

Overcoming Challenges:

The Role of Embedded Home Insurance for Home Builders and Homebuyers

*Presented by:
Westwood Insurance Agency*

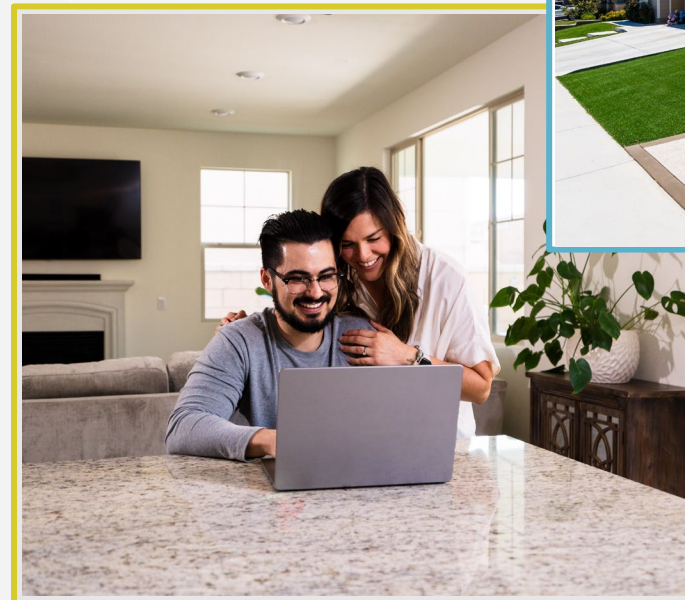


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State of the Home Insurance Market

Securing home insurance has become difficult and costly, especially in states where builders are building the most. Challenges to finding home insurance are delaying closings, and high premiums may result in buyers unable to afford upgrades in new construction homes.



Catastrophes and Weather-Related Activities

In the past several years, billion-dollar climate disasters have been increasing. [2]



Higher Replacement Costs Fueling Higher Insurance Premiums

Property replacement costs have been on the rise around the world and particularly in the United States.



Major Insurance Companies Pulling Out

Across the country, major insurance companies are no longer doing business in states where the risks are too high. [1]

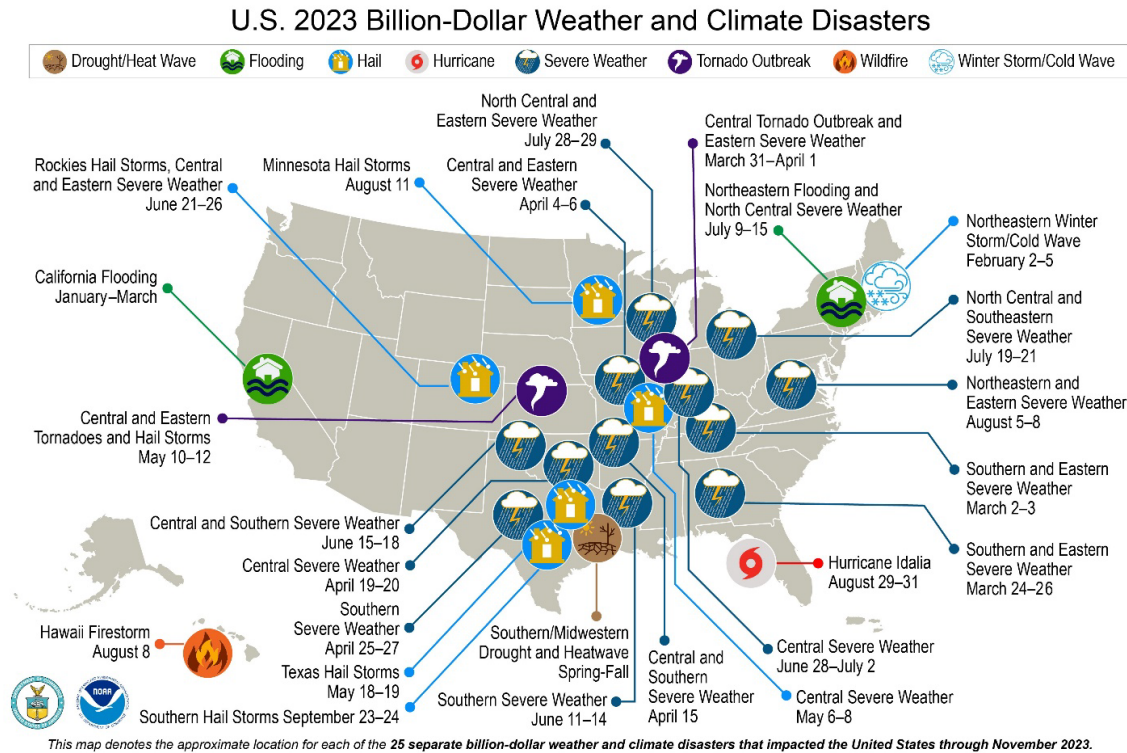


Homeowners Struggle to Find Affordable Home Insurance

Significantly higher premiums have left homeowners grappling to find insurance solutions.



Catastrophes and Weather-Related Activities



The annual average for weather and climate disasters increased from eight events (1980-2022) to 25 events in 2023.

- As of Dec. 8, 2023, there have been 25 confirmed weather/climate disaster events, with losses exceeding \$1 billion each in the United States.
- These events included one drought, two floods, 19 severe storms, one tropical cyclone, one wildfire, and one winter storm.
- Overall, these events resulted in the deaths of 482 people and significant economic impact.
- The 1980–2022 annual average is 8.1 events (CPI-adjusted).
- The annual average for the most recent five years (2018–2022) is 18.0 events (CPI-adjusted).**

Higher Replacement Costs Fueling Higher Premiums

- The U.S. experienced the highest five-year cumulative inflation between 2018 and 2022 compared to Canada, the E.U., the U.K., Korea, and Japan (six of the world’s largest insurance markets).
- Cumulative increases in property replacement costs were higher than overall inflation in the U.S., Canada, and Japan.
- **Over the same period and across the six countries, the U.S. experienced the highest cumulative increases in property replacement costs at 30.4%**, followed by Canada, the E.U., the U.K., Korea, and Japan.

Residential & Commercial Property

Pandemic Replacement Cost Increases

| | 2018 (YoY%) | 2022 (YoY%) | 2018-22 (Y05Y%) |
|--------|----------------|----------------|--------------------|
| U.S. | 3.9% | 3.9% | 30.4% |
| Canada | 2.2% | 7.0% | 20.5% |
| E.U. | 1.8% | 8.3% | 18.5% |
| U.K. | 0.2% | 8.1% | 14.8% |
| Korea | 0.6% | 3.8% | 6.0% |
| Japan | -0.6% | 1.2% | 4.4% |

Pandemic Replacement Costs Correlation

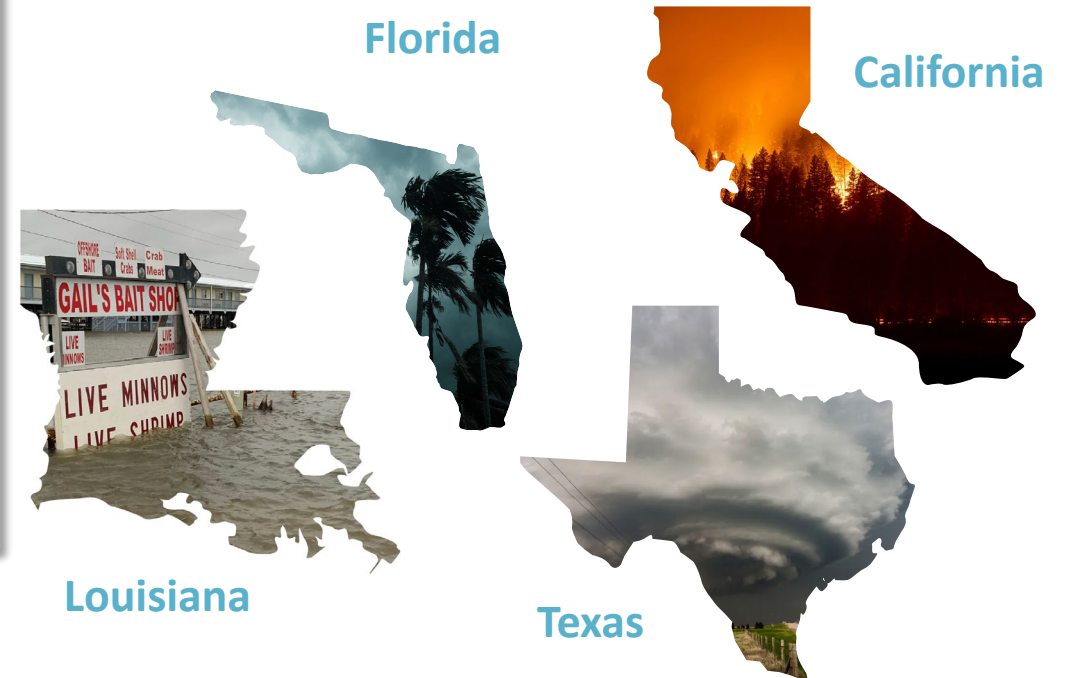
| | U.S. | U.K. | Canada | E.U. | Japan | Korea |
|--------|-------|-------|--------|------|-------|-------|
| U.S. | 1.00 | | | | | |
| U.K. | 0.17 | 1.00 | | | | |
| Canada | 0.44 | 0.37 | 1.00 | | | |
| E.U. | 0.44 | 0.82 | 0.70 | 1.00 | | |
| Japan | 0.34 | -0.21 | 0.33 | 0.10 | 1.00 | |
| Korea | -0.05 | 0.21 | 0.05 | 0.27 | -0.37 | 1.00 |



Major Insurance Companies Pulling Out

- **Uninsurable places are growing across all 50 states**, especially in California, Florida and Louisiana, which have larger and more frequent disasters like **hurricanes and wildfires**.
- **Many major insurance companies have pulled out of the Florida market, leaving homeowners paying premiums nearly four times higher than those paid elsewhere in the country.**
- Two of the largest national insurers, **State Farm** and **Allstate**, are no longer writing new homeowners policies in California, partly because of the increased risk posed to homes by wildfires.
- The phenomenon of major insurers pulling out of big markets could spread to other states.

Major insurance companies are pulling out of states where the risk is too big.



Homeowners Struggle to Find Affordable Home Insurance

Where Rates Rose Most

Increased claims from wildfires and other natural disasters have resulted in higher insurance rates. [2]

| PLACE | AVG. RENEWAL PREMIUM | AVG. RATE INCREASE |
|--------------|----------------------|--------------------|
| Florida | \$1,896 | 35% |
| Idaho | \$804 | 31% |
| Colorado | \$2,031 | 30% |
| South Dakota | \$1,513 | 28% |
| Oklahoma | \$2,549 | 27% |
| Texas | \$2,141 | 27% |
| Louisiana | \$1,876 | 27% |
| Arizona | \$1,038 | 26% |
| Nebraska | \$1,887 | 25% |
| Alabama | \$1,885 | 25% |

Source: Policygenius • By The New York Times

- **A growing number of homeowners are facing difficulties in finding affordable home insurance**, a problem that is only expected to worsen because insurers and lawmakers are said to have underestimated the impact of climate change, a new report from First Street Foundation says. [1]
- According to the report, 39 million properties are at high risk of flooding, wildfires, and hurricane winds, which have yet to be reflected in the insurance premiums they pay. [1]
- **6.76 million properties have such great risk that no insurance company will provide them coverage.** [1]
- **Premiums rose by an average of 21 percent from May 2022 to May 2023, dwarfing the 12 % increase during the previous year.** [2]



How Homebuilders Can Leverage Opportunities

Opportunities



Location

Be aware of locations and the risk they pose from natural disasters, such as floods, earthquakes, and hurricanes.



The Resilient Home

There are many ways to build homes that can withstand extreme weather conditions, from fire resistive building materials and landscaping to specially treated wood.



Smart Home Features

Water damage is the most common loss on a home. Building homes with water sensors and automatic shut-off valves would help to mitigate this risk.



Embedded Insurance

The embedded insurance model integrates home insurance early in the homebuying process, creating a convenient and seamless experience for home builders and homebuyers. Partnering with an experienced insurance agency can help to ensure timely closings.

Embedded Insurance: Availability

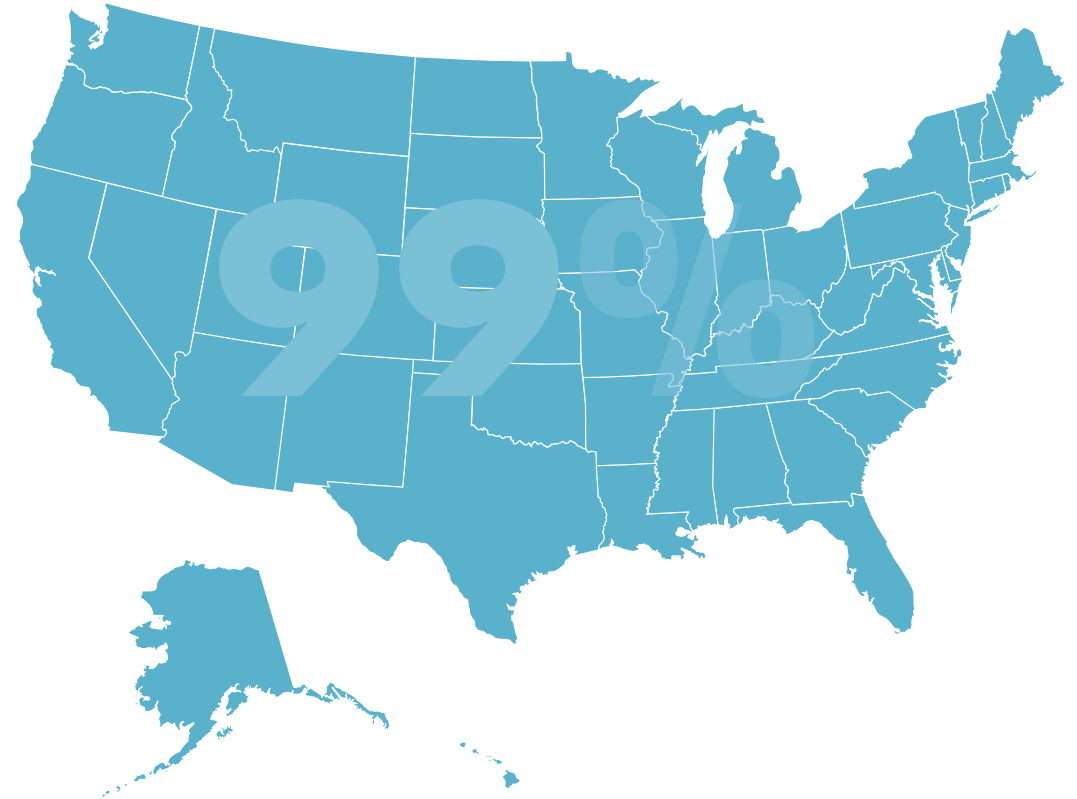
Home insurance for every house in every community

Westwood has a market for more than 99% of all communities nationwide.*

The right embedded insurance partner means builders can count on their customers finding a quality home insurance policy for any type of home they build in any location.


Through Westwood, builders can:

- Offer insurance coverage to their customers in all 50 states
- Work with more than 40 insurance companies
- Access to Surplus Lines markets



Embedded Insurance: Accessibility

A fast and easy insurance buying experience



YOUR HOME INSURANCE QUOTE

Name Here

COMMUNITY
Community Name

MODEL
Model Name

OCCUPANCY
Primary Residence

SQUARE FEET
2465

YOUR PREMIUM

\$**92** PER MONTH
OR \$1102 PER YEAR

[CLICK FOR QUOTE DETAILS](#)

Quote #

Dear Name,

Congratulations on your new home! Westwood Insurance Agency works closely with your builder and mortgage company to provide homeowners insurance that is fast, easy and hassle-free, starting with your personalized HOB quote.

- 1**
[View Quote Details >](#)
and coverage detail through our secure portal
- 2**
Review
and answer any additional questions
- 3**
Accept Your Quote!

Westwood has a 9.6 customer satisfaction score and a 90 Net Promoter Score (NPS) ®.

The right embedded insurance partner means a better experience for homebuyers.

With Westwood, homebuyers benefit from:

- Personalized quote sent within 24 hours
- Online portal to complete the process
- Minimal underwriting questions
- Licensed agents available to assist
- Evidence of insurance sent directly to the lender

Embedded Insurance: Affordability

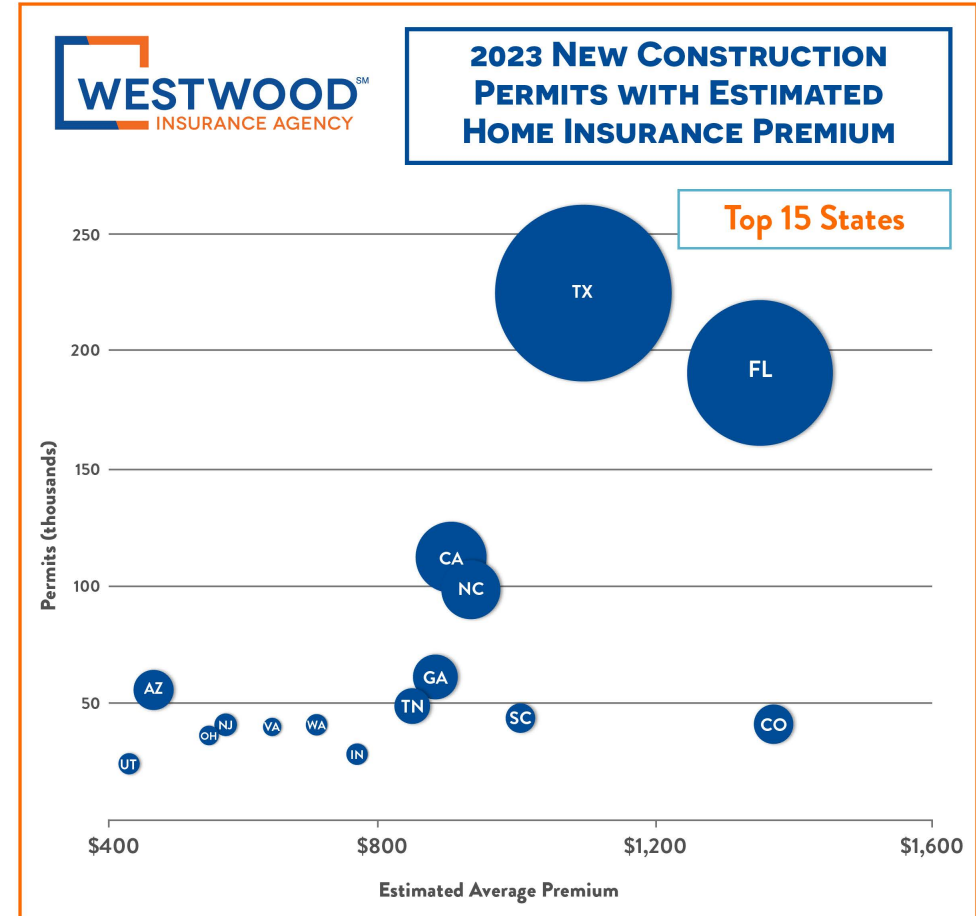
Offering the most competitive rates

Westwood customers save \$200 per year on average on home insurance.

The right embedded insurance partner offers price transparency, allowing customers to understand how insurance will affect their total monthly payment before purchasing the home.

With Westwood:

- All homes in a community are quoted before a builder breaks ground.
- Maximum discounts are available for new homes.
- There's no need for customers to "shop around".
- A Customer Support team is available for future needs.



* New construction permits as reported by Census.gov

* Westwood's estimated average premium includes a market basket of home size and replacement cost across all appointed carriers

TOGETHER, LET'S CREATE A BETTER HOME BUYING EXPERIENCE



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