

Timeshare resorts can expect insurance premiums to remain high

Gregory & Appel Insurance discusses issues leading to higher insurance premiums for timeshare resorts in 2024

INDIANAPOLIS, IN, UNITED STATES, November 20, 2023 /EINPresswire.com/ -- Timeshare resorts can expect insurance premiums to remain high.

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Matt Stauffer, senior risk advisor, Gregory & Appel Insurance

Matt Stauffer, a senior risk advisor with Indianapolis-based Gregory and Appel Insurance, explained, "As an experienced commercial insurance risk advisor, I have been closely monitoring the insurance industry's evolving landscape. In 2023 and beyond, one of the most pressing concerns for timeshare resorts has been and will be the significant increase in insurance premiums driven by the growing frequency and severity of natural disasters and climate change."

Timeshare resorts, often located in picturesque areas, unfortunately, find themselves susceptible to natural disasters, including hurricanes, floods, and wildfires. Climate change has exacerbated the frequency and intensity of these events. The Intergovernmental Panel on Climate Change (IPCC) has documented a significant rise in extreme weather events over the past few decades, and this trend is expected to continue.

Many timeshare resorts are situated along coastlines, making them particularly vulnerable to hurricanes and sea-level rise. The combination of storm surges and rising sea levels poses a significant threat to coastal properties, including timeshare resorts. In addition, the devastating wildfires in California and Australia in recent years serve as stark reminders of the risks posed by a changing climate.

Several factors are converging to create what can only be described as a perfect storm for the timeshare industry. These include:

Natural disasters

The increasing frequency and severity of natural disasters are having a profound impact on

insurance premiums. Timeshare resorts, often located in coastal areas, are particularly vulnerable to hurricanes, storm surges, and rising sea levels. The Atlantic hurricane seasons in 2021 and 2022 were among the most active on record, and scientists predict that such seasons will become the new norm. Inland locations pose their own challenges, including wildfires, droughts, and inland flooding. The escalating costs associated with rebuilding and repairing properties are inevitably passed on to the consumer through higher insurance premiums. Midway through 2023, the U.S. has experienced nine confirmed weather/climate disaster events – wildfires and tornadoes — with losses exceeding the \$1 billion mark.



Matt Stauffer, Senior risk advisor, Gregory & Appel Insurance

Regulatory changes

Governments and regulatory bodies are tightening their grip on the insurance industry. Stricter building codes aimed at mitigating the effects of natural disasters, and increased capital requirements for insurers, are driving up costs. These regulatory changes are translating into higher premiums for timeshare owners.

Market dynamics

The insurance market is cyclical, and we are currently in a hard market phase. This means that insurers are becoming more selective in underwriting risks and are charging higher premiums. The timeshare industry, with its unique set of risks, is feeling the pinch as insurers seek to balance their portfolios. A quick glance at the underwriting statistics from 2022 will show that the U.S. property and casualty insurance industry recorded a \$26.5 billion net underwriting loss that year, up from \$21.5 billion in 2021.

Reinsurance costs

To spread the risk, insurers often purchase reinsurance. However, as natural disasters become more common, the cost of reinsurance also rises, and this cost is passed on to policyholders in the form of higher premiums.

Technological risks

As timeshare resorts embrace technology to enhance customer experiences, they also expose

themselves to cyber risks. Data breaches and cyber-attacks can result in significant financial losses and reputational damage. Insurers are factoring in these risks, and again, this is reflected in the premiums.

Navigating the Waters

For timeshare resorts, the rising insurance premiums are a bitter pill to swallow. However, these strategies can be employed to mitigate the impact:

Risk management

Implementing robust risk-management practices is essential. They include ensuring that properties are built to withstand natural disasters, employing cybersecurity measures, and training staff to deal effectively with emergencies.

Diversification

Developers should consider diversifying the locations of their timeshare properties to spread the risk. By not "putting all of their eggs in one basket," timeshare management companies can potentially negotiate better terms with insurers.

Engaging with insurers

Timeshare resort boards of directors and managers should actively engage with insurers to understand how they evaluate risks related to natural disasters and climate change. By demonstrating a commitment to resilience and effective risk management, resorts may have the opportunity to negotiate more favorable insurance terms.

Conclusion

The timeshare industry is sailing into choppy waters with the expected rise in insurance premiums in 2024 and beyond. By understanding the factors at play and implementing strategies to mitigate risks, timeshare resorts can navigate this storm and ensure a sustainable future. In these uncertain times, I cannot stress enough the importance of proactive measures.

About [Gregory & Appel Insurance](#)

Founded in 1884 by John J. Appel and Fred Gregory, Gregory & Appel started with a \$7 desk and a dream to build a lasting insurance agency. Over a century later, that dream continues to live on. We've been independently owned through it all, allowing us to be more nimble and supportive of our clients and colleagues.

For more information, contact Matt Stauffer, CLCS, a senior risk advisor with Gregory & Appel at MStauffer@gregoryappel.com and 765-617-1077. Visit: www.gregoryappel.com.

Matt Stauffer, Senior risk manager

Gregory & Appel Insurance

+1 765-617-1077

Mstauffer@gregoryappel.com

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