

## Issue Overview:

President Donald Trump on Thursday, March 6, issued exemptions on tariffs for a wide range of goods coming into the U.S. from Mexico and Canada, two days after sweeping 25% tariffs rattling stock markets, as businesses warned the move would increase prices for consumers. The move could also have huge implications for insurance.

The exemption would apply to goods compliant with the North American free trade agreement reached during Trump's first term and will last until April 2, when Trump plans another round of retaliatory tariffs on goods from various countries.

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## Trade Barriers and P&C Lines – Core Messaging

1. Economic dislocation, especially a shift away from open trade, would have the most significant impact on underlying growth and replacement costs for personal auto and homeowners insurance.
2. It would also contribute to higher losses for commercial surety and specialty lines such as trade credit, business interruption, and political risk.
3. In general, the increase in the price of impacted goods is primarily a function of inventory levels, ease of substitution, and margins along the product's value chain. These three factors are more important in determining the actual cost increase than the size of the tariffs or quotas themselves.

The impact of tariffs and quotas tends to follow a straightforward timeline: announcement, start date, and, if applicable, end date. Typically, this leads to three peaks in the price of impacted goods: peak one in the days following the policy announcement; peak two in the weeks after the policy's start date; and peak three in the months after the policy start date. The more precise timing of peaks two and three is a function of the impacted goods' inventory levels and ease of substitution.

**In the short term, changing trade dynamics between countries can impact the availability and price of goods key to the insurance industry.** For example:

- Farm owners may lose foreign markets and decrease farm equipment purchases.
- Homeowners content such as furniture and garments may become more expensive.
- Construction materials may cost more and be of lesser quality.
- Decreased access to turbines and EV batteries may slow alternative energy growth.
- Repairing or replacing motor vehicles may cost more and take longer.

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