

With Challenging Insurance Conditions, What Is Your **Risk Mitigation Plan?**

Discussion Objectives

- ✓ Understand what is causing challenging insurance conditions.
- ✓ Learn ways to mitigate risks and reduce unnecessary losses.
- ✓ Discover how to leverage a mandated renters insurance program for the good of the commercial property policy.

Rising Insurance Rates & Issues Securing Insurance

Farmers Insurance is the 4th major insurer to leave Florida, underlining insurance crisis

Why are insurance companies pulling out of some states?

Insurers are pulling out of big states, and extreme weather and climate change is factoring into the decisions.

MONEYWATCH >

Another major insurer is halting new policy sales in California

At least 20 insurance companies leave Louisiana in past 2 years due to 'high climate risk'

Policy Advocates Testify on Challenges in Property Insurance Markets

Policy advocates, including Consumer Federation of America's [Insurance Director Douglas Heller](#), testified before the Senate Banking Committee on challenges in the property insurance market and how rising rates have impacted homeowners and renters alike. Mr. Heller pointed to climate change and inadequate oversight of state insurance marketplaces as two of the main drivers for raising insurance rates. Other topics discussed were the challenges in insuring multi-family properties and affordable housing units, building resiliency into insurance regulation, and the recent departure of several insurance providers from several states, including California and Texas. They also addressed the importance of the [National Flood Insurance Program](#) (NFIP) and the need to reauthorize it before it expires on September 30, 2023. [close ^](#)

What is Causing these Challenging Insurance Conditions?

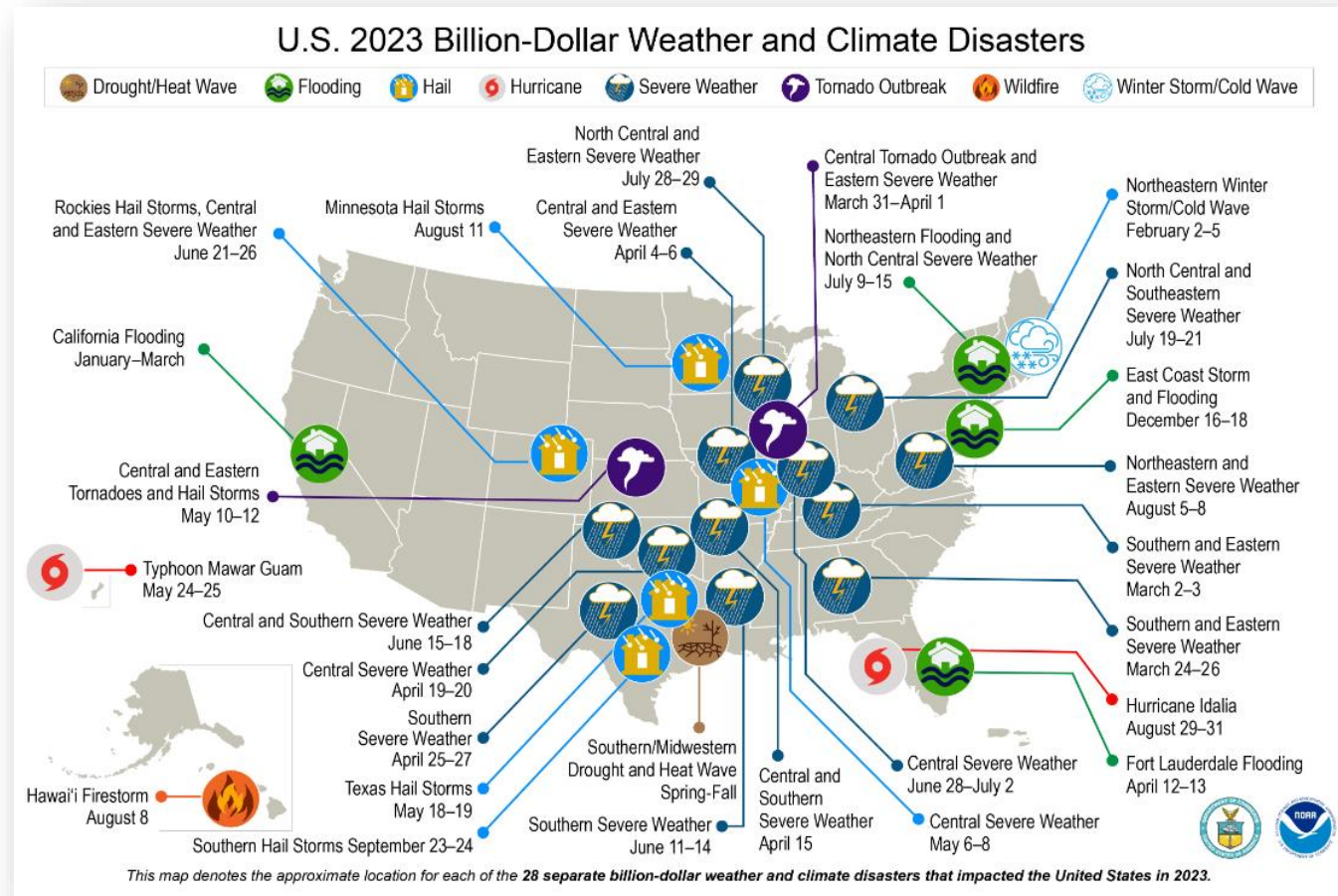
1. Weather and Climate Disasters

The US has sustained 373 weather and climate disasters since 1980 where overall damages/costs reached or exceeded \$1 Billion. **The total cost of these 373 events exceeds \$2.645 Trillion.**

<https://www.ncei.noaa.gov/access/billions/>

In 2022 President Biden signed into law the Community Disaster Resilience Zones Act, which requires FEMA to utilize a natural hazard risk assessment index to identify census tracts which are most at risk from the effects of natural hazards and climate change, then **in 2023 FEMA announced the first 483 Community Disaster Resilience Zones in all 50 states and DC**, with plans to announce additional designations that include tribal land territories.

<https://www.fema.gov/partnerships/community-disaster-resilience-zones>



What is Causing these Challenging Insurance Conditions?

2. Construction Costs and The Value Crunch

- During softer market years, many carriers did not emphasize the importance of accurate replacement cost values.
- Many property portfolios are underinsured on a cost-per-square-foot basis as a result.
- One of the main reasons for the valuation issue is the cost of construction has increased in terms of both labor and materials

A study conducted by McKinsey revealed that in 2022, there was a \$32 Billion increase in how much insurers paid over initial replacement cost expectations.

<https://www.wsj.com/articles/inflation-means-businesses-face-insurance-woes-when-rebuilding-2135e90f>

In the Q1 2023 state-of-the-market report issued by national insurance wholesaler Amwins, it was suggested that carriers believe the insurance-to-value (ITV) for real estate portfolios is off by 30% or more.

<https://www.amwins.com/resources-insights/article/q1-2023-state-of-the-market>

What is Causing these Challenging Insurance Conditions?

3. Reinsurance

- Reinsurance is insurance that an insurance company purchases from another insurance company as a way of transferring some of the financial risk.
- McKinsey reported Catastrophe Reinsurance is up 37% or more last two years due to increased number of catastrophic events occurring in their Global Insurance Report 2023.

<https://www.mckinsey.com/industries/financial-services/our-insights/global-insurance-report-2023-expanding-commercial-p-and-cs-market-relevance>

4. Liability and Excess

- Lawsuits
- Crime Rates – *impacting Underwriting*
- Water infiltration, HVAC, electrical issues with outdated materials
- Increased Habitational Claims – *larger settlements*
- Social Inflation – *higher dollar*

With so much out of your control, what can you do to help?

1. Risk Management 101

- Crime Prevention
Ensure light bulbs are always working, have a security partner in high crime properties.
- Freeze Mitigation
Preparedness and prevention are key.
- Roof & HVAC
Ensure proper maintenance so that all are functioning well.
- Update Building Materials
Replace any aluminum wiring or polybutene water lines.
- Supplier Agreements
Find ways to lower your costs with your partners.
- CAT Preparedness Plan
Have a plan and ensure your team members know what it is.

2. Review Insurance Policies and Programs

- Know Your Numbers
How much coverage do you have at each property?
What is the claim volume at each property?
 - Develop Strategies Around Risk
Pull out high claim properties.
Increase deductibles for wind or hail.
Create mini-Master policies.
Layer coverage.
 - Mandate Renters Insurance as a term of lease.
Utilize a technology partner to help you track and monitor the resident policies, and to enforce lease compliance.
- ### 3. Share this information with your commercial insurance broker when negotiating.
- Don't be afraid to shop around.



ePremium Sales

Sales@ePremium.com

Office (800) 319-1390

This content is for informational purposes only and does not include all terms, conditions and exclusions of the coverage described. Carefully review the terms and conditions of your policy. The coverages described herein may vary by state and insurance company and may not be available to all applicants. The information above should not be construed as legal or insurance advice and is not a guarantee of coverage. All ePremium Insurance Agency, LLC placements are made through Millennial Specialty Insurance LLC, a licensed insurance producer. For Renters insurance, Millennial Specialty Insurance LLC acts as agent for Spinnaker Insurance Company, Century National Insurance Company, and Cypress Property and Casualty Insurance Company.

ePremium Insurance Agency, LLC is a licensed insurance producer in all states, except Alaska (NPN 9925625, California License No.: 0G66570, Texas License No.: 1549460). In California, ePremium Insurance Agency, LLC does business under the name ePremium IRIS Insurance Solutions, LLC.