

## Fresh Challenges for CRE Owners as Insurance Premiums Hit New Heights



According to a recent news release from the Council of Insurance Agents and Brokers, CRE premiums increased an average of 20.4% in Q1 2023. The organization notes that this is the first time since 2001 that they've seen an increase of this magnitude for the sector.

While inflation was named as a primary driving factor in the hikes, natural disasters and climate risk are adding to the surge in premiums.

### Rising Climate Costs

The Council of Insurance Agents and Brokers report notes that losses from natural catastrophes and “weather-related events” are higher than they've been in many previous years.

Quoting data from insurance giants Swiss RE, the report states: “Global insured losses from natural disasters alone hit \$125 billion in 2022... the fourth highest total for a year on record.”

One of the big hits the property sector suffered in 2022 was Hurricane Ian, which accounted for between \$50-65 billion of the reported damages – approximately half of the total insured losses suffered over the year.

### “High-Risk” States

Those losses are making life especially difficult for operators in “high climate risk” states. These include Florida (where Hurricane Ian did the most damage) and Texas.

GlobeSt notes that some apartment owners in those states are facing particularly steep increases, with premiums rising “upwards of 50%” and leading to some insurers pulling out of coverage in high-risk areas.

It's also likely, according to sources in the industry, that insurers working in these areas will require even steeper premiums for contracts coming up for renewal later in the year.

### Risk and Value

For CRE professionals, these factors add another layer of complexity to the process of finding the best deals and opportunities for our clients in what promises to be a challenging year. As always, navigating these choppy waters will require keeping a sharp eye on the market, and finding new ways to add value to existing assets.