, other non-modeled losses including from tornadoes generated by the storm, and US offshore and non-US property losses are similarly excluded.

If you need help with getting a hold of your policy carrier, and you have insurance through us, contact one of our representatives at ABM Insurance & Benefit Services 1-800-362-2809.

### *Continued from Page 1- Home Insurance Spending Tops Household Income Growth*

The IRC concluded that from 2001 to 2021, homeowners insurance expenditures showed a general upward trend, driven by factors such as natural disasters, economic conditions, rising construction costs, and litigation activity in some states. Meanwhile, the average household income also grew during the same time. However, the IRC found, the increase in insurance spend outpaces the increase in household income, with an annualized growth rate of 2.5%. It is important to note the report does not include the rapid increases in insurance rates since 2021, IRC said.

"An understanding of what drives the cost of insurance is essential for consumers navigating the current insurance market," said Dale Porfilio, president of the IRC and chief insurance office for the Insurance Information Institute (Triple-I). "Efforts to promote homeowner awareness and adoption of protective measures, strengthen state and local building codes, and encourage community resilience programs can all improve insurance affordability."

# Auto Claims Severity Up Significantly Since 2020 With No Sign of Slowing

by AnneMarie McPherson Spears

Risky driving patterns continue to rise with instances of speeding, driving under the influence and distracted driving all increasing in 2023.

The high claims severity that plagued the personal auto insurance market in 2023 shows no signs of abating, according to the “2024 LexisNexis® U.S. Auto Insurance Trends Report,” released today, which offered various other insights into the auto insurance market.



Bodily injury severity has risen 20% from the end of 2020 to the end of 2023, according to the report, while severity for all material damage coverages has increased 47%. Contributing factors include parts and labor shortages, storage costs, attorney involvement and increases in medical treatment costs.

In a separate study in 2023, LexisNexis commissioned a market research study to learn about third-party claimants who hired an attorney in auto claims—a major contributor to claims cost increases.

Following an auto accident, 85% of claimants were approached by one attorney while about 60% heard from two or more. Among the claimants who hired an attorney, 51% received a higher settlement amount, the study found, and of the claimants who used legal counsel, nearly two-thirds would definitely do so again, with another quarter saying they probably would.

Further, total loss claims have increased 29% since 2020, with more than 1 in 4 collision claims in 2023 deemed total losses. In cases of total loss, 46% of consumers were dissatisfied with their claims experience, with 40% of all respondents said it took a month or longer to obtain the full payment for their claim.

As total miles driven returned to 2019 levels in 2023, the risky driving patterns that emerged during the COVID-19 pandemic continued to rise, with all moving and non-moving driving violations increasing 4% year-over-year in 2023. Major speeding violations were up 10% from 2022 to 2023—and up 36% from 2019. Additionally, driving under the influence (DUI) violations grew 8% from 2022 to 2023.

Distracted driving violations increased by 10% from 2022 to 2023. Young drivers are most susceptible to distraction, with distracted driving violations by Generation Z increasing 24% from 2022, and 66% from 2019. The same violation increased 9% from 2022 among millennials.

Although risky driving behavior persists, many insurers haven't updated their pricing models to reflect those changes, the report warned.

As carriers seek to alleviate the inflation and high claims costs that contributed to a property & casualty combined ratio of 105% in 2023, significant rate increases of 14% reduced pressure on profits but also led to a drop of three percentage points in retention from 83% to 80%, LexisNexis found.

Among respondents with auto insurance at the end of 2023, 41% had shopped at least once for a new policy in 2023. Many ended up switching, causing the number of new policies to rise 6.2% in 2023. Meanwhile, insurance industry advertising spending decreased roughly 45% from its height in 2021.

With low-risk customers prompted to jump to better options in the market, insurers may be retaining policies with higher risk at the wrong price, the report points out. “Insurers who are not actively engaged in managing the change in risk in their renewals may find it difficult to maintain profitability. The lack of a consistent renewal strategy could also threaten new business rate competitiveness. Insurers can update renewal underwriting strategies by leveraging predictive internal and external data and models to help maintain price to risk.”



Meanwhile, electric vehicles (EVs) are another emerging factor in personal auto. As the EV market continues to emerge, with a 54% increase in EV sales in 2023 over 2022, insurance risks also continue to grow. Claim frequency and severity for EVs were respectively 17% and 34% higher than for private passenger autos overall. And while EVs still only comprise 1.5% of all private passenger autos, they accounted for 2.3% of the total claims payment among all personal autos in 2023.

ABM Insurance & Benefit Services has numerous companies to help reduce your cost. Our vast amount of auto insurance policies can help anyone with rising deductibles. Give our auto policy department a call at 1-800-362-2809 or visit us at [www.getagreatquote.com](http://www.getagreatquote.com)

## Meet Our Representative



Liliana Moreno

Name – Liliana Moreno

Title – Administrative Assistant

Email – [lmoreno@cobensrv.com](mailto:lmoreno@cobensrv.com)

How long have you worked at ABM – 8 years

What do you do at ABM – I am an administrative assistant for group health.

What do you love about your job – I love my coworkers and love that we are able to work from home some days.

Why do you think ABM is a great company – I think ABM is a great company because of our boss Mike JR. Mike is very understanding and flexible when it comes to our kids. Mike always makes sure his employees are happy and comfortable with their work environment.

Fun Fact about yourself – I love tennis shoes and collect them.

## Homeownership Costs in US Jumped 26% Since Pandemic Began

By Jennifer Epstein

The cost of owning a home in the US has increased 26% since 2020, as expenses including taxes, insurance and utilities all soared during a period of high inflation across the economy.

The average annual outlay for owning and maintaining a typical single-family home — not including mortgage payments — totaled \$18,118 in March, the personal finance website Bankrate found. That works out to \$1,510 a month, roughly \$300 more than four years earlier, when pandemic lockdowns began.



### States Where Upkeep of a Typical Home is Priciest

State	Average cost in 2024
Hawaii	\$29,015
California	28,790
Massachusetts	26,313
New Jersey	25,573
Connecticut	23,515
Washington	23,365
New Hampshire	23,256
New York	22,807
Rhode Island	21,994
Colorado	21,038
United States	18,118

Source: Bankrate

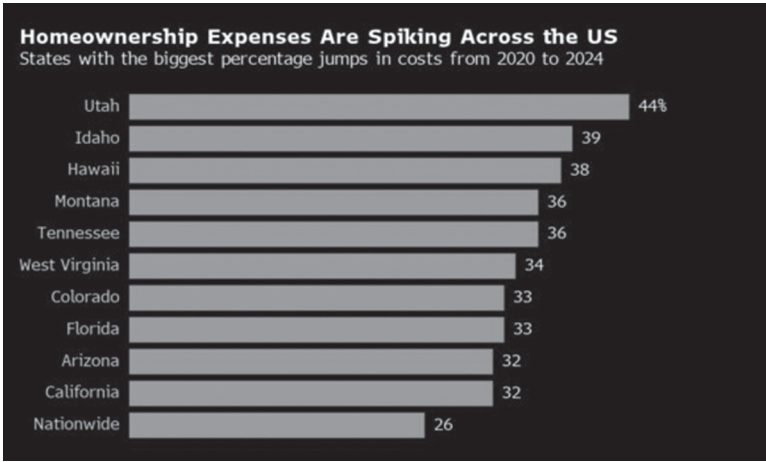
Bloomberg

The calculation is based on Redfin's March median sales price of \$436,291. "It was really eye-opening to see just how much it costs to maintain a home," said Jeff Ostrowski, an analyst at Bankrate. "Until you own a house, it doesn't dawn on you how much money you're throwing into the house every month and year."

In its analysis, Bankrate factored in property taxes, home insurance, energy costs, internet and cable bills, and 2% of the sales price for maintenance — expenses many buyers tend to underestimate.

Home maintenance accounted for the largest share of ownership costs in Bankrate’s findings, so states where purchase prices rose dramatically through the pandemic saw bigger percentage jumps in overall outlays. Property levies were the second-largest piece of the equation in high-tax states such as New Jersey and Connecticut. In others, energy bills came in second.

The past four years of inflation dealt the biggest blow to homeowners in Utah, where expenses surged 44%. Idaho was next at 39%, followed by Hawaii at 38%. Alaska and Texas saw the smallest increases, with costs rising 14%. Annual tallies varied widely, from \$11,559 in Kentucky to \$29,015 in Hawaii, with a typical single-family home price of \$993,000.



Ostrowski said the totals in some cases may be overstated, especially for owners of newly built homes that don’t need repairs, but that they’re still helpful for buyers to keep in mind.

“It’s certainly better to be over-prepared and have some extra money sitting in a high-yield savings account,” he said, “as opposed to under-prepared and scrambling.”

## Homeowners brace for 14% insurance rate hike as insurer tries to stabilize market

In Florida, homeowners may soon face a significant increase in their insurance premiums, as the Board of Governors of troubled insurer of last resort Citizens Insurance has approved a substantial 14% rate hike. This increase, the highest allowed by the state, aims to stabilize Florida’s insurance market and reduce the financial burden on Citizens Insurance, the state’s insurer of last resort. The state’s governor, Ron DeSantis has referred to the insurer as “insolvent” in the past.

Recent years have seen Citizens become the largest property insurer in Florida, responsible for 18% of the market, but state officials have been actively working to transfer policies from Citizens to private insurers to mitigate financial risks associated with major hurricanes. Since October, over 400,000 policies have transitioned to the private market. “We’ve seen more than 400,000 Citizens policies move to the private market. Why is that a good thing? Number one, it eliminates risk exposure for Citizens, but number two, it shows the private market is healthier,” explained Mark Friedlander from the Insurance Information Institute.

Friedlander emphasized that this rate hike is essential for enhancing the competitiveness of Florida’s insurance market. “You are purchasing insurance from Citizens at a discounted rate. Many people may not think that; they think ‘I’m paying so much, what are you talking about?’ But you are buying Citizens Insurance at an artificially low rate.”

West Palm Beach homeowner Laura Bongarzone has felt the impact of rising insurance costs firsthand, telling CBS12 news that she had seen her premiums that were \$2,800 in 2020 jump to \$5987 this year. For homeowners like Bongarzone, the proposed increase presents a challenging scenario. "You're basically held hostage. You can go anywhere, no one is going to write insurance anymore, and if I go somewhere else, it's going to be even more," she said.



The proposed rate hike, which needs approval from both the Board of Governors and the Office of Insurance Regulation, could take effect on January 1, 2025. This would mark the largest average rate increase and only the second double-digit hike in Citizens Insurance's history.

"These are very positive indications that we're creating an environment where there's a potentially more stable marketplace inside of the state of Florida, and there's more competition," commented Charlie Lydecker chairman of Foundation Risk Partners and member of the Board of Governors.

Citizens Insurance, covering 1.2 million policies, was originally designed for homeowners unable to secure insurance in the private market. However, as private insurers canceled policies and raised rates, Citizens became the more affordable option. "They cannot charge what we refer to as actuarially sound rates, meaning if they were a private insurer, they would have been charging much higher rates over the past several years just based on market conditions, risk exposure," Friedlander noted.

Despite the rate hikes, the private insurance market has seen lower increases this year, indicating its improved health. "The bottom line is, the private insurance market has gotten much healthier," Friedlander added. "That's why they're able to adjust their rates now to very moderate levels."

New insurers entering the market have, however, had their strength questioned. "[W]e show that traditional insurers are exiting high-risk areas, and new lower-quality insurers are entering and filling the gap," an abstract of a Harvard/Columbia/Federal Reserve study states. "These new insurers service the riskiest areas, are less diversified, hold less capital, and 20% of them become insolvent."

Citizens Insurance expects to attract thousands of new customers during the hurricane season, although de-population efforts will be on hold during this period. "Our real dream is de-population and reduced rates," Lydecker remarked.

While the proposed rate hike is less than half of what would be needed without a cap, the Board of Governors anticipates the number of policies could drop below a million. The Florida Office of Insurance Regulation must still approve the increase, with the possibility of sending it back for amendments and re-filing. As the state navigates these changes, homeowners are left searching for viable insurance options amid a fluctuating market landscape.

While this change is effecting Florida markets, ABM Insurance & Benefit Services can assist with anticipating this same thing happening in Texas and Louisiana. Give our office a call to discuss at 1.800.362.2809 or visit us online at [www.getagreatquote.com](http://www.getagreatquote.com).

### **ABM Bad Joke Of The Month...**

**What is the leading cause of dry skin?**

Towels





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Adriana M. was great to work with at ABM. She is very helpful, kept me informed and updated throughout the process. Found the best insurance for my needs and worked very hard doing so. Highly recommend this company.

-J. Bowlin

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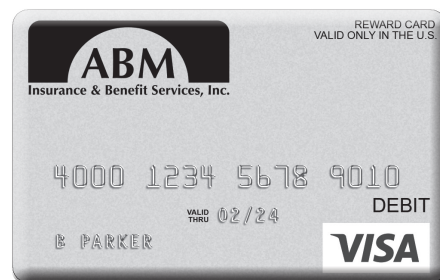
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