

WSJ Print Edition

Hurricanes Fuel Rise In Auto Insurance

BY JEAN EAGLESHAM

Bryan Kerr and his wife watched from their Asheville, N.C., home as Hurricane Helene downed a towering oak tree in their backyard, crushing the Ram cargo van they used for their woodworking business.

"I saw the tree start to lean, and I was putting my boots on to move the van when it crashed over," Kerr said. "Thirty seconds later and I might have been in the van."

The Kerrs are among tens of thousands of drivers whose cars, vans and trucks were flooded, battered or burned in the back-to-back hurricanes Helene and Milton. In Florida alone, more than 80,000 autoinsurance claims have been filed since the two storms, according to the state's insurance regulator.

The hurricanes dealt a multibillion-dollar blow to auto insurers just as they were becoming profitable again and easing up on the pace of premium increases in many states. Now car owners in areas hit by Helene and Milton

and other hurricane-prone regions could see prices rise further, analysts said.

Josh Esterov, an analyst at CreditSights, said many insurers are focused on rebuilding their profitability. "If these recent hurricanes give them ammo to take to regulators to enable higher price increases, they could very much take advantage of that," he said.

The cost of auto insurance nationally is still far outpacing overall inflation, rising 16% in September from a year earlier, according to Labor Department data. But that was down from the increase of more than 20% at the start of this year.

Milton and Helene aren't expected to have a significant impact on the pace of auto-premium increases for most of the country, analysts said.

Moody's estimates that insured auto losses from Helene and Milton will total around \$3 billion to \$5 billion, or some 10% of the estimated overall insured damage of \$30 billion to \$50 billion. Inland flooding and storm surge are the main causes of the auto losses, said Firas Saleh, product management director at Moody's.

Unlike home insurance, which typically excludes flooding, auto policies generally cover both water and wind damage from hurricanes. *

The Kerrs' work van was declared a total loss by their insurer's claims adjuster and towed away.

They are still waiting to hear about a separate claim for the losses at their woodworking shop after floodwaters inundated Asheville's arts district.

They fear a flood-zone exclusion in the policy will leave them empty-handed. "We've lost close to \$100,000," Kerr said. *

Hurricanes inflict more auto losses if they veer off track or cause greater flooding than expected, which is what happened during Helene's six-state rampage. Drivers can have little, if any, time to move cars and trucks to higher ground or sheltered garages. Early reports suggest Helene damaged more cars than Milton, despite causing far lower overall insured losses.

this past week estimated its losses on vehicles, including boats, at \$726 million from both storms, 55% of which was related to Helene.

The hurricane doublewhammy already has taken a bite out of insurers' profits. But big insurers plan for hurricane losses when they set premiums, so Helene and Milton will be a blip for them.

Even after accounting for the storms, insurers' profits for the rest of 2024 should be significantly better than last year, said Tim Zawacki, an analyst at S&P.

Losses from Milton, which hit in early October, will affect results for the final quarter of this year.

Travelers,

which sells property and auto insurance, said this past week that its catastrophe losses rose for the three months through September, much of it because of Helene.

The company still made far more money in the quarter than it did in the same period a year earlier.

Insurers are feeling the benefit of big auto-insurance rate increases over the past couple of years.

Since the start of last year, regulators have greenlighted increases averaging 25% nationally, according to S&P Global Market Intelligence.

80,000

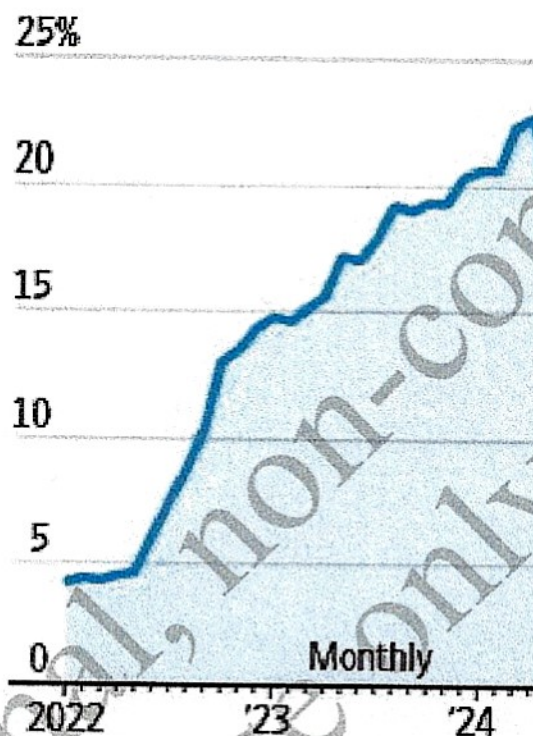
Auto insurance claims filed in Florida since hurricanes Helene and Milton

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Auto-insurance prices, change from a year earlier



Source: Labor Department

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