

CHUBB®

**Insuring Successful
Families and Individuals**

2021
Market Trends

Executive Summary

1

Successful individuals and families **continue** to deal with new and dynamic types of risks, while their expectations of service continue to evolve. Client expectations on service, digital capabilities and convenience continue to increase.



2

Across the US there has been a measurable increase in their risk exposure and an increased cost to repair their homes.

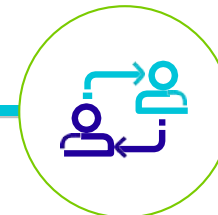
These trends are not limited to only certain geographies in the United States or with specific insurance carriers – these are national trends.









3

This **dynamic** environment has created a knowledge gap and a need for customized servicing.

Thus, the need for expert advice from independent agents, brokers and financial advisors has never been higher.

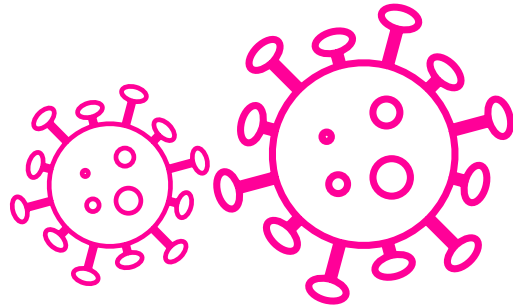


Evolving Risks And Costs For Successful Families And Individuals

Category	Trend
 Emerging Risks ¹	<ul style="list-style-type: none">• COVID-19 impacts on the Great Wealth Migration and auto• Civil unrest caused over \$1 billion in damage• Cyber criminals are exposing new risks that many clients don't have top of mind
 CAT Events & Major Storms ²	<ul style="list-style-type: none">• 2020 was a record year for \$1 billion weather and climate events• The number of \$1 billion events has more than doubled in this decade compared to the last
 Wind, Water, & Fire ³	<ul style="list-style-type: none">• Industry-paid water losses in 2019 were up 15% in 12 months; #1 problem = plumbing failures• Industry-paid wind losses were up 7% while the industry showed a slight decline in paid fire losses in 2019
 Repairs & Labor ⁴	<ul style="list-style-type: none">• In 12 months, the highest driver of material costs is from lumber which is up as much as 60%
 Increasing Costs ⁵	<ul style="list-style-type: none">• Replacement values of high-end contents and appliances have increased >100% in several cases since the original purchase• Changes in the collection markets show certain assets classes, such as contemporary art, watches, and sports memorabilia, surging in value
 Client Expectations	<ul style="list-style-type: none">• Client expectations for additional environmental remediation, including use of hygienists, are extending the length of repairs• Longer length of repairs drives longer stays in temp housing

1. III.org; 2.NOAA; 3. ISO; 4. Verisk, 1Q21; 5. Manufacturer and auction sites

COVID-19 Impact On Home And The Great Wealth Migration



COVID-19

has accelerated housing trends we were already seeing among successful individuals and families, and in some cases, has changed how and where they plan to live

18%

of successful families and individuals are moving at 2x the rate of the general population from 2019. That means over 1 million households could be in the market for new insurance

64%

of successful families and individuals plan to do renovations to their home

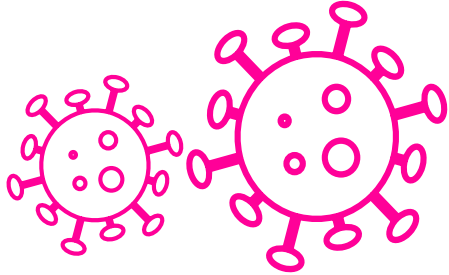


Migration to smaller cities from major metros rose

Chubb.com/GreatWealthMigration

COVID-19 Impact On Auto

Changes in Driving Habits



COVID-19 had more people working from home and the number of cars on the road decreased

With the changing driving habits, auto insurers offered credits or refunds for auto policyholders

A National Highway Traffic Safety Administration study showed that while U.S. driving fell 26% in 2020, drivers who remained on the roads engaged in more risky behavior, including speeding, failing to wear seat belts, and driving under the influence of drugs or alcohol¹

The majority of Personal Excess claims are due to automobile accidents. During the pandemic, the frequency has reduced but the average severity has been increasing, especially in the more severe claims (\$3m+)

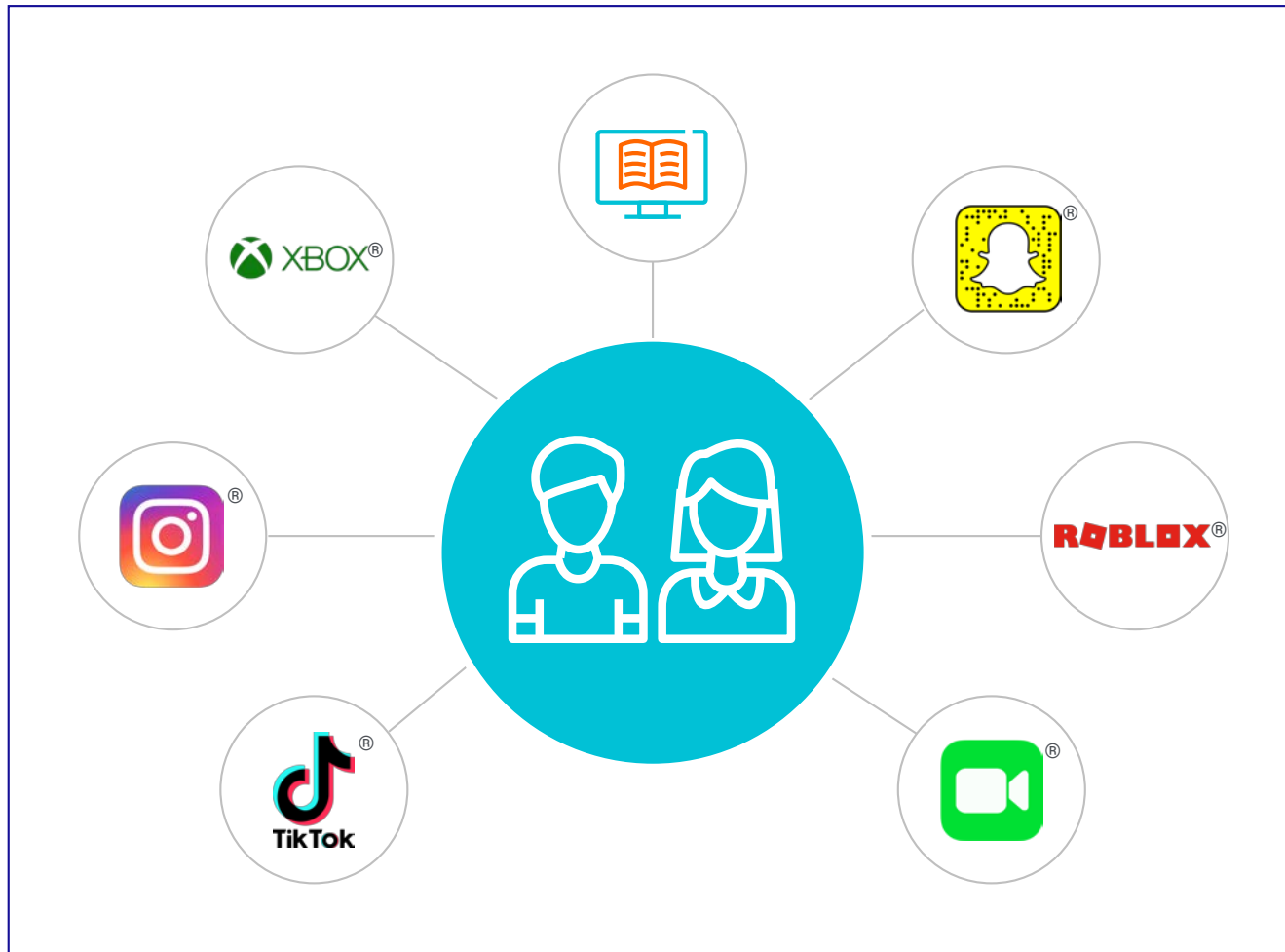
The reason that claim severity may be increasing is due to an increase in accidents from speeding and distracted drivers, which has led to more severe injuries²

The Impact on Auto Sales

New-vehicle sales are not expected to recover to pre-COVID levels until 2023 at the earliest³

1. .nhsta.gov; 2. Chubb claims review; 3. BCG

New And Existing Cyber Risks Impact Consumers In 2020



The global pandemic, which created a huge rise in people working from home, students learning virtually, shopping online, and generally being more digitally connected than ever, created an increase in cyber risks in 2020¹

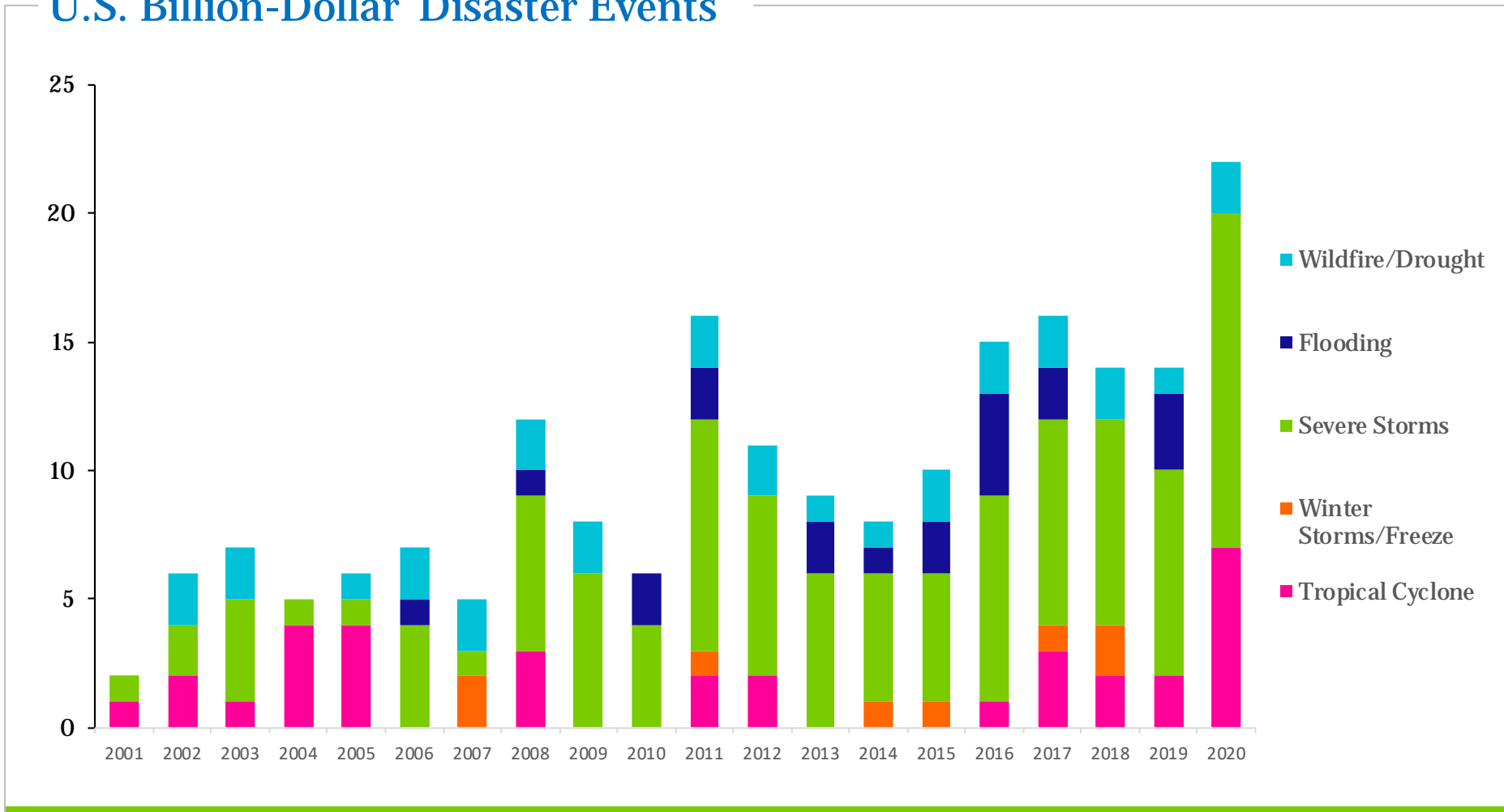
Cyber criminals exploited COVID-19 related topics as a means to gain access to sensitive data¹

IoT products like Google Home, Amazon Echo, doorbell cams, baby cams, and Nest thermostats create more entry points for hackers¹

1. CyberScout New Cyber Threats for 2021

Record Year For \$1B Disaster Events

U.S. Billion-Dollar Disaster Events



2020 Data Review

In the last decade, the U.S. has seen 129 \$1B weather and climate events, **more than double** the 64 events in the decade prior

+102% increase

2020 was a record year for \$1B weather and climate events with 22 events. The average for the past five years is 16 events

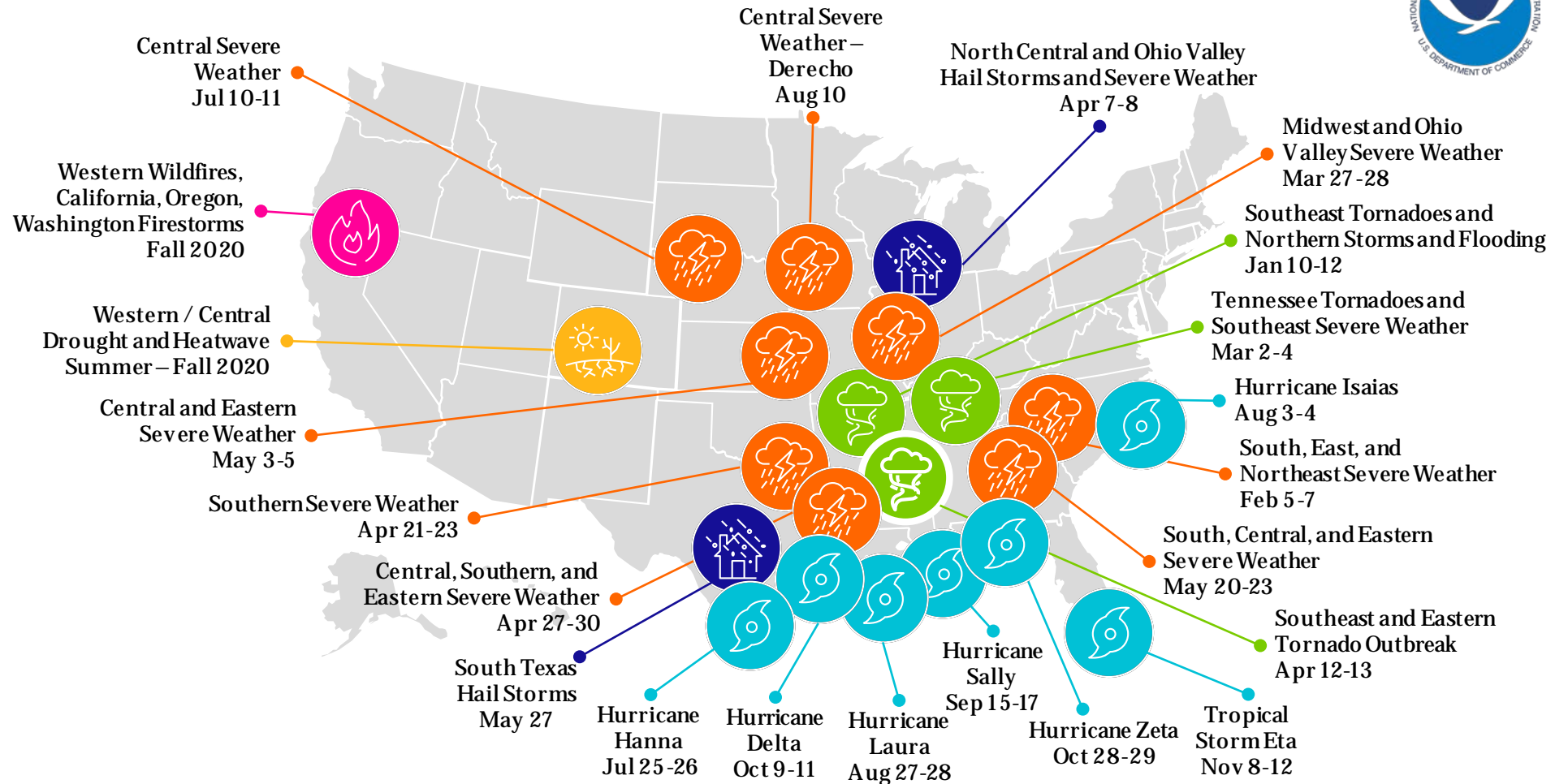
NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters

Different Events Happening Across The Country



U.S. 2020 Billion-Dollar Weather and Climate Disasters

This map denotes the approximate location for each of the 22 separate billion-dollar weather and climate disasters that impacted the United States during 2020.



2020 Record-Breaking Year For Hurricanes & Wildfires



2020 Hurricanes¹

30 Named Storms

This is the highest number of named storms on record, surpassing 28 from 2005, and the second-highest number of hurricanes on record

Above Normal Season

2020 was the fifth consecutive above-normal season
The last five years saw 90 named storms, a 22% increase over the previous five years

12 Storms hit the U.S. Coastline

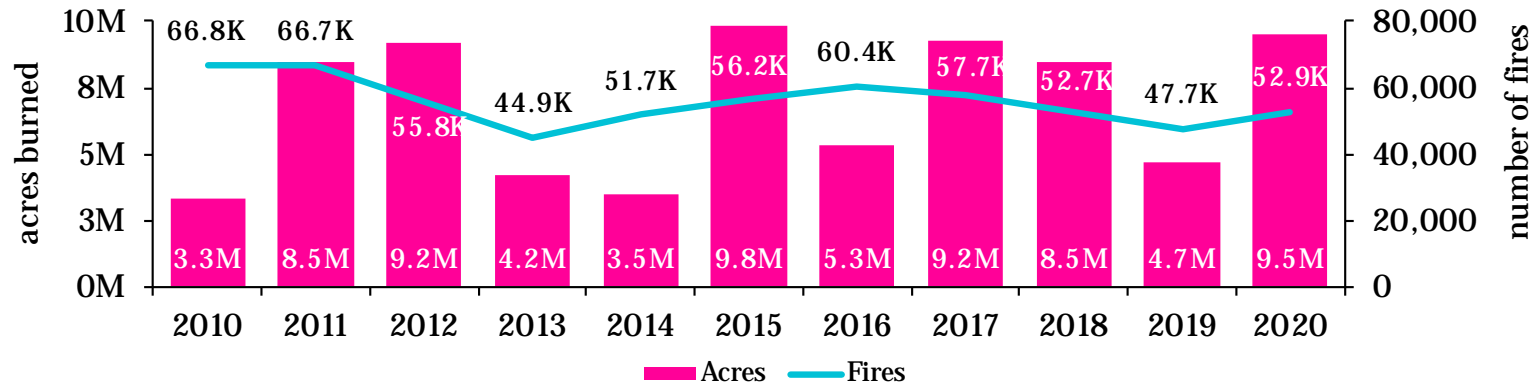
5 of these storms came ashore in Louisiana
Previous record was in 1916 when 9 storms hit the U.S. coastline

Est. Damages

More than \$41 billion (2020 USD)



U.S. Wildfires²



5 of the top **6** largest California wildfires occurred in 2020

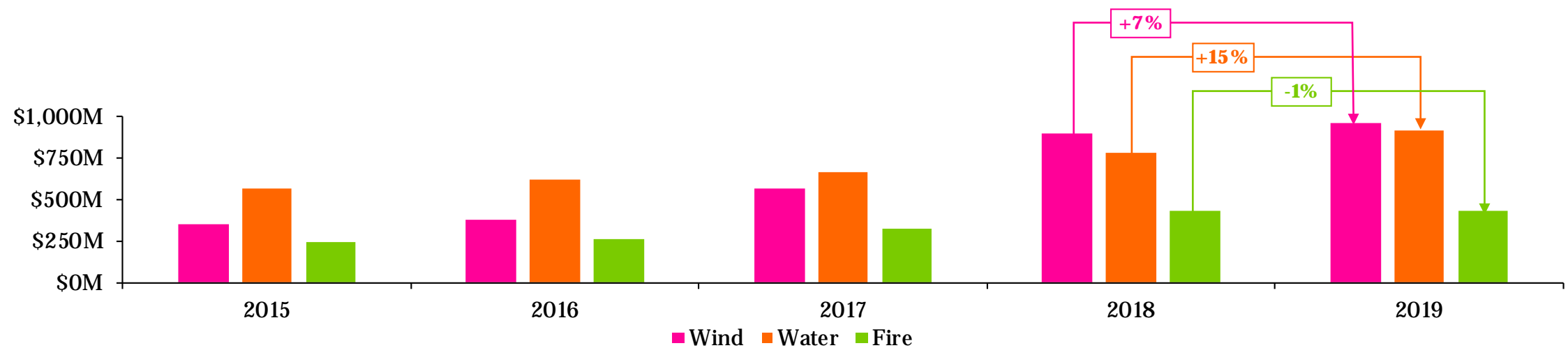
1. NOAA, Redzone.com; 2. NIFC, fire.ca.gov.

Water And Wind Paid Losses Continue To Rise

Key Facts on Damage Trends

- From 2015 to 2019, industry-paid losses were up significantly for water, wind, and fire. In 2019, losses continued to rise for wind and water while fire saw a slight decrease
- Year over year, paid water losses are increasing at a larger percentage than wind and fire
- Plumbing-supply system failure remains the #1 source of residential water losses

5-Year Trend of P&C Industry-Paid Losses in Luxury Home / Condo



Cost Trends In Roofing Materials

Home:¹ Material Costs for 3,000 Square Foot Roof, 2008 vs 2020

Asphalt Roofing	
2008	2020
\$2,100	\$4,600
\$2,600 inflation-adjusted to 2020 dollars	



+77%

Metal Roofing	
2008	2020
\$7,900	\$12,800
\$9,700 inflation-adjusted to 2020 dollars	



+31%

1. Data obtained from individual manufacturer websites and related articles in *Forbes*, *NY Times*, and *Consumer Reports*

Cost Trends In Common Building Materials

Home: Material Costs Common in Reconstruction

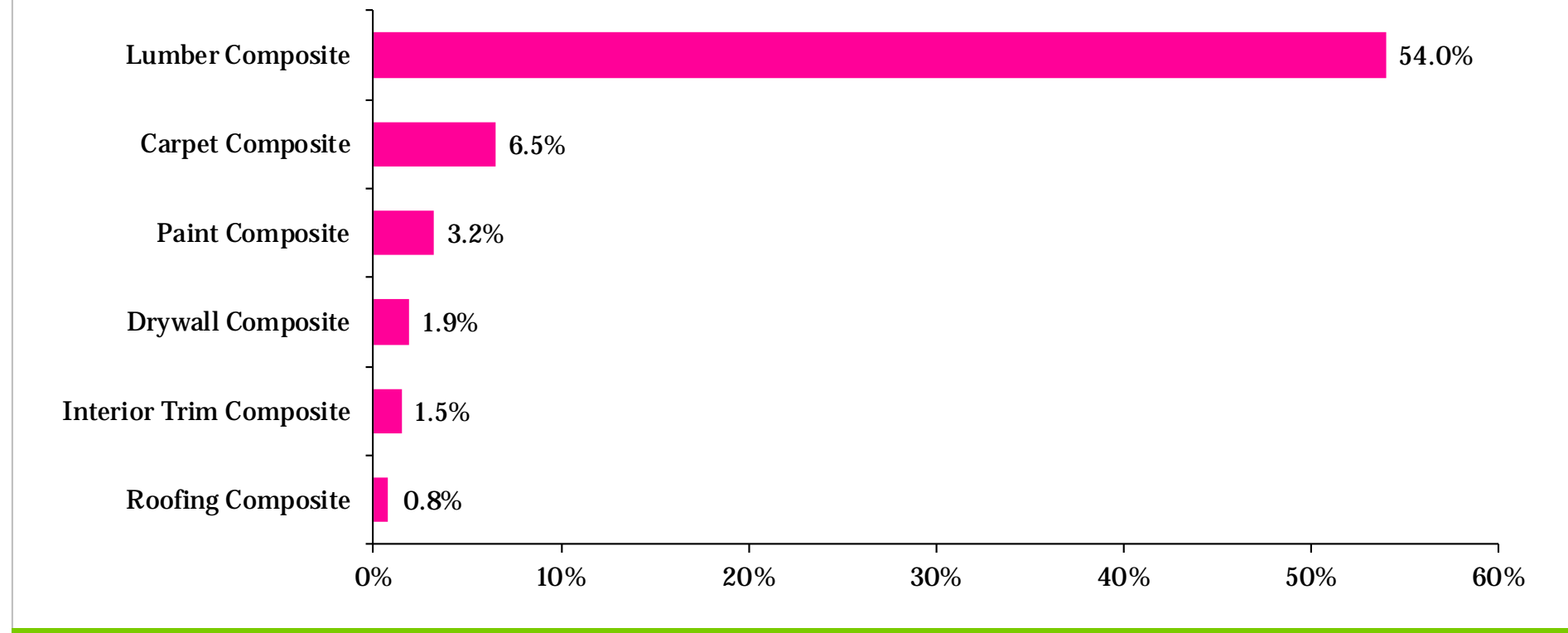


1. Cost per 1,000 board feet, Source: Fast Markets RISI; 2. Cost per 1,000 square feet gypsum, Source: U.S. Federal Reserve Board

Total Reconstruction Costs: Material Cost Analysis

Total reconstruction costs, including material and retail labor, increased 9.1%

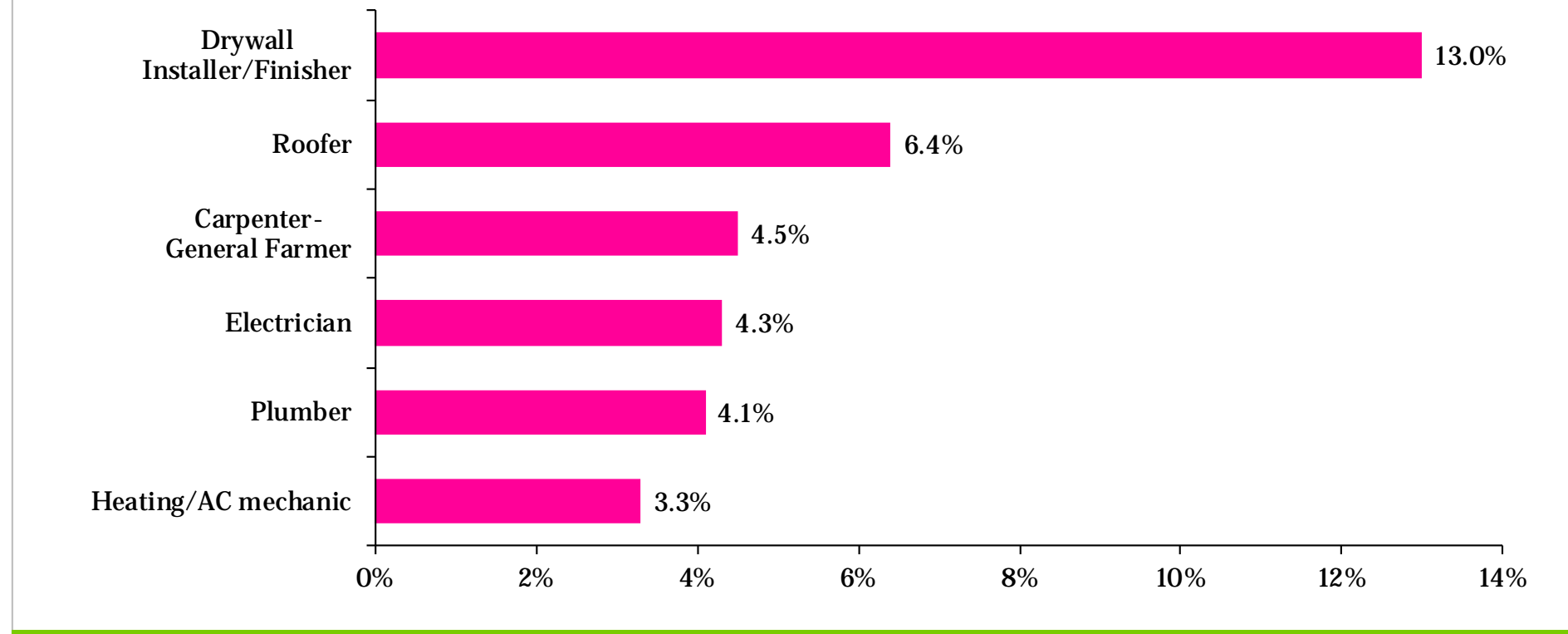
Percentage Change in Costs in 12 Months: Jan 2020 – Jan 2021



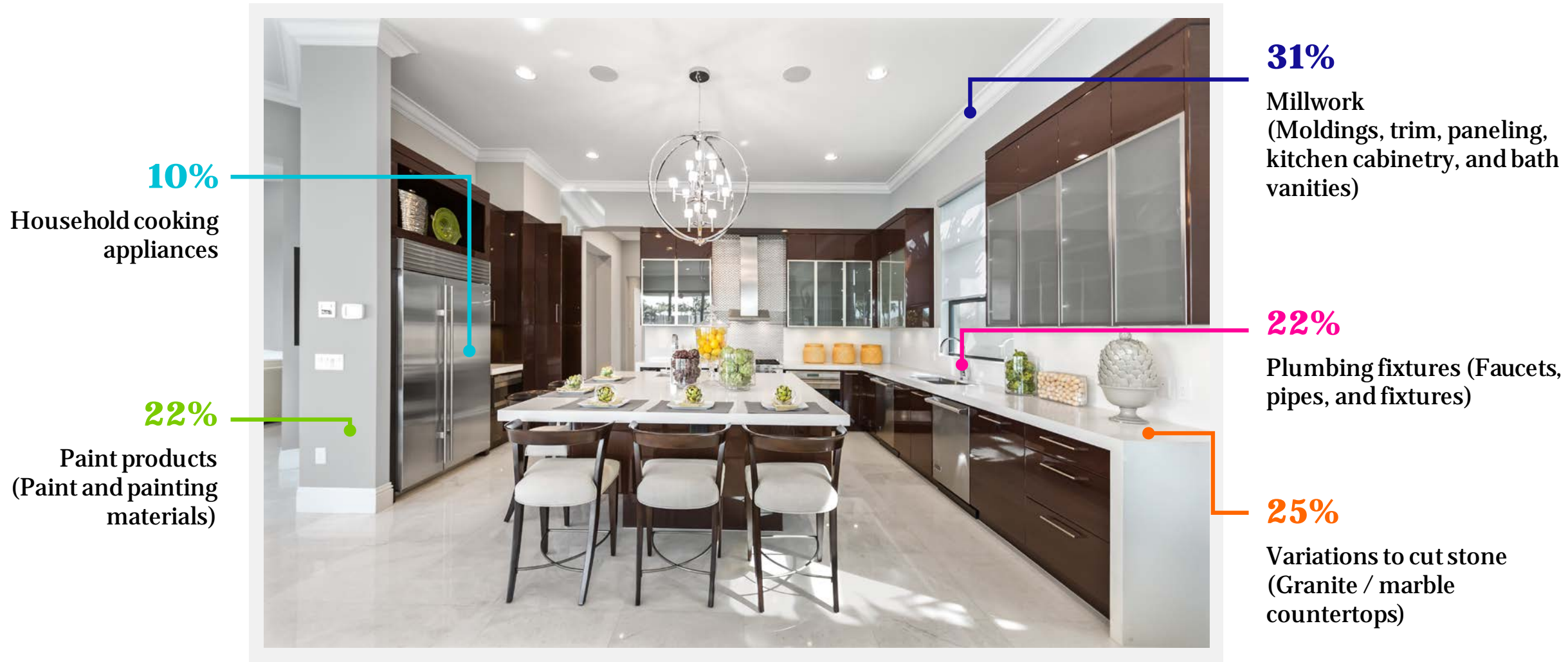
Total Reconstruction Costs: Labor Cost Analysis

Total reconstruction costs, including material and retail labor, increased 9.1%

Percentage Change in Costs in 12 Months: Jan 2020 – Jan 2021



Cost Impacts To A Kitchen Renovation 2010 to 2020



U.S. Bureau of Labor Statistics Monthly Pricing Indexes

New Technologies Have Also Increased Kitchen Appliance Replacement Costs

Home¹ Replacement Costs for Premium Appliances

Sub-Zero
Top-of-Line Refrigerator

2020



\$18,000

Miele
Top-of-Line Dishwasher

2020



\$6,000

Wolf
Top-of-Line Cooktop

2020



\$6,100

1. Data obtained from individual manufacturer websites

New Auto Safety Technologies Have Increased Replacement Costs

Auto:¹ Newer Models with Advanced Technology Increasing the Costs for Vehicle Components

Mercedes CLS Front Bumper Cover

2018	2020
\$610	\$1,670



+173%

Mercedes CLS Headlamp Assembly

2018	2020
\$2,446	\$3,674

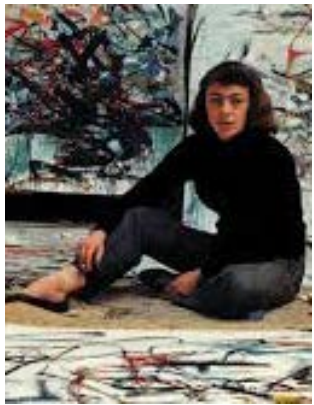


+50%

1. Data obtained from individual manufacturer websites and related articles

Values Increasing In The Collections Market: Art & Spirits

Contemporary Art Is Appreciating at Rapid Rates¹



\$100 invested in a work by **Joan Mitchell** in 2000 would be worth an average of \$2,479 (+2379%) in December 2020



Jean-Michel Basquiat
"MP" (1984) sold at Christie's in 1993 for \$77,300; it sold at Christie's in October 2020 for \$4,590,000



Zao Wou-Ki
"12.2.69" (1969) sold at Christie's in 2007 for \$733,300; it sold at Phillips in December 2020 for \$1.75 million

Spirits Have Also Appreciated Significantly²



- Spirits have had a growing presence at wine auctions, with rare whiskies being the most collectable spirit
- More collectors are buying bourbon and seeking out vintage bottles from the 1960s through the 1990s
- In 2010, bourbon was a \$1.9 billion industry in America and has grown to more than \$4 billion today, according to the Distilled Spirits Council

1. Artprice.com, Artmarketmonitor.com, Artnews.com; 2. *NY Times*

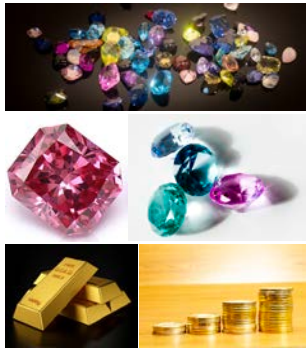
Values Increasing In The Collections Market: Watches & Jewelry

Watches a Growing Source of Investment¹



- The watch market continues to grow despite the pandemic
- Auction houses show booming sales in jewelry and watch items
- Secondary market for watches is surging
 - A Patek Philippe Nautilus watch retails for \$30,000; collectors are willing to pay up to \$80,000 in the secondary market
 - The Rolex Daytona has a list price of \$13,150; in the secondary market it is closer to \$30,000

Prices Rising with Precious Gemstones and Gold²



- Gold prices per ounce reached an all-time high
- Silver prices per ounce are trading at an all-time five-year high
- Australia's Argyle Diamond mine, which closed in Nov 2020, supplied 90% of the world's pink diamonds
- The world's largest vivid purple-pink diamond, The Spirit of the Rose, sold for \$26.6 million at Sotheby's auction, setting a global auction record

1. Robbreport.com, jckonline, collectability.com, rolex.com; 2. Jckonline, kitco.com, NyTimes

Values Increasing In The Collections Market: Sports Memorabilia

Significant Growth for Sports Memorabilia



The world record for the highest price ever paid for a modern sports card was \$5.2 million for a 1952 Mickey Mantle baseball card. Previously, the record was held by a Mike Trout baseball card sold for \$3.94 million in August 2020.



Michael Jordan and Chicago Bulls memorabilia are seeing world-record prices. In 2019, Jordan's rookie card PSA 10 was valued at \$40,000. It is now valued at roughly \$100,000, with six copies recently sold for between \$88,000 - \$104,000



Michael Jordan's game-worn, autographed Nike Air Jordan 1s from 1985 sold for \$560,000 at Sotheby's

Public auction sites

CHUBB[®]

Property of Chubb. May be shared with permission.

Large Judgments Present Increased Risk for Clients



Social inflation is a broadening definition by society and juries of what is covered by insurance policies

Increasing litigation

Broader definitions of liability

Growing size of compensatory jury awards



**Examples of
Large Judgments
in 2020**

\$412 million

To motorcyclist that attempted to avoid a 45-vehicle pileup. The driver was partially paralyzed and had life-altering trauma including a broken pelvis, spine damage, and a severed colon¹

\$21.5 million

To a driver who was violently rear-ended, causing the 18-year-old to be paralyzed from the neck down²

\$202 million

To a nine-month pregnant driver who was hit by a drunk driver that left her with debilitating injuries.³

1. landline.media; 2. dunnion.com; 3. law.com

Newcomers Join The Boating World In 2020



Reports that retail unit sales of new powerboats in the U.S. increased last year by an estimated 12% compared to 2019. This is at levels the recreational boating industry has not seen since before the great recession in 2008¹

New boaters are taking to the waters²

- Powerboat sales are being driven by the increase of wake boats, which are attractive to new and active boaters as well as freshwater fishing and pontoon boats which are sought after for their versatility and entry-level price points¹
- Millions of Americans took up fishing or boating as new or returning participants during summer 2020
- New fishermen and boaters are younger, more urban, and more diverse. They are also highly socially connected

Top statistics in the boating industry³

Safe boating

Wearing a lifejacket could reduce fatalities by 30%”

Safety

2021 is projected to be 2 to 3% safer than in preceding years

A boat is not a car

Primary cause of accidents is collision between two boats

Affordability is relative

The average boat sale is \$147,000

Timing is everything

In terms of injuries, Saturday is the most dangerous day

1. NNMA.org; 2. takemefishing.org; 3. NNMA.org

The Need For Expert Advice From Independent Agents Has Never Been Higher



80%

A study by Chubb shows **80% of HNW** individuals expect agents to make recommendations prioritizing getting the right coverage over getting the lowest possible cost

75%

A study by Chubb shows **75% of HNW** individuals expect COIs, such as real estate agents, to recommend an insurance agent for advice

40%

Over **40% of successful** investors would switch financial advisors for one that provides holistic P&C planning & advice. **40%** of those also said they would be willing to pay higher fees for such value-added service¹

¹Study conducted by Oliver Wyman and commissioned by Chubb

Protecting Clients from Major Losses Helps Protect Their Present and Secure their Future

Successful families and individuals are facing **increased complexity and risk** – many they aren't planning for.

Together, we can **protect their present** and **secure their future** by building the right protection for their financial goals.

The Impact of the Knowledge Gap

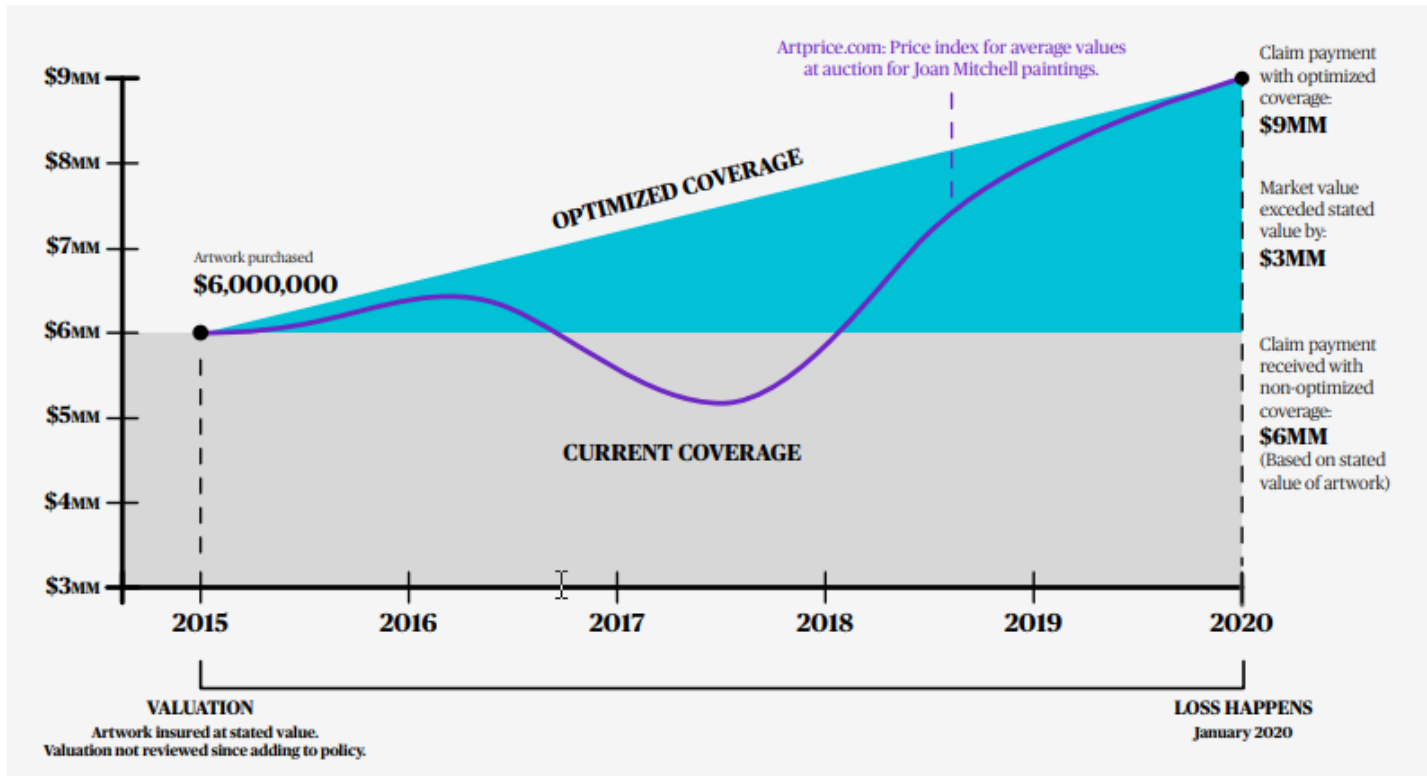
Clients without adequate protection can face significant consequences to their financial situation, including liquidating investments or delayed retirement.

CHUBB[®]

Case Study: Leak from upstairs damages Joan Mitchell painting



When Malvika and Rohan spent a weekend at their Nantucket home, a plumbing problem caused water to leak in the upstairs bathroom of their Weston, MA, home and irreparably damaged a Joan Mitchell painting. At the time of loss, the market value of the work exceeded the stated value on their insurance schedule by \$3,000,000. As a result, since Malvika and Rohan were insured for the stated value only, they were unable to replace the damaged painting with a comparable work.



Property of Chubb. May be shared with permission.

Key Takeaways

1

Life is complex.
Sometimes the
unexpected happens.

2

Our clients are facing
increased risks and
new threats.

3

Our clients need and
value expert advisors to
ensure they're protected.

4

Together, we can use this
information to better
educate our clients.

5

Let's work together to
protect their present
and secure their future.

Chubb is the marketing name used to refer to subsidiaries of Chubb Limited providing insurance and related services. For a list of these subsidiaries, please visit our website at www.chubb.com. Insurance provided by ACE American Insurance Company and its U.S. based Chubb underwriting company affiliates. All products may not be available in all states. The opinions and positions expressed in this presentation are the presenter's own and not necessarily those of Chubb. The material presented herein is not intended to provide legal or other expert advice as to any of the subjects mentioned, but rather is presented for general information only. You should consult knowledgeable legal counsel or other knowledgeable experts as to any legal or technical questions you may have. This presentation is solely for informational purposes. Chubb, 202 Hall's Mill Road, Whitehouse Station, NJ 08889-1600.

CHUBB®

Chubb. Insured.