



THE COST OF EVERYTHING: WHAT TARIFFS MEAN FOR CLAIMS AND INSURERS

October 2025

I. Executive Summary

Tariffs are likely to be passed through to American consumers who purchase the products on which the tariffs have been levied.”— Robert Lawrence, Harvard, Kennedy School of Government

The 2025 tariff regime is quietly rewriting the math of contents claims.

The U.S. government’s 10% universal tariff, compounded by reciprocal and punitive rates on dozens of nations, has lifted the average effective tariff rate from 2.2% in January to more than 9% by June – a fourfold increase in just six months (Penn Wharton Budget Model, 2025).

For households, these policies have raised the cost of everyday consumer goods by \$2,000–\$4,000 annually (Harvard Kennedy School, 2025). For insurers, they have introduced a new systemic driver of claims severity.

Through consulting industry experts and the foremost academic institutions studying tariff economics, this whitepaper serves to translate complex tariff economics into the operational and strategic realities of claims management.

Our purpose is threefold:

- **To highlight** how tariffs increase claim costs at the point of replacement, particularly in contents-heavy lines.
- **To explain** where in the claims lifecycle tariffs add friction – from inventory pricing to disputes with policyholders.
- **To equip** claims leaders with strategic responses that protect margins while maintaining policyholder trust.

We hope this resource and data cited throughout can provide a useful primer for understanding the intersection of tariffs and the claims lifecycle.

Sincerely,

Michael Balarezo, CEO, Adjusto



II. INTRODUCTION: TARIFFS ENTER THE CLAIMS EQUATION



"There's a significant amount of insurance capital dedicated to infrastructure tied to trade: railroads, for example. There's an enormous amount of trade between Mexico, the U.S., and Canada transported by rail, including most of the vehicles produced. That cross-border movement could be severely disrupted." – Robert Hartwig, clinical associate professor of finance and insurance, University of South Carolina

Tariffs are imposed at the point of importation, when goods cross into the United States. Importers pay them first, but the cost rarely stops there.

Decades of economic research shows that tariffs are overwhelmingly passed down the supply chain: importers adjust prices, wholesalers add margins, retailers raise sticker prices, and consumers ultimately bear the brunt (Cavallo et al., 2021).

For claims leaders, this matters because insurance companies reimburse **the consumer's real cost of replacement**. In practice, tariffs mean that the replacement price of a refrigerator, laptop, or sofa after a loss is now 10–15% higher than it was last year. These increases are layered on top of the ordinary inflation and product shortages already familiar to catastrophe response teams. In short, tariffs do not create new categories of loss – but they amplify the severity of claims insurers already face.

Historically, contents were treated as too small to matter significantly in claims severity trends. But with tariffs raising the costs of high-frequency items like clothing, electronics, and appliances, contents are now an unavoidable source of volatility. These costs are further compounded by the increased severity and frequency of CAT claims.

III. CATEGORY BREAKDOWN: WHERE TARIFFS HIT HARDEST

"The effective tariff rate climbed from 2.2% in January to 9.14% in June – an increase of more than 400%." – Penn Wharton Budget Model

According to the NFPA, in 2023, local firefighters responded to an estimated 1.39 Million fires. They report:

- The property damage caused by these fires was estimated at **\$23 billion**.
- Nearly one-quarter of the fires (**24 percent**) **occurred in home properties**, including one or two-family homes and apartments or other multifamily housing.
- One of every five fires (**18 percent**) **occurred in one or two-family homes**.

III. CATEGORY BREAKDOWN: WHERE TARIFFS HIT HARDEST (CONT'D)

The Yale Budget Lab (2025) estimates that tariffs **now cost the average U.S. household \$1,540 annually**. Penn Wharton’s analysis shows particularly steep increases for steel (37.3% effective rate), automobiles (18.8%), and Chinese imports (39.8%). For insurance carriers, this translates into higher payouts across categories that dominate claims: clothing, furniture, and electronics.

Not every product within these homes is equally exposed. Items with high import shares and low domestic substitutes feel the sharpest impact. For insurers, these include many of the categories most common in property contents claims.

- **Clothing:** Tariffs of 10–35% translate into 10–18% higher replacement costs, making this one of the largest contributors to contents severity.
- **Electronics:** Laptops, televisions, and mobile devices now cost 7–14% more due to tariffs and supply chain constraints.
- **Furniture:** Wood and upholstered furniture face 6–13% increases, driven by freight costs and fabric imports.
- **Appliances:** Large appliances see 8–15% increases, compounded by steel tariffs.
- **Tools and Equipment:** Power tools and lawn equipment carry 6–12% increases, reflecting both metals and batteries.

IV. TARIFF IMPACTS BY PERSONAL PROPERTY CATEGORY

“We can’t control tariffs, but we can control how ready we are when they land.”
– Michael Balarezo, CEO, Adjusto

To clearly assess the effects, we examine each major personal property category in turn. For each category, we note the **new tariff rates imposed in 2025** (for finished goods and key components) and the **anticipated percentage increase in consumer prices** for those items. We also discuss the **timing** – i.e. how quickly within the year these price changes are likely to be felt – and any category-specific **supply chain disruptions** (such as shortages or delays in getting replacement products). **Table 1** on the next page summarizes the tariff and price impact estimates for all categories.



TABLE 1: 2025 Tariffs and Estimated Price Increases by Personal Property Category (U.S. Imports)

Category	New 2025 Tariffs (Highlights)	Estimated Price Increase (12-month outlook)	Timing of Impact
Electronics	10% for most ~20% on China	5 - 10%	Gradually increasing through 2025
Furniture	10% base 46 - 54% on select countries	10 - 15%	Lagged, expected to jump towards end of 2025
Kitchen Appliances	10 - 50%	20 - 30%	Increases expected Q3/Q4 2025
Kitchenware	10% base 15 - 25% on select countries	10 - 15%	Gradually through 2025, buffered by inventory
Clothing	10 - 64%	10 - 20%	Fast impact, prices adjust within weeks of rate changes
Musical Instruments	10 - 40%	5 - 15%	Gradually through 2025, buffered by inventory
Plants (Live Plants & Gardening)	10% base	~10%	Gradual, subtle increases through 2025
Perishable Goods (Food & Beverages)	10% for most Up to 145% on select items	5 - 8%	Staged, immediate jump on rate change, broader impact unfolding
Tools (Hand & Power Tools)	10% for most 25 - 54% on select countries	10 - 15%	Moderate, prices expected to adjust to tariff rates by end of 2025
Fitness Equipment	10% base 30-54% on select countries	15 - 25%	Lagged, existing inventory delays price increase, prices will increase by end of 2025
Sporting Goods	10% mainly 30 - 50% on China	10 - 20%	Moderate, most prices increasing from fall 2025 onward
Jewelry	10% base 40 - 54% on select countries	5 - 10%	Gradual, retailers are holding off immediate sharp price jump
Toys & Games	85 - 90%	30 - 50%	Fast impact, prices increased immediately with rates, low cost toys vanishing

The key takeaway is not the exact percentage increase in any one category, but the systemic impact. Each of these categories is a routine component of post-loss inventories. Multiplied across thousands of claims, even single-digit increases compound into millions of dollars in additional indemnity.

Sources: Tariff rates and impacts are drawn from 2025 trade policy announcements and industry analyses. Sources include [homenewsnow.com](#), [kiplinger.com](#), and [fibre2fashion.com](#)

V. CLAIMS IMPACT: RISING SEVERITY AND TIMING RISK

"Import taxes will unquestionably raise claim severities across all auto and property lines."

– Robert Hartwig, USC



Tariffs affect claims in two primary ways. First, they raise the cost of replacement at the point of purchase. Second, they increase the exposure to timing risk. Inventories may initially reflect pre-tariff prices, but by the time claimants purchase replacements, the actual price has risen.

For claims leaders, this timing gap is critical. Policyholders will expect reimbursement for the **true cost of replacement** – and that cost now includes tariffs. The longer a contents claim remains open, the greater the exposure to this upward drift in replacement prices.

Yale Budget Lab data confirms that the burden is concentrated in categories central to insurance: furniture, clothing, and electronics. In other words, tariffs magnify severity in precisely the lines where insurers already face high frequency.

VI. OPERATIONAL CHALLENGES: DISPUTES, DELAYS, AND COSTS

Recent tariffs are on track to increase the price of parts and materials used in repairing and restoring property after an insurable event." – Insurance Information Institute

Research on insurance frictions confirms that administrative delays and valuation disputes erode customer satisfaction and increase litigation likelihood. Carriers lacking centralized, real-time pricing valuations systems are most exposed. Claims adjusters are often on the frontline for policyholders' frustration with valuations, coverage, and delays.

Tariffs do not only increase indemnity costs. They also intensify operational challenges. When replacement prices climb after the inventory is completed, disputes with policyholders become more likely. Claimants expect the higher, tariff-inflated price to be covered, even if adjusters initially estimated a lower figure.

As **Michael Balarezo**, CEO of Adjusto puts it, "Our job is part detective, part diplomat. Tariffs make both harder. You're chasing moving prices while keeping trust intact."

This dynamic leads to extended negotiations, longer cycle times, and higher loss adjustment expenses. Policyholders are not wrong to demand the real replacement cost – but for carriers, it means every discrepancy drags out the claim.

The Insurance Information Institute warns that these pressures, if left unmanaged, could expand the protection gap by raising premiums and making coverage less affordable (Triple-I, 2025). For claims leaders, the operational challenge is both accuracy and speed. Accurately assessing valuations coupled with swifter claims resolution reduces exposure to ongoing price increases, and helps to keep insurance premiums across markets from climbing.

VII. TECHNOLOGY AND PROCESS SOLUTIONS

“AI in claims can accelerate settlement, reduce leakage, and improve customer experience.” – McKinsey & Company

Claims > BBQ-1

Patrick Wallace In Review
353 King Street, San Francisco, CA 94158

Items Reports Claim Details Rooms Videos Files Bulk Edit

All Items 37 Flagged Items 1

↑

Flags

Status

Description

24

Can opener manual Kitchen Aid

25

4pc measuring spoon set metal

26

4pc measuring spoon set plastic

27

Adjustable measuring spoon set...

28

20pc flatware set

29

8pc corn cob holder

30

Paring knife Rada

31

Bar tool set

32

Drawer organizer small OXO

33

Artificial wreath decorative

34

Display plate ceramic 8in Mud Pie

35

Cake stand glass w/top

36

Breville Precision Brewer

#36

Delete

Manually Flag

X

Submitted Item

Edit

Description	Store	Unit Price	Quantity	Age	Condition	Room
Breville Precision Brewer	Amazon	\$300.00	1	1 year	-	Kitchen

Settlement Item Selected by AI

Edit

Matched Item

Store

Breville Precision Brewer Glass Coffee Maker

Best Buy

Sep 5, 2025 8:57 AM

Unit Price	Quantity	Tax	RCV	Depreciation	ACV
\$299.95	1	\$25.87 (8.625%)	\$325.82	(\$32.58)	\$293.24

Depreciation Selected by AI

Edit

Classification	Type	Rate
Coffee Makers	Cumulative Rate	10%

Previous

Next

Claims > BBQ-1

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Items Reports Claim Details Rooms Videos Files Bulk Edit

All Items 37 Flagged Items 1

↑

Flags

Status

Description

Submitted Unit Price

Matched Unit Price

Unit Price Diff %

Unit Price Diff

Chosen by

Matched Description

Classification

11

Nikon D5600 DSLR Camera with...

\$599.99

\$545.00

-9.6%

(\$54.99)

AI

Nikon D5600 Digital SLR ...

Cameras

12

Antique Wooden Box

\$60.00

\$52.00

-14.3%

(\$8.00)

Adjuster

Hand Carved Vintage Wo...

Antiques

13

Ikea Coffee mug

\$5.00

\$4.99

-0.2%

(\$0.01)

AI

IKEA GLADELIG Mug

Crockery (includes dishe...

14

Organizing bin 12in M.Design

\$20.99

\$21.99

4.7%

\$1.00

AI

iDesign Linus Cabinet Cr...

Boxes: Jewelry, Cigarett...

15

Drawer organizer divided OXO

\$16.99

\$16.99

0.0%

\$0.00

AI

OXO Good Grips Compac...

Housekeeping Items (mo...

16

Ice cream scoop w/lever

\$11.99

\$6.79

-55.4%

(\$5.20)

AI

GoodCook Ready Trigger...

Kitchen Utensils: Other It...

17

Meat tenderizer

\$14.99

\$14.99

0.0%

\$0.00

AI

OXO SoftWorks Meat Ten...

Kitchen Utensils: Other It...

18

Kitchen utensil metal

\$12.99

\$8.00

-47.5%

(\$4.99)

AI

Figmint Stainless Steel SL...

Kitchen Utensils: Stainles...

19

Kitchen utensil plastic

\$6.99

\$3.00

-79.9%

(\$3.99)

AI

Room Essentials Nylon Kl...

Kitchen Utensils: Other It...

20

Kitchen utensil wood

\$4.99

\$6.00

18.4%

\$1.01

AI

Figmint Acacia Wood/Nyl...

Kitchen Utensils: Other It...

21

2pc bakers silicone spatula

\$14.99

\$12.99

-14.3%

(\$2.00)

AI

OXO SoftWorks Silicone ...

Kitchen Utensils: Other It...

22

Kitchen tongs

\$13.99

\$13.99

0.0%

\$0.00

AI

KitchenAid Stainless Ste...

Kitchen Utensils: Other It...

23

Silicone whisk

\$9.99

\$9.99

0.0%

\$0.00

AI

Good Cook Touch Silicon...

Kitchen Utensils: Other It...

24

Can opener manual Kitchen Aid

\$19.99

\$15.99

-22.2%

(\$4.00)

AI

KitchenAid Classic 1 Mult...

Kitchen Utensils: Other It...

25

4pc measuring spoon set metal

\$8.99

\$9.99

10.5%

\$1.00

AI

Hearth & Hand with Mag...

Kitchen Utensils: Stainles...

26

4pc measuring spoon set plastic

\$7.99

\$6.00

-28.4%

(\$1.99)

AI

Figmint Tritan Plastic Me...

Kitchen Utensils: Other It...

Technology offers a way forward. AI-powered pricing engines, drawing on live retail data, can keep claim valuations aligned with the real market price at the time of purchase. Digitized, photo-verified inventories reduce disputes over model and condition and reduce fraud.

For claims leaders, these tools are not abstract innovations, they are concrete responses to the volatility tariffs have introduced. Faster, more accurate pricing protects indemnity accuracy, reduces cycle times, and lowers the likelihood of disputes. In doing so, they allow adjusters to spend less time reconciling discrepancies and more time resolving claims.

VIII. STRATEGIC IMPLICATIONS FOR CARRIERS

Insurers must be vigilant in monitoring underlying claim severity trends and incorporate them into ratemaking as quickly as possible.” – Robert Hartwig, USC



Tariffs are not a short-term anomaly. They are now a structural driver of claims severity. Carriers cannot rely on tariffs expiring; they must prepare for a baseline of higher costs in contents claims. Strategically, this means:

- Updating ratemaking models to incorporate tariff-driven severity trends.
- Revisiting sub-limits in categories like clothing and electronics that are highly import-dependent.
- Working with reinsurance partners to recognize correlated building and contents inflation after catastrophes.
- Preparing for potential shrinkage in marine, inland, and trade credit exposures if tariffs slow global trade.

For claims executives, the mandate is to build tariff sensitivity into both operational dashboards and strategic forecasts. Waiting until tariffs show up in loss triangles will mean reacting too late.

IX. CONCLUSION: A LEADERSHIP MANDATE

Claims leaders must stay abreast of tariffs and the market, and their relationship to **severity, cycle time, and customer trust**. It becomes incumbent upon insurers to ensure that tariff-driven volatility does not erode margins or undermine policyholder satisfaction.

This requires faster data, smarter technology, and closer alignment with actuarial and underwriting teams. But most of all, it requires leadership that recognizes tariffs for what they are: **an external force directly shaping the claims environment**.

“Tariffs don’t just create revenue – they create uncertainty. And uncertainty freezes economies in troubling ways.” – Neale Mahoney, Stanford

ENDNOTES/ATTRIBUTIONS

- Robert Lawrence, Harvard Kennedy School (2025). *Explainer: How Do Tariffs Work?*
- Penn Wharton Budget Model (2025). *Effective Tariff Rates and Revenues.*
- Neale Mahoney, Stanford Institute for Economic Policy Research (2025). *Tariffs Are Freezing the U.S. Economy.*
- Insurance Information Institute (2025). *Tariff Uncertainty May Strain Insurance Markets.*
- Robert Hartwig, USC (2025). *Insurance Industry Must Brace for Tariff Fallout.*
- Yale Budget Lab (2025). *State of U.S. Tariffs: July 7, 2025.*
- McKinsey & Co. (2024). *AI in Claims: Accelerating the Future.*