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Verisk Property Estimating Solutions

Quarterly Property Report
October-December 2024

Unless otherwise stated, the values reported in this bulletin are national averages for North America (United States and Canada) and will vary from local prices.

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The insurance industry faced unprecedented challenges in Q4 2024 as weather patterns continued to evolve beyond traditional seasonal expectations. Late-season hurricanes, rather than winter storms, drove catastrophe claims to surge 113% year over year, while total claims rose 36%. This shift in risk patterns demands new approaches to risk assessment and resource planning, particularly in the Southeast where costs increased at six times the national rate following hurricane activity.

We're tracking several pivotal trends that will shape operations in 2025. Reconstruction costs continue their upward trajectory, with commercial properties seeing more pronounced growth at 5.5% year over year compared with residential at 4.5%.

Labor costs outpaced materials—a reversal from Q3 patterns. However, fuel costs provided some relief, decreasing by 8.62% in the U.S. and 9.77% in Canada.

Together, these trends point to an industry environment that requires precise data analytics and forward-looking insights to navigate successfully.

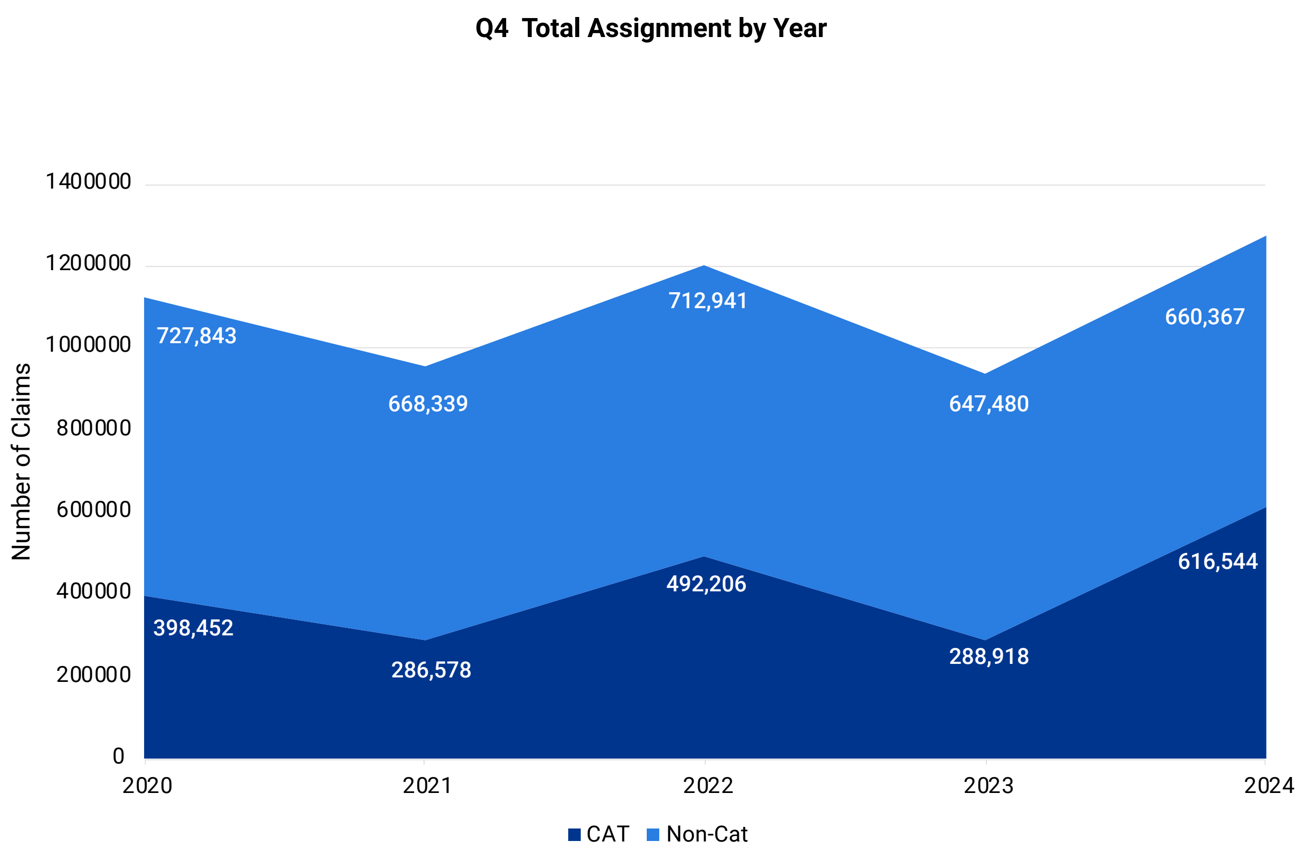
Claims Trends

The fourth quarter of 2024 highlighted the evolving nature of catastrophic risks facing our industry. While Q4 traditionally brings winter storm challenges, this quarter saw a dramatic shift in loss patterns, with late-season hurricane activity creating increased demands on claims operations. Total claims volume rose 36% year over year, driven by a 113% increase in catastrophe (CAT) claims—presenting both challenges and opportunities for enhancing resilience in our rapidly changing climate.

Volume

As we analyze Q4 2024 data, a clear pattern emerges, showing how weather-related risks continue to evolve. The quarter departed significantly from the 2023 pattern, with late-season hurricanes rather than winter storms driving claim volumes. This shift particularly affected our Southeastern partners with substantial operational challenges in Florida and Georgia.

Geographic analysis shows concentrated activity in the Southeast, where hurricane-related claims dominated the quarter. Texas maintained significant claim volumes through a mix of wind, water, and hail events, while California saw notable non-catastrophic flooding claims in the Bay Area.



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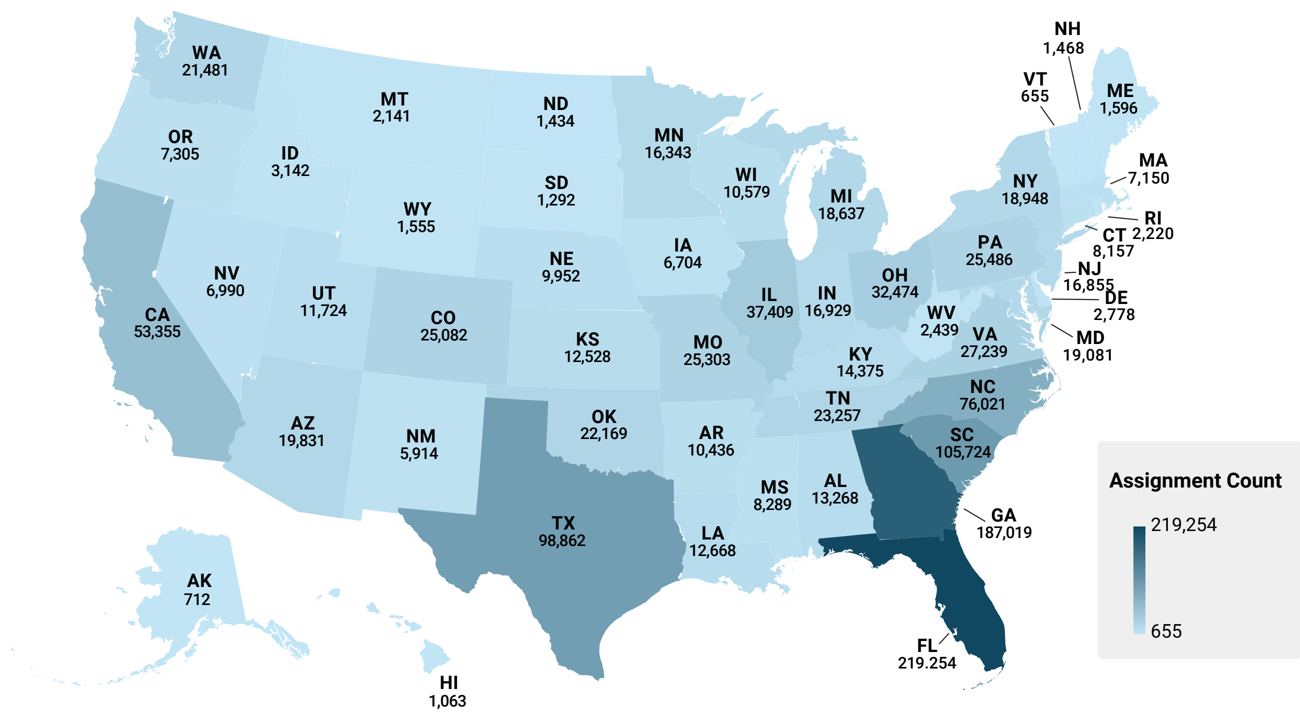
Q4 2024 Assignment Volume by State



Regional impact analysis

Year-over-year comparison reveals significant shifts in catastrophe claim patterns. While hurricane activity explains increased claims in Florida, Georgia, and South Carolina, we also observed unexpected surges in the Great Plains and Pacific Northwest, primarily from water, hail, and wind events. Conversely, the Northeast experienced a marked decrease in wind-related claims compared with 2023.

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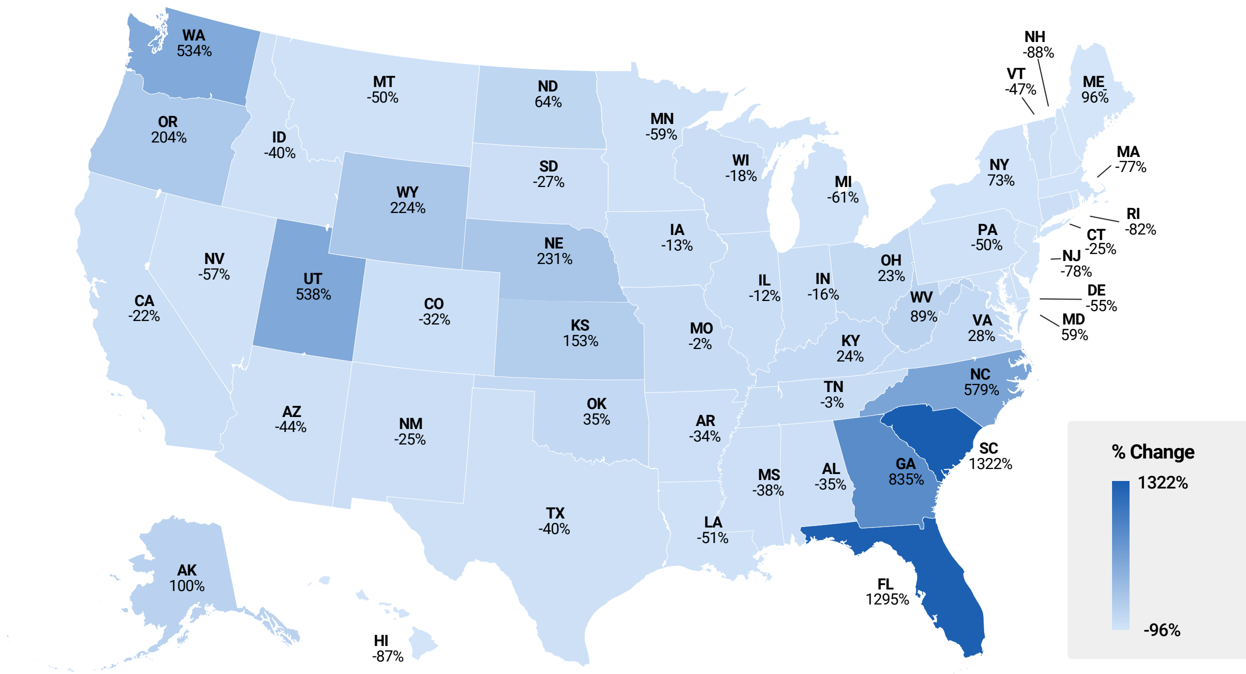
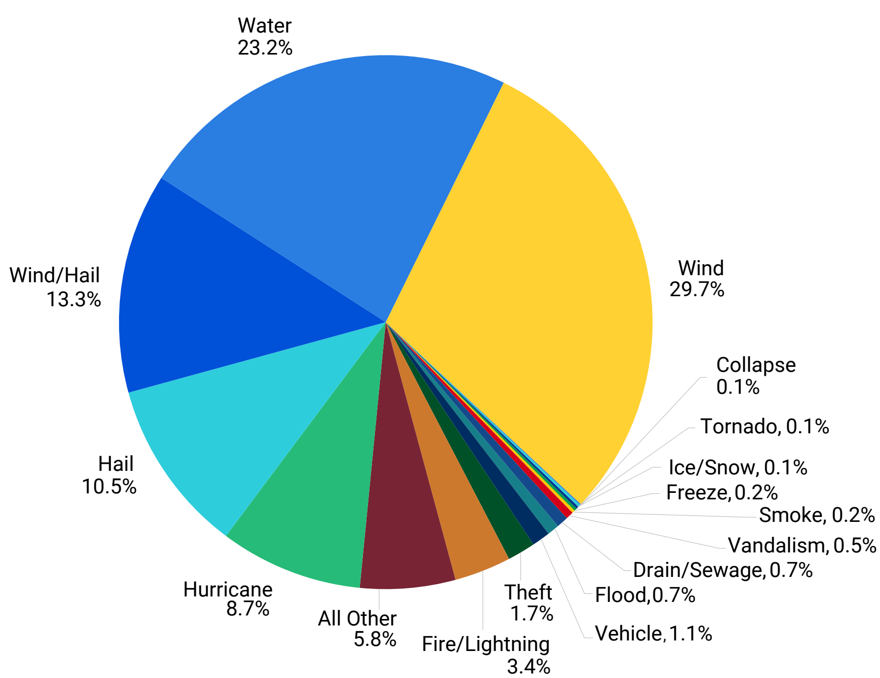
Change in Q4 CAT Claim Count by State 2023-2024



Claims by type of loss

This quarter's data reveals dramatic shifts in loss patterns, with hurricane-related claims comprising 9% of total volume—a substantial 1,100% increase from Q4 2023. Both flood and wind claims saw 200% increases, reflecting the quarter's severe weather patterns. Understanding these shifts enables better preparation for future catastrophic events and more effective resource allocation.

Q4 2024 Claims by Type of Loss



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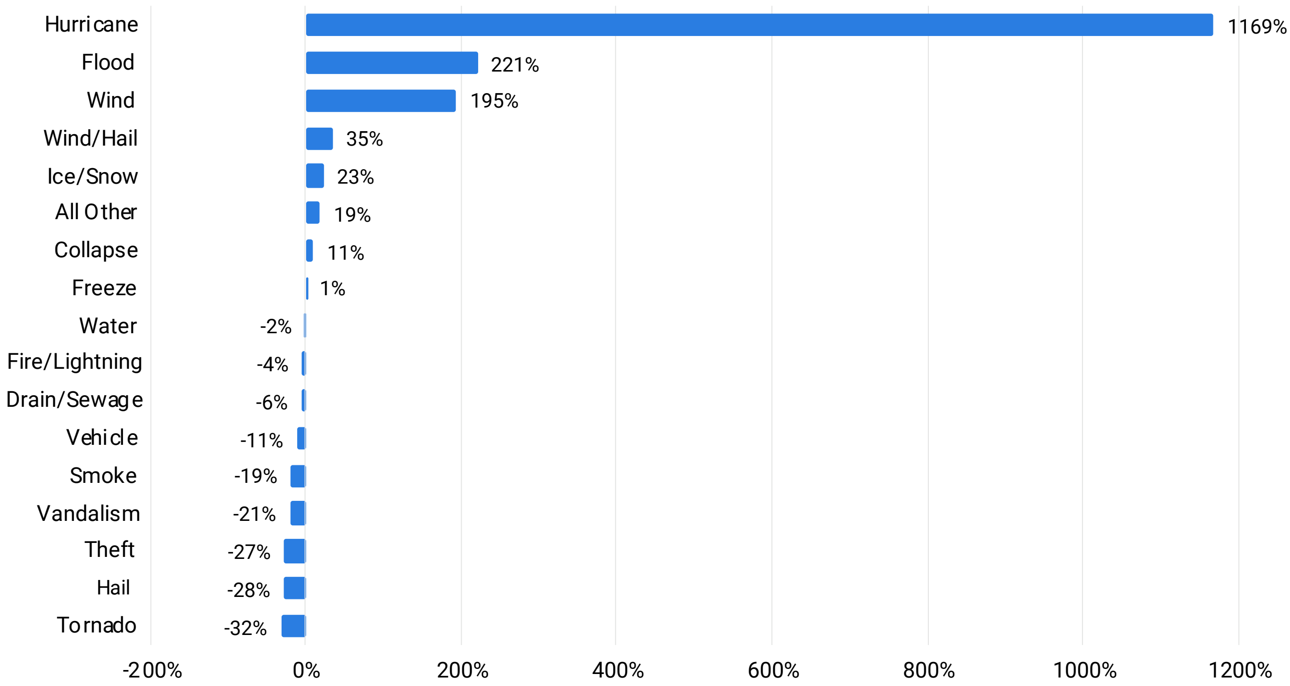
% Change in Q4 Type of Loss 2023–2024



Severity

To provide the most accurate insights for our partners, it's crucial to understand how claim severity metrics mature over time. Initial Q4 2024 data shows a 7% decrease in average severity compared with 2023, but this figure requires careful interpretation. Looking back at Q3 2024, we've observed how initial severity figures evolved—the average replacement cost value (RCV) rose from $15,300 to $16,800 as complex claims reached completion, representing a 10% increase. Q3 claims completed in Q4 averaged $27,600, demonstrating the significant impact of these larger, more complex claims.

Based on these maturation patterns, we project Q4's average RCV could reach approximately $18.6k as claims develop, aligning more closely with historical trends.

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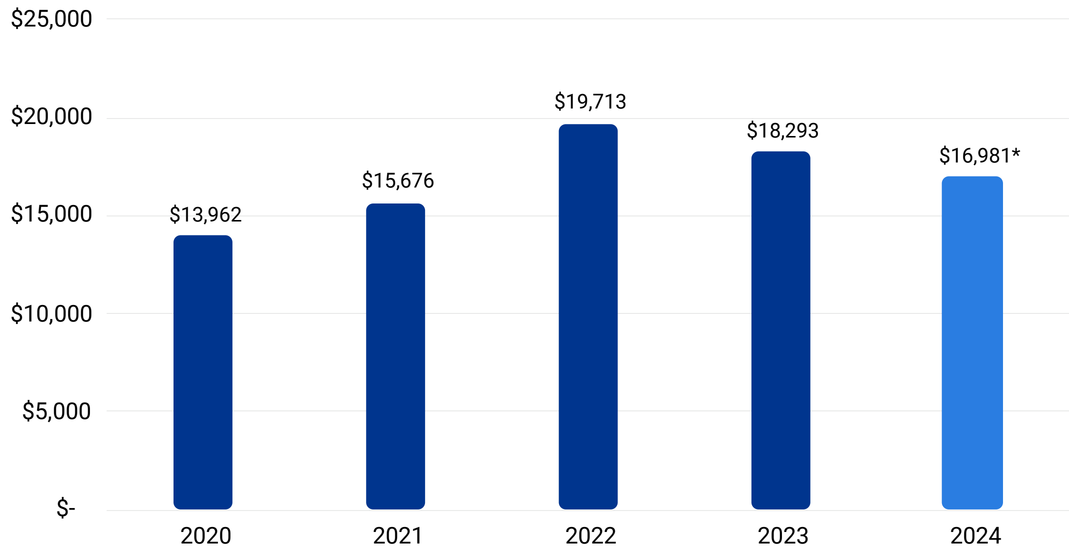
Average Q4 Replacement Cost Value

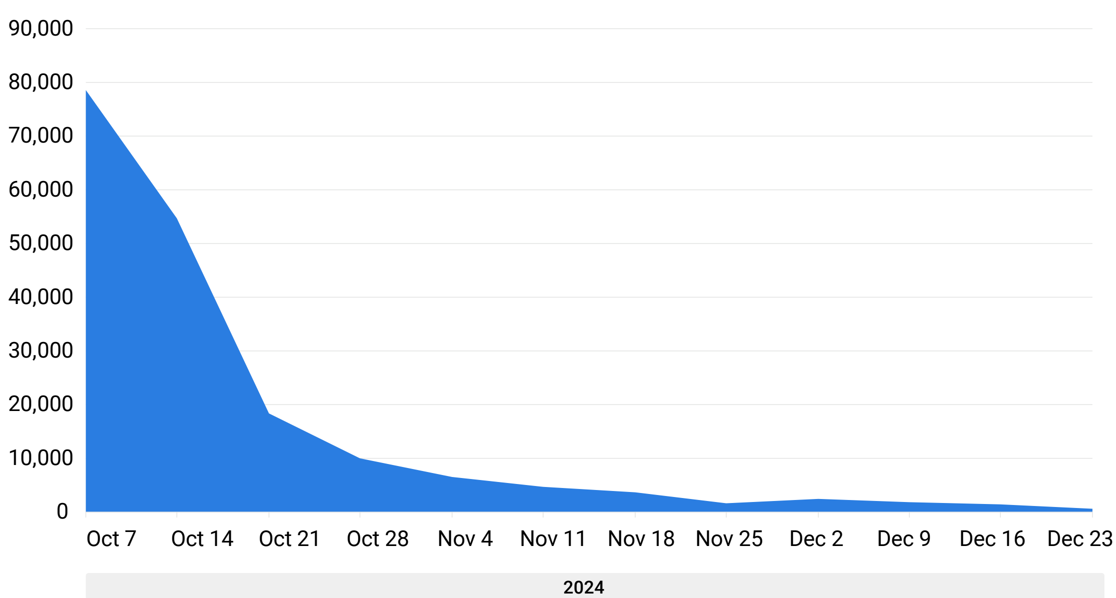


**subject to change upon data maturity*

Hurricane Milton

Hurricane Milton's impact continues to shape claim patterns across the Southeast, with our analysis revealing both immediate effects and longer-term implications for operations. The event has generated nearly 187,000 claims totaling $2.68 billion in RCV, with 8% still outstanding as of this report. The average RCV stands at $19,100 per claim. Additionally, we're noting extended cycle times—averaging 11.2 days from receipt to return, approximately 1.5 days longer than the Q4 average of 9.7 days.

Received Hurricane Milton Claims by Week



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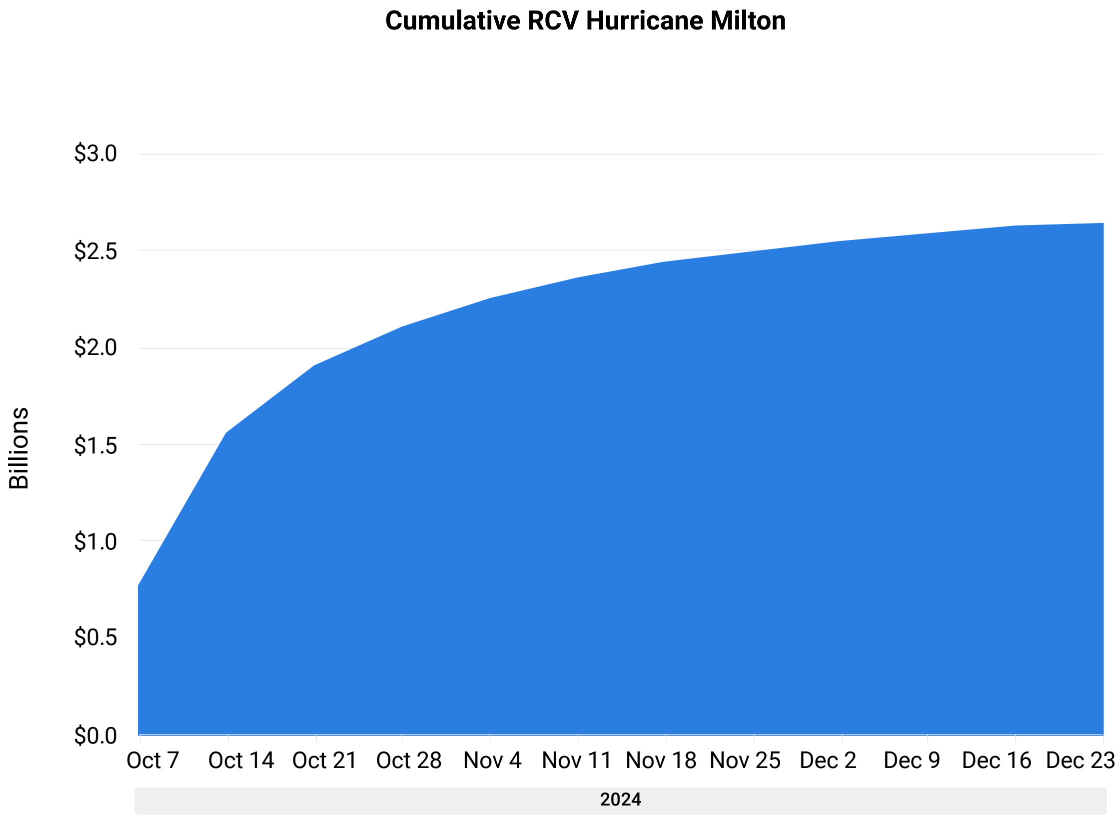
Our data reveals important patterns in claim reporting and estimation that can help optimize your response strategies. Within the first month of the event, 88% of claims were reported, establishing a strong initial response. However, the steady flow of 600-1,000 new claims per week through December aligns with patterns we've observed in similar events. This extended reporting window coincides with RCV patterns, as 80% of total estimated RCV was written within the first month.



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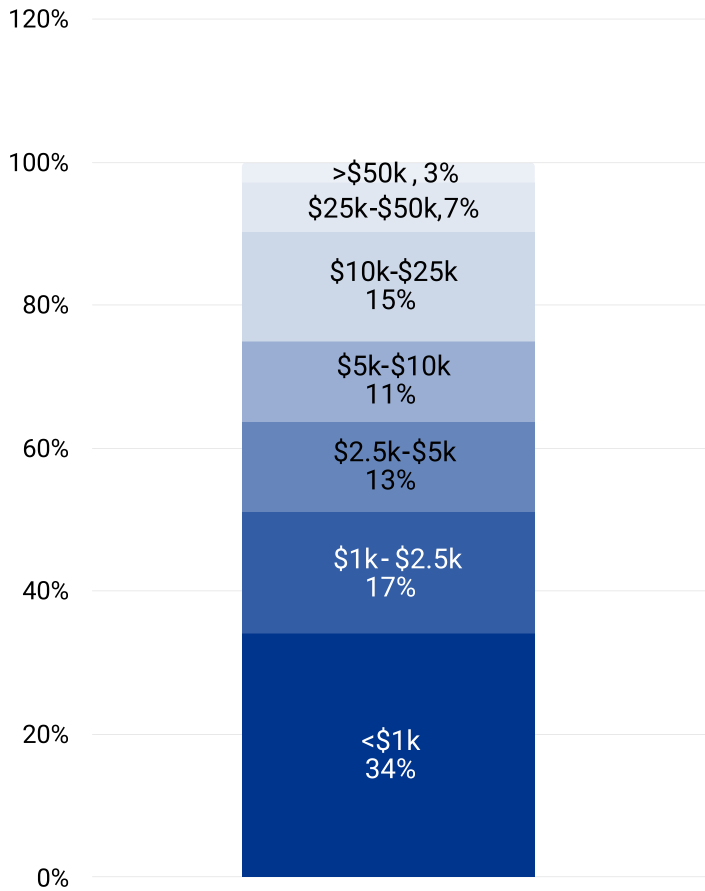
Supplement activity deserves particular attention in your planning, signaling potential opportunities for proactive estimation and resource allocation. 20% of Milton claims required supplements affecting RCV. Of those, 75% involved adjustments of less than $10,000.

Hurricane Milton Supplement Values



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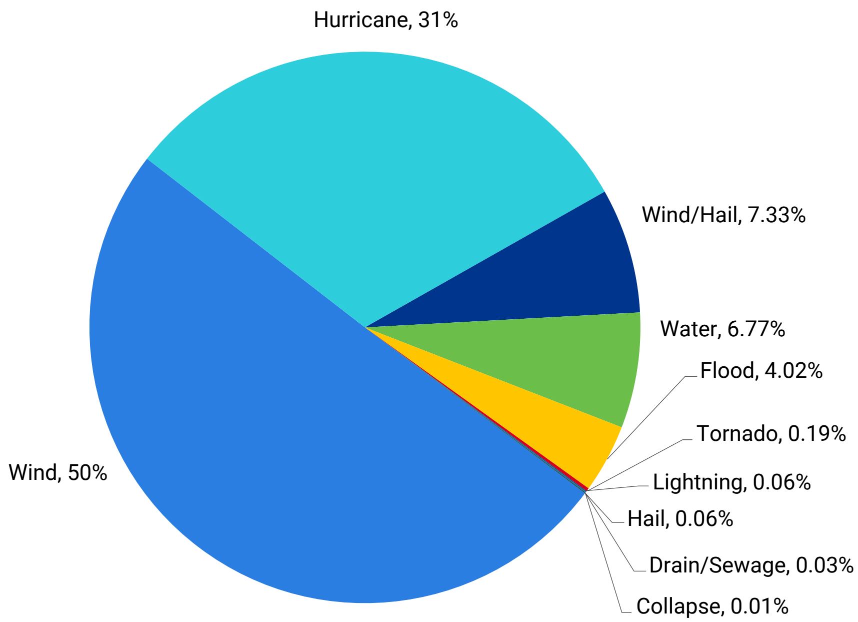
Note that while our geographic and temporal analysis confirms these claims stem from Hurricane Milton, only 31% were specifically coded as "Hurricane" losses. Most (50%) were designated as wind claims, while water/flood designations accounted for 10.8% of the total. Understanding these reporting variations is crucial for accurate loss tracking and future catastrophe planning.

Hurricane Milton Claims by Type of Loss



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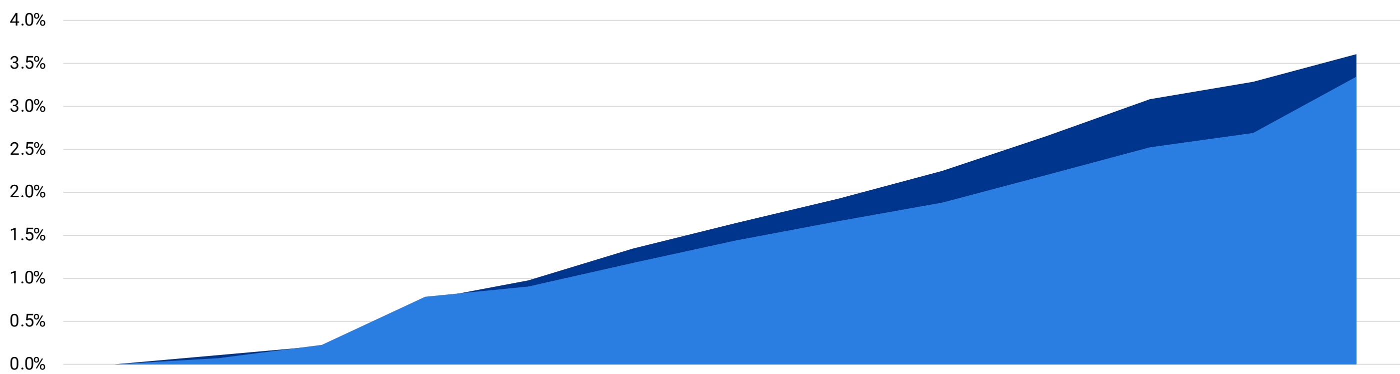
Pricing data services

Labor and materials

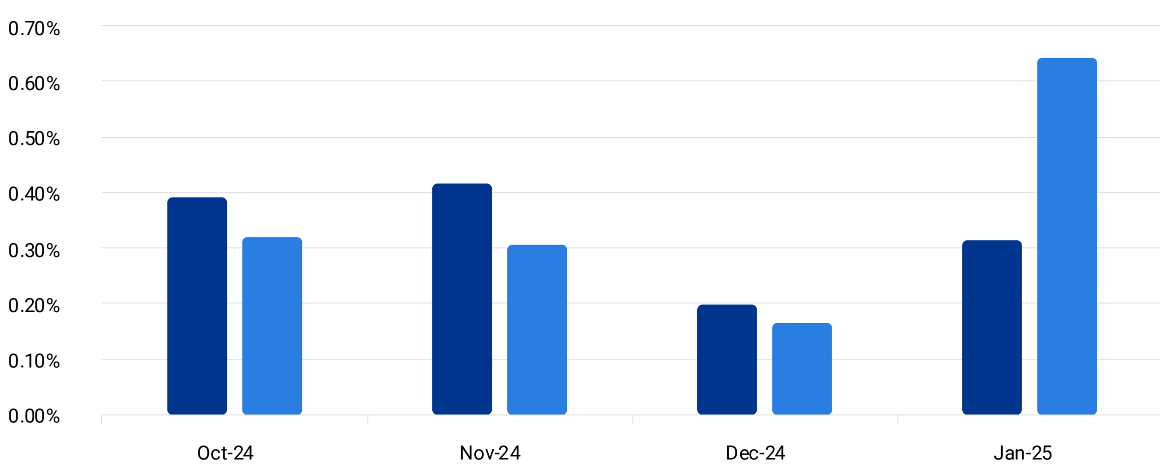
Q4 2024 revealed distinct cost patterns, with a notable slowdown from October to November followed by acceleration through year end. While U.S. total costs increased 0.93% for the quarter—moderating from Q3's 1.00% rise—Canadian costs showed more pronounced movement, climbing 1.12% compared with Q3's 0.76% increase. This divergence became particularly apparent in December and January, when Canadian costs surged at more than double the U.S. rate (0.64% vs 0.31%), driven largely by lumber material cost fluctuations.

January 2024 - January 2025
Labor and Materials



	2024												2025
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	0.0 %	0.1 %	0.2 %	0.7 %	1.0 %	1.3 %	1.6 %	1.9 %	2.3 %	2.6 %	3.1 %	3.3 %	3.6 %
Canada	0.0 %	0.1 %	0.2 %	0.8 %	0.9 %	1.2 %	1.4 %	1.7 %	1.9 %	2.2 %	2.5 %	2.7 %	3.3 %

Monthly Change

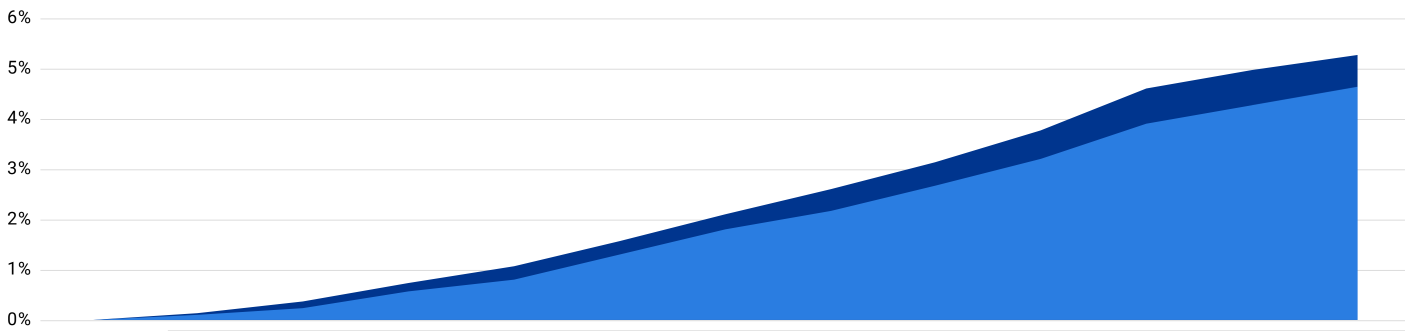


Labor costs

Labor costs continued their upward trajectory in Q4 2024, though at a more moderate pace than the previous quarter. In the U.S., costs rose 1.42% (down from Q3's 1.64%), while Canada maintained a steady 1.39% increase. The 12-month view reveals more substantial growth, with combined hourly billable rates climbing 5.26% in the U.S. and 4.64% in Canada since January 2024.

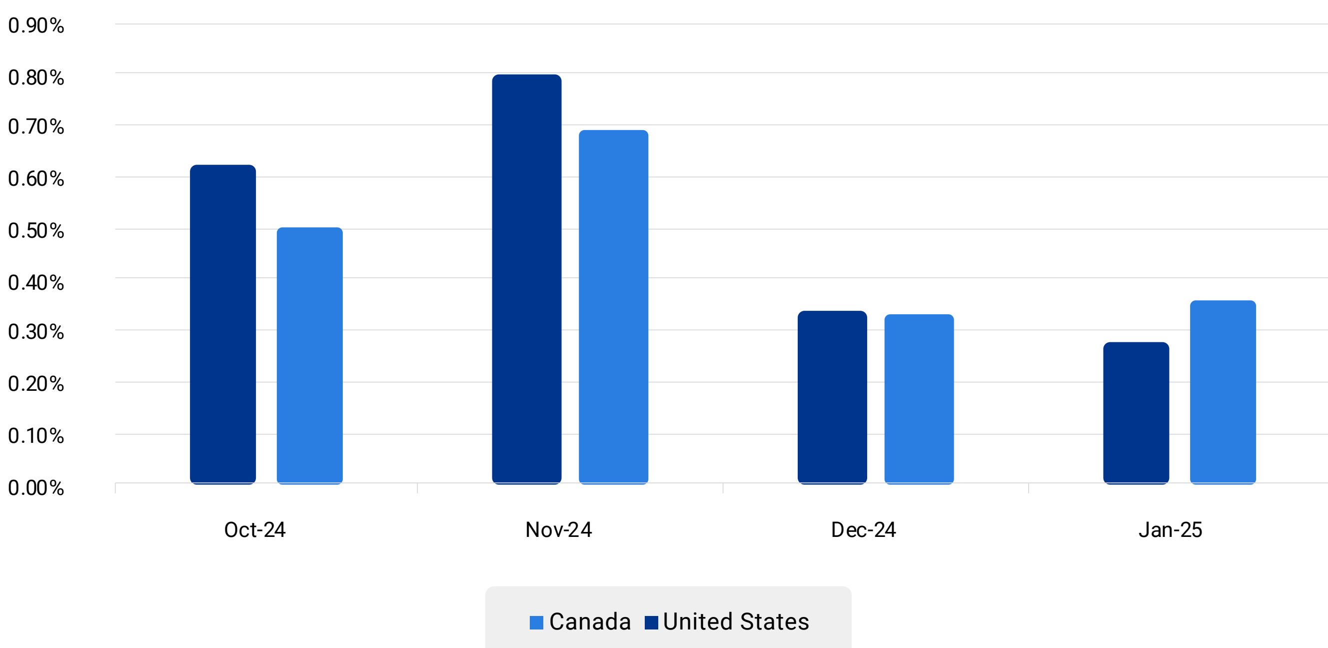
November marked the peak for monthly increases—0.80% in the U.S. and 0.69% in Canada—surpassing Q3's high points of 0.62% and 0.50%, respectively. Throughout the quarter, monthly increases averaged 0.51% in the U.S. and 0.47% in Canada, remaining largely consistent with Q3 patterns.

January 2024 - January 2025
Labor Composite Index



	2024												2025
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States Change	0.00 %	0.16 %	0.37 %	0.74 %	1.09 %	1.56 %	2.12 %	2.63 %	3.15 %	3.79 %	4.62 %	4.97 %	5.26 %
Canada Change	0.00 %	0.10 %	0.25 %	0.59 %	0.81 %	1.31 %	1.80 %	2.19 %	2.69 %	3.21 %	3.92 %	4.26 %	4.64 %

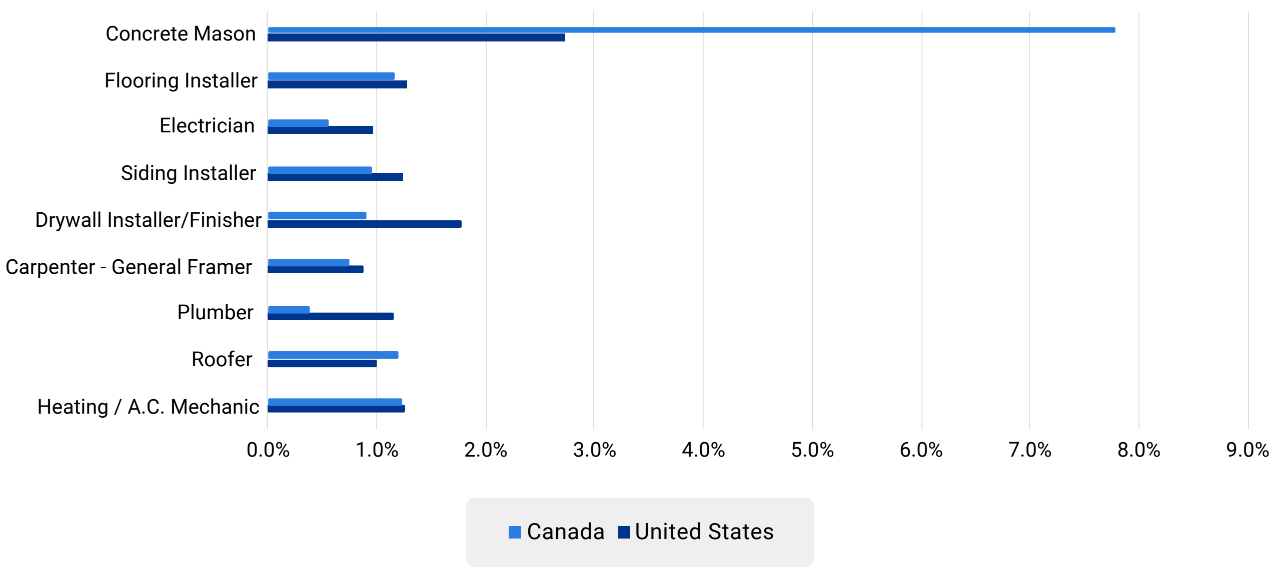
Monthly Change



Labor cost by trade

Concrete masons continue to lead labor cost increases, with a 2.74% rise in the U.S. and 7.79% in Canada in Q4. While this represents a moderating trend in the U.S. compared with Q3's 8.49% increase, Canadian rates slightly decelerated from their previous 8.67% rise. Over the past 12 months, concrete masons' labor costs have surged by 26.31% in the U.S. and 24.80% in Canada, signaling potential challenges for construction and restoration projects moving forward.

October 2024 - January 2025
Key Labor Categories

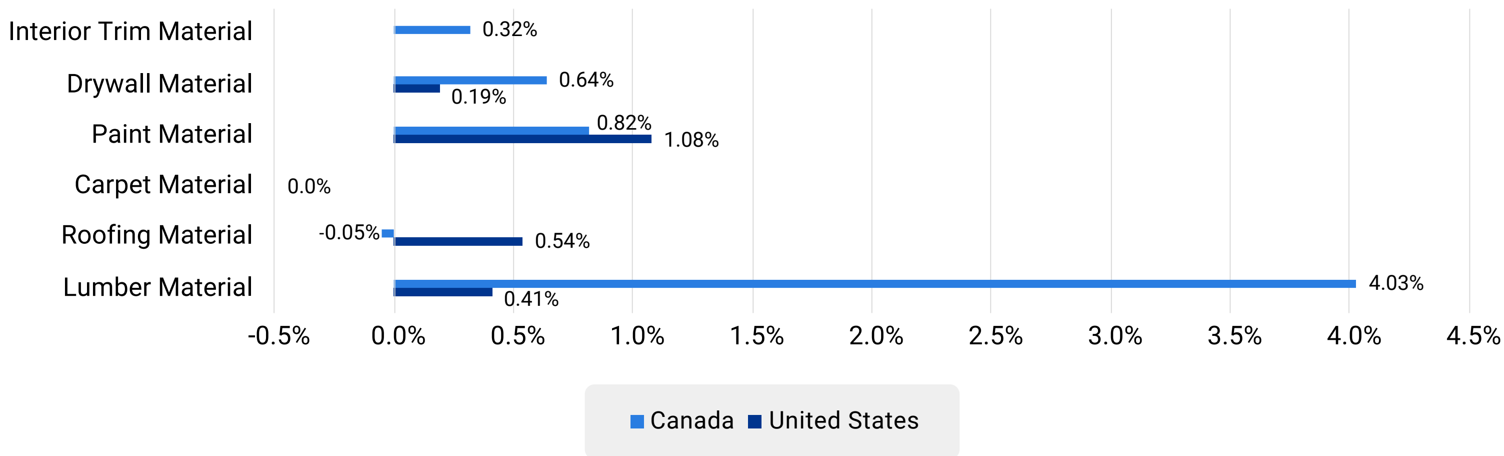


Materials

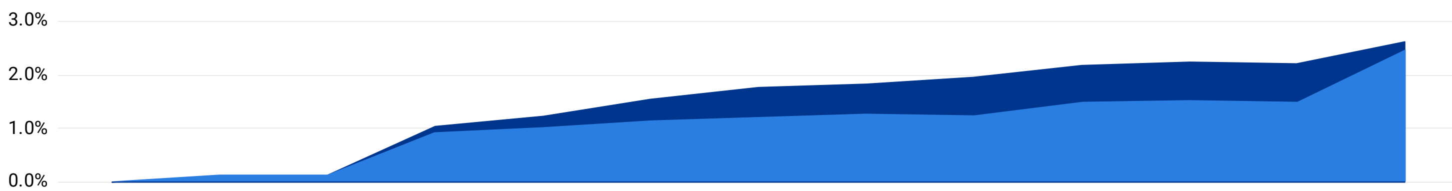
Material costs demonstrated notable growth in both U.S. and Canadian markets, with U.S. costs rising 2.63% and Canadian costs increasing 2.47% year over year. Paint material led U.S. categories with a 2.89% annual increase, while lumber dominated quarterly changes in Canada, surging 4.03% after a significant 4.82% jump from December to January.

The largest monthly gains occurred between December and January, reaching 0.42% in the U.S.—driven primarily by paint material's 1.11% increase—and 0.95% in Canada, propelled by lumber's strong performance. While most materials showed growth trends, carpet material remained stable, with no quarterly change in either market. Notably, roofing material presented mixed results, showing 3.82% growth in Canada while experiencing a slight quarterly decline (-0.05%) in the U.S.

October 2024 - January 2025
Key Material Categories

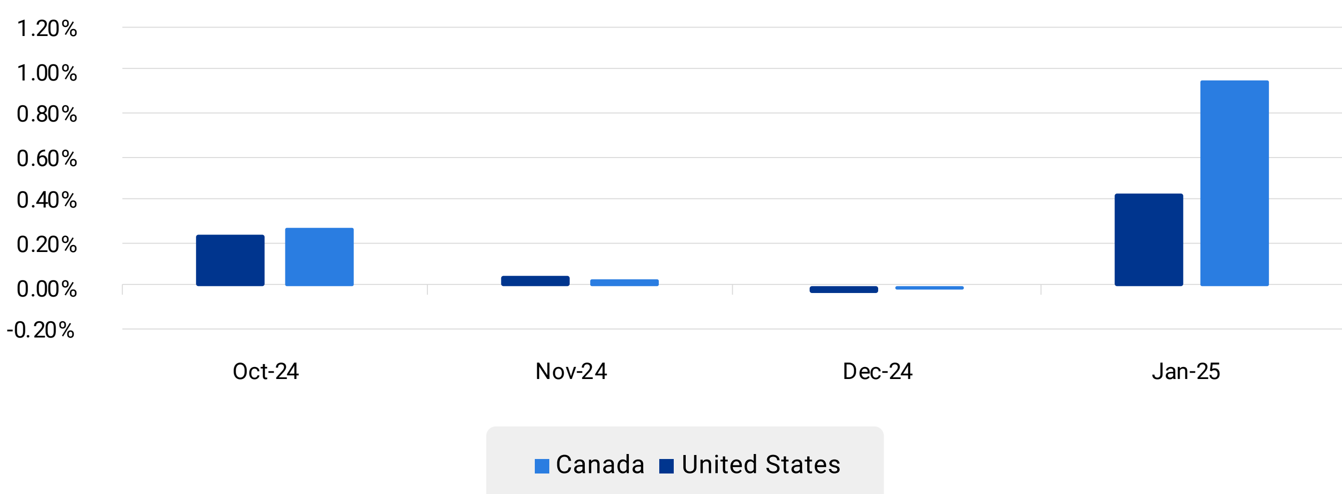


January 2024 - January 2025
Material Composite Index



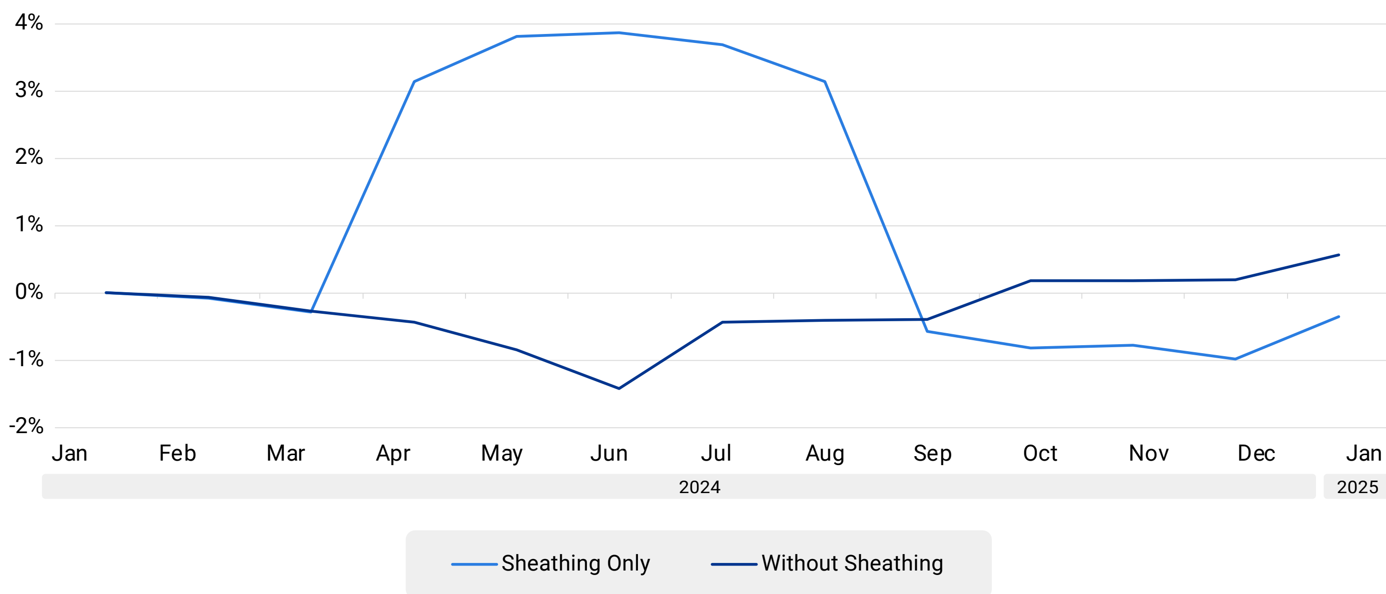
	2024												2025
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States Change	0.00%	0.09%	0.10%	1.05%	1.24%	1.55%	1.75%	1.83%	1.95%	2.19%	2.23%	2.20%	2.63%
Canada Change	0.00%	0.13%	0.14%	0.93%	1.04%	1.14%	1.21%	1.29%	1.24%	1.50%	1.53%	1.50%	2.47%

Monthly Change

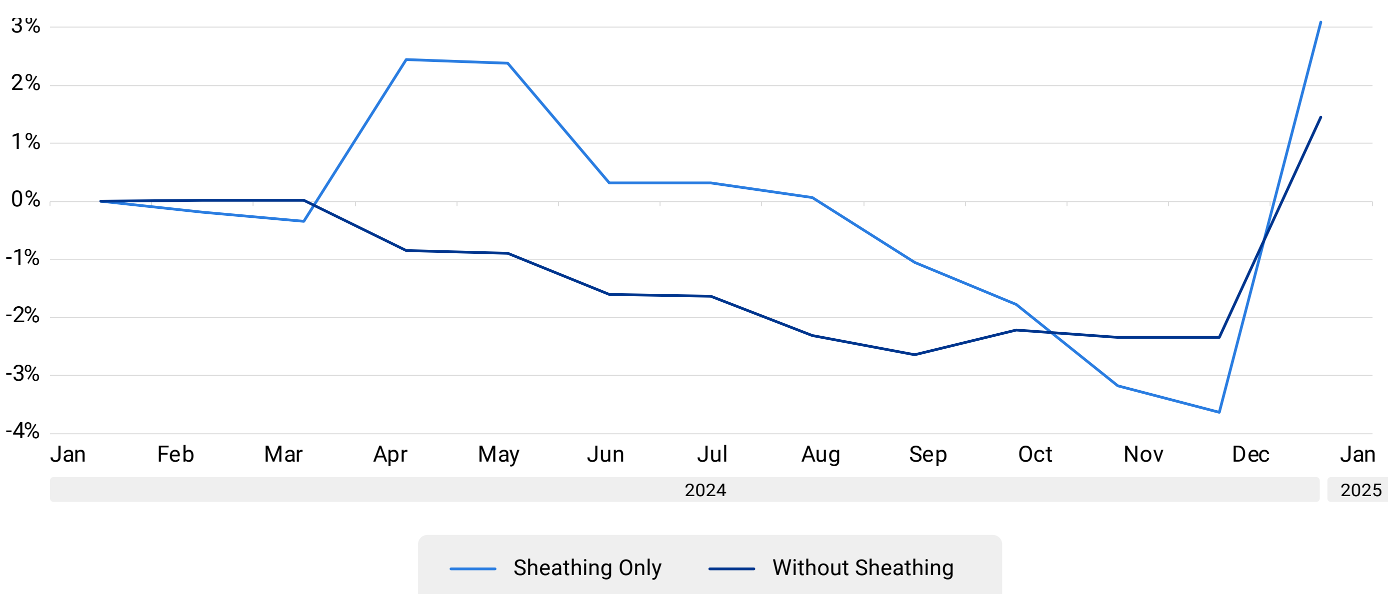


The lumber category particularly highlighted market differences, with Canadian increases (4.03% quarterly, 1.75% yearly) substantially outpacing U.S. changes (0.41% quarterly, 0.3% yearly).

Lumber ITR Trend
United States



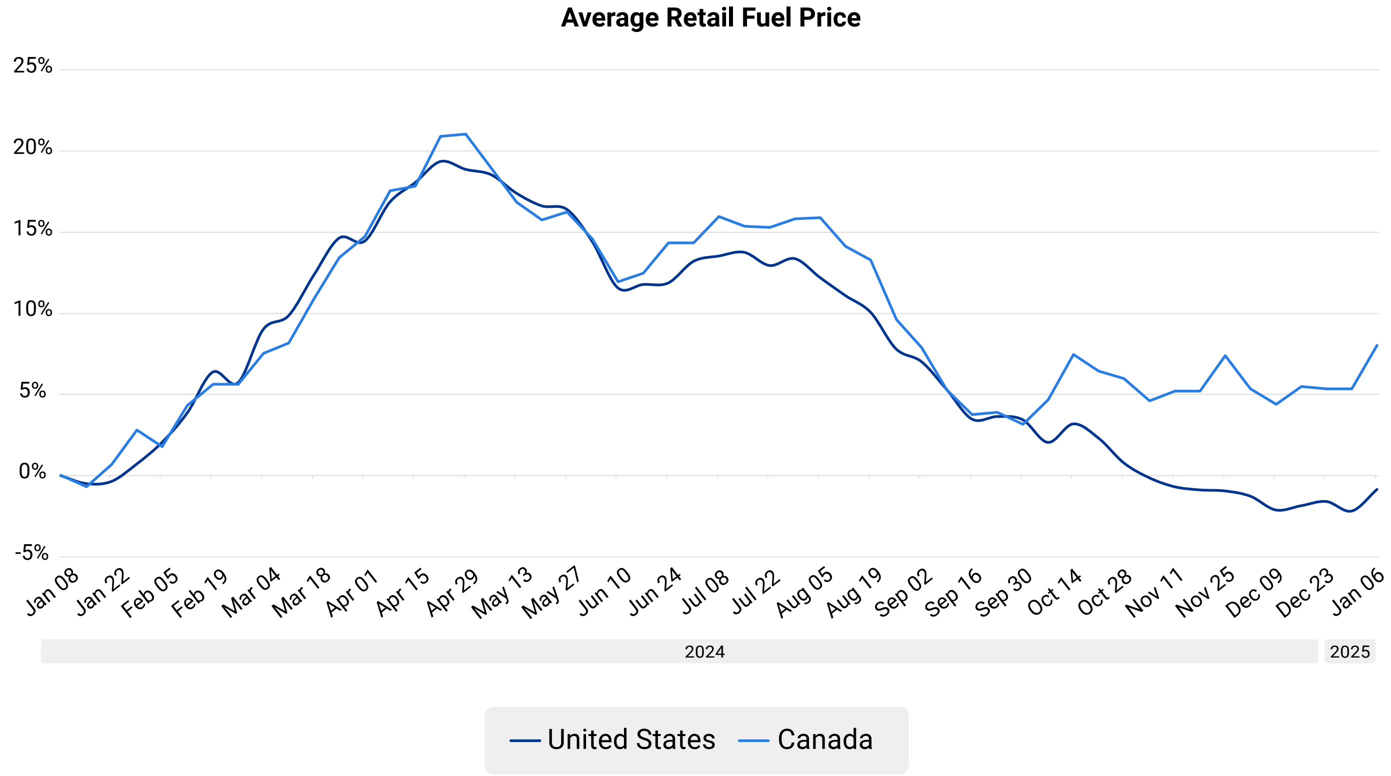
Lumber ITR Trend
Canada



Fuel Cost

Fuel cost trends showed notable regional variations this quarter, with the United States seeing a 2.84% decrease while Canada experienced a 3.21% increase—a significant shift from Q3's more substantial decreases of 8.62% and 9.77%, respectively.

Regional price disparities remain pronounced: Oklahoma currently offers the lowest U.S. gas prices at $2.60 per gallon, while Hawaii and California lead costs at $4.54 and $4.39 per gallon, respectively. In Canada, Alberta maintains the most competitive fuel costs at 144.2 cents per litre, contrasting with Newfoundland's high of 168.0 cents per litre.



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Construction and reconstruction trends

Residential reconstruction costs

Our latest analysis reveals continued upward momentum in residential reconstruction costs, with total costs rising 4.5% from January 2024 to January 2025. While the pace moderated to 0.9% in the most recent quarter, every state experienced increases.

- Kansas topped the list with a 6.91% increase
- Washington followed at 6.35%
- Nebraska maintained strong growth at 6.31%

Commercial reconstruction costs

The commercial sector saw even more pronounced growth, with total reconstruction costs climbing 5.5% year over year and 1.0% in the latest quarter.

- Rhode Island led all states with a 10.14% increase
- Kansas showed remarkable momentum at 8.37%
- Washington rounded out the top three at 8.35%

Economic indicators

Our analysis of key economic indicators reveals both challenges and opportunities for the construction and insurance industries entering 2025. Builder confidence shows some encouraging signs of recovery, with the **NAHB/Wells Fargo Housing Market Index** rising one point from December to January and increasing four points over the last quarter.

Two of three key components of the Housing Market Index demonstrated improvement:

- Current sales conditions rose three points to 51.
- Traffic of prospective buyers posted a two-point gain to 33.
- Sales expectations in the next six months fell six points to 60 in part due to the elevated interest rate environment.

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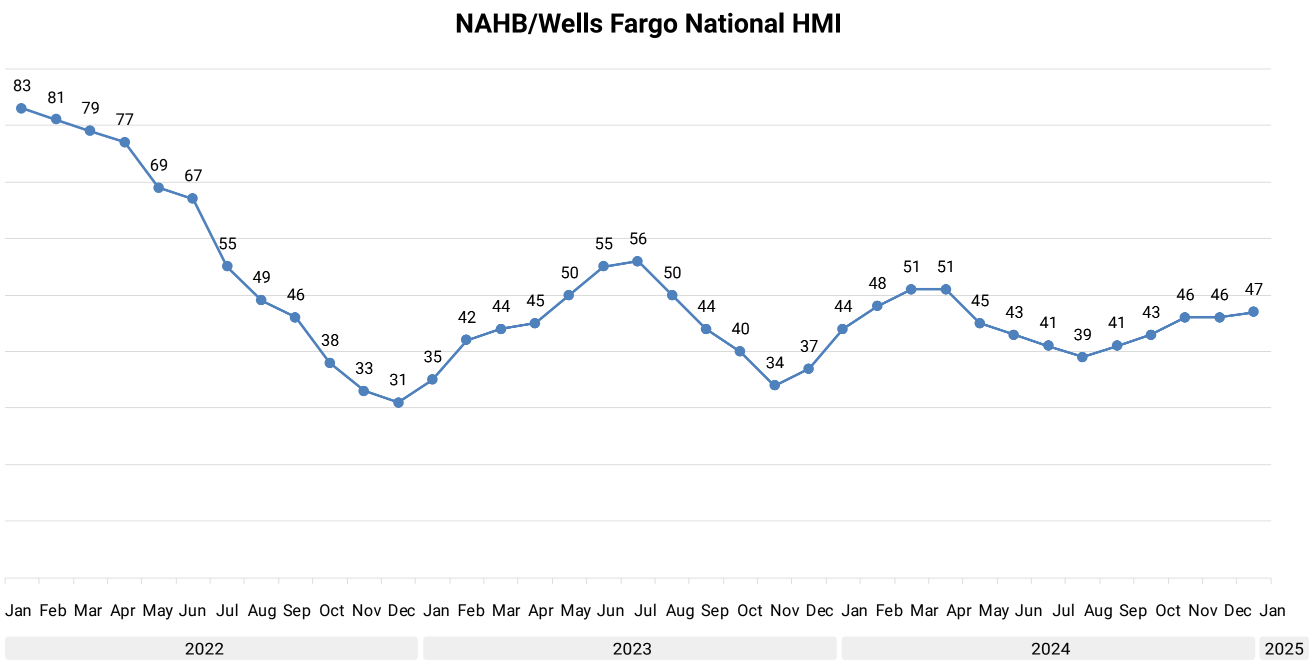
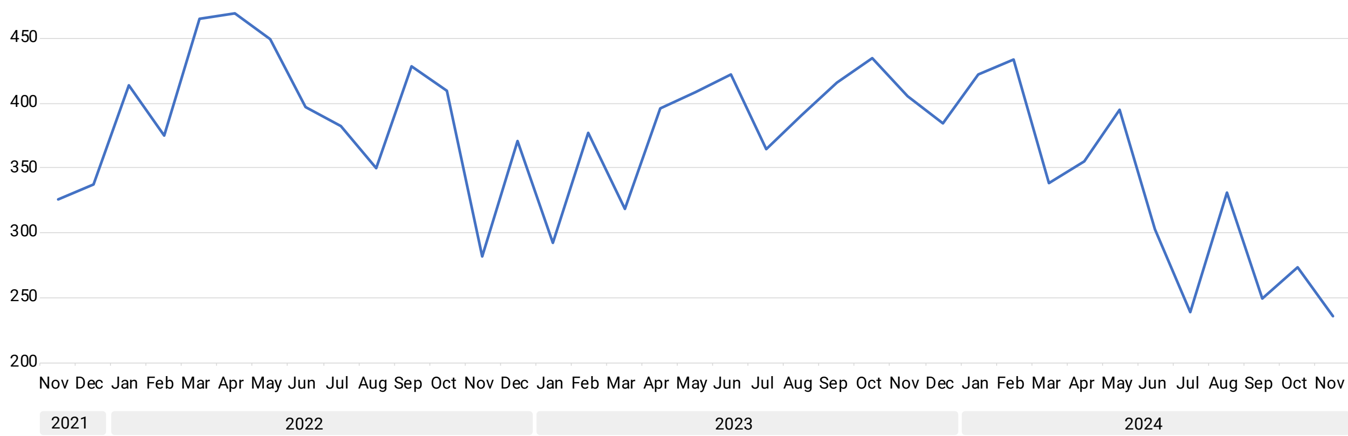


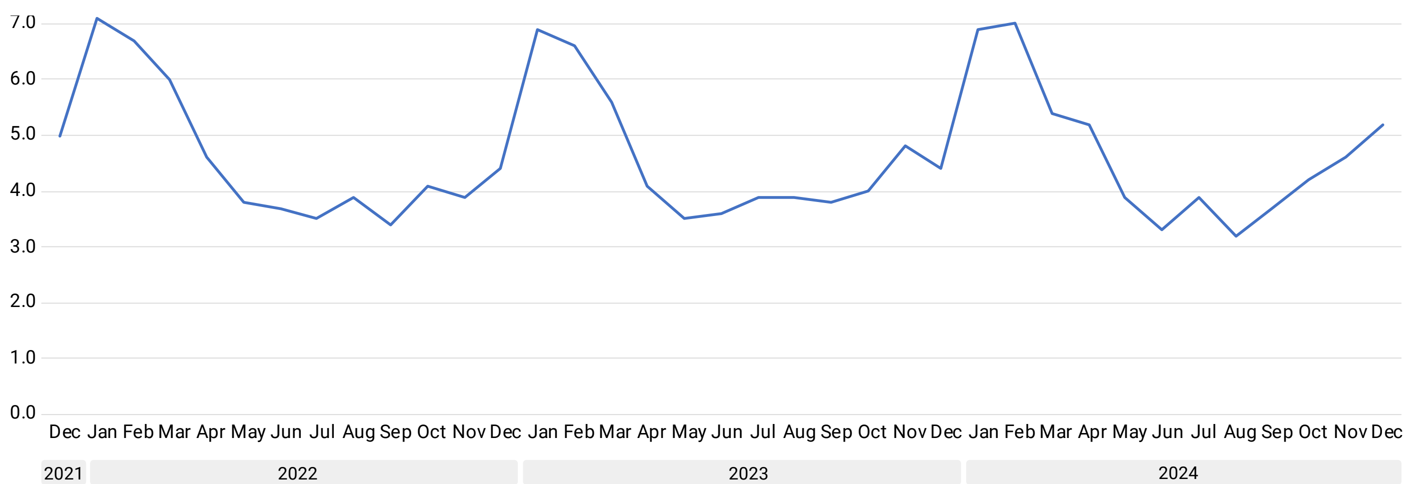
Notably, builders have begun implementing price reductions—the first such movement since April—signaling potential shifts in market dynamics that warrant close monitoring.

The construction industry's labor market tells a complex but ultimately resilient story. **The U.S. Bureau of Labor Statistics** reports that job openings decreased 13.55% from October to November, following a 9.6% increase the prior month. While the construction industry's unemployment rate has seen increases since August 2024, reaching 5.20%, this aligns with typical seasonal patterns as building activity naturally slows during winter months, although the levels seen this winter are even lower than prior winter seasons.

**Construction
Job Openings (Thousands)**



**Unemployment Rate
Construction**



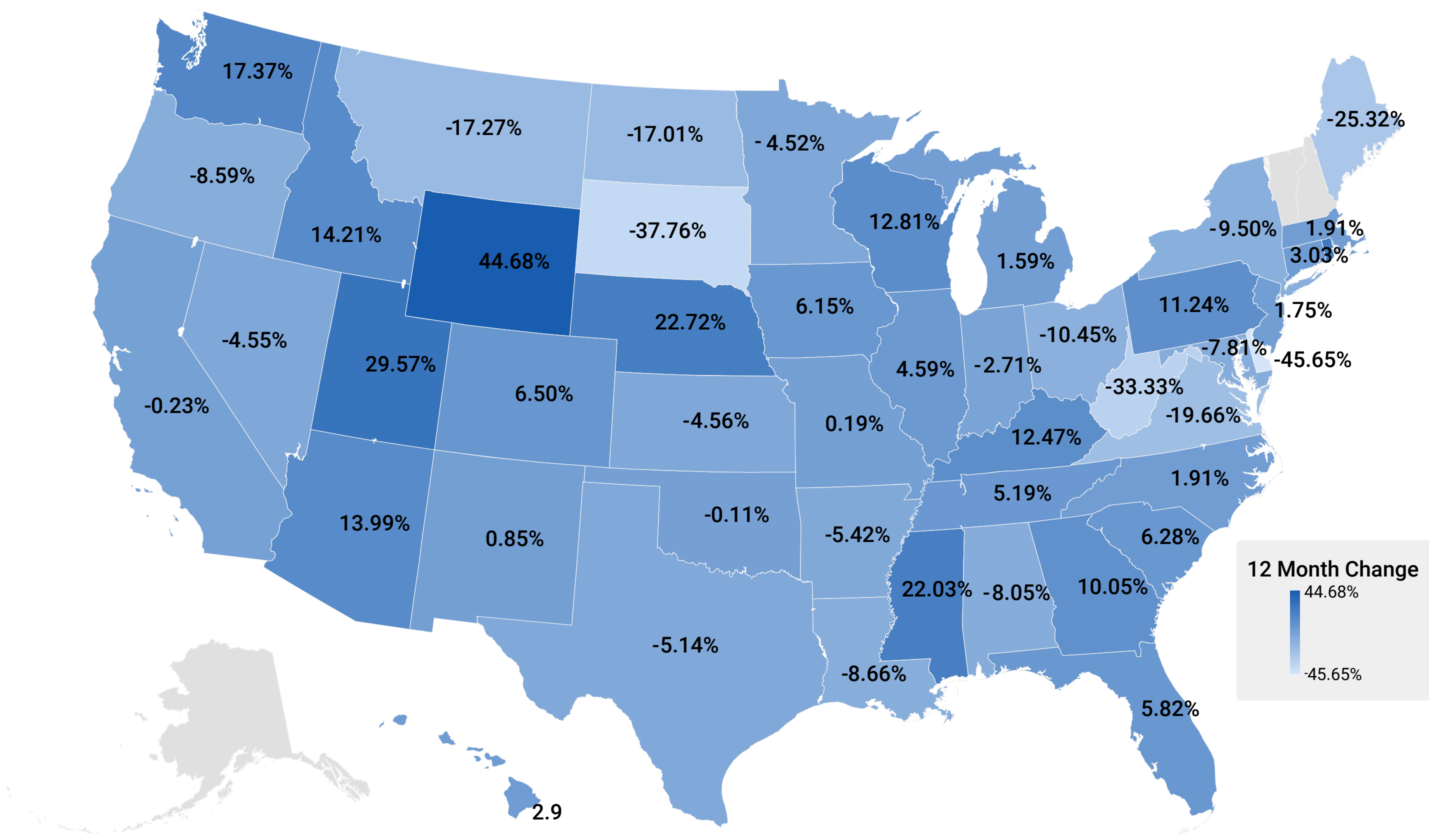
Building permit activity provides additional insights into construction sector dynamics. According to data from Verisk's Property Intelligence Solutions, permits decreased 19.98% from this Quarter—a steeper decline compared with the prior quarter's drop of 12.22%. Key findings include:

Non-residential new construction saw the largest quarterly decrease at 19.98%.

New residential construction experienced the smallest decrease at 18.81%.

Overall permits are down 6.35% from a year ago, largely due to new residential and commercial construction, which decreased 17.21% since the prior year.

- Wyoming showed remarkable resilience with the largest year-over-year increase at 44.68%.
- Delaware experienced the steepest decline at 45.65%.



Conclusion

Q4 2024 revealed several pivotal trends that will shape property insurance and construction landscapes:

- Claim patterns demonstrated a clear shift from traditional winter storm impacts to late-season hurricane activity, driving a 36% increase in total claims and a 113% surge in catastrophe claims.
- Labor costs accelerated faster than material costs—a reversal from Q3—suggesting potential challenges in skilled labor availability.
- Reconstruction costs continued their upward trend, with commercial properties seeing more pronounced increases than residential.
- Regional variations in both claims and costs underscore the importance of granular, location-specific analysis for accurate risk assessment.

Looking ahead to the first half of 2025, we project moderate increases in reconstruction costs:

- Residential reconstruction costs are expected to rise by 1.98%.
- Commercial reconstruction costs are projected to increase by 2.22%.
- Staying ahead of these evolving patterns is essential in building more resilient operations in the future.

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